

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2008

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

CONTENTS

Directors' Report	1-3
Auditor's Independence Declaration	4
Income Statement	5
Balance Sheet	6
Statement of Change in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9-21
Directors' Declaration	22
Independent Auditor's Report	23-24
Auditor's Disclaimer	25
Detailed Profit and Loss	26-28

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

DIRECTORS' REPORT

Your directors present their special purpose financial report on the consolidated entity (the group) for the financial year ended 30 June 2008. The directors are of the opinion that the group is a non reporting entity on the basis that there are no external users of the financial reports and there is no regulatory requirement for the company to prepare reports as a disclosing entity.

The names of the directors in office at any time during, or since the end of, the year are:

Geoffrey Cox	Andrew Cox
Angelique Hogan (resigned 9 October 2007)	Sharon Maskell (resigned 8 October 2007)
Gail Mullins	

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

The company secretary is Geoffrey Cox.

Geoffrey Cox has been in the business of property development in NSW for 30 years. He was appointed as a Director of Crighton Properties Pty Limited on 29 June 1978. Mr Cox is employed by Crighton Properties Pty Limited and holds the position of Managing Director.

Andrew Cox was appointed as a Director of Crighton Properties Pty Ltd on 15 June 1987. Mr Cox is employed by Crighton Properties Pty Limited and holds the position of Marketing Director and is also involved in the general management of the group.

Gail Mullins was appointed as a Director of Crighton Properties Pty Limited on 8 July 2003. Mrs Mullins is employed by Crighton Lifestyle Resorts Real Estate Pty Limited and holds the position of Chief Executive Officer of the Tea Gardens Grange and the Hermitage Retirement Villages.

The loss of the group for the financial year after providing for income tax amounted to \$8,768,617 (2007 profit \$2,351,276).

No significant changes in the group's state of affairs occurred during the financial year.

The principal activities of the group during the financial year were Property Development, and the operation of a retirement village and a shopping centre.

No significant change in the nature of these activities occurred during the year.

On 1 July 2008 the company acquired the Myall River Downs group of companies, for an amount equal to the audited net assets disclosed in the accounts. Since the end of the year the company has also divested its interest in the Myall Quays Shopping Village for an amount of approximately \$6.3 million.

Although the consolidated loss for the year ended 30 June 2008 was \$8,768,617, it is important to understand that there are significant unrealised capital gains that are in the process of accruing that are not recognised in these financial statements. These unrealised capital gains relate to Crighton Byron Pty Limited's land in Byron Bay, Crighton Bathurst Pty Limited's project in Bathurst and Crighton Mudgee Pty Limited's project in Mudgee.

With respect to Byron Bay, on 5 September 2008, Crighton Byron Pty Limited entered into a contract of sale with a third party in relation to 10.4 developable hectares of its land in Byron Bay at a price of \$6,257,400, plus GST (approximately \$600,000 per developable hectare including open space requirements). This land was acquired by Crighton Byron Pty Limited in December 2006 as part of a larger 46.6 hectare landholding zoned as 1(d) "Urban Investigation". At the time of acquisition an independent valuer, for mortgage purposes, valued the 46.6 hectare landholding at \$300,000 per developable hectare.

Settlement on the contract of sale is contingent upon the rezone process commencing. This can be achieved in a number of ways including the issuance of a s54 by the Byron Shire Council or a "call in" by the Department of Planning under the Part 3A legislation.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

DIRECTORS' REPORT

The directors are confident that this will be achieved in the coming months as the Department of Planning has identified this land as "Proposed New Urban Release Area" in its Far North Coast Regional Strategy ("FNCRS"). The identification of this land by the Department of Planning and the absence of alternative land suitable for Urban Release is placing significant pressure on the Council to issue a s54. The Directors believe that if the Council does not act to initiate the studies needed to identify the lands' constraints and opportunities by requesting a s54, then the Department of Planning will be forced to "call in" the land identified in the FNCRS under Part 3A. Either of these events would trigger settlement under the contract of sale.

The directors estimate that the balance of Crighton Byron Pty Limited's land that is identified in the FNCRS (approximately 36.0 hectares) is currently worth approximately \$15,000,000.

The directors have then conservatively assumed that 11.5 hectares of the 36.0 hectares would be likely to yield a low density of 8 dwellings per hectare with the balance supporting a low to medium density of 15 dwellings per hectare.

The directors thus calculate the land's current yield as:-

Developable Land in hectares	Anticipated Yield per hectare	Anticipated number of Developable Lots
A	B	A X B
24.5	15	367
11.5	8	92
Total		459

The directors conservatively estimate that each developable lot would be worth approximately \$50,000, "as is" (i.e. allowing for the time, expense and risk associated with the rezoning). This would imply an extended value of \$23.0 million. However, in the interests of being conservative, the directors consider that the value of the land is currently \$15.0 million, (approximately \$416,000 per developable hectare including anticipated open space requirements).

The directors therefore believe that Crighton Byron Pty Limited's land in Byron Bay is currently worth approximately \$21.25 million. The carrying value of this land in the financial statements as at 30 June 2008 is approximately \$13.4 million (which includes stamp duty, planning costs and asset management costs).

Crighton Bathurst Pty Limited's project is a proposed 215 home retirement village in Bathurst. On 18 July 2008 the Department of Planning issued the project with a Compatibility Certificate, which indicates that the Department of Planning and Bathurst Council are, in principal, supportive of a retirement village on that land. The Development Application for this project was presented to Council officers and officially lodged with Council on 22 October 2008. The directors expect that this development application will be approved by the Bathurst Council, substantially in its current form.

The purchase price of the land in the Bathurst Option Agreements is \$1,225,000. The approximate cost of stamp duty and the development application is \$525,000.

Upon the issuance of the Development Application, the Directors consider that the value of the land (based on the expected yield), to be as follows:

Number of Home Sites	Value per Home Site (englobo)	Extended Value
215 Retirement Homes	20,000	4,300,000
44 Residential lots	15,000	660,000
Total		4,960,000

Based on this analysis, the Directors conservatively estimate that the undeveloped englobo value of this land is approximately \$4.5 million.

CRIGHTON PROPERTIES PTY LTD

ABN 16 000 830 875

DIRECTORS' REPORT

Crighton Mudgee Pty Limited's project is a proposed 205 home retirement village in Mudgee. On 26 May 2008 the Department of Planning issued the project with a Compatibility Certificate. The Development Application for this project is under development and is expected to be presented to Council officers and officially lodged with Council in January 2009. The directors expect that this development application will be approved by the Mudgee Council.

