

**aevum**  
LIMITED

**2006**

**DECEMBER  
HALF YEAR  
FINANCIAL REPORT**

Issued  
**27TH FEBRUARY 2007**

AEVUM LIMITED ABN 80 087 648 691



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ASX & MEDIA RELEASE

27 FEBRUARY 2007

## **AEVUM ANNOUNCES HALF YEAR PROFIT OF \$7.8 MILLION AND CONFIRMS GUIDANCE FOR 10-15% EPS GROWTH**

### **DECEMBER 2006 RESULTS COMMENTARY**

- EBIT growth of 161% to \$9.4m (Dec05: \$3.6m)
- NPAT growth of 146% to \$7.8m (Dec05: \$3.2m)
- EPS growth of 126% to 8.8¢ (Dec05: 3.9¢)
- Decrease in operating cash flows of 75% to \$1.3m (Dec05: \$5.2m)
- Interim dividend declared of 4.0¢. (Dec05: 3.5¢)
- NTA per share up 7.0¢ to \$1.58 (Dec05: \$1.51)
- Revaluation increments of \$8.7m (Dec05: \$2.4m)

ASX listed retirement living company, Aevum Limited today reported a net profit after tax of \$7.8 million for the six months ending 31 December 2006, an increase of 146% on the \$3.2 million reported for the prior comparative period.

Aevum chief executive officer, Simon Owen, said the improved result was underpinned by two substantial acquisitions in the period which were immediately earnings accretive and which encompassed a development pipeline that would generate earnings and cashflow growth.

“We have an exciting, multi-village, expansion program currently underway which even in the absence of future acquisitions has the potential to deliver significant earnings growth”.

“In addition we will continue to look at acquisition opportunities which meet our threshold targets. Both the Sakkara and Moran acquisitions are already contributing earnings and we will continue to focus on opportunities which have the potential to deliver long term, sustainable growth”

Earnings per share were 8.8 cents for the period, up 126% on the 3.9 cents recorded for the six months to 31 December 2005.

Operating cash flows for the period were a disappointing \$1.3 million. This amount was adversely impacted by:

- Redevelopment of the Cardinal Freeman village where vacated units are being held back from resale to enable existing residents, impacted by the redevelopment, to be relocated. This has meant that the company has repaid over ten departed residents without the benefit of receiving another incoming loan;
- Decisions by the company to repay departing residents (in some mid North Coast villages) early, thus gaining control of the upgrade process and pricing;
- Integration and bid costs of \$1.1 million; and

- Working capital movements of \$1.2 million.

Over the past six months a significant amount of operating cashflows has been invested in the future growth of the company. This included stockpiling units at Cardinal Freeman ahead of redevelopment, integration of two acquisitions and buying back units on the mid North Coast to enable complete control over upgrades and pricing. All of these investments are expected to underpin and contribute to longer term earnings and cash flows.

At period end the company had \$9 million cash on hand and access to considerable funding. The company forecasts a significantly stronger second half consistent with prior years and assisted by the sell through of reserved units.

### Interim Dividend

Directors are pleased to declare an interim dividend of 4.0 cents per share (unfranked), an increase of 0.5 cents over the prior comparative period. The dividend will be paid on 21 March 2007.

### Finance

At 31 December 2006 the company had cash on hand and investments of \$9.0 million.

During the period a debt facility was established with Westpac and at period end the company had \$45.5 million of borrowings. The interest only facility has a three year term and is secured via a deed of cross guarantee. Hedging for 50% of the borrowings is in place.

Internally the company assesses its debt capacity utilising a gearing ratio of debt to debt plus equity. The company has previously provided guidance that it will be comfortable for gearing to increase to 30 - 35%. As at 31 December 2006 the company's gearing was 20.3%.

Resident loans and accommodation bonds were \$261.6 million at the end of the period compared to \$134.7 million as at 30 June 2006. This increase is largely due to resident loans assumed on the acquisition of the Sakkara portfolio (the Moran portfolio was almost exclusively 'Strata Title', thus without resident loan liability). These loan balances include the resident's share of unrealised capital gains and are non-interest bearing.

As at 31 December 2006 the company had total assets exceeding \$470 million including retirement village operational assets of \$413 million, retirement village development assets of \$23 million and aged care assets of \$20 million.

### Portfolio Valuation

	Units	Discount Rate	Period of Residency <sup>1</sup>	Price Growth (p.a.)
Sydney	515	12.5%	12 years	4.0%
Moran portfolio	121	15%	15 years	4.0%
Sakkara portfolio	766	12%	12 years	4.0%
<b>Total</b>	<b>1,402</b>			

Note1: ILU's only.

Aevum has internally reviewed its portfolio valuation as at 31 December 2006. As part of our accounting policies each village is subject to external valuation at least once every two years, undertaken on a rolling basis.

