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Company Announcements Office
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AEVUM TO MERGE WITH IOR GROUP

- Will create one of the largest pure retirement and aged care companies on the ASX.
- Expected to be EPS and Operating Cash Flow accretive from FY11
- Decreases Aevum's gearing from 22% to 19%
- Increased market capitalisation and potential liquidity
- Potential for S & P/ ASX 300 inclusion
- Graham Lenzner and Steven Mann will continue as Chairman and Managing Director

Aevum Limited ('Aevum') (ASX: AVE) and IOR Group Limited ('IOR') are pleased to announce that they have entered into a Merger Implementation Agreement ('MIA') under which Aevum will acquire all of the shares in IOR (the 'Proposal'). Under the Proposal each IOR shareholder will receive 8 new Aevum shares for every 9 IOR shares that they hold (which is expected to comprise a total issue to IOR shareholders of 48,275,000 new Aevum shares)¹.

The merger represents a major milestone for both companies and the merged entity will be one of the largest pure retirement and aged care companies listed on the ASX.

Commenting on the Proposal, Aevum Chairman Graham Lenzner said, 'We are very proud to announce the merger of Aevum and IOR. The merger creates a significantly larger business with a national footprint, increased market presence and scale and provides a solid foundation for future growth. The merger is expected to be earnings per share accretive in FY11, it will enhance group cash flows and reduce overall gearing'.

Mr. Lenzner said, 'IOR village residents can rest assured that the villages they live in will maintain the high standards of care and quality to which they have grown accustomed.'

Aevum Managing Director, Steve Mann said IOR was a good strategic fit.

'The merged group will have a substantial national footprint with a strong position in New South Wales and a presence in Victoria, Queensland, South Australia and Western Australia, which will see us well positioned for further growth.'

'Synergies will flow from leveraging Aevum's high quality systems and processes and the benefits that will flow from consolidating under Aevum's brand nationally', Mr. Mann said.

¹ This ratio may vary depending on the outcome of resolutions to be considered at IOR's AGM in November 2009, but no more than 48,275,000 new Aevum shares will be issued.

Graham Lenzner and Steven Mann will continue as Chairman and Managing Director respectively of the merged entity and the other existing Directors of Aevum will also continue in their current roles. It is proposed that the current IOR Chairman, Margaret Campbell, will join the Aevum board upon completion of the Proposal.

Summary of the benefits of the Merger Proposal:

IOR has very attractive assets

- Consists of 8 villages with a total of 943 Independent Living Units (ILUs) and Serviced Apartments (SAs) and 165 Aged Care beds
- Attractive village occupancy rates with average occupancy across the portfolio of greater than 96% at June 2009
- All of the villages are well established, with 6 villages being at least 10 years old
- The profile of the residents is attractive with the average age of the residents being approximately 80 years old
- The potential for short, medium and long term development opportunities

Excellent strategic fit

- Adds significant scale to Aevum with the merged entity consisting of 29 villages, with more than 3,100 ILUs and SA and 360 Aged Care beds
- The merged group will have a substantial national footprint with a strong position in NSW and a presence in VIC, QLD, SA and WA
- Very similar cultures and operating philosophies – Continuum of Care business model

Positive financial impact

- The merger is expected to be EPS and Operating Cash Flow accretive from FY11
- Synergies are achieved, primarily by removal of duplicated head office costs with potential upside from operational efficiencies and enhancements
- Decreases Aevum's gearing from 22% to 19%
- Lower volatility of operating cash flows due to diversification and increased geographic spread
- Increases future growth opportunities to grow the business clusters in four states outside of NSW

Substantial capital markets benefits

- Broadening of share register
- Increased market capitalisation and potential liquidity
- Potential for S&P / ASX 300 index inclusion

Description of the Proposal

The merger is to be implemented by way of a scheme of arrangement between IOR and its shareholders ('Scheme'). Aevum will acquire 100% of the issued shares in IOR in consideration for each IOR shareholder receiving 8 new Aevum shares for every 9 IOR shares that they hold (which

is expected to comprise a total issue of 48,275,000 new Aevum shares)². Based on the closing price of Aevum shares on the ASX on 30 October 2009, the Proposal values the equity in IOR at \$73.9m which equates to \$1.36 per IOR share. The Proposal results in an equity split of 72.7% to 27.3% in favour of Aevum.

Graham Lenzner and Steven Mann will continue as Chairman and Managing Director respectively of the merged entity and the other existing Directors of Aevum will also continue in their current roles. It is proposed that the current IOR Chairman, Margaret Campbell, will join the Aevum board upon completion of the Proposal. Redundancies are expected to occur at the IOR board level and where duplication of head office activities exists.

The Proposal is subject to a number of conditions as set out in the MIA including IOR shareholder approval, regulatory approvals, Material Adverse Change conditions and other conditions that are typical for a transaction of this nature. Having regard to the commitments entered into as part of the IOR demutualisation, the Proposal is also subject to IOR achieving a compliance listing on the Australian Securities Exchange. A copy of the MIA is provided in the Appendix to this announcement.

Full CGT rollover relief is expected to be available for IOR shareholders in respect of the Aevum shares they would receive under the proposal.

The Directors of IOR unanimously recommend the Proposal, subject only to the Independent Expert concluding the Proposal is in the best interests of IOR shareholders and in the absence of a superior proposal.

All Directors of IOR have also confirmed their intention to vote all of the shares they hold directly and indirectly in favour of the Scheme subject to the Independent Expert concluding the Proposal is in the best interests of IOR shareholders and in the absence of a superior proposal.

Timing:

An Explanatory Booklet with full details of the Proposal, including an Independent Expert's Report, is expected to be dispatched to IOR shareholders in November 2009. The meeting to approve the Scheme is expected to be held in December 2009.

Advisers:

IOR has retained Cubis Consulting as Financial Adviser and Blake Dawson as Legal Adviser in connection with the Proposal.

Aevum has retained RBS Morgans as Financial Adviser and Minter Ellison as Legal Adviser in connection with the Proposal.

² See footnote above

Background to the Merger:

Overview of IOR:

For more than 27 years, IOR Group has owned and operated retirement village and aged care facilities in Australia. These communities care for a wide range of residents and offer a variety of lifestyle and support services within an active and enjoyment-focused culture. They are located in:

- **Queensland:** Salford Waters Retirement Estate at Victoria Point and Bellcarra Retirement Resort at Caloundra.
- **Victoria:** Salford Park Retirement Community in Wantirna, Gillin Park Retirement Community in Warrnambool and Tarneit Skies Retirement Village in Tarneit.
- **South Australia:** Unity Retirement Village and Salford Retirement Estate in Aberfoyle Park and Grange Retirement Estate in Grange.

The villages are set in landscaped gardens and located in close proximity to transport, shopping and recreation facilities. A variety of opportunities exist for participation in the social life of each village. The safety and security of residents is a priority with 24 hour emergency call systems.

The company's current portfolio comprises 800 ILUs, 143 SAs, 165 aged care places across 8 retirement villages. In addition the Victorian assets have vacant land for 40 ILUs and 18 SAs at Gillin Park and 36 ILUs at Tarneit Skies, together with substantial medium term redevelopment potential at Salford Park.

Overview of Aevum:

Aevum Limited is a long established owner, operator and developer of retirement villages and aged care facilities. Today it is the largest for-profit operator of retirement living villages in NSW managing 21 facilities across Sydney, coastal NSW and Western Australia. Aevum provides retirement accommodation and services to over 2,600 Australian seniors. Aevum employs over 340 dedicated and committed staff.

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