SCVGROUP

Annual Financial Report

30th JUNE 2008

SCV GROUP LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors present their report on SCV Group Limited and controlled entities (SCV or the Company) for the year ended 30 June 2008.

1. PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the year were:

- provision of specialist property asset management services targeting the management of all asset classes of retirement accommodation;
- providing accommodation and tailored services to a broad market of retiree residents with discretionary and non-discretionary spend characteristics; and
- licensing Intellectual Property (IP) to third party property developers to construct purpose designed seniors' retirement communities that SCV manages.

2. REVIEW OF OPERATIONS AND RESULTS

The year ended 30 June 2008, was one of significant change for SCV as it sought to absorb the Village Life management rights from Fig Tree Developments Ltd ("Fig Tree", formerly Village Life Ltd) as well as embarking upon a substantial restructure and repositioning of the business. These events were reflected in the financial performance of the business with a reported net loss for the consolidated entity after tax of $33,002,957 (2007 NPAT: $1,272,052). A detailed review of the contributing factors is provided below.

Village Life Management Rights

In order to achieve scale and a national operational platform, the Company embarked on a strategy of the acquisition of management rights for seniors rental communities. This primarily involved the acquisition of a portfolio of Village Life management rights from Fig Tree Developments Ltd ("Fig Tree", formerly Village Life Ltd), which was initially negotiated in February 2007.

The portfolio consisted of:

- 32 communities owned ING Real Estate Community Living Group (ILF);
- 10 communities owned by Young Village Estates (YVE), a subsidiary of Octaviar Ltd (formerly MFS Ltd);
- 25 "wholesale" communities; and
- 21 "retail" communities.

SCV commenced operational management of 88 Village Life communities in June 2007, with legal settlement of the management rights to have occurred over the period to December 2007.

The assignment of the management rights proved to be a highly difficult and complex process, with a number of conditions precedent to the acquisition ultimately being unable to be satisfied. As a result, the management rights to 20 "wholesale" communities were unable to be acquired and SCV was forced to transfer back the operational management of these communities to Fig Tree. The 5 remaining "wholesale" communities were settled in December 2007.

Settlement of the retail communities (excluding those located at Moe and Dromana) was finally completed on 22 April 2008 for a significantly reduced consideration of $550,000.

SCV incurred time delays, additional operating costs and significantly increased transactional costs in undertaking multiple transitional processes and working with Fig Tree to bring the transaction to a suitable conclusion. In the case of the YVE villages there was also significant adverse and unwarranted press, which although not related to SCV had an adverse operational impact.

The difficult integration of the Village Life assets, and the consequent restructure of operations at community level, has had a detrimental impact on average portfolio occupancy levels. This has adversely affected the financial performance of the business in the period.

Village Care Acquisition

On 30 June 2008, as part of its strategy to expand its management services business, SCV acquired the business and assets of Village Care Ltd.

Village Care is a specialist national retirement village manager based in South Australia, providing a range of professional services to villages operated under the Deferred Management Fee ("DMF") ownership model, including operational management, marketing and sales of retirement homes/units, and advisory work for new and existing clients. Village Care manages a portfolio of 18 villages located throughout South Australia, Victoria, New South Wales and Queensland.

Consideration for the acquisition was $2m, settlement consisting of $1.25 million in cash and $0.75 million in SCV shares at an issue price of $0.10 per share.

Strata Sales

In line with its restructuring plan, the Company has embarked upon the sale of 12 strata management rights businesses. The returns to SCV in this type of management model are typically lower, and in all but one, SCV has capital tied up in the managers unit which is owned by the Company in conjunction with the actual management rights.

Proceeds from the sales will be used to repay debt, with expectation that they will occur progressively during the 2009 financial year.

SCV incurred a write down of $291,702 in recognition of aligning the book value to selling prices.

IP Debtors Write Down

Under its IP-for-Rights product, SCV assisted developers with (amongst other things):

- analysis of demographics and location, and sourcing of available locations;
- recommendations as to type and level of community;
- input into community design; and
- introductions to funding partners.

SCV received transaction fee income for the provision of its IP-for-Rights product, generally based on a percentage of total project costs. This fee was unconditional; however payment was delayed until the commencement of project construction.

The severe deterioration in financial markets over the past year has affected the ability of many of SCV's client developers' to fund and/or commence developments. Specifically, the tightening of credit markets, increasing interest rates and the withdrawal of structured finance from the market have all adversely impacted the ability of developer's to fund and commence projects. In response to this, the Directors conducted a detailed review of the Company's ability to collect, and the timing of any collection, of its $18.9m IP-for-Rights debtors book.

In December 2007, the Directors concluded that a majority of the contracted projects were frustrated by the changed market conditions, and were unlikely to proceed to construction within a foreseeable timeframe. In light of this, and despite the ongoing consideration of how best to maximise the value of these debtors, the Directors wrote down the value of IP-for Rights receivables by $14.6m.

In May 2008, as conditions further deteriorated in the financial markets, the Company announced a further write down of $3.1 million, which meant that after allowing for GST, the Company's IP-for-Rights debtors were fully provided for.

Due to the ongoing economic uncertainty, the Company has made the decision to cease actively promoting this part of the business in favour of building its management services portfolio, particularly in the DMF sector.

WIP Write Down

The Directors have also written down the balance of work in progress (WIP), representing capitalised costs incurred when the Company was performing direct development activity. The total value of the write down for the year was $4.4m, resulting in a nil WIP balance as at 30 June 2008.

ING Lease Break Fee

On 21 August, SCV reached agreement with ING Real Estate Community Living group ("ILF") regarding the early termination of lease agreements at its Forest Lake, Rockhampton and Gladstone communities.

Through a sale and leaseback transaction, SCV acquired the leaseholds to the three communities in November 2005. The term of the leases were 10 years, however it became apparent through a combination of factors, that the financial performance of the communities was not satisfactory and would be unlikely to substantially improve in the future. As part of its restructuring plan, SCV sought and was able to negotiate post balance date an early termination of the leasehold community agreements through a one off lump sum payment. Consequently, a provision of $1.6 million covering the post-balance date payment to ILF (plus associated costs) was taken up as at 30 June 2008.

In August 2008, when SCV reached agreement with ILF for the early termination of the leasehold communities it also agreed to the early transition of the management of 32 ILF owned communities managed by SCV. These communities were due to transition back to ILF in February 2009 but that date was brought forward to 30th September 2008.

Impairment of Management Rights

SCV recorded an impairment charge of $1.1m against the carrying value of management rights during the year. This included $578,880 against the carrying value of the management rights for the 32 ILF owned communities. The management agreement was due to expire in February 2009, however following the agreement to transition the communities back to ILF by 30 September 2008, the decision was taken to reduce the value to nil as at 30 June 2008.

Other notable events during the year are outlined below:

- management rights of two individual communities located in Gympie (42 units) and Mt Gambier (58 units) were acquired for a combined purchase price of $362,630;
- management rights for Armidale community (77 units) were acquired for $311,000 with settlement completed on 14 January 2008;
- in line with Company's strategy of having no direct development activities, the following property/land asset sales were concluded during the period:
    - land at Kallangur was sold in November 2007 for $1.7 million;
    - land at East Doncaster was sold in February 2008 for $2.8 million;
    - 8 investment units purchased in conjunction with the management rights at various properties were sold during the year.

  Proceeds from the sales were used to repay outstanding debt.
- in April 2008, SCV announced the resignation of founding Managing Director, Mark Roberts after eight years in the position, and the appointment of Andrea Slingsby as Chief Executive Officer; and
- in June 2008, SCV raised $5.5 million, through a renounceable rights issue. The funds were applied to the repayment of short term debt facilities, the acquisition of Village Care Limited and to increase available working capital.

Shareholder Wealth

The Company has not declared a dividend during the past year and, in the absence of a return of capital to its shareholders, does not have any other relevant matter to report in relation to the consequences of the Company's performance on shareholder wealth.

The Company share price is not included in its banking facility covenants and accordingly the Company does not wish to comment further on its share price movements.

Going Concern

The company and consolidated entity incurred net losses of $34,274,037 and $33,002,957 respectively for the year ended 30 June 2008 and had accumulated losses of and $34,443,000 and $32,551,963 respectively at that date. In addition:

- the company and consolidated entity's current liabilities exceeded their current assets by $3,410,371 and $5,005,009 respectively.
- the consolidated entity is forecasting an operational cash flow requirement of $2M over the next twelve months.
- the consolidated entity therefore has a working capital deficiency of $7M for the year ending 30 June 2009.

These conditions give rise to a material uncertainty that may cast significant doubt as to whether the company and consolidated entity can continue as going concerns.

The following steps have been taken to address the going concern uncertainty:

Subsequent to the year end convertible notes amounting to $ 2,790,000, and included in current liabilities at 30 June 2008, have been converted to share capital.

An amount of $ 750,000 for the settlement of the Village Care acquisition, and included in current liabilities at the year end, has been settled through the issue of shares to the vendor.

The above steps reduce the working capital deficiency at 30 June 2008 to $3.46M

In addition the assets held for sale at 30 June 2008 and amounting to $4,834,721 have been independently valued or are under contract for a total value of $6,335,000, this will reduce the working capital deficiency to $1.96M.

The Directors have secured a letter of intent from the major shareholders to finance the $2M remaining working capital deficiency until such time as the consolidated entity is able to secure $2M additional long term funding.

As a result the Directors believe that the going concern basis of preparation is appropriate, and accordingly have prepared the financial report on this basis

The going concern basis presumes that funds will be available to finance future operations and that the realisation of assets and liabilities will occur in the normal course of business

Should the parent entity and consolidated entity be unable to continue as a going concern, they may be required to realise their assets and extinguish their liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the parent entity and consolidated entity be unable to continue as going concerns.

3. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

SCV has substantially repositioned its business operations during the year, exiting the IP-for-Rights product and shifting its focus to building upon its strengths in the management of seniors communities in both the rental and DMF sectors.

Most notably, SCV acquired the Village Care business, a specialist DMF management services operator in June 2008.

4. DIVIDENDS

No dividends have been paid during the year (2007: $nil). No dividends have been recommended at the date of this report.

5. CAPITAL STRUCTURE

The number of ordinary shares on issue at 30 June 2008 was 94,914,774.

This represented an increase of 56,466,989 shares, 55,366,989 as a result of the Rights Issue completed in June 2008 and 1,100,000 as a result of the conversion of converting notes held by major shareholder Bydand Capital.

6. SHARE OPTIONS

As at 30 June 2008 there were 7,706,400 options on issue.

SCV issued 7,706,400 listed options for nil consideration to investors pursuant to its prospectus of 18 May 2004, exercisable at $1.50 per share. These options expire on 31 May 2009 and are exercisable on or after 31 May 2007. No shares have been issued by virtue of the exercise of these options.

The unlisted options (1,266,667) registered to Mark Roberts were cancelled upon his resignation in April 2008.

7. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

As outlined above the Company has embarked upon a substantial restructure in order to turnaround the business, which it expects to further progress during the coming year. This is focussed on three key aspects:

- realignment of the core product offering away from IP-for-Rights to concentrate on the growth of the management services portfolio, in particular DMF;
- substantial reduction in operating costs, with a particular emphasis on reducing corporate and administrative overheads; and
- repayment of existing debt through non-core asset sales.

The Company expects that its net operational cash outflows will continue to reduce during the coming year as the benefits of the restructuring plan become evident and as it begins to focus on winning new business.

8. SUBSEQUENT EVENTS

- The conversion of 263,636 irredeemable converting notes (issued to Bydand Capital Pty Ltd in January 2006 at $1.10 per note) to share capital in July 2008. This satisfied $290,000 of debt at an interest rate of 9% per annum as per the terms and conditions of the note.
- The conversion of 2,500,000 convertible notes (issued to Bydand Capital Pty Ltd in September 2006 at $1.00 per note) to share capital in July 2008. This satisfied $2,500,000 of debt at an interest rate of 9% per annum as per the terms and conditions of the note through the issue of 25,000,000 shares in SCV.
- The issue of 7,500,000 shares in SCV as partial consideration for the purchase of the Village Care business, the balance of purchase price being $1,250,000 in cash.
- The issue of 9,550,000 options to senior management exercisable over the next three years.
- On 22 August 2008, SCV reached formal agreement with ILF to exit three leasehold communities and transition the management of 32 communities back to ILF. Settlement of the transaction will be completed by 30 September 2008, at which time SCV will be required to pay ILF $1.5 million in consideration of the early termination of the leases.
- Following the decision to divest the non-core Strata Management Rights businesses (including associated freehold over managers units), the Company settled on the sale of one community in July 2008. As at 31 August 2008, there are a further four communities contracted for sale with two due for settlement in September 2008.
- Other than as disclosed in this report or in Note 22, no other matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations or the consolidated entity's state of affairs, in subsequent financial years.

9. ENVIRONMENTAL REGULATION

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

10. INDEMNIFICATION AND INSURANCE OF OFFICERS OR AUDITORS

During or since the end of the financial year the consolidated entity has not given any indemnity or entered into any agreement to indemnify any person who is or has been an officer or an auditor of the Company.

During the financial year the consolidated entity has paid insurance premiums of $44,825 in respect of directors' and officers' liability for current and former directors and officers.

11. NON-AUDIT SERVICES

During the year, the Company's auditor, PKF Chartered Accountants, did not perform any non-audit services.