Based on the above parameters, sensitivities to changes in key inputs can be summarised as follows:

- Reducing the discount rate by 1% adds \$15 million to NTA / profit;
- Reducing the period of occupancy by 1 year adds \$4 million to NTA / profit; and
- Increasing the price growth (CAGR) by 1% adds \$20 million to NTA / profit.

Aevum believes that its current valuation parameters are conservative and appropriate however recent large portfolio transactions indicate that discount rates <12% and price growth >4% are being used.

## Retirement

Operating revenue for the retirement division (which included revaluation increments of \$8.7 million) was \$12.3 million for the period, 193% higher than the prior comparative period of \$4.2 million (which included revaluation increments of \$2.4 million). EBIT for retirement was \$11.0 million for the period, 182% higher than the prior comparative period of \$3.9 million.

On 25 August 2006 the company acquired three retirement villages, comprising 121 units, from the Moran Health Care Group for a total purchase consideration of \$2.1 million.

On 28 August 2006 the company acquired seven retirement villages, comprising 766 units and 133 development approvals from Sakkara Group of companies for a total purchase consideration of \$91.0 million.

When adding these acquisitions to the company's existing portfolio the occupancy rate dipped slightly below the long term target of 95%. The company anticipates that over the course of the next six months the occupancy rate will trend back towards the 95% level based on existing unit reservations and sales and marketing activities planned for early 2007. Achieving and maintaining a 95% occupancy rate is a key on-going priority for management.

Sales price growth in 1H07 was 2.0% for cash settled transactions. The company remains confident that based on existing reservations and recent inquiries, sales price growth of 4.0% will be achieved for the full year.

### Key Retirement Statistics

	<b>Total units</b>	<b>Units sold during period</b>	<b>Occupancy<sup>2</sup> 31 Dec 2006</b>	<b>Occupancy<sup>2</sup> 30 June 2006</b>
Sydney Villages	515	32	95.0%	95.3%
Mid North Coast <sup>1</sup>	647	24	92.1%	-
Southern Highlands <sup>1</sup>	119	-	97.5%	-
Western Australia <sup>1</sup>	121	-	99.2%	-
<b>Total</b>	<b>1,402</b>	<b>54</b>	<b>94.2%</b>	<b>95.3%</b>

Note<sup>1</sup>: Acquired September 2006

Note<sup>2</sup>: Calculated as units occupied plus those under contract and withdrawn from sale

To facilitate the redevelopment of Cardinal Freeman and commence building through the recently approved DA's, existing residents in Blocks A & B (24 residents in total) are being progressively relocated to equivalent or better units across the village as they become available. This means that since May 2006 there have been no new residents moving into Cardinal Freeman ILU's. As a result Cardinal Freeman village has not contributed to the

above price growth. This is in contrast to the experience over the past couple of years where the Cardinal Freeman village has been a key driver of sales price growth due to its dominant competitive position in the Sydney Inner West.

Whilst demand for retirement accommodation remains firm with strong levels of enquiry being recorded across the portfolio, the continuing soft residential property market, particularly in Sydney and on the NSW Mid North Coast, is having an adverse impact on sales and increasing turnover periods. In some instances prospective residents are taking upwards of 90 days to sell their homes. This is an industry wide issue. To assist our residents with the transition Aevum has in certain circumstances offered extended settlement periods in order to maintain sales price growth targets and occupancy rates. This has had a direct impact on the timing of operating cashflows in the first half.

Integration of the Sakkara and Moran portfolios has proceeded well since acquisition in August 2006. A number of the Sakkara villages were purchased with occupancy rates well below our core target of 95% and occupancy rates are slowly trending in the right direction. The marketing strategy of presenting the five Mid North Coast villages as one destination rather than five competing "silos" has had a positive impact with Aevum establishing a leading market position in that area.

#### *Divisional Outlook*

The key challenge over the next six months is to improve the level of operational cashflows delivered by the retirement division. Whilst the second half is traditionally stronger (1H06 \$1.6m, 2H06 \$8.9m) specific focus is being applied to "aged" stock where the departing resident has already been paid out and the full entry contribution (i.e. new loan) will be to Aevum's account.

Strong increases in operating cashflows are also forecast from retirement in the second half as existing reservations and expressions of interest are converted into sales and Aevum's improved marketing and product presentation, particularly on the mid North Coast and in Western Australia gains traction. The company has recently recruited a new Head of Sales & Marketing who is driving this process. Open days are scheduled for a majority of villages over the coming months which also generates significant inspections and sales interest.

The total value of vacant stock as at 31 December 2006 is \$36.5 million including \$5.9 million of units held aside at Cardinal Freeman to assist with the relocation of residents from buildings soon to be redeveloped and \$16.2 million of units associated with the recent Sakkara and Moran acquisitions. Stock levels are well above core holdings due to the Cardinal Freeman redevelopment and occupancy rates being below the 95% target.

