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Company Announcements Office
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AEVUM RETURNS TO HEALTHY BUSINESS OPERATIONS

- Net operating cash flow increased 119% pcp to \$14.9m
- Net Profit After Tax increased to \$2.6m (negative \$15.0m pcp)
- Revaluation increment of \$7.8m (decrement of \$18.8m pcp)
- Gearing increased marginally at 24% (debt/ debt + equity)
- IOR merger complete 29 January 2010 to a national portfolio increasing 44% to 3,108 ILU/SA in 5 states and 83% increase in Aged Care with 367 beds
- Dividend of 2.0 cents per share declared

Commentary

Aevum Managing Director, Steve Mann said the results for the half year had improved significantly compared with the period last financial year, with the business returning to healthy core turnover operations, with unit sales for 8.8% of the portfolio on an annualised basis. Net Operating Cash Flow increased strongly, up 119% to \$14.9 million and Net Profit after tax was positive at \$2.6 million for the half year. With Village occupancy now stabilised at 90.4%, continued strong sales momentum is a key lever for cash flow in the second half.

Merger with IOR Group

Subsequent to balance sheet date, on 29 January 2010, Aevum completed the merger with IOR Group Limited (IOR). The merger represents a major milestone for Aevum, which is now one of the largest pure retirement living and aged care companies listed on the ASX. The merger creates a significantly larger business with a 44% increase in units/apartments to 3,108 with a national footprint providing increased market presence and a solid foundation for future growth.

Both companies entered into a Merger Implementation Agreement (MIA) under which Aevum acquired all of the shares of IOR. Each IOR shareholder received 8 new Aevum shares for every 9 IOR shares that they held, resulting in the issue to IOR shareholders of 48,275,105 new Aevum shares. Subsequent to this issue, the total issued shares of the Group amounts to 176,723,834.

The strategic rationale for the transaction includes management synergies, national growth platform and larger capital base which may lead to inclusion in the ASX 300 Index, and an enhanced development pipeline. Gearing for the combined group post merger was initially assessed as reducing to approximately 20%. The integration of IOR into Aevum's operating platform is expected to be completed by mid year, with synergy benefits realized from mid-2010.

Development progress

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

The sell through of the 68 completed units at four development projects has now reached 85% of all units sold to date. Construction at two further projects will be completed over the next few months for a further 26 units, increasing the potential for development sales in 2H10.

Aevum's development pipeline includes major construction/master planning at three sites, namely at The Willows, The Cove and Cardinal Freeman. Initial stages of development are underway with construction at The Willows forecast to commence early 2H10 and development applications submitted on both the other sites.

Balance Sheet

Net tangible assets per share as at 31 December 2009 remained stable at \$2.07 per share. At balance date gearing was 24%, with net debt of \$83.7 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 \$100 million and cash on hand was \$16 million.

Interim Dividend

The Directors have declared an interim dividend of 2.0 cents per security (pcp 2.0 cents) to be paid on 24 March 2010. The Directors remain confident of paying a similar final dividend.

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 2010. 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 15 March 2010.

Outlook

While economic conditions are expected to continue to show recovery, which will positively impact the operating performance of the company, the investment outlook for retirement living is more uncertain. The Directors expect the company to report growth in operating cash flow of 15% compared to the \$21.2m result recorded during the 2009 financial year.

Management Commentary

According to Aevum managing Director Steve Mann, the housing market continues to remain strong despite a record five consecutive periods of interest rate increases by the RBA, driven by undersupply in the sector, whilst there is strong population growth and low unemployment. These factors have seen an 81% increase in our turnover sales, with a good deposit pipeline and now stock on hand providing further opportunity for the second half of financial year 2010.

"Aevum has taken another strong step towards our vision as a leader in the retirement living sector, with the successful merger completed with IOR Group in January we are now one of the

largest pure retirement living and Aged care companies listed on the ASX. Aevum will focus on integrating the eight new villages onto its operating platform over the next few months with the objective of unlocking \$4 million of management cost savings.”

About Aevum Limited

Aevum Limited is a long established owner, operator and developer of retirement villages and aged care facilities. Today it manages 29 facilities across NSW, Victoria, South Australia, Queensland and Western Australia providing retirement accommodation and services to over 3,108 Australian seniors. Aevum also has four aged care facilities with 367 beds. Aevum employs over 600 dedicated and committed staff.

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