The purchase price of the land in the Mudgee Option Agreements is \$1,276,000. The approximate cost of stamp duty and the development application is \$525,000.

Upon the issuance of the Development Application, the Directors consider that the undeveloped englobo value of the land, (based on the expected yield) to be as follows:

Number of Home Sites	Value per Home Site (englobo)	Extended Value
205 Retirement Homes	22,000	4,500,000

Other than those listed above, likely developments in the operations of the group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the group. No other matters have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results from those operations or the state of affairs of the group in future years.

Dividends paid or declared since the start of the financial year are as follows:

A fully franked dividend of \$739,713 was paid for the year ended 30 June 2008.

No options over issued shares or interests in the group were granted during or since the end of the financial year and there were no options outstanding at the date of this report. The company's B Class shares were converted to Ordinary shares during the year.

The operations of the group include property development activities that are subject to a number of environmental regulations under both State and Commonwealth legislation.

The directors are of the opinion they have complied with all applicable environmental regulations during the period covered by this report.

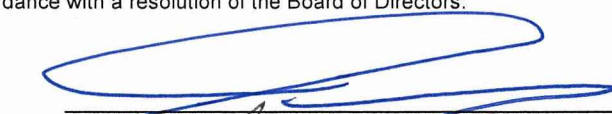
No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of the group. The company provides directors and officers insurance for directors and key management personnel. Under the terms of the policy, disclosure of the premiums or the level of cover is not permitted.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

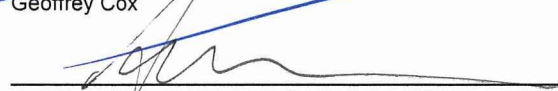
Signed in accordance with a resolution of the Board of Directors:

Director:



Geoffrey Cox

Director:



Andrew Cox

Dated this

TENTH

day of

NOVEMBER

2008

HERBERT & WALKER PTY. LTD.

Chartered Accountants

Director
Stephen Walker
B.Bus, C.A.


AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF CRIGHTON PROPERTIES PTY LTD

We hereby declare, that to the best of our knowledge and belief, during the financial year ended 30 June 2008 there have been no:

- (i) contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) contraventions of any applicable code of professional conduct in relation to the audit.

Name of Firm: Herbert & Walker Pty Limited
Chartered Accountants

Name of Director:


Stephen M Walker

Address: Unit A, 2 Reliance Drive, Tuggerah NSW 2259

Dated this THIRTEENTH day of NOVEMBER, 2008



Page 4

Unit A, 2 Reliance Drive,
PO Box 3250
TUGGERAH NSW 2259

HERBERT & WALKER PTY. LTD.
A.B.N. 42 110 886 961

PHONE: (02) 4353 5855
FAX: (02) 4353 5866

LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL STANDARDS LEGISLATION.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue		15,065,399	16,843,619	8,959,030	7,799,713
Other income		109,498	782,561	-	600,113
		<u>15,174,897</u>	<u>17,626,180</u>	<u>8,959,030</u>	<u>8,399,826</u>
Decrease Value of Inventories and Homes		(5,169,349)	-	(2,787,108)	-
Cost of Goods sold		(6,596,186)	(3,566,811)	(6,596,185)	(3,566,811)
Accountancy expenses		(45,056)	(23,092)	(13,035)	(12,650)
Advertising expenses		(629,120)	(707,370)	(480,589)	(404,443)
Auditors' remuneration		(20,750)	(24,665)	(13,750)	(17,795)
Depreciation and amortisation expenses		(1,046,397)	(1,075,553)	(278,030)	(343,109)
Employee benefits expenses		(3,182,129)	(2,806,213)	(2,243,623)	(1,877,228)
Borrowing costs		(15,941)	(28,054)	(7,450)	(15,389)
Lease charges		(9,324)	(783)	(9,324)	(783)
Loss on Sale of non current assets		-	-	(3,046)	-
Interest paid		(2,961,461)	(1,919,830)	(903,735)	(846,920)
Consultancy fees		(563,180)	(337,338)	(494,824)	(314,709)
Fringe benefits tax		(202,296)	(143,813)	(202,296)	(143,813)
Rates & taxes		(681,623)	(654,799)	(422,236)	(453,141)
Repairs & maintenance		(516,201)	(389,578)	(292,180)	(247,182)
Settlement discounts		(239,235)	(226,350)	(239,235)	(226,350)
Insurance		(199,526)	(203,226)	(76,319)	(75,799)
Motor vehicle expenses		(197,055)	(159,541)	(182,594)	(141,092)
Provision for loan deficiency		(10,214)	(35,419)	(2,216,629)	(333,037)
Other expenses		(2,037,246)	(2,143,851)	(1,129,119)	(1,326,362)
(Loss) Profit before income tax	2	<u>(9,147,392)</u>	<u>3,179,894</u>	<u>(9,632,277)</u>	<u>(1,946,787)</u>
Income tax expense	1,3	<u>378,775</u>	<u>(828,618)</u>	<u>1,106,082</u>	<u>(38,566)</u>
(Loss) Profit after income tax		<u>(8,768,617)</u>	<u>2,351,276</u>	<u>(8,526,195)</u>	<u>(1,985,353)</u>
Retained earnings at the beginning of the financial year		<u>75,598,322</u>	<u>73,425,320</u>	<u>45,170,760</u>	<u>47,334,387</u>
Total available for appropriation		<u>66,829,705</u>	<u>75,776,596</u>	<u>36,644,565</u>	<u>45,349,034</u>
Dividend Paid	4	<u>(739,713)</u>	<u>(178,274)</u>	<u>(739,713)</u>	<u>(178,274)</u>
Retained earnings at the end of the financial year		<u><u>66,089,992</u></u>	<u><u>75,598,322</u></u>	<u><u>35,904,852</u></u>	<u><u>45,170,760</u></u>

This report is to be read in conjunction with the attached auditor's report.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

