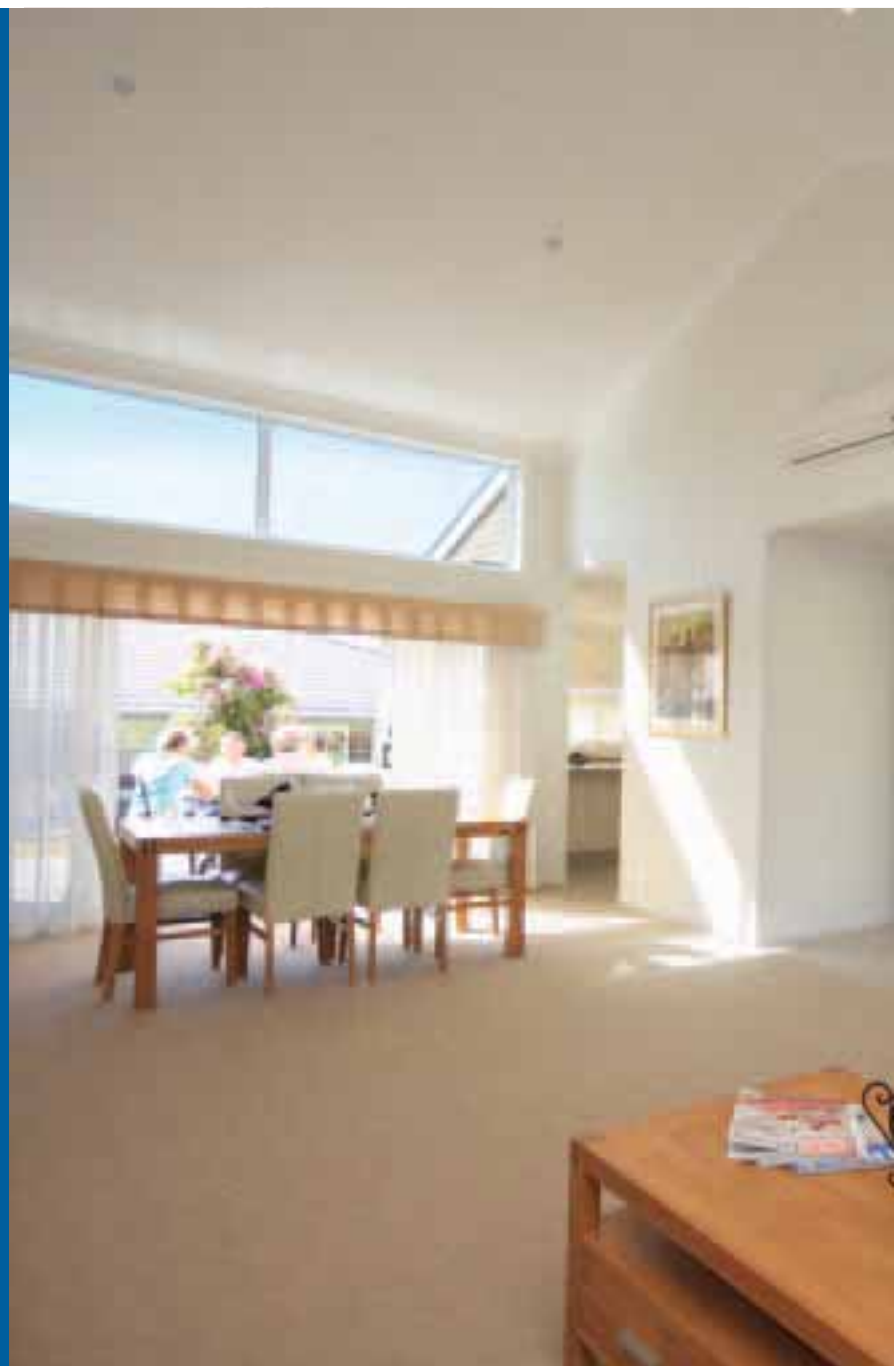




BUILDING QUALITY

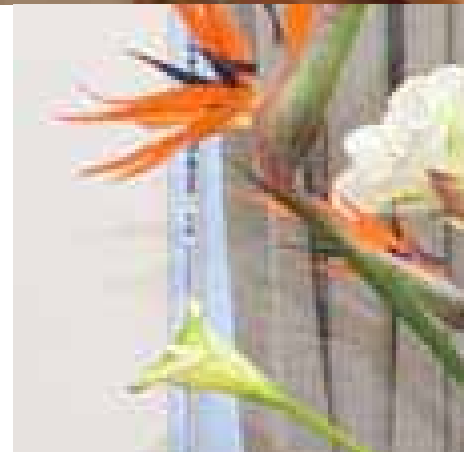
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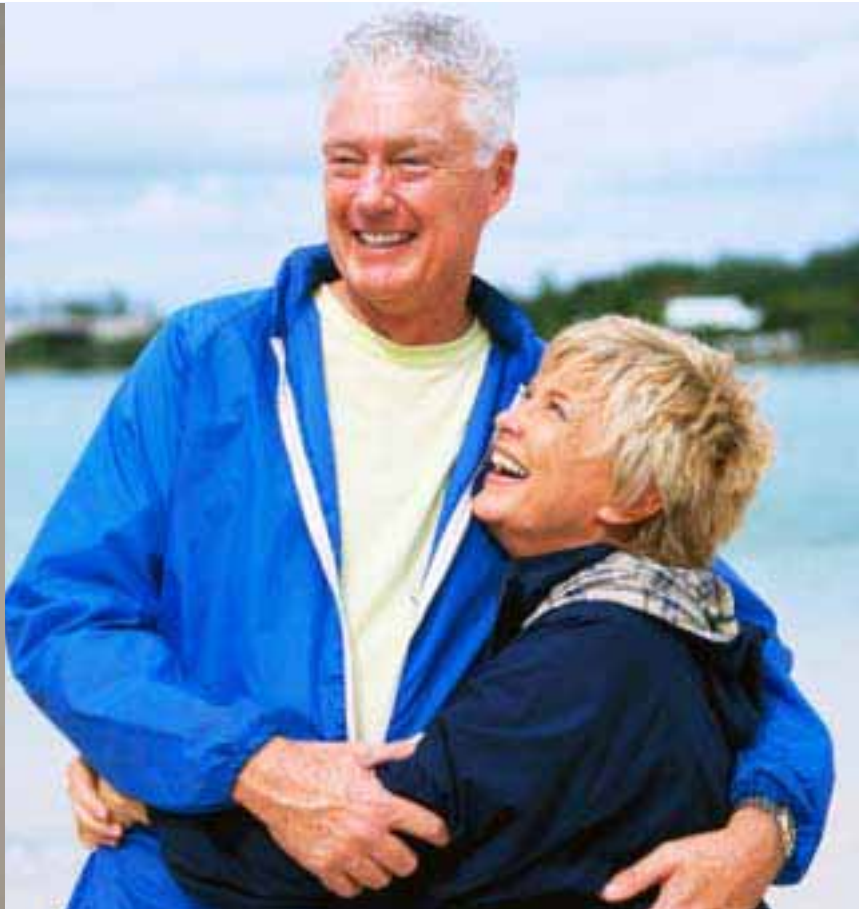


2008 AGM:

The Annual General Meeting of the Company will be held at The Grace Hotel, 77 York Street, Sydney on Friday 24 October 2008 at 12:00 noon.

Aevum Limited ABN 80 087 648 691





Our experience is derived from a rich history of care, including more than 30 years of owning, operating and developing retirement villages in NSW. This knowledge and the dedication of our people provide security and wellbeing for our residents.



AEVUM PROFILE

MISSION

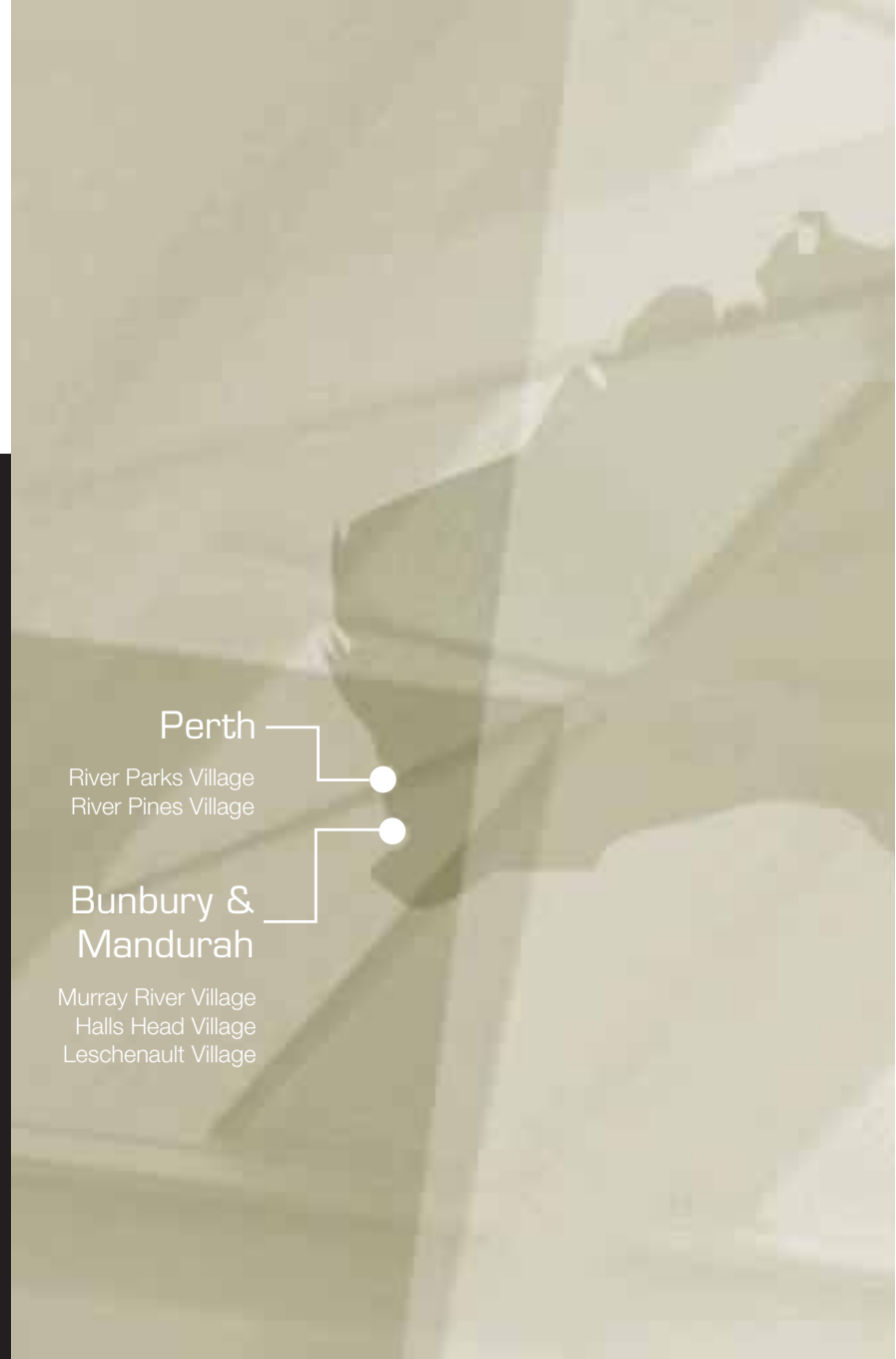
We aim to exceed the expectations of our residents in the provision of quality accommodation, services and care, and deliver sustainable earnings for shareholders.

VISION

Aevum's vision is to become the market leader in the provision of retirement accommodation and aged care services to Australian seniors.

OUR VALUES

Trust Accountability Teamwork
Integrity Respect Innovation Performance



Perth
River Parks Village
River Pines Village

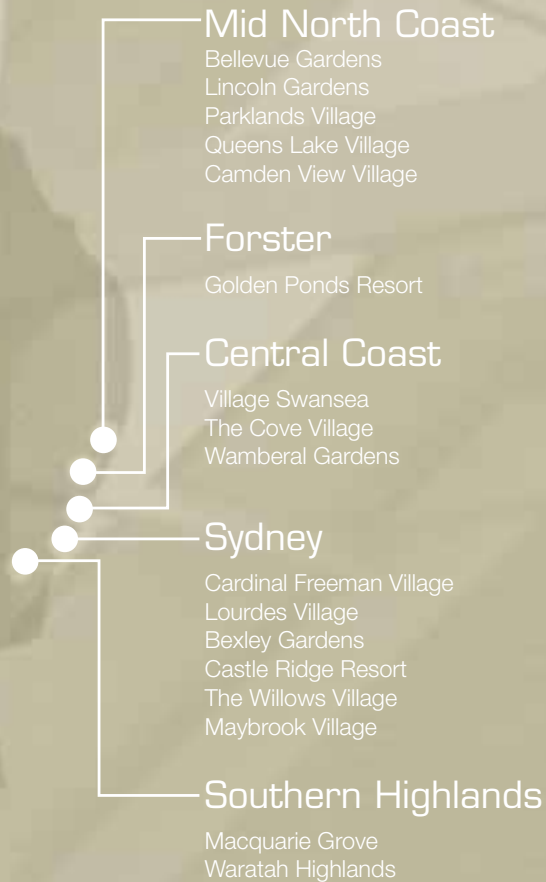
Bunbury & Mandurah
Murray River Village
Halls Head Village
Leschenault Village

- A. Victoria Views, Cardinal Freeman
- B. Waratah Highlands
- C. The Cove
- D. Bexley Gardens



C D





RESIDENT TESTIMONIAL:

Ken and Pam Bulgin

After seven years living independently in Port Macquarie, Ken and Pam decided it was time to move into a retirement village.

Health reasons had caused them to discuss a change in lifestyle, and once it was agreed that a retirement village was their best option, they began their search.

Not long after, Ken and Pam discovered Lincoln Gardens Retirement Village and also heard they were building two and three bedroom villas including all the necessities they were looking for.

After consultation and some invaluable advice from the sales manager Wendy Carter, Ken and Pam purchased their very own villa.

In October 2008, Ken and Pam celebrate their seventh year anniversary as very happy Lincoln Garden residents.

Pam goes on to say, "There is always someone to talk to, always fun things to do and with such good friends in the village, we have found Lincoln Gardens the best place to be."



"Delivering quality results to our residents and shareholders"

The Village Swansea - 8 Independent Living Villas

Following approval from Lake Macquarie Council in May 2008, construction of a further eight Independent Living Villas at The Village Swansea commenced in June 2008.

The village is ideally located within close proximity to the local Swansea shopping centre and just a short 10-minute walk to the beautiful Lake Macquarie or The Swansea channel, making it a sought-after destination for retirees.

Marketing of the new stage is due to commence in September 2008 which we anticipate will be well received by both the local and Sydney community, with a number of prospective residents already registering their interest in the project.



“First new units at Cardinal Freeman in 20 years”

B



A

Cardinal Freeman Village, Ashfield -

36 Independent Living Apartments

The response to our release of the first 18 brand-new Independent Living Apartments at Victoria Views in early 2008 (the name assigned to the new development) was overwhelming with over 70% sold off-the-plan.

Cardinal Freeman, the Company's cornerstone village is set on 11 acres in the sought after inner-west suburb of Ashfield, just seven kilometres from the Sydney CBD.

The ability to 'age in place', the outstanding community reputation and the convenient location are just a few of the reasons cited by new residents who have chosen to make Victoria Views their new home.

Incoming residents have also welcomed the 'Green Initiatives' incorporated into the design of the new apartments which include flow-through ventilation, recycling of building elements, paving which allows penetration of rainwater, storm water collection for re-use in clothes washing, toilet flushing and gardening; and solar power generation, which will lower electrical running costs for the whole village.

Existing and new residents of Cardinal Freeman village are also now enjoying the delicious treats and freshly brewed coffee on offer at the 'Village Green' coffee shop which opened in May 2008.



Waratah Highlands, Bargo - 16 Independent Living Villas

In July 2008, Aevum welcomed the first of our new residents to Waratah Highlands Village following construction of a further 16 brand-new Independent Living Villas.

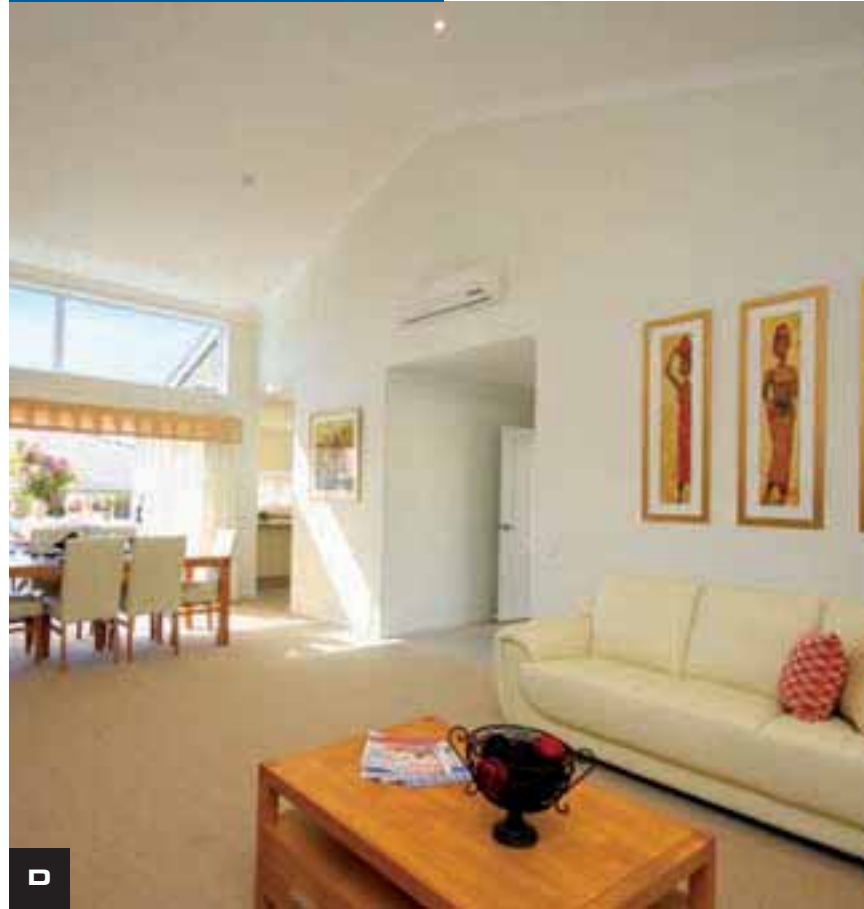
The Waratah Highlands Village is set on a scenic, semi rural 25 acre site in Bargo which is located in the NSW Southern Highlands, approximately one hour south west of Sydney. The village is located adjacent to a rail line and is an easy drive to the historic towns of Picton, Bowral and Camden.

The response to our amended two and three bedroom villas designs has been extremely positive with over 25% of the new stage sold off-the-plan.

Key improvements to the villa designs from previous stages include the incorporation of work benches into garages, additional provision of storage and wardrobe space, increased utilization of drawers rather than cupboards, integration of the outdoor living area under the main roof line, clever planning of the kitchen and bathrooms to accommodate future mobility issues (ageing in place) and rain water harvesting – rain water collected from roof water for reuse in laundries, toilets and outdoor watering.

Following completion of construction, Aevum hosted a 'champagne celebration' to formally open the new stage, providing existing residents with the opportunity to inspect the new homes and provide us with valuable feedback on the final result.

- A. Victoria Views
- B. The Village - Swansea
- C. Waratah Highlands
- D. Golden Ponds



D



C

Golden Ponds, Forster - 8 Independent Living Villas

Construction of a further eight spacious Independent Living Villas is now also complete at Golden Ponds Resort in Forster on the mid north coast of NSW.

Luxuriously appointed, each villa offers three bedrooms, two bathrooms, a spacious open plan living area with cathedral ceilings and a lock-up garage with additional storage area.

Aevum acquired the village in late 2006 which included 150 existing and occupied retirement units and DA approval for a further 42 villas.

In FY08 an extensive 'makeover' of the swimming pool at Golden Ponds was also undertaken. The addition of sunshades, new fencing, extensive landscaping and pavers have given the area a whole new feel, which has been welcomed by residents.

SYDNEY METROPOLITAN

- A. Bexley Gardens
- B. Cardinal Freeman Village
- C. Castle Ridge Resort
- D. Lourdes Village
- E. Lourdes Village

Bexley Gardens

Bexley North — Village Manager:
Elizabeth Jones

This is a well-established village located within a quiet, leafy street in Sydney's south-west.

Bexley Gardens was first occupied in 1974 and was the first in Aevum's portfolio. The village comprises 22 Independent Living Units and is being progressively upgraded with individual unit refurbishments as well as improvements to the grounds and gardens.

Bexley Gardens has been designed for privacy and security and units are attractively priced to ensure affordability. The village is set amongst private landscaped gardens, providing a peaceful outlook for residents and is ideally located just minutes from local shopping and transport.



A



B

Cardinal Freeman Village

Ashfield — Village Manager:
Elizabeth Jones

Cardinal Freeman Retirement Village, established in 1979, is set on 11 acres in the inner west suburb of Ashfield, just seven kilometres from the Sydney CBD.

Set amongst mature and well maintained gardens and the magnificent heritage listed Glentworth House, Cardinal Freeman offers five levels of care including architecturally designed Independent Living Units, Serviced Apartments, Respite Care and low and high-care Nursing.

There is a strong sense of community spirit and neighborhood pride at Cardinal Freeman; a thriving and vibrant community offering a wide range of social activities and village amenities.

In January 2008 we commenced construction of 36 one and two bedroom independent living units, the first new retirement accommodation in the village for 20 years. We look forward to welcoming the first of our new residents to Victoria Views (the name assigned to the new precinct) in September 2008.

Lourdes Village

Killara — Village Manager:
Andrew Koch

Lourdes is a highly respected retirement village set on 16 leafy acres in the sought after suburb of Killara on Sydney's North Shore.

Established in 1983, the village is set amongst stunning landscaped gardens overlooking the Garrigal National Park and offers a wide range of accommodation options to suit changing needs; including one, two and three bedroom Independent Living Units, Serviced Apartments, low and high-care Nursing as well as temporary Respite Care.

Village amenities include a heated swimming pool and spa, billiards room, hairdressing salon, coffee shop and library. All internal and external building maintenance is provided; ensuring residents enjoy a carefree and relaxed lifestyle.



E
C D

Castle Ridge Resort

Castle Hill — Village Manager:
Karen Hart

Castle Ridge Resort situated 26 km north-west of Sydney in Castle Hill is ideally located close to a wide range of local amenities. Opened in 1987, the village provides luxurious accommodation for more than 140 residents with a private parkland and spectacular views to the Blue Mountains.

Castle Ridge consists of 113 one, two and three bedroom Independent Living Units all flowing onto balconies or patios with views over the beautifully landscaped gardens or mountains.

The resort has its own clubhouse building which includes a heated pool and spa, open log fire, library, dining area, dance floor, fully equipped office and hair salon.

