



aevum
LIMITED

Retirement Living & Aged Care

ANNUAL REPORT 2006



With age comes
experience

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Aevum Limited owns and operates the largest for-profit retirement accommodation portfolio in New South Wales.

We own and manage 1,404 retirement units and 202 aged care beds across 14 villages nationally, 11 in New South Wales and three in Western Australia.

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.

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

Annual General Meeting of the company will be held at the Sheraton on the Park Hotel, 161 Elizabeth Street, Sydney on Wednesday 1 November 2006 at 10:30 am.

AEVUM LIMITED

ABN 80 087 648 691

At a Glance

Sydney Metropolitan NSW

BEXLEY GARDENS

North Bexley

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

Bexley Gardens comprises 22 Independent Living Units and is ideally located close to transport and health facilities, and 10 minutes to major shopping centres in Hurstville, Rockdale and Kogarah.

The village is being progressively upgraded including individual unit refurbishments and gardens and grounds improvements.

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.

Opened in 1974, Bexley Gardens was one of Sydney's earliest retirement villages and the first in Aevum's portfolio.



TOTAL
22 Units

CARDINAL FREEMAN

Ashfield

Cardinal Freeman is home to more than 380 residents and set on 11 acres in the much sought after 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, the village includes architecturally-designed one and two bedroom Independent Living Units and Serviced Apartments, and low care hostel rooms.

There is also a 59-bed nursing home with Extra Care Services that provide hotel and lifestyle extras, such as higher standards of accommodation, gourmet cuisine and fine wines, and pampering services.

A strong sense of community spirit and neighbourhood pride is evident at Cardinal Freeman.

A range of well-developed amenities is available including a village bus, activities centre, village shop, dining room, library and a hairdressing salon.



TOTAL
336 Units

CASTLE RIDGE RESORT

Castle Hill

Opened in 1987, Castle Ridge provides luxurious accommodation for more than 140 residents with a private parkland and spectacular views to the Blue Mountains.

Castle Ridge's Independent Living apartments combine space and comfort with privacy and security. There are 113 large double-brick one, two and three bedroom architecturally-designed apartments.

Some apartments are new and others recently renovated, and all flow 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.

Castle Ridge is 26 km north-east of Sydney and conveniently located to Castle Hill, Dural, Carlingford, North Rocks and Pennant Hills shopping centres. It was acquired by Aevum in 2005.



TOTAL
113 Units

LOURDES

Killara

Lourdes is Aevum's premier village offering retirement living and aged care accommodation for 280 seniors and is located in Sydney's North Shore overlooking a natural bushland reserve.

The recently upgraded Independent Living and Serviced Apartments have been professionally designed with elegant and stylish finishes.

Independent Living Units, which include one, two and three bedroom configurations, feature large balconies and courtyards, high quality kitchen and electrical appliances, reverse cycle air-conditioning and pure wool carpets.

The village features stunning landscaped gardens. All internal and external building maintenance is provided, ensuring residents enjoy a carefree and relaxed lifestyle.

Amenities include a heated swimming pool and spa, billiards room, hairdressing salon, coffee shop and library.

Lourdes is located close to transport and shops.



TOTAL
248 Units

Aevum provides the best in lifestyle living and aged care services for Australian seniors.

Our accommodation portfolio services five levels of care – Independent Living, Assisted Living, Low Care Hostels, Nursing Homes with Extra Services and Respite/Temporary Care.



Mandurah/Bunbury WA

HALLS HEAD GARDENS

Mandurah

Halls Head Gardens is a compact village located 3 km west of the Mandurah Town Centre, only 500 m 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. Car bays or separate lock-up garages are allocated to the 51 residents.

The air-conditioned clubhouse provides the basis for socialising and there is a hairdressing salon, podiatrist, small library, indoor bowls carpet and pool table.

The Halls Head shopping centre is just a 15 minute walk from the village.

The village also operates its own bus to enable ease of transport for residents.



TOTAL
46 Units

LESCHENAULT VILLAGE

Bunbury

Leschenault Retirement Village is an intimate, village providing quality retirement accommodation for over 50 residents.

There are 38 two-bedroom Independent Living Units, with carports and an outside storage shed. The village was established in 1989.

Leschenault offers most of the facilities of a much larger retirement village, including a 24-hour emergency system in all villas, 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 utilise the area for dinners, tai chi, gentle gym, bingo and weekly get togethers.

Leschenault is ideally located in popular East Bunbury, within walking distance to Bunbury city centre and backing onto the Leschenault Inlet. Public transport is readily available from the village.



TOTAL
38 Units

MURRAY RIVER VILLAGE

Mandurah

Established in 1990, Murray River Village offers a unique lifestyle just five minutes from the heart of Mandurah.

Sandy beaches and uncrowded golf courses are located close by and it is well located for residents to enjoy boating on the estuary or fishing on the ocean.

There are 53 residents residing at Murray River with a total of 37 two and three bedroom Independent Living Units offering optimal privacy.

The two bedroom units are single storey, while the three bedroom accommodation is loft style.

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

A nursing home is ideally located next door and meals are available on request, as are cleaning and other help services.

A 24-hour emergency system provides residents with security and peace of mind.



TOTAL
37 Units

North Coast NSW

BELLEVUE GARDENS

Port Macquarie

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

Established in 1994, the village comprises of 131 villas and 44 apartments, both of which are classified as Independent Living accommodation.

Apartments are tastefully appointed with a range of floor plans for one and two bedroom units available with optional care services.

Facilities at Bellevue Gardens include an indoor heated pool, bowling green, restaurant, library, lounge and auditorium. 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.



**TOTAL
175 Units**

GOLDEN PONDS RESORT

Forster

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

The village comprises 150 Independent Living villas with development approval granted for an additional 42 villas.

The one, two and three bedroom villas are all at ground level and have been designed to make the best use of outdoor living with individual patios. There are nine design variations with quality construction and functional design features.

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.

A monthly activities schedule is provided for residents, including indoor and outdoor bowls, snooker, darts, bridge club, a book club and barbecues.



**TOTAL
150 Units**

LINCOLN GARDENS

Port Macquarie

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

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

All villas are spacious and functional, and of brick and tile construction. Single garages are attached to all villas with remote control access.

Set on ground level, the accommodation units are built with level pathways providing easy access for residents. They are all connected to an emergency system.

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 daily bus service operates from the front of the village.



**TOTAL
54 Units**

PARKLANDS VILLAGE

Port Macquarie

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

Parklands Village has 113 two bedroom Self Care villas, all featuring open play layouts, built-in wardrobes, separate laundry and an optional lock-up garage.

Within the village there is also a serviced apartment complex, in which 31 one bedroom units or studio apartments are available to cater for those residents who require additional care.

Each home includes either a courtyard or private balcony and a 24-hour emergency call system.

The village centre features reception, craft facilities, a heated indoor pool and spa, dining room, hairdressing salon, billiard room and kiosk.

There is also a full length artificial grass bowling green at Parklands Village, which hosts many friendly games among residents.



**TOTAL
144 Units**

Aevum's point of difference is that we own and operate our retirement villages and aged care facilities. Our quality accommodation and day-to-day management services enable residents to enjoy their retirement free of running and maintaining their own properties, while in the security and safety of a village environment.

Our on-site management work closely with residents, organising ongoing maintenance of internal and external buildings and grounds, permitting residents to enjoy a carefree retirement.

Southern Highlands NSW

QUEENS LAKE VILLAGE

Laurieton

Located on the Queens Lake waterfront at Laurieton, the village is set on 13 acres of landscaped lawns with its own private jetty.

Queens Lake Village comprises 124 villas, including a range of one, two and three bedroom architectural-styled brick villas integrated into the foreshore setting.

They have been all designed for open plan living and dining, incorporating modern kitchens with quality appliances.

Built-in wardrobes, a separate toilet and laundry area, optional garages and large balconies are features of the villas.

Queens Lake Village includes a heated indoor pool and spa, clubhouse, lawn bowls and a library for residents' enjoyment. Lake fishing is just one of the activities on offer.

The village is just a few minutes walk from the Laurieton town centre and 20 minutes via car to Port Macquarie.



**TOTAL
124 Units**

MACQUARIE GROVE

Tahmoor

Macquarie Grove is situated in a peaceful semi-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 Self Care Units, each with a self-contained backyard, lock-up garage, built-in robes, wall-to-wall carpet and some with a pergola or sunroom.

Macquarie Grove's community centre features a lounge, kitchen and library, and activities including line dancing, sing-alongs, darts, bingo, cards and rummy tiles are held regularly.

There is also a hairdresser and podiatrist that regularly visit Macquarie Grove.

Public transport is available close by to the village.

Macquarie Grove has been operating for a decade and was acquired by Aevum in 2006.



**TOTAL
42 Units**

WARATAH HIGHLANDS

Bargo

The 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. Bargo offers some of the most spectacular natural countryside outside of Sydney.

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

Local shops and the train station are within easy walking distance and there is a private bus that runs to Campbelltown once a week.

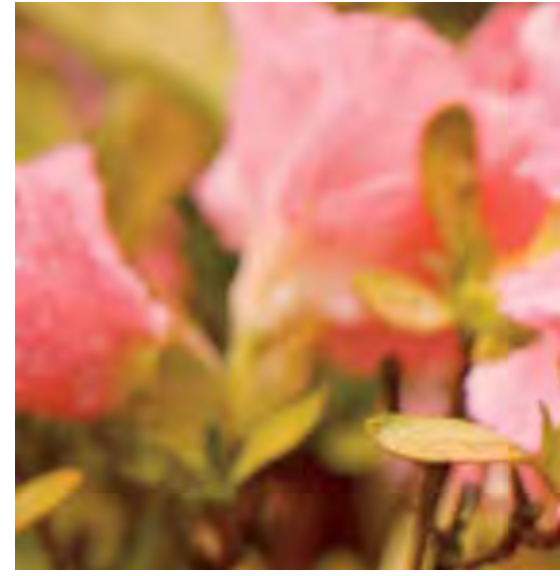
The 77 Independent Living Units have private courtyards and all include under main roof garages that provide internal access.

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

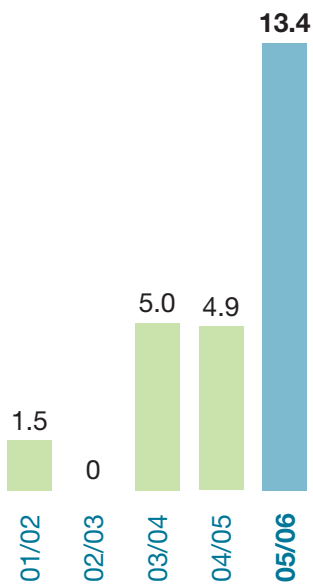


**TOTAL
77 Units**

2006 Highlights

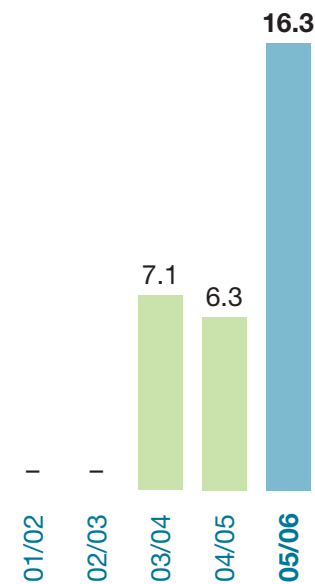


Aevum reports record growth in revenues and earnings from its retirement living and aged care business on the back of higher occupancy rates and strong sales price growth for the year ended 30 June 2006.



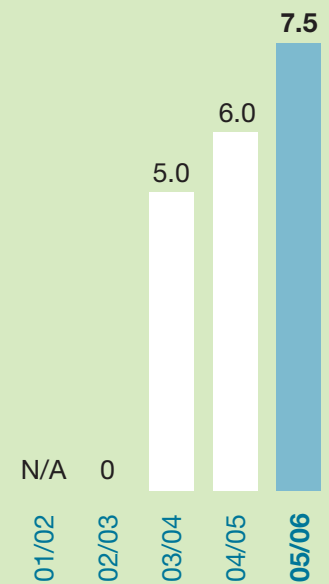
NET PROFIT AFTER TAX \$ million

Net profit after tax of \$13.4 million, up 174% on 2004/05



EARNINGS PER SHARE cents

Earnings per share of 16.3 cents, up 159% on 2004/05



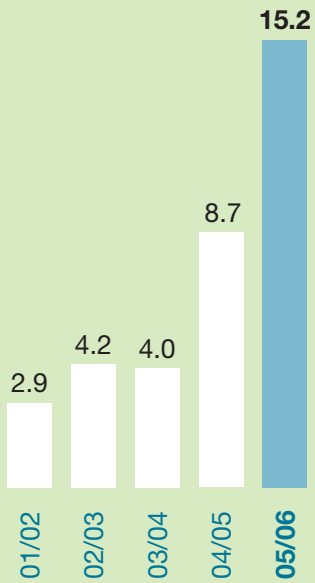
DIVIDENDS PER SHARE \$ million

Total dividends for the year of 7.5 cents, up 25% on 2004/05

174%
increase

159%
increase

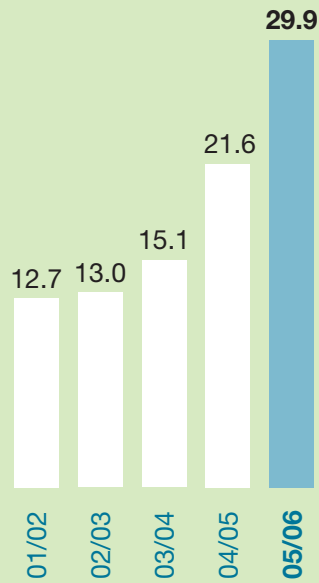
25%
increase



OPERATING CASHFLOWS
\$ million

Operating cashflows for the year of \$15.2 million, up 75% on 2004/05

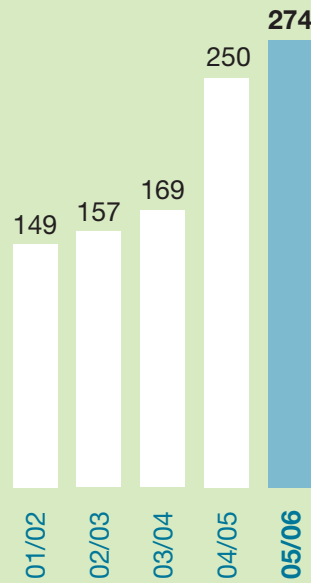
75%
increase



REVENUES FROM CORE ACTIVITIES
\$ million

Revenue from core activities of \$29.9 million, up 28% on 2004/05

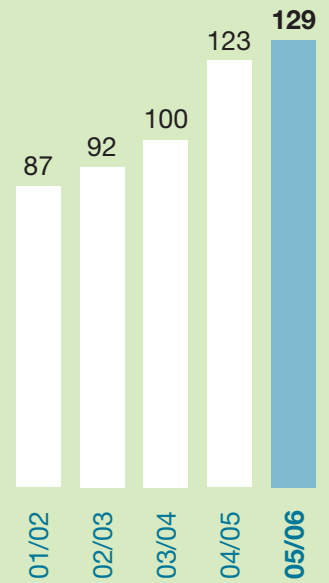
28%
increase



GROSS ASSETS
\$ million

Total assets now exceed \$270 million

9%
increase



TOTAL EQUITY
\$ million

Total shareholder equity of \$129 million, up 5% on 2004/05

5%
increase

Chairman's Report

Graham Lenzner
Chairman



The 2006 financial year represented a most exciting period for Aevum as we continued to grow earnings from our existing Sydney operations and announced the transformational acquisition of 10 new accommodation properties.

Aevum is now positioned as a premier owner, operator and developer of retirement villages and aged care facilities in Australia.

Aevum's record net profit was \$13.4 million, representing a 174% increase from the corresponding period in 2005.

Net tangible assets grew during the period, from \$1.49 to \$1.55.

Earnings per share (EPS) were up 159% to 16.3 cents per share. Operating cash flows were also up 75% to \$15.2 million.