Presently there are five villages running at an occupancy rate well below the long term target of 95%. This is offset by seven villages running at or close to 100% occupancy. Generally speaking the sub 95% occupancy villages are slowly trending upwards which will be a key driver in releasing working capital into operating cash flows.

The company is working towards commencing construction at both Cardinal Freeman (Sydney) and Waratah Highlands (Southern Highlands) in May 2007 with a likely build period of 12 months. This will deliver 40 - 50 new ILU's with an end value of \$15-20 million at villages where the current occupancy rates are 100%.

The company is also exploring the acquisition of land and / or residential housing adjacent to villages consistently running at full occupancy to meet strong demand.

## Aged Care

Operating revenue for the aged care division was \$5.3 million for the period, 10% higher than the prior comparative period of \$4.8 million. EBIT for aged care was \$0.3 million for the period, 32% lower than the prior comparative period of \$0.5 million. Additional aged care bonds of \$1.8 million were received during the period increasing total bonds to \$16.9 million. Interest received on accommodation bonds is not included in the above results.

Margin pressures in aged care continue to erode the impacts of continual improvements in operating performance. The Lourdes aged care facility was also affected during the period by the opening of a new Extra Services facility in nearby Killara which had an impact on occupancy rates and the pricing of accommodation bonds. On-site management has responded to this competition through reducing the pricing of accommodation bonds, focussing on care levels delivered and investing in additional marketing. Pricing of bonds is likely to return to previous levels over the next 12 months.

Excepting the above competitive pressures, demand for aged care accommodation remains strong across both low and high care with occupancy rates > 98.0%.

### *Divisional Outlook*

Operating returns from aged care are clearly unacceptable at current levels. The company is focussing on increasing the level of recurrent earnings from aged care through optimising the resident mix, aggregating our purchasing spend across the group, and improving systems and procedures to maximise staff productivity. New management has been put in place at the Lourdes aged care facility and additional resources have been made available at a corporate level to support process improvement initiatives.

Significant opportunity also exists over the next few years to increase the level of accommodation bonds in place. Subject to the availability of beds, potential exists to add a further \$10-12 million in accommodation bonds over the next couple of years. This will be a valuable contribution to operating cashflows but will have little impact on earnings.

Aged care is only a small component of the company's overall business and provides Aevum with substantial pricing power and product differentiation for our core retirement division. Nevertheless, the company is acutely focussed on improving returns.

## Organic Growth

Aevum presently has approved DA's in place for 169 dwellings across three villages with a sales value exceeding \$50 million. In addition the company has the potential to add a further 158+ dwellings at existing villages over the next three to five years (subject to council approval).

<b>Village</b>	<b>Approved Dwellings</b>	<b>Sales Value<sup>1</sup> \$'000</b>	<b>Prospective<sup>2</sup> Dwellings</b>	<b>Sales Value<sup>1</sup> \$'000</b>
Cardinal Freeman – Sydney	36	14,400	100+	40,000
Waratah – Sth Highlands	91	22,750	-	-
Golden Ponds – Forster	42	14,700	-	-
Lourdes – Sydney	-	-	30+	22,500
Swansea – Central Coast	-	-	8	2,400
Parklands	-	-	20+	4,500
<b>Total</b>	<b>169</b>	<b>51,850</b>	<b>158+</b>	<b>69,400</b>

Note<sup>1</sup>: End market value of units based on current sales prices

Note<sup>2</sup>: Subject to internal assessment and council approval

A key priority of management over the coming year is to achieve development approvals for the prospective dwellings to increase Aevum's development pipeline as well as commencing the build through of those dwellings already approved.

The company is also presently assessing a number of opportunities at existing villages where adjacent vacant land or residential housing could be acquired to expand facilities.

To date the company has largely relied on external service providers to assist it with the assessment and execution of property development opportunities whilst focussing on the operation and marketing of existing villages. Aevum has identified the need to build property development as a core management competency and is presently recruiting an experienced development professional to add to the executive team.

### **Acquisition Strategy**

On 21 December 2006 Aevum announced the \$15.5 million acquisition of *The Village - Swansea*, a mature facility comprising 133 independent living units. The acquisition was settled on 2 February 2007 through an existing debt facility. Swansea positions Aevum in an attractive retiree location with a well presented village, strong underlying resident contracts and vacant land capable of supporting the development of a further eight units (subject to council approval). The village is currently operating at an occupancy rate of 99.2% and should support solid sales price growth over the foreseeable period.

The company is now focussing its efforts on 'off-market' transactions where greater value exists, where no portfolio premium is payable. Aevum is presently conducting exclusive due diligence on several such opportunities which have the potential to contribute to long-term superior TSR.

Aevum expects to announce further details on prospective acquisitions over the coming months and that the five year, 2,000 unit target announced in November 2004 is likely to be achieved over the next year.