- A. Maybrook Village
- B. The Willows Village
- C. Macquarie Grove
- D. Waratah Highlands

Maybrook Village

Cromer — Village Manager:
Deborah Drummond

Maybrook Village is home to 130 residents situated in the midst of the Northern Beaches. It offers a bushland setting; the picturesque valley opens onto various walking trails, creating a unique environment being so close to major convenience centres.

Maybrook is a mature village of 98 Independent Living Units which have been developed in three stages over the past 10 years. The village consists of a mixture of one, two and three bedroom units, large communal facilities, a restaurant, indoor pool and undercover parking.

Located nearby are a range of local sporting clubs, beaches, restaurants, hospitals, supermarkets and shopping malls. Maybrook is also only a short drive or bus trip away from Sydney CBD.

In recent months the company received approval to build a further 19 Independent Living Units in the village.

The Willows Village

Winston Hills — Village Manager:
Robert Waddell

The Willows Village is set on five glorious acres of extensively landscaped grounds, conveniently located between Parramatta and Baulkham Hills, just two minutes from the M2 freeway.

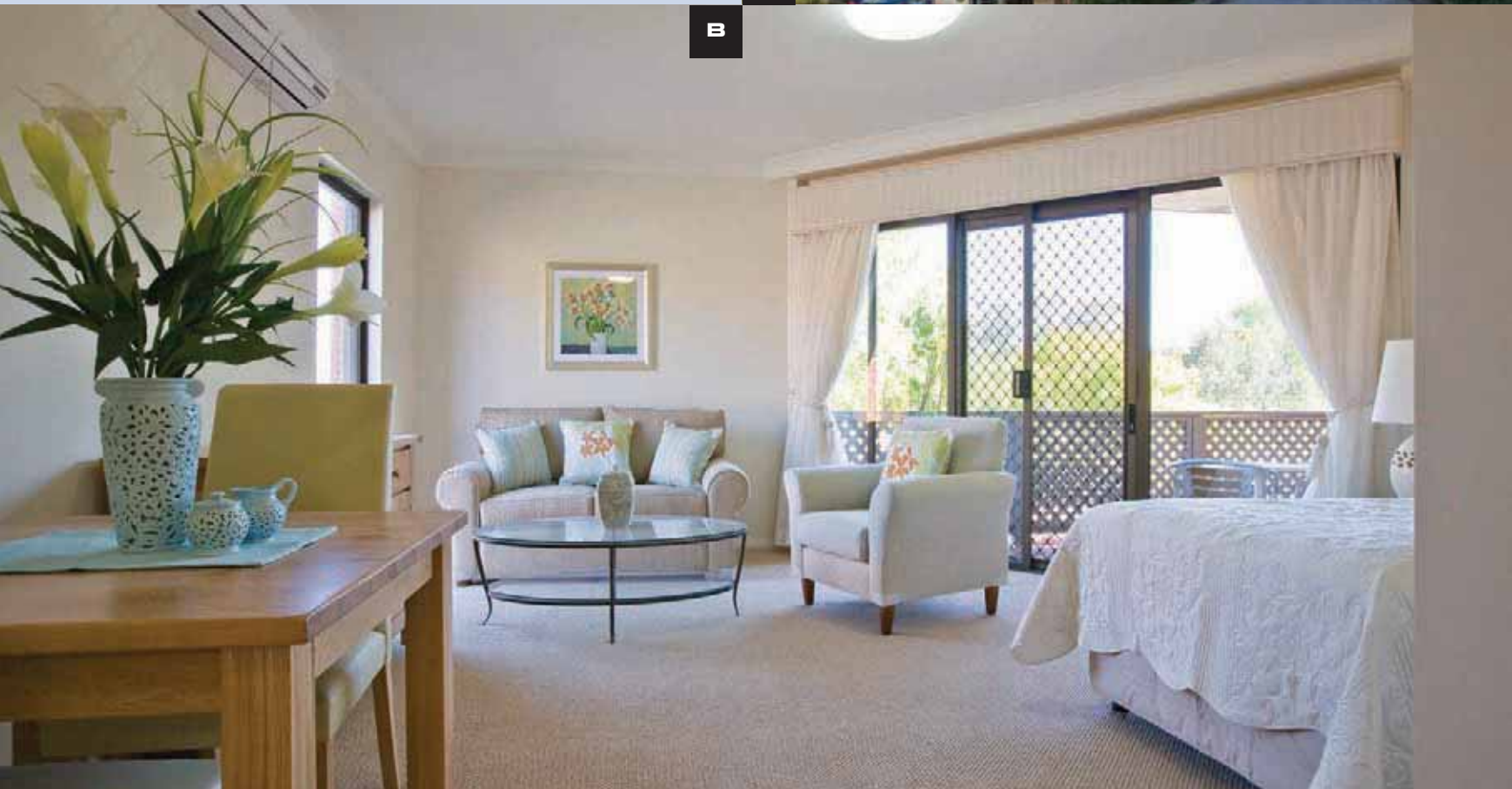
Established in 1989, the village offers two levels of care including one and two bedroom Independent Living Units and Serviced Apartments, complemented by a comprehensive range of support services to make retired life comfortable and secure.

The large centrally located clubhouse is the social hub of the village and features a dining room, billiards room, dance floor, craft room, hairdressing salon, heated pool and spa.

Following extensive, ongoing consultation with residents, the company is currently finalising plans to lodge a Development Application with Parramatta council for a further 80 Independent Living Units and a 60 bed Nursing Home.



A



B

SOUTHERN HIGHLANDS



Macquarie Grove

Tahmoor — Village Manager:
Liz Tickner

Macquarie Grove is situated in a peaceful rural setting in the largest town within the Wollondilly Shire.

Macquarie Grove is only an hour from Sydney and two hours from Canberra, and close to many clubs, recreational activities and medical services in the local area.

There are 42 two-bedroom Independent Living Units, each with a self-contained backyard and lock-up garage. Macquarie Grove's community centre features a lounge, kitchen and library, and activities including line dancing, sing-a-longs, darts, bingo, cards and rummy tiles are held regularly. There is also a hairdresser and podiatrist that regularly visit the Village.

Waratah Highlands

Bargo — Village Manager:
Liz Tickner

Waratah Highlands Village is set on a scenic, semi-wooded 25 acre block of land, providing a peaceful and secure living environment for residents. The location of the village is the perfect gateway to take advantage of both country and city life.

Historic towns such as Camden, Picton and Bowral are within easy driving distance and Sydney is just over an hour away.

All the Independent Living Units have private courtyards and all include attached garages that provide internal access.

With development approval in place for another 91 units, construction was recently completed on 16 brand-new luxury two and three bedroom Independent Living Villas.

Waratah Highlands features a large auditorium, hairdressing salon, podiatrist room, entertainment and snooker room for residents' enjoyment.



MID NORTH COAST

Bellevue Gardens

Port Macquarie — Village Manager:
Carolyn Taylor

Bellevue Gardens is designed to take full advantage of its 12 acres of landscaped surroundings and is conveniently located just 1.3km from the Port Macquarie city centre.

Established in 1994, the village consists of 131 Independent Living Units and 44 Serviced Apartments.

Facilities at Bellevue Gardens include an indoor heated pool, bowling green, restaurant, coffee shop, library, auditorium and lounge. There is also a full activity schedule for residents including water aerobics, indoor and outdoor bowls, tai chi and line dancing.

Bellevue Gardens has earned a reputation as the leading village in Port Macquarie through its superior design and award winning gardens.

Camden View Village

Laurieton — Village Manager:
John O'Rafferty

Camden View Village is a modern and vibrant retirement community, located in the sought-after seaside town of Laurieton, just 30-minutes south of Port Macquarie, idyllically located on the Camden Haven River waterfront, just a short stroll from the town centre and local recreational clubs.

Established in 2002, the village consists of 54 Independent Living Units in spacious two and three bedroom designs, with a number of units enjoying water views.

The Clubhouse facility, a historical homestead, is the focal point of the village where residents enjoy spending time together in a relaxed and comfortable environment.



B



A



C

Lincoln Gardens

Port Macquarie — Village Manager:
Maria Collins

Established in 2000, Lincoln Gardens offers a total of 54 Independent Living Villas of two, three and four bedroom configuration set on five landscaped acres.

The village is located in a quiet suburban enclave yet it is only 5km from the heart of Port Macquarie.

The community clubhouse has a library, games room and a hairdressing salon, providing a meeting place for residents where regular activities such as tai chi, happy hour and cards are held.

- A. Bellevue Gardens
- B. Camden View Village
- C. Lincoln Gardens
- D. Golden Ponds Resort
- E. Parklands Village

Golden Ponds Resort Forster — Village Manager: Steve McGarrigle

Golden Ponds combines the tranquility of coastal living with a beautifully landscaped environment, close to Forster's sandy beaches.

The village comprises 150 Independent Living Units offering a mix of one, two and three bedroom villas, all at ground level and designed to make the best use of outdoor living.

With development approval in place for an additional 42 units, construction of the first eight new three-bedroom Independent Living Villas was completed in July 2008. We look forward to welcoming new residents to the Golden Ponds Village community over the coming months.

The resort has extensive landscaped grounds and several small lakes to promote a relaxing and peaceful environment. Amenities at Golden Ponds include a pool and spa area, bowling green, restaurant, library and a leisure centre.



E



D



Parklands Village

Port Macquarie — Village Manager:
Jeff McHugh

This village is a private retreat set on 13 acres of landscaped lawns and located just minutes from the Port Macquarie city centre.

Parklands Village was established in 1988 and comprises 113 two bedroom Independent Living Units and 31 Serviced Apartments in studio or one bedroom designs to cater for those residents who require additional care.

The community clubhouse was totally refurbished in 2007 and now includes new administration offices, a coffee shop with alfresco dining, library, games room, dining room and a hairdressing salon.

AEVUM WELCOMES 2 NEW VILLAGES

Aevum continued its expansion in April 2008 by announcing the acquisition of another two villages on the NSW Central Coast, The Cove at Daleys Point (near Woy Woy) and Wamberal Gardens at Wamberal (near Terrigal).

A perfect complement to our existing portfolio, the addition of these two Central Coast villages expands Aevum's portfolio to 21 villages (17 in New South Wales and 4 in Western Australia) and continues the company's strategy of acquiring well managed and maintained villages located in attractive retiree locations.

"The addition of these two Central Coast villages strengthens our position along the NSW coast. Combined with the nearby Village Swansea, the acquisition means we have three closely located villages offering a variety of retirement accommodation in the highly sought after Central Coast region." Mr Owen said.

In keeping with tradition, Simon Owen and the Aevum team hosted 'Welcome to Aevum' cocktail parties at both villages to welcome residents and staff in May 2008.

MID
NORTH
COAST
CONTINUED

Queens Lake Village

Laurieton — Village Manager:

Betty Ryder

Located on the magnificent Queens Lake waterfront at Laurieton, the village is set on 13 acres of landscaped lawns with its own private jetty. The village is just a few minutes walk from the Laurieton town centre and 20 minutes via car to Port Macquarie.

The village was established in 1987 and comprises 124 Independent Living Units, including a range of one, two and three bedroom architectural-styled brick units integrated into the foreshore setting.

Queens Lake Village includes a heated indoor pool and spa, clubhouse, lawn bowls and a library for residents' enjoyment.



The Cove

Daleys Point — Village Manager:
Rhonda Pickering

This beautiful resort style community boasts absolute water frontage. Located at Daleys Point, overlooking St Hubert's Island, the majority of Independent Living Units have spectacular views over the glittering expanse of Brisbane Water.

The Brisbane Water not only provides an aesthetic dimension to the village but also wonderful recreational opportunities.

Life flourishes at the water's edge. The Cove has its own deep water wharf and its own moorings so residents can enjoy fishing, boating and sailing right at their doorstep.

Ideally located on the sought after Central Coast of NSW, the village is only a 70-minute drive from the centre of Sydney.

Aevum acquired The Cove in April 2008 and is currently investigating the addition of a further 40 Independent Living Units on various parcels of vacant land within the village.



B



C

Wamberal Gardens

Wamberal — Village Manager:
Tina Rogers

This delightful village is adjacent to the beautiful Wamberal Lagoon and is ideally located within close proximity to transport shopping and medical facilities.

A small boutique community, the village comprises 68 two bedroom Independent Living Units. Resort style facilities include two pools, two outdoor BBQ areas, an activities room where residents can enjoy a game of pool or indoor bowls and a well appointed library.

The beautiful Brisbane Water to the south and the spectacular Tuggerah Lake to the north flank Wamberal Gardens. Cosmopolitan Terrigal is a close neighbor and Gosford, the commercial centre of the region is only about 12 kilometres away.

CENTRAL COAST

The Village — Swansea

Swansea — Village Manager:
Glen Aubin

The Village — Swansea is a vibrant community, ideally located with easy access to the local Swansea shopping village, Lake Macquarie and Caves Beach.

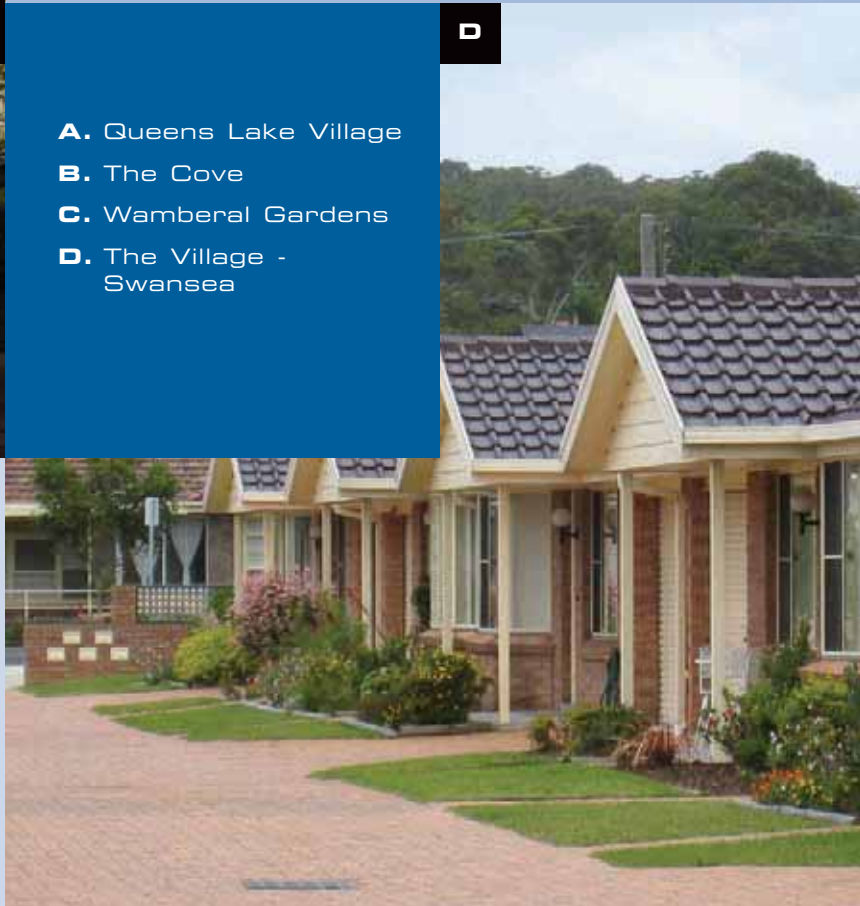
The village is situated on both sides of the southern most end of Wallace Street in Swansea, on level ground, which enables a quick 5 minute walk to Swansea township, or a 10 minute walk to beautiful Lake Macquarie or The Swansea Channel.

Established in 1988, the village consists of 133 two-bedroom Independent Living Units and Villas. Resort style facilities at The Village-Swansea include three salt-water swimming pools (one indoor heated), bowling green and two community centres which provide a meeting place where regular social activities such as snooker, table tennis and indoor bowls are held.

In June 2008, construction commenced on eight new villas which are scheduled for completion in December 2008.

D

- A. Queens Lake Village
- B. The Cove
- C. Wamberal Gardens
- D. The Village - Swansea



BUNBURY & MANDURAH / PERTH

Halls Head Village

Halls Head — Village Manager:
Brian Bartley

Halls Head Village is a compact village located 3km west of the Mandurah Town Centre, only 500m from Port Mandurah Canals and about one hour south of Perth.

The village's whitewashed buildings have an attractive Spanish influence which set off the colourful gardens. The first stage of the village was completed in 1982.

Each of the 46 Independent Living Units, of one and two bedroom configurations has its own private courtyard. The air-conditioned clubhouse provides the basis for social gatherings and includes a hairdressing salon, podiatrist room, small library, indoor bowls carpet and pool table.

Murray River Village

Mandurah — Village Manager:
Brian Bartley

Established in 1990, Murray River Village offers a unique lifestyle just five minutes from the heart of Mandurah. Sandy beaches and golf courses are located close by and it is well located for residents to enjoy boating on the estuary or fishing on the ocean.

The village comprises 37 Independent Living Units offering a mix of two bedroom single storey and three bedroom loft style designs.

The air-conditioned clubhouse provides a large meeting area for residents, with an outdoor BBQ area and a solar heated swimming pool, hairdressing salon, podiatrist room and library.



- A. Halls Head Village
- B. Murray River Village
- C. Leschenault Village
- D. River Parks & River Pines Village

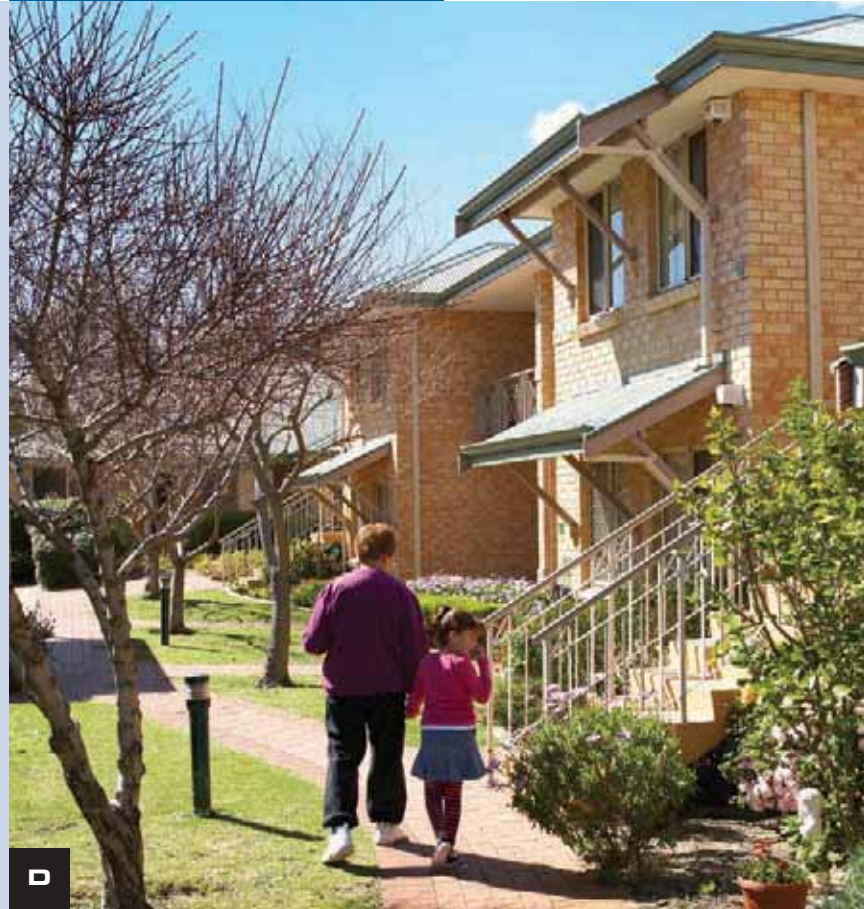
Leschenault Village

Bunbury — Village Manager:
Colleen Fitzgerald

Leschenault Village is ideally located in popular East Bunbury, within walking distance to Bunbury city centre and backing onto the Leschenault Inlet. The village was established in 1989 and comprises 38 two-bedroom Independent Living Units, with carports and an outside storage shed.

Leschenault offers most of the facilities of a much larger retirement village, including a 24-hour emergency system, a bowling green and an outdoor entertaining area overlooking the well established gardens.

The air conditioned clubhouse features a pool table, lounge area, library, kitchen, hairdressing salon and consulting rooms. Residents regularly utilise the area for dinners, tai chi, gentle gym, bingo and weekly get-togethers.



D



C

River Parks & River Pines Villages

Wilson — Village Manager:
Brian Bartley

Located only 10km from the centre of Perth and adjacent to the Canning River, the River Parks and River Pines villages are conveniently situated within easy access to local shopping centres, libraries, tennis and bowling clubs, public transport and other amenities.

Established in 1993, the River Pines Village comprises 34 two-bedroom Independent Living Units. The River Parks Village was established in 1997 and comprises 33 two-bedroom Independent Living Units.

Both villages are set amongst private landscaped gardens and feature a large community centre which is utilised for regular social gatherings and events.

CHAIRMAN'S REPORT

Graham Lenzner, Chairman



The past 12 months has seen Aevum continue its transition into an integrated owner, operator and developer of retirement communities.

Most pleasing was the strong cash flow generation of the company's retirement division with operating cash flows up nearly 100% to \$20.4 million for the year.

24%

INCREASE IN PROFIT AFTER TAX TO \$28.5 MILLION

4%

INCREASE IN EARNINGS PER SHARE TO 24.1 CENTS

The financial year just concluded was a year of two distinct periods. In the first half the company experienced good trading conditions with strong demand for our products, underpinned by a buoyant residential property market. The second half saw the emergence of uncertainty and lower consumer confidence on the back of volatility in global credit markets. Whilst demand for the company's product remains strong it is certainly being impacted by lengthened settlement periods for the sale of residential housing which fund the entry of most incoming residents.

Over the course of the year Aevum delivered a record net profit of \$28.5 million, representing a 24% increase over the corresponding period in 2007. Earnings per share (EPS) were up 4% to 24.1 cents per share. Net tangible assets grew during the period, from \$1.97 to \$2.17 per share.

Most pleasing was the strong cash flow generation of the company's retirement division with operating cash flows up nearly 100% to \$20.4 million for the year. This was primarily as a result of the company turning over a record 161 units for the year as well as recording an encouraging result from the aged care business.

In recognition of the company's solid financial performance, the Board is pleased to declare 4.5 cents per share final dividend, unfranked. This takes the full year dividend to 9.0 cents, which is some 6% higher than the 8.5 cent dividend paid in 2007.

Building Shareholder Value

The Aevum board is focused on building long term shareholder value through the growth and development of a successful, retirement living and aged care business. Today your company has approximately \$800 million of retirement villages, nursing homes and development assets under management. In the past two years the company has invested over \$200 million in the acquisition of new villages and the redevelopment of existing villages.



Over the next five years the company plans to invest (subject to regulatory approval) over \$150 million in expanding existing retirement communities. This investment in the company's future is forecast to add over 500 new independent living units and aged care beds to the company's existing portfolio of 2,123 units and 202 beds. The gross realisation value of this development is nearly \$240 million and is expected to be a key contributor to the company's earnings and cash flow growth over that period.