In recognition of the company's strong financial performance, the Board is pleased to declare a 4.0 cents per share final dividend, unfranked, which will be paid on 19 October 2006. This takes the full year dividend to 7.5 cents, which is 25% higher than the 6.0 cent dividend paid in 2005.

The significant growth of the business in the last 12 months reflects the successful implementation and execution of Aevum's long-term growth strategy. We are on track to realise our goal of 2,000 accommodation units under management by 2009.

Aevum is the largest 'pure' stock exchange-listed vehicle which owns and manages retirement villages and aged care facilities as its core business. Our portfolio includes quality and mature resident-funded villages in outstanding locations, with strong underlying resident contracts and opportunities for further on-site development.

We provide a range of options from independent living, assisted living in serviced apartments and low care lodges, to high care nursing homes and respite care across 14 villages. We will continue to pursue opportunities which enhance our ability to provide a continuum of care, enabling residents to move into new accommodation within the same village or region as their living requirements change.

The acquisition of the Sakkara Living and Moran Health Care Group properties increased accommodation units from 517 to 1,606 and extended the company's operations outside the Sydney market. The Sakkara units are located on the North Coast and Southern Highlands of New South Wales. The Moran portfolio, acquired in June 2006, comprises three mature villages

in the Mandurah/Bunbury region of Western Australia.

These acquisitions serve to diversify our asset base and provide further opportunities to improve their value through future upgrade and development.

Our institutional share placement to help fund the Sakkara acquisition was significantly oversubscribed. This was bid by both existing shareholders and a number of new institutional shareholders, demonstrating significant institutional support for our business strategy.

Following those acquisitions, we still have more than \$14 million in cash and low gearing. The Board and management will continue to apply a disciplined approach to investment and remain committed to delivering strong and sustained earnings for shareholders in 2007.

Our commitment to care within the community continues to be a strong distinguisher as the industry undergoes rapid change. Our ageing population and the demand for quality facilities nationally has attracted significant commercial interest in

the industry, resulting in a consolidation of operators. Aevum continues to perform strongly against its peers and the broader market, recording healthy profits and delivering growing dividends to shareholders.

Aevum will also continue to strive for transparency and accountability in reporting its performance in the retirement sector. We aim to set the industry benchmark in this regard, while providing a greater understanding of how the industry operates and our role within this.

BOARD AND MANAGEMENT

On behalf of the Board, I would like to thank Allen Kavanagh for his contribution to the company's development. Allen led the company through the demutualisation process in 2002 and the ASX listing in 2004 and will be continuing on as a non-executive director.

I would also like to thank the Directors for their strong support and guidance over the last 12 months and welcome Melanie Willis as an independent non-executive Director and look forward to her contribution.

174% increase
in profit after tax to \$13.4 million

159% increase
in earnings per share to 16.3 cents

The Board would like to acknowledge the leadership and dedication of Aevum's management team, led by Chief Executive Officer (CEO) Simon Owen. The company's performance is reflective of the team's effective implementation of our business strategy. Further detail on the company's operational performance can be found in the CEO's Report.

Finally, I would like to thank all our shareholders for their continued support and encouragement throughout 2006. We look forward to seeing you at our Annual General Meeting at Sheraton on the Park Hotel on 1 November 2006 at 10:30 am.



GRAHAM LENZNER
Chairman



CEO's Review of Operations

Simon Owen
Chief Executive Officer



2006 was a significant year for Aevum, with a strong operational performance and major portfolio acquisition setting the platform for long-term earnings and dividend growth.

Our Sydney villages continued to perform well in an otherwise flat residential market, with occupancy across the portfolio edging up 270 basis points to 95.3% over the year. Even more pleasing was the strong sales price growth of 5.2% across units transacted in 2006. Our village reinvestment programs continued to underpin operating profits and cashflows and our Sydney villages are well positioned for further growth in 2006/2007.

VALUABLE GROWTH – OUR NEW VILLAGES

Aevum has extended its Sydney footprint into the broader NSW market through the recent acquisition of seven retirement villages from Sakkara Living at a cost of \$88 million. Five of the retirement villages are located on the North Coast between Port Macquarie and Forster and two in the Southern Highlands, an hour south-west of Sydney. This acquisition adds 691 Independent Living Units and 75 Serviced Apartments to Aevum's portfolio and includes a development pipeline of a further 163 units, 133 of those with development approval.

The Sakkara acquisition will provide Aevum with significant exposure to the 'coastal drift' and 'tree change' markets, complementing our existing portfolio of middle-upper market properties in Sydney and consolidating our leading position in the NSW market.

The company also recently completed the acquisition of three mature villages in the Mandurah/Bunbury region of Western Australia from the Moran Health Care Group at a cost of \$2 million. This acquisition added a further 121 units to the company's portfolio. Located between Perth and Margaret River, the Mandurah/Bunbury region is one of Australia's fastest growing residential markets and provides Aevum with an excellent entry point into Western Australia.

It is pleasing to report that integration of both the Sakkara and Moran portfolio's is progressing well and that a great cultural fit exists with our new team members.

We have adopted a 'cluster' approach in our expansion strategy to identify suitable properties that are located within the same region to gain economies of scale. These regions were identified for their strong appeal to our core target market of self-funded retirees aged over 70.

The new properties complement our four Sydney-based villages and increase our portfolio of retirement units and aged care beds to 1,606 beds across 14 properties.

These acquisitions are aligned with our five-year growth strategy, announced in mid 2004, to own and operate 2,000 retirement units and aged care beds by 2009. We will continue to seek valuable opportunities for further acquisitions and greenfield developments as we seek to further roll-out our resident funded village model across other attractive locations.

Taking this into consideration, the move of new entrants into the sector over the past year has seen prices tighten considerably and made it difficult to find valuable acquisition opportunities, particularly among the larger portfolios. Aevum has a strong pipeline of lower risk organic development opportunities at its existing villages and is not reliant on acquisitions to grow earnings and cash flows.

We constantly look for ways to meet and exceed the expectations of our residents. Our goal is for every resident and their family to become a brand ambassador for Aevum.

28%
increase
in revenue from
core activities to
\$29.9 million

Revenues	June 2006 \$'000	June 2005 \$'000	Change
Annual loan reduction fees	3,283	2,229	47%
Revaluation increments	13,846	8,328	66%
Other income	109	107	2%
Total revenue	17,238	10,664	62%
EBIT	16,042	9,598	67%

REVIEW OF OPERATIONS

Retirement Villages

The company's retirement village operations (Independent Living Units and Serviced Apartments) reported solid increases in both revenues and earnings resulting from strong sales price growth, increased occupancy rates and the full year contribution from the Castle Ridge village, acquired in February 2005.

Key highlights:

- Retirement revenues were up 62% to \$17.2 million;
- Annual loan reduction fees (DMF) were up 47% to \$3.3 million;
- Earnings before tax and interest increased 67% to \$16.0 million;
- Sales price growth of 5.2% was recorded for the period;
- Village occupancy rate at 30 June 2006 increased 270 basis points to 95.3%;
- Development Application lodged for the Cardinal Freeman village in Ashfield; and
- Upgrade program commenced at Bexley Gardens village during the year.

Key Retirement Statistics

Villages	Sales / Reservations			Occupancy Rate ²	
	Total Units	Actual	Full Year Budget	30 June 2006	30 June 2005
Cardinal Freeman	218	19	21	100.0%	99.1%
Lourdes	164	34	19	89.6%	85.4%
Castle Ridge	113	8	12	96.5%	92.0%
Bexley ¹	22	2	3	86.4%	86.4%
Total	517	63	55	95.3%	92.6%

Note 1: Units withheld from sale pending upgrade and release program

Note 2: Calculated as units occupied plus those under contract and withdrawn from sale

The company continues to invest additional resources in the marketing and positioning of Aevum's retirement communities under the Aevum Living brand. A variety of new promotions and financing initiatives were trialled during the year leading to solid inquiry interest and sales leads.

The challenging Sydney real estate market required settlement periods to be extended by an additional month during the year however this enabled strong increases to be recorded in both sales price growth and occupancy levels. When the market improves, it is intended that trading terms will be tightened once again.

The 113-unit Castle Ridge village in Castle Hill (Sydney Hills District) was a key contributor to the company's retirement earnings during the period, following the commencement of a sales and marketing campaign, a minor upgrade program and changes to key personnel. Occupancy at 30 June 2006 was 96.5% compared to 92.0% at the time of acquisition, with a number of further sales pending. A variety of options are now being assessed for the expansion of the Castle Ridge village.

A modest upgrade program, including individual unit refurbishments and gardens and grounds improvements, commenced during the year at the 22-unit Bexley Gardens village in Bexley North, south-west Sydney. Three units are currently under contract at Bexley Gardens with a further two available for release. The full entry contribution on these five units is to the account of the company (i.e. no departing resident loan to repay). In recent years, the Bexley Gardens village has made no contributions to company earnings or cashflows.

Aged Care

The company recorded a small increase in revenues from aged care operations during the year, however, performance continued to be impacted by tightening margins. Our move into Extra Services during the year proved highly successful in attracting significant accommodation bond inflows.

Key highlights:

- All facilities successfully reaccredited for another three years;
- Aged care revenues (excluding interest on accommodation bonds) up 4% to \$9.7 million;
- Accommodation bonds up 105% to \$10.7 million;
- Extra Services introduced into 46 nursing home beds during the year;
- Earnings before tax and interest for the aged care division were \$0.4 million.

During the first half of the year, the company converted 18 beds at the Cardinal Freeman nursing home and 22 beds at Lourdes nursing home from high care to an Extra Services model.

A further six beds were converted at Lourdes nursing home in early June 2006. The capital cost of this conversion program was \$0.9 million.

With Extra Services, Aevum provides a higher quality of room furnishings, additional food and beverage choices, a dedicated recreational officer and other services. In return, we can collect a refundable accommodation bonds and charge an additional care fee of approximately \$50 per bed per day.

The conversion to Extra Services negatively impacted aged care earnings in the first half due to enforced vacancies during the capital works program. Occupancy rates in the company's nursing homes dropped during this period from 99.5% to around 92.0%. They have since recovered back to around 98.0%

On a full year basis, Extra Services is forecast to increase aged care revenues by \$0.7 million. During the second half of the year, over \$4 million in Extra Services accommodation bonds were received.

Considerable progress was also made during the year with accommodation bonds received in the company's Low Care (hostel) facilities. Minor upgrades to Low Care rooms as they turn over have resulted in significant increases in bonds received.

Trading conditions continue to be difficult with aged care margins under constant pressure due to operating costs, particularly salaries, escalating at a rate quicker than the largely Commonwealth regulated and funded revenue line. Numerous operational improvements were introduced to combat this throughout the year, but the continual margin pressure eroded any gains.

During the second half of the financial year, the company's four aged care facilities were subject to an accreditation review by the Commonwealth Department of Health and Ageing. It is pleasing to report that each facility passed the accreditation review and received the full three-year extension.

Key Aged Care Statistics

	June 2006 \$'000	June 2005 \$'000	Change
Revenue ¹	9,700	9,311	4%
EBIT ²	385	803	(52%)
Accommodation bonds	10,711	5,232	105%

Note 1: Excludes interest revenue on bonds of \$0.9 million

Note 2: Includes full allocation of corporate and administrative costs

With age comes wisdom

Maria Zimmerman – Resident, Lourdes Retirement Village

When Maria Zimmerman's husband passed away, she felt their house would take some effort to maintain on her own, so she began researching retirement village accommodation. Some close friends told her about Lourdes Retirement Village and as luck would have it, an Open Day at the village gave her the opportunity to look at a newly upgraded apartment with her brother and sister-in-law. Maria and her family were excited about the opportunity, and it wasn't long before Maria moved in. Two and half years later she's more than happy she made the move.

"I have had some wonderful friends over the years and I never thought that in my 80's I would be able to make some new friends, but I was wrong. My neighbours and other residents have become good friends. We look out for each other."



Corporate Operations

Aevum operates a small corporate office of professionals who support our core retirement and aged care operations in areas such as finance, payroll, information technology and communications, occupational health and safety and regulatory compliance. This centralised approach enables Aevum to extract the full benefits of our scale across 14 sites, while permitting our operations personnel to focus on resident care, village management and sales.

Our management team, both at the operations level and in the corporate office, worked admirably together to achieve our record profit in 2006. The team's strong sector experience assisted the company to identify and execute internal and external growth opportunities. The team will be instrumental in ensuring the smooth transition of the Sakkara and Moran properties and their employees into the Aevum fold over the coming period.

The corporate team undertook a review of the company's operating systems and processes to build a level of consistency in our business practices across the organisation. This has resulted in time and cost efficiencies in all levels of the business operations. The standardisation of these systems will ably assist the newly acquired properties to be incorporated into Aevum's business operations.

The company continued to invest in marketing to promote its accommodation and service offering. This will remain a strong focus in 2006/2007 as we look to integrate the new businesses into the Aevum portfolio and promote them accordingly.

The appointment of a Chief Financial Officer has enhanced management capability. Peter Homan brings over 20 years experience to the role, including senior financial roles with a number of Australian publicly listed companies.

RESIDENT SATISFACTION

During the year, the company commissioned a Post Occupancy Evaluation and Resident Survey Report. The purpose of the survey was to seek independent verification as to whether we were meeting residents' expectations, to understand residents' motivations for moving into a retirement village and identify areas of service delivery improvement.

Key findings of the survey included:

- 96% of residents surveyed stated that they would recommend their Aevum retirement village to other people;
- 40% of residents surveyed did not inspect any other village until moving into an Aevum facility and a further 20% only visited one other village; and
- 76% of residents surveyed expressed interest in purchasing other services from Aevum, such as additional cleaning, laundry and provision of meals.

With age comes responsibility

Lynne Potter – Office Administrator, Lourdes Retirement Village

Lynne Potter joined Aevum 18 months ago, bringing with her more than 20 years experience in customer service and an affiliation with elderly people.

Lynne had previously supervised the reception of a physiotherapy clinic. She especially loved working with the elderly people who came in to use the hydrotherapy pool for rehabilitation.

"I really enjoyed seeing the patient's transition from great pain to the return of their sense of humour. The thing I like about working at Lourdes is helping with all the little behind the scenes things that help our residents live a better life."



The survey also provided us with clear feedback that an opportunity existed to increase the level of social activities at our villages, as well as improve general access around the sites.

In regards to our employees, a continued investment in training and development in 2006/2007 will ensure we remain a preferred employer within the retirement industry and deliver on industry best practice. The time spent nurturing our future leaders is an integral factor in Aevum retaining its preferred employer status.

Dividend

In recognition of the year's strong profit and cashflow result, the Directors have announced a final dividend of 4.0 cents per share (unfranked) taking the full year dividend to 7.5 cents. This represents a 25% increase on the 6.0 cent dividend paid in 2004/2005. The dividend will be paid on 19 October 2006.

The dividend represents a payout ratio of 46% of net profit after tax, and 40% of operating cash flows per share.

GROUP OUTLOOK

Aevum is forecasting double digit growth in both revenues and earnings in 2006/2007. Key contributors are expected to include the newly acquired 766 Sakkara units and the 121 Moran units, the continuing release of upgraded Independent Living units at the Bexley Gardens village and conversion of strong sales leads across the villages.

Cardinal Freeman and Lourdes Update

In July 2006, the company lodged a Development Application (DA) with Ashfield Council to commence the renewal and upgrade of the Cardinal Freeman village in Ashfield. This followed an extensive consultation period with village residents, the local community and other key stakeholders. The Cardinal Freeman site occupies 11 acres of land in Ashfield, some nine kilometres west of Sydney. The first stages of the village were constructed in the early 1970's and renewal is required to meet the aspirations of prospective residents and to improve general access and amenity.

The recently lodged DA seeks approval to upgrade two existing accommodation blocks with a total of 24 studio and one and two bedroom units into 36 larger one and two bedroom units. The existing building core will be maintained with an extra two stories added to facilitate the expansion. Lift access will be added and the new units will be compliant with current access and disability standards. Solar panelling and water recycling are integral components of the DA. The development end value of the completed building is forecast to exceed \$15 million compared to the current value of \$5 million.