12. PROCEEDING ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf if the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

13. DIRECTORS AND MEETINGS ATTENDED

The names of all directors who held office since the beginning of the year together with the numbers of meetings the Company's directors held during the year, and the numbers of meetings attended by each director are:

	Directors' Meetings		Audit Committee Meetings	
Name	**Held**	**Attended**	**Held**	**Attended**
Michael Gordon	14	14	-	-
Mark Roberts	11	11	-	-
Andrew Kemp	14	14	8	8
Roger Sharp	11	11	-	-
Ian Muir	10	10	-	-
Dennis May	14	14	8	8

14. INFORMATION ON DIRECTORS

The details of each director's qualifications, experience and special responsibilities for those in office during the year are:

MICHAEL GORDON – EXECUTIVE CHAIRMAN

Michael Gordon was appointed to the SCV Board in October 2006 and has assumed the role of Chairman.

Michael was the Managing Director and major shareholder of Peppercorn Management, one of the largest listed managers of child care centres in Australia. Peppercorn managed over 575 child care centres and had been involved in establishing various corporate structures in the child care sector, including the establishment of a number of unlisted trading trusts, a listed trading trust, and secured the management rights of two listed companies in Australia and New Zealand.

Following the sale of Peppercorn in December 2004, Michael established the Bydand group of companies, an investment group with interests in property, equities and structured finance. As part of its equity investing activities Bydand acquires strategic equity positions with a small number of companies where it aims to enhance shareholder value through its active involvement.

Michael also holds a directorship in Viento Ltd.

ANDREW KEMP – DIRECTOR

Andrew Kemp is an Executive Director of Huntington Group Pty Ltd, a Brisbane based corporate advisory firm.

He holds a Bachelor of Commerce degree from the University of Melbourne and is a chartered accountant. After working for KPMG and Littlewoods Chartered Accountants in Melbourne and Sydney, Andrew joined AIFC, the then merchant banking affiliate of the ANZ Banking Group in Sydney in 1978. From 1979 until 1985, Andrew was Queensland Manager of AIFC. He then joined North Queensland based Coutts Group as general manager early in 1985 and continued with this group until January 1987 when he formed Huntington Group.

Since 1980, Andrew has structured and implemented the ASX listing of 11 companies in addition to other corporate advisory and investment activities. He joined the Board of SCV Group in March 2004. He has held directorships of the following listed entities during the last three years: PTB Group Limited since December 2004; Silver Chef Limited (Chairman) since April 2005; Trojan Equity since March 2005; and S8 Limited from February 2004 to January 2007.

ROGER SHARP - DIRECTOR

Roger Sharp was appointed to the Board on 1 June 2007. Roger is the Managing Director of Co-Investor Capital Partners, a Sydney based active fund manager.

Roger previously held senior investment banking positions with ABN AMRO Bank, and prior to that Ord Minnett over a 15 year period. Roger is a Director of a number of private and public companies

DENNIS MAY – DIRECTOR

Dennis May was appointed to the Board on 10 October 2006. Dennis is a CPA and the Chief Executive Officer of the Bydand group of companies with responsibility for all financial aspects of Bydand's operations including the Company Secretary role. He was also the CFO and Company Secretary of the listed Peppercorn Management, being involved in the development of financial systems and the corporate structure, from its listing in 2002 through to the merger with ABC Learning Centres Ltd in 2004.

Dennis has extensive commercial experience having held senior executive and financial positions across a number of industries and with varying sized organisations. He is currently a non-executive Director of a number of other private and public unlisted entities.

Dennis was also appointed as Company Secretary in November 2007.

RETIRED DIRECTORS

MARK ROBERTS – MANAGING DIRECTOR

Mark Roberts was the founder of SCV. He resigned effective 3rd April 2008.

IAN MUIR – DIRECTOR

Ian Muir was appointed to the Board on 1 June 2007. He resigned effective 21st April 2008.

15. EXECUTIVE MANAGEMENT

The details of each executive management personnel's qualifications, experience and special responsibilities for those in office during the year are:

ANDREA SLINGSBY – CHIEF EXECUTIVE OFFICER

Andrea was appointed to the role of CEO in April 2008.

Andrea spent 14 years at Flight Centre until August 2007 where she held several key executive roles including North America President/Executive General Manager and Global Human Resources Manager for the group.

SCV Group Executive Chairman Michael Gordon said Ms Slingsby was a welcome addition to the management team. "Andrea's proven human resources, network management and business turnaround skills will be invaluable as we integrate the management rights to the more than 90 seniors communities managed by SCV Group" he said.

"She has tremendous experience and will play a crucial role in positioning the business as an industry leader in managing senior's accommodation assets." Ms Slingsby previously had full responsibility for Flight Centre's North American business, which comprised more than 1000 employees in 170 locations.

SHANE FRASER – CHIEF FINANCIAL OFFICER

Shane joined SCV in December 2007 and has 15 years experience in various finance roles within large service based companies in the aviation and gaming industries. His most recent role was General Manager Finance & Administration at SKYCITY Adelaide, part of the SKYCITY Entertainment Group. Prior to that held a number of senior finance roles with TABCORP Holdings Ltd.

CATE PLEASS – MARKETING & HUMAN RESOURCES MANAGER

Cate joined SCV Group Ltd in late 2007 in the Human Resources role and has more recently expanded her management into the Strategic Marketing area. Cate has returned to Australia after spending many years living offshore and working in similar roles with a particular emphasis on recruitment.

Cate worked in a HR / Marketing senior management role with a multinational food manufacturer for the past 7 years and has past experience in the health, pharmaceutical and food sectors.

GARRY MYRTLE – COMPLIANCE MANAGER

Garry has been with SCV for five years in a variety of management roles. Garry has an extensive background in hospitality management and has been an owner/operator in that sector.

Garry is a qualified chef, has extensive qualifications in compliance areas such as workplace safety, food safety and real estate.

RESIGNED EXECUTIVES

GLENN BUCKNER – CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Glenn was appointed Company Secretary and CFO effective 8 June 2007. He resigned effective 8th November 2007.

CHRIS BASSETT – CHIEF OPERATIONS OFFICER

Chris joined the SCV team in March 2006. He resigned effective 13th June 2008.

BRENDAN WENKE – BUSINESS DEVELOPMENT MANAGER

Brendan joined SCV in October 2005. He resigned effective 25th February 2008.

16. REMUNERATION REPORT

(a) KEY MANAGEMENT PERSONNEL

The names of persons who were key management personnel of SCV Group Limited at any time during the financial year are shown in the following table. Key management personnel are defined as those who have a direct impact on the strategic direction of the Company.

Name	Role	Period in role
Directors		
Michael Gordon	Executive Chairman	10/10//06 - ongoing
Mark Roberts (retired)	Managing Director	01/07/06 - 03/04/08
Andrew Kemp	Non-executive director	01/07/06 - ongoing
Roger Sharp	Non-executive director	01/06/07 - ongoing
Ian Muir (retired)	Non-executive director	01/06/07 - 21/04/08
Dennis May	Non-executive director	10/10/06 - ongoing
Executives		
Andrea Slingsby	Chief Executive Officer	03/04/08 - ongoing
Shane Fraser	Chief Financial Officer	10/12/07 - ongoing
Cate Pleass	Marketing & Human Resources Manager	05/11/07 - ongoing
Garry Myrtle	Compliance Officer	01/02/08 - ongoing
Glenn Buckner (resigned)	Chief Financial Officer	08/06/07 - 08/11/07
Chris Bassett (resigned)	Chief Operations Officer	27/03/06 - 13/06/08
Brendan Wenke (resigned)	Business Development Manager	01/07/06 - 25/02/08

(b) PRINCIPLES OF COMPENSATION OF KEY MANAGEMENT PERSONNEL

Compensation of key management personnel comprise fees determined having regard to industry practice and the need to obtain appropriately qualified independent persons.

Compensation of key management personnel is determined by the Board. Consideration is given to normal commercial rates of remuneration for similar levels of responsibility and to the Company's financial performance. Emoluments comprise salaries, bonuses, and contributions to superannuation funds, options and shares.

While all executives have detailed job descriptions with identified key performance indicators against which annual reviews are compared, there is no direct relationship between the benefits contained in the employment contracts and the Company's performance in the year under review or the 2008 financial year.

SCV GROUP LIMITED

There are no clauses relating to bonuses or termination benefits contained in employment contracts of directors and key management personnel.

The Board continually reviews management's performance and its own performance having regard to company performance and shareholder wealth.

REMUNERATION PAID

Remuneration paid by the Company to directors and executives during the financial year is shown in the following table:

Year ending 30 June 2008

	Short Term		**Post Employment**	**Share Based**	**Total**
	Salary & Fees $	Bonus $ (a)	Superannuation $	Options $	$
Directors					
Michael Gordon	-	-	-	-	-
Mark Roberts*	215,993	-	17,564	-	233,557
Andrew Kemp	6,000	-	-	-	6,000
Roger Sharp	-	-	-	-	-
Ian Muir	-	-	-	-	-
Dennis May	45,639	-	3,888	-	49,527
Total	**267,632**	**-**	**21,452**	**-**	**289,084**
Executives					
Andrea Slingsby	83,880	-	-	-	83,880
Shane Fraser	88,705	-	7,983	-	96,688
Cate Pleass	38,109	-	3,429	-	41,538
Garry Myrtle	81,508	-	6,730	-	88,238
Glen Buckner	98,513	-	5,721	-	104,234
Chris Bassett	130,482	-	10,800	-	141,282
Brendan Wenke	119,411	52,708	8,064	-	180,183
Total	**640,608**	**52,708**	**42,727**	**-**	**736,043**

(a) A performance related bonus in relation to IP contracts was paid to Brendan Wenke on the 30th June 2008 via the payout & transfer of a motor vehicle to the value of $52,708.

Year ending 30 June 2007

	Short Term		**Post Employment**	**Share Based**	**Total**
	Salary & Fees $	Bonus $	Superannuation $	Options $	$
Directors					
Michael Gordon	-	-	-	-	-
Mark Roberts	244,507	-	22,006	200,579	467,092
Andrew Kemp	24,000	-	-	-	24,000
Craig Wallace	7,500	-	-	-	7,500
Matthew Madsen	7,500	-	-	-	7,500
Roger Sharp	-	-	-	-	-
Ian Muir	-	-	-	-	-
Dennis May	18,750		1,688		20,438
Total	**302,257**	**-**	**23,694**	**200,579**	**526,530**
Executives					
Mary Mickan	114,031	-	9,154	-	123,185
Graham Kirk	59,993	-	5,399	-	65,392
Glen Buckner	9,679	-	851	-	10,530
Chris Bassett	96,038	-	8,643	-	104,681
Brendan Wenke	120,682	-	10,800	-	131,482
Total	**400,423**	**-**	**34,847**	**-**	**435,270**

* 43% of Mark Roberts remuneration was share based – 1,900,000 unlisted options were issued in December 2006 following shareholder approval at the November 2006 AGM. An amount of $200,579 was included under employees expenses in the income statement in relation to this issue.

SCV GROUP LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT

(d) NUMBER OF SHARES HELD: DIRECTORS AND EXECUTIVES

	Balance 1 July 2007	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2008	Held in Escrow
Directors:						
Michael Gordon	7,034,772	-	-	1,100,000	8,134,772	-
Mark Roberts	4,235,902	-	-	-	4,235,902	-
Andrew Kemp	227,832	-	-	318,967	546,799	-
Roger Sharp	5,900,000	-	-	36,342,655	42,242,655	-
Ian Muir	3,700,000	-	-	-	3,700,000	-
Dennis May	15,882	-	-	22,235	38,117	-
Total	**21,114,388**	**-**	**-**	**37,783,857**	**58,898,245**	
Executives:						
Andrea Slingsby	-	-	-	2,102,529	2,102,529	-
Garry Myrtle	3,000	-	-	-	3,000	
Total	**3,000**	**-**	**-**	**2,102,529**	**2,105,529**	**-**

(e). NUMBER OF OPTIONS HELD: DIRECTORS AND EXECUTIVES

	Balance 1 July 2007	Received Remuner-ation	Options Exerc-ised	Net Change Other (2)	Balance 30 June 2008	Total vested as at 30 June 2008 (1)	Held in Escrow
Directors:							
Michael Gordon	-	-	-	2,209,394	2,209,394	2,209,394	-
Mark Roberts	3,411,286	-	-	(1,266,667)	2,144,619	2,144,619	-
Andrew Kemp	181,330	-	-	-	181,330	181,330	-
Roger Sharp	-	-	-	-	-	-	-
Ian Muir	-	-	-	-	-	-	-
Total	**3,592,616**	-	-	**942,727**	**4,535,343**	**4,535,343**	**-**
Executives:							
Andrea Slingsby	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

1. All options are fully vested as at 30 June 2008.
2. Unlisted options issued to M. Roberts were cancelled upon his resignation in April 2008.

17. AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C is included in this report on the following page.

18. DECLARATION

This report is made in accordance with a resolution of the directors.

Michael Gordon

Dated this 29th day of August, 2008

Distribution of Securities as at 27 August 2008.

Number of Securities	No of Shareholders	No of Option Holders
1 - 1000	23	125
1001 - 5000	174	191
5001 - 10000	79	30
10001 - 100000	225	51
100001 and over	54	9
Total Security Holders	555	406

Marketable Shares

There were eleven holders of less than a marketable parcel of 556 shares holding a total of 2,383 shares.

Voting Rights

Ordinary Shares carry voting rights of one vote per share. Options carry no voting rights.

