

# AVENTUS RETAIL PROPERTY FUND

2016 ANNUAL REPORT





# CONTENTS

01	Letter from the Chairman and CEO	4
02	<b>FUND REVIEW</b>	
	Key Achievements	6
	About Aventus	8
	Our Property Portfolio	10
	Delivering on Strategy	12
	Portfolio Achievements	14
03	<b>GOVERNANCE</b>	
	Board of Directors	16
	Corporate Governance	18
04	<b>FINANCIALS</b>	
	Financial Report	27

## IMPORTANT NOTICE

This document contains certain forward-looking statements along with certain forecast financial information. The words “anticipate”, “believe”, “expect”, “project”, “forecast”, “guidance”, “estimate”, “outlook”, “upside”, “likely”, “intend”, “should”, “could”, “may”, “target”, “plan”, and other similar expressions are intended to identify forward-looking statements. The forward-looking statements are made only as at the date of this document and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of AVN. Such statements reflect the current expectations of AVN concerning future results and events, and are not guarantees of future performance. Actual results or outcomes for AVN may differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements or forecasts. Other than as required by law, although they believe that there is a reasonable basis for the forward-looking statements, neither AVN nor any other person gives any representation, assurance or guarantee (express or implied) that the occurrence of these events, or the results, performance or achievements expressed in or implied by any forward-looking statements contained herein will actually occur and you are cautioned not to place undue reliance on such forward-looking statements. Risk factors (which could be unknown or unpredictable or result from a variation in the assumptions underlying the forecasts) could cause actual results to differ materially from those expressed, implied or projected in any forward-looking statements or forecast. Past performance is not an indicator or guarantee of future performance or results.



“THE COMBINATION OF ACTIVE PORTFOLIO MANAGEMENT, VALUE ADDING DEVELOPMENTS AND STRATEGIC ACQUISITIONS HAVE CONTRIBUTED TO A TOTAL UNITHOLDER RETURN FROM THE FUND OF 24.7%.”

**DARREN HOLLAND**

Chief Executive Officer and Executive Director



Tuggerah Super Centre (NSW)

(COVER) Belrose Super Centre (NSW)



# LETTER FROM THE CHAIRMAN AND CEO

## DEAR UNITHOLDERS,

On behalf of the Directors of Aventus Capital Limited (ACL), the responsible entity of Aventus Retail Property Fund (AVN or the Fund), we are pleased to present AVN's inaugural annual report, including the audited financial statements, for the period ended 30 June 2016.

The Fund has produced impressive results for Unitholders in FY16 and since the IPO in October 2015:

- > FFO earnings of 11.7 cpu exceeded the forecast of 11.2 cpu in the Fund's PDS
- > Distributions of 10.3 cpu exceeded the forecast of 10.1 cpu in the Fund's PDS
- > Growth in Net Tangible Assets (NTA) per unit to \$2.02 from \$1.89 per unit, up 6.9% at December 2015
- > Total unitholder return (distributions plus unit price growth since IPO) of 24.7%
- > Boosted the size of the AVN property portfolio (AVN Portfolio) to 20 Large Format Retail (LFR) centres with a total portfolio value of \$1,273m, up 31% from \$976m at December 2015.

### Accretive Acquisitions

During FY16, the Fund acquired 7 Large Format Retail (LFR) centres valued at \$265.4m in predominately metropolitan locations.

These acquisitions are consistent with the Fund's strategy to consolidate ownership in the highly fragmented LFR sector and to be the leading LFR pure-play landlord in Australia.

### Value Adding Developments

Two of the Fund's development projects at Peninsula Home (Victoria) and Tuggerah Super Centre (New South Wales) achieved practical completion in FY16 on time and on budget. Key highlights include:

- > The expansion at Peninsula Home including a 165-seat restaurant and an ALDI supermarket that capitalises on zoning reforms in Victoria
- > The repositioning and revitalisation of Tuggerah Super Centre securing a number of new tenants including Petstock, Service NSW and Adairs.

The Fund has also obtained three planning approvals allowing for further expansion across the portfolio.

In FY16, the Fund increased its land bank (total site area) to 1,094,833 sqm.

### Disciplined Capital Management

The Fund also instigated a number of capital management initiatives to maintain balance sheet flexibility during the period.

Key highlights include:

- > A well supported entitlement offer which raised \$104.5m
- > A new \$100.0m 5-year tranche under the existing debt facility expiring in 2021
- > Activated Distribution Reinvestment Plan (DRP) as a component of long term capital management. The DRP provides a measured and efficient means of raising additional equity from existing Unitholders.

The gearing of the Fund as at 30 June 2016 is 35.7% and within the target range of 30%-40%

### Optimising the Portfolio

The AVN Portfolio assets continue to perform well with high occupancy, positive leasing spreads and low incentives.

Key highlights include:

- > 97.7% occupied and Weighted Average Lease Expiry (WALE) of 4.1 years
- > 84% of portfolio leased to national retailers and 33% leased to non-household category uses
- > 80% of all leases have annual fixed or CPI increases
- > 91 leases over GLA of 73,000 sqm were signed during the financial year which significantly reduced the FY17 lease expiries of 18% at the IPO to 12% as at 30 June 2016.

## Our Mission and Objective:

To be the leading LFR pure-play landlord in Australia by consolidating the highly fragmented LFR sector through portfolio management and acquisitions.