Prior to building works commencing, all existing residents in the affected accommodation blocks are being relocated to equivalent accommodation on-site. This process is well underway. In order to build a pool of suitable vacant units for resident relocations, it has been necessary to suspend the release of vacated units to new residents. This will impact earnings and operating cashflows over the short term until the two accommodation



Castle Ridge Resort

The lifestyle at Aevum's Castle Ridge Resort is determined by its natural surroundings – 113 Self Care apartments set spectacularly on a ridge at Castle Hill with panoramic views to the Blue Mountains and extensive adjoining parklands.

Add a clubhouse with a heated pool and spa, log fire and barbecue deck, and residents are able to enjoy a quality and independent lifestyle with the security and services of one of Australia's premier retirement resorts.



blocks are completed and sold through. In 2007, the earnings impact is forecast at \$0.2 million. The impact on operating cashflows is forecast at \$4.3 million – this is the effect of repaying departing residents their initial entry contribution, plus share of capital gain, but not receiving a new and higher loan.

The company anticipates the lodgement of further development applications at the Cardinal Freeman village over the next 12 months to progressively renew and upgrade other buildings in the village.

Significant progress has also been made at the Lourdes Retirement Village in Killara over the past six months and it is likely that a DA will be lodged for the construction of new units at that site prior to the end of the year.

Trading Environment

Retirement earnings continue to improve, however, the soft property market and delayed settlement periods for incoming residents require constant management attention. It is expected that the company will need to continue to offer extended settlement period for the next year or two until the property market improves. Sales price growth targets which underpin the company's earnings under Australian International Financial Reporting Standards (AIFRS) will continue to be the key focus for management.

Trading conditions continue to be challenging with aged care margins under constant pressure due to salary costs outpacing increases in Commonwealth funding. The imposition of new regulations and reporting, including police checks for new staff and unscheduled audit visits, places additional administrative burdens on already tight staffing.

Business Development and Acquisitions

While the key focus for management is currently the successful integration and operation of the recent Sakkara and Moran properties, the company continues to look for appropriate acquisition opportunities and currently has several prospects under consideration. The move into the sector of a number of new entrants over the past two years has seen prices tighten considerably and made it difficult to find value opportunities particularly among the larger portfolios.

The company will continue to look to supplement its organic growth pipeline with appropriately priced acquisitions from existing operators and greenfields sites.



With age comes patience

Michael and Joannie Doyle — Residents, Castle Ridge Resort

Michael and Joannie Doyle moved into Castle Ridge Resort three years ago. They both had a wonderful lifestyle in the Blue Mountains. They had owned and ran their own art galleries, and, in fact, met through their common love of art more than 15 years ago.

Recently Michael's health started to fail and the couple decided it was time to move into retirement living where they were closer to expert medical facilities.

"The views out to the Blue Mountains and the lovely gardens at Castle Ridge Resort convinced us that this was our new home," Joannie said.



CHALLENGES FOR 2007

With increased competition in many of our locations, a soft property market, aggressive new industry participants, margin pressures in aged care and two sizeable acquisitions to integrate, the next 12 months will be a challenging period for the company. However, against this background we have a portfolio of well located villages, a competent and capable Board and management team, a credible and proven business model and supportive industry demographics.

Key challenges for 2007:

- Successfully integrate and operate the newly acquired Sakkara and Moran portfolios;
- Further develop the Aevum Living brand and look for opportunities to capitalise on the Group's increased scale and scope of operations;
- Invest further in services and village presentation to maintain the targeted 4% sales price growth and achieve 95% occupancy rates across all villages;
- Commence redevelopment and site optimisation at Cardinal Freeman and Lourdes villages;
- Improve margins in the company's aged care operations;
- Commence build through of development pipeline acquired with Sakkara Living portfolio; and
- Leverage industry experience, financial strength and reputation to access new opportunities.

THANKS TO MANAGEMENT AND EMPLOYEES

I would like to thank the management and employees of Aevum for their continued support and dedication throughout the year. The company's strong performance is directly attributable to their consistent hard work and professionalism. I would like to especially acknowledge our employees who work alongside our residents in Aevum's villages and aged care facilities. It is these people who directly influence the lifestyle enjoyed by our residents and define the values that Aevum represents.



SIMON OWEN
Chief Executive Officer

With age comes respect

Hayley Norris — Office Administrator, Castle Ridge Resort

Hayley is one of our youngest and newest employees and already much loved by the Residents at Castle Ridge Resort.

She has spent her short four-year working career in customer service roles, answering phones, and being the touch point for businesses. Prior to joining Aevum, she had already been involved in a special course of study in aged care.

"I always knew I wanted to work with seniors. I love them dearly because they have such a sense of humour and they very much appreciate what you do for them. So when a friend told me about this job, it was like my dream job had just appeared and I couldn't wait to join the company".



CFO's Report

Peter Homan
Chief Financial Officer



AIFRS provides investors with a much improved perspective on the true value of Aevum's assets, and the potential of those assets to produce cash flow.

FINANCE

The company delivered a net profit after tax of \$13.4 million for the year ended 30 June 2006. The company's pre-tax earnings were \$14.9 million, up on 2004/2005 earnings of \$9.5 million.

Operating revenue for the year was \$29.9 million, compared to last year's \$23.6 million. The growth in revenues was primarily from increased revaluation increments which totalled \$13.8 million (2005: \$8.3 million).

The financial results can be summarised as follows:

Reporting Standards

Aevum implemented the Australian equivalents to International Financial Reporting Standards (AIFRS) with effect from 1 July 2005 and has restated all comparative statements and notes to the accounts.

The application of AIFRS does not impact the Group's operations or cash flows, however, it potentially introduces volatility to the income statement due to the ongoing requirement to revalue to 'fair value' the Group's retirement village's

(independent living units and serviced apartments). Fair value is subjective, and requires judgement from Directors and Management.

The Group no longer records gains (or losses) on turnover of individual units but rather reviews the carrying value, on a six monthly basis, of each of the properties in the Group's retirement living portfolio.

In conjunction with the introduction of AIFRS, Aevum has adopted a policy of undertaking a rolling program of external valuations to ensure that the carrying

value does not differ materially from the fair value. In between external valuations management will assess and where appropriate reaffirm the parameters of the prior external valuation, using the techniques similar to those employed by the external valuer.

The primary valuation technique is 'discounted cash flow'. At the end of each accounting period the discounted cash flow models are updated to reflect changes in the underlying assets – generally changes in resident contracts, and expected periods of occupancy – and underlying assumptions such as the discount rate and compound annual growth rate of property prices are assessed to ensure they remain appropriate.

\$'000	2006	2005	Change
Revenues	29,922	23,573	27%
Profit before tax	14,864	9,535	56%
Income tax expense	1,495	4,657	(68%)
Profit after tax	13,369	4,878	174%
Dividends per share (cents)	7.5	6.0	25%
Basic EPS (cents)	16.3	6.3	159%
Cash flows from operating activities	15,167	8,655	75%

75% increase
in operating cashflows to \$15.2 million

NTA of \$1.55 per share

	30 June 2006 \$'000	Proforma (Post acquisition)
Cash	\$39,500	\$13,000
Interest bearing debt	—	\$45,000
Gearing	—	19%
Resident loans and accommodation bonds	\$133,900	\$473,000
Gross assets	\$265,500	\$265,000

If the calculated value materially differs from the current carrying value management will bring a revaluation increment or decrement to account, with consequent adjustments to balance sheet assets, and resident loan liabilities (for their share of any unrealised capital gain).

For the 12 months ending 30 June 2006, based on sales price growth of 5.2% on actual resident turnovers, a \$13.8 million valuation increment was brought to account. The revaluation increment, increases in resident's share in gains on turnover, and capital expenditure combined to increase the value of investment properties from \$186.9 million to \$206.5 million, an increase of \$19.6 million.

Capital Structure

At 30 June 2006, Aevum had cash on hand and investments of \$39.5 million.

Net operating cash flows for the year from the Group's activities increased strongly to over \$15.2 million, up 75% on the \$8.7 million recorded in 2005.

Key sources of operating cash flows for the period included steady increases achieved in loans received from incoming residents, particularly at the Castle Ridge and Lourdes villages and new accommodation bonds following the introduction of Extra Services in Aevum's nursing homes.

Resident loans and accommodation bonds were \$133.7 million at the end of the period, compared to \$117.4 million at 30 June 2005. The introduction of Extra Services in the nursing homes enables Aevum to collect accommodation bonds on an additional 46 beds.

These loans and accommodation bonds are non-interest bearing and are typically repaid from contributions received from new incoming residents. The above balance includes resident's share (as applicable) of unrealised capital gains.

In July 2006, the company established a \$50 million unsecured debt facility with Westpac to partially fund the \$88 million acquisition of seven NSW retirement villages from Sakkara Living. This facility was drawn down by \$45 million in August 2006. The company also made a placement to institutional and sophisticated investors to raise \$20 million and a Share Purchase Plan (SPP) to existing shareholders to raise \$3 million.

Following the settlement of the Sakkara and Moran acquisitions, the company has over \$14 million in cash and low gearing. Allowing for prudent reserves set by the Board, the company still has considerable funds and gearing capacity available to capitalise on acquisition and organic growth opportunities.

People – Aevum Residents

At Aevum, our aim is to provide residents with a comfortable and fulfilling lifestyle in an environment which allows them to feel safe and secure.

We bring more than 30 years' experience in successfully managing retirement villages.

As part of our continuous improvement program, we recently surveyed our residents to ascertain whether we were meeting their expectations and to identify improvements in regards to our village management.

An independent researcher was engaged to conduct a detailed Post Occupancy Evaluation (POE) survey across all villages.

Our residents told us that their key expectations before moving into a retirement village were to have an easier lifestyle, with less ongoing maintenance and responsibilities.

The research found almost 90% of our residents said their experience in our villages matched their expectations.

Even more pleasing, was that 96% of residents surveyed said they would recommend their Aevum village to other people. This is aligned with our marketing strategy for all residents to become 'brand ambassadors' of Aevum.

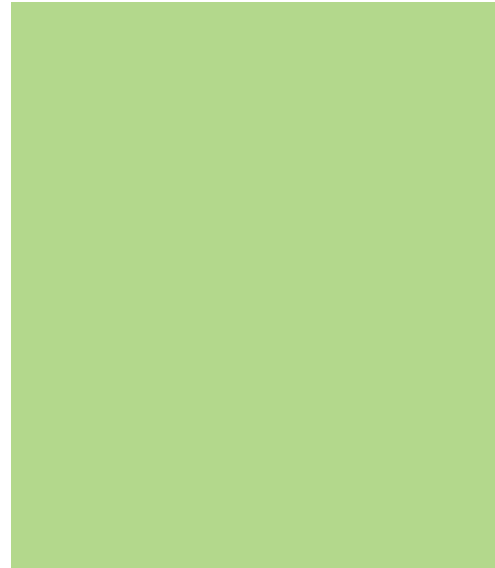
Residents identified that maintenance of facilities was a high priority, especially for protecting their safety and security. Upgrade programs were instigated to improve all areas of the facilities as a result of the survey, in addition to our regular day-to-day maintenance activities. Safety audits were also conducted to ensure we exceeded the required standards in regards to these areas.

The requirement for a peaceful, friendly and secure environment figured strongly in residents' responses. A continuum of care was also identified as being very important.

We aim to foster a sense of community in our villages through many Aevum sponsored events. Welcome packages and morning teas ensure new residents are introduced to existing residents and friendships are formed. Common areas are created, such as a new coffee shop at the Lourdes Retirement Village, where people can meet and socialise.

With age comes wisdom. We constantly challenge ourselves to improve our communities and we will keep asking residents for feedback to remain an industry leader.

Aevum now owns 14 villages in Australia, 11 of which are in NSW and three in Western Australia. We are now the largest for-profit retirement village and aged care provider in NSW. We manage a total of 1,404 retirement units and 202 aged care beds.



With age comes knowledge

Richard (Dick) Wheedon — Resident, Cardinal Freeman Village

Richard Wheedon moved into Cardinal Freeman Village 17 years ago with his wife, Ena.

“When we decided to enter retirement accommodation, we visited a few places. Then friends told us they were on the waiting list here at Cardinal Freeman and we should have a look there. Once we saw our apartment we knew that this was what we wanted. My dear wife is now deceased. I have some wonderful close friends here that helped me through and of course writing the village newsletter (as I have for the last 14 years), keeps me busy and involved with my community and I love it. I have never regretted moving here and I know Ena would've agreed”.



People – Aevum Employees

With age comes experience. The experience and commitment of Aevum's employees are key to the success of our business.

They are recognised as leaders in their respective fields and are dedicated to providing the highest levels of care for our residents at all times.

Our people work hard to build confidence and trust with new residents to ensure their smooth transition into village life. Relationships are developed from the first point of contact and are nurtured to provide an ongoing sense of security and wellbeing.

Aevum is regarded as an employer of choice within the retirement industry and this reputation has been forged by listening to employees, encouraging their development and providing opportunities for personal and professional growth.

Employees are encouraged to experience a number of job functions to gain a more holistic understanding and appreciation of the business. This not only enhances Aevum's ability to deliver well-rounded care, but provides career growth opportunities for employees within the company.

TRAINING

New employees receive internal training through a mentoring/buddy system, which provides a more relevant training experience and assists to foster a strong team spirit.

Regular internal employee workshops are held to encourage knowledge sharing and promote ideas for improvement.

Aevum places a high priority on providing ongoing training and development, with employees regularly attending external training courses in areas including business administration, finance, sales and customer service. Aevum also sponsors many employees through degree and certificate courses, including accounting, aged care management, counselling and personal care.

Employees regularly attend industry and multi-disciplined conferences to ensure that they are up-to-date with developments and best practices within the sector and their own fields.

SAFETY

We understand that safety and security are key motivators for residents choosing to move into a retirement village. The delivery of a safe and secure environment is incorporated in our day-to-day operations within each village.

Aevum is committed to observing and complying with fire standards as part of our continual improvement programs at all facilities.

For the immediate safety of all residents and employees, workplace and village inspections are held every two months and we have well-established procedures for reporting potential hazards.

This year, Aevum conducted an extensive external OH&S audit across its villages to ascertain our position and compliance with industry standards. As a result, we have updated major facilities fire and emergency evacuation manuals and residents have been scheduled for annual evacuation training.

As part of our regular OH&S practices, fire evacuation drills occur twice annually for low and high care residents. Employees have scheduled further training and resident involvement in evacuation drills. We will ensure compliance with safety standards as part of our continuous improvement plan.