Twenty Largest Ordinary Shareholders at 27 August 2008.	**No of Ordinary Shares Held**	**% of Issued Share Capital**
Bydand Capital Pty Ltd*	27,341,176	21.41%
Co-Investor Capital Partners*	15,955,862	12.50%
Escor Investments Pty Ltd	11,201,596	8.77%
VBS Investments Pty Ltd	11,079,447	8.68%
ACN 002 938 614 Limited	7,500,000	5.87%
Invia Custodian Pty Limited	7,200,000	5.64%
Bydand Capital Pty Ltd*	6,032,232	4.72%
Invia Custodian Pty Limited	5,344,392	4.19%
Bell Poter Nominees Ltd	4,280,019	3.35%
Co-Investor Capital Partners Ptd Ltd*	3,723,394	2.92%
ING Community Living Pty Ltd	3,700,000	2.90%
Andrea Frances Slingsby	2,102,529	1.65%
Invia Custodian Pty Limited	1,389,384	1.09%
Mr Cameron Armstrong & Mr Drew Armstrong	1,350,000	1.06%
Miss Suzanne Carmel Slingsby	1,001,460	0.78%
Mr Richard Mews	841,012	0.66%
Mr Richard Ewan Mews & Mrs Wee Khoon Mews	825,038	0.65%
Mr Scott McLay + Mrs Robin McLay	794,549	0.62%
Mr Richard Ewan Mews & Mrs Wee Khoon Mews	517,582	0.41%
Custodial Services Limited	403,413	0.32%
Total	112,583,085	88.18%

*** Combined Holdings**

Twenty Largest Option Holders at 27 August 2008	No of Options Held	% of Issued Options
Bell Potter Nominees Ltd	2,148,785	27.88%
Bydand Capital Pty Ltd	2,121,560	27.53%
Cantor Financial Services Pty Ltd	165,667	2.15%
Sandy Cove Investments Pty Ltd	150,000	1.95%
Dr Michael Trimarchi	141,500	1.84%
Riverbend Holdings Pty Ltd	139,996	1.82%
Huntington Group Pty Ltd	126,663	1.64%
Fub Investments Pty Ltd	120,000	1.56%
Dr David Graham Wood	100,001	1.30%
Crossborder Investments Pty Ltd	100,000	1.30%
Invia Custodian Pty Ltd Black A/C	100,000	1.30%
Christopher Paul Sully	100,000	1.30%
Bydand Capital Pty Ltd	87,834	1.14%
Caprice Lithographics Pty Limited	78,835	1.02%
Peter Sawyer & Kathleen Sawyer Sayer Super Fund A/C	75,000	0.97%
Mr Albert and Mrs Rosemary Lohrisch	60,000	0.78%
Bamson Pty Ltd	55,750	0.72%
Mr Norman Louis Bourguignon & Mrs Gaylene Harriet Bourguignon	50,000	0.65%
David Family Superannuation Fund Pty Ltd	50,000	0.65%
John F Shadforth & Gail T Shadforth Super Fund A/C	50000	0.65%
Total	6,021,591	78.14%

Substantial Shareholders and Option Holders as at 27 August 2008.	Shares	Options
Co-Investor Capital Partners Pty Ltd	42,242,655	-
Bydand Capital Pty Ltd	33,398,408	2,209,394
Invia Custodian Pty Ltd	6,740,976	-
Bell Potter Nominees Ltd	4,280,019	2,148,785
ING Community Living Pty Limited	3,700,000	-

Securities in which Directors have a Relevant Interest at 27 August 2008	Ordinary Shares	Options
Mike Gordon	33,398,408	2,209,394
Andrew Kemp	546,799	181,330
Dennis May (1)	38,117	-
Roger Sharp	42,242,655	-
Ian Muir	3,700,000	-
Total	79,925,979	2,390,724

(1) Mr May is CEO and Company Secretary of Bydand Capital Pty Ltd, the entity which holds the shares representing the beneficial interest of Mr Gordon.

SCV GROUP LIMITED AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE

INTRODUCTION

This statement outlines the key corporate governance practices that are in place for the Group and to which both the Board collectively and the Directors individually are committed. In formulating and adopting its corporate governance principles, the Directors have adopted and complied with ASX Corporate Governance Council best practice recommendations except where otherwise stated.

PRINCIPLE 1

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Functions and Responsibilities of the Board

The Board will at all times fulfill its overriding responsibility to act honestly, conscientiously and fairly, in accordance with the law, and in the interests of Shareholders, its employees and those with whom it deals. The Board of Directors is responsible for the review and approval of the strategic direction of SCV and for the oversight and monitoring of its business and affairs. In addition, it is responsible for those matters reserved to it by law and reserves to itself the following matters and all power and authority in relation to those matters:

- oversight of the Group including its control and accountability systems;
- reviewing and overseeing the operation of systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and regulatory compliance;
- monitoring Senior Management's performance and implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestments;
- approving and monitoring financial and other reporting;
- performance of investment and treasury functions; and
- overall corporate governance of the Group including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

PRINCIPLE 2

STRUCTURE THE BOARD TO ADD VALUE

The composition of the Board is determined according to the following principles:

- the Board must comprise members with a broad range of experience, expertise, skills and contacts relevant to the Group and its business (see Director Profiles);
- there must be at least four Directors and this may be increased where the Board considers that additional expertise is required in specific areas or when an outstanding candidate is identified;
- the Chairman must be a non-executive Director who is also independent; and
- at least half of the Board must be non-executive Directors, at least two of whom must also be independent.

The Board has departed from these guidelines in two areas:

1. It has appointed Michael Gordon as Executive Chairman. The Board has taken account of Mr Gordon's skills, expertise and reputation from his success with Peppercorn in the child care sector and believes this has strong relevance to SCV's business. Executive in this instance relates to Mr Gordon having an active interest in the strategic direction of the Company and participation in specific areas relevant to his expertise.
2. The Company does not currently have a majority of independent directors, with Andrew Kemp being the only independent director. The blend of experience and skills assembled on the Company's board is considered appropriate for a company of SCV's size and business structure, particularly at this stage of its commercial development. The Board will continue to monitor the independence of directors as the activities of the Company progress.

Each Director has the right to seek independent legal or other professional advice at the Company's expense. Prior approval from the Chairman is required but may not be unreasonably withheld or delayed.

Committees

The Board may establish Committees to assist it in carrying out its function and for its effective and efficient performance, and will adopt a charter for each Committee established dealing with the scope of its responsibility and relevant administrative and procedural arrangements. Best practice recommendations by the ASX recommend the establishment of formal Audit, Remuneration and Nomination Committees; however, given the size of the Board, SCV Group has chosen to only elect an Audit & Risk Committee. The responsibilities normally delegated to the Remuneration and Nomination committees are included in the charter of the Board.

PRINCIPLE 3

PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Ethical Standards and Values

All Directors and Officers of SCV must act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company and, where possible, act in accordance with the interests of Shareholders, staff, clients and all other stakeholders of SCV. The Directors must comply with the Code of Ethics in the exercise of their duties.

Dealings in Securities

The Constitution permits Directors to acquire Securities in the Company. Company policy prohibits any dealing in, or procuring the dealing in Securities except in accordance with the Code of Conduct for Transactions in Securities.

PRINCIPLE 4

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Audit Committee is established by the Board to assist it and report to it in relation to the matters with which it is charged with responsibility. The role of the Audit Committee is to advise on the establishment and maintenance of a framework of internal controls and appropriate ethical standards for the management of the Company. It also gives the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report. The Audit Committee has responsibility for reviewing the risk management framework and policies within SCV and monitoring their implementation. Details of meetings and members are provided in the annual report.

The Audit Committee currently has two members, Dennis May (Chairman) and Andrew Kemp and accordingly has departed from the guidelines in two areas, the size of the committee and that Mr. May (by virtue of his association with Mr Gordon's interests) is not deemed independent. However, the blend of experience and skills assembled on the Audit Committee is considered appropriate for SCV at this stage of its development.

The CEO and CFO must each provide a statement to the Board with any financial report to the effect that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Financial Reporting

The external auditors are selected according to criteria set by the Audit Committee which include most significantly:

- the lack of any current or past connection or association with SCV or with any member of Senior Management that could in any way impair, or be seen to carry with it any risk of impairing, the independent external view they are required to take in relation to SCV;
- their general reputation for independence and probity and professional standing within the business community; and
- their knowledge of the industry within which SCV operates.

Audit staff employed by the external audit partner, including the partner or other principal with overall responsibility for the engagement, are required to be rotated periodically, and in any event at intervals not exceeding five years, so as to avoid any risk of impairing the independent external view that the external auditors are required to take in relation to the Company.

The Board approves an annual budget prepared by Management and reviewed and commented on by the Audit Committee. Actual results, including profit and loss statement, balance sheet and cash flow statement, are reported on a monthly basis against budget, and revised forecasts for the year are prepared regularly.

Price Sensitive Information, and generally all information reasonably required by an investor to make an informed assessment of the Company's activities and results, is reported to the ASX in accordance with continuous disclosure requirements, which are considered as a standing agenda item at each regular meeting of the Audit Committee as well as of the Board.

Quality and integrity of personnel

The Company's policies are detailed in the Operating Policies and Procedures. Written confirmation of compliance with policies is obtained from all staff members. Formal appraisals are conducted at least annually for all employees.

Investment appraisal

SCV has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal, review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Operating unit controls

Financial controls and procedures, including information systems controls are detailed in the Group Operating Policies and Procedures Manuals.

PRINCIPLE 5

MAKE TIMELY AND BALANCED DISCLOSURE

The Board understands and respects that prompt disclosure of price sensitive information is integral to the efficient operation of the ASX's securities market and complies with guideline of continuous and ongoing disclosure.

PRINCIPLE 6

RESPECT THE RIGHTS OF SHAREHOLDERS

The Board aims to ensure that Shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to Shareholders through the distribution of financial reports, announcements through the ASX, shareholder newsletters and a comprehensive website. Shareholders are encouraged to attend the Annual General Meeting at which the Company's auditors are also present to answer shareholders questions. The Company complies with the Guidelines for this principle.

PRINCIPLE 7

RECOGNISE AND MANAGE RISK

The Board and Management are responsible for the identification of significant business risks and review of the major risks affecting each business segment and development of strategies to mitigate these risks. Major business risks arise from such matters as actions by competitors, changes in government policy and use of information systems.

The CEO and CFO must each provide a statement to the Board with any financial report to the effect that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Company's Risk Policy is available to shareholders on the Company website.

PRINCIPLE 8

REMUNERATE FAIRLY AND RESPONSIBLY

SCV's current practices in this area will be regularly reviewed to ensure compliance with the Guidelines. Remuneration of Directors and Executives is fully disclosed in the annual report.

PKF

Chartered Accountants
& Business Advisers

AUDITORS' INDEPENDENCE DECLARATION

As lead auditor for the audit of SCV Group Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

(a) no contravention of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contravention of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of SCV Group Limited and the entities it controlled during the period.

Signed in Brisbane this 29th day of August 2008.

Albert Loots - Partner
PKF Chartered Accountants

Tel: 61 7 3226 3555 | Fax: 61 7 3226 3500 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 6, 10 Eagle Street | Brisbane | Queensland 4000 | Australia
GPO Box 1078 | Brisbane | Queensland 4001

SCV GROUP LIMITED AND CONTROLLED ENTITIES
INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 30 June 2008 $	Consolidated 30 June 2007 $	Parent Entity 30 June 2008 $	Parent Entity 30 June 2007 $
Total Revenues	3	27,525,154	25,107,092	11,995,954	22,873,352
Expenses					
Cost of Goods Sold		12,973,874	12,129,690	8,131,523	11,306,242
Writedown - Inventory		4,364,305	-	4,364,305	-
Writedown - IP Debtors		17,680,578	-	17,680,578	-
Impairment - Management Rights		1,078,476	-	273,252	-
Impairment – Assets Held for Sale		291,702	-	291,702	-
Impairment – Trade Receivables		302,603	-	254,595	-
ING Lease Payout		1,615,000	-	1,615,000	-
Employee Expenses		3,476,700	1,821,707	3,476,700	1,817,415
Finance Costs		1,051,056	1,122,097	1,038,728	1,121,791
Community Operating Expenses		10,384,589	2,731,047	3,321,512	2,334,033
Marketing Expenses		1,128,121	639,204	746,076	638,665
Consultancy Expenses		815,950	650,943	806,906	644,191
Depreciation & Amortisation Expenses		760,101	392,353	356,288	339,843
Lease Expenses		3,452,159	1,453,599	2,757,691	1,453,599
Other Expenses		887,441	1,548,150	889,679	1,390,255
Total Expenses		60,262,655	22,488,790	46,004,535	21,046,034
Profit/(Loss) Before Income Tax Expense	4	(32,737,501)	2,618,302	(34,008,581)	1,827,318
Income Tax Expense	5	(265,456)	(1,346,250)	(265,456)	(1,027,956)
Profit/(Loss) For The Period		(33,002,957)	1,272,052	(34,274,037)	799,362

	Note	30 June 2008	30 June 2007
Basic earnings per share (cents per share)	21	(84.26) cents	5.39 cents
Diluted earnings per share (cents per share)	21	(84.26) cents	5.18 cents

The income statements are to be read in conjunction with the accompanying notes.