To provide Unitholders with stable, secure and growing income returns and potential for capital growth through new acquisitions and value enhancing development opportunities.



The Fund also received strong property revaluations of \$86.5m, equal to a 9.6% increase across the portfolio during the year.

The increase in valuations is the result of annual rental growth, completion of a number of asset management and development initiatives, together with a reduction in capitalisation rate. The Weighted Average Capitalisation Rate (WACR) of the portfolio tightened to 7.53% as at 30 June 2016, representing a 48 basis point compression since the IPO.

The Fund is delivering its four key growth initiatives to drive long term value creation and sustainable earnings growth.

### Changes to the Board

We would like to acknowledge changes to the Board of the responsible entity. We are delighted to welcome Nico van der Merwe to the Board as a Non-Executive Director. He replaces Tracey Blundy as the BB Retail Capital representative on the Board and is Chief Financial Officer of BB Retail Capital. Nico has over 30 years' experience in commercial roles across the retail, real estate and cattle industry sectors.

We would also take this opportunity to acknowledge and thank Tracey for her contribution during the establishment of the Fund. Her leadership and insights were extremely valuable during the IPO and entitlement offer.

### Delivering on Strategy

The Board is committed to its core strategy of active portfolio management, overseeing value adding development projects, capturing benefits from changes to zoning reforms and participating in sector consolidation to enhance Unitholder returns.

In light of the successful execution of our strategy, we are pleased to forecast FY17 FFO guidance of 17.5 – 18.0 cents per unit which is 5.4% - 8.4% higher than the annualised 1H2017 PDS forecast.

This equates to a distribution forecast of 15.8 – 16.2 cents per unit based on a payout ratio of 90% of FFO.

On behalf of the Board and Management, we would like to thank our loyal Unitholders for their investment in the Fund, and our retailers and customers who visit our centres for their continued support.

**BRUCE CARTER**  
Chairman



**DARREN HOLLAND**  
CEO and Executive Director



## KEY ACHIEVEMENTS

### FINANCIAL HIGHLIGHTS

# \$41.0m

FUNDS FROM OPERATIONS (FFO)

# 11.7

cpu

FFO PER UNIT

# 10.3

cpu

DISTRIBUTIONS PER UNIT





## CAPITAL MANAGEMENT

**35.7%**

GEARING

(WITHIN TARGET RANGE OF 30-40%)

**\$2.02**

NTA PER UNIT (UP BY 6.9%  
AS AT 31 DECEMBER 2015)

**3.2%**

FORECAST COST  
OF DEBT FOR FY17

## PORTFOLIO PERFORMANCE

**97.7%**

OCCUPANCY

(IMPROVED 50 BASIS POINTS  
FROM 97.2%)

**7.53%**

PORTFOLIO CAP RATE

(DOWN FROM 7.88%  
AS AT 31 DECEMBER 2015)

**9.6%**

PORTFOLIO

VALUATION INCREASE



# ABOUT AVENTUS

Aventus Retail Property Fund (AVN or the Fund) (ARSN 608 000 764) is a managed investment trust that was listed in October 2015 to invest in Australian retail property, focusing predominantly on Large Format Retail (LFR) centres. The LFR property sector is a substantial component of the Australian retail property sector and accounts for approximately 30% of total occupied retail floor space.

As at 30 June 2016, the Fund owned 20 LFR centres in NSW, QLD, VIC, SA and WA valued at approximately \$1.3bn. The AVN Portfolio is diversified by tenant base, with national retailers representing 84% of the total Portfolio by Gross Lettable Area. Approximately 80% of gross annual income is subject to annual fixed or CPI-linked rent increases. The AVN Portfolio has minimal exposure to turnover based leases which mitigate against the risk of a downturn in retail sales.

Aventus Capital Limited (ACL or the Company) (ACN 606 555 480) was granted an Australian Financial Services Licence (AFSL No. 478061) and appointed the responsible entity of the Fund on 11 March 2016.

The Fund has appointed 2 Aventus Property Group (APG) companies: Aventus Funds Management Pty Ltd and Aventus Property Services Pty Ltd to provide fund and property management services.

APG is a specialist fund and asset manager of LFR centres and the APG management team provides key

investment management functions including asset management, leasing, marketing, acquisitions and development, providing an end-to-end service to manage and identify value add opportunities across the investment cycle.

## Key Elements of the Fund's Approach to Portfolio Acquisitions

- > Generation of stable income returns predominantly backed by quality national retailers
- > Potential for capital gains and positive rental growth
- > Opportunity to add value add through active asset management
- > Zoning and repositioning potential
- > Strategic locations such as growth corridors, large catchment areas and areas with high propensity towards household goods spending
- > Ability to leverage existing tenant relationships.



Logan Super Centre (QLD)



“AVENTUS PROPERTY PRIDES ITSELF ON BEING PROACTIVE, HANDS ON AND VISIBLE. WE UNDERSTAND RETAIL.”

**DARREN HOLLAND**

Chief Executive Officer and Executive Director

### Key Elements of the Fund's Approach to Portfolio Developments

The Fund is always seeking to expand, reposition or revitalise existing properties in order to enhance asset quality. It applies a disciplined approach and takes reasonable steps to mitigate the development and delivery risk, including securing leasing pre-commitments and entering into fixed price contracts with builders and other service providers. The Fund limits development activities to no more than 15% of the gross asset value of the Fund per annum.