Shareholder value is also achieved through a disciplined approach to capital management. In December 2007, and with the outlook for capital markets remaining uncertain, the company undertook a placement of new shares to raise \$34 million. These funds were raised to assist fund the company's organic development pipeline and for several acquisitions then under consideration.

Aevum's financial position remains strong, with gearing (measured by net debt / net debt plus equity) of 19% and net debt of \$63 million. In June 2008 the company entered into a new, \$150 million, three-year debt facility. The Board and management will continue to apply a disciplined approach to investment and capital management and believe that the company has sufficient cash reserves, committed debt facilities and internal cash flow generation to fund the company's growing organic development pipeline, and modest acquisition activities.

Current Market Conditions

Aevum's share price has fallen considerably over the last twelve months in keeping with the general market, and property stocks in particular.

However I would like to reassure you that Aevum enters this period of market uncertainty in a strong position. Your company remains well capitalised, has low levels of debt, and committed debt funding necessary to meet the exciting development pipeline now in place. It is difficult to say when these abnormal market conditions will end however Aevum is well positioned to take advantage of suitable opportunities.

Aevum strives to provide industry benchmarks for transparency and disclosure in reporting financial performance. This year we have once again provided further disclosure about the key components and sensitivities of our business model.

Board and Management

I would like to thank my fellow directors, Melanie Willis, Richard Gould and Phil Anderson for their valuable contribution throughout the year and for their continued commitment to the prudent oversight of the company's affairs.

The Board would like to acknowledge the leadership and dedication of Aevum's Chief Executive Officer Simon Owen, his management team and all of the company's many employees for their continued commitment which has enabled the company to deliver another strong performance for the 2008 financial year.

Departure of Chief Executive Officer

The former Chief Executive Officer, Simon Owen, left the company on 29 August 2008. Simon had been with the company for five years, with three years in the role of CEO.

Simon made an important contribution as Chief Executive Officer of Aevum. He oversaw the ASX listing in November 2004 when the company had three Sydney retirement villages, to now owning 21 villages across NSW and Western Australia. Over this period the group's assets have grown significantly from \$133m to over \$800m and profits have increased from a breakeven result in 2003 to over \$28 million.

The Company wishes Simon success in the future and would like to record the valuable contribution he made during his five years with the company.

Outlook

The company is not providing any guidance on growth in this year's earnings due to the current abnormal market conditions. Aevum does continue to experience strong demand for its retirement living and aged care accommodation and has 68 new units scheduled for delivery between July and December 2008. These new units, which are supported by encouraging pre-sales and reservations, are expected to strongly contribute to operating cash flows and earnings in the current financial year.

Finally, I would like to thank all our shareholders for their continued support throughout the year. We look forward to seeing you at our Annual General Meeting at the Grace Hotel, in the Sydney CBD, on Friday 24 October 2008.

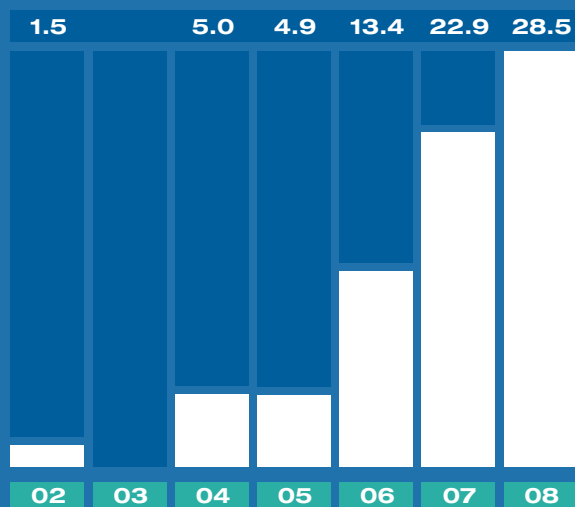
Graham Lenzner,
Chairman

REVIEW OF OPERATIONS



2008 has been a successful year for Aevum, marked by the transition of the organisation to an integrated owner, operator and developer of retirement villages

NET PROFIT AFTER TAX



24%

NET PROFIT AFTER TAX OF \$28.5 MILLION, UP 24% ON 2006/07

Retirement Villages

The company's retirement village operations (Independent Living Units and Serviced Apartments) reported solid increases in both revenues and earnings resulting from an increasing contribution from recent acquisitions, improving contract terms and steadily increasing occupancy rates.

Performance Highlights:

- Retirement revenues (including revaluation increments) were up 32% to \$46.0 million;
- Annual loan reduction fees (also referred to as deferred management fees) were up 56% to \$9.8 million;
- Earnings before tax and interest increased 37% to \$36.9 million;
- Positive sales price growth of 3.3% was recorded for the period;
- Village occupancy rates largely maintained at 95.1%. There was a general improvement in occupancy rates across the portfolio however this was partially offset by the initial consolidation of lower occupancy villages;
- Conversion of strata title units to loan lease contracts now fully implemented at Western Australian and Southern Highland villages with resident approval now received to proceed at Willows village (Sydney) ;



The company continues to reinvest in stock to drive earnings growth. As units become available an assessment is made of the opportunity to reprice having regard to the resultant capital upgrade requirements.

There has been greater focus on community based marketing initiatives to drive demand and raise local market awareness. The company continues to invest in village coffee shops to increase village visibility as well as provide a central point of focus for our residents.

Aged Care

It is pleasing to note that the company's aged care operations, comprising low-care hostel (lodge) accommodation and high-care nursing beds, achieved a significant increase in earnings during the year due to tighter cost management and less reliance on agency staff. Aged care is a difficult business to manage as typically, costs escalate at a much higher rate than Commonwealth set revenues.

Performance Highlights:

- Aged care revenues (excluding interest on accommodation bonds) up 6% to \$11.1 million;
- Aged care earnings (excluding interest on accommodation bonds) up 100% to \$1.2 million;
- High occupancy rates averaging over 96% for the year;
- Accommodation bonds up \$5.7 million to \$22.8 million;

Amenity, care and independence enjoyed by our residents' remains the cornerstone of our operating philosophy. It is pleasing to note that notwithstanding a higher level of spot-checks and surprise audits being undertaken by the Department of Health and Ageing, Aevum facilities remained fully compliant at all times.

Table 1 - Aged Care Returns

	High Care (Nursing Home)		Low Care (Lodge)	
	Lourdes	Cardinal Freeman	Lourdes	Cardinal Freeman
Beds	64	59	19	60
EBITDA per bed ¹	7,547	8,152	9,052	13,050
EBITDA per bed ²	4,042	4,647	5,547	9,545

Note¹: site only costs

Note²: including corporate recharge



RESIDENT TESTIMONIAL:

Peg Sacco

Lourdes Retirement Village

Peg woke up one morning wondering why she was spending so much time and money maintaining a big house and what she could do to make her senior years the most enjoyable.

After noticing advertisements for retirement villages, going to open days and reading numerous brochures, Peg warmed to the idea of living in a community of other people her age and soon stumbled across Lourdes Retirement Village.

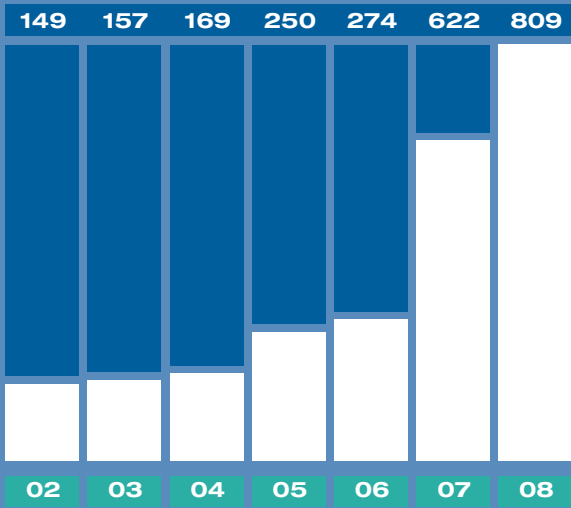
Peg was immediately won over by the attractive brick homes in delightful gardens set in the north of Sydney with a charming chapel and resident chaplain, but mostly the four stages of care which took the anxiety away from the inevitable disabilities of old age.

Now, Peg enjoys a morning swim in the heated pool and spa as well as a regular game of croquet, carpet bowls and billiards and also volunteers in the community store.

Peg finishes saying, "Gone is the family home which became a burden. In the village I enjoy peace and quiet combined with many friends and activities organised by cheerful and efficient staff. What more could anyone want?"

REVIEW OF OPERATIONS CONTINUED

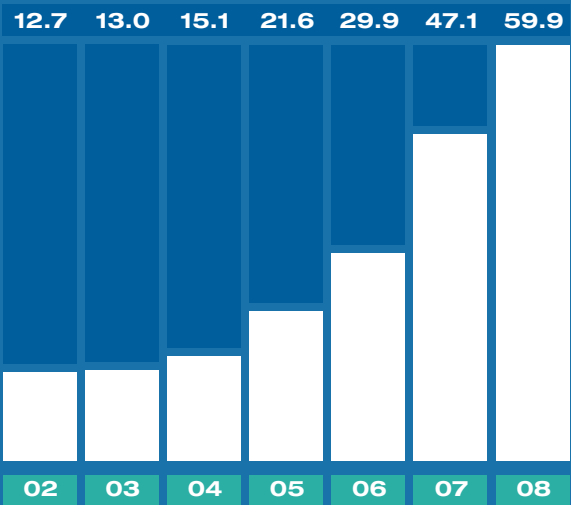
GROSS ASSETS



\$809m

TOTAL ASSETS NOW EXCEED \$809 MILLION

REVENUE FROM CORE ACTIVITIES



27%

REVENUE FROM CORE ACTIVITIES OF \$59.9 MILLION, UP 27% ON 2006/07





REVIEW OF OPERATIONS CONTINUED

Financial Performance

The company delivered a net profit after tax of \$28.5 million for the year ended 30 June 2008 compared to the prior year of \$22.9 million. Total revenue for the year, including revaluation increments, was \$59.9 million compared to the prior year of \$47.1 million.

The company reviewed its portfolio valuation as at 30 June 2008. Having regard to the prevailing state of the property market Aevum took the decision to increase the discount rate applied across the portfolio from 12.1% to 12.5%. As a result of both the internal review of all retirement villages and the external valuation of 4 villages, a revaluation increment of \$35.2 million was brought to account. Key assumptions into the valuation process are summarised below.

Table 3 - Typical Retirement valuation assumptions by market cluster

Cluster	Discount Rate		CAGR		Residency	
	Jun 08	Jun 07	Jun 08	Jun 07	Jun 08	Jun 07
Sydney	12.3%	12.0%	5.0%	5.0%	11 years	11 Years
NSW Coast	12.5%	12.0%	4.0%	4.0%	11 years	12 years
NSW Highlands	12.5%	12.0%	4.0%	4.0%	11 years	12 years
WA	14.0%	14.0%	5.0%	4.0%	11 years	14 years

Sensitivities to changes in key inputs can be summarised as follows:

- Increasing (or decreasing) the discount rate by 1% - adds (or subtracts) \$27 million to NTA / profit
- Increasing (or decreasing) the price growth (CAGR) by 1% - adds (or subtracts) \$37 million to NTA / profit
- Reducing (or increasing) the period of residency by 1 year - adds (or subtracts) \$14 million to NTA / profit
- Increasing (or decreasing) the price of units by 5% - adds (or subtracts) \$22 million to NTA / profit

Table 4 - Key Retirement data by market cluster

Cluster	Valuation \$m				Units			Residents	
	Gross Value	MCI	Resident Interests	Develop Land & WIP	No. of Units	Average Mkt Value	Occupancy Rate	Average Resident Age	Average Tenure
Sydney	318	144	151	23	814	341	93.7%	82	7.6
NSW Coast	300	117	174	9	1,000	280	95.4%	81	6.9
NSW Highlands	31	6	17	8	121	250	99.2%	78	5.3
WA	48	15	33	-	188	261	96.3%	80	8.3
Total	697	282	375	40	2,123	301	95.1%	81	7.1

Dividend

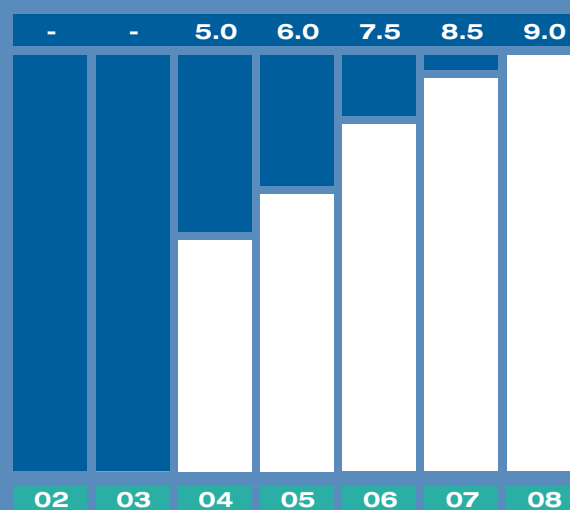
In recognition of the year's satisfactory result, the Directors have announced a final dividend of 4.5 cents per share (unfranked) taking the full year dividend to 9.0 cents. This represents a 6% increase on the 8.5 cent dividend paid in FY07. The dividend will be paid on 22 October 2008.

The company has also decided to suspend the 2.5% discount previously offered on the Dividend Reinvestment Program (DRP) due to continuing weakness in the Australian equity markets.

Net Debt & Interest Cover

As at 30 June 2008, Aevum had cash on hand and investments of \$17 million and net debt of \$63 million. During the course of the year the company negotiated a new three-year \$150 million facility with Westpac and ANZ. Gearing as at 30 June (measured by net debt divided by net debt plus equity) was 19% and all banking covenants continue to be comfortably met. Interest cover at 30 June was 3.6.

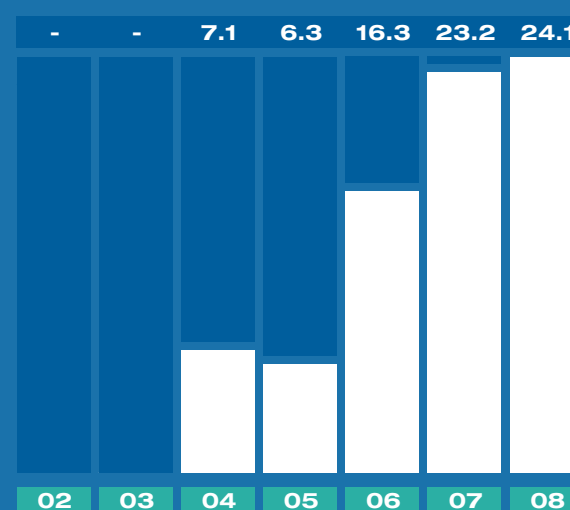
DIVIDENDS PER SHARE



6% TOTAL DIVIDENDS FOR THE YEAR OF 9.0 CENTS, UP 6% ON 2006/07

INCREASE

EARNINGS PER SHARE

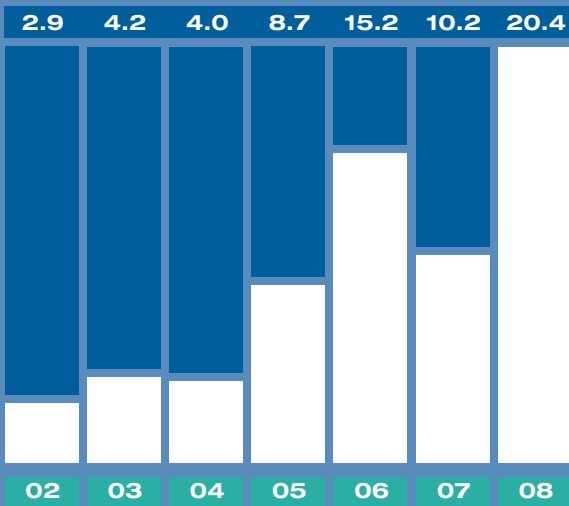


4% EARNINGS PER SHARE 24.1 CENTS, UP 4% ON 2006/07

INCREASE

REVIEW OF OPERATIONS CONTINUED

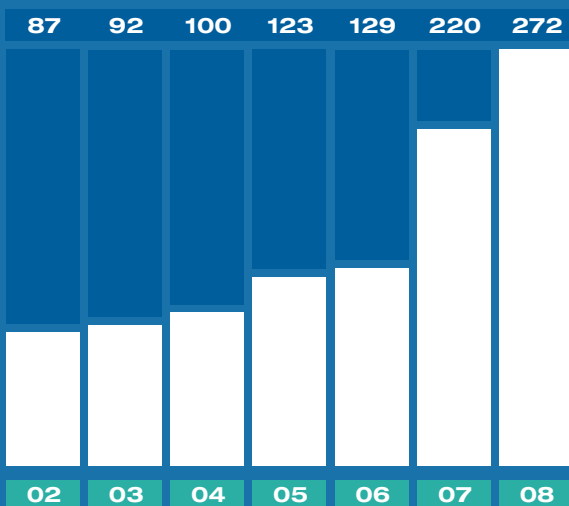
OPERATING CASH FLOWS



100%

OPERATING CASHFLOWS FOR THE YEAR OF \$20.4 MILLION, UP 100% ON 2006/07

TOTAL EQUITY



24%

TOTAL SHAREHOLDER EQUITY OF \$272 MILLION, UP 24% ON 2006/07

Cash flow

Net operating cash flow for the year was \$20.4 million, a solid improvement on the prior year's result of \$10.2 million. Operating cash flow in the current year is expected to be supported by the delivery of 68 new units for sale prior to December 2008.

Outlook for 2009

The immediate outlook for the group remains challenging due to the softening residential property market particularly in NSW. Most incoming residents need to sell their homes to fund the move. Delays or price reductions will adversely affect cash flow in the short term.

Balanced against this Aevum now has deposits and reservations in place for 62 units totalling some \$22.8 million which does provide a solid base for first half performance.

Our focus for 2009 is to maintain and grow occupancy levels across the portfolio in a challenging market environment and deliver and sell through new developments. In addition the group is concentrating on releasing value from our portfolio of assets by lodging new development applications; the target is 80 new ILUs commenced in the current year.

Aged care remains a small but important component of Aevum's business providing the opportunity for both pricing power and product differentiation. In a market where house prices are softening our continuum of care approach becomes increasingly important. In aged care the focus is to prepare for Commonwealth accreditation, which is currently scheduled for mid 2009 and extract full operational benefits of recently installed time attendance and payroll system including improving existing facility rostering.



A. Liz Tickner-

Village Manager

Macquarie Grove & Waratah Highlands

Liz joined Aevum over two years ago as Village Manager for both our Waratah Highlands and Macquarie Grove villages in the Southern Highlands of New South Wales.

With over twenty years experience in the hospitality and tourism industries, Liz has brought a wealth of knowledge and expertise that have made her a great asset to this company.

On a day-to-day basis, Liz is responsible for the sales, administration and overall management of both villages.

"The role of Village Manager at two villages could probably qualify me as multi skilled or mad, but I love a challenge! I certainly have expanded my horizons with a better understand of building, electrical, plumbing, interior design, counseling, scrap booking and how to make a fine cup of tea & scones!"

What Liz loves most about her job is that no day is ever the same. The day-to-day challenges of a managing a retirement village brings with it a great deal satisfaction, character building and of course fun and laughter, but as Liz goes on to say, "Life is what you make it".

B. Madonna Jackson -

Executive Manager

Lourdes Nursing Home and Lodge

Madonna joined Aevum in December 2006 as Manager of Care at Lourdes Nursing Home and Lodge bringing with her a Bachelor of Nursing and Graduate Certificate in Emergency Nursing as well as a wealth of experience from both the health and aged care industries.

"My career began as a student nurse in a nursing home before working as a Registered Nurse in hospitals in both Australia and London followed by a brief attempt as a diving instructor in Egypt, all before realizing my true direction and passion in life – Aged Care."

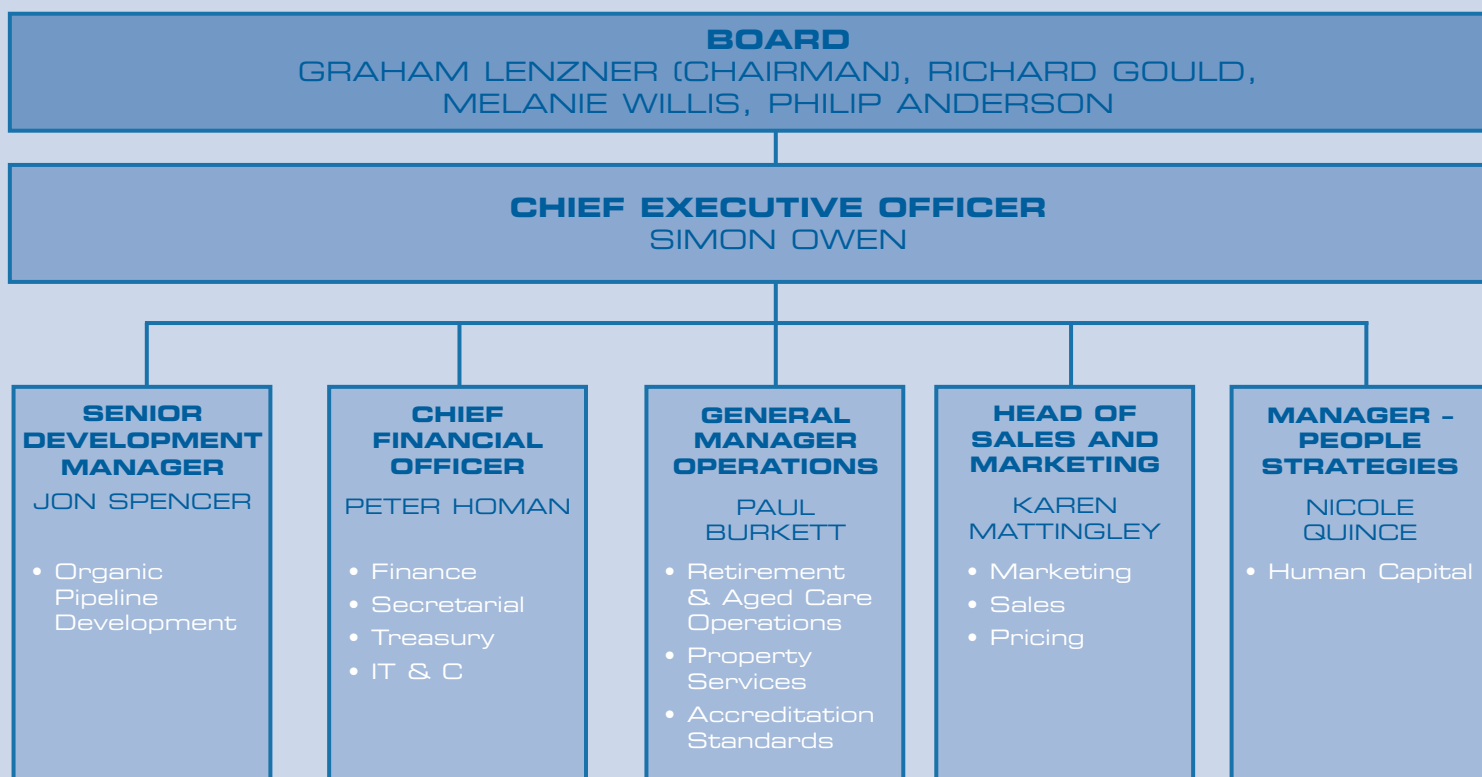
Moving on to become the Executive Manager, Madonna passionately leads our aged care team at Lourdes Nursing Home to ensure residents are provided with the highest standard of care and an endless supply of smiles and hugs from all staff.