SCV GROUP LIMITED AND CONTROLLED ENTITIES
BALANCE SHEETS
AS AT 30 JUNE 2008

	Note	Consolidated 30 June 2008 $	Consolidated 30 June 2007 $	Parent Entity 30 June 2008 $	Parent Entity 30 June 2007 $
Current Assets					
Cash and Cash Equivalents	18	3,270,649	10,402,203	2,816,092	9,672,879
Trade and Other Receivables	6	903,842	16,248,085	3,034,710	16,300,881
Inventories	7	260,167	9,745,109	180,167	8,760,117
Assets Held for Sale	8	4,834,721	-	4,834,721	-
Other	9	272,173	435,012	228,611	435,012
Total Current Assets		9,541,552	36,830,409	11,094,301	35,168,889
Non Current Assets					
Trade and Other Receivables	6	-	2,315,500	-	2,315,500
Property, Plant and Equipment	11	1,631,332	4,055,666	845,218	3,475,658
Other Financial Assets	10	-	-	3,122,868	3,122,868
Deferred Tax Assets	5	-	614,583	-	614,583
Intangible Assets	12	6,594,297	4,519,337	704,252	3,040,811
Total Non Current Assets		8,225,629	11,505,086	4,672,338	12,569,420
Total Assets		17,767,181	48,335,495	15,766,639	47,738,309
Current Liabilities					
Trade and Other Payables	13	4,513,956	4,038,951	4,553,607	4,061,746
Financial liabilities	14	9,709,745	8,929,214	9,709,745	8,929,214
Provisions	15	322,860	240,214	241,320	240,214
Tax Liabilities	5	-	896,947	-	896,947
Total Current Liabilities		14,546,561	14,105,326	14,504,672	14,128,121
Non Current Liabilities					
Financial Liabilities	14	-	4,210,747	-	4,210,747
Provisions	15	67,615	-	-	-
Deferred Tax liabilities	5	-	233,359	-	233,335
Total Non Current Liabilities		67,615	4,444,106	-	4,444,082
Total Liabilities		14,614,176	18,549,432	14,504,672	18,572,203
Net Assets		3,153,005	29,786,063	1,261,967	29,166,106
Equity					
Share Capital	16	35,704,968	29,335,069	35,704,967	29,335,069
Retained Earnings/(accumulated losses)		(32,551,963)	450,994	(34,443,000)	(168,963)
Total Equity		3,153,005	29,786,063	1,261,967	29,166,106

The balance sheets are to be read in conjunction with the accompanying notes.

SCV GROUP LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated		Parent Entity	
		30 June 2008 $	**30 June 2007 $**	**30 June 2008 $**	**30 June 2007 $**
Cash Flows from Operating Activities					
Receipts from customers		23,830,555	17,166,307	10,114,562	15,148,525
Payments to suppliers and employees		(27,058,558)	(24,471,821)	(18,017,999)	(21,736,892)
Interest received		178,038	68,829	177,815	65,884
Income tax paid		(781,155)	(183,956)	(781,155)	(183,956)
Finance costs		(917,894)	(1,729,483)	(905,566)	(1,729,177)
Net cash flow provided used in operating activities	18(b)	(4,749,014)	(9,150,123)	(9,412,343)	(8,435,616)
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(106,825)	(251,916)	(106,824)	(251,363)
Payments for intangible assets		(4,194,334)	(384,286)	(381,152)	(290,298)
Payments for business acquisitions	18(b)	(1,124,913)	-	-	-
Proceeds from sale of plant and equipment		85,549	-	85,549	-
Net cash flow used in investing activities		(5,340,523)	(636,202)	(402,427)	(541,661)
Cash Flows from Financing Activities					
Proceeds/(repayments) from borrowings		(2,220,216)	2,359,711	(2,220,216)	2,359,711
Loans (to)/from Subsidiaries		-	-	-	(1,286,010)
Proceeds from share issue		5,536,638	14,593,265	5,536,638	14,593,265
Proceeds/(repayments) from convertible notes		-	2,500,000	-	2,500,000
Payments for share issue costs		(358,439)	(550,615)	(358,439)	(550,615)
Net cash flow from financing activities		2,957,983	18,902,361	2,957,983	17,616,351
Net increase/(decrease) in cash held		(7,131,554)	9,116,036	(6,856,787)	8,639,074
Cash and cash equivalents at beginning of financial year		10,402,203	1,286,167	9,672,879	1,033,805
Cash and cash equivalents at end of financial year	18(a)	3,270,649	10,402,203	2,816,092	9,672,879

The statements of cash flows are to be read in conjunction with the accompanying notes.

SCV GROUP LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2008

Consolidated

2008	**Share Capital $**	**Retained Earnings/(Accumulated Losses) $**	**Total $**
Balance at 1 July 2007	29,335,069	450,994	29,786,063
Profit for the period	-	(33,002,957)	(33,002,957)
Shares issued during the year	6,728,338	-	6,728,338
Capital raising costs	(358,439)	-	(358,439)
Balance at 30 June 2008	35,704,968	(32,551,963)	3,153,005

2007	**Share Capital $**	**Retained Earnings/(Accumulated Losses) $**	**Total $**
Balance at 1 July 2006	15,091,659	(821,058)	14,270,601
Profit for the period	-	1,272,052	1,272,052
Shares issued during the year	14,794,025	-	14,794,025
Capital raising costs	(550,615)	-	(550,615)
Balance at 30 June 2007	29,335,069	450,994	29,786,063

Parent

2008	**Share Capital $**	**Retained Earnings/(Accumulated Losses) $**	**Total $**
Balance at 01 July 2007	29,335,069	(168,963)	29,166,106
Profit for the Period	-	(34,274,037)	(34,274,037)
Shares Issued during the year	6,728,337	-	6,728,337
Capital raising costs	(358,439)	-	(358,439)
Balance at 30 June 2008	35,704,967	(34,443,000)	1,261,967

2007	**Share Capital $**	**Retained Earnings/(Accumulated Losses) $**	**Total $**
Balance at 01 July 2006	15,091,659	(968,325)	14,123,334
Profit for the Period	-	799,362	799,362
Shares Issued during the year	14,794,025	-	14,794,025
Capital raising costs	(550,615)	-	(550,615)
Balance at 30 June 2007	29,335,069	(168,963)	29,166,106

The above statements of changes in equity are to be read in conjunction with the attached notes.

SCVGROUPLIMITED

SCV GROUP LIMITED AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. INTRODUCTION

SCV Group Limited [covering the financial statements of SCV Group Limited and all of its subsidiaries] for the year ended 30th June 2008 is a company incorporated in Australia.

Operations and principal activities

Operations comprise property management of Senior Independent Living Communities.

Currency

The financial report is presented in Australian dollars and rounded to the nearest dollar.

Registered office

Maja Place, 6 Pikki Street, Maroochydore, Queensland, Australia, 4558.

Authorisation of financial report

The financial report was authorised for issue on 29 August 2008 by the directors. The directors have the power to amend the financial report after issue.

2. SUMMARY OF ACCOUNTING POLICIES

a) OVERALL POLICY

The principal accounting policies adopted by SCV Group Limited comprising the parent entity SCV Group Limited and its subsidiaries are stated in order to assist in the general understanding of the financial report.

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

Compliance with AIFRS ensures the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

b) CONSOLIDATION POLICY

This financial report covers both SCV Group Limited as an individual entity (Company) and the consolidated entity consisting of SCV Group Limited and its controlled entities. SCV Group Limited is the ultimate parent entity.

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by SCV Group Limited as at 30 June 2008 and the results of all controlled entities for the year then ended wherein the effects of all transactions between entities in the consolidated entity are eliminated in full. SCV Group Limited and its controlled entities together are referred to in this financial report as the consolidated entity.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the financial report from the date that control commences until the date that control ceases.

c) REVENUE RECOGNITION

MANGEMENT FEES AND CATERING REVENUE

The consolidated entity is entitled to receive a fee from unit owners for managing the units under management services agreements. The consolidated entity also receives a fee from the tenants of the units for the provision of catering services. Revenue is recognised when the services are provided.

SALE OF GOODS

Revenue from the sale of land and other units that have been acquired is recognised when the relevant contract of sale becomes unconditional.

Revenue from the licensing of intellectual property is recognised when the licensing agreement becomes unconditional.

RENTAL INCOME

Rental income is brought to account on a straight line basis in accordance with the terms of the underlying agreement.

c) REVENUE RECOGNITION Cont'

INTEREST REVENUE

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

d) INCOME TAX

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

e) CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash includes cash at bank and on hand as well as highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

f) TRADE AND OTHER RECEIVABLES

Trade debtors are recognised at the amounts due and collectable in time frame set out in the sales contract.

Other receivables are recognised at the amount due and are also generally due within 30 days.

Recoverability is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for doubtful debts is raised when significant doubt as to collection exists.

g) DEPRECIATION AND AMORTISATION

Depreciation and amortisation is calculated on the straight line (SL) or diminishing value (DV) basis so as to write off the net cost of each item of property, plant and equipment over its expected useful life to the consolidated entity. Rates used for each class of asset are:

Class	Rate	Method
Plant and equipment	11.25-50%	SL/DV
Manager units	2.5%	SL
Leasehold improvements	20%	SL
Plans, patent and trademarks	20%	SL
Management Rights	2.5%	SL

h) IMPAIRMENT OF ASSETS

At each reporting period the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit will be the smallest identifiable group of assets that generate cash flows largely independent of the cash inflows of other assets or group of assets.

An impairment loss will be recognised whenever the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. Impairment losses will be recognised in the income statement unless they relate to a revalued asset, where the impairment loss will be treated in the same way as a revaluation decrease to the extent of revaluation increment exists.

i) PROVISIONS

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

j) INVENTORIES

Inventories comprise development projects (Seniors' Communities), catering stock and real estate available for sale.

DEVELOPMENT PROJECTS

Development projects under construction are valued at cost and net realisable value. Costs include the costs of acquisition, development, borrowing costs (until construction is complete) and other directly attributable cost including professional, project management and other related costs. Projects under development are reviewed to ensure that any foreseeable losses are brought to account.

Development projects that are completed and units in Seniors' Communities which have been acquired for resale are valued at the lower of cost and net realisable value, Costs include the costs of acquisition, development, borrowing costs (until construction is complete) and other directly attributable cost including professional, project management and other related costs.

REAL ESTATE AVAILABLE FOR SALE

Real estate available for sale is valued at the lower of cost or net realisable value.

CATERING STOCK

Catering Stock is valued at the lower of cost and net realisable value.

k) INTANGIBLES

Only intangibles that have been purchased or paid for by the consolidated entity are recognised in the accounts. Internally generated intangibles such as management rights on Communities that the consolidated entity has constructed are not recognised in the accounts.

Plans and trademarks are amortised using the straight-line method over 5 years being the estimated useful life. Management rights and letting rights are carried at the lower of cost or recoverable amount. The management rights and letting rights are amortised using the straight line method over 40 years being the estimated useful life.

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

l) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid at that date. The amounts are unsecured and are generally settled within 30-60 days.

m) FINANCIAL ASSETS AND LIABILITIES

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any direct attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Consolidated Entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Consolidated Entity's contractual rights to the cash flows from the financial asset expire or if the Consolidated Entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date i.e. the date that the Consolidated Entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Consolidated Entity's obligation specified in the contract expire or are discharged or cancelled.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

An instrument is classified as at fair value through profit and loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes are recognised in profit or loss.

LOANS AND RECEIVABLES

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as Loans and Receivables. Loans and Receivables are measured at amortised cost using the effective interest method less impairment.

OTHER

Other non-derivative financial instruments are measured at amortised cost using the effective interest method less any impairment losses. These comprise all trade payables.

n) EMPLOYEE BENEFITS

WAGES AND SALARIES AND ANNUAL LEAVE – SHORT TERM

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amounts expected to be paid when the liabilities are settled inclusive of on costs. Sick leave is non-vesting and is expensed as paid.

LONG SERVICE LEAVE – LONG TERM

A liability for long service leave expected to be settled within 12 months of the reporting date is recognised and is measured as the amounts expected to be paid when the liabilities are settled. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised 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. 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 as at the reporting date on national government bonds with the terms to maturity that match, as closely as possible, the estimated future cash outflows.

o) FINANCE COSTS

Finance costs incurred whilst Seniors' Communities are under construction are capitalised in the period in which they are incurred. Once each project is completed and ready for sale, subsequent finance costs are expensed when incurred. All other finance costs are expensed when incurred. Finance costs include interest on short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs in connection with the arrangement of borrowings and finance lease charges.

p) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for payables which are recognised inclusive of GST.

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

q) COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

r) SHARE BASED PAYMENTS

The entity has allocated to its employees and directors, shares and share options as part of their remuneration packages. AASB 2 “Share Based Payments” require that these payments and also payments made to other counterparties in return for goods and services be measured at the more readily determinable fair value of the good/service or the fair values of the equity instrument. This amount is expensed in the income statement.

Where the grant date and the vesting date are different the total expenditure calculated is allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management's assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

s) **LEASES**

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

t) **NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

The Consolidated Entity has adopted AASB 7 ‘Financial Instruments: Disclosures’ and AASB 2005-10 ‘Amendments to Australian Accounting Standards arising from AASB 7 [1, 4, 101, 114, 117, 132, 133, 139, 1023 & 1038]’, applicable beginning on or after 1 January 2007. The adoption of this standard has only affected disclosure in the financial statements. There has been no effect on profit and loss or the financial position of the Consolidated Entity.

Also adopted is AASB 2007-4 ‘Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]’. In principle, all options that currently exist under IFRS should be included and additional Australian disclosures should be eliminated, other than those now considered particularly relevant to the Australian reporting environment. The adoption of this standard has had no impact on the reported results or financial position of the Consolidated Entity.