### Conservative Capital Structure

The Fund has adopted a conservative approach to the management of its capital structure to maintain balance sheet flexibility. The Fund's target gearing range is between 30%–40%.



# OUR PROPERTY PORTFOLIO

<b>20</b>	<b>5</b>	<b>97.7%</b>	<b>477</b>	<b>472,640</b>
PROPERTIES	STATES	TOTAL OCCUPANCY	TENANCIES	SQM GROSS LETTABLE AREA (GLA)

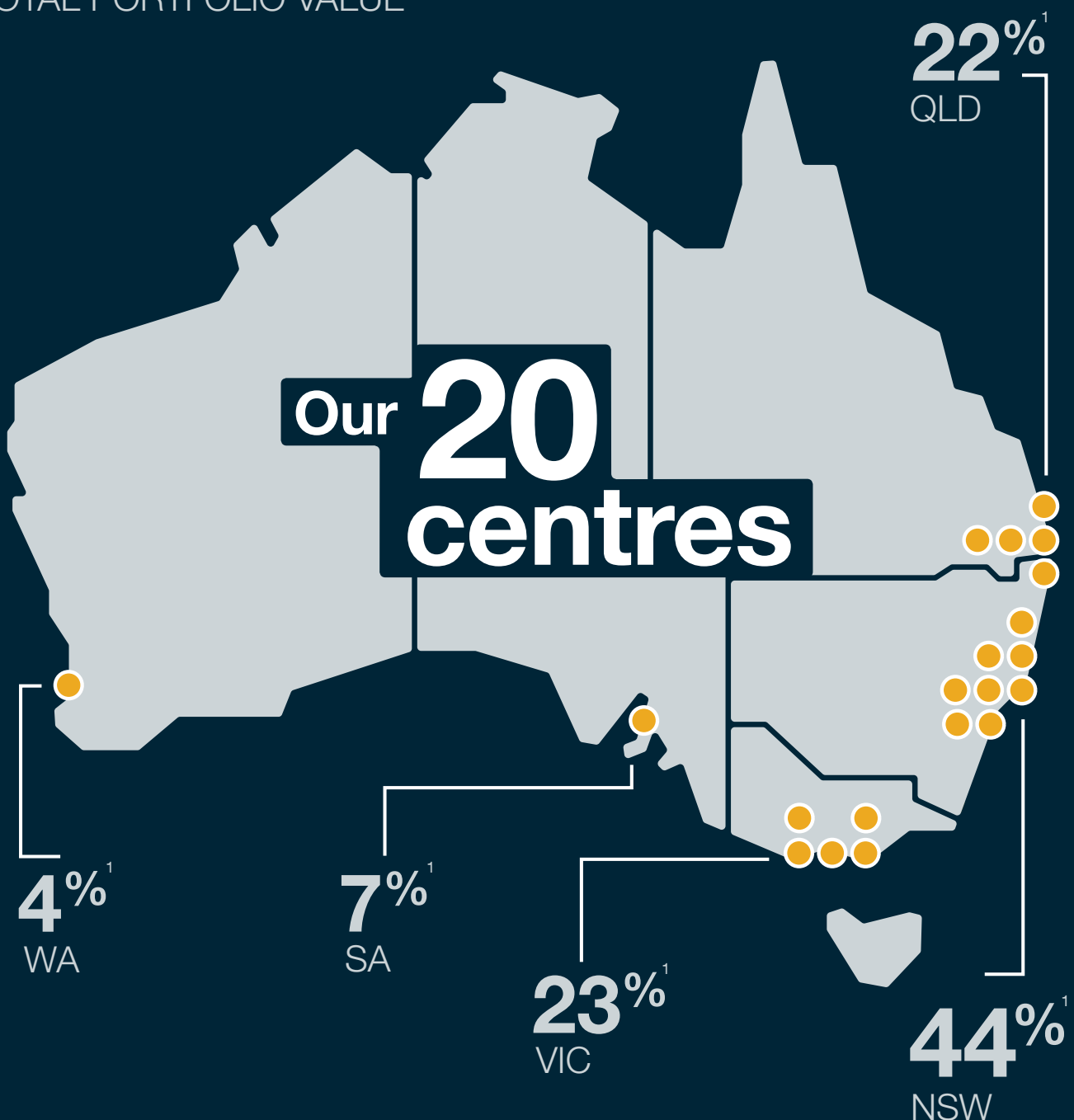
PROPERTY	30 June 2016 value (\$m)	Cap rate	GLA (sqm)	Site Area (sqm)	Total Occupancy	WALE (years)	# of Tenancies
<b>NEW SOUTH WALES</b>							
Bankstown Home	53.3	7.25%	17,171	40,240	100%	2.6	20
Belrose Super Centre	128.4	7.06%	34,338	44,265	100%	5.1	43
Caringbah Home	88.4	7.75%	19,377	22,818	100%	2.0	26
Highlands Hub	29.8	8.00%	11,404	31,890	98%	4.5	14
Kotara Home South	107.0	7.00%	29,148	53,390	98%	4.6	22
McGraths Hill Home	36.1	7.25%	16,478	37,840	100%	3.1	9
Tuggerah Super Centre	60.5	7.00%	28,907	71,570	93%	7.4	22
Tweed Hub	30.2	8.00%	9,763	26,200	92%	3.2	17
Warners Bay Home	33.3	8.00%	12,337	35,140	100%	3.1	12
<b>VICTORIA</b>							
Ballarat Home	36.5	8.00%	20,098	52,084	100%	5.5	15
Cranbourne Home	120.1	7.35%	54,316	193,900	98%	7.4	32
Epping Hub	40.0	8.00%	22,141	59,770	96%	2.7	30
Peninsula Home	71.7	8.00%	33,064	84,651	99%	3.6	30
Shepparton Home	21.6	8.00%	13,661	30,290	81%	4.9	11
<b>QUEENSLAND</b>							
Jindalee Home	103.9	7.56%	26,475	72,030	99%	3.3	58
Logan Super Centre	81.9	7.25%	26,998	26,790	98%	2.6	28
Macgregor Home	26.1	7.75%	12,505	29,128	100%	1.3	6
Sunshine Coast Home	66.8	7.50%	27,584	68,877	97%	3.7	32
<b>WESTERN AUSTRALIA</b>							
Midland Home	54.5	8.00%	23,411	42,640	100%	3.8	18
<b>SOUTH AUSTRALIA</b>							
Mile End Home	83.2	8.00%	33,464	71,320	98%	3.1	32
<b>TOTAL PORTFOLIO</b>	<b>1,273.3</b>	<b>7.53%</b>	<b>472,640</b>	<b>1,094,833</b>	<b>97.7%</b>	<b>4.1</b>	<b>477</b>