### **Group Outlook**

Aevum confirms that it is on track to record EPS growth of 10-15% (on expanded capital) over the 16.3 cents recorded in FY06. Operating cashflows are expected to rebound significantly over the next six months to >\$8 million, net of over \$4 million in financing costs.

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**ISSUED FOR** : **AEVUM LIMITED**

**FOR FURTHER INFORMATION** : **SIMON OWEN, CHIEF EXECUTIVE OFFICER, AEVUM LIMITED, TEL: (02) 8223 0902**

**ISSUED BY** : WESTBROOK COMMUNICATIONS,  
CONTACT: DAVID REID, TEL: (02) 9231 0922 OR 0417 217 157

*This release can be downloaded from [www.westbrookfin.com.au](http://www.westbrookfin.com.au)*

**Appendix 4D  
Half year report**

**Results for Announcement to the Market**

Name of entity

**AEVUM LIMITED**

ABN or equivalent company reference

**80 087 648 691**

Financial half year ended ('current period')

**31 December 2006**

Financial half year ended ('previous corresponding period')

**31 December 2005**

**\$A'000**

Revenues from ordinary activities	Up 82%	to	18,769
Profit from ordinary activities after tax attributable to members	Up 146%	to	7,781
Net profit for the period attributable to members	Up 146%	to	7,781
<b>Dividends (distributions)</b>		Cents per security	Franked amount per security
Interim dividends declared	2006 2005	4.0 3.5	NIL NIL
Final dividends for the financial year ended 30 June provided for and paid during the interim period	2006 2005	4.0 6.0	NIL NIL
Record date for determining entitlements to the dividend	<b>8 March 2007</b>		
<b>Net Tangible Asset Backing Per Share</b>	Amount per share		
Current period	\$1.60		
Previous corresponding period	\$1.51		

**Other Information****Audit**

This report is based on accounts for which an audit review has been completed.

**Commentary on results for the period**

A commentary on the results for the period is contained in the market release dated 27 February 2007 accompanying this statement.

**Dividend distribution**

Four (4.0) cents per share final dividend is payable on 22 March 2007.

**Controlled Entities****Date gained control**

Aevum Retirement Village Trust No 1	28 August 2006
Aevum Retirement Village Trust No 2	28 August 2006
Aevum Retirement Village Trust No 3	28 August 2006
Aevum Retirement Village Trust No 4	28 August 2006
Aevum Retirement Village Trust No 5	28 August 2006
Aevum Retirement Village Trust No 6	28 August 2006
Macquarie Waratah Management Pty Ltd	28 August 2006
Macquarie Waratah Holdings Pty Ltd	28 August 2006
Sakkara Living Holdings Trust	28 August 2006
Macquarie Waratah Villages Pty Limited	28 August 2006
Golden Ponds Forster Pty Limited	28 August 2006
Macquarie Grove Management Pty Limited	28 August 2006
Waratah Highlands Management Pty Ltd	28 August 2006
Macquarie Waratah Holdings (NSW) Pty Limited	28 August 2006
Sakkara Living Holdings (NSW) Trust	28 August 2006
The Hastings Valley Parklands Village Pty Ltd	28 August 2006
Bellevue Gardens Trust	28 August 2006
Bellevue Gardens Pty Ltd	28 August 2006
Lincoln Gardens Pty Limited	28 August 2006
Blue Valley Enterprises Pty Ltd	28 August 2006
Queenslake Village Pty Limited	28 August 2006

The above acquired entities contributed revenues of \$2.5 million and a net profit of \$2.0 million to the group from the period since acquisition to 31 December 2006.

It is impractical to estimate the financial effect if the combination had taken place on 1 July 2006 due to the acquired entities inconsistency of accounting policies with those of the Group.

**Associates**

None

**Joint Venture Entities**

None



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**Half Year Financial Report**

**Six Months Ending 31 December 2006**

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# Directors' Report

Your directors submit their report for the half-year ended 31 December 2006.

## DIRECTORS

The names of the directors of the company in office during the half-year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Graham Lenzner  
Allen Kavanagh  
Richard Gould  
Melanie Willis (appointed 1 August 2006)

## REVIEW AND RESULTS OF OPERATIONS

### Review of Operations

The Group's operations achieved earnings before interest and tax for the six months ending 31 December 2006 of \$9.6 million (Dec 2005: \$3.6 million), net profit for the period was \$7.8 million (Dec 2005: \$3.2 million).

Basic earnings per share for the period was 8.8 cents (Dec 2005: 3.9 cents)

### Retirement Villages

The Group's retirement village operations (including independent living units and serviced apartments) recorded a pre-tax profit for the period of \$11.0 million (Dec 2005: \$3.9 million).

On 25 August 2006, the company acquired three retirement villages, comprising 121 units, from the Moran Health Care Group for a total purchase consideration of \$2.1 million

On 28 August 2006, the company acquired seven retirement villages, comprising 766 units and 133 development approvals from the Sakkara Group of companies for a total purchase consideration of \$91.0 million.