The Consolidated Entity has adopted AASB 2008-4 “Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities” which amends AASB 124 to relieve disclosing entities that are companies from complying with the paragraphs in AASB 124 that have been included in the Corporations Act and Regulation 2M.3.03 to avoid each disclosing entity that is a Consolidated Entity having to disclose this information twice – in its directors' report and in its financial statements.

The Consolidated Entity has early adopted AASB 8 Operating Segments. AASB 8 Operating Segments introduces the “management approach” to segment reporting. AASB 8 requires the disclosure of segment information based on the internal reports regularly reviewed by the Consolidated Entity's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them.

u) **EARLY ADOPTION OF ACCOUNTING STANDARDS**

The following standards, amendments to standards and interpretations have been identified as those which may impact the Consolidated Entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing these financial statements:

- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement, the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Consolidated Entity's 30 June 2010 financial statements. The Consolidated Entity has not yet determined the potential effect of the revised standard on the Consolidated Entity's disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Consolidated Entity's 30 June 2010 financial statements and will constitute a change in accounting policy for the Consolidated Entity. In accordance with the transitional provisions the Consolidated Entity will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Consolidated Entity has not yet determined the potential effect of the revised standard on future earnings.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Consolidated Entity's 30 June 2010 financial statements. The Consolidated Entity has not yet determined the potential effect of the revised standard on the Consolidated Entity's financial report.
- Revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Consolidated Entity's 30 June 2010 financial statements. The Consolidated Entity has not yet determined the potential effect of the revised standard on the Consolidated Entity's financial report.
- AASB 2008-1: Amendments to AASB 2 "Share Based Payments he amendment clarifies that vesting conditions are restricted to service conditions and performance conditions only.Other features of a share-based payment are not vesting conditions. This restriction was not clearly stated in the pre-amended standards. This means that all other terms and conditions are accounted for in the value of the share or option at grant date. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Consolidated Entity has not yet determined the potential effect of the revised standard on the Consolidated Entity's financial report.
- 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038. The Consolidated Entity has not yet determined the potential effect of the revised standard on the Consolidated Entity's financial report.
- 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & AASB 5]. The Consolidated Entity has not yet determined the potential effect of the revised standard on the Consolidated Entity's financial report.

v) TAX CONSOLIDATION

The Company and its wholly-owned Australian resident entities have formed a tax-consolidation group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidation group is SCV Group Limited.

Current tax expense/ income, deferred tax liabilities and deferred assets arising from temporary differences of the members of the tax-consolidation group are recognised in the separate financial statements of the members of the tax-consolidation group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidation group and are recognised by the Company as amounts payable (receivable) to /(from) other entities in the tax-consolidation group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognised deferred tax assets arising from unused tax losses of the tax-consolidation group to the extent that it is probable that future taxable profits of the tax-consolidation group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity in conjunction with other members of the tax-consolidation group has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidation group in respect of tax amounts. The tax funding arrangements require payments to/ from the head entity to the current tax liability/ (asset) assumed to be the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable / (payable) equal in amount to the tax liability/ (asset) assumed. The inter-entity receivables/ (payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

w) USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 6 - Trade and other receivables
- Note 7 - Inventories
- Note 8 - Assets held for sale
- Note 12 – Intangible assets
- Note 15 - Provisions

The carrying amount of these items is disclosed in the abovementioned notes.

x) CAPITAL MANAGEMENT

The Consolidated Entity considers its share capital and retained earnings as capital.

When managing capital, the objective is to ensure the Consolidated Entity continues as a going concern, as well as to maintain optimum returns to shareholders and benefits for other stakeholders. The Consolidated Entity also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Consolidated Entity does not have any specific capital targets and nor is it subject to any external capital restrictions. The board and senior management meet monthly and review in detail the current cash position and cashflow forecasts having regard to planned expansions and takes the necessary action to ensure sufficient funds are available. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Consolidated Entity is required to maintain a minimum capital adequacy ratio of 27% by its financiers.

y) BUSINESS COMBINATIONS

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired.

Cost is measured as the fair value of the assets given, securities issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the identifiable assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

z) GOING CONCERN

The company and consolidated entity incurred net losses of $34,274,037 and $33,002,957 respectively for the year ended 30 June 2008 and had accumulated losses of and $34,443,000 and $32,551,963 respectively at that date. In addition:

- the company and consolidated entity's current liabilities exceeded their current assets by $3,410,371 and $5,005,009 respectively.
- the consolidated entity is forecasting an operational cash flow requirement of $2M over the next twelve months.
- the consolidated entity therefore has a working capital deficiency of $7M for the year ending 30 June 2009.

These conditions give rise to a material uncertainty that may cast significant doubt as to whether the company and consolidated entity can continue as going concerns.

The following steps have been taken to address the going concern uncertainty:

Subsequent to the yearend convertible notes amounting to $ 2,790,000, and included in current liabilities at 30 June 2008, have been converted to share capital.

An amount of $ 750,000 for the settlement of the Village Care acquisition, and included in current liabilities at the year end, has been settled through the issue of shares to the vendor.

The above steps reduce the working capital deficiency at 30 June 2008 to $3.46M

In addition the assets held for sale at 30 June 2008 and amounting to $4,834,721 have been independently valued or are under contract for a total value of $6,335,000, this will reduce the working capital deficiency to $1.96M.

The Directors have secured a letter of intent from the major shareholders to finance the $2M remaining working capital deficiency until such time as the consolidated entity is able to secure $2M additional long term funding.

As a result the directors believe that the going concern basis of preparation is appropriate, and accordingly have prepared the financial report on this basis

The going concern basis presumes that funds will be available to finance future operations and that the realisation of assets and liabilities will occur in the normal course of business

Should the parent entity and consolidated entity be unable to continue as a going concern, they may be required to realise their assets and extinguish their liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the parent entity and consolidated entity be unable to continue as going concerns.

SCVGROUPLIMITED

SCV GROUP LIMITED AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
3. Revenue				
Sales				
Sale of Inventory	5,193,092	10,626,586	4,793,092	10,446,587
Sale of IP	686,778	8,700,000	686,778	8,700,000
Catering Sales	3,670,588	1,595,122	2,863,502	1,513,151
Other Sales	116,087	13,333	113,711	-
Total Sales Revenue	9,666,544	20,935,041	8,457,083	20,659,738
Rendering of Services				
Rent Received	6,015,470	1,343,337	1,846,281	814,752
Management Fees	11,665,102	2,759,885	1,514,775	1,332,978
Total Service Revenue	17,680,572	4,103,222	3,361,056	2,147,730
Non-Operating revenue				
Interest from other than related parties	178,038	68,829	177,815	65,884
Total Revenue	27,525,154	25,107,092	11,995,954	22,873,352

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
4. Items included in profit/(loss)				

Profit from ordinary activities before income tax expense includes the following specific items:

Payments under operating leases	3,452,159	1,453,599	2,757,691	1,453,599
Interest Expense				
- director related entities	312,487	552,162	312,487	552,162
- other	624,005	569,935	622,329	569,935
	936,492	1,122,097	934,816	1,122,097
Amortisation				
- management rights	482,426	125,612	93,782	88,179
- leasehold improvements	17,430	12,544	17,430	12,544
- other intangibles	5,282	5,293	5,282	5,293
	505,138	143,449	116,494	106,016
Depreciation				
- plant & equipment	178,996	172,661	178,827	172,598
- manager units	75,966	76,242	60,966	61,229
	254,962	248,903	239,793	233,827
Gain on disposal of equipment	33,040	-	33,040	-

5. Income Tax

	Consolidated		Parent Entity	
	30 June 2008 $	**30 June 2007 $**	**30 June 2008 $**	**30 June 2007 $**
The components of tax expense comprise:				
Current Tax	-	896,947	-	648,445
Adjustment for prior period *(Note 1)*	-	495,389	-	425,620
Deferred tax expense on temporary differences current year	-	(46,086)	-	(46,109)
Derecognition of deferred tax balances	381,248	-	381,248	-
Over provision for tax in prior year	(115,792)	-	(115,792)	-
	265,456	1,346,250	265,456	1,027,956

Note 1: The adjustment for prior period was affected by the directors taking a more conservative approach to the future benefit relating to tax losses.

	Consolidated 30 June 2008 $	Consolidated 30 June 2007 $	Parent Entity 30 June 2008 $	Parent Entity 30 June 2007 $
Profit/(Loss) from ordinary activities before Income tax expense	(32,737,501)	2,618,302	(34,008,581)	1,827,318
Income Tax calculated at 30%	(9,821,250)	785,490	(10,202,574)	548,195
Tax effect on permanent differences:				
- Entertainment	1,142	-	1,142	-
- Options Expense	(5,490)	60,228	(5,490)	60,228
- Amortisation of intangibles	146,313	39,272	29,719	28,042
(Over)/Under provision for income tax	(115,792)	495,389	(115,792)	425,620
Prior year tax losses not recognised now recouped	-	(34,129)	-	(34,129)
Tax losses not recognised	9,679,285	-	10,177,203	-
Derecognition of deferred tax balances	381,248		381,248	
Income Tax Expense	265,456	1,346,250	265,456	1,027,956
Deferred tax assets				
Accrued expenses	-	18,012	-	18,012
Revenue Received in advance				
Provision for employee entitlements	-	72,064	-	72,064
Capital raising cost	-	83,359	-	83,359
Other provisions	-	105,000	-	105,000
Takeover expenses	-	75,025	-	75,025
Tax losses	-	261,123	-	261,123
Deferred tax asset	-	614,583	-	614,583
Deferred tax liabilities				
Plant and equipment	-	31,982	-	31,958
Borrowing costs capitalised	-	201,377	-	201,377
Deferred tax liability	-	233,359	-	233,335
Tax Losses				
Unused tax losses for which no deferred tax asset has been recognised	10,549,775	870,490	10,549,775	870,490
Potential tax benefit at 30%	3,164,933	261,177	3,164,933	261,177

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
6. Trade & Other Receivables				
Current				
Trade & other debtors	20,114,646	16,598,085	19,967,112	16,182,563
Amounts owing by controlled entities	-	-	2,230,393	468,318
Provision for doubtful debts	(298,044)	-	(250,035)	-
Provision for IP Debtors	(18,912,760)	(350,000)	(18,912,760)	(350,000)
Total	903,842	16,248,085	3,034,710	16,300,881
Non Current				
Trade & other debtors	-	2,315,500	-	2,315,500

IMPAIRMENT OF IP DEBTORS

SCV receives transaction fee income for the provision of its IP-for-Rights product, generally based on a percentage of total project costs. This IP-for-Rights fee is unconditional, however payment is delayed until the commencement of project construction.

The recent deterioration in financial markets has affected the ability for certain SCV licensed developers' to find and/or commence developments. The tightening of credit markets, increasing interest rates and the withdrawal of structured finance from the market have all adversely impacted the ability of developers to fund and commence projects. As a result, the Directors have undertaken a detailed review of the Consolidated Entity's ability to collect, and the timing of any collection, of its existing $18.9m IP-for-Rights debtors book. The Directors have concluded that the contracted projects have been frustrated by the changed market conditions, and are unlikely to proceed to construction within a foreseeable timeframe. In light of this, and despite the ongoing consideration of how best to maximise the value of these debtors, the Directors have written down the value of IP-for Rights receivables to nil.

This decision has been made in consideration of the current financial climate, nevertheless SCV will continue to monitor and evaluate all developers and the associated sites so as to ensure maximum returns to the Consolidated Entity. This will include timing of any future cash flow, the probability of the development commencing or being assigned to another site, the ability of the developer to make payment under the contract terms and the extent to which market conditions continue to frustrate the progress of the IP licence obligations.

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
7. Inventories				
Current				
Development Projects	-	8,463,532	-	8,078,541
Catering Inventory	180,167	52,780	180,167	52,780
Properties available for resale	80,000	1,228,797	-	628,796
Total	260,167	9,745,109	180,167	8,760,117

IMPAIRMENT OF IP DEVELOPMENT PROJECTS

The recent deterioration in financial markets has affected the ability for certain SCV licensed developers' to find and/or commence developments. The tightening of credit markets, increasing interest rates and the withdrawal of structured finance from the market have all adversely impacted the ability of developers to fund and commence projects. The Directors have concluded that a majority of the contracted projects have been frustrated by the changed market conditions, and are unlikely to proceed to construction within a foreseeable timeframe. In light of this, and despite the ongoing consideration of how best to maximise the value of this work in progress, the Directors have written down the work in progress (WIP) to nil. The impairment loss on WIP for the year was $4,364,305. WIP represented capitalised costs incurred when the Company was performing direct development activity.

8. Assets Held for Sale

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
Current				
Managers units	2,109,318	-	2,109,318	-
Management rights	2,407,189	-	2,407,189	-
Property, plant and equipment	318,214	-	318,214	-
Total	4,834,721	-	4,834,721	-

The Directors have considered the capital adequacy requirements of SCV, including cash flows pertaining to operations and capital transactions. The Directors have begun an orderly divestment of non-core assets which includes real estate and low contribution management rights which is anticipated to lead to a material reduction in existing debt levels over a 6 - 12 month period.

The Directors have committed to a plan to sell these assets, and an active program to locate buyers and complete the plan has been initiated.

Assets held for sale will be disposed of through traditional real estate markets. The above assets relate to the strata segment of the business.