## OUR DIVERSIFIED AND GROWING PORTFOLIO

**\$1,273.3m**

TOTAL PORTFOLIO VALUE



1. By value

# DELIVERING ON STRATEGY

## 01

### PORTFOLIO MANAGEMENT

#### INITIATIVE

Optimise and broaden the tenancy mix through proactive leasing, leveraging retailer relationships and delivering operational excellence.

#### OUTCOME

The portfolio continues to perform well with high occupancy, positive leasing spreads and low incentives.

## 02

### DEVELOPMENT PIPELINE

#### INITIATIVE

Identify and deliver value enhancing development opportunities within the existing portfolio.

#### OUTCOME

Completion of revitalisation of Tuggerah Super Centre, expansion of Peninsula Home and gaining planning approvals for three developments to expand the development pipeline.





“ THE FUND IS DELIVERING ITS FOUR KEY GROWTH INITIATIVES TO DRIVE LONG TERM VALUE CREATION AND SUSTAINABLE EARNINGS GROWTH. ”

BRUCE CARTER  
Chairman

## 03 CONSOLIDATION OPPORTUNITIES

### INITIATIVE

Selective acquisitions to enhance the Fund's portfolio and entrench the Fund as the leading pure-play LFR landlord in Australia.

### OUTCOME

Acquired seven centres valued at \$265.4m, growing the Fund's portfolio to \$1.3bn and LFR ownership market share (by GLA) to 12%.

## 04 POTENTIAL BENEFITS FROM ZONING & PLANNING REFORMS

### INITIATIVE

Take advantage of regulatory reforms in zoning and planning regimes for the existing portfolio.

### OUTCOME

Acted on recent reforms in Victoria resulting in the introduction of an Aldi supermarket to Peninsula Home, with active work through the Large Format Retail Association for more flexible zoning in other states.



## PORTFOLIO ACHIEVEMENTS

### PORTFOLIO VALUE

# \$1,273<sub>m</sub>

(UP 31% FROM \$976M AT DECEMBER 2015)

### 91 LEASES OVER GLA

## 73,000<sub>sqm</sub>

FOR THE YEAR ENDED 30 JUNE 2016  
WITH LOW INCENTIVES AND  
POSITIVE LEASING SPREAD

### STABLE WALE OF

## 4.1 years

COMPARED TO 3.8 YEARS  
AT MARCH 2016



Kotara Home South (NSW)



# 80%

OF LEASES HAVE ANNUAL  
FIXED OR CPI INCREASES

# 33%

OF LEASES COMPRISE  
NON-HOUSEHOLD USES

# 84%

OF LEASES COMPRISE  
NATIONAL RETAILERS



## BOARD OF DIRECTORS



**BRUCE CARTER**  
Independent  
Non-Executive Chairman



**DARREN HOLLAND**  
Chief Executive Officer  
and Executive Director

The Board of Aventus Capital Limited comprises five directors, three of whom are independent, including an independent chairman.

The directors bring valuable experience and skills, including industry and business knowledge, financial management and corporate governance experience.

Bruce has spent over 30 years in corporate recovery and insolvency. Bruce is a consultant at Ferrier Hodgson in Adelaide. He was formerly a partner at Ernst & Young, Chair of the South Australian Economic Board and a member of the Executive Committee of Cabinet.

Bruce is currently Chair of the Australian Submarine Corporation, Deputy Chair of Sky City Entertainment Group and a Director of the Bank of Queensland.

Bruce holds a Masters of Business Administration from Heriot-Watt University and a Bachelor of Economics from the University of Adelaide. He is a Fellow of both the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.

Darren has more than 23 years' experience in the retail property industry. He is experienced in leasing, development, asset management and acquisitions and has grown assets under management from one centre in 2004 to 20 centres at the date of this report, valued at \$1,273 million.

Prior to joining Aventus Property Group, Darren played a leading role in the development and management of the only other pure-play listed LFR owner and operator to date, Homemaker Retail Group (ASX: HRP).

Darren holds a Bachelor of Business (Land Economics) from the University of Western Sydney and is a Registered Valuer and Licensed Real Estate Agent.