The village occupancy rate across the retirement division averaged 94.2% at the end of the period compared to 95.3% at 30 June 2006 and 93.8% at 31 December 2005.

### Aged Care

The Groups aged care operations (nursing homes and low care lodges) recorded a pre-tax profit for the period of \$0.3 million (Dec 2005: \$0.5 million). Additional aged care bonds of \$1.8 million were received during the period increasing total bonds to \$16.9 million. Interest received on accommodation bonds is not included in the above results.

Margin pressures in aged care continue to erode the impacts of continual improvements in operating performance. The Lourdes aged care facility in Killara was also impacted during the period by the opening of a new Extra Services facility in nearby Killara which had an impact on occupancy rates and the pricing of accommodation bonds. Management has responded to this competition through reducing the pricing of accommodation bonds, focussing on care levels delivered and investing in additional marketing. Pricing of bonds is likely to return to previous levels over the next 12 months.

Excepting the above competitive pressures, demand for aged care accommodation remains strong across both low and high care with occupancy rates > 98.0%.

### Interim Dividend

Directors are pleased to declare an interim dividend of 4.0 cents per share (unfranked), to be paid on 21 March 2007.

### Finance

At 31 December 2006, the Group had cash on hand and investments of \$9.0 million.

Resident loans and accommodation bonds were \$261.6 million at the end of the period compared to \$133.7 million as at 30 June 2006. This increase is largely due to resident loans assumed on the acquisition in the

## Directors' Report

period. These loan balances include the resident's share of unrealised capital gains and are non-interest bearing.

The company now has total assets exceeding \$470 million including retirement village operational assets of \$413 million, retirement village development assets of \$23 million and aged care assets of \$20 million.

### Capital Management

During the period a debt facility was established with Westpac and at period end the Group had \$45.5 million of borrowings. The interest only facility has a three year term and is secured via a deed of cross guarantee. An interest rate hedge is in place to cover 50% of the underline borrowing from floating to fixed rate.

Under the interest coverage and gearing covenants included in the Westpac facility, the Group could draw down another \$40 million of debt based only on existing assets.

Internally the Group assesses its debt capacity utilising a gearing ratio of debt to debt plus equity. The Group has previously provided guidance that it will be comfortable for gearing to increase to 30 - 35%. As at 31 December the Group's gearing was 20.3%.

### Valuations

The Group values its villages using the key parameters below:

	Units	Discount Rate	Period of Residency <sup>1</sup>	Price Growth (p.a.)
Sydney	515	12.5%	12 years	4.0%
Moran portfolio	121	15%	15 years	4.0%
Sakkara portfolio	766	12%	12 years	4.0%
<b>Total</b>	<b>1,402</b>			

Note1: ILU's only.

Aevum has internally reviewed its portfolio valuation as at 31 December 2006. As part of our accounting policies each village is subject to external valuation at least once every two years, undertaken on a rolling basis.

Based on the above parameters, sensitivities to changes in key inputs can be summarised as follows:

- Reducing the discount rate by 1% adds \$15 million to NTA / profit
- Reducing the period of occupancy by 1 year adds \$4 million to NTA / profit
- Increasing the price growth (CAGR) by 1% adds \$20 million to NTA / profit

Aevum believes that its current valuation parameters are conservative.

### ROUNDING

The amounts contained in this half-year 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 98/100. The company is an entity to which the Class Order applies.

# Directors' Report

## AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Ernst & Young, a copy of which follows and forms part of the Directors' Report.

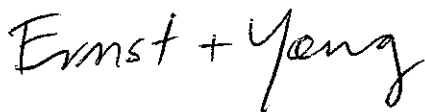
Signed in accordance with a resolution of the directors.



Graham Lenzner  
Chairman  
Sydney, 27 February 2007

## Auditor's Independence Declaration to the Directors of Aevum Limited

In relation to our review of the financial report of Aevum Limited for the half year ended 31 December 2006, 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.



Ernst & Young



John Robinson  
Partner  
27 February 2007

# Condensed Income Statement

For the half year ended 31 December 2006

	Note	Consolidated	
		2006 \$'000	2005 \$'000
<b>Revenue</b>	3	18,769	10,320
<b>Expenses</b>			
Salaries and employee benefits		5,199	4,275
Depreciation		374	377
Repairs and maintenance		214	143
IT and communication		133	56
Housekeeping and cleaning		148	107
Catering		612	503
Rates and utilities		207	183
Professional services		855	210
Marketing and promotion		563	207
Finance costs		1,362	-
Other		835	659
<b>Profit before income tax</b>		<b>8,267</b>	<b>3,600</b>
Income tax expense		486	437
<b>Net profit for the period</b>		<b>7,781</b>	<b>3,163</b>
<b>Earnings per share (cents per share)</b>			
– basic for profit for the half-year		8.8	3.9
– diluted for profit for the half-year		8.7	3.9
– dividends paid per share (final)	4	4.0	6.0
– interim dividends declared but not yet paid	4	4.0	3.5