BALANCE SHEET
AS AT 30 JUNE 2008

	Note	CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	5	909,545	1,515,407	349,188	277,117
Trade and other receivables	6	103,732	107,214	51,435	4,755
Inventories	7	6,754,938	27,914,014	6,754,938	11,475,915
Other current assets	8	449,352	303,430	358,459	225,166
TOTAL CURRENT ASSETS		<u>8,217,567</u>	<u>29,840,065</u>	<u>7,514,020</u>	<u>11,982,953</u>
NON-CURRENT ASSETS					
Trade and other receivables	6	28,846,862	27,224,440	19,574,336	22,306,668
Financial assets	9	500	500	270,488	270,482
Property, plant and equipment	10	90,932,182	98,375,762	2,061,255	2,262,078
Inventories	7	74,755,123	53,139,271	51,464,562	53,139,271
Tax assets	11	732,294	685,270	575,889	401,985
Other non-current assets	8	217,818	107,146	95,767	22,914
TOTAL NON-CURRENT ASSETS		<u>195,484,779</u>	<u>179,532,389</u>	<u>74,042,297</u>	<u>78,403,398</u>
TOTAL ASSETS		<u>203,702,346</u>	<u>209,372,454</u>	<u>81,556,317</u>	<u>90,386,351</u>
CURRENT LIABILITIES					
Trade and other payables	12	779,682	13,395,324	547,137	1,852,139
Short term borrowings	13	5,626,942	25,076,302	5,591,287	10,772,782
Provisions	14	358,712	367,647	294,770	249,911
Tax liabilities	11	-	(171,419)	-	(171,419)
TOTAL CURRENT LIABILITIES		<u>6,765,336</u>	<u>38,667,854</u>	<u>6,433,194</u>	<u>12,703,413</u>
NON-CURRENT LIABILITIES					
Trade and other payables	12	8,483,083	8,278,863	17,510,620	15,712,384
Long term borrowings	13	102,664,192	66,511,724	6,426,995	267,475
Provisions	14	61,371	34,842	26,083	34,842
Tax liabilities	11	15,742,945	16,074,697	11,412,782	12,344,961
Other non-current liabilities	15	3,804,262	4,114,987	3,804,261	4,114,987
TOTAL NON-CURRENT LIABILITIES		<u>130,755,853</u>	<u>95,015,113</u>	<u>39,180,741</u>	<u>32,474,649</u>
TOTAL LIABILITIES		<u>137,521,189</u>	<u>133,682,967</u>	<u>45,613,935</u>	<u>45,178,062</u>
NET ASSETS		<u>66,181,157</u>	<u>75,689,487</u>	<u>35,942,382</u>	<u>45,208,289</u>
EQUITY					
Issued capital	16	37,540	37,540	37,530	37,530
Reserves	16	53,625	53,625	-	-
Retained earnings	17	66,089,992	75,598,322	35,904,852	45,170,759
TOTAL EQUITY		<u>66,181,157</u>	<u>75,689,487</u>	<u>35,942,382</u>	<u>45,208,289</u>

This report is to be read in conjunction with the attached auditor's report.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated \$	Company \$
Retained Earnings at 1 July 2006		73,425,320	47,334,387
Profit (loss) attributable to equity shareholders		2,351,276	(1,985,353)
Dividends paid or provided for	4	(178,274)	(178,274)
Balance at 30 June 2007	17	<u>75,598,322</u>	<u>45,170,760</u>
Profit (loss) attributable to equity shareholders		(8,768,617)	(8,526,195)
Dividends paid or provided for	4	(739,713)	(739,713)
Balance at 30 June 2008	17	<u>66,089,992</u>	<u>35,904,852</u>
Issued Capital as at 1 July 2006		37,540	37,540
Capital issued during the year ended 30 June 2007		-	-
Balance at 30 June 2007		37,540	37,540
Capital issued during the year ended 30 June 2008		-	-
Issued Capital as at 30 June 2008	16	<u>37,540</u>	<u>37,540</u>
<p>The parent entity converted its B Class shares to Ordinary Shares during the year, without any financial impact.</p>			

This report is to be read in conjunction with the attached auditor's report.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2008

		CONSOLIDATED	COMPANY	
		2008	2008	2007
	Note	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers		10,842,898	8,906,946	6,308,417
Interest Received		91,679	48,534	75,227
Payments to Suppliers and employees		(16,645,149)	(12,643,600)	(7,380,656)
Net cash provided (used in) operating activities	21	<u>(5,710,572)</u>	<u>(3,688,120)</u>	<u>(997,012)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from property, plant and equipment		2,242,487	3,918,498	1,547,586
Payments for property, plant and equipment		(11,203,873)	(1,633,078)	(3,027,028)
Net cash provided (used in) investing activities		<u>(8,961,386)</u>	<u>2,285,420</u>	<u>(1,479,442)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from Borrowings		17,450,800	4,457,630	3,322,336
Proceeds from Residents Loans		5,704,998	-	-
Proceeds from Shareholder Loans		467,816	467,816	358,694
Dividends Received		164	164	164
Related Party Loans		295,816	1,909,868	1,174,422
Payments of Borrowings to Banks		(5,582,205)	(3,268,915)	(1,204,833)
Payments of Residents Loans		(2,342,299)	-	-
Payments of Finance Leases		(170,068)	(210,694)	(139,826)
Payments of Shareholder Loans		(237,650)	(237,650)	(328,283)
Dividends Paid		(739,713)	(739,713)	(178,274)
Interest Paid		(781,563)	(903,735)	(846,920)
Net cash provided (used in) financing activities		<u>14,066,096</u>	<u>1,474,771</u>	<u>2,157,480</u>
Net increase (decrease) in cash held		(605,862)	72,071	(318,974)
Cash at beginning of financial year		<u>1,515,407</u>	<u>277,117</u>	<u>596,091</u>
Cash at end of financial year	5	<u>909,545</u>	<u>349,188</u>	<u>277,117</u>

A comparative statement of cashflows for the consolidated group for the year ended 30 June 2007 has not been prepared as the directors believe that preparation of the statement would not provide additional information otherwise available and would be cost prohibitive.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1 Statement of Significant Accounting Policies

This financial report has been prepared in accordance with the requirements of the Corporations Act 2001 for use by the directors and members of the group and is a special purpose financial report. The directors have determined that the company is not a reporting entity.

Crighton Properties Pty Ltd was incorporated and has its domicile in Australia and is a company limited by shares. The company is listed on the Bermudan Stock Exchange. The functional currency for the preparation of these accounts is the \$AUD.