**TRACEY BLUNDY**  
Non-Executive Director

Tracey joined BB Retail Capital in 1981 and is the nominated representative of BB Retail Capital on the Board of Aventus Capital Limited. Over the past 30 years she has held a number of senior executive positions across BB Retail Capital's businesses.

Tracey is currently a board-level advisor across the BB Retail Capital portfolio.

In addition to her property experience and breadth of public markets experience, Tracey brings in-depth knowledge and expertise of the retail sector having previously been Chief Executive Officer of both Sanity Entertainment and Bras N Things.



**KIERAN PRYKE**  
Independent  
Non-Executive Director

Kieran has over 25 years' experience in the property industry. He spent 9 years in various finance roles across the construction, development and investment management divisions with Lend Lease Corporation before becoming CFO of General Property Trust in 1996. He remained CFO of GPT during and after the internalisation of management of GPT. Kieran was CFO of Australand Property Group between 2010 and 2014. He is currently CFO of Grocon Pty Limited.

Kieran holds a Bachelor of Commerce (Accounting) from the University of Wollongong and is a Fellow of CPA Australia.



**ROBYN STUBBS**  
Independent  
Non-Executive Director

Robyn has more than 25 years' experience with blue chip companies in senior marketing, sales, leasing and broader management roles across retail property, media and fast moving consumer goods. She has a deep understanding of these sectors and has led multi-disciplinary teams across leasing, sales and marketing, operations, strategy and research, sustainability, events, PR, editorial and new product development functions.

After 8 years as a General Manager at Stockland, Robyn is currently completing a Master of Science in Coaching Psychology at the University of Sydney, and working as an Executive Coach on a project by project basis with Executive Coaching International.

Robyn is a graduate of the Australian Institute of Company Directors and a University Medal winner with a Business degree from the University of Technology Sydney.

# CORPORATE GOVERNANCE STATEMENT

The establishment of the corporate governance framework by Aventus Capital Limited (ACN 606 555 480) (ACL) as responsible entity for the Aventus Retail Property Fund (the Fund or AVN) (ARSN 608 000 764) has been guided by the Corporate Governance Principles and Recommendations (3rd Edition) published in July 2014 by the ASX Corporate Governance Council, (ASX Corporate Governance Principles), and further ASX recommendations on how externally managed listed entities should apply and make disclosures.

This corporate governance statement is accurate and up to date as at 17 August 2016 and has been approved by the board of ACL and relevant corporate policies can be found at [www.ventusproperty.com.au](http://www.ventusproperty.com.au).

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Alternative to ASX Corporate Governance Principle 1.1 for externally managed listed entities.

*The responsible entity as manager of an externally managed listed entity should disclose:*

- (a) *The arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; and*
- (b) *The role and responsibility of the board of the responsible entity for overseeing those arrangements.*

The Fund is a registered managed investment scheme listed on the Australian Securities Exchange (ASX).

The Responsible Entity is Aventus Capital Limited (ACL), a wholly owned subsidiary of Aventus Property Group Pty Ltd (APG) and a member of the Aventus Property Group (the Group). On 11 March 2016, ACL was issued an Australian Financial Services Licence (AFSL) number 478061 and appointed the Responsible Entity of the Fund.

The board of ACL (Board) is responsible for the management, administration and overall corporate governance of the Fund, in each case including the protection of Unitholders' interests, developing strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board has adopted a Charter to outline the manner in which its constitutional powers and responsibilities will be exercised and discharged, having regard to principles of good corporate governance, international best practice and applicable laws.

The Board Charter and the charters adopted by the Board for its standing committees have been prepared and adopted on the basis that strong corporate governance can add to the performance of ACL and AVN, create Unitholder value and engender the confidence of the investment market.

The Charter is reviewed by the Board as required, and at least annually.

The key responsibilities/functions of the Board include:

- > contributing to and approving management development of strategy for AVN, including setting performance objectives and approving operating budgets;
- > reviewing, ratifying and monitoring systems of risk management and internal control, and ethical and legal compliance. This includes reviewing procedures to identify the main risks associated with the responsible entity and AVN and the implementation of appropriate systems to manage these risks;
- > monitoring performance and implementation of strategy and policy for AVN;
- > approving operating budgets, major capital expenditure, acquisitions and divestitures, monitoring capital management, and approving any transactions or matters in excess of authority levels delegated to management;
- > monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting, and ensuring compliance with financial reporting requirements;
- > approving the declaration of distributions to Unitholders in accordance with the constitution of AVN;
- > developing and reviewing corporate governance principles and policies; and
- > performing such other functions as are prescribed by law or are assigned to the Board.

Directors may delegate their powers as they consider appropriate. However, ultimate responsibility for strategy and control rests with the Board.

The Board Charter is available to view in the Policies and Procedures Section at [www.ventusproperty.com.au](http://www.ventusproperty.com.au)

Companies within the Group have assumed the provision of fund and property management services to ACL and/or AVN in respect of the AVN Portfolio.

Under the Management Services Agreement, Aventus Funds Management Pty Ltd (the Fund Manager):

- > develops strategic objectives for the Fund for consideration by the Board;



- > implements the Fund strategy and budgets approved by the Board;
- > is primarily responsible for all aspects of the day-to-day running of the Fund, including financial performance, reporting, risk and compliance; and
- > provides other investment management services, including marketing, acquisitions, developments, and day-to-day management of AVN's assets.