With age comes understanding

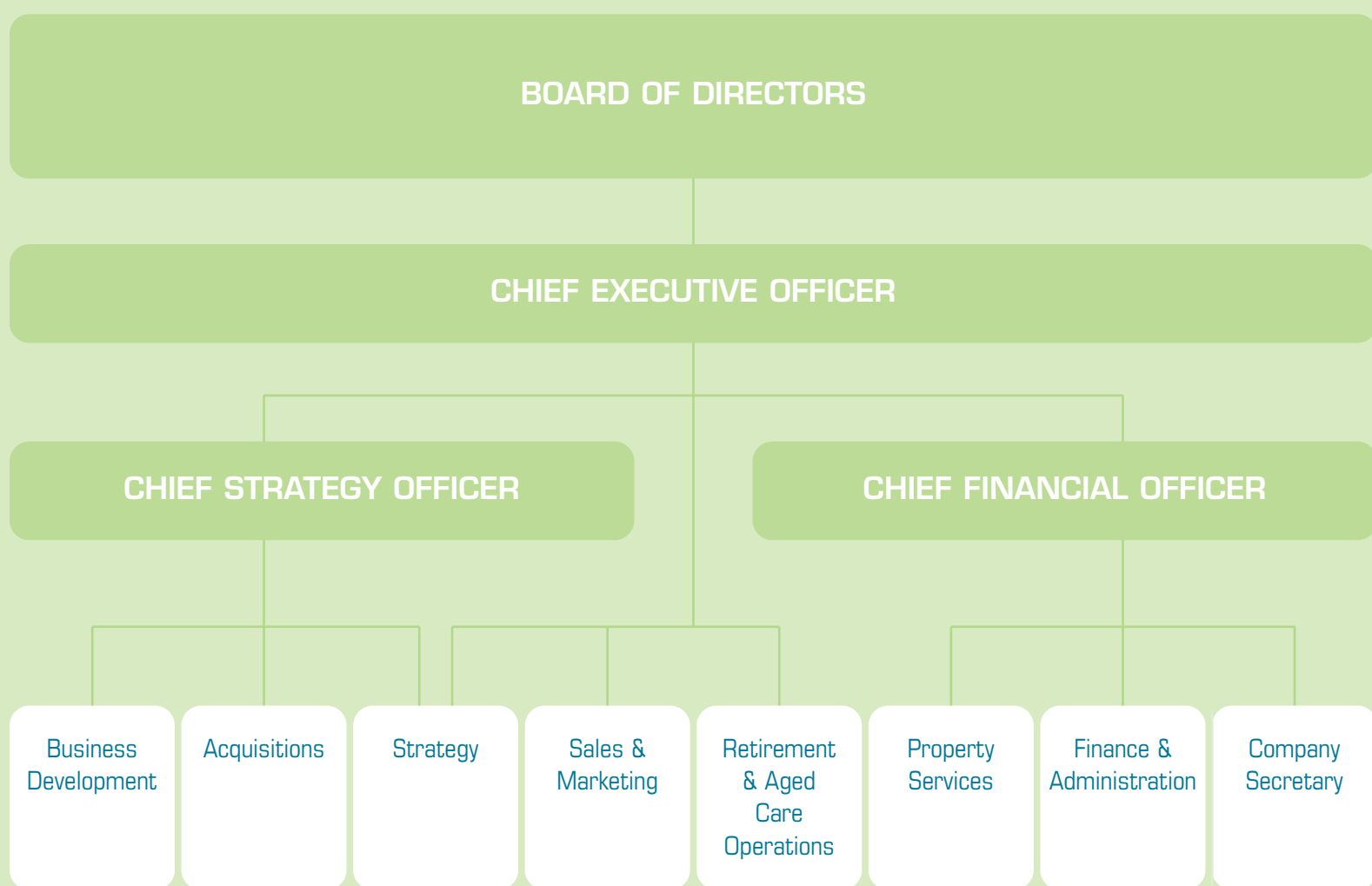
Deb Stevens (left) – Personal Care Assistant, Cardinal Freeman Lodge

Deb Stevens has been a tireless Personal Care Assistant at the Cardinal Freeman Lodge for the last 12 years. Her happy and giving nature makes her a favourite amongst the residents. Where she worked previously in a hospital, her patients used to shout, "Here comes Sunshine".

"I've always wanted to work with seniors. I find it a privilege to be part of their later years of life. The residents thank me for my help, but what they don't realise is that I get so much back already from giving!"



Organisational Chart



Aevum's executive and senior management collaborate to deliver performance excellence and ongoing business improvement, providing residents, shareholders and investors with the highest level of confidence in the company.

Executive Team



Simon Owen

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

Chief Executive Officer (CEO)

Simon was appointed CEO in September 2005 following earlier positions with Aevum as Chief Financial Officer (CFO) and Chief Operating Officer. Simon joined Aevum in May 2003 as CFO where he played a key role in preparing the company for its successful listing on the ASX in November 2004. As CEO Simon leads the Executive team, has direct responsibility for operations, sales and marketing and corporate affairs.

Prior to joining 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-controlled entities and is a board member of the NSW division of the Retirement Village Association.



Justin Kavanagh

MBA MAICD

Chief Strategy Officer (CSO)

Employed by Aevum for five years, Justin has held positions of Director and Executive Director for the company. He has played a key role in the demutualisation, and listing of Aevum together with the development of Aevum's business model.

In his current role as CSO, Justin is responsible for strategic planning and direction which includes leading the investment, mergers and acquisitions and business development operations for the company. With over 15 year's commercial experience, Justin is a key member of the Executive team and a Director of a number of Aevum-controlled entities.



Peter Homan

BCom, MBA, CA, MAICD

Chief Finance Officer (CFO)

Peter joined Aevum in January 2006. He is a Chartered Accountant, bringing over 20 years accounting and finance experience to the company. Previous positions include senior financial and planning roles with listed Australian companies including Baycorp Advantage Limited and Westfield Holdings Limited.

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

During his time with Aevum Peter has contributed to increasing the company's understanding of the drivers of the property valuations, and the capability to deliver internal valuations compliant with AIFRS.

He is also company secretary, and public officer, of Aevum Limited, and company secretary of all group subsidiaries.

Senior Management

Retirement Village Managers



Christine Grafitti
Lourdes Retirement Village



Ron Francis
Cardinal Freeman
Retirement Village



Jo Shaw
Castle Ridge Resort



Carolyn Taylor
Bellevue Gardens



Steve McGarrigal
Golden Ponds Resort



Jeff McHugh
Parklands Village



Betty Ryder
Lincoln Gardens



Sally Messer
Macquarie Grove &
Waratah Highlands



Donna McHugh
Queens Lake Village



Brian Bartley
Halls Head Gardens
& Murray River Village



Colleen Fitzgerald
Leschenault Village

Aevum's senior management team is a dynamic mix of health care and business professionals with a shared focus on providing optimal care for the residents in our villages.

The team has been bolstered with new members through the recent acquisition of 10 villages, further strengthening our operational experience and understanding of the retirement and aged care sectors.

Aged Care Managers



Fiona Wallace
Cardinal Freeman
Aged Care Facility



Kerrie Bartlett
Lourdes
Aged Care Facility



Marisa Piombo
Sydney
Southern Highlands
Western Australia



Wendy Carter
North Coast



Tracey Frost
Forster

Corporate Office



Tim Bannigan
Business Development



Gary Joyce
Human Resources



Gavin Jackson
Property Services

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.
- 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, Chief Strategy Officer and Chief Finance 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
Allen Kavanagh	Non-Executive Director	No
Melanie Willis	Non-Executive Director	Yes
Richard Gould	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. Currently, the Board does comprise a majority of independent directors. In this respect:

- The Board considers that Mr Allen Kavanagh is not independent, as he has been a director of Aevum for over 25 years, has a familial relationship with the Chief Strategy Officer and has acted in an executive role (on a temporary basis following senior executive changes prior to listing) in the last three years. The Board nevertheless believes that it best serves the interest of shareholders that Mr Kavanagh is a director given his deep experience and knowledge of Aevum's business, his familiarity with the shareholder base (many of whom became

shareholders in Aevum on demutualisation) and the element of continuity he provides as the sole director appointed before the listing of Aevum; and

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 Law 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 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 Committee

Mr Graham Lenzner is the Chairperson of the Audit Committee.

The functions and responsibilities of the Audit Committee are documented in a formal charter adopted by the board. The Audit Committee functions in accordance with the Audit Committee Charter. The Audit 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, the Chief Strategy 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.

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.
- 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 Chief Executive Officer the Chief Strategy Officer and the Chief Financial Officer is reviewed annually by the Remuneration Committee and the performance of other key executives 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;

- 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 2006. 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

The directors submit their report for the year ended 30 June 2006.

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 (\$).

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 Lenzner
Allen Kavanagh
Richard Gould
Melanie Willis (appointed 1 August 2006)
Sam Kaplan (resigned 21 March 2006)
Wes Davoren (resigned 1 July 2005)



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. Graham is Chairman of the company's Audit Committee.



Allen Kavanagh FAICD

Non-Executive
Director

Chairman of Aevum Limited from 1981 until 24 November 2005, Allen led the company through the demutualization process in 2002 and ASX listing in 2004. Allen brings with him extensive experience as Director of a range of private companies and cooperatives, particularly in the health care and finance industries. He was previously a director of St George Hospital and Vice Chairman of Sutherland Hospital, and is currently Chairman of Hibernian Credit Union.



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 Muscular Dystrophy Association of NSW, Chief Executive Officer of the Sir Moses Montefiore Jewish Home and Chief Executive Officer of the Illawarra Area Health Service. Richard is currently a Director of Sylvandale Disability Service. Richard is Chairman of the company's Remuneration and Nominations Committee.



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 year's 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 principal of Capital Performance Group and a director of WHK Group Limited, Hydro Tasmania and Rhodium Asset Solutions.

Company Secretary

Peter Homan was appointed Aevum Limited's secretary in January 2006.

Peter Homan

Company Secretary and Chief Financial Officer

Peter joined Aevum in January 2006. He 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	178,067	–
A. Kavanagh	859,320	–
R. Gould	7,067	–
M. Willis	29,400	–

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 230 employees as at 30 June 2006 (2005: 213 employees).

Review of Operations

The Group's operations recorded a pre-tax profit for the year of \$14.9 million (2005: \$9.5 million).

Retirement Villages

The Group's retirement village operations (independent living units and serviced apartments) recorded a pre-tax profit for the year of \$16.0 million (2005: \$9.6 million).

Aged Care

The Group's aged care operations (nursing homes and low care lodges) reported a drop in pre-tax earnings to \$0.4 million (2005:\$0.8 million) due to margin pressures following increases in wage costs.

Results of Operations

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

	2006 \$'000	2005 \$'000
Net profits after tax	13,369	4,878

The Group has used its cash and cash equivalents in a manner that is consistent with its stated business objectives.

Review of Financial Condition

Capital Structure

During the year, 246,302 shares were issued to employees under the Employee Share Plan. Shares were issued on a salary sacrifice basis and are subject to a three year trading lock. In addition, 8,700 shares were issued under the Special Bonus Scheme. For further details, refer to note 15 and note 20 of the financial statements.

Cash from Operations

Net cash flows from operating activities increased by 75% to \$15.2 million (2005: \$8.7 million).

Liquidity and Funding

The Group had no debt and total assets now exceed \$274 million with net tangible assets of \$1.55 per share. Cash on hand and investments at June were \$39.5 million and allowing for the prudent reserves set by the board, Aevum considers it has considerable funds available to capitalise on organic growth and acquisition opportunities.

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 the 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.

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

The following material events occurred after balance date:

(a) Capital Raisings

On 19 July 2006 the company received the proceeds of a placement of 12,318,533 shares at \$1.63 per security, raising \$20.1 million before costs of the placement. Costs, including commissions to the lead manager of the placement, were approximately \$0.7 million. The shares were placed with a mixture of existing and new shareholders.

On 17 August 2006 the company received \$3.2 million as the proceeds of a share purchase plan in which existing shareholders of the company were invited to subscribe for up to \$5,000 of shares in the company at \$1.63 per security. Costs, including commissions to the lead manager of the plan, were approximately \$0.2 million.

Proceeds of both capital raisings were used to partially fund the acquisition of the Sakkara Living assets.

(b) Debt Facility

The company entered into debt facility with Westpac on 16 August 2006. The facility has two components, a \$50 million 'core' facility, and a \$25 million 'standby' facility. The core facility has a minimum term of three years, whilst the standby facility is required to be repaid within six months of the first drawdown. Both facilities are secured only through a negative pledge and deed of cross-guarantee.

The facilities are funded through bank bills with interest calculated by reference to the BBSY indicator rate. The implied interest rate on the first drawdown of fund was 6.76%, inclusive of fees.

The core facility was drawn down to \$45 million to contribute to the funding of the acquisition of the Sakkara Living assets.

(c) Acquisition of Sakkara Living assets

On 28 August 2006 the Group completed the acquisition of seven Retirement Villages and associated unsold units and land held for development from Sakkara Living.

The villages are located on the NSW North Coast and Southern Highlands. The purchase price was \$88.2 million. Details of the villages are set out below:

Retirement Village	Location	Current Dwellings	Consent for Further Dwellings	Resident Tenure
Bellevue Gardens	Port Macquarie	175	–	Leasehold
Lincoln Gardens	Port Macquarie	54	–	Leasehold
Parklands Village	Port Macquarie	144	–	Leasehold
Queenslake Village	Laurieton	124	–	Leasehold
Golden Ponds Resort	Forster	150	42	Leasehold
Macquarie Grove	Tahmoor	42	–	Strata Title
Waratah Highlands	Bargo	77	91	Strata Title
Total		766	133	

No goodwill is expected to emerge as a result of this transaction. Costs of the transaction could not be accurately forecasted by the date of signing of the financial statements.

(d) Acquisition of Moran assets

On 25 August 2006 the Group acquired three retirement villages in Western Australia from Moran Health Care Group for \$2.0 million. Details of the villages are set out below:

Retirement Village	Location	Current Dwellings	Consent for Further Dwellings	Resident Tenure
Halls Head	Mandurah	46	–	Strata Title
Murray River	Mandurah	37	–	Strata Title
Leschenault	Bunbury	38	–	Strata Title
Total		121		

No goodwill is expected to emerge as a result of this transaction. Costs of the transaction could not be accurately forecasted by the date of signing of the financial statements.

Likely Developments & Expected Results

Directors forecast growth in revenues and earnings during the current year. It is Aevum's intention to further increase the number of units under management from its current level of 1,606 (post acquisition). This is likely to be achieved through:

- expansion and further optimisation of the Group's existing operations including Lourdes, Cardinal Freeman, Golden Ponds and Waratah Highlands;
- the acquisition of additional retirement living and aged care facilities currently being operated or developed by other industry participants; and
- purchasing sites that will be used for the development of new retirement living and aged care facilities.

Directors will disclose significant developments on a timely basis.

Unissued Shares

As at the date of this report, there were 579,136 unissued ordinary shares under options. Refer to note 19(e) of the financial statements on page 68 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, an employee has exercised the option to acquire 8,700 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 19(e) of the financial statements on page 68 for further details.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of Aevum Limited (the company).

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, demanding performances 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, the Chief Executive Officer, Chief Strategy 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 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 (Audited)

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 30 August 2002 when shareholders approved an aggregate remuneration for non-executive directors of \$500,000 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 2006 is detailed in Table 1 of this report.

Executive and Senior Manager Remuneration (Audited)

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 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 employment contracts are entered into with the executive team which comprises the Chief Executive Officer and the Chief Strategy Officer. Details of these contracts are provided on page 42.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration
 - Short Term Incentive ('STI');
 - Medium term Incentive ('MTI'); and
 - 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 2 of this report on page 43 details all remuneration components of the three most highly remunerated executives and senior managers.

Fixed Remuneration (Audited)

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) (Audited)

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 10% 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 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/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) (Audited)

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 matches 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 matching the actual STI payment made to them, if any, in terms of dollar value. 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.

Annualised EPS growth over 3 years	Percentage of ZEPOs vesting
Less than 7%	0%
7%	30%
More than 7% but less than 14%	Between 30% 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 Remuneration – Long Term Incentive (LTI) (Audited)

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 two most senior executives who are 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.

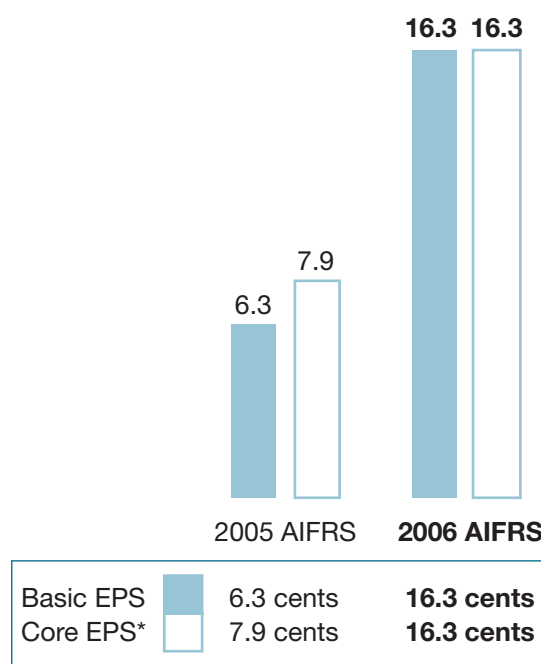
The Group uses the ASX S&P 300 index as the performance hurdle for the long term incentive plan. The use of ASX S&P 300 index as the performance hurdle is currently market best practice as it ensures an alignment between comparative shareholder returns and rewards for executives.

