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Company Announcements Office
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**Aevum's strong FY2010 result delivers significant
profitability and operating cash flow growth**

Highlights

- Operating cash flow increased 37% to \$29.1m (FY2009: \$21.2m)
- Pro-forma underlying operating cash flow of circa \$40m after adjustments for IOR Group Limited ("IOR")⁽¹⁾
- Operating cash flow guidance of \$50m for FY2011, representing a ~25% increase from FY2010 pro-forma underlying operating cash flow
- Net profit after tax increased to \$28.6m (FY2009: \$12.2m loss)
- Underlying net profit after tax increased to \$19.3m⁽²⁾
- Successful integration of IOR, increasing the portfolio by 44% to 3,146 units across Australia, and delivering around \$4m pa of synergies
- NTA increased to \$2.02 per share up from the pro-forma NTA of \$1.95 per share post the IOR merger (based on a conservative discount rate of 13.88%)
- Gearing remains conservative at 21% (net debt / net debt + equity)
- Earnings per share of 19.2 cents (FY2009: loss of 9.7 cents per share)
- Final unfranked dividend declared of 3 cents per share (FY2009: Final 2 cents per share)

1) Pro-forma underlying operating cash flow adjusted for IOR transaction/integration costs of \$4.1m in FY2010; extraction of further \$1.0m pa synergies from IOR; and normalised full year IOR cash flow impact of additional \$6m pa

2) Underlying net profit after tax for FY2010 excludes \$9.0m one-off gain from acquisition accounting, \$4.4m taxation benefit but adds back one-off IOR transaction/ integration costs of \$4.1m

FY2010 Results Commentary

Aevum Managing Director Steve Mann said the result for the year had improved significantly compared with last year as the company made substantial progress and built business momentum. There was a 76% increase in turnover sales to 240 units (comprising a 46% increase for Aevum only to 199 units). Aevum achieved average sales price growth of 2.0% during FY2010, with 11 villages achieving Aevum's long term target of over 4.5%.

"The FY2010 result delivers on Aevum's focus of generating continued growth in operating cash flows, and reflects both the emerging benefits of the IOR merger and the strong performance of Aevum's underlying business" Mr. Mann said.

"It is pleasing to see operating cash flow increased strongly by 37% to \$29.1m, driven by the improvement in turnover sales."

Pro-forma underlying operating cash flow was approximately \$40m after adjustments relating to IOR⁽³⁾. Net profit after tax experienced a strong turnaround to a profit of \$28.6m and underlying net profit after tax increased to \$19.3m⁽⁴⁾.

Merger with IOR

On 29 January 2010, Aevum completed the merger with IOR. This has been a major milestone for Aevum in expanding the business to a national platform, with a 44% increase in retirement living units to 3,146 and an increase in Aged Care to 367 beds.

"We have now completed the integration of IOR into the Aevum management platform," Mr. Mann said. "The merger provided significant strategic benefits to the business, including approximately \$4m of management synergies, an expanded capital base, reduced gearing and an enhanced development pipeline.

"Aevum's strong track record of promptly integrating acquisitions onto Aevum's management platform and extracting synergy benefits means it is well placed to successfully take advantage of other acquisition opportunities. These acquisitions may include individual villages or businesses with a portfolio of assets."

Development Progress

Aevum has continued to progress its organic growth strategy of expanding retirement accommodation within its existing villages. Aevum's brownfield development pipeline of over 600 units is expected to provide a platform for significant further profit and cash flow growth.

Sales for the 140 completed development units at five projects have reached 70%. Completion of one project during the year and two projects integrated as part of the merger with IOR added 51 units to the development portfolio. Construction has commenced this year at two projects which will add a further 36 units, increasing the potential for strong development sales in FY2011.

3) Pro-forma underlying operating cash flow adjusted for IOR transaction/integration costs of \$4.1m in FY2010; extraction of further \$1.0m pa synergies from IOR; and normalised full year IOR cash flow impact of additional \$6m pa

4) Underlying net profit after tax for FY2010 excludes \$9.0m one-off gain from acquisition accounting, \$4.4m taxation benefit but adds back one-off IOR transaction/ integration costs of \$4.1m

Balance Sheet

Aevum's balance sheet and funding position remain strong. Following the merger with IOR, net tangible assets per share fell from \$2.07 per share as at 30 June 2009 to \$1.95 per share on a pro forma basis. As at 30 June 2010, Aevum's NTA has increased to \$2.02 per share. Aevum continues to use a discount rate for the purposes of determining NTA which is conservative relative to its peers (currently 13.88%).

The company has a committed \$150m debt facility with Westpac and ANZ, which is due for maturity in September 2011 and is currently drawn to \$115m, with all banking covenants continuing to be met. Net debt as at 30 June 2010 was \$94m and gearing of 21%, down slightly from 22% for the prior year, following the merger with IOR. Aevum generates strong operating cash flow and, unlike many of its peers, did not issue dilutive new equity during the global financial crisis.

Final Dividend

The Directors are pleased to declare a final unfranked dividend of 3 cents per share, making a total unfranked dividend of 5 cents per share in FY2010, compared with 4 cents for FY2009.

The company's Dividend Reinvestment Program will be suspended indefinitely.

Outlook

The Directors remain confident of a continued strong outlook and provide operating cash flow guidance for FY2011 of \$50 million, reflecting a full year contribution from the IOR villages, increased development stock available for sale and the continued improvement forecast for portfolio occupancy.

Aevum Managing Director, Steve Mann, noted that the company has delivered a strong improvement in turnover sales, up 46% (Aevum only) on last year, and its deposit pipeline is very solid at 26% of stock, which positions it well for continued growth this year.

"The broader housing market has experienced strong peaks in price growth and volumes during the year. However, the retirement living market has experienced more sustainable demand and growth. We expect to see continued strong demand this year for retirement living, despite the moderation forecast for the housing market, driven by under supply in the sector and strong population growth in the over 70 years seniors demographic."

"With the successful integration of the IOR villages completed, Aevum will benefit from improved management economies and is now well placed to continue to grow. We will maintain our focus on improving operating cash flow from our portfolio".

Stockland's Inadequate Takeover Offer Rejected

On 2 August 2010, Stockland Corporation Limited ("Stockland") announced that it proposed to make a conditional takeover offer for Aevum for \$1.50 cash per share. Aevum's Board has rejected the offer and strongly believes that Stockland's offer is inadequate, highly opportunistic and significantly undervalues Aevum.

Further details which support the Board's rejection of Stockland's offer will be provided in Aevum's Target's Statement, which is expected to be sent to Aevum shareholders in September 2010.

About Aevum Limited

Aevum Limited is a long established owner, operator and developer of retirement villages and aged care facilities. Today it manages 30 facilities across New South Wales, Victoria, Queensland, South Australia and Western Australia providing retirement accommodation and services to over 4,250 Australian seniors. Aevum also has four aged care facilities with 367 beds. Aevum employs over 580 dedicated and committed staff.

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