# Condensed Balance Sheet

As at 31 December 2006

	Note	Consolidated	
		As at 31 December 2006 \$'000	As at 30 June 2006 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		8,971	36,405
Term deposits		-	2,371
Investments		-	457
Trade and other receivables		801	896
Other Assets		828	382
<b>Total Current Assets</b>		<b>10,600</b>	<b>40,511</b>
<b>Non-current Assets</b>			
Term deposits		-	314
Deferred income tax asset		1,022	952
Property, plant and equipment		27,826	24,755
Investment properties		430,619	206,451
Trade and other receivables		3,525	-
Bed licences		1,185	1,185
<b>Total Non-current Assets</b>		<b>464,177</b>	<b>233,657</b>
<b>TOTAL ASSETS</b>		<b>474,777</b>	<b>274,168</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		3,194	3,321
Income tax payable		313	313
Resident loans and accommodation bonds		261,649	133,680
Provisions		863	703
Other liabilities		836	691
<b>Total Current Liabilities</b>		<b>266,855</b>	<b>138,708</b>
<b>Non-current Liabilities</b>			
Provisions		378	351
Interest bearing loans and borrowings		45,317	-
Deferred tax liabilities		6,562	6,006
Other liabilities		560	447
<b>Total Non-current Liabilities</b>		<b>52,817</b>	<b>6,804</b>
<b>TOTAL LIABILITIES</b>		<b>319,672</b>	<b>145,512</b>
<b>NET ASSETS</b>		<b>155,105</b>	<b>128,656</b>
<b>EQUITY</b>			
Contributed equity	5	31,339	8,866
Retained earnings		111,740	107,816
Reserves		12,026	11,974
<b>TOTAL EQUITY</b>		<b>155,105</b>	<b>128,656</b>

# Condensed Cash Flow Statement

For the half year ended 31 December 2006

	Note	Consolidated	
		2006 \$'000	2005 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers and government subsidies		7,945	7,402
Payments to suppliers and employees		(11,855)	(8,687)
Interest received		924	1,129
Interest paid		(887)	-
Resident loans received		4,398	2,418
Accommodation bonds received (net)		1,758	3,756
Payment on turnover of retirement units		(995)	(807)
Other		-	7
<b>Net cash flows from operating activities</b>		<b>1,288</b>	<b>5,218</b>
<b>Cash flows from investing activities</b>			
Purchase of controlled entities	9(b)	(89,882)	-
Purchase of property, plant and equipment		(3,468)	(1,147)
Payment and capital expenditure for investment properties		(973)	(852)
Payment for accrued DMF	9(a)	(1,650)	-
Proceeds from sale of listed investments		454	-
Proceeds from short term deposits		2,685	3,979
<b>Net cash flows from/(used in) investing activities</b>		<b>(92,834)</b>	<b>1,980</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares	5	23,262	57
Proceeds from commercial bill facility		45,500	-
Transaction costs of issue of shares	5	(794)	-
Payments for dividends on ordinary shares		(3,856)	(4,920)
<b>Net cash flows from/(used in) financing activities</b>		<b>64,112</b>	<b>(4,863)</b>
Net increase/(decrease) in cash and cash equivalents		(27,434)	2,335
Cash and cash equivalents at beginning of period		36,405	28,881
<b>Cash and cash equivalents at end of period</b>		<b>8,971</b>	<b>31,216</b>

# Condensed Statement of Changes in Equity

For the half year ended 31 December 2006

Consolidated	Issued Capital	Retained Earnings	Asset Revaluation Reserves	Employee Equity Benefits Reserves	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>At 1 July 2006</b>	8,866	107,815	11,825	149	128,655
Net profit for the period	-	7,781	-	-	7,781
Total income / expense for the period	-	7,781	-	-	7,781
Equity raising	23,262	-	-	-	23,262
Transaction costs on share issue	(794)	-	-	-	(794)
Shares issued-Employee Share Scheme	5	-	-	(5)	-
Cost of share-based payment	-	-	-	57	57
Dividends	-	(3,856)	-	-	(3,856)
<b>At 31 December 2006</b>	<b>31,339</b>	<b>111,740</b>	<b>11,825</b>	<b>201</b>	<b>155,105</b>

Consolidated	Issued Capital	Retained Earnings	Asset Revaluation Reserves	Employee Equity Benefits Reserves	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>At 1 July 2005</b>	8,465	106,595	11,825	247	127,132
Net profit for the period	-	3,163	-	-	3,163
Total income / expense for the period	-	3,163	-	-	3,163
Shares issued-Employee Share Scheme	204	-	-	(204)	-
Cost of share-based payment	-	-	-	158	158
Employee contribution, share plan	-	-	-	59	59
Dividends	-	(4,920)	-	-	(4,920)
<b>At 31 December 2005</b>	<b>8,669</b>	<b>104,838</b>	<b>11,825</b>	<b>260</b>	<b>125,592</b>

# Notes to the Half-Year Financial Statements

## 1. CORPORATE INFORMATION

The financial report of Aevum Limited (the Company) for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 27 February 2006.