Her greatest inspiration was her wise grandmother who is part of the reason why Madonna is so passionate about what she does today. "Experience teaches you life's most valuable lessons; never underestimate the advice of someone older than yourself."

Whilst her days are never the same and often challenging, Madonna goes on to say she is "building a team that believe in themselves and their jobs and who understand the significant difference they make to people's lives everyday."



ORGANISATIONAL CHART



Recent appointments

Nicole Quince

BA (Psyc), LLB, Grad Cert (App Fin)
Manager - People Strategies

Nicole was appointed to the newly created role of Manager – People Strategies in April 2008 and is responsible for setting the overall human resources strategy and framework for the company. She has worked in different human resources roles in a variety of industries including hospitality, retail, manufacturing and finance. Her most recent role prior to joining Aevum was Head of Human Resources at Investec Bank (Australia) Limited.

EXECUTIVE TEAM



A. SIMON OWEN

BBus (Acc), Grad Dip (Acc),
Grad Dip (Fin), CPA

Chief Executive Officer (CEO)

Simon joined Aevum in May 2003 as Chief Financial Officer, followed by Chief Operating Officer and was appointed Chief Executive Officer in September 2005. Since his appointment as Chief Executive Officer, Aevum has grown from four Sydney based villages to 21 villages across New South Wales and Western Australia. Prior to Aevum, Simon had experience working in large and medium sized ASX listed companies including MIM, Savage Resources and AGL in a variety of accounting, corporate finance and business development roles. Simon is a Director of a number of Aevum group companies and a Board member of the Retirement Villages Association.

B. PAUL BURKETT

General Manager Operations

Dip Bus HO

Paul was appointed General Manager Operations in March 2007. He is responsible for the day-to-day management of Aevum's Retirement villages and Aged Care facilities, accreditation standards and property maintenance. Paul has over 20 years experience in the operations and management of the hospitality industry. In addition to this he was the chairman of the A.H.A for the NSW accommodation division.

C. KAREN MATTINGLEY

Head of Sales & Marketing

Karen joined Aevum in 2006 as Head of Sales & Marketing. She is responsible for implementing and overseeing the sales and marketing strategies for the Aevum group.

Karen is a licensed Real Estate Agent and Strata Management Agent and has over 20 years' experience in the residential property industry.

Prior to Aevum, Karen worked for residential property development and retirement living companies such as Sakkara Living, AVJennings and the Defence Housing Authority.

D. PETER HOMAN

BCom, MBA, CA, MAICD

Chief Finance Officer and Company Secretary

Peter joined Aevum in January 2006. He brings over 20 years accounting and finance experience.

Peter's role focuses on ensuring the effective control and management of Aevum's financial resources and business operations including overview of statutory and management reporting, risk management, taxation and integration of acquired businesses.

Peter is Company Secretary and Public Officer of Aevum Limited and Company Secretary of all group subsidiaries.

E. JON SPENCER

BCom (Land Econ), AAPI

Senior Development Manager

Jon joined Aevum in June 2007 as Senior Development Manager and is responsible for Aevum's property development activities.

Previous positions include development management roles with Stockland and Mirvac both in NSW and WA.

Jon is an associate member of the Australian Property Institute and is also a Registered Valuer.

SENIOR MANAGEMENT

RETIREMENT VILLAGE MANAGERS



Carolyn Taylor
Bellevue Gardens



Elizabeth Jones
Bexley Gardens,
Cardinal Freeman Village



John O'Rafferty
Camden View Village



Karen Hart
Castle Ridge Resort



Steve McGarrigle
Golden Ponds Resort



Deborah Drummond
Maybrook Village



Jeff McHugh
Parklands Village



Betty Ryder
Queens Lake Village



Glen Aubin
The Village Swansea



Robert Waddell
The Willows Village



Brian Bartley
Halls Head Village, Murray River
Village, River Parks Village,
River Pines Village



Colleen Fitzgerald
Leschenault Village



Maria Collins
Lincoln Gardens



Andrew Koch
Lourdes Retirement Village



Liz Tickner
Macquarie Grove,
Waratah Highlands



Rhonda Pickering
The Cove



Tina Rogers
Wamberal Gardens

CORPORATE OFFICE



Tim Bannigan
Business Development



Gavin Jackson
Property Services

AGED CARE MANAGERS



Madonna Jackson
Lourdes Nursing Home
and Lodge

SALES AND
MARKETING



Wendy Carter
North Coast



Tracey Frost
Forster



Jill Fellowes
Sydney



Jo Shaw
Victoria Views, Cardinal Freeman



Sue Frost
Central Coast

CORPORATE GOVERNANCE

The Board of Aevum is responsible for the corporate governance of the company and is committed to achieving and demonstrating the highest standards of corporate governance.

This statement sets out the main corporate governance policies and practices adopted by the company. The board has adopted, where appropriate, the Principles of Good Corporate Governance and Best Practice Recommendations published by the ASX Corporate Governance Council in March 2003.

These principles focus on the values of accountability, transparency and performance and are key tenets in the governance structure being driven by the board. The policies and practices of the company are in accordance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (ASX Recommendations) unless otherwise stated.

The board is committed to continual improvement and constantly strives to improve corporate governance and shareholder returns.

A description of the company's main corporate governance practices is set out as follows:

Composition of the Board

The Board of Aevum presently consists of four directors. All of the Board members are non-executive directors.

The composition of the Board is determined in accordance with the following principles and guidelines:

- the board must comprise a minimum of three directors and a maximum of nine directors;
- a majority of the Directors should be independent, non-executive Directors; and
- directors must have an appropriate range of skills, experience and expertise, including the ability to effectively review and challenge the performance of management.

Board membership is reviewed annually having regard to the ability of the incumbent directors to continue to meet these principles and guidelines.

The Chairman is responsible for leading the board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's senior management. The Executive team comprising the Chief Executive Officer and the Chief Financial Officer are responsible for implementing Group strategies and policies.

The Directors in office at the date of this statement are:

Name	Position	Independent
Graham Lenzner	Non-Executive Chairman	Yes
Melanie Willis	Non-Executive Director	Yes
Richard Gould	Non-Executive Director	Yes
Phillip Andersen	Non-Executive Director	Yes

Aevum's criteria for determining the independence of directors is in accordance with the ASX Recommendations and involves an assessment whether a director is independent of management and free of any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement.

Term of Office

At the end of every annual general meeting after listing, one-third of the directors (to the nearest whole number) must retire.

A director must retire at the end of the third annual general meeting after the director's appointment even if it means that more than one-third of directors retire at an annual general meeting.

Those directors who have been longest in office since their last appointment must retire by rotation. Directors appointed on the same day may agree among themselves or determine by lot who must retire.

A director appointed to fill a casual vacancy or as an addition to the board is not subject to retirement by rotation and is not taken into account when determining how many directors must retire by rotation. A director appointed to fill a casual vacancy or as an addition to the board must retire at the next annual general meeting after their appointment.

Role of the Board

The principal objective of the board is to creating superior shareholder returns. The board is accountable to shareholders for the performance of the company and is responsible for the practices and corporate governance of the company. The Aevum Board is responsible for the oversight of the Company, including input into and approval of policies, strategic planning and assessment of management capacity. The Board meets frequently with senior management and has open access to the wider management team to discuss current and future business issues, risks and strategies.

The responsibility for the operation and administration of the company is delegated by the board to the executive team. The board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in

place procedures to assess their performance.

The primary functions of the board include responsibility for:

- input into and approval of corporate strategy;
- formulating and approving objectives, goals and strategic direction for the executive team;
- selecting, appointing and reviewing the performance of the executive team;
- ensuring that adequate systems of internal control exist and are monitored for compliance;
- monitoring financial performance including adopting annual budgets and approving financial statements;
- ensuring significant business risks are identified and appropriately managed;
- ensuring the company conforms to occupational health and safety, social and environmental requirements;
- establishing and monitoring limits of authority for the executive team in relation to capital and operating expenditure, acquisitions, divestments, engagement and termination of employees and identified business drivers; and
- reporting to shareholders on performance.

The board is supported by committees of its members. However as a board of four persons, the whole board acts as a committee with the power to co-opt wherever required.

The board has adopted guidelines on disclosure of interests of directors and the participation at board meetings and voting where such interests are discussed. Consistent with the Corporations Act any director involved with a material or personal interest in a matter before the board must not be present when the matter is being considered or discussed, and may not vote on the matter.

Board Committees

The Board has established an Audit and Risk Committee and a Nomination and Remuneration Committee as an efficient mechanism for the detailed examination of practices in these areas. Ultimate responsibility rests with the Board and the responsibilities of the Board and its members are not diminished through the existence of these committees. The Board believes all non-executive members of the Board should serve on these committees although the Chairperson may vary.

Audit and Risk Committee

Ms Melanie Willis is the Chairperson of the Audit and Risk Committee.

The functions and responsibilities of the Audit and Risk Committee are documented in a formal charter adopted by the board. The Audit and Risk Committee functions in accordance with the Audit and Risk Committee Charter. The Audit and Risk Committee meets periodically throughout the year to independently verify and safeguard the integrity of the Aevum Group's financial reporting. Its role is to advise on the establishment and maintenance of a framework of internal controls including the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The committee reviews the management and reporting of significant risks facing the company and monitors compliance with statutory responsibilities. The Committee reviews and reports to the board on the interim and annual accounts of the company.

Additionally the committee monitors the relationship with the external auditors, including their terms of engagement, ensures that the scope and quality of the audit is adequate for the operations of the company and accepts recommendations from the external auditors on the operations of the company.

The Executive Team may attend committee meetings by invitation.

Nomination and Remuneration

Mr Richard Gould is the Chairperson of the Nomination and Remuneration Committee.

As part of the commitment to good governance, the board reviews practices and standards relating to the board's composition and the compensation of directors and senior executives. The committee is guided by the terms of the Nomination and Remuneration Committee Charter.

The board regularly discusses and reviews its composition to ensure that there is an appropriate mix of skills, expertise and experience. A profile of each director including details of the above capabilities, term of office and board committee memberships can be seen within the directors' report.

Newly appointed directors are entitled to receive training and support to familiarise themselves with matters appertaining to the business of the company, corporate strategy and all current issues before the Board.

The entire board reserves responsibility for approving remuneration for non-executive directors and the executive team. When setting fees for directors, account is taken of the time and input of the directors in carrying out their duties, responsibilities involved and membership of board committees.

Remuneration of the Chief Executive Officer, and the Chief Financial Officer are determined by the board in accordance with commercial guidelines and by reference to external consultants and published data.

CORPORATE GOVERNANCE CONTINUED

The Board Nomination and Remuneration Committee is responsible for nominating candidates for the Board to consider as Board members in accordance with the Aevum Group's Constitution and the Board Nomination Committee Charter.

Prior to Board approval, the availability, expertise and possible conflicts of interest of a new Director are fully explored. Following Board approval and relevant probity checks, a new Director will stand for election by the Company's shareholders at the next Annual General meeting. Notices of meeting for the election of Directors comply with the ASX Corporate Governance Council's best practice recommendations.

New Directors are provided with a letter of appointment setting out the Aevum Group's expectations, their responsibilities, rights and the terms and conditions of their employment. All new Directors participate in an induction program which covers the operation of the Board and its committees and financial, strategic, operations and risk management issues.

Board Meetings

The board meets on a monthly basis with each board member receiving detailed operational and financial reports from management. These reports enable the directors to form views on the operations and directions of the company and be in a position to ask probing questions of management.

The board meetings consider a broad range of matters including reviewing capital management, acquisitions, operational and financial performance, occupational health and safety and delegated authorities.

The agenda for meetings is prepared by the Chairman with input from the executive team. Any member of the board may request the addition of an item to the agenda and time is made available at the end of the meeting for the raising of new business. Papers and submissions are circulated to directors, typically five days in advance of the meeting. The executive team is invited to join the board for discussion of relevant agenda items.

It is board policy that all directors of Aevum have unrestricted access to company records. Individual directors may seek access to senior employees to obtain further information or clarification. Such access requires the prior approval of the chairman which may not be unreasonably withheld.

Independent Professional Advice

Each director has the right to seek independent professional advice at the company's expense. Prior approval of the Chairman is required, which may not be unreasonably withheld.

Securities Trading Policy

Directors and officers of the company are subject to restrictions under the Corporations Law on trading securities in the company if they are in possession of inside information. This is regarded as any information that is non-public and, if it were public, that a reasonable person would expect to have a material effect on the price of the company's securities.

As a policy, all directors will be encouraged to own shares in the company.

The board has adopted a policy on trading in the company's securities, which applies to all directors and officers. Key aspects of this policy are as follows:

- directors and officers are encouraged to be long term holders of the company's securities and are discouraged from short-term trading;
- directors or officers may trade in the securities of the company in the six weeks immediately following the announcement to the public of the half year or full year financial results, providing the market has been fully informed;
- at all other times, directors or officers will require the prior consent of the chairman or company secretary to buy or sell securities in the company; and
- directors are required to notify the company secretary within two days of a change in their beneficial interest in the company's securities.

Performance Review

The Board regularly reviews its overall performance, as well as the performance of its committees, individual Directors and key executives.

The performance of the Executive Management including Chief Executive Officer and the Chief Financial Officer is reviewed annually by the Remuneration Committee and the performance of other Senior Managers is reviewed semi-annually by their managers against predetermined goals and competencies. The performance of the Board, its Committees and Non-Executive Directors is determined through self-assessment and peer assessment under the leadership of the Chairman.

Directors and key executives have access to continuing education to update and enhance their skills and knowledge.

Risk Management

The Board is responsible for reviewing and overseeing the Aevum's system of internal control and risk management. In identifying areas of significant business risk and putting in place arrangements to manage those risks, the Board relies on the advice and expertise of the Audit Committee, senior management.

The Aevum Risk Management Policy provides a procedure to help identify and manage risks within the company, and is designed to ensure efficient operations and compliance with legal and other obligations. Risks are identified by examination of Company operations and activities by the Board and management. Risk exposure and control mechanisms are presented to the Board, together with mitigation and improvement strategies.

Regular monitoring of risks and risk management is conducted by the Audit Committee and management, and material risks are reviewed by the Board. Major areas of risk are also reviewed by the Board on a regular basis and any preventative or remedial action taken where necessary.

The Chief Executive Officer and Chief Financial Officer have made the following certifications to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control and which implements the policies adopted by the Board and that the Company's risk management and internal compliances and control is operating efficiently and effectively in all material respects.

The Company adopted this reporting structure for the year ended 30 June 2008. These declarations are provided in accordance with the ASX Guidelines which recognise that the management declaration is aimed to provide reasonable but not an absolute level of assurance.

Code of conduct for directors and employees

Directors and employees are guided by a Code of Conduct for Directors and employees, which promotes lawful and ethical behaviour and is designed to ensure that a high degree of care, skill and diligence is exercised in the performance of directors and officers duties and company activities and duties.

The code emphasises the Group's commitment to ethical practices, and encourages officers to act honestly, in good faith and in the best interests of the company.

Continuous disclosure

Directors and management are responsible for advising the Company Secretary or Board of matters likely to affect securities in Aevum, including material or price-sensitive information, as soon as is reasonably practicable after receiving the information. The Company Secretary, on advice from the Board, is responsible for ensuring that the market has timely access to the factual information, and that it is presented clearly and objectively.

All officers of the Company are guided by the principles of the Aevum's Market Disclosure Protocol, designed to ensure accurate and continuous disclosure.

The Protocol highlights the types of information that should be disclosed, and provides procedures to ensure that officers disclose relevant information to the Company Secretary or Board.

Shareholder communication

The Board seeks to ensure that shareholders are informed of sufficient information necessary to assess the performance of the Directors and the Company.

In addition to the distribution to shareholders of the Annual report, Aevum utilises electronic communication facilities to provide more effective communication with shareholders. The investor section of the Aevum website contains the latest annual and financial reports, Company announcements and presentations, and upcoming events, allowing broader access to Company information. Shareholders are also able to direct any questions relating to Company's securities to the Share Registry.

At the Annual General Meeting, shareholders have the opportunity to direct any questions to the Board, and the external auditor is available to answer shareholder questions about the audit and auditor's report.

Recognition of stakeholder interests

Aevum recognises its legal and other obligations to legitimate stakeholders, including shareholders and potential shareholders. Aevum's Code of Conduct for Directors and employees requires that the Directors and employees must act ethically and lawfully, and assist Aevum in meeting its legal obligations.

Our recognition of the legitimate interest of stakeholders is reflected in Aevum's policies relating to shareholders, the financial community generally, customers and employees.

DIRECTORS' REPORT



DIRECTORS

The names of the directors of the company in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated. Graham Lenzer, Richard Gould, Melanie Willis, Phillip Anderson

A. GRAHAM LENZNER

Non-Executive Independent Chairman

Graham became Chairman on 24 November 2005 and is an experienced company director with a distinguished career in funds management, stock broking and investment banking. Previous roles include Joint Managing Director of Pacific Mutual Australia, General Manager, Finance and Investments for MMI Limited and Deputy Managing Director of Aquila Steel. Graham is currently Chairman of Device Technologies Australia Limited.

B. RICHARD GOULD

Non-Executive Independent Director

Richard brings to Aevum over 30 years experience operating at Chief Executive and Board level for a variety of health services and aged care organisations. Previous appointments include Chief Executive Officer of the Benevolent Society of NSW and the Montefiore Jewish Home. He was Chief Executive Officer of the Illawarra and Sutherland Area Health Services and the Women's and Children's Hospital, Adelaide. Richard is a Director of Sylvanvale Foundation.

Richard has been a Director since February 2005, and is Chairman of the Remuneration and Nominations Committee.

C. MELANIE WILLIS

Non-Executive Independent Director

Melanie brings to Aevum considerable expertise in the provision of strategic advice, structured finance and risk management and has over 16 years investment banking experience. Previous roles include Director Investment Banking with Deutsche Bank, Senior Vice President with BT Alex Brown and Manager Structured Finance with Westpac Corporate Finance. Melanie is a Director of WHK Group Limited (ASX: WHG) and previously a director of Hydro Tasmania. Melanie is Chairman of the company's Audit and Risk Committee.

D. PHILLIP ANDERSON

Non-Executive Independent Director

Phillip brings to Aevum a wealth of property and corporate experience. A CPA for 30 years, Phillip has had an extensive career at a senior management level in the property industry, including 15 years with Hooker Corporation and more recently 14 years with Lend Lease Corporation, where he rose to become chief executive officer of Lend Lease Development Pty Ltd. Phillip is currently Chairman of Espreon Limited (ASX: EON), a non-executive director of Hastie Group Limited (ASX: HST), and Chairman of Isis Group Holdings Pty Ltd, Sakkara Holdings Pty Ltd and Penrith Lakes Development Corporation Ltd. Phillip was previously a director of Macarthur Cook Ltd (ASX: MCK) and the New South Wales Growth Centres Commission.

The directors submit their report for the year ended 30 June 2008.

This annual report covers both Aevum Limited as an individual entity and the consolidated entity comprising Aevum Limited and its subsidiaries (The "Group" or "Aevum"). The Group's functional and presentation currency is AUD (\$).



Company Secretary and Chief Financial Officer

PETER HOMAN

Peter Homan was appointed Aevum Limited's secretary in January 2006. Peter is a Chartered Accountant, bringing over 20 years accounting and finance experience to the Group. Previous positions included senior financial and planning roles with listed Australian companies including Baycorp Advantage Limited and Westfield Holdings Limited.

Interests in Shares and Options of the company

As at the date of this report, the interests of the directors in the shares and options of the company were as follows:

	Ordinary Shares	Options
G. Lenzner	206,839	—
R. Gould	15,339	—
M. Willis	52,286	—
P. Anderson	10,000	—

Principal Activities

The principal activities of the entities within the Group during the financial year were the operation, management and development of retirement villages and aged care facilities.

Corporate Information

Aevum Limited is an ASX listed public company limited by shares that is incorporated and domiciled in Australia. The registered office, and principal place of business, is Level 6, 23–25 O'Connell Street, Sydney, NSW 2000.

Employees

The Group employed 327 employees as at 30 June 2008 (2007: 290 employees).

Review of Operations

The Group's operations recorded a pre-tax profit for the year of \$31.5 million (2007: \$23.7 million).

Retirement Villages

The Group's retirement village operations (independent living units and serviced apartments) recorded a pre-tax profit for the year of \$38.2 million (2007: \$31.5 million).

Aged Care

The Group's aged care operations (nursing homes and low care lodges) recorded a pre-tax profit for the year of \$1.2 million (2007: \$0.6 million).

Results of Operations

The operating results of Aevum Limited during the financial year are as follows:

	2008	2007
	\$'000	\$'000
Net profit after tax	28,545	22,931

Review of Financial Condition

Capital / Equity Raising

On 12 December 2007, the company received the proceeds of a placement of 11,113,000 shares at \$2.65 per security, raising \$29,449,000 before costs of the placement. Costs, including commissions to the lead manager of the placement, were \$834,000.

On 17 January 2008 the company received \$4,560,000 as the proceeds of a share placement of 1,721,000 shares in which existing shareholders of the company were invited to subscribe for up to \$5,000 of shares in the company at

\$2.65 per security. Costs, including commissions to the lead manager of the placement, were \$284,526.

Proceeds of both capital raisings are being used to assist fund the development of 556 DA approved units or identified unit sites across Aevum's village portfolio.

During the year a further 87,113 options were issued under the Special Bonus Scheme. For further details, refer to note 27 and note 28 of the financial statements.

Cash from Operations

Net cash flows from operating activities increased by 100% to \$20.4 million compared to \$10.2 million for the year ended 30 June 2007 (restated to show change in accounting policy in respect of resident loans refunded for capital enhancements of investment property).

Liquidity and Funding

The Group has total interest bearing loans of \$80 million and total assets of \$809.4 million with net tangible assets of \$2.17 per share. Cash on hand and cash equivalents at balance date were \$17.5 million.

Risk Management

The Group takes a proactive approach to risk management. Risk management continues as a key focus of the Board Audit Committee. The role of the committee includes advising on the establishment and maintenance of a framework of internal controls including the safeguarding of the assets, the maintenance of proper accounting records and the reliability of the financial information. The committee reviews the management and reporting of significant risks facing the company and monitors compliance with statutory responsibilities.

Management routinely prepares a risk management plan as part of the regular Board papers and key risks are closely monitored including ratings of likelihood and impact. Mitigation strategies are also in place for each key risk identified.