Under the Property and Development Management Agreement, Aventus Property Services Pty Ltd (the Property Manager) manages each property in the AVN Portfolio from time to time, including marketing, leasing, tenant liaison, development and capital expenditure management and other usual services provided by a property and development manager.

#### Recommendations that do not apply to externally managed listed entities:

ASX Recommendation 1.2	ASX Recommendation 1.3
ASX Recommendation 1.4	ASX Recommendation 1.5
ASX Recommendation 1.6	ASX Recommendation 1.7

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

ASX Recommendation 2.3 – The responsible entity in its corporate capacity should disclose:

- the names of the directors considered to be independent directors; and
- if a director has an interest, position, association or relationship that may cause doubt about the independence of a director, but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- the length of service of each director.

ACL's Board is comprised of five directors, three of whom are independent, including an independent Chairman. The Directors bring relevant experience and skills to the Board, including

business and industry knowledge, financial management and corporate governance experience.

The following Directors meet the criteria to be classified as independent:

- > Bruce Carter (Chairman and Non-Executive Director) – appointed 22 June 2015
- > Robyn Stubbs (Non-Executive Director) – appointed 30 September 2015
- > Kieran Pryke (Non-Executive Director) – appointed 30 September 2015

The other directors are:

- > Darren Holland (Executive Director) CEO of the APG Group – appointed 22 June 2015
- > Tracey Blundy (Non-Executive Director) the nominated representative of BB Retail Capital – appointed 30 September 2015

#### Recommendations that do not apply to externally managed listed entities:

ASX Recommendation 2.1	ASX Recommendation 2.2
ASX Recommendation 2.4	ASX Recommendation 2.5
ASX Recommendation 2.6	

## PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

ASX Recommendation 3.1 – The responsible entity in its corporate capacity should:

- establish a code of conduct for its directors, senior executives and employees; and
- disclose that code or a summary of it.

ACL is committed to a high level of integrity and ethical standards in all business practices. All directors, senior executives and employees of the Group companies must conduct themselves in a manner consistent with current community and Group standards and in compliance with all relevant legislation.

# CORPORATE GOVERNANCE STATEMENT (cont.)

The Code of Conduct approved by the Board of ACL outlines how the Group expects its representatives to behave and conduct business in the workplace on a range of issues. It includes legal compliance and guidelines on appropriate ethical standards.

The objective of the Code of Conduct is to:

- > provide a benchmark for professional behaviour throughout the Group;
- > support the Group's business reputation and corporate image within the community; and
- > make directors and employees aware of the consequences if they breach the policy.

Directors, senior executives and employees of APG are trained regularly on matters relating to ethical behaviour in the workplace.

The Code of Conduct is available to view in the Policies and Procedures Section at [www.ventusproperty.com.au](http://www.ventusproperty.com.au)

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

*ASX Recommendation 4.1 – The responsible entity as manager of an externally managed listed entity should:*

(a) have an audit committee which:

- (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
- (ii) is chaired by an independent director, who is not chair of the board, and disclose:
- (iii) the charter of the committee;
- (iv) the relevant qualifications and experience of the members of the committee; and
- (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have an audit committee, disclose the fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the

*processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

The Board has established an Audit, Risk and Compliance Committee (ARCC) to oversee the quality and integrity of accounting, audit, financial and risk management practices for AVN. The ARCC is comprised of only independent directors, and is chaired by an independent director who is not the Chairman of the Board.

The Board has developed a charter which sets out the Committee's role, responsibilities, composition, structure and membership requirements.

The Audit, Risk and Compliance Committee Charter is available to view in the Policies and Procedures Section at [www.ventusproperty.com.au](http://www.ventusproperty.com.au)

As stated in its Charter, the Committee's key responsibilities and functions are to:

- > oversee the responsible entity's relationship with AVN's external auditor and the external audit function generally;
- > oversee the preparation of the AVN's financial statements and reports;
- > oversee the responsible entity's financial controls and systems with respect to AVN;
- > manage the process of identification and management of risk for AVN; and
- > consider any matters relating to the affairs of AVN that have been delegated to it by the Board.

The external auditor is invited to ARCC meetings and also meets privately with the ARCC at least twice a year. The ARCC is comprised of independent directors only, all of whom have an appropriate level of financial and property industry expertise. More information on ARCC members can be found in the Directors' Report in the Annual Report.

The Board regularly assesses and has determined that members of the ARCC collectively have an appropriate level of financial and property industry expertise to discharge their responsibilities.

As at 30 June 2016 the members of the ARCC were: Kieran Pryke (Chair), Robyn Stubbs and Bruce Carter.



The ARCC has met 3 times during the reporting period and each Committee member has been present at every meeting.

*ASX Recommendation 4.2 – The responsible entity as manager of an externally managed listed entity should, before it approves the entity's financial statements for a financial period, receive from the CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained, and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.*

The Board receives a declaration provided in accordance with section 295A of the Corporations Act from the CEO and the Fund Manager that AVN's financial statements are founded on a sound system of risk management and internal control, and that the system is operating in all material respects in relation to financial reporting risks.

**Recommendation that does not apply to externally managed listed entities that do not hold regular Securityholder meetings:**

*ASX Recommendation 4.3*

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

*ASX Recommendation 5.1 – The responsible entity as manager of an externally managed listed entity should:*

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and*
- (b) disclose that policy or a summary of it.*

The responsible entity of AVN has significant obligations under the *Corporations Act 2001* (Cth) (Corporations Act) and the Listing Rules of ASX Limited (ASX) to keep the market fully informed of information which may have a material effect on the price or value of AVN's securities.