Aevum Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of Aevum Limited and its controlled entities (the Group) are described in note 6.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Aevum Limited as at 30 June 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by Aevum Limited and its controlled entities during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

### (a) Basis of preparation

The half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 Interim Financial Reporting and other mandatory professional reporting requirements.

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

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period, with the exception of interest bearing loans and borrowings as a result of funding of the acquisition during the period. There has been no change in accounting policy as a result of the new standards and amendments to standards that are effective from 1 July 2006.

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.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

### (b) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

## Notes to the Half-Year Financial Statements (continued)

### 3. REVENUE AND EXPENSES

	Consolidated	
	2006	2005
	\$'000	\$'000
<b>(a) Revenue</b>		
Daily care fees	1,897	1,640
Aged care subsidies and government grants	3,078	3,103
Annual loan reduction fees	3,581	1,740
Accommodation bond retention	158	-
Revaluation increments – Investment properties	8,737	2,400
Finance revenue: Interest – other persons/corporations	924	1,086
Other trading revenue	394	351
	<u>18,769</u>	<u>10,320</u>
<b>(b) Expenses</b>		
Share based payments	57	158

### 4. DIVIDENDS PAID AND PROPOSED

	Consolidated	
	2006	2005
	\$'000	\$'000
Equity dividends on ordinary shares:		
(a) Dividends paid during the half-year		
- Final unfranked dividend for financial year ended 30 June 2006: 4.0 cents (2005: 6.0 cents)	3,856	4,920
	<u>3,856</u>	<u>4,920</u>
(b) Dividends proposed and not recognised as a liability		
- Interim unfranked dividend for the half-year 31 Dec 2006: 4.0 cents (2005: 3.5 cents)	3,856	2,869
	<u>7,712</u>	<u>7,789</u>

## Notes to the Half-Year Financial Statements (continued)

### 5. CONTRIBUTED EQUITY

	Dec 2006 \$'000	Jun 2006 \$'000
<b>Ordinary shares</b>		
Issued and fully paid	31,339	8,866
	Thousands of shares	\$'000
<b>Movements in ordinary shares on issue</b>		
At 1 July 2006	82,124	8,866
Employee share scheme	5	5
Public Equity Raising	14,271	23,262
Transaction Costs on share issue	-	(794)
At 31 December 2006	96,400	31,339

### 6. SEGMENT REPORTING

The Group operates retirement accommodation and care wholly within Australia. The aged care segment represents Commonwealth subsidised and accredited aged care facilities comprising low care hostel accommodation and nursing homes. The retirement segment represents resident funded retirement living accommodation comprising independent living units and serviced apartments.

	Aged Care \$'000	Retirement \$'000	Other \$'000	Eliminations \$'000	Total \$'000
<b>31 December 2006</b>					
<b>Revenue</b>					
Revenue outside the entity	5,285	12,513	971	-	18,769
Inter-segment revenues	-	-	550	(550)	
Total Segment revenue	5,285	12,513	1,521	(550)	18,769
Total consolidated revenue					18,769
<b>Results</b>					
Segment result	338	11,041	(3,112)	-	8,267
Income tax expense					486
Net profit					7,781
<b>31 December 2005</b>					
Segment revenue	4,825	4,188	1,307	-	10,320
Segment result	497	3,916	(813)	-	3,600

### 7. CONTINGENT ASSETS AND LIABILITIES

Under the terms of the 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.

An additional contingent liability associated with the Sakkara Acquisition is discussed in detail in Note 9(b).

## Notes to the Half-Year Financial Statements (continued)

### 8. EVENTS AFTER THE BALANCE SHEET DATE

The following material events occurred after balance date:

#### (a) Acquisition of The Village Swansea assets

On 2 February 2007 the Group acquired an interest in The Village Swansea in New South Wales from companies associated with The Village-Swansea Pty Limited for consideration of \$15,585,610. Details of the village are set out below:

Retirement Village	Location	Current Dwellings	Consent for further Dwellings	Resident Tenure
The Village Swansea	Swansea	133	-	Leasehold

Disclosure of the fair value of assets acquired is impracticable due to the timing of the transaction.

No goodwill is expected to emerge as a result of this transaction.

#### (b) Debt Facility

On 2 February 2007 the Group completed a partial drawdown of \$16,250,000 from its standby facility with Westpac to contribute to the funding of the acquisition of The Village Swansea assets.