9. Other Current Assets

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
Prepayments	272,173	61,705	228,611	61,705
Management Rights Acquisition Costs	-	373,307	-	373,307
Total	272,173	435,012	228,611	435,012

10. Other Financial Assets

Investments in Controlled Entities

Name of Entity	Country of Formation or Incorporation	Equity Holding		Cost of Parent Entity's Investment	
		30 June 2008 %	30 June 2007 %	30 June 2008 $	30 June 2007 $
SunnyCove Forest Lake Pty Limited	Australia	100	100	-	1
SCV Group Limited atf SunnyCove Cairns Unit Trust (acquired 18 December 2003)	Australia	100	100	10	10
SCV Group Limited atf SunnyCove Townsville Unit Trust (acquired 21 April 2004)	Australia	100	100	10	10
SCV Group Limited atf SunnyCove Mackay Unit Trust (acquired 23 August 2004)	Australia	100	100	100	100
SCV No. 1 Pty Ltd	Australia	100	100	1	1
SCV No. 2 Pty Ltd	Australia	100	100	1	1
SCV No. 3 Pty Ltd	Australia	100	100	1	1
SCV Group Limited atf SunnyCove Kelvin Grove Unit Trust (acquired 22 November 2004)	Australia	100	100	100	100
Compton's Villages Australia Unit Trust (acquired 16 February 2006)	Australia	100	100	1	1
Compton's Caboolture Pty Ltd (acquired 16 February 2006)	Australia	100	100	3,122,643	3,122,643
Village Care Pty Ltd (acquired 30 June 2008)	Australia	100	100	1	-
				3,122,868	3,122,868

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
11. Property, Plant & Equipment				
Managers' units – at cost	790,000	3,110,141	190,000	2,510,141
Accumulated Depreciation	(52,996)	(187,854)	(17,530)	(167,388)
	737,004	2,922,287	172,470	2,342,753
Equipment under lease - at cost	36,636	126,234	36,636	126,234
Accumulated Amortisation	(17,430)	(37,089)	(17,430)	(37,089)
	19,206	89,145	19,206	89,145
Plant & Equipment - at cost	1,303,099	1,491,744	1,081,271	1,491,192
Accumulated Depreciation	(427,977)	(447,511)	(427,729)	(447,432)
	875,122	1,044,233	653,542	1,043,760
Total	1,631,332	4,055,665	845,218	3,475,658

Movements during the year ended 30 June 2008

Consolidated	**Managers' Units**	**Plant & Equipment**	**Equipment under lease**	**Total**
Opening Written Down Value	2,922,287	1,044,234	89,145	4,055,666
Additions at cost	-	106,825	-	106,825
Additions through business acquisition	-	221,274	-	221,274
Disposals	-	-	(52,509)	(52,509)
Transfer to Assets Held for Sale	(2,109,318)	(318,214)	-	(2,427,532)
Depreciation/Amortisation Expense	(75,966)	(178,996)	(17,430)	(272,392)
Closing Written Down Value	737,003	875,123	19,206	1,631,332

Parent	**Managers' Units**	**Plant & Equipment**	**Equipment under lease**	**Total**
Opening Written Down Value	2,342,753	1,043,759	89,145	3,475,657
Additions at cost	-	106,825	-	106,825
Additions through business acquisition	-	-	-	-
Disposals	-	-	(52,509)	(52,509)
Transfer to Assets Held for Sale	(2,109,318)	(318,214)	-	(2,427,532)
Depreciation/Amortisation Expense	(60,966)	(178,827)	(17,430)	(257,223)
Closing Written Down Value	172,469	653,543	19,206	845,218

11. **Property, Plant & Equipment (cont.)**

Movements during the year ended 30 June 2007

Consolidated	**Managers' Units**	**Plant & Equipment**	**Equipment under lease**	**Total**
Opening Written Down Value	2,998,529	1,034,236	32,433	4,065,198
Additions at cost	-	182,659	69,256	251,916
Additions through business acquisition	-	-	-	-
Depreciation/Amortisation Expense	(76,242)	(172,661)	(12,544)	(261,448)
Closing Written Down Value	2,922,287	1,044,234	89,145	4,055,666

Parent	**Managers' Units**	**Plant & Equipment**	**Equipment under lease**	**Total**
Opening Written Down Value	2,403,995	1,034,236	32,433	3,470,664
Additions at cost	-	182,106	69,256	251,363
Depreciation/Amortisation Expense	(61,242)	(172,583)	(12,544)	(246,369)
Closing Written Down Value	2,342,753	1,043,759	89,145	3,475,658

12. **Intangible Assets**

	Consolidated		**Parent Entity**	
	30 June 2008 $	**30 June 2007 $**	**30 June 2008 $**	**30 June 2007 $**
Intellectual property - at cost	1	1	1	1
Management rights - at cost	5,762,150	4,813,964	736,046	3,285,252
Impairment of Management Rights	(805,224)	-	-	-
Less Accumulated Amortisation	(159,354)	(304,429)	(36,314)	(254,243)
	4,797,572	4,509,535	699,732	3,031,009
Plans & trademarks - at cost	27,827	27,827	27,827	27,827
Less Accumulated Amortisation	(23,308)	(18,025)	(23,308)	(18,025)
	4,519	9,802	4,519	9,802
Goodwill	1,792,205	-	-	-
Total	6,594,297	4,519,337	704,252	3,040,811

IMPAIRMENT OF MANAGEMENT RIGHTS

On 21 August 2008 SCV Group Limited finalised a significant step in its corporate restructure by concluding terms to exit the management of 32 communities back to ING. The Consolidated Entity will no longer derive economic benefits from these communities and has consequently impaired the associated management rights to nil. This resulted in an impairment charge being recognised in the income statement of $578,880 relating to these management rights.

The Consolidated Entity has undertaken recoverable amount assessment of the remaining management rights based on value in use calculations. Value in use has been determined by reference to the expected future performance of each management right. Each management rights' future cash flows are projected over a 5 year period and are discounted using the Consolidated Entity's weighted average cost of capital (17%). Future cash flows are extrapolated using growth rates of 3% per annum. This resulted in an impairment charge being recognised in the income statement of $499,596 relating to these management rights.

12. Intangible Assets (cont.)

Movements during the year ended 30 June 2008

Consolidated	**Intellectual property**	**Management Rights**	**Plans & trademarks**	**Goodwill**	**Total**
Opening Written Down Value	1	4,509,534	9,802	-	4,519,337
Additions at cost	-	4,256,129	-	-	4,194,334
Additions through business acquisition	-	-	-	1,792,205	1,792,205
Impairment of management rights	-	(1,078,476)	-	-	(1,078,476)
Transfer of assets held for sale	-	(2,407,189)	-	-	(2,345,394)
Depreciation/Amortisation Expense	-	(482,426)	(5,283)	-	(487,709)
Closing Written Down Value	1	4,797,572	4,519	1,792,205	6,594,297

Parent	**Intellectual property**	**Management Rights**	**Plans & trademarks**	**Goodwill**	**Total**
Opening Written Down Value	1	3,031,008	9,802	-	3,040,811
Additions at cost	-	442,947	-	-	381,152
Impairment of management rights	-	(273,252)	-	-	(273,252)
Transfer to assets held for sale	-	(2,407,189)	-	-	(2,345,394)
Depreciation/Amortisation Expense	-	(93,782)	(5,283)	-	(99,065)
Closing Written Down Value	1	699,732	4,519	-	704,252

Movements during the year ended 30 June 2007

Consolidated	**Intellectual property**	**Management Rights**	**Plans & trademarks**	**Other**	**Total**
Opening Written Down Value	1	4,250,861	15,095	-	4,265,957
Additions at cost	-	384,285	-	-	384,286
Depreciation/Amortisation Expense	-	(125,612)	(5,293)	-	(130,905)
Closing Written Down Value	1	4,509,534	9,802	-	4,519,337

Parent	**Intellectual property**	**Management Rights**	**Plans & trademarks**	**Other**	**Total**
Opening Written Down Value	1	2,828,889	15,095	-	2,843,985
Additions at cost	-	290,298	-	-	290,298
Transfer to other debtors	-	-	-	-	-
Impairment	-	-	-	-	-
Depreciation/Amortisation Expense	-	(88,179)	(5,293)	-	93,472
Closing Written Down Value	1	3,031,008	9,802	-	3,040,811

The remaining amortisation period on management rights range from 37 – 39 years.

The remaining amortisation period on plans and trademarks is 2 years.

12. Intangible Assets (cont.)

GOODWILL

During the period the following business was acquired:

2008

Business	Consideration paid or payable	Net fair value of assets acquired	Goodwill arising on acquisition
	$	$	$
Village Care	1,895,063	102,858	1,792,205

The total amount of goodwill has been allocated to the Village Care cash generating unit. The recoverable amount of goodwill is based on value in use calculations. Value in use has been determined by reference to the expected future performance of Village Care. Village Care's future cash flows are projected over a 5 year period and are discounted using the Consolidated Entity's weighted average cost of capital – 17%. Future cash flows are extrapolated using growth rates of 3% per annum and are based on past results.

DETAILS OF VILLAGE CARE'S CONTRIBUTION TO THE CONSOLIDATED PROFIT:

The Village Care business was acquired on 30 June 2008 and consequently has not contributed to the Consolidated Entity's results. Due to the differing cost structures, it is not practicable to determine the amount of Village Care's profit that would be included in the Consolidated Entity's profit for the period if the business were owned for the whole period.

13. Trade and Other Payables

	Consolidated		Parent Entity	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	$	$	$	$
Trade creditors and accruals	2,148,956	3,955,901	1,411,060	3,381,737
Deferred Consideration	750,000	-	-	-
Break fee payable to ING	1,615,000	-	1,615,000	-
Revenue received in advance	-	83,050	-	83,050
Payables to controlled entities	-	-	1,527,547	596,959
	4,513,956	4,038,951	4,553,607	4,061,746
Included in the above are aggregate amounts payable to Director related entities	133,162	80,674	133,162	-

(1) Deferred settlement of $750,000 relates to the purchase of the Village Care business. By way of consideration the Consolidated Entity will allot 7,500,000 shares to the vendor. The value of the shares allotted has been based on $0.10 cents per share.

(2) On 21 August 2008 SCV Group Limited agreed terms to exit the leasehold agreements of 3 ING communities and transition the management of 32 communities back to ING. In consideration of the lease termination, the Consolidated Entity will pay a cash amount of $1,500,000 upon settlement on 30 September 2008. The Consolidated Entity has also accrued $115,000 in estimated legal and other costs.

14. Financial Liabilities

	Consolidated		Parent Entity	
	30 June 2008	**30 June 2007**	**30 June 2008**	**30 June 2007**
	$	**$**	**$**	**$**
Current Liabilities				
Commercial bills - secured	5,000,000	2,578,738	5,000,000	2,578,738
Commercial advances - secured	1,904,000	5,668,500	1,904,000	5,668,500
Irredeemable converting notes	290,000	605,000	290,000	605,000
Convertible note	2,500,000	-	2,500,000	-
Equipment finance	15,745	76,976	15,745	76,976
	9,709,745	8,929,214	9,709,745	8,929,214
Non-Current Liabilities				
Commercial bills - secured	-	-	-	-
Commercial advances - secured	-	815,747	-	815,747
Irredeemable converting notes	-	895,000	-	895,000
Convertible note	-	2,500,000	-	2,500,000
Equipment finance	-	-	-	-
	-	4,210,747	-	4,210,747

DEFAULT ON NAB FACILITY

At 30 June 2008, the Consolidated Entity was in default of a covenant associated with the facility provided by NAB. Under the facility agreement, the Consolidated Entity is required to maintain a capital adequacy ratio of no less than 27%. At 30 June 2008 the capital adequacy ratio was 17.7%. The carrying amount of these facilities at 30 June 2008 was $6,904,000.

Subsequent to year end NAB has agreed to include the conversion of the Bydand convertible and converting notes in July 2008 into the calculation of net worth as at 30 June 2008 thereby accepting a capital adequacy ratio of 33.4% and avoiding the default condition.

This breach does not give rise to accelerated repayment terms.

USED/UNUSED FACILITIES

	30 June 2008		30 June 2007	
	Used	Unused	Used	Unused
Commercial bills - secured	5,000,000	-	2,578,738	-
Commercial advances - secured	1,904,000	-	6,484,427	52,253
Irredeemable converting notes	290,000	-	1,500,000	-
Convertible note	2,500,000	-	2,500,000	-
Equipment finance	15,745	-	76,976	-
	9,709,745	-	13,139,961	-

14. Financial Liabilities (cont.)

TERMS AND CONDITIONS

COMMERCIAL BILLS AND ADVANCES

As at 30 June 2008, The Company had drawn commercial advances and commercial bill facilities ($5 million limit) from the National Australia Bank ("NAB") secured by:

- Registered mortgages over managers' units and other real estate at its Communities
- Deed of charge over the related management rights.
- Guarantee and indemnity given the SCV Group and its entities including (SCV1 Pty Ltd, SCV 2 Pty Ltd, SCV 3 Pty Ltd, SCV 4 Pty Ltd and Comptons Caboolture Pty Ltd)

The borrowing covenants in relation to the bank finance facilities are:

1. Minimum capital adequacy ratio of 27% as at 30 June 2008, 30% as at 30 June 2009 and 40% as at 30 June 2010 and each subsequent year.
2. Minimum total debt leverage ratio of 2.75 times as at each half year.
3. Half yearly financial reports for the periods ending 30th June and 31st December each year to be provided within 90 days of period end.

The interest rate applicable to the facilities is variable, based upon BBSW plus a margin.

During the year, the Company has also drawn upon commercial advances from Co-Investor Partners Pty Ltd and Bydand Capital Pty Ltd as a short term facility whilst the NAB processed a loan application. The interest rate was 15% per annum. These loans were fully repaid on successful completion of the Rights Issue in June 2008.