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



* based on earning after tax for core activities

Shareholder Wealth

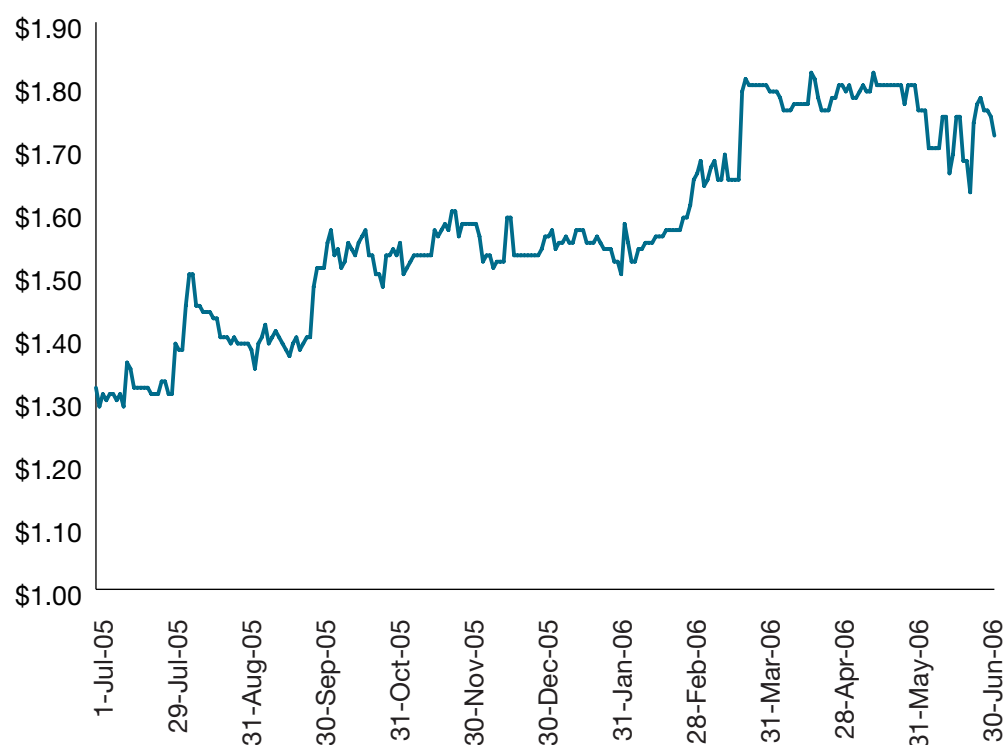
Shareholder wealth has increased significantly during the year as a direct result of strong operational performance and the reinvestment program underway at the company's Cardinal Freeman and Lourdes villages. Net tangible assets are now \$1.55 per share.

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

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. This is presented below in the graphical format.

Aevum Share Price from July 05 to 30 June 06



Aevum is currently establishing the effective measurement process of the Group and peer group TSR performance benchmarks for the purposes of monitoring executives' remuneration performance hurdles.

Employment agreements

The company has entered into employment agreements with the Chief Executive Officer, Mr Simon Owen, and the Chief Strategy Officer, Mr Justin Kavanagh. The current employment agreements commenced on 1 July 2004 and terminate on 30 June 2009, at which time the company may choose to commence negotiations to enter into new employment agreements with Mr Simon Owen and Mr Justin Kavanagh. The key terms of each of these agreements are set out in the table below.

Position	Chief Executive Officer	Chief Strategy Officer
Base salary (pa) ¹	\$290,000	\$240,000
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.	

Both executives are also subject to performance agreements with annual and long term incentives.

The key terms for employment agreement with the Chief Financial Officer are as follows:

Base salary (pa) ¹	\$210,000
Termination Benefit/Notice	Employment is terminable by six months notice or payment in lieu from either party

Note¹ Inclusive of superannuation guarantee levy and reviewable on 1 July each year.

The Chief Financial Officer is 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, genuine 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 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, upon a change of control in the Group, all unvested ZEPOs granted to Simon Owen will vest immediately.

Table 1: Remuneration of Directors for the year ended 30 June 2006

	Short-Term			Post Employment	Long-Term	Share-Based Payment	Total	Total Performance Related
	Salary and Fees	Bonus Cash	Other	Super-annuation	Incentive Plans	Options ¹		
Directors	\$	\$	\$	\$	\$	\$	\$	%
G. Lenzner								
2006	91,709	–	–	8,254	–	–	99,963	–
2005	19,891	–	–	1,852	–	–	21,743	–
A. Kavanagh								
2006	82,491	–	–	7,424	–	–	89,915	–
2005	107,500	–	–	9,675	–	–	117,175	–
M. Skennar								
2006	–	–	–	–	–	–	–	–
2005	50,721	–	–	–	–	–	50,721	–
W. Davoren								
2006	692	–	–	–	–	–	692	–
2005	60,000	–	–	–	–	–	60,000	–
R. Ashton								
2006	–	–	–	–	–	–	–	–
2005	13,537	–	–	1,218	–	–	14,755	–
J. Kavanagh								
2006	–	–	–	–	–	–	–	–
2005	13,537	–	–	1,218	–	–	14,755	–
T. Ogg								
2006	–	–	–	–	–	–	–	–
2005	46,446	–	–	4,180	–	–	50,626	–
R. Gould								
2006	73,263	–	–	6,594	–	–	79,857	–
2005	20,713	–	–	1,926	–	–	22,639	–
S. Kaplan								
2006	45,763	–	–	4,119	–	–	49,882	–
2005	8,713	–	–	784	–	–	9,497	–

Table 2: Remuneration of Executives for the year ended 30 June 2006

	Short-Term			Post Employment	Long-Term	Share-Based Payment	Total	Total Performance Related
	Salary and Fees	Bonus Cash	Other	Super-annuation	Incentive Plans	Options ¹		
Executives	\$	\$	\$	\$	\$	\$	\$	%
S. Owen								
2006	259,560	30,000	–	26,060	–	66,470	382,090	25.25%
2005	198,588	–	–	17,873	–	57,696	274,157	21.04%
J. Kavanagh								
2006	218,747	30,000	–	22,008	–	33,380	304,135	20.75%
2005	206,834	–	–	18,615	–	28,993	254,442	11.39%
P. Homan								
2006	87,438	–	1,877	7,869	–	–	97,184	–
2005	–	–	–	–	–	–	–	–

The Group has only three individuals that would be considered executives. Details of options granted as remuneration are included in note 19.

Directors' Report continued

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	22	22	4	4	4	4
A. Kavanagh	22	22	4	4	4	4
R. Gould	22	21	4	4	4	4
S. Kaplan	15	13	4	4	4	4

The members acting on the Audit Committee of the board during the year were G. Lenzner, A. Kavanagh, R. Gould and S. Kaplan (resigned 21 March 2006).

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 11 September 2006, the directors declared a final dividend on ordinary shares in respect of the 2006 financial year. The dividend will be 4.0 cents per share (2005: 6.0 cents final only) payable on 19 October 2006. The dividend will be 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 on page 45.

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 16 to the financial statements on page 64.

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
15 September 2006

Auditor's Independence Declaration

TO THE DIRECTORS OF AEVUM LIMITED



■ Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

■ Tel 61 2 9248 5555
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DX Sydney Stock
Exchange 10172

GPO Box 2646
Sydney NSW 2001

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 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

Karen Ray
Partner

15 September 2006

Liability limited by a scheme approved under
Professional Standards Legislation. 90/04 1/1

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Income Statement

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Aevum Limited	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Total revenues	3	29,922	23,573	24,869	24,655
Salaries and employee benefits expenses		9,009	8,320	8,934	8,253
Catering expenses		1,047	928	1,044	928
Repairs and maintenance expenses		264	77	247	73
Rates and utilities		347	285	346	285
IT and communication		127	135	123	134
Housekeeping and cleaning		224	214	224	214
Professional service fees		1,047	1,865	1,038	1,843
Marketing expenses		388	259	358	230
Depreciation expenses		685	696	677	687
Write off WIP projects	8	539	–	539	–
Other expenses		1,381	1,259	1,325	1,249
Total expenses		15,058	14,038	14,855	13,896
Profit before income tax expense		14,864	9,535	10,014	10,759
Income tax expense/(benefit)	4	1,495	4,657	(1,022)	4,380
Net profit after income tax expense/(benefit)		13,369	4,878	11,036	6,379
Net profit for the period attributable to the members		13,369	4,878	11,036	6,379
Basic earnings per share (cents per share)	22	16.3	6.3		
Diluted earnings per share (cents per share)	22	16.2	6.2		

Balance Sheet

AS AT 30 JUNE 2006

	Note	Consolidated		Aevum Limited	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
ASSETS					
Current Assets					
Cash and cash equivalents	21	36,405	28,881	36,388	26,891
Term deposits	5	2,371	6,003	2,371	6,003
Investments	5	457	1,524	457	1,524
Trade and other receivables	6	1,278	740	1,107	871
Total Current Assets		40,511	37,148	40,323	35,289
Non-current Assets					
Term deposits	5	314	605	314	605
Investments in controlled entities	7	–	–	22,541	22,541
Deferred income tax asset	4	952	1,105	952	1,105
Property, plant and equipment	8	24,755	23,630	24,663	23,567
Investment properties	9	206,451	186,922	158,983	144,337
Bed licences	10	1,185	1,185	1,185	1,185
Total Non-current Assets		233,657	213,447	208,638	193,340
TOTAL ASSETS		274,168	250,595	248,961	228,629
LIABILITIES					
Current Liabilities					
Trade and other payables	11	3,321	2,845	5,331	2,585
Income tax payable	4	313	582	313	582
Resident loans and accommodation bonds	12	133,680	117,421	109,931	94,658
Provisions	13	703	809	688	705
Other liabilities	14	691	807	607	751
Total Current Liabilities		138,708	122,464	116,870	99,281
Non-current Liabilities					
Provisions	13	351	334	350	326
Deferred tax liabilities	4	6,006	4,458	3,471	4,182
Other liabilities	14	447	561	447	561
Total Non-current Liabilities		6,804	5,353	4,268	5,069
TOTAL LIABILITIES		145,512	127,817	121,138	104,350
NET ASSETS		128,656	122,778	127,823	124,279
EQUITY					
Contributed equity	15	8,866	8,465	8,866	8,465
Retained earnings	15	107,816	102,241	106,983	103,742
Reserves	15	11,974	12,072	11,974	12,072
TOTAL EQUITY		128,656	122,778	127,823	124,279

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Aevum Limited	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from residents and government subsidies		12,992	12,710	12,403	12,187
Payments to suppliers and employees		(16,296)	(15,363)	(15,411)	(15,051)
Interest received		2,376	2,703	2,355	2,678
Net loans received from residents		12,344	9,233	10,893	9,160
Net accommodation bonds received		5,661	1,849	5,661	1,849
Payment on turnover of retirement units		(1,856)	(2,725)	(1,856)	(2,725)
Dividends received		16	32	16	32
Waiting lists deposits refunded		(7)	(27)	(8)	(27)
Income tax (paid)/refunded		(63)	243	(63)	243
NET CASH FLOWS FROM OPERATING ACTIVITIES	21	15,167	8,655	13,990	8,346
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of controlled entity	26	–	(21,057)	–	(22,541)
Increase/(Decrease) in intercompany loans		–	–	2,707	(241)
Proceeds from sale of property, plant and equipment		–	1,300	–	1,300
Purchase of property, plant and equipment		(2,399)	(7,082)	(2,361)	(7,038)
Payment for upgrade of investment properties		(2,484)	(2,678)	(2,079)	(2,678)
Payments for intangibles		–	(1,185)	–	(1,185)
Proceeds from sale of listed investments		1,000	250	1,000	250
(Investment)/withdrawals of term deposits		3,923	(689)	3,923	(689)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		40	(31,141)	3,190	(32,822)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares		111	9,537	111	9,537
Payment of share issue costs		–	(1,252)	–	(1,252)
Payments for dividends on ordinary shares		(7,794)	(2,452)	(7,794)	(2,452)
NET CASH FROM FINANCING ACTIVITIES		(7,683)	5,833	(7,683)	5,833
NET INCREASE/(DECREASE) IN CASH HELD					
Cash at the beginning of the financial year		28,881	45,534	26,891	45,534
CASH AT THE END OF THE FINANCIAL YEAR	21(a)	36,405	28,881	36,388	26,891

Statement of Recognised Income and Expense

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Aevum Limited	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Increase in employee equity benefits reserve	15	55	376	55	376
Transfer from employee equity—share issued	15	(153)	(129)	(153)	(129)
Net increase in asset revaluation reserve	15	–	9,268	–	9,268
Net income recognised directly in equity		(98)	9,515	(98)	9,515
Profit for the period		13,369	4,878	11,036	6,379
Total recognised income and expense for the period		13,271	14,393	10,938	15,894

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

1. CORPORATE INFORMATION

The financial report of Aevum Limited (the Company) for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 15 September 2006.

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 24.

2. BASIS OF PREPARATION OF THE FINANCIAL REPORT

(a) 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 and land and buildings 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.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes hereto, complies with International Financial Reporting Standards ('IFRS').

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Group under AIFRS are disclosed in Note 2(c) below. Reconciliations of:

- AIFRS equity as at 1 July 2004 and 30 June 2005; and
- AIFRS profit for the year ended 30 June 2005,

to the balances reported in the 30 June 2005 financial report prepared under AGAAP are detailed in Note 2(e) below.

(c) Summary of significant accounting policies

(i) 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.

All intercompany 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.

(ii) Significant accounting judgements, estimates and assumptions

Significant accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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 consider information from a variety of sources, including discounted cash flow projections based on reliable estimates of future cash flows, when arriving at the carrying value.

In turn, the discounted cash flow projections require 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.

Properties, plant and equipment is also carried at fair value. These valuations are affected by similar estimates and assumptions.

Significant judgements in applying the entity's accounting policies

There were no judgements, apart from those involving estimations, 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.

(iii) Investment properties

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition investment properties are stated at fair value.

Gains or losses arising from changes in the fair values of investment properties are included as revenue 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.

(iv) Property, plant and equipment

Property, plant and equipment that does not meet the definition of investment property currently includes 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 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 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.

2. BASIS OF PREPARATION OF THE FINANCIAL REPORT (continued)

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.

(v) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(vi) Bed licences

Bed licences 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.

Impairment testing

Annually and more frequently when an indication exists.

(vii) 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.

(viii) Trade and other receivables

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

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(ix) 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.

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.

(x) Investments and term deposits

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. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) 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.

(xi) Unearned maintenance fees

Consistent with prior years 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.

(xii) Trade and other payables

Liabilities for trade creditors and other amounts 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.

2. BASIS OF PREPARATION OF THE FINANCIAL REPORT (continued)

(xiii) Resident loans and accommodation bonds

Resident loans and accommodation bonds are treated as financial liabilities through profit and loss.

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 profit and loss 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 feature. 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. The Group expects to pay \$16,049,000 (2005: \$6,384,000) 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.

(xiv) 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.

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.

(xv) 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 senior executives, 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 determined by an external valuer 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.

(xvi) 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 payables.

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.

(xvii) 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.

(xviii) Revenue

Revenue is recognised 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.

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.

Interest

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

Dividends

Control of the right to receive the dividend payment.

2. BASIS OF PREPARATION OF THE FINANCIAL REPORT (continued)

(xix) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(xx) 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, except 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.

(xxi) 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.

(xxii) 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.

(xxiii) Pending accounting standards

Other new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the current reporting period. These are not expected to have any material impact on the Group's financial report in subsequent reporting periods.