The Continuous Disclosure Policy has been established to ensure compliance with these requirements, and that the responsible entity discharges AVN's obligations by releasing information to the ASX in the form of an ASX release or, where appropriate, through disclosure of other relevant documents (the annual report, results announcements) and, where appropriate, by requesting a trading halt.

A Company Secretary of ACL is the ASX liaison person for AVN.

The Continuous Disclosure Policy is available to view under the Policies and Procedures Section at [www.aventusproperty.com.au](http://www.aventusproperty.com.au)

## PRINCIPLE 6: RESPECT THE RIGHTS OF UNITHOLDERS

### Provide information to investors

*ASX Recommendation 6.1 – The responsible entity as manager of an externally managed listed entity should provide information about itself and its governance to investors via its website.*

ACL provides the following information to Unitholders via its website:

- > all market sensitive information in the form of ASX announcements; and
- > distribution information, unit price performance, financial results and tax information and copies of presentations.

Funds such as AVN are not required by law to hold an annual meeting,

*ASX Recommendation 6.2 – The responsible entity as manager of an externally managed listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

ACL has approved an Investor Relations Policy to facilitate effective two-way communication with its Unitholders. A copy is available to view in the Policies and Procedures Section at [www.aventusproperty.com.au](http://www.aventusproperty.com.au)

# CORPORATE GOVERNANCE STATEMENT (cont.)

*ASX Recommendation 6.4 – The responsible entity as manager of an externally managed listed entity should give Unitholders the option to receive communications from, and send communications to, the entity and its security registry electronically.*

AVN Unitholders are able to elect to receive communications from, and send communications to, the entity and its security registry electronically.

In addition to the investor information on the website, other communications include:

- > the preparation and release of Annual and Half Year results presentations and annual reports;
- > web-casts of the presentation of Annual and Half Year results presentations;
- > meetings between senior executives and AVN's current and prospective Institutional Unitholders occurring after half year and full year results;
- > participation in institutional investor conferences both within Australia and overseas, providing an opportunity for both current and prospective Institutional Unitholders to learn about AVN's business activities and also meet with senior executives.

**Recommendation that does not apply to externally managed listed entities that do not hold regular Securityholder meetings:**

*ASX Recommendation 6.3*

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

*ASX Recommendation 7.1 – The responsible entity as manager of an externally managed listed entity should:*

- (a) have a risk committee or committees to oversee risk, each of which:
  - (i) has at least three members, a majority of whom are independent directors; and

(ii) is chaired by an independent director, and disclose:

(iii) the charter of the committee;

(iv) the members of the committee; and

(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a risk committee, disclose the fact and the processes it employs for overseeing the entity's risk management framework.

*ASX Recommendation 7.2 – The responsible entity as manager of an externally managed listed entity or a committee of the board should:*

(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

(b) disclose, in relation to each reporting period, whether such a review has taken place.

A risk management framework has been implemented under the oversight of the ARCC. The ARCC is responsible for reviewing, and reporting to the Board on the internal control and risk management systems of AVN and assessing the information presented by management. In addition, the ARCC regularly assesses whether the AVN compliance plan, internal financial control systems, risk management policies, the risk register and risk management systems are adequate.

A review of risk management framework has occurred during the reporting period.

### Managing Conflicts

A Conflicts of Interest & Related Party Transactions Policy has been established for identifying and managing conflicts.

The Policy provides guidance on the management of conflicts of interest arising between Group managed vehicles and their related parties and requires that:

- > related party transactions be identified and conducted on arm's length terms;



- > related party transactions be tested by reference to whether they meet market standards; and
- > decisions about transactions between APG managed vehicles and APG or its affiliates be made by independent members of the Board.

ACL has also established protocols for the Board in identifying and managing conflicts, including:

- > Board members must declare their interests as required under the Corporations Act, ASX Listing Rules and other general law requirements;
- > Board members with a material personal interest in a matter are not to be present at a Board meeting during the consideration of the matter and subsequent vote unless the Board (excluding the relevant Board member) resolves otherwise; and
- > Board members with a conflict not involving a material personal interest may be required to absent themselves from the relevant deliberations of the Board.

The Policy is available to view under the Policies and Procedures Section at [www.ventusproperty.com.au](http://www.ventusproperty.com.au)

The Policy also deals with actual, apparent or potential conflicts of interest which arise out of the fact that ACL (as part of APG) and AVN may transact from time to time or share staff or information with other APG companies or managed vehicles.

Personal conflicts that might arise generally for Directors and staff are also covered by the Code of Conduct referred to earlier in this Statement.

*ASX Recommendation 7.3 – The responsible entity as manager of an externally managed listed entity should:*

- (a) *disclose that it has an internal audit function, how the function is structured and what role it performs; or*
- (b) *if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*

Although the Group does not have a designated internal audit function, throughout the year internal audit tests are conducted to test the adequacy of controls for those risks which are inherently extreme or high. The Company Secretary will report findings to the ARCC.