Significant Changes in the State of Affairs

Apart from the results from the operations and the items disclosed in the significant events after the balance date, there were no significant changes in the state of affairs of the Group.

Significant Events after the Balance Date

No significant events have occurred after balance date.

Acquisition During the Year

(a) Acquisition of The Willows Retirement Village

On 2 July 2007 the company completed the acquisition of the management rights to and certain stock and land of the Willows Retirement Village in Winston Hills, Sydney from the Salvation Army. The purchase price was \$19.3 million inclusive of costs and adjustments for stock. The village includes 189 dwellings with a potential for further development of approximately 82 dwellings (subject to council approval). The village is a strata title retirement village.

(b) Acquisition of Maybrook Manor Retirement Village

On 27 July 2007 the company completed the acquisition of the Maybrook Manor Retirement Village in Cromer, Sydney. The village comprises 98 dwellings. The purchase price was \$20.3 million plus adjustments for stock and working capital. The purchase price included a deferred component of \$2.4 million which was payable should development consent be obtained within one year from settlement for an additional 19 dwellings. The development consent was obtained in the current year and the amount duly settled. The resident tenure is leasehold.

(c) Acquisition of The Rivers Retirement Village

On 26 September 2007 the company completed the acquisition of the River Parks and River Pines retirement villages in Wilson, Perth from the Multiple Sclerosis Society of Western Australia. The purchase price was \$6.3 million. The villages comprise 67 dwellings with no further development potential. The resident tenure is leasehold.

(d) Acquisition of The Peridon Retirement Villages

The company exchanged contracts to acquire The Daleys Cove and Wamberal Gardens retirement villages on Central Coast in New South Wales on 30 April 2008. The purchase price was \$14.0 million. The villages comprise 166 units and resident tenure is leasehold.

Likely Developments & Expected Results

It is expected that a key driver of earnings and cash flow in the current year will be the progressive build-through and realisation of the company's organic development pipeline. In recent months new units have been completed at Waratah Highlands and Golden Ponds and new units are scheduled for completion at Cardinal Freeman and Swansea prior to December. Across each of these developments strong reservations, deposits and expressions of interest have been received at prices equivalent to or higher than Directors approved feasibility studies. In the current year the company also anticipates either commencing construction activities or lodging further Development Applications at key village sites including Waratah Highlands, Golden ponds, Willows, Cardinal Freeman, Lourdes and Camden View.

The company is also assessing a number of acquisition opportunities however no transaction is imminent.

Directors will continue to disclose significant developments on a timely basis.

Unissued Shares

As at the date of this report, there were 388,535 unissued ordinary shares under options. Refer to note 27(c) of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

Shares issued as a result of the exercise of options

During the financial year, employees exercised options to acquire 138,191 fully paid ordinary shares in Aevum Limited for no consideration. No further options have been exercised since the end of the financial year. Refer to note 27(c) of the financial statements for further details.

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for directors and executives of Aevum Limited (the company) in accordance with the requirements of the Corporations Act 2001 and its Regulations. These have been audited and labelled as such. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company and the group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five highest paid executives.

For the purposes of this report, the term 'executive' encompasses the chief executive officer, and the chief financial officer.

Details of Key Management Personnel

(i) Directors

Graham Lenzner	Chairman (Non-Executive)
Richard Gould	Director (Non-Executive)
Melanie Willis	Director (Non-Executive)
Phillip Anderson	Director (Non-Executive)

(ii) Executives

Simon Owen	Chief Executive Officer
Peter Homan	Chief Financial Officer

There has been no change to the KMP after reporting date and before the date the financial report was authorised for issue.

Remuneration philosophy

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives.

To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives.
- Link executive rewards to shareholder value.
- Significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks.
- Establish appropriate, stretch performance hurdles in relation to variable executive remuneration.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Board of Directors of the company is responsible for determining and reviewing compensation arrangements for the directors, and key management personnel including the Chief Executive Officer and Chief Financial Officer and reviewing the compensation arrangements of the senior management team.

The Nomination and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions and consultation with qualified remuneration advisors with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

Objective

As at the date of this report, all company directors are non-executive directors.

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 24 October 2007 when shareholders approved an aggregate remuneration for non-executive directors of \$650,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a set fee for being a director of the company. The Chairman receives a higher fee in recognition of the additional responsibilities of the role.

Non-executive directors have long been encouraged by the board to hold shares in the company (purchased by the director on market). It is considered good governance for directors to have a stake in the company.

The remuneration of non-executive directors for the period ending 30 June 2008 is detailed in Table 1 of this report.

Executive and senior manager remuneration

Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the company; and
- ensure that total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Nomination and Remuneration Committee engaged an external consultant to provide independent advice to directors detailing market levels of remuneration for comparable executives and to assist with contract documentation.

It is the Nomination and Remuneration Committee's policy that written employment contracts are entered into with the executive team. Details of these contracts are provided on page 41.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration
 - Short Term Incentive ('STI');
 - Medium Term Incentive ('MTI');
 - Long Term Incentive ('LTI').

The proportion of fixed remuneration and variable remuneration (potential short term, medium term and long term incentives) is established for each executive by the Nomination and Remuneration Committee. Table 1 of this report details all remuneration components of the most highly remunerated executives and senior managers.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Nomination and Remuneration Committee and the process consists of a review of individual and company performance, relevant comparative remuneration in the market and, where appropriate, external advice on policies and practices. As noted above, the Committee has access to external advice independent of the Company.

Structure

Executive management are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as expense payment plans provided that the total cost does not exceed the agreed fixed remuneration amount. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

Variable remuneration — Short Term Incentive (STI)

Objective

The objective of the STI program is to link the achievement of the Group's annual financial and operational targets with the remuneration received by the executives and senior managers charged with meeting those targets. The total potential STI available is set at a maximum of 40% of fixed remuneration for executives and 20% of fixed remuneration for senior managers. These amounts can be increased by the Nomination and Remuneration Committee in instances where targets are substantially exceeded. The STI scheme is set at a level so as to provide sufficient incentive to the executive or senior manager to achieve the financial and operational targets and such that the cost to the company is reasonable in the circumstances.

Structure

Actual STI payments granted to each executive and senior manager depend on the extent to which specific financial and operating targets set at the beginning of the financial year are met. The financial target is typically an agreed increase over the annual budget signed off by the Board. The operational targets consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial measures of performance. Typically included are measures such as retirement village unit price growth, occupancy rates, earnings and revenue growth, risk management, business development and leadership and team contribution. The company has predetermined benchmarks which must be met in order to trigger payments under the short term incentive scheme.

On an annual basis, after consideration of performance against KPIs, an overall performance of the company is assessed by the Nomination and Remuneration Committee. The individual performance of each executive and senior manager is also assessed and both assessments are taken into account when determining the amount, if any, of the short term incentive allocated to each executive and senior manager.

The amount of annual STI payments to executives and senior managers across the company is subject to the approval of the Nomination and Remuneration Committee. Payments made are usually delivered as a cash bonus however executives and senior managers may choose to receive their STI in the form of shares in the company.

Variable remuneration — Medium Term Incentive (MTI)

Objective

The objective of the MTI program is to link the achievement of the Group's medium term financial performance, as measured by earnings per share (EPS) growth, with the remuneration received by the executives and senior managers charged with meeting those targets. The total potential MTI available is up to a maximum of the STI payment but is payable in zero exercise price options (ZEPOs) which have three years vesting period. The MTI scheme is set at a level so as to provide sufficient incentive to the executive or senior manager to achieve the financial and operational targets and such that the cost to the company is reasonable in the circumstances.

Structure

An annual grant of ZEPOs may be made to each executive and senior manager up to the actual STI payment made to them, if any, in terms of dollar value. In respect of the Chief Executive Officer an automatic matching grant of ZEPOs up to the first \$42,000 of cash bonus (if any) occurs in accordance with his contract of employment. The grant of ZEPOs under the MTI is at the discretion of the Nominations and Remuneration Committee. The vesting of ZEPOs is subject to the company's performance measured by the growth in the Group's EPS over a three year period.

Typical vesting criteria — Executive

Annualised EPS growth over 3 years	Percentage of ZEPOs vesting
Less than 6%	0%
6%	50%
More than 6% but less than 14%	Between 50% and 100% on a pro-rata basis
14% or more	100%

Typical vesting criteria — Senior Management

Annualised EPS growth over 3 years	Percentage of ZEPOs vesting
Less than 7%	0%
7%	30%
More than 7% but less than 14%	Between 50% and 100% on a pro-rata basis
14% or more	100%

The amount of ZEPOs granted and subsequently vesting, if any, under the MTI is subject to approval by the Nomination and Remuneration Committee. Once ZEPOs have vested the holder has six months in which to exercise the ZEPOs after which they lapse. One share will be received by the executive or senior manager for each ZEPO exercised.

Variable Pay — Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

As such LTI grants are only made to the senior executives able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance against the relevant long term performance hurdle.

Structure

LTI grants to executives are delivered in the form of ZEPOs.

The Group uses the ASX S&P 300 index as the performance hurdle for the long term incentive plan. The Group regards the use of ASX S&P 300 index as the performance hurdle as good practice as it ensures an alignment between comparative shareholder returns and rewards for executives. This is measured over periods of four and five years.

Total shareholder return	Percentage of ZEPs vesting
Below the median of the ASX 300	0%
At the median of the ASX 300	50%
Between the median and 75 th percentile of the ASX 300	Between 50% and 100% on a pro-rata basis
At or above the 75 th percentile of the ASX 300	100%

Group performance

Earnings

Group performance is reflected in the movement in the Group's earnings per share (EPS) over time. The graph below shows Aevum's basic EPS history since listing on the ASX in November 2004.

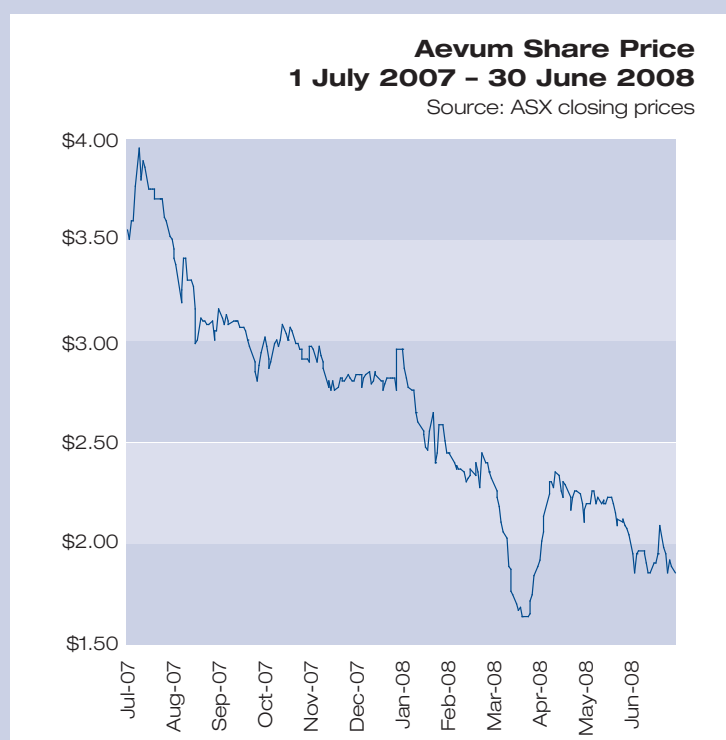
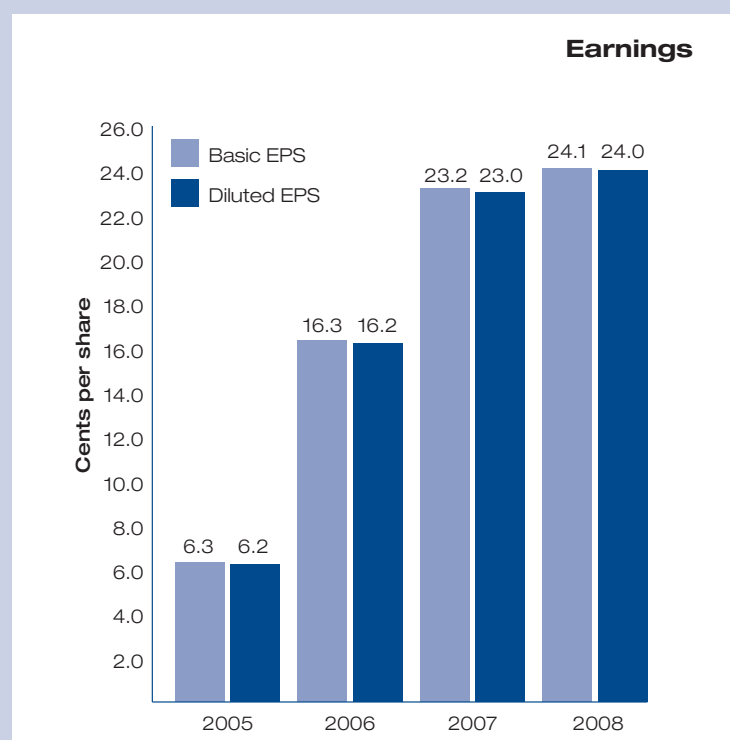
Shareholder Wealth

Shareholder wealth has been significantly affected in the current financial year despite strong operational performance and growth through acquisition of mature villages. This was mainly contributed by external market forces. Net tangible assets are now \$2.17 per share (2007: \$1.97).

Aevum's long term incentive plan for senior executives is linked to Aevum's Total Shareholder Return (TSR). Aevum's TSR growth will be compared to that of ASX S&P 300 Index to determine vesting entitlements to performance incentives.

According to Aevum's Scheme Rules, TSR is defined as "the total shareholder return calculated as the percentage difference between the market price of a Share at the start and end of the relevant period, plus the percentage of dividends per Share earned over the same period."

One of the significant components of the Aevum's TSR is the growth in the share price. However, the current year share price had been significantly impacted by a general downturn in market forces. This is presented below in the graphical format.



Employment agreements

The current employment agreement for the Chief Executive Officer commenced on 1 July 2004 and terminates on 30 June 2009, at which time the company may choose to commence negotiations to enter into a new employment agreement. The key terms of the agreement are as follows:

(i) Chief Executive Officer

Base salary (pa) ¹	\$380,000
Termination Benefit/Notice	Employment is terminable by either: <ul style="list-style-type: none"> — giving of six months notice or payment in lieu; or — in the event of redundancy or position downgrade then six months pay for each remaining year of service.

The CEO is also subject to performance agreements with annual and long term incentives.

DIRECTORS' REPORT CONTINUED

(ii) Chief Financial Officer

Base salary (pa)¹ \$280,000

Termination Benefit/Notice Employment is terminable by either:

- giving of six months notice or payment in lieu; or
- in the event of redundancy or position downgrade then six months pay for each remaining year of service.

Note 1 Inclusive of superannuation guarantee levy and reviewable on 1 July each year.

The CFO is also subject to performance agreements with annual and long term incentives.

There are no other employees who meet the Corporations Act definition of an executive. There are no other employees who meet the AASB 124 Related Party Disclosures definition of key management personnel.

All other executives have rolling contracts. The company may terminate the executive's employment agreement generally by providing three months written notice or providing payment in lieu of the notice period.

All executives are subject to a performance agreement with annual incentives.

The rights to ZEPOs will lapse if the executive resigns or is given a notice of termination for serious misconduct or poor performance. However, in the event of a takeover or change of control of the Group, or if an employee ceases to be employed because of death, retirement, redundancy, disability or other approved reason, then the executive will be entitled to a lesser number of ZEPOs calculated as the proportion between the number of days since granted and the total number of days in the original vesting period (i.e. 3, 4 or 5 years).

However, in respect of ZEPOs issued to the Chief Executive Officer, if he ceases to be employed other than due to serious misconduct or poor performance, then he will be entitled to all ZEPOs with a vesting date within a period of up to 3 years. Further, upon a change of control in the Group, all unvested ZEPOs granted to the Chief Executive Officer will vest immediately.

Remuneration of key management personnel

Table 1: Remuneration for the year ended:

	Short-Term			Post Employment	Long-Term	Share-Based Payment	Total	Total Performance Related
	Salary and Fees	Cash Bonus	Other	Super-annuation	Incentive Plans	Options ¹		
30 June 2008	\$	\$	\$	\$	\$	\$	\$	%
Non-Executive directors								
G. Lenzner	122,110	—	—	11,028	—	—	133,138	—
P. Anderson	65,575	—	—	5,902	—	—	71,477	—
R. Gould	68,222	—	—	6,140	—	—	74,362	—
M. Willis	68,222	—	—	6,140	—	—	74,362	—
Sub-total Non-Executive directors	324,129	—	—	29,210	—	—	353,339	
Other Key Management Personnel								
S. Owen	346,048	105,000	8,879	40,594	—	78,750	579,271	31.72%
P. Homan	252,029	75,000	4,000	29,433	—	37,500	397,962	28.27%
Sub-total other KMP	598,077	180,000	12,879	70,027	—	116,250	977,233	30.32%
Totals	922,206	180,000	12,879	99,237	—	116,250	1,330,572	22.26%
30 June 2007								
Non-Executive directors								
G. Lenzner	112,500	—	—	10,125	—	—	122,625	—
P. Anderson ²	11,750	—	—	1,058	—	—	12,808	—
R. Gould	65,000	—	—	5,850	—	—	70,850	—
M. Willis ²	60,000	—	—	5,400	—	—	65,400	—
A. Kavanagh ³	60,500	—	175,545	5,445	—	—	241,490	—
Sub-total Non-Executive directors	309,750	—	175,545	27,878	—	—	513,173	
Other Key Management Personnel								
S. Owen	308,821	92,800	—	36,146	—	13,166	450,933	23.50%
P. Homan	232,934	16,800	4,000	22,116	—	2,800	278,650	7.03%
J. Kavanagh ³	243,648	72,000	229,461	20,674	—	12,000	577,783	14.54%
Sub-total other KMP	785,403	181,600	233,461	78,936	—	27,966	1,307,366	16.03%
Totals	1,095,153	181,600	409,006	106,814	—	27,966	1,820,539	11.51%

1 — assumes full vesting and achievement of all performance hurdles.

2 — director / executive for part of the year

3 — represents directors retirement benefit paid to Allen Kavanagh and termination payment paid to Justin Kavanagh.

Table 2: Compensation options: Granted and vested during the year

	Vested	Granted	Terms & Conditions for each Grant					
			Grant Date	Fair Value per option at grant date	Exercise price per option	Expiry Date	First Exercise Date	Last Exercise Date
30 June 2008	No.	No.		\$	\$			
Executives								
S. Owen	100,000	44,366	1-Jul-07	3.55	—	31-Dec-10	30-Jun-10	31-Dec-10
P. Homan	—	21,127	1-Jul-07	3.55	—	31-Dec-10	30-Jun-10	31-Dec-10
Other senior management	23,000	21,620	1-Jul-07	3.55	—	31-Dec-10	30-Jun-10	31-Dec-10
30 June 2007								
S. Owen	—	46,064	1-Jul-06	1.72	—	31-Dec-09	30-Jun-09	31-Dec-09
J. Kavanagh	—	41,983	1-Jul-06	1.72	—	31-Dec-09	30-Jun-09	31-Dec-09
P. Homan	—	9,796	1-Jul-06	1.72	—	31-Dec-09	30-Jun-09	31-Dec-09
Other senior management	—	36,443	1-Jul-06	1.72	—	31-Dec-09	30-Jun-09	31-Dec-09

Directors' Meetings

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

	Board of Directors		Audit Committee		Nomination and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
G. Lenzner	19	17	6	6	—	—
R. Gould	19	17	6	6	—	—
M. Willis	19	18	6	6	—	—
P. Anderson	19	15	6	6	—	—

The members acting on the Audit Committee of the board during the year were G. Lenzner, R. Gould, M. Willis, and P. Anderson.

Indemnification and Insurance of Directors and Officers

To the extent permitted by law, the company indemnifies officers of the company against any liability (other than for legal costs) incurred by that person as an officer of the company or of its subsidiaries.

To the extent permitted by law, the company indemnifies officers of the company against reasonable legal costs incurred in defending an action for a liability incurred or allegedly incurred by that person as an officer of the company or of its subsidiaries.

During or since the end of the financial year, the company has paid or agreed to pay premiums in respect of a contract insuring all directors and executive officers against certain liabilities as permitted by the Corporations Act 2001. The insurance policy prohibits disclosure of the nature of the liability, the amount of the premium and the limit of liability.

Dividends

On 24 October 2007, the Directors paid a final dividend of 4.5 cents per share on ordinary shares in respect of the 2007 financial year. An interim dividend of 4.5 cents per share was paid on 20 March 2008 for the 2008 year. A final dividend for 2008 year of 4.5 cents per share is payable on 22 October 2008. The dividend is unfranked.

Environmental

The company's operations are not subject to any particular and significant environmental regulation under a law of the Commonwealth or State or Territory.

Auditor's Independence Declaration

We have received the auditor's independence declaration as required under section 307C of the Corporations Act 2001 which follows the directors' report.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Non-audit Services

Non-audit services provided by the entity's auditor, Ernst & Young, are detailed in note 18 to the financial statements.

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Signed in accordance with a resolution of the directors.



G. Lenzner
Chairman
Sydney, 13 August 2008

AUDITOR'S INDEPENDENCE DECLARATION



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Auditor's Independence Declaration to the Directors of Aevum Limited

In relation to our audit of the financial report of Aevum Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst + Young' in a cursive, stylized font.

Ernst & Young

A handwritten signature in black ink that reads 'John Robinson' in a cursive, stylized font.