Statement of Compliance

The financial report has been prepared in accordance with the requirements of the following Australian Accounting Standards:

AASB 101:	Presentation of Financial Statements
AASB 102:	Inventories
AASB 108:	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110:	Events after the Balance Sheet Date
AASB 117:	Leases
AASB 118:	Revenue
AASB 123:	Borrowing Costs
AASB 137:	Provisions, Contingent Liabilities and Contingent Assets
AASB 140:	Investment Property
AASB 1031:	Materiality
UIG Interpretation 1031:	Accounting for Goods and Services Tax

No other applicable Accounting Standards or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report has been prepared on an accruals basis and is based on historic costs modified by the revaluation of financial assets, financial liabilities and selected non-current assets for which the fair value basis of accounting has been applied.

The following is a summary of the material accounting policies adopted by the group in the preparation of this report. Unless otherwise stated, the accounting policies are consistent with the previous period.

Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

This report is to be read in conjunction with the attached auditor's report.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Future Tax Benefits relating to carry forward tax losses are not brought to account as given the nature of the group's operations, their future realisation is not probable.

Inventories

Land held for development and sale is valued at the lower of cost and net realisable value where the development and sale of the property is a short term project. Where land is held for an indeterminate period of time it is treated as an investment property and revalued to either directors or independent valuation.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, independent or directors' valuation. All assets, excluding freehold land and buildings, are depreciated over their useful lives to the group. Due to the integral nature of Land and Buildings they are disclosed in the accounts as a single item.

Investment Property

Investment property includes land and/or buildings that earns rental income or appreciates in value. All tenant leases were made on an arm's length basis. Investment property is valued annually by directors or independent valuers and carried at fair value. Changes in fair value are recorded in the income statement.

Investment property disclosed in the accounts as either inventories where land is held for resale or as land and buildings where they relate to residential or retirement village land and buildings.

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

This report is to be read in conjunction with the attached auditor's report.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee annual leave has been measured at the current pay rates with allowance for related employee on-costs. Other employee benefits payable later than one year have also been measured at current pay rates with allowance for related on costs. These amounts have not been discounted back to present values.

This treatment is a departure from AASB 1028 which requires that all on costs be provided for and all non current employee entitlements are calculated using all related on costs and then discounted to net present value. The directors are of the opinion that this departure from the standards will not have a material impact on the accounts.

Contributions are made by the group to an employee superannuation fund and are charged as expenses when incurred.

Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Self Care Villas, Redemption and Rollover - Revenue Recognition

Self care residents who enter the village during the financial year as a result of the redemption of a previous resident, entered on the basis of a 99 year lease, with an interest free loan granted by the incoming resident. When the resident leaves the village, there is a Deferred Management Fee and a shared capital gain calculated (the Departure Fee).

Resident loans are measured at face value, representing the principal amount. Resident loans are non-interest bearing and repayable following departure.

Resident Capital Gains represents the residents' share of the capital gains (as set out in the lease agreements) on the leased villas that have accrued at balance sheet date and are payable to residents following their departure. The capital gain on the villas is calculated on the difference between the current value of the villas, as determined by the directors and the original lease value of the villas, and in some cases after allowing for the departure fee paid.

Departure Fees

Departure Fees become payable by residents following their departure from the village. The amount payable by the departing resident is calculated based upon a long term lease agreement with respect to the relevant villas. The Departure Fee is calculated with reference to the re-lease value, or the original lease value, of the relevant villas and the length of residency of each departing resident.

Departure Fees that have accrued but are not payable as at the balance sheet date are recognised as non-current assets in the balance sheet. The accrual amount is calculated by forecasting when each resident is expected to depart the village, by reference to the anticipated average length of occupancy of each resident, and the amount of Departure Fees that would be payable at that time based on the directors assessment of current and historical evidence of values and transactions in an open market. These forecast amounts are then discounted to determine a net present value of future Departure Fees as at the balance sheet date.

Values relating to revenue recognition for self care villas and departure fees are disclosed as key estimates on page 12 of the accounts.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

Principals of consolidation

The consolidated financial statements comprise the financial statements of Crighton Properties Pty Ltd 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. The effects of all transactions between entities in the group are eliminated in full.

Critical accounting estimates and judgments

In preparing this financial report, the directors were required to make estimates and assumptions. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. All estimates are based on best available information. Actual results may differ from these estimates, should the current turmoil in world financial markets significantly impact property values. The estimates and underlying assumptions are reviewed on an ongoing basis.

Key estimates - Independent Property Valuation

The company revalues property held periodically based on independent external valuations and directors reliance on them, or directors valuation. These valuations, which were obtained over the period 5 July, 2006 - 12 December, 2007, assume a market for the property which will remain consistent with recent sales and does not take account of any future trends within the property market.

As at balance date the following amounts were disclosed in the financial statements which rely on, or are calculated from, the amounts disclosed in the independent valuations of the properties held by the company.

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Land held for resale at directors' valuation	50,682,114	55,058,795	50,682,114	55,058,795
Deferred Tax Liability	11,662,738	12,344,960	11,662,738	12,344,960
GST Payable	3,554,306	4,114,967	3,554,306	4,114,967

Directors have used a number of sources for their valuation. Listed below are the original sources.

Land at independent valuation	48,730,000	47,965,000	48,730,000	47,965,000
Land at cost	-	1,780,744	-	1,780,744
Land at directors valuation	1,952,114	5,333,051	1,952,114	5,333,051

Key Estimates - Retirement Village Operations - refer notes at page 11 of the accounts.

	2008	2007
	\$	\$
Villas at Valuation	80,180,193	76,164,000
Residents Departure Fees Receivable	14,433,877	12,432,455
Resident Share of Capital Gain Payable	6,437,694	6,975,710
Resident Departure Fee Receivable adjustment 2006	-	3,995,574
Resident Share of Capital Gain Payable adjustment 2006	-	1,605,523
Lease Premium restated as Residents Loans 2006	-	1,241,900