### 9. BUSINESS COMBINATIONS

#### (a) Acquisition of the Moran Retirement Village facilities

On 25 August 2006, Aevum acquired specific assets of 3 retirement village facilities from companies associated with the Moran Health Care Group for a total purchase consideration of \$2.1 million.

At the date of acquisition these 3 retirement villages comprised of 121 units.

The acquired retirement village facilities contributed revenues of \$1.2 million and a net profit of \$858,000 to the group from the period since acquisition to 31 December 2006. It is impractical to estimate the financial effect if the combination had taken place as at 1 July 2006 due to the acquired businesses inconsistency of accounting policies with those of the Group.

## Notes to the Half-Year Financial Statements (continued)

### 9. BUSINESS COMBINATIONS (continued)

#### (a) Acquisition of the Moran Retirement Village facilities (continued)

Details of the fair values of the assets and liabilities acquired and goodwill are as follows:

	\$'000
Purchase consideration:	
- Cash Paid	1,852
- Direct Costs relating to the acquisition	286
Total purchase consideration	2,138
Fair value of net identifiable assets acquired	2,138
Goodwill	-

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

	Fair Value \$'000
DMF Receivable	1,650
Investment Property	462
Plant & Equipment	26
Net identifiable assets acquired	2,138

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

	\$'000
Outflow of cash to acquire assets, net of cash acquired	
Cash consideration	2,138
Less: Balances acquired	
Cash	-
Bank Overdraft	-
Outflow of cash	2,138

## Notes to the Half-Year Financial Statements (continued)

### 9. BUSINESS COMBINATIONS (continued)

#### (b) Acquisition of the Sakkara Retirement Village facilities

On 28 August 2006, Aevum were appointed beneficiaries of six Trusts. Under Aevum's control the Trusts acquired 100% of the share capital of Sakkara Living Villages Management Pty Ltd (SLVM); and Sakkara Living Holdings Pty Ltd (SLH); and Sakkara Living Villages Pty Ltd (SLV); and Retirement Estates Pty Ltd (RE) for a total purchase consideration of \$91.0 million.

At the date of acquisition SLVM,SLH,SLV,RE and their controlled entities owned and managed seven retirement villages comprising 766 units.

The acquired retirement village facilities contributed revenues of \$2.5 million and a net profit of \$2.0 million to the group from the period since acquisition to 31 December 2006. It is impractical to estimate the financial effect if the combination had taken place as at 1 July 2006 due to the acquired entities inconsistency of accounting policies with those of the Group.

Details of the fair values of the assets and liabilities acquired and goodwill are as follows:

	\$'000
Purchase consideration:	
- Cash paid	87,723
- Direct costs relating to the acquisition	<u>3,292</u>
Total purchase consideration	91,015
Fair value of net identifiable assets acquired	<u>91,015</u>
Goodwill	-

Direct costs include an amount of \$1.4 million relating to Vendor performance incentives.

## Notes to the Half-Year Financial Statements (continued)

### 9. BUSINESS COMBINATIONS (continued)

#### (b) Acquisition of the Sakkara Retirement Village facilities (continued)

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

	Acquiree's carrying amount \$'000	Fair Value \$'000
Cash	1,133	1,133
Trade Receivables	131	131
Other Receivables	40	40
Investment Property	169,736	217,558
DMF Receivable	2,754	1,100
Trade Payables	(221)	(221)
Other Payables	(576)	(576)
Provision for employee benefits	(35)	(65)
Resident Liabilities	(116,830)	(128,085)
Net identifiable assets acquired	56,132	91,015

The fair value of the assets and liabilities has been determined provisionally. There is the possibility of a material contingent liability arising which may be offset against monies held in escrow. The purchase consideration figure includes an amount of \$8.9 million paid in to an escrow account. The fair value of Investment Property and DMF Receivable has been based on discounted cash flow models.

	\$'000
Outflow of cash to acquire assets, net of cash acquired	
Cash consideration	91,015
Less: Balances acquired	
Cash	1,133
Bank Overdraft	-
Outflow of cash	89,882

## 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 and notes of the consolidated entity:
  - (i) give a true and fair view of the financial position as at 31 December 2006 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the 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.

On behalf of the Board



Graham Lenzner  
Chairman

Sydney, 27 February 2007

To the members of Aevum Limited

## **Report on the Half-Year Financial Report**

We have reviewed the accompanying 31 December 2006 financial report of Aevum Limited and the entities it controlled during the half year, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Aevum Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

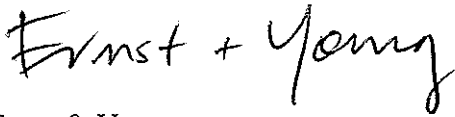
### *Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Aevum Limited and the entities it controlled during the half year, is not in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



John Robinson  
Partner  
Sydney  
27 February 2007