(d) AASB 1 Transitional exemptions

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Business combinations

AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS).

Financial instruments

The Group has adopted AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from the transition date.

Share-based payment transactions

No equity instruments were granted before 7 November 2002 to which AASB 2 'Share-Based Payments' would apply.

2. BASIS OF PREPARATION OF THE FINANCIAL REPORT (continued)

(e) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

	Note	Consolidated		Aevum Limited	
		30 June 2005 \$'000	1 July 2004 \$'000	30 June 2005 \$'000	1 July 2004 \$'000
Total equity under AGAAP		127,112	74,372	128,337	74,372
Adjustments to equity:					
Reverse net gain on turnover of retirement village units	(A)	-	-	-	-
Additional depreciation	(B)	(20)	-	(20)	-
Revaluation increments on land and buildings	(A)	-	28,051	-	28,051
Deferred tax assets	(C)	144	-	144	-
Deferred tax liabilities	(C)	(4,458)	-	(4,182)	-
Total equity under AIFRS		122,778	102,423	124,279	102,423

- (A) Fair value movements in investment properties are recognised in the income statement under AASB 140 'Investment Property', but were taken to the asset revaluation reserve under AGAAP. The increase in fair value during the period increased the profit under AIFRS. As a consequence, the net gain on turnover of retirement village units no longer has a direct impact on the Group's income statement.
- (B) Additional depreciation was recorded because the Aged Care assets were depreciated from a higher cost based (i.e. the revalued amount).
- (C) Previously under AGAAP, income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Deferred tax was not recognised in relation to the revaluation of land and buildings. The application of AASB 112 "Income Taxes" has resulted in the recognition of deferred tax liabilities on revaluation of investment properties.

(ii) Reconciliation of profit after tax under AGAAP to that under AIFRS

	Notes	Consolidated		Aevum Limited	
		Year ended 30 June 2005 \$'000	Year ended 30 June 2005 \$'000	Year ended 30 June 2005 \$'000	Year ended 30 June 2005 \$'000
Profit after tax as previously reported		4,454		4,262	
Depreciation	(B)	(20)		(20)	
Reverse net gain on turnover of retirement village units	(A)	(3,569)		(3,569)	
Revaluation of retirement villages	(A)	8,328		9,745	
Tax effect of the above adjustments	(C)	(4,315)		(4,039)	
Profit after tax under AIFRS		4,878		6,379	

- (A) Fair value movements in investment properties are recognised in the income statement under AASB 140 'Investment Property', but were taken to the asset revaluation reserve under AGAAP. The increase in fair value during the period increased the profit under AIFRS. As a consequence, the net gain on turnover of retirement village units no longer has a direct impact on the Group's income statement.
- (B) Additional depreciation was recorded because the Aged Care assets were depreciated from a higher cost base (i.e. the revalued amount).
- (C) Additional tax expenses were predominantly due to tax effect of revaluation for Post-CGT Land and Buildings which were not previously recognised, and recoupment of tax deductions claimable as asset allowances in prior periods.

(iii) Explanation of material adjustments to cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

(iv) Reclassification within the Balance Sheet

Resident loans were formerly allocated between current and non-current liabilities depending on the expected timing of settlement. Under AIFRS, resident loans are all classified as current.

Notes to the Financial Statements continued
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Consolidated		Aevum Limited	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
3. REVENUES AND EXPENSES				
(a) Revenue from operating activities				
Management fees from benefit funds	–	167	–	167
Daily care fees	3,459	2,976	3,459	2,976
Aged care subsidies and government grants	6,051	6,227	6,051	6,227
Annual loan reduction fees	3,283	2,229	1,887	1,927
Accommodation bond retention	182	104	182	104
Other trading revenue	664	724	705	718
Revaluation increments	13,846	8,328	10,167	9,745
Dividends	16	32	16	32
Finance Revenue: Interest – other persons/corporations	2,421	2,747	2,402	2,720
Finance Revenue: Valuation of Investments	–	39	–	39
Total revenues	29,922	23,573	24,869	24,655
(b) Expenses				
Share based payment	192	376	192	376
Net loss on disposal of listed investments	(17)	(13)	(17)	(13)
Finance Expense: Valuation of investments	(50)	–	(50)	–
(c) Significant items included in expenses				
ASX listing costs	–	(343)	–	(343)
Defence costs associated with takeover	–	(780)	–	(780)
National Exchange legal costs	–	(119)	–	(119)
Total significant items	–	(1,242)	–	(1,242)
4. INCOME TAX EXPENSE				
Income tax expense/(benefit)	1,495	4,657	(1,022)	4,380
Deferred tax asset	952	1,105	952	1,105
Income tax payable	313	582	313	582
Deferred tax liability	6,006	4,458	3,471	4,182
(a) Income tax expense				
Current tax expense/(benefit)	–	342	(258)	342
Deferred tax expense/(benefit)	1,701	4,315	(558)	4,038
Under/(over) provided in prior years	(206)	–	(206)	–
	1,495	4,657	(1,022)	4,380
Deferred income tax (revenue) expense included in Income tax expense comprises:				
Decrease/(increase) in deferred tax assets	153	199	153	199
(Decrease)/increase in deferred tax liabilities	1,548	4,458	(711)	4,181
	1,701	4,657	(558)	4,380

4. INCOME TAX EXPENSE (continued)

	Consolidated		Aevum Limited	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	14,864	4,796	10,014	10,759
Profit from discontinuing operations before income tax expense	–	–	–	–
Tax at the Australian tax rate of 30% (2005: 30%)	4,459	1,439	3,004	3,228
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Revaluation increments (adjusted for transition to AIFRS)	(2,758)	3,244	(3,562)	1,114
Exempt revenue from benefit funds	–	(50)	–	(50)
Sundry items	–	60	–	124
	1,701	4,693	(558)	4,416
Tax effect of amounts additional (deductible) taxable amounts in calculating taxable income:				
Dividend imputation credit gross up	–	4	–	4
Buildings depreciation	–	(40)	–	(40)
	1,701	4,657	(558)	4,380
Under/(over) provision in prior years	(206)	–	(206)	–
Tax losses utilised by members of the tax consolidated group	–	–	(258)	–
Income tax expense	1,495	4,657	(1,022)	4,380

(c) Deferred tax assets and liabilities

Deferred tax at 30 June relate to the following:

	Balance Sheet		Income Statement	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Consolidated				
Deferred tax assets				
Employee entitlement provisions	317	343	26	9
Business restructure costs	80	276	196	32
Other provisions and accruals	555	486	(69)	158
	952	1,105	153	199
Deferred tax liabilities				
Revaluation of investments	16	–	16	–
Revaluation of investment properties	5,990	4,458	1,532	4,458
	6,006	4,458	1,548	4,458
Parent				
Deferred tax assets				
Employee entitlement provisions	317	343	26	9
Business restructure costs	80	276	196	32
Other provisions and accruals	555	486	(69)	158
	952	1,105	153	199
Deferred tax liabilities				
Revaluation of investments	16	–	16	–
Revaluation of investment properties	3,455	4,181	(727)	4,181
	3,471	4,181	(711)	4,181

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

4. INCOME TAX EXPENSE (continued)

	Balance Sheet		Income Statement	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(d) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	6,041	6,574	6,041	6,574
Potential tax benefit @ 30%	1,812	1,972	1,812	1,972

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 continues 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 deduction for the losses.

The Group has tax losses arising in Australia of \$6,040,928 (2005:\$6,574,150) that are available indefinitely for offset against future taxable profits of the entities in which the losses arose.

At 30 June 2006, there is no recognised or unrecognised deferred income tax liability (2005:\$nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associate or joint venture, 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 arrangement in order to allocate income tax expense to the wholly owned subsidiaries on an actual basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head company default on its tax payment obligations.

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 one of the three 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	
	2006 \$'000	2005 \$'000
Total increase/(reduction) to tax expense of Aevum Limited	(258)	–
Total increase/(reduction) to inter-company assets of Aevum Limited	258	–
Total increase/(reduction) to equity accounts of Aevum Limited	–	–

	Consolidated		Aevum Limited	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000

5. TERM DEPOSITS AND INVESTMENTS

(a) Term Deposits

Current

Fixed term deposits (i)	2,371	6,003	2,371	6,003
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Non-Current

Fixed term deposits (i)	314	605	314	605
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(b) Investments

Current

Fixed interest securities (ii)	200	204	200	204
Income securities (ii)	257	1,320	257	1,320
	457	1,524	457	1,524

Maturity Analysis

1 year or less	2,371	6,003	2,371	6,003
Longer than 1 and not longer than 5 years	314	605	314	605
No maturity specified	457	1,524	457	1,524
	3,142	8,132	3,142	8,132

Notes:

- (i) Fixed term deposits are due to mature between 90 and 527 days.
- (ii) Fixed interest securities and income securities are ASX listed instruments which are readily saleable. There would be no material capital gains tax payable if the assets were sold at reporting date.

6. RECEIVABLES

Trade receivables	542	322	534	325
Other receivables	736	418	573	261
Amounts other than trade debts receivable from group entities	–	–	–	285
Total current receivables	1,278	740	1,107	871

Terms and Conditions

Terms and Conditions relating to the above financial instruments:

Receivables are generally non-interest bearing and on 30 days terms.

7. INVESTMENTS IN CONTROLLED ENTITIES

Investments in controlled entity – Hibernian Investment Company Pty Ltd (at cost)	22,541	22,541
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	Country of Incorporation	Percentage of equity interest held by the consolidated entity	
		2006 %	2005 %
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

* Subsidiaries of Hibernian Investment Company Pty Ltd

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Consolidated		Aevum Limited	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
8. PROPERTY, PLANT AND EQUIPMENT				
Property, Plant and Equipment				
Aged Care Facilities Properties				
At fair value	19,818	19,352	19,818	19,352
Accumulated depreciation and impairment	–	–	–	–
	19,818	19,352	19,818	19,352
Other Properties				
At fair value	1,793	1,840	1,793	1,840
Accumulated depreciation and impairment	–	–	–	–
	1,793	1,840	1,793	1,840
Plant and Equipment				
At cost	3,298	2,490	3,117	2,347
Accumulated depreciation and impairment	(1,314)	(996)	(1,197)	(889)
	1,984	1,494	1,920	1,458
Work In Progress				
	1,160	944	1,132	917
Total property, plant and equipment	24,755	23,630	24,663	23,567
Reconciliations				
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.				
Property, Plant and Equipment				
Aged Care Facilities Properties				
Carrying amount at beginning of year	19,372	7,689	19,372	7,689
Revaluation Increment	–	9,268	–	9,268
Additions	813	2,839	813	2,839
Depreciation expense *	(367)	(444)	(367)	(444)
Carrying amount at end of year	19,818	19,352	19,818	19,352
Other Properties				
Carrying amount at beginning of year	1,840	1,847	1,840	1,847
Additions	3	38	3	38
Depreciation expense *	(50)	(45)	(50)	(45)
Carrying amount at end of year	1,793	1,840	1,793	1,840
Plant and Equipment				
Carrying amount at beginning of year	1,494	1,461	1,458	1,461
Acquisition	–	31	–	–
Additions	808	284	770	270
Depreciation expense *	(318)	(282)	(308)	(273)
Carrying amount at end of year	1,984	1,494	1,920	1,458
* Depreciation expense includes resident funded component				
Work in progress				
Carrying amount at beginning of year	944	476	917	476
Additions	755	468	754	441
Write off WIP projects	(539)	–	(539)	–
Carrying amount at end of year	1,160	944	1,132	917
Total property, plant and equipment	24,755	23,630	24,663	23,567

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Valuations

Land and buildings were valued by Aevum's directors at 30 June 2006. 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 as at 30 June 2005. 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 valuation date.

	Consolidated		Aevum Limited	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000

9. INVESTMENT PROPERTIES

Investment Properties

Retirement Villages	196,301	175,272	148,833	132,687
Development Sites	10,150	11,650	10,150	11,650
Total Investment Properties	206,451	186,922	158,983	144,337

Reconciliations

Reconciliations of the carrying amounts of investment properties at the beginning and end of the current financial year.

Investment Properties

Carrying amount at beginning of year	186,922	122,573	144,337	122,573
Acquisitions	–	43,980	–	–
Additions	2,594	3,713	2,189	3,691
Disposals	–	–	–	–
Residents' share of valuation increment	3,089	8,328	2,290	8,328
Valuation increment	13,846	8,328	10,167	9,745
Carrying amount at end of year	206,451	186,922	158,983	144,337

Valuations

Investment properties were valued by Aevum's directors at 30 June 2006. 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 Colliers International, an external valuer, to perform such independent market valuations of two retirement villages as at 30 June 2006. The portfolio of the investment properties are valued by independent valuers over a rolling two year cycle to ensure that the carrying amount does not differ materially from the fair value at the balance sheet date.

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 valuation date.

	Consolidated		Aevum Limited	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000

10. BED LICENCES

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 Collier's 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 practice.

11. TRADE AND OTHER PAYABLES

Waiting list deposits	195	202	195	202
Accrued expenses	3,126	2,519	3,103	2,369
Amounts other than trade debts payable to group entities	–	–	2,033	–
Other payables	–	124	–	14
	3,321	2,845	5,331	2,585

Payables are non-interest bearing and are normally settled on 30 days terms.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Consolidated		Aevum Limited	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
12. RESIDENT LOANS AND ACCOMMODATION BONDS				
Resident loans	122,969	112,189	99,220	89,426
Accommodation bonds	10,711	5,232	10,711	5,232
	133,680	117,421	109,931	94,658

Resident loans and accommodation bonds are non-interest bearing and are settled between seven days and six 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. 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

Current

Employee entitlements	703	686	688	582
Directors retirement	–	123	–	123
	703	809	688	705

Non-Current

Employee entitlements	175	158	174	150
Directors retirement	176	176	176	176
	351	334	350	326

Movements in provisions

(i) Employee entitlements				
Carrying amount at the beginning of the financial year	844	680	732	680
Acquisitions	–	117	–	–
Additional provision	563	432	562	417
Amounts utilised during the year	(529)	(385)	(432)	(365)
Carrying amount at the end of the financial year	878	844	862	732
(ii) Directors retirement				
Carrying amount at the beginning of the financial year	299	563	299	563
Additional provision	–	–	–	–
Amounts utilised during the year	(123)	(264)	(123)	(264)
Carrying amount at the end of the financial year	176	299	176	299

14. OTHER LIABILITIES

Unearned maintenance fees

Current	691	807	607	751
Non-Current	447	561	447	561
	1,138	1,368	1,054	1,312

	Consolidated		Aevum Limited	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000

15. CONTRIBUTED EQUITY AND RESERVES

SHARE CAPITAL

Ordinary shares

Issued and fully paid	8,866	8,465	8,866	8,465
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	2006		2005	
	Thousands	\$'000	Thousands	\$'000
Movement in ordinary shares on issue				
At the beginning of the financial year	81,869	8,465	71,124	51
Issued during the year				
– public equity raising	–	–	10,597	9,537
– less transaction costs	–	–	–	(1,252)
– employee share scheme	246	394	138	124
– employee options exercised	8	7	5	5
– demutualisation issue adjustment	–	–	5	–
At the end of the financial year	82,123	8,866	81,869	8,465

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Parent does not have authorised capital nor par value in respect of its issued shares.

Share Options

Options over ordinary shares:

Employees and executives share scheme

During the 2006 financial year, 55,594 options were granted over ordinary shares, exercisable from the third anniversary from the grant date. Details are provided in note 19.

(i) Terms and Conditions of Contributed Equity

Ordinary Shares

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.

	Consolidated		Aevum Limited	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
RESERVES & RETAINED EARNINGS				
Employee equity benefits reserve	149	247	149	247
Asset revaluation reserve	11,825	11,825	11,825	11,825
Total reserve	11,974	12,072	11,974	12,072
Retained earnings	107,816	102,241	106,983	103,742

(a) Employee equity benefits reserve

(i) Nature and purpose of reserve

The employee equity benefits reserve contains amounts of retained profits that have been set aside by directors for the purpose of funding the employee equity benefits schemes. Refer to note 19 for further details of these schemes.