Previously the Company had issued 1.364 million irredeemable converting notes to Bydand Capital Pty Ltd at $1.10 per note. With an interest rate of 9% per annum, these progressively converted into ordinary shares from July 2007 onwards. As at June 2008 there were 263,636 converting notes outstanding which were subsequently converted in to equity in July 2008

The Company also issued 2.5 million convertible notes to Bydand Capital Pty Ltd at $1.00 per note. The interest rate is 9% per annum, and were to be converted on or before 28 September 2009. The notes were subsequently converted to equity, following approval by shareholders at an EGM held in July 2008, at a conversion rate of $0.10 per share.

The Company also has equipment loans that are secured by the relevant equipment.

15. Provisions

	Consolidated		Parent Entity	
	30 June 2008 $	**30 June 2007 $**	**30 June 2008 $**	**30 June 2007 $**
Current				
Annual Leave Entitlements	322,860	240,214	241,320	240,214
Non-Current				
Long Service Leave Entitlements	67,615	-	-	-

16. Share Capital

	30 June 2008	30 June 2007	30 June 2008	30 June 2007
Issued Shares	Number of shares		$	$
Fully paid Ordinary shares	**94,914,774**	**38,447,785**	**35,704,968**	**29,335,069**
Opening Balance	38,447,785	21,391,009	29,335,068	15,091,659
Shares issued during the year:				
Shares issued at $0.85 cash consideration				
for share placement	-	14,941,176	-	12,699,999
investors	-	1,482,267	-	1,259,933
Options Issue	-	-	-	200,759
Options exercised at $1.00	-	633,333	-	633,333
Shares issued at $1.10 cash consideration	550,000	-	605,000	-
Shares issued at $1.10 cash consideration	550,000	-	605,000	-
Shares issued at $0.10 cash consideration	55,366,989	-	5,536,639	-
Reversal of unvested share based payment	-	-	(18,300)	-
Less: Share issue costs	-	-	(358,439)	(550,614)
Shares on issue at end of year	**94,914,774**	**38,447,785**	**35,704,968**	**29,335,069**

	30 June 2008	30 June 2007
	Number of Options	
Ordinary Shares reserved for issue under options:		
Listed options on issue at beginning of year	7,706,400	7,706,400
Unlisted options issued during the year		
Options exercisable at $1.00 on or after 1 December 2007 & expiring 30 November 2009		1,900,000
Options exercised	-	(633,333)
On issue at end of year	-	1,266,667
Total Options on Issue	7,706,400	8,973,067

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and on a poll, each share is entitled to one vote.

Options

SCV Group Limited has issued 7,706,400 options for nil consideration to investors as outlined in its prospectus of 18 May 2004, exercisable at $1.50 per share. These options expire on 31 May, 2009 and were exercisable on or after 31 May 2007.

On 1 December 2006 SCV Group Limited issued 1,900,000 options for nil consideration to Mark Roberts, exercisable at $1.00 per share. There was a charge to the profit and loss of $200,579 to reflect the issue of these options. These options expire on 30 November 2009 and are exercisable as follows:

(i) 633,333 immediately upon issue – exercised & converted to shares in the year
(ii) 633,333 12 months after issue – cancelled in 2008.
(iii) 633,333 24 months after issue – cancelled in 2008.

17. Dividends

No dividends were paid or proposed during the year (2007 – nil).

The balance of the franking account at 30 June 2008 was $781,155 (2007 – $781,155).

18. Cash Flow Information

	Consolidated 30 June 2008 $	Consolidated 30 June 2007 $	Parent Entity 30 June 2008 $	Parent Entity 30 June 2007 $
(a) Reconciliation of cash				
Cash at Bank and on hand	3,270,649	10,402,203	2,816,092	9,672,879
(b) Reconciliation of profit/(loss) for the period to net cash flow from operating activities				
Profit/(loss) for the period	(33,002,957)	1,272,052	(34,274,037)	799,362
Depreciation and amortisation	760,101	392,353	356,288	339,841
Impairment - Management rights	1,016,681	-	211,457	-
Impairment - Receivables	18,860,804	-	18,812,795	-
Options based payments	(18,300)	200,759	(18,300)	200,759
Impairment - Inventory	4,364,305	-	4,364,305	-
Gain on sale of plant and equipment	(33,040)	-	(33,040)	-
Movement in tax balances	(515,723)	1,161,582	(515,699)	1,091,790
(Increase)/decrease in:				
- trade and other receivables	(3,516,561)	(7,871,956)	(1,703,577)	(7,498,943)
- inventories	7,436,137	(3,477,159)	4,215,645	(5,096,757)
- other current assets	173,428	(363,559)	206,401	(363,394)
Increase/(decrease) in:				
- payables	(274,995)	(63,931)	(1,035,687)	2,491,990
- provisions other	-	(545,455)	-	(545,455)
- provision for employee benefits	1,106	145,191	1,106	145,191
Net cash flow from operating activities	(4,749,014)	(9,150,123)	(9,412,343)	8,435,616
(c) Businesses Acquired				
Aggregate purchase consideration:				
Cash and cash equivalents	1,145,063	-	-	-
Trade and other payables	750,000	-	-	-
	1,895,063	-	-	-
Aggregate fair value of assets and liabilities acquired:				
Cash	20,150	-	-	-
Other assets	10,589	-	-	-
Provision for employee entitlements	(149,155)	-	-	-
Plant and equipment	221,274	-	-	-
	102,858	-	-	-
Goodwill on acquisition	1,792,205	-	-	-
Outflow of cash	1,124,913	-	-	-

19. Financial Instruments

Overall Policy

The Board of Directors have overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors are responsible for developing and monitoring risk management policy. Risk management policy is to identify and analyse the risks faced by the entity, to set limits and controls, and to monitor risks and adherence to limits. Risk management policy and systems are reviewed regularly to reflect changes in market conditions and Company's activities. The Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a) Credit risk

Credit risk arises principally from the Consolidated Entity's receivables and cash and cash equivalents.

	Consolidated Entity		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
Maximum exposure to credit risk				
Cash and cash equivalents	3,270,649	10,402,203	2,816,092	9,672,879
Trade and other receivables	903,842	16,248,085	1,507,163	16,300,881
	4,174,491	26,650,288	4,323,255	25,973,760

The Consolidated Entity monitors and follows-up its accounts receivable to ensure collections are being made promptly in accordance with contractual terms and conditions and actively pursues amounts past due.

Where applicable, an allowance for impairment has been made, that represents the estimate of impairment losses in respect to trade and other receivables. The Consolidated Entity has no concentrations of credit risk that have not been provided for. The Consolidated Entity has not provided for the remaining amounts past due as management believes these amounts will be recoverable.

The ageing of trade receivables at the reporting date was:

Consolidated	30 June 2008 $		30 June 2007 $	
	Gross	Allowance	Gross	Allowance
Due 0-30 Days	599,180	-	4,698,355	-
Past Due 30-60 Days	131,202	(34,254)	5,081,551	-
Past Due 60-90 Days	20,698	-	11,581	-
Past due 90 + Days	19,363,566	(19,176,549)	9,122,098	(350,000)
	20,114,646	(19,210,803)	18,913,585	(350,000)

Parent	30 June 2008 $		30 June 2007 $	
	Gross	Allowance	Gross	Allowance
Due 0-30 Days	1,763,920	-	4,703,412	-
Past Due 30-60 Days	96,693	-	5,081,505	-
Past Due 60-90 Days	19,167	-	10,603	-
Past due 90 + Days	20,317,725	(19,162,795)	9,170,861	(350,000)
	22,197,505	(19,162,795)	18,966,381	(350,000)

19. Financial Instruments

	Consolidated Entity		Parent Entity	
	2008 $	**2007 $**	**2008 $**	**2007 $**
Movement in allowance for doubtful debts				
Opening allowance	350,000	350,000	350,000	350,000
Impairment provision raised	18,860,83	-	18,812,795	-
Closing allowance	19,210,803	350,000	19,162,795	350,000

Impairment Considerations

In determining whether a balance is impaired, the Group takes into account the following criteria:

- Whether the business is still operating.
- Whether there is dialogue between customer and the Company.
- Has development of communities commenced/terminated.
- Likelihood of development to be completed in respect of collecting revenue

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. This process involves the review and updating of cash flow forecasts and, when necessary, the obtaining of credit standby arrangements and loan facilities.

Contractual maturity analysis for financial instrument liabilities:

2008

CONSOLIDATED	**Contractual Repayment Amount**	**1 - 3 months**	**3 - 6 months**	**6 - 12 months**
Trade payables	2,148,956	2,148,956	-	-
Sundry creditors & accruals	1,615,000	1,615,000	-	-
Deferred consideration	750,000	750,000	-	-
Commercial bills	5,000,000	-	5,000,000	-
Commercial advances	1,904,000	-	-	1,904,000
Convertible notes	2,790,000	2,790,000	-	-
Equipment finance	15,745	-	15,745	-
	14,223,701	7,303,956	5,015,745	1,904,000

PARENT	**Contractual Repayment Amount**	**1 - 3 months**	**3 - 6 months**	**6 - 12 months**
Trade payables	1,411,060	1,411,060	-	-
Payables to controlled entities	1,527,547			1,527,547
Sundry creditors & accruals	1,615,000	1,615,000	-	-
Commercial bills	5,000,000	-	5,000,000	-
Commercial advances	1,904,000	-	-	1,904,000
Convertible notes	2,790,000	2,790,000	-	-
Equipment finance	15,745	-	15,745	-
	14,263,352	5,816,060	5,015,745	3,431,547

19. Financial Instruments

2007

CONSOLIDATED	Contractual Repayment Amount	1 - 6 months	6 - 12 months	1 - 5 years
Trade payables	4,038,951	4,038,951	-	-
Commercial bills	2,578,738	-	2,578,738	-
Commercial advances	6,484,247	-	-	6,484,247
Convertible notes	4,000,000	-	1,210,000	2,790,000
Equipment finance	76,976	-	61,231	15,745
	17,178,912	4,038,951	3,849,969	9,289,992

PARENT	Contractual Repayment Amount	1 - 6 months	6 - 12 months	1 - 5 years
Trade payables	4,061,746	4,061,746	-	-
Payables to controlled entities	596,959	-	596,959	-
Commercial bills	2,578,738	-	2,578,738	-
Commercial advances	6,484,247	-	-	6,484,247
Convertible notes	4,000,000	-	1,210,000	2,790,000
Equipment finance	76,976	-	61,231	15,745
	17,798,666	4,061,746	4,446,928	9,289,992

c) Market Risk

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

Interest Rate Risk

The Consolidated Entity's exposure to market interest rates relates primarily to the Group's current debt obligations. No interest rate swaps had been entered into during the term of the facility.

The Consolidated Entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternate hedging positions and the mix of fixed and variable interest rates.

Sensitivity analysis for movement in interest rates:

Variable rate instruments	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
1% increase in interest rates – effect on profit after tax & equity	(25,433)	8,995	(28,615)	3,889
1% decrease in interest rates – effect on profit after tax & equity	25,433	(8,995)	28,615	(3,889)

A change of 1% in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown above. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2007. The Directors have base the 1% variable movement on current economic forecasts by the Reserve Bank of Australia.

d) Fair Value

The carrying amount of the Consolidated Entity's financial assets and financial liabilities approximate their fair value.

20. Commitments for Expenditure

a) Operating Leases

Minimum lease payments under non-cancellable operating leases for the provision of office space, equipment, linen services and community leases are estimated to be:

	Consolidated 30 June 2008 $	Consolidated 30 June 2007 $	Parent Entity 30 June 2008 $	Parent Entity 30 June 2007 $
Within 1 year	1,654,620	2,598,683	1,654,620	2,598,683
Greater than 1 year but not longer than 5 years	3,123,674	9,722,289	3,123,674	9,722,289
Greater than 5 years	8,918,821	10,251,229	8,918,821	10,251,229
	13,697,115	22,572,201	13,697,115	22,572,201

The amount disclosed for the lease of office space does not include any adjustments for CPI or market rental reviews.

21. Earnings per Share

	Consolidated 30 June 2008 $	Consolidated 30 June 2007 $
Net profit/(loss) used in calculating basic earnings per share	(33,002,957)	1,272,052
Net Profit / (loss) used in calculating diluted earnings per share	(33,002,957)	1,395,802
Weighted Average number of ordinary shares used in calculating basic earnings per share	39,169,096	23,595,235
Dilutive potential ordinary shares	-	3,363,013
Weighted average number of ordinary shares & potential ordinary shares used in calculating diluted earnings per share	39,169,096	26,958,248
Potential ordinary shares that are not dilutive and not used in the calculation of diluted earnings per share	10,496,400	8,339,733
Basic earnings per share (cents per share)	(84.26) cents	5.39 cents
Diluted earnings per share (cents per share)	(84.26) cents	5.18 cents

22. Related Parties

Number of Shares held: Directors and Executives

	Balance 1 July 2007	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2008	Held in Escrow
Specified Directors:						
Michael Gordon	7,034,772	-	-	1,100,000	8,134,772	-
Mark Roberts	4,235,902	-	-	-	4,235,902	-
Andrew Kemp	227,832	-	-	318,967	546,799	-
Dennis May	15,882	-	-	22,235	38,117	-
Roger Sharp	5,900,000	-	-	36,342,655	42,242,655	-
Ian Muir	3,700,000	-	-	-	3,700,000	-
Total	**21,114,388**	**-**	**-**	**37,783,857**	**58,898,245**	**-**
Executives:						
Andrea Slingsby	-	-	-	2,102,529	2,102,529	-
Garry Myrtle	3,000	-	-	-	3,000	
Total	**3,000**	**-**	**-**	**2,102,529**	**2,105,529**	**-**

22. Related Parties

Number of Options held: Directors and Executives

	Balance 1 July 2007	Received as Remuner-ation	Options Exerc-Ised (1)	Net Change Other	Balance 30 June 2008	Total vested as at 30 June 2008	Held in Escrow
Specified Directors:							
Michael Gordon	2,209,394	-	-	-	2,209,394	2,209,394	-
Mark Roberts	3,411,286	-	-	(1,266,667)	2,144,619	2,144,619	-
Andrew Kemp	181,330	-	-	-	181,330	181,330	-
Total	**5,802,010**	**-**	**-**	**(1,266,667)**	**4,535,343**	**4,535,343**	**-**
Executives:							
Andrea Slingsby	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-
1. Unlisted options issued to M. Roberts have been cancelled in 2007/08.							