This report is to be read in conjunction with the attached auditor's report.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
2 Revenue				
Sales	8,870,832	6,225,347	8,870,832	6,225,347
Increase in Value of Inventories and Homes	-	1,448,388	-	1,448,388
Departure fees	2,226,566	2,502,491	-	-
Dividends Received	164	164	164	164
Interest Received	90,777	128,156	48,534	75,227
Maintenance Levies Received	916,300	862,647	-	-
Marketing fees	58,134	33,130	-	-
Reimbursements	12,074	5,872	-	5,872
Recoveries	70,405	64,059	12,074	2,191
Rents Received	684,784	662,317	13,963	29,268
Residents Capital Gain	538,016	-	-	-
Revaluation of Retirement Villages Villas	1,555,008	4,871,118	-	-
Other Revenue	42,339	39,930	13,463	13,256
Total Revenue	15,065,399	16,843,619	8,959,030	7,799,713
Profit on Sale of Non-current Assets	109,498	782,561	-	600,113
	15,174,897	17,626,180	8,959,030	8,399,826
Operating loss has been determined after				
Expenses				
Cost of Property Sales	6,596,186	3,566,811	6,596,185	3,566,811
Finance charges - External	54,210	66,061	43,577	56,987
Finance charges - External Interest	2,961,461	1,919,830	903,735	846,920
Borrowing Costs	15,941	28,054	7,450	15,389
Decrease in Value of Inventories and Homes	5,169,349	-	2,787,108	-
Amortisation	724,139	744,787	69,661	114,974
Depreciation	322,258	330,766	208,369	228,135
Loss on sale of Non Current Assets	-	-	3,046	-

This report is to be read in conjunction with the attached auditor's report.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
3 Income Tax Expense				
The prima facie tax payable on loss before income tax is reconciled to the income tax expense as follows:				
Prima facie tax payable on loss before income tax at 30% (2007: 30%):	(2,744,218)	953,968	(2,889,683)	(584,036)
Add:				
Tax effect of:				
Amortisation	217,242	223,436	20,898	34,492
Depreciation not allowable	(296,762)	(301,663)	37,489	5,930
Insurance not allowable	4,289	3,818	4,289	3,818
Entertainment	3,277	8,842	3,247	8,223
Residents capital gain not allowable	(161,405)	62,658	-	-
Revaluation of villas	(466,502)	(1,461,335)	-	-
Capital gain on redemption	(34,110)	(56,085)	-	-
Tax Losses not brought to account	3,856,965	(262,257)	3,929,842	570,139
	<u>3,122,993</u>	<u>(1,782,586)</u>	<u>3,995,765</u>	<u>622,602</u>
Income tax expense attributable to company	<u>378,775</u>	<u>(828,618)</u>	<u>1,106,082</u>	<u>(38,566)</u>
4 Dividends				
Dividend Paid	<u>739,713</u>	<u>178,274</u>	<u>739,713</u>	<u>178,274</u>
5 Cash and Cash Equivalents				
Current				
Cash at Bank	904,727	1,510,889	345,288	273,517
Cash on Hand	4,818	4,518	3,900	3,600
	<u>909,545</u>	<u>1,515,407</u>	<u>349,188</u>	<u>277,117</u>

This report is to be read in conjunction with the attached auditor's report.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

		CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
6	Trade and Other Receivables				
	Current				
	Sundry Debtors	3,381	2,399	3,381	2,072
	Trade Debtors	51,794	15,662	4,760	2,683
	Interest Receivable	-	902	-	-
	Lease Incentives	141,591	141,591	-	-
	Less Accumulated Amortisation	(141,591)	(53,340)	-	-
	Input Tax Credits	182,504	-	153,879	-
	GST Payable	(133,947)	-	(110,585)	-
		<u>103,732</u>	<u>107,214</u>	<u>51,435</u>	<u>4,755</u>
	Non-Current				
	Loans to Related Parties	14,000,624	14,149,458	19,161,975	21,664,140
	Loan to Shareholders	412,361	642,527	412,361	642,528
	Departure Fee due on Redemption	14,433,877	12,432,455	-	-
		<u>28,846,862</u>	<u>27,224,440</u>	<u>19,574,336</u>	<u>22,306,668</u>
7	Inventories				
	Current				
	Land Held for Resale	<u>6,754,938</u>	<u>27,914,014</u>	<u>6,754,938</u>	<u>11,475,915</u>
	Non-Current				
	Land Held for Resale	<u>74,755,123</u>	<u>53,139,271</u>	<u>51,464,562</u>	<u>53,139,271</u>
	Land Held for Sale				
	Current Inventories are calculated as follows:				
	Land Held for Resale				
	Subdivided & Unimproved Land	30,423,805	25,716,921	9,229,738	12,485,888
	Capitalised Planning & Developments Costs	9,239,388	10,071,509	7,142,894	6,864,443
	Revaluation	41,846,868	45,264,855	41,846,868	45,264,855
	Less Transferred to Non Current	<u>(74,755,123)</u>	<u>(53,139,271)</u>	<u>(51,464,562)</u>	<u>(53,139,271)</u>
		<u>6,754,938</u>	<u>27,914,014</u>	<u>6,754,938</u>	<u>11,475,915</u>

This report is to be read in conjunction with the attached auditor's report.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

		CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
8 Other Assets					
Current					
Security Bonds		206,602	219,162	205,822	218,982
Prepayments		197,449	42,822	124,065	-
Prepaid Borrowing Expenses		36,802	33,438	28,572	6,184
Formation Costs		12,197	10,458	-	-
Less Accumulated Amortisation		(3,698)	(2,450)	-	-
		<u>449,352</u>	<u>303,430</u>	<u>358,459</u>	<u>225,166</u>
Non-Current					
Prepaid Borrowing Costs		349,132	182,244	114,288	26,673
Less Accumulated Amortisation		(131,314)	(75,098)	(18,521)	(3,759)
		<u>217,818</u>	<u>107,146</u>	<u>95,767</u>	<u>22,914</u>
9 Financial Assets					
Non-Current					
Shares in Listed Companies		500	500	500	500
Shares in Subsidiaries		-	-	215,214	215,208
Units in Unlisted Unit Trusts		-	-	54,774	54,774
		<u>500</u>	<u>500</u>	<u>270,488</u>	<u>270,482</u>