John Robinson
Partner
13 August 2008

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INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated		Aevum Limited	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue from continuing operations	4	24,738	19,653	17,730	15,817
Income — Revaluation of properties	4	35,194	27,418	15,129	24,236
Total income		59,932	47,071	32,859	40,053
Salaries and employee benefits expenses		12,564	11,397	11,622	10,871
Catering expenses		1,498	1,266	1,357	1,178
Repairs and maintenance expenses		1,342	914	594	449
Rates and utilities		524	454	410	404
IT and communication		357	283	336	259
Housekeeping and cleaning		300	286	279	260
Professional service fees		1,554	2,237	1,304	2,090
Marketing expenses		1,931	1,095	1,090	603
Depreciation expenses		730	550	710	441
Interest expense		5,402	3,177	5,402	3,177
Other expenses		2,237	1,684	1,939	1,657
Total expenses		28,439	23,343	25,043	21,389
Profit before income tax expense		31,493	23,728	7,816	18,664
Income tax expense	5	2,948	797	620	671
Net profit after income tax expense		28,545	22,931	7,196	17,993
Net profit for the period attributable to the members		28,545	22,931	7,196	17,993
Basic earnings per share (cents per share)		24.1	23.2		
Diluted earnings per share (cents per share)		24.0	23.0		

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

BALANCE SHEET

AS AT 30 JUNE 2008

	Note	Consolidated		Aevum Limited	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
ASSETS					
Current Assets					
Cash and cash equivalents	21	17,466	37,732	16,438	32,356
Trade and other receivables	6	1,426	1,160	16,869	6,996
Total Current Assets		18,892	38,892	33,307	39,352
Non-current Assets					
Investments in controlled entities	7	—	—	153,144	113,556
Deferred tax assets	5	12,749	964	8,117	964
Property, plant and equipment	8	37,505	39,533	37,244	39,349
Investment properties	9	739,039	541,271	345,267	260,721
Intangible assets	10	1,185	1,185	1,185	1,185
Total Non-current Assets		790,478	582,953	544,957	415,775
TOTAL ASSETS		809,370	621,845	578,264	455,127
LIABILITIES					
Current Liabilities					
Trade and other payables	11	3,102	4,022	28,619	5,236
Income tax payable	5	399	400	399	400
Resident loans and accommodation bonds	12	427,790	323,606	208,305	164,302
Provisions	13	1,141	1,175	1,113	1,157
Other liabilities	14	2,015	863	1,425	427
Total Current Liabilities		434,447	330,066	239,861	171,522
Non-current Liabilities					
Interest-bearing loans and borrowings	15	80,000	64,450	80,000	64,450
Deferred tax liabilities	5	22,142	7,254	10,753	2,855
Provisions	13	204	141	196	136
Other liabilities	14	330	425	327	426
Total Non-current Liabilities		102,676	72,270	91,276	67,867
TOTAL LIABILITIES		537,123	402,336	331,137	239,389
NET ASSETS		272,247	219,509	247,127	215,738
EQUITY					
Contributed equity	16	105,011	69,986	105,011	69,986
Retained earnings	17	140,987	123,035	114,450	117,847
Reserves	17	26,249	26,488	27,666	27,905
TOTAL EQUITY		272,247	219,509	247,127	215,738

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

		Consolidated		Aevum Limited	
	Note	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from residents and government subsidies		21,111	15,481	14,750	9,387
Payments to suppliers and employees		(30,125)	(21,737)	(13,265)	(19,023)
Interest received		1,593	1,701	1,551	1,674
Cash inflows from newly developed investment properties		651	—	—	—
Resident loans received on turnover		38,993	32,055	17,700	16,655
Resident loans principal refunded on turnover		(15,381)	(19,461)	(7,872)	(9,785)
Resident loan share of gain refunded on turnover		(3,563)	(3,400)	(2,000)	(2,300)
Resident loans received from capital enhanced properties		3,021	—	1,600	—
Accommodation bonds received		11,549	10,119	11,549	10,119
Accommodation bonds refunded		(7,489)	(5,053)	(7,489)	(5,053)
Income tax (paid)/refund received		—	527	—	653
NET CASH FLOWS FROM OPERATING ACTIVITIES	21	20,360	10,232	16,524	2,327
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of controlled entity	26 (e)	(32,123)	—	(35,662)	(91,015)
Payment for acquisition of businesses	26 (e)	(20,355)	(118,019)	(20,355)	(28,137)
Resident loans refunded for capital enhancements of property		(5,267)	(572)	(2,600)	(572)
Payment for construction and development activities		(14,758)	—	(7,460)	—
Purchase of property, plant and equipment		(483)	(775)	(483)	(497)
Proceeds from sale of property, plant and equipment		2,214	—	2,214	—
Payment for upgrade of investment properties		(4,255)	(7,358)	(2,497)	(3,957)
Proceeds from sale of listed investments		—	457	—	457
Withdrawals of term deposits		—	2,685	—	2,685
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		(75,027)	(123,582)	(66,843)	(121,036)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares	16	34,009	63,169	34,009	63,169
Payment of share issue costs		(1,119)	(2,053)	(1,119)	(2,053)
Repayment of borrowings		(64,450)	—	(64,450)	—
Proceeds from borrowings		80,000	64,450	80,000	64,450
Interest payment		(5,402)	(3,177)	(5,402)	(3,177)
Payments for dividends on ordinary shares		(8,637)	(7,712)	(8,637)	(7,712)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		34,401	114,677	34,401	114,677
NET INCREASE/(DECREASE) IN CASH HELD		(20,266)	1,327	(15,918)	(4,032)
Cash and cash equivalents at the beginning of the financial year		37,732	36,405	32,356	36,388
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	21	17,466	37,732	16,438	32,356

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

STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated		Aevum Limited	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Increase in employee equity benefits reserve	17	97	113	97	113
Transfer from employee equity — share issued	16(a)	(181)	(5)	(181)	(5)
Net increase in asset revaluation reserve	17	(155)	14,406	(155)	14,544
Net income recognised directly in equity		(239)	14,514	(239)	14,652
Profit for the period		28,545	22,931	7,196	17,993
Total recognised income and expense for the period		28,306	37,445	6,957	32,645

The above statement of recognised income and expense should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

1. CORPORATE INFORMATION

The financial report of Aevum Limited and its subsidiaries (the Group) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 13 August 2008.

Aevum Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

The nature of the operations and principal activities of the Group are described in note 29.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and other mandatory professional reporting requirements.

The financial report has been prepared on a historical cost basis, except for certain financial instruments, investment properties, land and buildings and resident loans and bonds that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

(a) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). The financial report also complies with International Financial Reporting Standards ('IFRS').

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the year ended 30 June 2008. The financial effects of these new standards have not yet been determined.

The Group has adopted AASB 7 *Financial Instruments: Disclosures* and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no effect on profit and loss or the financial position of the entity.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Aevum Limited and its subsidiaries (the 'Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. In the parent accounts, subsidiaries are measured at cost.

(c) Significant accounting judgements, estimates and assumptions

Significant accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the group and that are believed to be reasonable under the circumstances. The resulting accounting estimates, by definition, will seldom equal the related actual results. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are discussed below.

Valuation of Investment Properties

The company has certain assets classified as Investment Property for the purposes of AASB 140 Investment Properties, principally Retirement Villages and associated land held for development purposes. These assets are carried at amounts which represent fair value as at the balance date. The Company considers information from a variety of sources, including discounted cash flow projections based on management estimates of future cash flows, when arriving at the carrying value. In turn, the discounted cash flow projections is based on certain assumptions which have the ability to influence the carrying value. These assumptions include, but are not limited to, discount rates, compound annual growth rates of the value of the underlying property, forecast period of occupancy of residents, estimates of future capital expenditure, and contractual terms between the company and the residents of the villages.

Valuation of Property, Plant and Equipment

Properties, plant and equipment are also carried at fair value. These valuations are affected by similar estimates and assumptions to those which impact Investment Properties, as discussed above.

Long Service Leave Provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Calculation of Annual Loan Reduction (ALR)

The ALR, also referred to as deferred management fees (DMF), are calculated using such variables as a discount rate based on an estimated prevailing interest rate that would be applied if third party debt was secured on ALR cash flows, average length of stay for independent living units (ILUs) and serviced apartments and an estimate of the average property growth rate over the average length of stay.

The ALR revenue is impacted by the rate applicable, measurement on either entry or exit price and a maximum period over which the ALR can be accrued.

Resident Loans

Residents are entitled to a portion of the revaluation gain on their unit in accordance with their resident contract. The revaluation of the unit has similar estimates and assumptions as discussed under valuation of investment properties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Significant judgements in applying the entity's accounting policies

There were no judgements that the Company has made in the process of applying the entity's accounting policies that had a significant effect on the amounts recognised in the financial report apart from those involving estimations as noted above and judgement in relation to the recovery of deferred tax assets.

Deferred tax assets are recognised for deductible temporary differences where it is considered probable that future taxable profits will be available to utilise those temporary differences.

(d) Investment properties

Initially, investment properties are measured at cost including transaction costs. Cost of enhancements to an existing investment property are capitalised. Costs of day-to-day servicing of an investment property are expensed. Subsequent to initial recognition, investment properties are stated at fair value.

Fair value is determined by reference to market-based evidence, which is the amount for which the asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Gains or losses arising from changes in the fair values of investment properties are included as income in the Income Statement in the period in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses on de-recognition of an investment property are recognised in the Income Statement in the period of de-recognition.

Aevum makes a determination, on a property by property basis, as to whether a property should be considered an investment property. Factors taken into account include:

- whether the property generates cash flows largely independent of other services provided to residents of the properties;
- whether the property is held for long-term capital appreciation rather than for short term sale in the ordinary course of business; and
- the probable future use of land that is not currently generating cash flows.

Currently, retirement village properties including independent living units and serviced apartments governed by the Retirement Villages Act are classified as investment properties. Land held for development purposes is also classified as Investment Property.

(e) Property, plant and equipment

Property, plant and equipment that do not meet the definition of investment property currently include the aged care facilities governed by the Aged Care Act and the assets in the Group corporate office.

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Land and buildings have been categorically included under Aged Care Properties and Other Corporate Properties. Land is measured at fair value. Buildings are measured at fair value less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings — over 40 years

Plant and equipment — over 2.5 to 10 years

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

Revaluations

Following initial recognition at cost, land and buildings (other than investment property) are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and subsequent accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation increment related to property, plant and equipment (other than investment property), is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the Income Statement, in which case the increment is recognised in the Income Statement.

Any revaluation decrement is recognised in the Income Statement unless it directly offsets a previous increment of the same asset in the asset revaluation reserve, in which case it is charged directly to the asset revaluation reserve to the extent of the previous increment existing in relation to that asset.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amounts of the assets and depreciation based on the assets' original costs.

In addition, any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Income Statement in the period the item is derecognised.

(f) Borrowing costs

Borrowing costs are recognised as an expense when incurred based on the effective interest rate method.

(g) Intangible assets

Bed licenses for Aged Care facilities which are not currently utilised are separately recognised at the cost of acquisition. No amortisation has been provided as the Group believes the useful lives of these assets are indefinite and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. The Group believes the bed licenses have an indefinite life because they are perpetual.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(h) Impairments of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, or when annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

(i) Trade and other receivables

Trade and other receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

The Group's exposure to collectability of debts is influenced mainly by the individual characteristics of each customer. The Group's customers primarily consist of individual residents occupying the self care and serviced apartments in the retirement villages and the residential aged care facilities.

Losses have occurred infrequently. An allowance for impairment is recognised when it is expected that any receivables are not collectible.

(j) Cash and cash equivalents

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

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. 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 transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Term deposits are classified as loans and receivables. Fixed interest securities and income securities are classified as investments in the balance sheet and treated as financial assets at fair value through profit and loss.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

Impairment

Investments and term deposits are impairment tested where an impairment indicator exist. In performing the impairment test, consideration of the fair value of the instrument is made.

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties which have very high credit ratings. Management does not expect any counterparty to fail to meet its obligations.

(l) Derivative financial instruments and hedging

The Group uses derivatives financial instruments such as interest rate swaps to hedge its risks associated with interest rate. 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.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss for the year.

(m) Unearned maintenance fees

A proportion of maintenance fees received from village residents is set aside under arrangements in accordance with the Retirement Village Act, 1999. Unearned amounts are included under other liabilities in the balance sheet.

These amounts are set aside for periodic major repairs and maintenance covering internal and external painting, gardens, grounds, roadways, roofing and air conditioning and are released to the Income Statement as the works are performed.

(n) Trade and other payables

Liabilities for trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

(p) Share-based payment transactions

The Group provides benefits to employees of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There are currently two plans in place to provide these benefits:

- (i) the Employee Share Option Plan (ESOP), which provides benefits to executives and senior management, and
- (ii) the Employee Share Plan (ESP), which provides benefits to all employees, excluding senior executives and directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Aevum Limited ('market conditions').

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(q) Employee benefits

Wages, 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 reporting date are recognised in provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(r) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(s) Revenue

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

Annual Loan Reduction Fee

Amount by which resident loans are reduced on an annual basis in accordance with the terms of the loan and licence agreement or loan and lease agreement. The loan reduction fee is taken to profits over the term of the resident's occupation of the unit but generally limited to ten years by the agreements.

Revenues from Aged Care

Revenue from daily care fees from residents and personal care subsidies received from the Government is recognised when received or when services are provided, depending on accommodation type and level of care required.

An annual retention fee is charged to hostel residents. These annual fees are regulated by the Federal Government and are paid by a resident on departure. These fees are accrued during the resident's period of occupancy.

Interest

Revenue is recognised as interest accrues using the effective interest rate method.

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(t) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Income Statement.

Tax consolidation legislation

Aevum Limited and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation having formed a tax consolidated group with effect from 26 February 2005. Aevum Limited is the head company of the tax consolidated group. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Aevum 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. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(u) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

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

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(v) Earnings per share

Basic EPS is calculated as net profit attributable to members adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(w) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(x) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments.

Management has assessed the reportable business segments under AASB 114 Segment Reporting and have determined that on adoption of AASB 8 Segment Reporting (applicable from 1 January 2009), there is unlikely that additional operating segments will be reported.

(y) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Loans and borrowings are subsequently measured at amortised costs. Fees paid on the establishment of loan facilities, which are not incremental cost relating to the actual draw-down of the facility, are recognised as pre-payments and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(z) Resident profit and loss

The Group maintains separate resident statements of income and expenditure in accordance with the Retirement Village Act. The resident income and expenditure is controlled by the resident finance committees. As such these income and expenses are not recognised in Aevum Limited's financial statements

(aa) Change in accounting policy

During the current year, the Group has changed its accounting policy with respect to the cash flow presentation of payments to outgoing residents of investment property units. Previously, all payments to outgoing residents of investment property units were classified as operating cash flows. In the current period payments to outgoing residents, funded by the Group for the purchase of the resident interest in investment property units to enable the Group to undertake significant capital enhancement work, have been treated as investing cash flows. In addition, a new classification has been added to operating cash flows "cash flows from capital enhanced property". The change in policy has been made to provide users of the financial statements with more relevant information on the nature of cash flows of the Group.

This change has been accounted for retrospectively, with the comparative amounts disclosed for 30 June 2007 as if the new accounting policy had always been applied. There was no effect on total equity or net profit. The effects of the change were:

	30 June 2007 \$'000
Reduction in cash inflows from investing activities	(572)
Increase in cash flows from operating activities	572

3. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

The Group's principal financial instruments comprise receivables, payables, bank loans, resident loans and bonds, cash and term deposits and derivatives. The Group enters into derivative transactions, principally interest rate swaps, to manage the interest rate risks arising from the Group's operations and its sources of finance.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit Risk

Credit risk is the risk of financial loss to the Group of a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and other financial assets.

Trade and other receivables

The Group's exposure to collectability of debts is influenced mainly by the individual characteristics of each customer. The Group's customers primarily consist of individual residents occupying the self care and serviced apartments in the retirement villages and the residential aged care facilities.

Losses have occurred infrequently. An allowance for impairment is recognised when it is expected that any receivables are not collectible.

In addition, monies advanced by residents to the Group is treated as a collateral to mitigate the credit risk.

Other financial assets

The Group limits its exposure to credit risk by only investing in liquid securities with well established and reputable counterparties. Management does not expect any counterparty to fail to meet its obligations.

Liquidity Risk

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

The Group has a documented Liquidity Management Strategy which assists the Group in meeting the requirements of the Aged Care Act 1997 by determining the level of funding that will be required to meet expected accommodation bond refunds as they fall due.

The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and committed available credit lines.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. FINANCIAL RISK MANAGEMENT (cont.)

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and committed available credit lines.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as at 30 June 2008. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2008.

The remaining contractual maturities of the Group's and parent entity's financial liabilities are:

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Less than 6 months	3,102	6,136	12,711	3,982
6-12 months	434,182	325,720	214,697	166,416
1-5 years	92,784	72,906	92,784	72,906
Over 5 years	—	—	—	—
	530,068	404,762	320,192	243,304

Resident loans are measured at the principal amount less accrued annual loan reduction, plus the resident's share of capital gains based on market value of the underlying property at balance date. Fair value movements on resident loans are recognised in the Income Statement in the period the revaluation occurred.

Accommodation bonds are measured at the principal amount less retention amounts.

Resident loans and accommodation bonds are non-interest bearing and the net amount is repayable upon demand. The fair value of resident loans and accommodation bonds is not less than the amount payable on demand. Resident loans and accommodation bonds are classified as current liabilities because the Group does not have an unconditional right to defer settlements for greater than 12 months. History shows that on average a resident in a retirement village will stay for between six and ten years, and three years for aged care residents based on historical trends. Based on these same historical trends, the Group expects to pay \$38.7 million (2008: \$22.9 million) of resident loans and accommodation bonds in the next 12 months which will largely be funded by contributions from incoming residents.

Resident loans and accommodation bonds are derecognised when the obligation under the liability is discharged.

Maturity analysis of financial assets and liability based on management's expectation

Year ended 30 June 2008	< 6 months \$'000	6-12 months \$'000	1-5 years \$'000	> 5 years \$'000	Total \$'000
Consolidated					
Financial assets					
Cash & cash equivalents	17,466	—	—	—	17,466
Trade & other receivables	949	477	—	—	1,426
	18,415	477	—	—	18,892
Financial liabilities					
Trade & other payables	3,102	—	—	—	3,102
Resident loans and accommodation bonds	—	427,790	—	—	427,790
Interest bearing loans & borrowings	—	—	80,000	—	80,000
	3,102	427,790	80,000	—	510,892
Net maturity	15,313	(427,313)	(80,000)	—	(492,000)
Parent					
Financial assets					
Cash & cash equivalents	16,438	—	—	—	16,438
Trade & other receivables	893	68	—	—	961
	17,331	68	—	—	17,399
Financial liabilities					
Trade & other payables	3,014	—	—	—	3,014
Resident loans and accommodation bonds	—	208,305	—	—	208,305
Interest bearing loans & borrowings	—	—	80,000	—	80,000
	3,014	208,305	80,000	—	291,319
Net maturity	14,317	(208,237)	(80,000)	—	(273,920)

3. FINANCIAL RISK MANAGEMENT (cont.)

Year ended 30 June 2007	< 6 months \$'000	6–12 months \$'000	1–5 years \$'000	> 5 years \$'000	Total \$'000
Consolidated					
Financial assets					
Cash & cash equivalents	37,732	—	—	—	37,732
Trade & other receivables	842	318	—	—	1,160
	38,574	318	—	—	38,892
Financial liabilities					
Trade & other payables	4,022	—	—	—	4,022
Resident loans and accommodation bonds	—	323,606	—	—	323,606
Interest bearing loans & borrowings	—	—	64,450	—	64,450
	4,022	323,606	64,450	—	392,078
Net maturity	34,552	(323,288)	(64,450)	—	(353,186)
Parent					
Financial assets					
Cash & cash equivalents	32,356	—	—	—	32,356
Trade & other receivables	679	108	—	—	787
	33,035	108	—	—	33,143
Financial liabilities					
Trade & other payables	5,236	—	—	—	5,236
Resident loans and accommodation bonds	—	164,302	—	—	164,302
Interest bearing loans & borrowings	—	—	64,450	—	64,450
	5,236	164,302	64,450	—	233,988
Net maturity	27,799	(164,194)	(64,450)	—	(200,846)

The Group monitors rolling forecasts of liquidity reserves on the basis of expected cash flow. Forecast liquidity reserves as at 30 June 2008 is as follows:

	30 June 2009 \$'000	30 June 2010 – 2013 \$'000
Opening balance for the period	17,466	22,466
Operating inflows	113,000	720,900
Operating outflows	(70,600)	(324,500)
Cash outflows for investments	(45,400)	(203,600)
Financing proceeds	17,000	54,000
Payments of debts and dividends	(9,000)	(229,800)
Closing balance for the period	22,466	39,466

At balance date, the Group has available approximately \$70 million of unused credit facilities for its immediate use.

The methods for estimating fair value for financial assets and financial liabilities are outlined in the relevant notes to the financial statements.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income and expenses or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures with acceptable parameters, while optimising the return.

Currency risk

The Group is not exposed to currency risk.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

Interest rate risk arises from interest-bearing financial assets and liabilities that the Group utilises. Interest-bearing financial assets are generally short-term liquid assets.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. FINANCIAL RISK MANAGEMENT (cont.)

The Group's interest rate liability risk arises primarily from external borrowing issued at variable interest rates which exposes the Group to cash flow interest rate risk. The Group mitigates its cash flow interest rate risk through effective hedging. The Group enters into interest rate swaps, in which the 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.

At 30 June 2008, after taking into account the effect of interest rate swaps, approximately 28% of the Group's borrowings are at a fixed rate of interest (2007: 35%). Subsequent to balance date, on 15 July 2008, the Group has renegotiated its interest rate swap contracts and has increased its exposure to fixed rate interest to 62%.

At balance date, the 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:

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Financial assets				
Cash & cash equivalents	17,466	37,732	16,438	32,356
Financial liabilities				
Interest bearing loans & borrowings (net of cash flow hedge)	57,500	41,950	57,500	41,950
Net exposure	(40,034)	(4,218)	(41,062)	(9,594)

The 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.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

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 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Consolidated				
+1% (100 basis points)	(1,200)	183	(1,200)	183
-.5% (50 basis points)	600	103	600	103
Parent				
+1% (100 basis points)	(1,200)	183	(1,200)	183
-.5% (50 basis points)	600	103	600	103

Other market price risks

The Group is not exposed to other market price risks except to the extent that market values are a critical input into the DCF valuation model used by the Group to determine appropriate carrying values of Retirement Village assets and resident loans in the Group's financial statements. Indirectly, movements in Market Values, in an accounting period, significantly influence accounting profit for that period.

Assessment of Market Values requires significant judgement, and cannot be reduced to a formulaic method. Management have created a replicable process that seeks input from relevant people and considers the following quantitative and qualitative information when assessing Market Value:

- Settled transactions, both during the period, and historically
- External valuations of operator's interest in the investment property
- Likely transactions, where the company has either signed a unconditional contract, or has taken a deposit
- Pricing of competitors in the locality of each village (where applicable)
- Pricing of residential property in the locality of each village
- Development plans – impacting of availability of stock, and relative pricing (new product cf. old product)
- Other sources (economic data, industry experts etc.)

At 30 June 2008, if the market price had moved, as illustrated in table below, with all other variables held constant, the effect on resident liabilities, investment property carrying values and Income Statement would be as follows:

Movement in Market Price	Movement			Net Change	
	Increase Resident Liabilities	Increase Investment Properties	Gross Income Statement	Balance Sheet	Income Statement
5%	8.0	30.0	30.0	22.0	22.0
-5%	(8.0)	(30.0)	(30.0)	(22.0)	(22.0)

4. REVENUES AND EXPENSES

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(a) Income				
(i) Revenue				
Daily care fees	4,385	3,833	4,385	3,833
Aged care subsidies	6,444	6,127	6,444	6,127
Annual loan reduction fees	9,838	6,335	3,609	3,323
Accommodation bond retention	297	239	297	239
Other trading revenue	2,181	1,418	1,444	621
Finance Revenue: Interest — other persons / corporations	1,593	1,701	1,551	1,674
Total revenues from operating activities	24,738	19,653	17,730	15,817
(ii) Other income				
Revaluation increment recognised in income statement	35,194	27,418	15,129	24,236
Total income	59,932	47,071	32,859	40,053

5. INCOME TAX EXPENSES

Income tax expense/(benefit)	2,948	797	620	671
Deferred tax asset	12,749	964	8,117	964
Income tax payable	399	400	399	400
Deferred tax liability	22,142	7,254	10,753	2,855
(a) Income tax expense				
Current tax expense/(benefit)	—	—	(1,110)	(263)
Deferred tax expense/(benefit)	15,100	742	7,928	879
Under/(over) provided in prior years	—	55	—	55
Tax losses	(12,152)	—	(6,198)	—
	2,948	797	620	671
Deferred income tax (revenue) expense included in Income tax expense comprises:				
Decrease/(increase) in deferred tax assets	(11,785)	(12)	(7,153)	(12)
(Decrease)/increase in deferred tax liabilities	14,888	754	7,898	891
	3,103	742	745	879
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	31,493	23,728	7,816	18,664
Tax at the Australian tax rate of 30% (2007: 30%)	9,448	7,118	2,345	5,599
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Revaluation increments	3,956	(6,376)	(615)	(4,720)
	13,404	742	1,730	879
Under/(over) provision in prior years	—	55	—	55
Tax losses utilised by members of the tax consolidated group	(10,456)	—	(1,110)	(263)
Income tax expense	2,948	797	620	671

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5. INCOME TAX EXPENSES (cont.)