(ii) Movement in reserve

Balance at beginning of year	247	–	247	–
Additional reserve	55	376	55	376
Employee shares allotted	(141)	(124)	(141)	(124)
Employee options exercised	(12)	(5)	(12)	(5)
Balance at end of year	149	247	149	247

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

15. CONTRIBUTED EQUITY AND RESERVES (continued)

	Consolidated		Aevum Limited	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(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	11,825	2,557	11,825	2,557
Revaluation of properties	–	9,268	–	9,268
Balance at end of year	11,825	11,825	11,825	11,825
(c) Retained earnings				
Balance at beginning of year	102,241	99,815	103,742	99,815
Net profit attributable to members of Aevum Limited	13,369	4,878	11,035	6,379
Dividends paid	(7,794)	(2,452)	(7,794)	(2,452)
Balance at end of year	107,816	102,241	106,983	103,742

16. AUDITORS REMUNERATION

	Consolidated		Aevum Limited	
	2006 \$	2005 \$	2006 \$	2005 \$
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	255,700	214,495	153,000	202,995
• other services in relation to the entity and any other entity in the consolidated entity				
– preparation of the Independent Accountant's Report for the Prospectus for Listing	–	101,685	–	101,685
– due diligence and other services in connection with acquisitions	–	143,005	–	143,005
– transaction advisory services in respect of takeover defence	–	122,050	–	122,050
– other audit reports	27,980	35,053	27,980	35,053
• audit services in relation to the benefit funds prior to divestment	–	18,200	–	18,200
	283,680	634,488	180,980	622,988

17. EXPENDITURE COMMITMENTS

	Consolidated		Aevum Limited	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Capital Expenditure Commitments				
Estimated capital expenditure contracted for at reporting date, but not provided for:				
– Payable not later than 1 year	579	980	579	980

18. 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.

19. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

G. Lenzner	Chairman (non-executive)	
A. Kavanagh	Director (non-executive)	
R. Gould	Director (non-executive)	
M. Willis	Director (non-executive)	Appointed 1 August 2006
S. Kaplan	Director (non-executive)	Resigned 21 March 2006
W. Davoren	Director (non-executive)	Resigned 1 July 2005

(ii) Executives

S. Owen	Chief Executive Officer
J. Kavanagh	Chief Strategy Officer
P. Homan	Chief Financial Officer & Company Secretary

(b) Compensation of Key Management Personnel

(i) Remuneration Policy

The Board of Directors of Aevum Limited has established the Nominations and Remuneration Committee which is responsible for determining and reviewing compensation arrangements for the directors, the chairman and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Prior to the company's listing on the ASX, the board also engaged the services of an independent remuneration consultant, Egan Associates, to provide advice on executive and board compensation arrangements and to formulate an employee share scheme and incentive arrangement.

It is the Remuneration Committee's policy that employment agreements shall be entered into with all executives.

The current employment agreement with the Chief Executive Officer and Chief Strategy Officer expire on 30 June 2009. The key terms of each of these agreements are set out in the table below.

Position	Base/salary (pa) ¹	Termination Benefit/Notice
Chief Executive Officer	\$290,000	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.
Chief Strategy Officer	\$240,000	
Both executives are also subject to performance agreements with annual and long term incentives. For further details refer to note 20.		
The key terms for employment agreement with the Chief Financial Officer are as follows:		
Chief Financial Officer	\$210,000	Employment is terminable by six months notice or payment in lieu from either party

The Chief Financial Officer is subject to performance agreements with annual incentives. For further details refer to note 20.

Note¹ Inclusive of superannuation guarantee levy and reviewable on 1 July each year.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

19. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(ii) Compensation of Key Management Personnel (Consolidated)

	Short-Term			Post	Long-Term	Share-Based	Total	Total Performance Related
	Salary and Fees	Cash Bonus	Other	Employment	Payment	Options ¹		
	\$	\$	\$	\$	\$	\$		
Directors								
G. Lenzner								
2006	91,709	–	–	8,254	–	–	99,963	–
2005	19,891	–	–	1,852	–	–	21,743	–
A. Kavanagh								
2006	82,491	–	–	7,424	–	–	89,915	–
2005	107,500	–	–	9,675	–	–	117,175	–
M. Skennar								
2006	–	–	–	–	–	–	–	–
2005	50,721	–	–	–	–	–	50,721	–
W. Davoren								
2006	692	–	–	–	–	–	692	–
2005	60,000	–	–	–	–	–	60,000	–
R. Ashton								
2006	–	–	–	–	–	–	–	–
2005	13,537	–	–	1,218	–	–	14,755	–
J. Kavanagh								
2006	–	–	–	–	–	–	–	–
2005	13,537	–	–	1,218	–	–	14,755	–
T. Ogg								
2006	–	–	–	–	–	–	–	–
2005	46,446	–	–	4,180	–	–	50,626	–
R. Gould								
2006	73,263	–	–	6,594	–	–	79,857	–
2005	20,713	–	–	1,926	–	–	22,639	–
S. Kaplan								
2006	45,763	–	–	4,119	–	–	49,882	–
2005	8,713	–	–	784	–	–	9,497	–
Executives								
S. Owen								
2006	259,560	30,000	–	26,060	–	66,470	382,090	25.25%
2005	198,588	–	–	17,873	–	57,696	274,157	21.04%
J. Kavanagh								
2006	218,747	30,000	–	22,008	–	33,380	304,135	20.84%
2005	206,834	–	–	18,615	–	28,993	254,442	11.39%
P. Homan*								
2006	87,438	–	1,877	7,869	–	–	97,184	–
2005	–	–	–	–	–	–	–	–
TOTAL								
2006	859,663	60,000	1,877	88,328	–	99,850	1,103,718	14.48%
2005	746,480	–	–	57,341	–	86,689	890,510	9.73%

Note¹ Assumes full vesting and achievement of all performance hurdles.

* Executive for part year.

19. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(iii) Compensation by Category: Key Management Personnel

	Consolidated		Aevum Limited	
	2006 \$	2005 \$	2006 \$	2005 \$
Short-Term	921,540	746,480	921,540	746,480
Post Employment	82,328	57,341	82,328	57,341
Other Long-Term	-	-	-	-
Termination Benefits	-	-	-	-
Share-Based Payment	99,850	86,689	99,850	86,689
	1,103,718	890,510	1,103,718	890,510

(c) Shareholdings of Key Management Personnel (Consolidated)

Shares held in Aevum Limited (number)	Balance 1 July 04 Ordinary	Net Change Other	Balance 30 June 05 Ordinary	Net Change Other	Balance 30 June 06 Ordinary
G. Lenzner	1,000	-	-	75,000	75,000
A. Kavanagh	138,380	567,538	705,918	95,000	800,918
R. Gould	-	-	1,000	-	1,000
S. Kaplan	-	-	-	-	-
M. Willis	-	-	-	-	-
J. Kavanagh	112,500	569,538	680,038	95,000	775,038
Total	251,880	1,137,076	1,386,956	265,000	1,651,956

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.

(d) Compensation options: Granted and vested during the year

During the financial year, options were granted as equity compensation benefits to certain executives as disclosed below. The options were issued for no consideration. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity. For further details of the terms and conditions including the service and performance criteria that must be met refer to note 20.

	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 2006	No.	No.		\$	\$			
Executives								
S. Owen	-	21,429	1-July-05	1.23	0.00	31-Dec-08	30-Jun-08	31-Dec-08
J. Kavanagh	-	10,714	1-July-05	1.23	0.00	31-Dec-08	30-Jun-08	31-Dec-08
Other senior management	-	23,451	1-July-05	1.23	0.00	31-Dec-08	30-Jun-08	31-Dec-08
30 June 2005								
S.Owen	-	100,000	19-Aug-04	0.86	0.00	31-Dec-08	30-Jun-08	31-Dec-08
S.Owen	-	100,000	19-Aug-04	0.70	0.00	31-Dec-08	30-Jun-08	31-Dec-08
S.Owen	-	100,000	19-Aug-04	0.58	0.00	31-Dec-08	30-Jun-08	31-Dec-08
J. Kavanagh	-	100,000	19-Aug-04	0.70	0.00	31-Dec-08	30-Jun-08	31-Dec-08
J. Kavanagh	-	100,000	19-Aug-04	0.58	0.00	31-Dec-08	30-Jun-08	31-Dec-08
Other senior management	-	101,000	19-Aug-04	0.86	0.00	31-Dec-08	30-Jun-08	31-Dec-08

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

19. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

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

	Balance at beginning of period 1 Jul 05	Granted as Remuneration	Options Exercised	Option Lapsed	Balance at end of period 30 Jun 06	Vested at 30 June 2006		
30 June 2006						Total	Not Exercisable	Exercisable
Executives								
S. Owen	300,000	21,429	–	–	321,429	–	–	–
J. Kavanagh	200,000	10,714	–	–	210,714	–	–	–
Other senior management	71,000	23,451	8,700	38,758	46,993	–	–	–
Total	571,000	55,594	8,700	38,758	579,136	–	–	–

	Balance at beginning of period 1 Jul 04	Granted as Remuneration	Options Exercised	Option Lapsed	Balance at end of period 30 Jun 05	Vested at 30 June 2005		
30 June 2005						Total	Not Exercisable	Exercisable
S. Owen	–	300,000	–	–	300,000	–	–	–
J. Kavanagh	–	200,000	–	–	200,000	–	–	–
Other senior management	–	101,000	5,000	25,000	71,000	–	–	–
Total	–	601,000	5,000	25,000	571,000	–	–	–

(f) Loans to Key Management Personnel (Consolidated)

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

(g) Other transactions and balances with Key Management Personnel

Services

During the year architectural, design and master planning services totalling \$9,680 (2005: \$210,672) were provided by Noosphere Ideas Pty Ltd, an entity related to Mr W.J. Davoren. These services were provided under normal terms and conditions.

20. 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 employees additional bonus shares matching the dollar value of the salary sacrifice. Shares are granted every six months. 246,302 shares were issued during the year 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.

The weighted average cost per share issued was \$1.06.

(b) Special Bonus Scheme-Senior Management Options Plan

In the year ended 30 June 2006, the directors granted 55,594 (2005: 201,000) Zero Exercise Price Options (ZEPOs) to the Key Management Personnel and other senior management. (Refer to note 19 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 \$0.76.

(c) Annual Incentive Scheme

Senior executives and managers may be paid a cash bonus, subject to individual performance targets being met (except in the case of Support Staff) and the company meeting its budgeted financial target for the financial year. The cash bonuses will be paid at the end of the relevant financial year and, in the case of senior executives, subject to the signing by the auditor of the audited accounts, or in the case of any other employee, on approval by the Board of the final management accounts of the company for the financial year.

At its discretion, the board may grant additional ZEPOs to senior executives and management, matching the value of annual cash incentives. If granted, the vesting of the ZEPOs will be subject to the company's performance measured by the growth in the company's earnings per share over 3 years as follows:

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

(d) Long Term Incentive Scheme

In the prior year, the board approved the grant of 200,000 ZEPOs each to the Chief Operating Officer and Chief Strategy Officer, vesting in the fourth and fifth anniversaries of listing. The actual percentage of ZEPOs vesting will depend on the performance of the company, measured by the total shareholder return of the company in relation to companies in the ASX S&P 300 index as follows:

Total shareholder return	Percentage of ZEPOs vesting
Below the median of the ASX 300	0%
At the median of the ASX 300	50%
Between the median and 75th percentile of the ASX 300	Between 50% and 100% proportionately
At or above the 75th percentile of the ASX 300	100%

(e) 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.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

21. STATEMENT OF CASH FLOWS

	Consolidated		Aevum Limited	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(a) Reconciliation of cash				
Cash balance comprises:				
Cash on hand and at bank	7,612	2,776	7,612	786
Bank bills	1,485	2,958	1,485	2,958
Cash on deposit	27,307	23,147	27,291	23,147
Closing cash balance	36,404	28,881	36,388	26,891
(b) Reconciliation of the net profit after tax to the net cash flows from operations				
Net Profit	13,369	4,878	11,036	6,379
Non-Cash items				
Depreciation of non-current assets	685	696	677	687
Valuation increments	(13,846)	(8,328)	(10,167)	(9,745)
Annual loan reduction fee (ALR)	(3,282)	(2,229)	(1,887)	(1,927)
Loss on sale of investments	17	13	17	13
Accommodation bond retention	(182)	(104)	(182)	(104)
Employee share expenses	192	376	192	376
Loss (gain) on revaluation of investments	50	(38)	50	(38)
Write off WIP projects	539	–	539	–
Other	51	158	(142)	63
Changes in assets and liabilities				
Decrease/(increase) in trade and other receivables	(538)	927	(521)	1,082
Decrease/(increase) in trade and other payables	483	(3,437)	721	(3,697)
(Decrease)/increase in provisions and other liabilities	(326)	(419)	(259)	(587)
Increase/(decrease) in income tax payable	(269)	346	(269)	346
(Increase)/decrease in deferred tax assets	153	108	153	138
Increase/(decrease) in deferred tax liabilities	1,548	4,458	(711)	4,182
Decrease/(increase) in other assets	–	168	–	168
Increase in resident loans and accommodation bonds	16,523	11,082	14,743	11,010
Net Cash Flow From Operating Activities	15,167	8,655	13,990	8,346

22. EARNINGS PER SHARE

	Consolidated	
	2006 \$'000	2005 \$'000
The following reflects the income and share data used in the calculations of basic and diluted earnings per share		
Net profit	13,369	4,878
Earnings used in calculating basic and diluted earnings per share	13,369	4,878
	2006 Number of shares	2005 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	82,058,803	77,865,610
Effect of dilutive securities:		
Share options	617,907	580,820
Adjusted weighted average number of ordinary shares used in calculating earnings per share	82,676,710	78,446,430

23. DIVIDENDS PAID OR PROPOSED

	Consolidated		Aevum Limited	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(a) Declared and paid during the year¹:				
Dividends on ordinary shares:				
Final unfranked dividend for 2005: 6.0 cents (2004: 3.0 cents)	4,920	2,452	4,920	2,452
Interim unfranked dividend for 2006: 3.5 cents (2005: nil)	2,874	–	2,874	–
	7,794	2,452	7,794	2,452

(b) Proposed dividends (not recognised as a liability as at 30 June 2006)¹:

Dividends on ordinary shares:				
Final unfranked dividend for 2006: 4.0 cents (2005: 6.0 cents)	3,856	4,912	3,856	4,912

Note¹: Total dividend proposed/paid for 2006: 7.5 cents (2005: 6.0 cents)

(c) Franking credit balance

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% (2005: 30%)			7	(29)
• franking credits that will arise from the payment of income tax payable as at the end of the financial year			313	582
• franking credits that the entity may be prevented from distributing in the subsequent financial year			(313)	(582)
			7	(29)

Dividends proposed will be unfranked.

24. SEGMENT REPORTING

The Group's primary segment reporting format is the business segment because the businesses are subject to different risks and returns.