This report is to be read in conjunction with the attached auditor's report.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
10 Property, Plant and Equipment				
Land and Buildings				
Land & Buildings at directors' valuation	88,836,351	88,345,784	1,167,769	1,167,039
Less: Accumulated Depreciation	(287,940)	(228,562)	-	-
Less: Accumulated Impairment	(83,769)	-	(83,769)	-
Development	1,194,963	8,925,604	-	-
Total Land and Buildings	89,659,605	97,042,826	1,084,000	1,167,039
 Plant & Equipment at cost	 140,754	 112,632	 52,046	 43,939
Less: Accumulated Depreciation	(36,623)	(23,691)	(13,080)	(7,831)
	104,131	88,941	38,966	36,108
Motor Vehicles at cost	774,312	627,666	661,050	568,284
Less: Accumulated Depreciation	(255,303)	(192,776)	(225,773)	(142,515)
	519,009	434,890	435,277	425,769
Office Furniture & Equipment at cost	325,429	325,068	193,989	204,875
Less: Accumulated Depreciation	(224,028)	(201,990)	(136,670)	(126,055)
	101,401	123,078	57,319	78,820
Furniture & Fittings at cost	495,489	490,712	334,874	330,732
Less: Accumulated Depreciation	(233,917)	(200,305)	(150,932)	(132,875)
	261,572	290,407	183,942	197,857
Leasehold Improvements at cost	172,924	172,924	172,924	172,924
Less: Accumulated Depreciation	(25,048)	(15,390)	(25,048)	(15,390)
	147,876	157,534	147,876	157,534
Computer Equipment at cost	621,769	595,267	613,128	586,627
Less: Accumulated Depreciation	(518,005)	(460,361)	(511,416)	(454,737)
	103,764	134,906	101,712	131,890
Plant and Equipment under Lease at cost	510,698	511,446	465,093	465,093
Less: Accumulated Amortisation	(475,874)	(408,266)	(452,930)	(398,032)
	34,824	103,180	12,163	67,061
Total Plant and Equipment	1,272,577	1,332,936	977,255	1,095,039
Total Property, Plant and Equipment	90,932,182	98,375,762	2,061,255	2,262,078

This report is to be read in conjunction with the attached auditor's report.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

		CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
11	Tax				
	Liabilities				
	Current				
	Provision for Income Tax	-	(171,419)	-	(171,419)
	Non-current				
	Deferred tax liability comprises:				
	Provision for Deferred Tax Liability	15,742,945	16,074,697	11,412,782	12,344,961
	As at 30 June 2008 the group had carry forward tax losses of \$19,209,904. These have not been brought to account, but are available to be utilised against future taxable income.				
	Assets				
	Deferred tax assets comprise:				
	Future Income Tax Benefit	732,294	685,270	575,889	401,985
12	Trade and Other Payables				
	Current				
	Trade Creditors	453,080	505,105	340,229	372,726
	Other Creditors	246,272	12,537,616	126,578	1,097,293
	Deposits Held	80,330	212,800	80,330	212,800
	Input Tax Credits	-	(215,109)	-	(161,341)
	GST Payable	-	354,912	-	330,661
		779,682	13,395,324	547,137	1,852,139
	Non-Current				
	Loans from Related Parties	8,483,083	8,278,863	17,510,620	15,712,384
13	Financial Liabilities				
	Current				
	Hire Purchase Liability	290,064	365,392	257,907	343,207
	Less: Unexpired Hire Purchase Liability	(40,905)	(39,767)	(35,429)	(35,765)
	Lease Liability	14,837	110,327	5,863	101,642
	Loans - Secured	5,362,946	24,640,350	5,362,946	10,363,698
		5,626,942	25,076,302	5,591,287	10,772,782
	Non-Current				
	Hire Purchase Liability	302,919	271,750	247,988	271,750
	Less Unexpired Hire Purchase Liability	(31,116)	(18,780)	(21,914)	(21,680)
	Lease Liability	31,242	48,187	11,456	17,405
	Residents Loans	62,597,556	59,234,857	-	-
	Residents Capital Gain on Sale	6,437,694	6,975,710	-	-
	Loans Secured	33,325,897	-	6,189,465	-
		102,664,192	66,511,724	6,426,995	267,475

This report is to be read in conjunction with the attached auditor's report.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

		CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
14	Provisions				
	Current				
	Provision for Holiday Pay	147,987	153,454	100,249	90,698
	Provision for Long Service Leave	210,725	214,193	194,521	159,213
		<u>358,712</u>	<u>367,647</u>	<u>294,770</u>	<u>249,911</u>
	Non-Current				
	Provision for Long Service Leave	<u>61,371</u>	<u>34,842</u>	<u>26,083</u>	<u>34,842</u>
15	Other Liabilities				
	Non Current				
	GST Payable	<u>3,804,262</u>	<u>4,114,987</u>	<u>3,804,261</u>	<u>4,114,987</u>
16	Issued Capital				
	10 A Class Shares of \$1	10	10	10	10
	37,520 Ordinary Shares of \$1 (2007 30,000)	37,520	30,000	37,520	30,000
	0 B Class Shares of \$1 (2007 7,520)	-	7,520	-	7,520
	Settled Sum	<u>10</u>	<u>10</u>	<u>-</u>	<u>-</u>
		<u>37,540</u>	<u>37,540</u>	<u>37,530</u>	<u>37,530</u>
	Reserves				
	Capital Profits Reserve	370,983	370,983	-	-
	Capital Redemption Reserve	<u>(317,358)</u>	<u>(317,358)</u>	<u>-</u>	<u>-</u>
		<u>53,625</u>	<u>53,625</u>	<u>-</u>	<u>-</u>

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the company since the prior year.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
17 Retained Earnings				
Retained earnings at the beginning of the financial year	75,598,322	73,425,320	45,170,760	47,334,387
(Net loss) Net profit attributable to members of the company	(8,768,617)	2,351,276	(8,526,195)	(1,985,353)
Dividends provided for or paid	(739,713)	(178,274)	(739,713)	(178,274)
Retained earnings at the end of the financial year	<u>66,089,992</u>	<u>75,598,322</u>	<u>35,904,852</u>	<u>45,170,760</u>
18 Capital and Leasing Commitments				
Finance Lease and Hire Purchase Commitments				
Payable:				
Not later than one year	265,141	482,948	448,680	448,680
Later than one year but not later than two years	194,421	170,712	158,630	158,630
Later than two years but not later than five years	65,777	155,262	132,650	132,650
Minimum lease payments	525,340	808,922	739,960	739,960
Less future finance charges	(59,469)	(71,814)	(57,445)	(57,445)
Total lease liability	<u>465,871</u>	<u>737,108</u>	<u>682,515</u>	<u>682,515</u>

19 Capital Commitments

The parent company has entered into the following options to purchase land:

A 100% interest in a parcel of land of approximately 26.61 hectares in Jamberoo, NSW. Exercise of the option is subject to (but not essential on) council approval on a development application for a self care retirement village and aged care facility. Upon exercise of the option, the Company will be required to purchase the land at a price of \$5,100,000, spread over a six year period.

A 100% interest in a proposed parcel of land of approximately 28.2 hectares in Mudgee, NSW. Exercise of the option is subject to (but not essential on) council approval on a development application for a self care retirement village. Upon exercise of the option, the Company will be required to purchase the land at a price of \$1,555,147.

