

Financial REPORT 2010



aevum
LIMITED

Contents to Financial Report

Corporate information	1
Directors' report	2
Auditor's independence declaration	16
Corporate governance statement	17
Income statement	21
Statement of comprehensive income	22
Statement of financial position	23
Statement of cash flows	24
Statement of changes in equity	25
Notes to the financial statements	26
1. CORPORATE INFORMATION.....	26
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	26
3. FINANCIAL RISK MANAGEMENT	34
4. REVENUE AND EXPENSES.....	40
5. INCOME TAX	40
6. TRADE AND OTHER RECEIVABLES	42
7. PARENT ENTITY INFORMATION	43
8. PROPERTY, PLANT AND EQUIPMENT	44
9. INVESTMENT PROPERTIES.....	45
10. INTANGIBLE ASSETS	46
11. TRADE AND OTHER PAYABLES.....	46
12. RESIDENT LOANS AND ACCOMMODATION BONDS.....	46
13. PROVISIONS	47
14. OTHER LIABILITIES.....	47
15. INTEREST-BEARING LOANS AND BORROWINGS.....	48
16. CONTRIBUTED EQUITY	48
17. RESERVES AND RETAINED EARNINGS.....	50
18. AUDITOR'S REMUNERATION	51
19. EXPENDITURE COMMITMENTS	51
20. CONTINGENT ASSETS AND LIABILITIES.....	51
21. CASH FLOW STATEMENT RECONCILIATION	51
22. FINANCIAL INSTRUMENTS	52
23. EARNINGS PER SHARE	53
24. DIVIDENDS PAID OR PROPOSED.....	53
25. RELATED PARTIES	53
26. BUSINESS COMBINATION.....	54
27. DIRECTOR AND EXECUTIVE DISCLOSURES	55
28. EMPLOYEE BENEFITS.....	56
29. SEGMENT REPORTING	56
30. EVENTS AFTER BALANCE SHEET DATE	57
Directors' declaration	58
Independent audit report	59
Shareholder information	61

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

22. FINANCIAL INSTRUMENTS

(a) Financial risk management policies

As at the 30 June 2010 the Group's principal financial instruments comprised of cash, short-term deposits, and resident loans and accommodation bonds and interest-bearing borrowings.

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

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

(b) Instruments used by the Group

(i) Interest rate swaps - cash flow hedges

Interest bearing loans of the Group currently bear an average variable interest rate of 4.4%. In order to protect against rising interest rates the Group has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates.

At 30 June 2010, after taking into account the effect of interest rate swaps, approximately 52% of the Group's borrowings are at a fixed rate of interest (2009: 56%) and are timed to expire at the renewal dates of the loan.

The fixed rate for the existing swap contract is 6.79% (2009: 6.79%) and the variable rate is consistent with the 90 day bank bill.

(b) Instruments used by the Group

(i) Interest rate swaps - cash flow hedges

At 30 June 2010, the notional principal amount and the period of expiry of the interest rate swap contracts is as follows:

	Consolidated	
	2010	2009
	\$'000	\$'000
0 - 1 years	-	-
1 - 2 years	60,000	50,000
	60,000	50,000

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

(ii) Matching of cash flows

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

(c) Interest rate risk

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

(d) Credit risk

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

