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Company Announcements Office
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LOWER VALUATIONS LEAD TO FIRST HALF LOSS FOR AEVUM

- Lower valuations lead to AIFRS after tax loss of \$15.0 million
- Second half profit should reduce the loss trend
- Dividend reduced, likely maintained in second half
- Business model sound for the long term
- Aged Care valuations increased \$13.6 million, booked to the Revaluation Reserve
- Gearing remains low at 23%

Retirement living company, Aevum Limited, is not immune from current market conditions, which have slowed transactions, reduced asset valuations and resulted in a loss for the half year to 31 December 2008.

The reduction in asset values is primarily driven by an average 93 basis point increase in the discount rates applied to Aevum's cash flow forecasts. Therefore Aevum has reduced carrying values of certain assets by \$18.8 million before tax for the period, thus resulting in an AIFRS after tax loss of \$15.0 million, or 6% of shareholder equity at 30 June 2008.

Business overview

Aevum is one of the largest owners, operators and developers of for-profit retirement living accommodation in New South Wales. The company also operates villages in Western Australia.

From an operational viewpoint the Retirement Living Business has continued to deliver good sales results, with 52 unit re-sales showing 3.3% price growth over list prices. Operating cash flow remains positive and FY09 operating cash flow is forecast to be in line with the prior year results of \$20.4 million, as Aevum continues to deliver sales from development projects.

Construction for all four development projects (68 units) was completed during the half year, with sales already achieved for one third of the units and a further 13% with deposits.

The Aged Care Business has performed well in the first half of the year, delivering a strong yield and increased levels of accommodation bonds, due to improved operating performance and the continuing success of 'Extra Services' introduced in two of the facilities in prior periods. In contrast to retirement accommodation values, Aged Care valuations increased \$13.6 million (net of deferred tax liabilities). However accounting standards require this increase to be booked to the revaluation reserve and not the profit and loss account.

Development progress

Aevum has progressed well with its organic growth strategy of expanding retirement living accommodation at existing villages.

During the half year, developments at Cardinal Freeman (36 units), Waratah Highlands (16 units), and Golden Ponds (8 units) were completed and in January the development at Swansea (8 units) was completed. Nearly half the development units have been sold or deposits taken and these sales show healthy development profits in excess of 20% (including the value of deferred management fees).

The NSW Minister for Planning has declared the Cardinal Freeman Village, Ashfield redevelopment a Major Project of regional significance. This enables the masterplan, which envisages 140 new self care units and a 120 bed aged care facility, to be developed over 4 to 5 stages and to achieve better development outcomes for the Village and residents.

Balance Sheet

While asset values have declined, Aevum's balance sheet and funding position are sound.

Net tangible assets per share as at 31 December 2008 fell by 10 cents to \$2.07 per share compared to 30 June 2008, but was steady compared to the \$2.07 per share recorded at 31 December 2007.

At balance date, gearing was 23% (net interest bearing debt / (net interest bearing debt + shareholders equity) with net debt of \$78 million.

Current debt and transactional banking facilities are provided by Westpac and ANZ, with debt facilities due for renewal in June 2011. As at balance date, the \$150 million facility was drawn to \$90 million and cash on hand was \$12 million.

Interim Dividend

In light of the volatile market conditions, and the revised full year guidance, the Directors have declared an interim dividend of 2.0 cents per security (pcp 4.5 cents) to be paid on 31 March 2009. The Directors remain confident of paying a similar final dividend, subject to no further deterioration in market conditions.

The dividend will be unfranked, the previously established Dividend Reinvestment Program (DRP) will apply and Record Date for determination of eligible shareholders and participation in the DRP will be 4 March 2009. Shares under the DRP will be issued at a 2.5% discount to the weighted average market price for shares over 5 trading days after the Record Date, with the DRP price to be advised to the ASX on 13 March 2009.

Outlook

Aevum expects to report a profit of \$3 million to \$5 million in the second half of the 2009 financial year, as development profits are realised and existing resident contracts mature, subject to no further deterioration in market conditions. The full year net profit after tax forecast is therefore a loss of \$10 million to \$12 million.

Aevum's strong balance sheet allows funding of the existing organic development pipeline and potentially, possible modest asset acquisitions at a time in the market when distressed sales opportunities may arise.

The existing pipeline of reserved sales and a larger contribution from development units is forecast to deliver increased cash flow in the second half of the financial year.

Management Commentary

According to Aevum Managing Director, Mr Steve Mann, the current economic climate presents challenges as well as opportunities for a company like Aevum which has a sound long term business model.

"It is disappointing to report a loss for the half year although this reflects a recognition of the market impact on the assets Aevum owns rather than the underlying quality of our operating business and the ongoing community demand for retirement accommodation," Mr Mann said.

"Aevum's strategy, of providing services which add value and a continuum of care with on-site aged care facilities, targets residents who need to make life changes rather than a discretionary lifestyle decision. This provides a level of ongoing demand for Aevum's villages which continue to have high occupancy rates".

"Due to the aging 'baby boomer' demographic, population growth of those over 65 years old is growing at twice the rate of the general population. This is a fundamental strength which will see the retirement living industry return to strong growth in the medium to long term" Mr Mann added.

About Aevum Limited

Aevum Limited is a long established owner, operator and developer of retirement villages and aged care facilities. Today it manages 21 facilities across Sydney, the Southern Highlands, coastal NSW and Western Australia providing retirement accommodation and services to over 2,600 Australian seniors. Aevum employs over 300 dedicated and committed staff.

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