A 100% interest in a proposed parcel of land of approximately 30 hectares in Bathurst, NSW. Exercise of the options are not subject to any planning approval and is at the sole discretion of the company. Upon exercise of the option, the Company will be required to purchase the land at a price of \$1,225,000.

Crighton Bowral Pty Limited has entered into the following options to purchase land:

A 50% interest in a parcel of land of approximately 84 hectares in Bowral, NSW. The right to exercise the option is dependent on either a local environment plan being made pursuant to a rezoning application, or a concept plan approval or project plan approval being issued by the NSW Department of Planning with respect to land in Bowral, within a period of three years from the option date. Upon exercise of the option, Crighton Bowral Pty Limited will be required to purchase the land, the price of which is dependent upon a valuation of the land following the exercise of the option.

This report is to be read in conjunction with the attached auditor's report.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
20 Post Balance Date Events				
a) Acquisition of Myall River Downs Group				
On 1 July 2008 the group acquired a 100% holding in the Myall River Downs Pty Ltd Group. Under the terms of the agreement the purchase price is to equal the audited net assets of the consolidated Myall River Downs group. The form of consideration has not yet been determined and is elected by the vendors.				
b) Sale of Myall Quays Shopping Village				
Myall Quays Unit Trust (a 100% owned group member) has negotiated the sale of the Myall Quays Shopping Village for an amount of approximately \$6.3million. The directors believe this sale will enable the group to concentrate on their core activities of property and retirement village development.				
21 Reconciliation of Cash Flow from Operations with Profit / (Loss) from Ordinary Activities after Income				
Profit / (Loss) from ordinary activities after income tax	(8,768,617)		(8,526,195)	(1,985,353)
Cash flows excluded from ordinary activities				
Dividends received	(164)		(164)	(164)
Interest Paid	2,961,461		903,735	846,920
Non-cash flows in profit / (loss) from ordinary activities				
Revaluations of Retirement Village	(1,555,008)			-
(Increase)/decrease valuation of Land & Buildings	5,169,349		2,787,108	(1,448,388)
Residents Capital Gain	(538,016)		-	-
Departure Fees	(2,001,422)		-	-
Profit on sale of non current assets	(109,498)		-	(600,113)
Amortisation	724,139		69,661	114,974
Depreciation	322,258		208,369	288,135
Annual Leave Provided	19,592		36,100	46,887
Loan Deficiency	10,214		2,216,629	333,037
Loss on sale of Fixed Assets	-		3,046	-
Changes in assets & liabilities				
(Increase)/decrease in Trade Debtors	(36,132)		(2,077)	(2,683)
(Increase)/decrease in Other Debtors	(982)		(1,309)	35,166
(Increase)/decrease in Other Assets	(305,151)		(249,440)	26,408
(Increase)/Decrease in Interest Receivable	902		-	-
(Increase)/decrease in Land for Resale	(456,776)		-	-
Increase/(decrease) in Provision for Income Tax	171,419		171,419	269,429
Increase/(Decrease) in Trade Creditors	(52,025)		(32,497)	69,134
Increase/(Decrease) in Accruals & Sundry Debtors	(1,266,115)		(1,272,505)	1,009,599
Cash Flows from Operations	<u>(5,710,572)</u>		<u>(3,688,120)</u>	<u>(997,012)</u>

A comparative statement of cashflows for the consolidated group for the year ended 30 June 2007 has not been prepared as the directors believe that preparation of the statement would not provide additional information otherwise available and would be cost prohibitive.

This report is to be read in conjunction with the attached auditor's report.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

- 1 The financial statements and notes, as set out on pages 1 to 20 are in accordance with the Corporations Act 2001;
 - (a) comply with Australian Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the company's and the group's financial position as at 30 June 2008 and of their performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
- 2 In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debt as and when they become due and payable.

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

Director:

Geoffrey Cox

Director:

Andrew Cox

Dated this

TENTH

day of

NOVEMBER

2008

HERBERT & WALKER PTY. LTD.

Chartered Accountants

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRIGHTON PROPERTIES PTY LTD ABN 16 000 830 875

Director
Stephen Walker
B.Bus, C.A.

Report on the Financial Report

We have audited the accompanying financial report of Crighton Properties Pty Ltd which comprises the balance sheet as at 30 June 2008, income statement and statement of cashflows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members. The directors' responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting under the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We have given the directors of the company a written auditors independence declaration, a copy of which is included at page 4 of this report.



Page 23

Unit A, 2 Reliance Drive,
PO Box 3250
TUGGERAH NSW 2259

HERBERT & WALKER PTY. LTD.
A.B.N. 42 110 886 961

PHONE: (02) 4353 5855
FAX: (02) 4353 5866

LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL STANDARDS LEGISLATION.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875**

Auditors' Opinion

In our opinion the financial report of Crighton Properties Pty Ltd is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's and the group's financial position as at 30 June 2008 and of their performance for the year ended on that date in accordance with the accounting policies described in Note 1; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the Corporations Regulations 2001.

Firm: Herbert & Walker Pty Limited



Name of Director: Stephen M Walker

Address: Unit A, 2 Reliance Drive Tuggerah NSW 2259

Dated this *THIRTEENTH* **day of** *NOVEMBER, 2008*

HERBERT & WALKER PTY. LTD.

Chartered Accountants

AUDITOR'S DISCLAIMER TO THE MEMBERS OF CRIGHTON PROPERTIES PTY LTD ABN 16 000 830 875

Director
Stephen Walker
B.Bus, C.A.

The additional financial data presented on pages 26 to 28 is in accordance with the records of Crighton Properties Pty Ltd which have been subject to auditing procedures applied in our audit for the year ended 30 June 2008.

It will be appreciated that our statutory audit did not cover all the details of this additional financial data.


Accordingly we do not express an opinion on such financial data and no warrant of accuracy or reliability is given.

In accordance with firm policy we advise that neither the firm nor any employee undertakes responsibility arising in any way whatsoever to any person in respect of such data, including any errors or omissions therein, arising through negligence or otherwise, however caused.