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	Eliminations \$'000	Total \$'000
Year ended 30 June 2006					
Revenue					
Revenue outside the entity	9,700	17,238	2,984	–	29,922
Inter-segment revenues	–	–	1,074	(1,074)	–
Total Segment revenue	9,700	17,238	4,058	(1,074)	29,922
Total consolidated revenue					29,922
Results					
Segment result	385	16,042	(1,563)	–	14,864
Income tax expense					1,495
Net profit					13,369
Assets					
Segment assets	21,992	197,722	53,502	–	273,216
Non-segment assets					–
Deferred tax assets					952
Total assets					274,168

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

24. SEGMENT REPORTING (continued)

	Aged Care \$'000	Retirement \$'000	Other* \$'000	Eliminations \$'000	Total \$'000
Liabilities					
Segment liabilities	10,711	124,416	4,066	–	139,193
Non-segment liabilities					–
Current tax liabilities					313
Deferred tax liabilities					6,006
Total liabilities					145,512
Other segment information					
Acquisition of bed licences	–	–	–	–	–
Acquisition of property, plant and equipment and investment properties	1,071	2,858	1,044	–	4,973
Depreciation	440	37	208	–	685
Non-cash expenses other than depreciation	–	–	209	–	209
Year ended 30 June 2005					
Revenue					
Revenue outside the entity	9,311	10,664	3,603	(5)	23,573
Inter-segment revenues	–	–	1,282	(1,282)	–
Total Segment revenue	9,311	10,664	4,885	(1,287)	23,573
Total Consolidated revenue					23,573
Results					
Segment result	803	9,598	(866)	–	9,535
Income tax expense					4,657
Net profit					4,878
Assets					
Segment assets	21,207	178,483	49,800	–	249,490
Non-segment assets					
Deferred tax assets					1,105
Total assets					250,595
Liabilities					
Segment liabilities	5,233	114,632	2,912	–	122,777
Non-segment liabilities					
Current tax liabilities					582
Deferred tax liabilities					4,458
Total liabilities					127,817
Other segment information					
Acquisition of bed licences	1,185	–	–	–	1,185
Acquisition of property, plant and equipment	1,057	3,905	964	–	5,926
Depreciation	414	64	218	–	696
Non-cash expenses other than depreciation	–	–	388	–	388

* Other segment includes finance income and corporate costs

Geographic segment

The Group operates wholly within Australia.

25. FINANCIAL INSTRUMENTS

(a) Financial risk management policies

As at the 30 June 2006 the Group's principal financial instruments comprised of cash, short-term deposits, and resident loans and accommodation bonds. 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 2 to the financial statements.

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.

Counter-party risk

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.

(b) Terms, conditions and accounting policies

The accounting policies and terms and conditions for each class of financial asset and financial liability at the balance date, are detailed in note 2 and throughout other notes to the financial statements.

(c) Interest rate risk

The company's exposure to interest rate risks and the effective interest rates of financial assets and liabilities both recognised and unrecognised at the reporting date are as follows:

	Weighted average effective interest rate		Fixed or Floating
	2006 %	2005 %	
Cash and liquid assets	5.93	5.60	Floating
Bills of exchange	–	5.81	Fixed
Income securities	6.57	7.14	Fixed
Term deposits	5.97	5.81	Fixed

All other financial assets and liabilities are non-interest bearing.

(d) Net fair values

Fair value of financial assets and liabilities approximate their carrying values.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised financial instruments

Cash and liquid assets and receivables:

The carrying amount approximates fair value because of their short-term to maturity.

Investment/securities:

For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment/security.

(e) Credit risk exposures

Aevum Limited'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 statement of financial position.

Any credit risk on trade receivable is mitigated by a right of set off against the resident loan or accommodation bond from the resident.

Cash, investments and term deposits are all held with counter parties who are regulated financial institutions.

26. BUSINESS COMBINATION

Acquisition of Castleridge Group

On 25 February 2005, Aevum Limited acquired 100% of voting shares of Castlehaven Pty Ltd and Castleridge Pty Ltd. Castlehaven holds 100% units of Rogan's Hill Retirement Village Trust which appointed Castleridge Pty Ltd as its trustee.

The total cost of the combination was \$22,540,727 comprised costs directly attributable to the combination.

The fair value of the identifiable assets and liabilities of Castlehaven Pty Ltd, Castleridge Pty Ltd and Rogan's Hill Retirement Village Trust as at the date of acquisition are:

	CONSOLIDATED
	Recognised on acquisition \$'000
Cash and cash equivalents	1,484
Receivables	437
Property, plant and equipment	44,011
Other assets	32
Payables	(216)
Resident loans	(22,993)
Provisions	(117)
Other liabilities	(96)
Cost of combination:	
Cash paid	21,000
Cost associated with the acquisition	1,541
Total cost of combination	22,541
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	1,484
Cash paid	(22,541)
Net cash outflow	(21,057)

From the date of acquisition, Castlehaven Pty Ltd, Castleridge Pty Ltd and Rogan's Hill Retirement Village Trust has an \$1,501,090 loss for the financial year ended 30 June 2005. For financial year ended 30 June 2006, the above subsidiaries contributed \$2,333,527 to the net profit of the Group.

It is impractical to estimate the financial effect if the combination had taken place on 1 July 2004 due to the acquired entities inconsistency of accounting policies with those of the Group.

There is no goodwill, intangible assets or contingent liabilities recognised as part of the business combination.

27. 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 19.

28. EVENTS AFTER THE BALANCE SHEET DATE

The following material events occurred after balance date:

(a) Capital Raisings

On 19 July 2006 the company received the proceeds of a placement of 12,318,533 shares at \$1.63 per security, raising \$20,079,209 before costs of the placement. Costs, including commissions to the lead manager of the placement, were approximately \$700,000. The shares were placed with a mixture of existing and new shareholders.

On 17 August 2006 the company received \$3,183,206 as the proceeds of a share purchase plan in which existing shareholders of the company were invited to subscribe for up to \$5,000 of shares in the company at \$1.63 per security. Costs, including commissions to the lead manager of the plan, were approximately \$150,000.

Proceeds of both capital raisings were used to partially fund the acquisition of the Sakarra Living assets.

(b) Debt Facility

The company entered into debt facility with Westpac on 16 August 2006. The facility has two components, a \$50 million 'core' facility, and a \$25 million 'standby' facility. The core facility has a minimum term of three years, whilst the standby facility is required to be repaid within 6 months of the first drawdown.

The facilities are funded by means of bank bills with interest calculated by reference to the BBSY indicator rate. The implied interest rate on the first drawdown of fund was 6.76%, inclusive of fees.

The core facility was partially drawn down to contribute to the funding of the acquisition of the Sakkara Living assets.

(c) Acquisition of Sakkara Living assets

On 28 August 2006 the company completed the acquisition of 100% of the equity of companies and trusts that controlled 7 Retirement Villages, and associated unsold units and land held for development. The vendors were interests associated with the directors of Sakkara Holdings Pty Ltd and Reid Investments Pty Ltd.

The villages are located on the NSW North Coast and Southern Highlands. The purchase price was \$88,200,000. Details of the villages are set out below:

Retirement Village	Location	Current Dwellings	Consent for Further Dwellings	Resident Tenure
Bellevue Gardens	Port Macquarie	175	–	Leasehold
Lincoln Gardens	Port Macquarie	54	–	Leasehold
Parklands Village	Port Macquarie	144	–	Leasehold
Queenslake Village	Laurieton	124	–	Leasehold
Golden Ponds Resort	Forster	150	42	Leasehold
Macquarie Grove	Tahmoor	42	–	Strata Title
Waratah Highlands	Bargo	77	91	Strata Title
Total		766	133	

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. Costs of the transaction could not be accurately forecasted by the date of signing of the financial statements.

(d) Acquisition of Moran assets

On 25 August 2006 the company acquired interests in 3 villages in Western Australia from companies associated with Moran Health Care Group Pty Limited for consideration of \$2,000,000. Details of the villages are set out below:

Retirement Village	Location	Current Dwellings	Consent for Further Dwellings	Resident Tenure
Halls Head	Mandurah	46	–	Strata Title
Murray River	Mandurah	37	–	Strata Title
Leschenault	Bunbury	38	–	Strata Title
Total		121	–	

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. Costs of the transaction could not be accurately forecasted by the date of signing of the financial statements.

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 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 2006 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 ending 30 June 2006.

In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Aevum Group identified in note 7 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



Graham Lenzner
Chairman

Sydney, 15 September 2006

Independent Audit Report

TO THE SHAREHOLDERS OF AEVUM LIMITED



■ Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

■ Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock
Exchange 10172

Independent audit report to members of Aevum Limited

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of recognised income and expense, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Aevum Limited (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in the directors' report, as permitted by the Corporations Regulation 2M.6.04. These remuneration disclosures are identified in the directors' report as being subject to audit. The remuneration report also contains information not subject to audit, which has been identified as such.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Liability limited by a scheme approved under
Professional Standards Legislation.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and the remuneration disclosures; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which follows the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion:

1. the financial report of Aevum Limited is in accordance with:
 - (a) 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 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - (b) other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures, that are contained in the directors' report and identified as being subject to audit, comply with Accounting Standard AASB 124 *Related Party Disclosures*



Ernst & Young



Karen Ray
Partner
Sydney

15 September 2006

Glossary

\$, A\$ or cents	Australian dollars and cents	DHA or Department of Health and Ageing	A Government department responsible for administering ageing related legislation
Aevum or the Company	Aevum Limited (ABN 80 087 648 691) whose registered office is Level 6, 23-25 O'Connell Street, Sydney	Directors	The Directors of Aevum Limited
Aged Care Accreditation	Aged Care Accreditation is the evaluation process that aged care homes must undergo to continue to receive residential care subsidies from the Commonwealth. The accreditation process is managed by the Aged Care Standards and Accreditation Agency	ESIS	Employee share and incentive scheme
Aged Care Assessment Team (ACAT)	Aged Care Assessment Team, or ACAT, is part of the Commonwealth Department of Health and Ageing. Its role is to provide an assessment of seniors to identify care service needs. ACATs comprise a cross-section of healthcare professionals – general practitioner doctors, geriatricians, nurses, social workers, physiotherapists and occupational therapists	Government	The Australian Commonwealth Government
Agency or Aged Care Standards and Accreditation Agency	An organisation established by the Government as the accreditation body under the Aged Care Act 1997	GST	Australia's goods and services tax as described in the A New Tax System (Goods and Services Tax) Act 1999 (as amended)
Annual Loan Reductions or ALRs	A yearly fee charged for the first ten years of a resident's occupancy of a retirement unit based on a percentage of the initial entry contribution	Hibernian Credit Union	Hibernian Credit Union Limited (ABN 62 087 650 155)
ASIC	Australian Securities & Investments Commission	Independent Living Units or ILUs	Apartment style accommodation for seniors
ASX	Australian Stock Exchange Limited (ABN 98 008 624 691)	Listing	Listing means admission of the Company to the Official List
CHESS	Clearing House Electronic Subregister System	Listing Rules	The Listing Rules of ASX
Corporations Act	Corporations Act 2001 (Cth)	NPAT	Net profit after tax
		Registrar	Link Market Services Limited
		Resident Classification	Rating system used by the Aged Care
		Scheme or RCS	Assessment Team (ACAT) in assessing a person and approving a care recipient for entry to a residential aged care facility or to receive community care services
		Serviced Apartment	Apartment style accommodation that offers additional services for seniors including meals, laundry and cleaning
		Share	A fully paid ordinary share in the capital of Aevum Limited
		Shareholder	Person who, from time to time, holds the Shares
		SRN	Securityholder Reference Number
		ZEPOs	Zero Exercise Price Options

Shareholder Information

AS ADVISED TO AEVUM AS AT 30 JUNE 2006

Distribution of Ordinary Shares

Analysis of ordinary shareholders by size of shareholding

Number of Shares	Ordinary Shares Held	Number of Shareholders	% of Issued Shares
1 to 1000	552,216	594	0.67
1001 to 5000	2,775,019	1,043	3.38
5001 to 10000	9,894,006	1,342	12.05
10001 to 100000	35,587,096	1,834	43.33
100001 and Over	33,315,219	15	40.57
Total	82,123,556	4,828	100.00

11 shareholders hold less than a marketable parcel.

Substantial Shareholders

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

Shareholders	Ordinary Shares Held	% of Issued Shares
ANZ Nominees Limited Cash Income A/C	15,425,920	18.78
Citicorp Nominees Pty Limited		
CFS Developing Companies A/C	5,609,900	6.83
Total	21,035,820	25.61

Twenty Largest Shareholders

Shareholders	Ordinary Shares Held	% of Issued Shares
ANZ Nominees Limited Cash Income A/C	15,425,920	18.78
Citicorp Nominees Pty Limited		
CFS Developing Companies A/C	5,609,900	6.83
Invia Custodian Pty Limited		
Famerush Pty Ltd A/C	2,638,070	3.21
UBS Nominees Pty Ltd	2,437,407	2.97
JP Morgan Nominees Australia Limited	1,911,309	2.33
Invia Custodian Pty Limited		
Wilson Invmt Fund Ltd A/C	1,228,886	1.50
MLEQ Nominees Pty Limited Unpaid1 A/C	937,500	1.14
ANZ Nominees Limited		
A/C MMC Asset Management Ltd	925,275	1.13
Aust Executor Trustees NSW Ltd		
Tea Custodians Limited	916,114	1.12
Kavanagh Holdings Pty Ltd		
K H Superannuation Fund A/C	300,000	0.37
Celebrus Enterprises Pty Ltd	280,000	0.34
Kavanagh Holdings Pty Limited	267,538	0.33
UBS Wealth Management Australia Nominees Pty Ltd	180,000	0.22
Kavanagh Holdings Pty Ltd		
K H Super Fund A/C	132,300	0.16
Charanda Nominee Co Pty Limited	125,000	0.15
Luton Pty Ltd	100,000	0.12
Citicorp Nominees Pty Limited	85,897	0.10
James M Meekin	82,670	0.10
Westpac Custodian Nominees Limited	75,404	0.09
Rennel Pty Limited	75,000	0.09
Total for Top 20	33,734,190	41.08

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 37. The directors' report is not part of the financial report.

DIRECTORS

Graham Lenzner (Chairman)

Allen Kavanagh

Richard Gould

Melanie Willis

COMPANY SECRETARY

Peter Homan

PRINCIPAL AND REGISTERED OFFICE

Level 6

23–25 O'Connell Street

SYDNEY NSW 2000

AUSTRALIA

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SHARE REGISTER

Link Market Services Limited

Level 12

680 George Street

SYDNEY NSW 2000

AUSTRALIA

LAWYERS

Minter Ellison Lawyers

Aurora Place

88 Phillip Street

SYDNEY NSW 2000

AUSTRALIA

BANKERS

Westpac Banking Corporation

275 Kent Street

SYDNEY NSW 2000

AUSTRALIA

AUDITORS

Ernst & Young

680 George Street

SYDNEY NSW 2000

AUSTRALIA



aevum
LIMITED

Retirement Living & Aged Care

AEVUM VILLAGES

Bellevue Gardens

Parker Street
PORT MACQUARIE NSW 2444

Tel 02 6584 1400

Bexley Gardens

30-32 Ellerslie Road
BEXLEY NORTH NSW 2207

Tel 02 9799 6177

Cardinal Freeman Retirement Village

137 Victoria Street
ASHFIELD NSW 2131

Tel 02 9799 6177

Cardinal Freeman Nursing Home and Lodge

4 Clissold Street
ASHFIELD NSW 2131

Tel 02 9799 1711

Castle Ridge Resort

350 Old Northern Road
CASTLE HILL NSW 2154

Tel 02 9899 1100

Golden Ponds Resort

Cape Hawke Drive
FORSTER NSW 2428

Tel 02 6555 4444

Halls Head Gardens

10 Hungerford Avenue
HALLS HEAD WA 6210

Tel 08 9535 3981

Leschenault Village

22 Hayes Street
BUNBURY WA 6230

Tel 08 9791 2705

Lincoln Gardens

Marian Drive
PORT MACQUARIE NSW 2444

Tel 02 6581 3370

Lourdes Retirement Village

95 Stanhope Road
KILLARA NSW 2071

Tel 02 8467 4500

Lourdes Nursing Home and Lodge

95 Stanhope Road
KILLARA NSW 2071

Tel 02 8467 4550

Macquarie Grove

24 Macquarie Place
TAHMOOR NSW 2573

Tel 02 4683 3021

Murray River Village

Coolibah Avenue
MANDURAH WA 6210

Tel 08 9581 3770

Parklands Village

Cnr Central Road and Hindman Street
PORT MACQUARIE NSW 2444

Tel 02 6581 1377

Queens Lake Village

349 Ocean Drive
LAURIETON NSW 2443

Tel 02 6559 7089

Waratah Highlands

25 Tylers Road
BARGO NSW 2574

Tel 02 4684 1465