	Balance Sheet		Income Statement	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(c) Deferred tax assets and liabilities				
Deferred tax at 30 June relate to the following:				
Consolidated				
Deferred tax assets				
Employee entitlement provisions	404	326	78	9
Business restructure costs	80	80	—	—
Other provisions and accruals	113	558	(445)	3
Tax losses	12,152	—	12,152	—
	12,749	964	11,785	12
Deferred tax liabilities				
Revaluation of investments	—	—	—	(16)
Revaluation of property, plant and equipment*	2,847	3,001	(154)	—
Revaluation of investment properties	19,295	4,253	15,042	770
	22,142	7,254	14,888	754
Parent				
Deferred tax assets				
Employee entitlement provisions	393	326	67	9
Business restructure costs	80	80	—	—
Other provisions and accruals	89	558	(469)	3
Tax losses	7,555	—	7,555	—
	8,117	964	7,153	12
Deferred tax liabilities				
Revaluation of investments	—	—	—	(16)
Revaluation of property, plant and equipment*	2,847	3,001	(154)	—
Revaluation of investment properties	7,906	(146)	8,052	907
	10,753	2,855	7,898	891
* — the movement in revaluation of property, plant and equipment is recorded in the asset revaluation reserve.				
(d) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	6,469	13,144	—	8,792
Potential tax benefit @ 30%	1,941	3,943	—	2,638

All unused tax losses were incurred by Australian entities

This benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and
- (ii) the consolidated entity continue to comply with the conditions for deductibility imposed by tax legislation, and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

The Group has tax losses arising in Australia of \$6,469,000 (2007:\$13,143,720) that are available indefinitely to offset against future taxable profits of the entities in which the losses arose.

At 30 June 2008, there is no recognised or unrecognised deferred income tax liability (2007:\$nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, as the Group has no liability for additional taxation should such amounts be remitted.

Tax consolidation

Aevum Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 26 February 2005. Aevum Limited is the head company of the tax consolidated group. Members of the group have entered into a tax sharing agreement which provides for the allocation of income tax liabilities between the entities should the head company default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

5. INCOME TAX EXPENSES (cont.)

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of the current tax liability to members of the tax consolidated group in accordance with the methods provided under by UIG 1052 Tax Consolidation Accounting, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 Income Taxes.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company, Aevum Limited. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities financial statements.

In preparing the accounts for Aevum Limited for the current year, the following amounts have been recognised as tax consolidation contribution adjustments.

	Aevum Limited	
	2008 \$'000	2007 \$'000
Total increase/(reduction) to tax expense of Aevum Limited	(1,110)	(263)
Total increase/(reduction) to inter-company assets of Aevum Limited	1,110	263

6. TRADE AND OTHER RECEIVABLES

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current				
Trade receivables	617	550	140	182
Other receivables	809	610	821	605
Related party receivables	—	—	15,908	6,209
Total current receivables	1,426	1,160	16,869	6,996
(a) Allowance for impairment loss				
Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.				
At 30 June 2008, the ageing analysis of trade receivables is as follows:				
Not past due 0 – 30 days	71	87	28	51
Past due 31 – 90 days	59	36	38	13
Past due 91 – 120 days	10	109	6	10
Past due more than 121 days	477	318	68	108
	617	550	140	182

Trade receivables primarily consist of individual residents occupying the self care and serviced apartments in the retirement villages and the residential aged care facilities. These residents have advanced monies to the Group which is treated as resident loans and bonds and the monies due will be recouped from loans and bonds refunded when the resident vacates. For resident balances past due more than 121 days, the Group has entered into arrangements whereby these amounts would be recovered through the resident loan deposits held by the Group.

Other balances within trade and other receivables do not contain impaired assets and are not past due date. It is expected that these other balances will be received when due.

(b) Fair value and credit risk

Due to the nature of these receivables, their carrying value approximates their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral as discussed above mitigates the risk.

(c) Interest rate risk

Interest rate risk exposure is disclosed in note 3.

(d) Related party receivables

Transactions with related parties, mainly subsidiary companies, are made in arm's length transactions at market prices, on standard commercial terms and are payable on demand.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. INVESTMENTS IN CONTROLLED ENTITIES

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Investments in controlled entities	—	—	153,144	113,556
	Country of Incorporation		Percentage of equity interest held by the consolidated entity	
			2008 %	2007 %
Hibernian Investment Company Pty Ltd	Australia		100	100
Castleridge Pty Ltd*	Australia		100	100
Castlehaven Pty Ltd*	Australia		100	100
Rogan's Hill Retirement Village Trust*	Australia		100	100
Aevum Retirement Village Trust No 1	Australia		100	100
Aevum Retirement Village Trust No 2	Australia		100	100
Aevum Retirement Village Trust No 3	Australia		100	100
Aevum Retirement Village Trust No 4	Australia		100	100
Aevum Retirement Village Trust No 5	Australia		100	100
Aevum Retirement Village Trust No 6	Australia		100	100
Macquarie Waratah Management Pty Ltd	Australia		100	100
Macquarie Waratah Holdings Pty Ltd	Australia		100	100
Sakkara Living Holdings Trust	Australia		100	100
Macquarie Waratah Villages Pty Limited	Australia		100	100
Golden Ponds Forster Pty Limited	Australia		100	100
Macquarie Grove Management Pty Limited	Australia		100	100
Waratah Highlands Management Pty Ltd	Australia		100	100
Macquarie Waratah Holdings (NSW) Pty Limited	Australia		100	100
Sakkara Living Holdings (NSW) Trust	Australia		100	100
The Hastings Valley Parklands Village Pty Ltd	Australia		100	100
Bellevue Gardens Trust	Australia		100	100
Bellevue Gardens Pty Ltd	Australia		100	100
Lincoln Gardens Pty Limited	Australia		100	100
Blue Valley Enterprises Pty Ltd	Australia		100	100
Queenslake Village Pty Limited	Australia		100	100
The Willows Retirement Services Pty Limited	Australia		100	—
Maybrook Manor Pty Limited	Australia		100	—

* Subsidiaries of Hibernian Investment Company Pty Ltd

8. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

	Aged Care Properties	Other Properties	Plant & Equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED					
Year ended 30 June 2008					
At 1 July 2007, net of accumulated depreciation and impairment	35,041	1,795	2,685	12	39,533
Additions	157	—	273	—	430
Acquisitions of businesses	—	—	53	—	53
Disposals	—	(1,781)	—	—	(1,781)
Transfer to/(from) work in progress	—	12	—	(12)	—
Depreciation charge for the year	(366)	(26)	(338)	—	(730)
At 30 June 2008, net of accumulated depreciation and impairment	34,832	—	2,673	—	37,505

8. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Aged Care Properties	Other Properties	Plant & Equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2008					
Cost or fair value	35,331	—	4,743	—	40,074
Accumulated depreciation and impairment	(499)	—	(2,070)	—	(2,569)
Net carrying amount	34,832	—	2,673	—	37,505
CONSOLIDATED					
Year ended 30 June 2007					
At 1 July 2006, net of accumulated depreciation and impairment	19,818	1,793	1,984	1,160	24,755
Additions	225	2	162	—	389
Acquisition of businesses	—	—	39	—	39
Transfer to/(from) work in progress	231	—	917	(1,148)	—
Revaluations	14,900	—	—	—	14,900
Depreciation charge for the year	(133)	—	(417)	—	(550)
At 30 June 2007, net of accumulated depreciation and impairment	35,041	1,795	2,685	12	39,533
At 30 June 2007					
Cost or fair value	35,174	1,795	4,417	12	41,398
Accumulated depreciation and impairment	(133)	—	(1,732)	—	(1,865)
Net carrying amount	35,041	1,795	2,685	12	39,533
PARENT					
Year ended 30 June 2008					
At 1 July 2007, net of accumulated depreciation and impairment	35,041	1,795	2,501	12	39,349
Additions	157	—	176	—	333
Acquisition of businesses	—	—	53	—	53
Disposals	—	(1,781)	—	—	(1,781)
Transfer to/(from) work in progress	—	12	—	(12)	—
Depreciation charge for the year	(366)	(26)	(318)	—	(710)
At 30 June 2008, net of accumulated depreciation and impairment	34,832	—	2,412	—	37,244
At 30 June 2008					
Cost or fair value	35,331	—	4,302	—	39,633
Accumulated depreciation and impairment	(499)	—	(1,890)	—	(2,389)
Net carrying amount	34,832	—	2,412	—	37,244
Year ended 30 June 2007					
At 1 July 2006, net of accumulated depreciation and impairment	19,818	1,793	1,920	1,132	24,663
Additions	86	2	—	—	188
Acquisition of businesses	—	—	39	—	39
Transfer to/(from) work in progress	270	—	850	(1,120)	—
Revaluations	14,900	—	—	—	14,900
Depreciation charge for the year	(133)	—	(308)	—	(441)
At 30 June 2007, net of accumulated depreciation and impairment	35,041	1,795	2,501	12	39,349
At 30 June 2007					
Cost or fair value	35,174	1,795	4,073	12	41,054
Accumulated depreciation and impairment	(133)	—	(1,572)	—	(1,705)
Net carrying amount	35,041	1,795	2,501	12	39,349

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8. PROPERTY, PLANT AND EQUIPMENT (cont.)

Valuations

Land and buildings, included in Aged Care and Other Properties category, were valued by Aevum's directors at 30 June 2008. In determining the fair value, the directors take into consideration valuation models prepared by the Company, external market valuations, and other market based evidence. Directors and management believe that there is no impairment to the carrying amount of land and buildings. Colliers International, an external valuer, performed independent market valuations for each of the Aged Care assets as at 30 June 2007. Fair value was determined by reference to market-based evidence, which is the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the balance date.

9. INVESTMENT PROPERTIES

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(i) Investment properties				
Opening balance as at 1 July	541,271	206,451	260,721	158,983
Additions	4,515	7,362	2,469	4,704
Transfer to / from investment properties under development	(5,409)	—	(1,422)	—
Acquisition of investment properties	154,112	306,285	65,622	78,109
Resident share of valuation increment	(7,588)	(6,245)	(10,211)	(5,311)
Valuation increment	35,194	27,418	15,129	24,236
	722,095	541,271	332,308	260,721
(ii) Investment properties under development				
Opening balance as at 1 July	—	—	—	—
Transfer to / from investment properties under development	5,409	—	1,422	—
Additions	11,535	—	11,537	—
Closing balance as at 30 June	16,944	—	12,959	—
Closing balance as at 30 June	739,039	541,271	345,267	260,721

Valuations

Investment properties were valued by Aevum's directors at 30 June 2008. In determining the fair value, the directors take into consideration internal valuations prepared by the Company, independent market valuations, and other market based evidence.

The Group engaged CB Richard Ellis, an external valuer, to perform independent market valuations of Castleridge, Bexley, Camden View and Swansea retirement villages as at 30 June 2008. The portfolio of the investment properties are valued by independent valuers over a rolling two year cycle.

Fair value of these properties is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the balance date.

10. INTANGIBLE ASSETS

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Aged care bed licences	1,185	1,185	1,185	1,185
	1,185	1,185	1,185	1,185

Impairment Testing

The Group has consulted Colliers International and are satisfied that the fair value less costs to sell of the unused Bed Licences is greater than the current carrying value, based on current market evidence.

11. TRADE AND OTHER PAYABLES

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Waiting list deposits	196	198	196	198
Trade and other payables	2,906	3,824	2,817	3,354
Related party payables	—	—	25,606	1,684
	3,102	4,022	28,619	5,236

11. TRADE AND OTHER PAYABLES (cont.)

Trade payables are non-interest bearing and are normally settled on 30-day terms.

Other payables are non-trade payables, are non-interest bearing and have any average term of 6 months.

(a) Fair value

Due to the short term nature of these payables, their carrying value approximates their fair value.

(b) Interest rate and liquidity risk

Information regarding interest rate and liquidity risk exposure is set out in note 3.

(d) Related party payables

Transactions with related parties, mainly subsidiary companies, are made in arm's length transactions at market prices, on standard commercial terms and are payable on demand.

12. RESIDENT LOANS AND ACCOMMODATION BONDS

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Gross resident loans	402,561	280,228	171,616	124,948
Less Annual loan reductions	(51,363)	(16,592)	(16,186)	(847)
Resident loans (net of annual loan reduction)	351,198	263,636	155,430	124,101
Resident share of gain on turnover	53,748	42,797	30,031	23,028
Total resident liabilities	404,946	306,433	185,461	147,129
Accommodation bonds	22,844	17,173	22,844	17,173
	427,790	323,606	208,305	164,302
(a) Movement in resident loans				
Opening balance	306,432	122,969	147,129	99,220
Acquisitions	97,761	189,192	45,320	49,792
Gross resident loan receipts from residents on turnover	38,993	30,693	17,700	16,655
Resident loans received from newly developed investment properties	3,021	—	1,600	—
Cash inflows from newly developed investment properties	651	—	—	—
Gross resident loan payments to residents on turnover	(15,381)	(19,461)	(7,872)	(9,785)
Resident loan share of gain refunded on turnover	(3,563)	(3,400)	(2,000)	(2,300)
Resident loans refunded for capital enhancements of property	(5,267)	(572)	(2,600)	(572)
Resident share of gain in valuation increment	(7,588)	(6,245)	(10,211)	(5,311)
Transfers between resident loans and accommodation bonds	(275)	(403)	(49)	2,753
Annual loan reduction	(9,838)	(6,341)	(3,556)	(3,323)
Closing balance	404,946	306,432	185,461	147,129

Resident loans and accommodation bonds are non-interest bearing and are settled between 14 days and 6 months after a resident vacates the property in accordance with the Retirement Villages Act, 1999 and the Aged Care Act, 1997. Resident loans are reduced by annual loan reduction fees charged in accordance with the residency contract. Residents may be entitled to a proportion of the increase in the value of the units on turnover in accordance with their residency contract. Movements in resident loans and accommodation bonds include non-cash transactions primarily in relation to transfer of residents between facilities.

Resident loans have been remeasured to reflect the share of capital gains payable to residents at the reporting date based on current market prices.

13. PROVISIONS

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current				
Employee entitlements	1,141	1,175	1,113	1,157
	1,141	1,175	1,113	1,157
Non-Current				
Employee entitlements	204	141	196	136
	204	141	196	136

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. OTHER LIABILITIES

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Unearned maintenance fees				
Current	2,015	863	1,425	427
Non-Current	330	425	327	426
	2,345	1,288	1,752	853

15. INTEREST-BEARING LOANS AND BORROWINGS

	Maturity	Consolidated		Aevum Limited	
		2008 \$'000	2007	2008 \$'000	2007 \$'000
Non-current					
Bank loan	28/09/2009	—	64,450	—	64,450
Bank loan	12/06/2011	80,000	—	80,000	—
		80,000	64,450	80,000	64,450

The Group entered into Club Facility with ANZ Banking Group and Westpac Banking Corporation Ltd on 12 June 2008 replacing its commercial loan facilities with the Westpac Banking Corporation Ltd. Details of current facilities as noted below.

(a) Fair values

Fair value of the borrowings approximate its carrying value.

(b) Interest rate and liquidity risk

Details regarding interest rate and liquidity risk is disclosed in note 3.

(c) Assets pledged as security

The borrowings are secured over:

- (i) a fixed charge by way of equitable mortgage over Aevum Limited's right, title and interest, present and future, in connection with all Fixed Charge Property; and
- (ii) a floating charge over Aevum Limited's right, title and interest, present and future, in connection with all Secured Property which is not Fixed Charge Property.

Fixed charge property comprises of land in respect of Lourdes and Cardinal Freeman Retirement Villages and all buildings, fences, improvements and other erections, trade and other fixtures, fixed plant and machinery on, and the rights attached to the properties mentioned. At 30 June 2008, the carrying value of property, plant and equipment and investment properties at Lourdes and Cardinal Freeman was \$100.3 million and \$75.6 million respectively.

Secured property includes all the present and future assets, undertaking and rights of Aevum Limited irrespective of where located, when acquired and the capacity in which Aevum Limited holds or comes to hold the same including as trustee of the Trust or any other trust. Secured property includes its share premiums and capital, paid or unpaid, called or uncalled.

(d) Financing facilities available

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Total bank loan facilities	150,000	90,000	150,000	90,000
Loan facilities used at reporting date	80,000	64,450	80,000	64,450
Loan facilities unused at reporting date	70,000	25,550	70,000	25,550

(e) Defaults and breaches

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

16. CONTRIBUTED EQUITY

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(a) Share capital				
(i) Ordinary shares				
Issued and fully paid	105,011	69,986	105,011	69,986

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Fully paid ordinary shares entitle their holder to one vote per share, either in person or by proxy, at a meeting of the company.

(ii) Share Options

Options over ordinary shares:

Employees and executives share scheme

During the 2008 financial year, 87,113 options were granted over ordinary shares, exercisable from the third anniversary from the grant date.

Details are provided in note 27.

(iii) Movement in ordinary shares on issue

	2008		2007	
	No.'000	\$'000	No.'000	\$'000
At the beginning of the financial year	110,858	69,986	82,123	8,866
Issued during the year				
— public equity raising	12,834	34,009	28,730	63,169
— less transaction costs		(1,119)		(2,054)
— dividend reinvestment plan	889	1,954	—	—
— employee options exercised (amount transferred from reserves)	391	181	5	5
At the end of the financial year	124,972	105,011	110,858	69,986

(b) Capital management

When managing capital, the Company's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders and aims to maintain a capital structure that ensures the lowest cost of capital available to the Group.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2008, management paid dividends of \$10,591,831 (2007: \$7,711,702). The company's target for dividend payments for 2009 – 2013 are increases of approximately 5% per annum. Management is also actively encouraging the dividend reinvestment plan.

Management monitor capital through the gearing ratio (net debt / total capital). The target for the Group's gearing ratio is less than 35%. The gearing ratios based on continuing operations at 30 June 2008 and 2007 were as follows:

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Total borrowings	80,000	64,450	80,000	64,450
Less cash and cash equivalents	17,466	37,732	16,438	32,356
Net debt	62,534	26,718	63,562	32,094
Total equity	272,247	219,509	247,127	215,738
Total capital	334,781	246,227	310,689	247,832
Gearing ratio	19%	11%	20%	13%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17. RESERVES AND RETAINED EARNINGS

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
RESERVES & RETAINED EARNINGS				
Employee equity benefits reserve (a)	173	257	173	257
Asset revaluation reserve (b)	26,076	26,231	27,493	27,648
Total Reserve	26,249	26,488	27,666	27,905
Retained earnings (c)	140,987	123,035	114,450	117,847
(a) Employee equity benefits reserve				
(i) Nature and purpose of reserve				
The employee equity benefits reserve is used to record the value of share based payments provided to employees, including Key Management Personnel, as part of their remuneration, the employee equity benefits schemes. Refer to note 27 for further details of these schemes.				
(ii) Movement in reserve				
Balance at beginning of year	257	149	257	149
Additions to reserve	97	113	97	113
Employee options exercised (transferred to share capital)	(181)	(5)	(181)	(5)
Balance at end of year	173	257	173	257
(b) Asset revaluation reserve				
(i) Nature and purpose of reserve				
The asset revaluation reserve is used to record increments and decrements in the fair value of land and buildings used for Aged Care facilities.				
(ii) Movement in reserve				
Balance at beginning of year	26,231	11,825	27,648	13,105
Revaluation of properties	—	14,900	—	14,900
Deferred tax liability on revaluation	(155)	(494)	(155)	(357)
Balance at end of year	26,076	26,231	27,493	27,648
(c) Retained earnings				
Balance at beginning of year	123,035	107,816	117,847	105,703
Net profit attributable to members of Aevum Limited	28,545	22,931	7,196	19,856
Dividends paid	(10,593)	(7,712)	(10,593)	(7,712)
Balance at end of year	140,987	123,035	114,450	117,847
18. AUDITOR'S REMUNERATION				
Amounts received or due and receivable by Ernst & Young for:				
• audit or review of the financial report of the entity and any other entity in the consolidated entity	228,000	338,376	180,000	170,000
• other services in relation to the entity and any other entity in the consolidated entity				
— due diligence and other services in connection with acquisitions	—	86,000	—	—
— other audit reports	42,000	15,186	24,000	5,000
	270,000	439,562	204,000	175,000
19. EXPENDITURE COMMITMENTS				
Capital Expenditure Commitments				
Estimated capital expenditure contracted for at reporting date, but not provided for:				
— Payable not later than 1 year	3,004	—	3,004	—

20. CONTINGENT ASSETS AND LIABILITIES

Under the terms of contract for the purchase of the land and development application for the site acquired in St. Ives (Blue Gum Terrace), the Group is required to make a further settlement subject to sales prices for the completed units exceeding a certain price. This amount is not capable of determination until the units have been constructed and sold.

21. STATEMENT OF CASH FLOWS

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(a) Reconciliation of cash				
Cash balance comprises:				
Cash on hand and at bank	8,133	24,503	7,707	19,449
Cash on deposit	9,333	13,229	8,731	12,907
Closing cash balance	17,466	37,732	16,438	32,356
(b) Reconciliation of the net profit after tax to the net cash flows from operations				
Net Profit	28,545	22,931	7,196	17,993
Interest expense	5,402	3,177	5,402	3,177
Non-Cash items				
Depreciation of non-current assets	730	550	710	441
Valuation increments	(35,194)	(27,418)	(15,129)	(24,236)
Annual loan reduction fee (ALR)	(9,838)	(6,335)	(3,609)	(3,323)
Accommodation bond retention	(297)	(239)	(297)	(239)
Employee share expenses	(97)	108	(97)	108
Changes in assets and liabilities				
(Increase) / decrease in trade and other receivables	(67)	118	(9,873)	(5,889)
(Increase) / decrease in deferred tax assets	(11,785)	30	(7,153)	—
(Increase) / decrease in other assets	(199)	1,248	—	1,248
(Decrease) / increase in trade and other payables	(387)	701	23,384	(95)
(Decrease) / increase in provisions and other liabilities	554	412	916	55
(Decrease) / increase in income tax payable	(1)	87	(1)	87
(Decrease) / increase in deferred tax liabilities	14,888	(12)	7,897	(12)
Increase in resident loans and accommodation bonds	28,106	14,874	7,178	13,012
Net Cash Flow From Operating Activities	20,360	10,232	16,524	2,327

22. FINANCIAL INSTRUMENTS

(a) Financial risk management policies

As at the 30 June 2008 the Group's principal financial instruments comprised of cash, short-term deposits, and resident loans and accommodation bonds and interest-bearing borrowings.