Firm:

Herbert & Walker Pty Ltd
Chartered Accountants

Director:


Stephen M Walker

Address:

Unit A, 2 Reliance Drive, Tuggerah NSW 2259

Dated this

THIRTEENTH

day of

NOVEMBER, 2008



Page 25

Unit A, 2 Reliance Drive,
PO Box 3250
TUGGERAH NSW 2259

HERBERT & WALKER PTY. LTD.
A.B.N. 42 110 886 961

PHONE: (02) 4353 5855
FAX: (02) 4353 5866

LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL STANDARDS LEGISLATION.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
SALES				
Sales	8,870,832	6,225,347	8,870,832	6,225,347
Increase (Decrease) in Value of Inventories and Homes	(5,169,349)	1,448,388	(2,787,108)	1,448,388
	<u>3,701,483</u>	<u>7,673,735</u>	<u>6,083,724</u>	<u>7,673,735</u>
LESS: COST OF GOODS SOLD				
Cost of Property Sales	<u>6,596,186</u>	<u>3,566,811</u>	<u>6,596,185</u>	<u>3,566,811</u>
GROSS PROFIT FROM TRADING	<u>(2,894,703)</u>	<u>4,106,924</u>	<u>(512,461)</u>	<u>4,106,924</u>
OTHER INCOME				
Departure fees	2,226,566	2,502,491	-	-
Dividends Received	164	164	164	164
Interest Received	90,777	128,156	48,534	75,227
Maintenance Levies Received	916,300	862,647	-	-
Marketing fees	58,134	33,130	-	-
Reimbursements	12,074	5,872	-	5,872
Recoveries	70,405	64,059	12,074	2,191
Rents Received	684,784	662,317	13,963	29,268
Residents Capital Gain	538,016	-	-	-
Revaluation of Retirement Village Villas	1,555,008	4,871,118	-	-
Other Revenue	42,339	39,929	13,463	13,256
Profit on Sale of Non-current Assets	<u>109,498</u>	<u>782,561</u>	<u>-</u>	<u>600,113</u>
	<u>6,304,065</u>	<u>9,952,444</u>	<u>88,198</u>	<u>726,091</u>
	<u>3,409,362</u>	<u>14,059,368</u>	<u>(424,263)</u>	<u>4,833,015</u>

This report is to be read in conjunction with the attached auditor's report.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
EXPENSES				
Accountancy Fees	45,056	23,092	13,035	12,650
Advertising	629,120	707,370	480,589	404,443
Amortisation	724,139	744,787	69,661	114,974
Auditor's Remuneration	20,750	24,665	13,750	17,795
Bank Charges	293,725	61,361	88,775	55,160
Borrowing Costs	15,941	28,054	7,450	15,389
Capital Expenditure Written Off	1,633	4,742	1,484	3,570
Cleaning	152,940	152,572	10,620	10,727
Commission Paid	200,188	261,671	199,358	261,671
Communication Lines	56,673	51,950	-	-
Computer Expenses	41,710	35,891	97,902	87,842
Consultancy Fees	563,180	337,338	494,824	314,709
Contract Work	60,266	29,891	38,849	20,308
Consumables & Replacements	4,354	4,600	659	1,404
Cattle expenses	898	-	789	-
Depreciation	322,258	330,766	208,369	228,135
Entertainment Expenses	21,865	35,000	21,655	32,935
Fencing	-	6,869	-	6,869
Filing Fees	2,332	2,780	212	212
Finance Charges	54,210	66,061	43,577	56,987
Fringe Benefits Tax	202,296	143,813	202,296	143,813
Fuel	3,361	1,368	-	-
Gardening	377	10,120	-	-
General Expenses	3,482	2,308	1,155	457
Ground Care	9,222	13,483	-	-
Hire of Plant & Equipment	78,266	56,163	46,172	41,509
Insurance	199,526	203,226	76,319	75,799
Interest Paid	2,961,461	1,919,830	903,735	846,920
Lease Incentive	88,251	89,818	-	80,000
Leasing Charges	9,324	783	9,324	783
Legal Costs	70,010	70,758	30,721	34,303
Licensing Fees	10,656	9,209	928	241
Light & Power	71,668	77,389	23,444	28,439
Long Service & Annual Leave	19,592	64,149	36,100	46,888
Loss on Sale of Non Current Assets	-	-	3,046	-
Maintenance Levy Subsidy	37,862	92,840	-	-
Medical	377	22	316	-

This report is to be read in conjunction with the attached auditor's report.

CRIGHTON PROPERTIES PTY LTD
ABN 16 000 830 875

PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Motor Vehicle Expenses	197,055	159,541	182,594	141,092
Newspapers	6,825	5,292	6,418	5,271
Office Expenses	45,388	26,133	24,988	15,362
Pasture Improvement	31,067	4,883	5,830	4,883
Payroll Tax	177,220	149,936	119,039	103,895
Pest Control	26,054	4,381	611	752
Printing & Stationery	98,589	87,462	73,697	52,361
Property Expenses	65,327	49,959	57,030	42,533
Provision for Loan Deficiency	10,214	35,419	2,216,629	333,037
Rates & Taxes	681,623	654,799	422,236	453,141
Recruitment Expenses	12,936	39,619	6,920	23,338
Refurbishments Costs	11,793	30,119	-	-
Rent	67,615	103,372	72,962	153,720
Repairs & Maintenance	516,201	389,578	292,180	247,182
Research & Development Costs	34,000	22,000	34,000	-
Residents Activities	1,719	2,761	-	-
Residents Capital Gain	-	208,860	-	-
Safety Equipment	19,612	9,625	479	3,897
Security Costs	3,284	12,703	2,708	2,246
Seminar Expenses	10,831	13,260	4,517	6,358
Settlement Discounts	239,235	226,350	239,235	226,350
Staff Amenities	1,674	1,331	-	-
Staff Training & Welfare	5,793	11,291	5,176	7,319
Storage Fees	3,542	2,239	3,542	2,217
Subscriptions	22,360	25,349	19,257	22,046
Superannuation Contributions	504,457	465,062	431,198	395,389
Telephone	66,492	70,943	46,850	47,304
Transport	481	5,404	312	5,329
Travelling Expenses	48,595	113,651	41,221	106,682
Uniforms	5,805	7,800	1,688	5,063
Wages	2,652,287	2,265,711	1,771,149	1,427,632
Waste Disposal	11,711	9,902	434	471
	<u>12,556,754</u>	<u>10,879,474</u>	<u>9,208,014</u>	<u>6,779,802</u>
(Loss) Profit before income tax	<u>(9,147,392)</u>	<u>3,179,894</u>	<u>(9,632,277)</u>	<u>(1,946,787)</u>

This report is to be read in conjunction with the attached auditor's report.