RELATED PARTY TRANSACTIONS

Unless otherwise stated, all related party transactions are on commercial terms and conditions.

- During the financial year, office rent in the amount of $106,088 (2007: $48,844) were paid or accrued to a person related to or an entity controlled by Mark Roberts.
- In June 2008 underwriting fees to the value of $5,000 was paid to Andrea Slingsby upon take up of the rights issue.
- During the financial year, finance facilities were provided to SCV by Bydand Capital Pty Ltd (Bydand), a company in which Michael Gordon is a Director and Dennis May is Company Secretary and Chief Executive Officer. These facilities were of the following nature;

a) Unsecured short term loans were provided on refinancing loans for East Doncaster & Kallangur, whereby interest was payable in the amount of $24,231.

b) unsecured loan in the amount of $375,000 was provided as an interim facility until the NAB facility was in place. Directors consider the fees and interest paid to Bydand on this facility were not more than those which would have been payable in an arms length transaction.

Interest payable at 15% pa amounted to $12,251.61 on these advances during the period.

The advances & interest have been repaid to Bydand prior to balance date.

c) Interest payable at 9% pa on Bydand's convertible notes in the amount of $225,411 was incurred during the year. $111,986 was payable at balance date. The note is convertible into ordinary shares in the capital of the Company, solely at Bydand's discretion, at $1.00 per ordinary share on or before 28/09/09.

The notes were converted subsequent to the balance date, following approval from shareholders at an EGM held in July 2008.

d) During the year 1,100,000 irredeemable notes were converted to equity shares at $1.10 thus reducing the converting note liability to $290,000. Interest in the amount of $62,845 was incurred during the year. $16,571 was payable at balance date.

The balance of $290,000 was converted in July 2008.

e) An amount of $4,605 was paid to Bydand in relation to reimbursement of expenses for Premier Global Conferencing Services during the months March & April 2008. SCV Group contracted directly with the teleconferencing company from May 2008.

22. Related Parties

- During the financial year Co-Investor Capital Pty Ltd, a company in which Roger Sharp is Managing Director was involved in transactions of the following nature:

a) unsecured loans in the amount of $1,125,000 ($912,139 Fund No.1 & $212,899 Fund No.2) were provided as an interim facility until the NAB facility was in place. Directors consider the fees and interest paid to Co-Investor

Capital Pty Ltd on this facility were not more than those which would have been payable in an arms length transaction.

Interest payable at 15% pa amounted to $37,720.18 on these advances during the period.

b) Co-investor Capital Pty Ltd participated in the capital raising by taking up the Rights Issue that was offered to all shareholders in June 2008 and as Underwriters to that rights issue, Co-investor were issued with a total of 36,342,655 shares and were paid fees of $102,474.45 as a result of its participation.

c) Advisory services were provided for the purchase of Village Care Pty Ltd to the value of $82,500.

Remuneration of Key Management Personnel

	Consolidated	
	30 June 2008 $	30 June 2007 $
Short term remuneration	960,948	702,680
Post employment remuneration	64,179	58,541
Share based remuneration	-	200,579
	1,025,127	961,800

23. Subsequent Events

- The conversion of 263,636 irredeemable converting notes (issued to Bydand Capital Pty Ltd in January 2006 at $1.10 per note) to share capital in July 2008. This satisfied $290,000 of debt at an interest rate of 9% per annum as per the terms and conditions of the note.
- The conversion of 2,500,000 convertible notes (issued to Bydand Capital Pty Ltd in September 2006 at $1.00 per note) to share capital in July 2008. This satisfied $2,500,000 of debt at an interest rate of 9% per annum as per the terms and conditions of the note through the issue of 25,000,000 shares in SCV.
- The issue of 7,500,000 shares in SCV as part of the purchase of the Village care business, the balance of purchase price being $1,250,000 in cash.
- The issue of 9,550,000 options to senior management exercisable over the next 3 years.
- On 22 August 2008, SCV reached formal agreement with ILF to exit the three leasehold communities and transition the management of 32 communities back to ILF. Settlement of the transaction will be completed by 30 September 2008, at which time SCV will be required to pay ILF $1.5 million, in consideration of the early termination of the leases.
- Following the decision to sell the Strata Management Rights businesses, the company settled on the Bethania property in July 2008. As at August 31 2008, there are further two communities due for settlement in September 2008, with another two communities under contract.

24. Ultimate Parent Entity

The parent entity within the group is SCV Group Limited, which is the ultimate parent entity within Australia.

25. Share Based Payments

In May 2008 SCV Group Limited cancelled 1,266,667 unlisted options assigned to Mark Roberts.

26. Auditors' Remuneration

	Consolidated		Parent Entity	
	30 June 2008 $	30 June 2007 $	30 June 2008 $	30 June 2007 $
Audit services	88,640	52,000	88,640	52,000

27. Business Combinations

VILLAGE CARE ACQUISITION

On 30 June, as part of its strategy to expand its management services business, SCV Group acquired the business and assets of Village Care Limited. The assets of Village Care Limited were acquired by Village Care Pty Ltd, a wholly owned subsidiary of SCV Group Limited. Village Care Pty Ltd was registered during the financial year.

The Village Care business is a specialist national retirement village manager based in South Australia, providing a range of professional services to villages operated under the Deferred Management Fee ("DMF") ownership model, including operational management, marketing and sales of retirement homes/units, and advisory work for new and existing clients. Village Care manages a portfolio of 19 villages located throughout South Australia, Victoria, New South Wales and Queensland.

DETAILS OF PURCHASE

Aggregate purchase consideration for the business of Village Care:	
Cash and cash equivalents	1,145,063
Trade and other payables (deferred settlement)	750,000
	1,895,063

Aggregate fair value of assets and liabilities of Village Care acquired:	
Cash	20,150
Other assets	10,589
Provision for employee entitlements	(149,155)
Plant and equipment	221,274
	102,858
Goodwill on acquisition	1,792,205
Net outflow of cash	1,124,913

Deferred settlement of $750,000 relates to the purchase of the Village Care business. By way of consideration the Consolidated Entity will allot 7,500,000 shares to the vendor. The value of the shares allotted has been based on $0.10 cents per share.

DETAILS OF VILLAGE CARE'S CONTRIBUTION TO THE CONSOLIDATED PROFIT

The Village Care business was acquired on 30 June 2008 and consequently has not contributed to the Consolidated Entity's results. Due to the differing cost structures, it is not practicable to determine the amount of Village Care's profit that would be included in the Consolidated Entity's profit for the period if the business were owned for the whole period.

28. Segment Information

The consolidated entity operates within three business segments all of which involve the management of Seniors' Communities. The consolidated entity operates only in Australia and is divided into the portfolios of various types of management agreements, as follows:

(a) Strata / Leasehold – Operate under the Sunnycove/Sunnycove Plus brand. Primarily strata titled units, where income is derived from letting fees, caretaking fees & catering services.

(b) Retail / Wholesale – Management fee received is based on occupancy, and is based on rate per occupied/unoccupied unit. Wholesale communities are typically owned by a single entity, whereas the retail communities operate under a managed investment scheme.

(c) Management Lease – typically lease type arrangements whereby SCV Group derives a management fee based on revenue / profitability of the portfolio. The agreements are typically with larger operators such as ILF and young Village Estates.

28. Segment Information (cont.)

	Strata / Leasehold		Retail / Wholesale		Management Lease		Total	
	30-Jun-08	**30-Jun-07**	**30-Jun-08**	**30-Jun-07**	**30-Jun-08**	**30-Jun-07**	**30-Jun-08**	**30-Jun-07**
Revenue								
External	7,823,445	4,448,653	7,949,797	966,426	6,094,004	296,598	21,867,246	5,711,677
Total	7,823,445	4,448,653	7,949,797	966,426	6,094,004	296,598	21,867,246	5,711,677
Unallocated:								
- interest							178,038	68,829
- inventory sales							4,793,092	10,626,586
- IP sales							686,778	8,700,000
Total Revenue							27,525,154	25,107,092
Segment Result								
Profit(Loss)	(7,842,747)	2,510,538	1,492,301	629,279	(265,711)	(159,187)	(6,616,157)	2,980,630
Unallocated corporate							(26,121,344)	(362,328)
Profit from ordinary activities before income							(32,737,501)	2,618,302
Income tax (expense)/benefit							(265,456)	(1,346,250)
Net Profit							(33,002,957)	1,272,052
Assets								
Segment assets	9,179,387	8,751,060	2,404,246	-	398,813	-	11,982,446	8,751,060
Unallocated corporate assets							5,784,735	39,584,435
Total Assets							17,767,181	48,335,495
Liabilities								
Segment Liabilities	2,824,510	5,342,951	454,340	-	235,267	-	3,514,116	5,342,951
Unallocated corporate liabilities							11,100,060	13,206,481
Total Liabilities							14,614,176	18,549,432
Other information								
ING Lease payout	**1,615,000**	-	-	-	-	-	-	-
Depreciation	**272,392**	**248,903**	-	-	-	-	272,392	248,903
Amortisation	**137,283**	**143,449**	**34,636**	-	**315,789**	-	487,709	143,449
Impairment - Debtors	**150,000**	-	-	-	-	-	150,000	-
Impairment - Inventories	**4,656,007**	-	-	-	-	-	4,656,007	-
Impairment - Intangibles	**273,252**	-	**226,343**	-	**578,880**	-	1,078,476	-

The directors of SCV Group Limited declare that:

(a) in the directors' opinion the financial statements and notes on pages 18 to 51, and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 10 to 11, are in accordance with the Corporations Act 2001, including:

 (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2008 and of their performance, for the financial year ended on that date; and

 (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and

(c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*, the Corporations Act 2001 and the Corporations Regulations 2001; and

(d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2008, required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors

Mike Gordon

Dated this 29th day of August, 2008

PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDIT REPORT TO MEMBERS OF SCV GROUP LIMITED

To the members of SCV Group Limited

Report on the Financial Report

We have audited the accompanying financial report of SCV Group Limited, which comprises the balance sheets as at 30 June 2008, and the income statements, statement of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of both SCV Group Limited ('the Company) and the Consolidated Entity. The Consolidated Entity comprises both the Parent Entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the SCV Group Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, 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 auditor considers 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.

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*.

Auditor's Opinion

In our opinion:

(a) the financial report of SCV Group Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2 (z) in the financial report which indicates that the Consolidated Entity incurred a net loss of $33,002,957 during the year ended 30 June 2008 and, as of that date, the Consolidated Entity's current liabilities exceeded its current assets by $5,005,009. These conditions, along with other matters as set forth in Note

2 (z), indicate the existence of a material uncertainty which may cast significant doubt about the Consolidated Entity's ability to continue as a going concern.

Should the parent entity and consolidated entity be unable to continue as a going concern, they may be required to realise their assets and extinguish their liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the parent entity and consolidated entity be unable to continue as going concerns.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 10 to 11 of the Directors' Report for the year ended 30 June 2008. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of SCV Group Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Acts 2001*.

PKF

PKF
Chartered Accountants

Albert Loots
Partner

Dated at Brisbane this 29th day of August 2008.

Tel: 61 7 3226 3555 | Fax: 61 7 3226 3500 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 6, 10 Eagle Street | Brisbane | Queensland 4000 | Australia
GPO Box 1078 | Brisbane | Queensland 4001 | Australia

SCVGROUPLIMITED

SCV GROUP LIMITED
FOR THE YEAR ENDED 30 JUNE 2008

CORPORATE DIRECTORY

Postal Address
PO BOX 267, Maroochydore Qld 4558

Board of Directors
Michael Gordon (Executive Chairman)
Andrew Kemp
Dennis May
Roger Sharp

Company Secretary
Dennis May

Solicitors
Hopgood Ganim Lawyers
Level 8, Waterfront Place
1 Eagle Street,
Brisbane Qld 4000
Tel: 07 3024-0000
Fax: 07 3024-0300

Auditors
PKF Chartered Accountants
Level 6, 10 Eagle Street
Brisbane Qld 4000
Tel: 07 3226-3555
Fax: 07 3226-3599

Share Registry
Link Market Services – Brisbane
Level 12, 300 Queen Street
Brisbane Qld 4000
Call Centre 02 8280-7454
Fax 07 3228-4999

Listing Details
ASX Limited Brisbane
Code: Shares - SCV
Code; Options - SCVO

SCVGROUPLIMITED

SCV GROUP LIMITED
ABN 15 097 241 159
Maja Place, 6 Pikki Street
Maroochydore Queensland 4558
Tel: 07 5451 7070
Fax: 07 5451 7099
www.scvgroup.com.au