The main purpose of these financial instruments is to invest funds which are currently surplus to short-term needs. The main risks arising from the Group's financial instruments include matching of cash flows arising from maturing investments, and the operational requirements for funding, and counter-party risk.

Details of significant accounting policies and methods relating to measurement of financial instruments are disclosed in note 3 to the financial statements.

(b) Instruments used by the Group

(i) Interest rate swaps — cash flow hedges

Interest bearing loans of the Group currently bear an average variable interest rate of 7.99%. In order to protect against rising interest rates the Group has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates.

At 30 June 2008, after taking into account the effect of interest rate swaps, approximately 28% of the Group's borrowings are at a fixed rate of interest (2007: 35%) and are timed to expire at the renewal dates of the loan.

The fixed rate for the existing swap contract is 6.56% (2007: 6.56%) and variable rate is 1.0% above the 90 day bank bill.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22. FINANCIAL INSTRUMENTS (cont.)

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
0 – 1 years	22,500	—	22,500	—
1 – 2 years	—	22,500	—	22,500
	22,500	22,500	22,500	22,500

The interest rate swaps require settlement of net receivable or payable each 90 days. All swaps are matched directly against the appropriate loans and interest expense and as such are considered highly effective. At balance date the carrying value of the swap is equal to the fair value.

Subsequent to balance sheet date, on 15 July 2008, the Group renegotiated its interest rate swap contracts and entered into a \$50 million interest rate swap contract. The effective date of the swap contract is 8 September 2008.

(ii) Matching of cash flows

The Group maintains a portfolio of investments with staggered maturity dates or in 'at call' facilities and, thus anticipating foreseeable needs for funding.

(c) Interest rate risk

Information regarding interest rate risk exposure is set out in note 3.

(d) Credit risk

The Group's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets indicated in the Balance Sheet. The Group has a policy of not investing more than 25% of assets available for investment with any single institution which must also be licensed with APRA as an authorised deposit taking institution.

23. EARNINGS PER SHARE

	Consolidated	
	2008 \$'000	2007 \$'000
The following reflects the income and share data used in the calculations of basic and diluted earnings per share		
Net profit	28,545	22,931
Earnings used in calculating basic and diluted earnings per share	28,545	22,931
	2008 Number of shares	2007 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	118,404,516	98,864,602
Effect of dilutive securities:		
Share options	502,879	711,383
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	118,907,395	99,575,985

24. DIVIDENDS PAID OR PROPOSED

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(a) Declared and paid during the year¹ :				
Dividends on ordinary shares:				
Final unfranked dividend for 2007: 4.5 cents (2006: 4.0 cents)	5,001	3,856	5,001	3,856
Interim unfranked dividend for 2008: 4.5 cents (2007: 4.0 cents)	5,592	3,856	5,592	3,856
	10,593	7,712	10,593	7,712
(b) Proposed dividends (not recognised as a liability as at 30 June 2008):¹:				
Dividends on ordinary shares:				
Final unfranked dividend for 2008: 4.5 cents (2007: 4.5 cents)	5,624	5,001	5,624	5,001

Note¹: Total dividend proposed/paid for 2008: 9.0 cents (2007: 8.5 cents)

24. DIVIDENDS PAID OR PROPOSED (cont.)

(c) Franking credit balance

	Consolidated	
	2008 \$'000	2007 \$'000
The amount of franking credits available for the subsequent financial year are:		
— franking account balance as at the end of the financial year at 30% (2007: 30%)	7	7
— franking credits that will arise from the payment of income tax payable as at the end of the financial year	—	400
— franking credits that the entity may be prevented from distributing in the subsequent financial year	—	(400)
	7	7

25. BUSINESS COMBINATION

(a) Acquisition of The Willows

On 2 July 2007, the Company completed the acquisition of 100% of the equity of The Willows Retirement Village in Winston Hills, Sydney from the Salvation Army. The purchase price was \$19.3 million.

At the date of acquisition the village comprised of 189 dwellings with a potential of further development of approximately 82 dwellings (subject to council approval). The village is a strata title retirement village.

The acquired retirement village facilities contributed revenues of \$0.9 million and a net profit of \$0.3 million to the group from the period since acquisition to 30 June 2008. It is impractical to estimate the financial effect if the combination had taken place as at 1 July 2007 due to the acquired entity's inconsistency of accounting policies with those of the Group.

The fair value of the identifiable assets and liabilities acquired at the date of acquisition were:

	\$'000
Purchase consideration:	
— Cash Paid	18,752
— Direct Costs relating to the acquisition	524
Total purchase consideration	19,276
Fair value of net identifiable assets acquired	19,276
Goodwill	—

The assets and liabilities arising from the acquisition are included in the table below.

	Recognised on Acquisition \$'000
Investment Property	49,638
Resident Liabilities	(30,362)
Net identifiable assets acquired	19,276

The fair value of the assets and liabilities has been determined provisionally. The fair value of Investment Property has been based on discounted cash flow models.

	\$'000
Outflow of cash to acquire assets, net of cash acquired	
Cash consideration, including costs	19,276
Less: Balances acquired	—
Outflow of cash	19,276

(b) Acquisition of Maybrook Manor

On 27 July 2007, the Company completed the acquisition of 100% of the equity of Maybrook Manor Retirement Village. The village is located in Cromer, Sydney. The purchase price was \$20.3 million including a deferred component of \$2.4 million which was payable should development consent be obtained within one year from settlement for an additional 19 dwellings. The development consent was obtained in the current year and the amount duly settled.

At the date of acquisition the village comprised of 98 dwellings with a potential of further development of approximately 19 dwellings (subject to council approval). The resident tenure is leasehold.

The acquired retirement village facilities contributed revenues of \$0.7 million and a net profit of \$0.4 million to the group from the period since acquisition to 30 June 2008. It is impractical to estimate the financial effect if the combination had taken place as at 1 July 2007 due to the acquired entity's inconsistency of accounting policies with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25. BUSINESS COMBINATION (cont.)

The fair value of the identifiable assets and liabilities of acquired at the date of acquisition were:

	\$'000
Purchase consideration:	
— Cash Paid	17,530
— Deferred performance incentive	2,400
— Direct Costs relating to the acquisition	382
Total purchase consideration	20,312
Fair value of net identifiable assets acquired	20,312
Goodwill	—

The assets and liabilities arising from the acquisition are included in the table below.

	Recognised on Acquisition
	\$'000
Cash	3,539
Investment Property	38,852
Resident Liabilities	(22,079)
Net identifiable assets acquired	20,312

The fair value of the assets and liabilities has been determined provisionally. The fair value of Investment Property has been based on discounted cash flow models.

	\$'000
Outflow of cash to acquire assets, net of cash acquired	
Cash consideration, including costs	17,912
Less: Balances acquired	
Cash	3,539
Outflow of cash	14,373

(c) Acquisition of The Rivers

On 26 September 2007 the Company completed the acquisition of two Western Australian villages, River Parks and River Pines Retirement Villages in Wilson, Perth ("Rivers"). The purchase price was \$6.3 million.

The villages comprises 67 dwellings with no further development potential. The resident tenure is leasehold.

The acquired retirement village facilities contributed revenues of \$0.1 million and a net profit of \$0.1 million to the group from the period since acquisition to 30 June 2008. It is impractical to estimate the financial effect if the combination had taken place as at 1 July 2007 due to the acquired entity's inconsistency of accounting policies with those of the Group.

The fair value of the identifiable assets and liabilities of acquired at the date of acquisition were:

	\$'000
Purchase consideration:	
— Cash Paid	5,975
— Direct Costs relating to the acquisition	368
Total purchase consideration	6,343
Fair value of net identifiable assets acquired	6,343
Goodwill	—

The assets and liabilities arising from the acquisition are included in the table below.

	Recognised on Acquisition
	\$'000
Investment Property	19,740
Plant & Equipment	18
Resident Liabilities	(13,415)
Net identifiable assets acquired	6,343

25. BUSINESS COMBINATION (cont.)

The fair value of the assets and liabilities has been determined provisionally. The fair value of Investment Property has been based on discounted cash flow models.

	\$'000
Outflow of cash to acquire assets, net of cash acquired	
Cash consideration, including costs	6,343
Less: Balances acquired	—
Outflow of cash	6,343

(d) Acquisition of Peridon Village — The Cove & Wamberal Gardens

On 30 April 2008 the Company completed the acquisition of two retirement village facilities, The Cove and Wamberal Gardens in New South Wales, from Peridon Group for a total purchase consideration of \$14.0 million.

At the date of acquisition the village comprised of 166 units. The resident tenure is leasehold.

The acquired retirement village facilities contributed revenues of \$0.1 million and a net profit of \$0.1 million to the group from the period since acquisition to 30 June 2008. If the acquisition had occurred on 1 July 2007, the acquired business would have contributed revenues of \$0.6 million and a net profit of \$0.5 million to 30 June 2008.

The fair value of the identifiable assets and liabilities of acquired at the date of acquisition were:

	\$'000
Purchase consideration:	
— Cash Paid	12,876
— Direct Costs relating to the acquisition	1,136
Total purchase consideration	14,012
Fair value of net identifiable assets acquired	14,012
Goodwill	—

The assets and liabilities arising from the acquisition are included in the table below.

Recognised on Acquisition

	\$'000
Investment Property	45,882
Plant & Equipment	35
Resident liabilities	(31,905)
Net identifiable assets acquired	14,012

The fair value of the assets and liabilities has been determined provisionally. The fair value of Investment Property has been based on discounted cash flow models.

	\$'000
Outflow of cash to acquire assets, net of cash acquired	
Cash consideration, including costs	14,012
Less: Balances acquired	—
Outflow of cash	14,012

(e) Summary of Acquisitions

	Consolidated		Aevum Limited	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Payment for acquisition of:				
Sakkara Retirement Village facilities	—	89,882	—	91,015
Moran Retirement Village facilities	—	2,138	—	2,138
The Village Swansea facilities	—	16,553	—	16,553
Camden View Village assets	—	5,520	—	5,520
The Willows	17,364	1,912	17,364	1,912
Maybrook Manor	14,759	2,014	18,298	2,014
The Rivers	6,343	—	6,343	—
The Cove & Wamberal Gardens	14,012	—	14,012	—
Net cashflow used in acquisition	52,478	118,019	56,017	119,152

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. RELATED PARTIES

Aevum Limited is the ultimate parent company in the consolidated group. The subsidiaries of the Group utilises the bank accounts of the parent entity. There are no other related party transactions within the Group. All details of other related party transactions are disclosed in note 27.

27. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Compensation of Key Management Personnel

	Consolidated		Aevum Limited	
	2008	2007	2008	2007
Short-Term	790,956	967,003	790,956	967,003
Post Employment	70,027	78,936	70,027	78,936
Termination Benefits	—	233,461	—	233,461
Share-Based Payment	116,250	27,966	116,250	27,966
	977,233	1,307,366	977,233	1,307,366

(b) Shareholdings of Key Management Personnel (Consolidated)

	Balance		Balance		Balance	
	1 July 06	Net Change	30 June 07	Net Change	30 June 08	
	Ordinary	Other	Ordinary	Other	Resignation	Ordinary
G. Lenzner	75,000	103,067	178,067	28,772	—	206,839
R. Gould	1,000	6,067	7,067	8,272	—	15,339
M. Willis	—	29,400	29,400	22,886	—	52,286
P. Anderson	—	—	—	10,000	—	10,000
S. Owen	—	—	—	100,000	—	100,000
A. Kavanagh	800,918	(800,918)	—	—	—	—
J. Kavanagh	775,038	(775,038)	—	—	—	—
Total	1,651,956	(1,437,422)	214,534	169,930	—	384,464

There have been no other transactions concerning equity instruments during the financial year with directors or their director-related entities.

All equity dealings with directors have been entered into within terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

(c) Option holdings of Key Management Personnel (Consolidated)

	Balance at beginning of period		Options Exercised	Option Lapsed Resigned	Balance at end of period		Vested at 30 June 2008	Not Exercisable	
	1 July 07	Granted as Remuneration			30 Jun 08	30 Jun 08		Total	Exercisable
30 June 2008									
Executives									
S. Owen	367,493	44,366	100,000	—	311,859	—	—	—	—
P. Homan	9,796	21,127	—	—	30,923	—	—	—	—
Other senior management	78,657	21,620	38,191	16,333	45,753	23,000	—	—	23,000
Total	455,946	87,113	138,191	16,333	388,535	23,000	—	—	23,000
	Balance at beginning of period		Options Exercised	Option Lapsed	Balance at end of period		Vested at 30 June 2007	Not Exercisable	
	1 July 06	Granted as Remuneration			30 Jun 07	30 Jun 07		Total	Exercisable
S. Owen	321,429	46,064	—	—	367,493	—	—	—	—
J. Kavanagh	210,714	41,983	—	252,697	—	—	—	—	—
P. Homan	—	9,796	—	—	9,796	—	—	—	—
Other senior management	46,993	36,443	4,779	—	78,657	—	—	—	—
Total	579,136	134,286	4,779	252,697	455,946	—	—	—	—

(27. DIRECTOR AND EXECUTIVE DISCLOSURES (cont.))

(d) Loans to Key Management Personnel (Consolidated)

During the year there were no loans to directors or executives.

(e) Other transactions and balances with Key Management Personnel

No other transactions and balances have been undertaken between the entity and its key management personnel.

28. EMPLOYEE BENEFITS

(a) Special Bonus Scheme — Employee Share Plan

Concurrent with the company's Listing in November 2004, 137,764 shares were granted and issued to the company's technical, professional and support staff for no consideration.

In addition, employees were offered to sacrifice up to \$2,000 of salary in return for shares at \$0.90 each. The company, for the calendar year of 2005 only, issued additional bonus shares matching the dollar value of the salary sacrifice. Shares are granted every six months. 246,302 shares were issued in the calendar year of 2005 to employees who elected to participate in the scheme.

A three-year trading lock is applied to all shares granted under this plan. Shares are not able to be sold or transferred until the earlier of three-years after the grant of shares or immediately upon employees ceasing employment with the company.

No shares were issued under this scheme during the year.

(b) Special Bonus Scheme — Senior Management Options Plan

In the year ended 30 June 2008, the directors granted 87,113 (2007: 134,286) Zero Exercise Price Options (ZEPOs) to the Key Management Personnel and other senior management. (Refer to note 27 for details of movements in ZEPOs).

The ZEPOs are subject to a 3 year vesting period and have no performance hurdles. Employees who resign or are given a notice of termination for serious misconduct or poor performance before the end of the 3 year period will forfeit their special grant of ZEPOs.

The ZEPOs will be exercisable in the period of 6 months after the vesting period expires, and any ZEPOs which are not exercised within this period of 6 months will lapse. One share will be received by the employee for each ZEPO exercised.

The weighted average cost per option issued was \$1.18 (2007: \$0.92).

In respect of ZEPOs issued to Simon Owen, if he ceases to be employed other than due to serious misconduct or poor performance, then he will be entitled to all ZEPOs with a vesting date within a period of up to 3 years. Further, in the event of redundancy or position downgrade, all unvested ZEPOs granted to Simon Owen will vest immediately.

(c) Superannuation Contributions

The Group contributes 9% of employee's salary and wages to employee specified complying superannuation fund or retirement savings account. This contribution is legally enforceable in Australia.

29. SEGMENT REPORTING

The Group's primary segment reporting format is the business segment as the Group's risks and rates of return are affected predominately by these business segments.

The Group operates in the retirement accommodation and Aged care businesses. The retirement segment represents resident funded retirement living accommodation comprising independent living units and serviced apartments. The aged care segment represents Commonwealth subsidised and accredited aged care facilities comprising low care hostel accommodation and nursing homes.

Business segment

	Aged Care \$'000	Retirement \$'000	Other* \$'000	Total \$'000
Year ended 30 June 2008				
Revenue				
Revenue outside the entity	11,132	45,989	2,811	59,932
Inter-segment revenues	(708)	(2,880)	3,588	—
Total Segment revenue	10,424	43,109	6,399	59,932
Results				
Segment result	1,175	38,242	(7,924)	31,493
Income tax expense				2,948
Net profit				28,545
Assets				
Segment assets	36,106	712,091	48,423	796,620
Non-segment assets				—
Deferred tax assets				12,749
Total assets				809,369

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29. SEGMENT REPORTING (cont.)

Liabilities

Segment liabilities	22,844	404,252	87,486	514,582
Non-segment liabilities				
Current tax liabilities				399
Deferred tax liabilities				22,142
Total liabilities				537,123

Other segment information

Acquisition of property, plant and equipment and investment properties	430	4,515	2,469	7,414
Depreciation	(366)	(45)	(319)	(730)

* – Other segments include finance income and corporate costs

	Aged Care \$'000	Retirement \$'000	Other* \$'000	Total \$'000
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Year ended 30 June 2007

Revenue

Revenue outside the entity	10,498	34,725	1,848	47,071
Inter-segment revenues	(655)	(483)	1,138	—
Total Segment revenue	9,843	34,242	2,986	47,071

Results

Segment result	646	31,477	(8,395)	23,728
Income tax expense				797
Net profit				22,931

Assets

Segment assets	36,299	519,083	65,499	620,881
Non-segment assets				—
Deferred tax assets				964
Total assets				621,845

Liabilities

Segment liabilities	16,905	307,660	70,117	394,682
Non-segment liabilities				
Current tax liabilities				400
Deferred tax liabilities				7,254
Total liabilities				402,336

Other segment information

Acquisition of property, plant and equipment and investment properties	1,535	7,362	4,706	13,603
Depreciation	(133)	(56)	(361)	(550)

* – Other segments include finance income and corporate costs

Geographic Segment

The Group operates wholly within Australia.

30. EVENTS AFTER THE BALANCE SHEET DATE

No material events occurred after balance date.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Aevum Limited, I state that:

In the opinion of the directors:

- (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporation Act 2001, including
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) 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 has been made after receiving the declaration required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial period ended 30 June 2008.

On behalf of the Board



Graham Lenzner
Chairman

Sydney
13 August 2008

INDEPENDENT AUDIT REPORT



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Independent auditor's report to the members of Aevum Limited

Report on the Financial Report

We have audited the accompanying financial report of Aevum Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the 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 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



Auditor's Opinion

In our opinion:

1. the financial report of Aevum Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the financial position of Aevum Limited and the consolidated entity 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*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 38 to 43 of the directors' report for the year ended 30 June 2008. The directors of the company 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 Aevum Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in cursive script that reads "Ernst + Young".

Ernst & Young

A handwritten signature in cursive script that reads "John Robinson".

John Robinson
Partner
Sydney
13 August 2008

SHAREHOLDER INFORMATION

AS ADVISED TO AEVUM AS AT 30 JUNE 2008

Distribution of Ordinary Shares

Analysis of ordinary shares by size of shareholding

Number of Shares	Ordinary Shares Held	Number of Shareholders	% of Issued Shares
1 to 1000	542,999	827	0.43
1001 to 5000	4,718,030	1,788	3.78
5001 to 10000	11,283,463	1,532	9.03
10001 to 100000	38,497,643	2,003	30.81
100001 and Over	69,929,934	42	55.95
Total	124,972,069	6,192	100.00

209 shareholders hold less than a marketable parcel

Substantial Shareholders

The following shareholders have notified that they are substantial shareholders of Aevul Limited:

Shareholders	Ordinary Shares Held	% of Issued Shares
PLT Management Pty Limited — AIT Investment A/C	17,903,350	14.33
Aust Executor Trustees NSW Ltd — Tea Custodian Limited	11,703,260	9.36
J P Morgan Nominees Australia Limited	9,498,970	7.60
Total	39,105,580	31.29

Twenty Largest Shareholders

Shareholders	Ordinary Shares Held	% of Issued Shares
PLT Management Pty Limited — AIT Investment A/C	17,903,350	14.33
Aust Executor Trustees NSW Ltd — Tea Custodian Limited	11,703,260	9.36
J P Morgan Nominees Australia Limited	9,498,970	7.60
National Nominees Limited	4,733,186	3.79
Citicorp Nominees Pty Limited	3,151,418	2.52
ANZ Nominees Limited — Cash Income A/C	2,425,915	1.94
ANZ Nominees Limited — Income Reinvestment Plan A/C	2,053,284	1.64
Cogent Nominees Pty Limited	1,518,333	1.21
Citicorp Nominees Pty Limited — CFS Developng Companies A/C	1,414,800	1.13
Argo Investments Limited	1,394,982	1.12
Invia Custodian Pty Limited — Wilson Invmt Fund Ltd A/C	1,326,839	1.06
Warbont Nominees Pty Ltd — Settlement Entrepot A/C	1,293,000	1.03
Custodial Services Limited — ABN-AMBRO Criags Ltd	1,167,242	0.93
RBC Dexia Investor Services — Australia Nominees Pty Limited	1,040,903	0.83
Mirrabooka Investments Limited	850,000	0.68
HSBC Custody Nominees (Australia) Limited	770,109	0.62
Forbar Custodians Limited — Forsyth Barr Ltd — Nominee A/C	733,810	0.59
JDV Limited — Ent Investment Fund A/C	713,760	0.57
UBS Nominees Pty Ltd	608,195	0.49
Invia Custodian Pty Limited — WAM Capital Limited A/C	547,989	0.44
Total for Top 20	64,849,345	51.88



“Celebrating more than
30 years experience
in Retirement Living &
Aged Care”

CORPORATE DIRECTORY

ABN 80 087 648 691

A description of the Group’s operations and of its principal activities is included in the review of operations in the directors’ report on page 36.

Directors:

Graham Lenzner (Chairman)
Richard Gould
Melanie Willis
Phillip Anderson

Chief Executive Officer:

Simon Owen (departed 29 August 2008)
Melanie Willis (Acting CEO)

Company Secretary:

Peter Homan

Principal and Registered Office:

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Phone: 61 2 8223 0900
Fax 061 2 8223 0999
aevum@aevum.com.au
www.aevum.com.au

Share Register:

Link Market Services Limited

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680 George Street
Sydney NSW 2000
AUSTRALIA

Lawyers:

Minter Ellison Lawyers

Aurora Place
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Sydney NSW 2000
AUSTRALIA

Bankers:

Westpac Banking Corporation

275 Kent Street
Sydney NSW 2000
AUSTRALIA

ANZ Banking Group

68 Pitt Street
Sydney NSW 2000
AUSTRALIA

Auditors:

Ernst & Young

680 George Street
Sydney NSW 2000
AUSTRALIA