## Sustainability

*ASX Recommendation 7.4 – The responsible entity as manager of an externally managed listed entity should disclose whether it has any material exposure to economic, environmental, and social sustainability risks and, if it does, how it manages or intends to manage those risks.*

The Group is committed to deliver value to all stakeholders through the adoption and implementation of sustainable policies, strategies and practices in its corporate activities and by continuously improving building performance, providing greater transparency over operations and committing to high standards of corporate governance.

To achieve this end, the Group will strive to:

- > maximise the performance and efficiency of portfolio assets to function at optimal levels;
- > provide timely, clear and consistent disclosures, and engage with key stakeholders; and
- > commit to high standards of corporate governance by upholding best practices in the areas of board management and risk governance

The Group is committed to reporting annually to our stakeholders from FY17.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

### Remuneration Committee

*ASX Recommendation 8.1 – The board of a listed entity should:*

- (a) *have a remuneration committee which:*
  - (i) *has at least three members, a majority of whom are independent directors; and*
  - (ii) *is chaired by an independent director, and disclose:*
  - (iii) *the charter of the committee;*
  - (iv) *the members of the committee; and*
  - (v) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*

# CORPORATE GOVERNANCE STATEMENT (cont.)

*(b) if it does not have a remuneration committee, disclose the fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

ACL has established a Remuneration Committee on the following terms:

- > only non-executive directors;
- > a minimum of 3 members;
- > a majority of independent directors; and
- > an independent director as chair.

The Board may appoint additional directors to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.

Non committee members, including members of management, may attend all or part of a meeting of the Committee at the invitation of the Committee Chair.

A Company Secretary, or his or her delegate, must attend all Committee meetings as minute secretary.

The responsibilities of the Committee are as follows:

- > review major changes and developments in the remuneration policies, superannuation arrangements, personnel practices and industrial relations for the Company and the Fund
- > review and recommend to the Board the remuneration arrangements for the Chairman and the non executive directors of the Board, including fees, travel and other benefits
- > liaise with member's of the Group in relation to setting short-term and long-term incentives, and recommend performance conditions for senior management to realise the strategy of the Fund and its objectives
- > approve the appointment of remuneration consultants for the purposes of the *Corporations Act 2001* (Cth)
- > be satisfied that the Committee, the Board and management have available to them sufficient information and external advice to ensure informed decisionmaking regarding remuneration

- > review and facilitate stakeholder engagement in relation to the Company's remuneration policies and practices
- > in discharging its responsibilities, the Committee must have regard to the following policy objectives:
  - > ensure the Company's remuneration structures are equitable and aligned with the interests of the Company, its shareholders, Unitholders of the Fund and having regard to relevant Company policies;
  - > attract and retain skilled non-executive directors;
  - > the Committee must at all times have regard to, and notify the Board as appropriate of, all legal and regulatory requirements, including any shareholder or Securityholder approvals which are necessary to obtain.

The Board will, once a year, review the membership and charter of the Committee to determine its adequacy for current circumstances and the Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.

The Remuneration Committee Charter is available to view in the Policies and Procedures Section at [www.ventusproperty.com.au](http://www.ventusproperty.com.au)

The Board has adopted a Securities Trading Policy which regulates the manner in which directors, senior executives and staff involved in the management of AVN can deal in AVN securities. The Policy specifies the periods in which personal trading is permitted, the restrictions that apply to directors and senior executives, and the procedures for obtaining prior clearance for trading during a trading window. Staff compliance with the Policy is monitored under the risk management framework. The Policy is subject to annual review by the Board, and has been lodged with the ASX.

The Securities Trading Policy is available to view in the Policies and Procedures Section at [www.ventusproperty.com.au](http://www.ventusproperty.com.au)

## Recommendations that do not apply to externally managed listed entities:

ASX Recommendation 8.1  
ASX Recommendation 8.2

ASX Recommendation 8.3



## Alternative to ASX Corporate Governance Principle 8 for externally managed listed entities

*An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.*

### AVN's management arrangements

The following is a high level summary of AVN's current management arrangements addressing the disclosure recommended in ASX Guidance Note 26.

#### Management Services Agreement / Property Management and Development Agreement

Key related party transactions between the Aventus Retail Property Fund (AVN) and the Aventus Property Group (APG) are determined by the Management Services Agreement, and the Property and Development Management Agreement. Key details were disclosed in the PDS lodged with ASIC on 30 September 2015 and are summarised below.

Term	<ul style="list-style-type: none"><li>&gt; The Initial Term of the Management Services Agreement and the Property Management and Development Agreement is 10 years (expiring 19 October 2025).</li><li>&gt; Both agreements will continue for Successive Terms of 5 years unless terminated in accordance with the respective management agreements.</li></ul>
Termination Rights	<ul style="list-style-type: none"><li>&gt; Aventus Capital Limited ("Responsible Entity" or "ACL"), Aventus Funds Management Pty Limited ("Manager") and Aventus Property Management Pty Limited ("Property Manager") each have termination rights under the respective management agreements which include events relating to unresolved material breaches, insolvency and loss of control.</li><li>&gt; In the event ACL ceases to be the Responsible Entity and is not replaced by a member of the APG group, or loss of control of the Manager or Property Manager occurs, APG will receive 12 months of fees prior to termination.</li><li>&gt; The Property Management and Development Agreement will also cease to apply to an individual property where AVN no longer holds, directly or indirectly, at least 50% of the property.</li><li>&gt; Where ACL ceases to be the Responsible Entity and is not replaced by a member of the APG group, BBRC Retail Capital Pty Limited has a right to acquire the Kotara Home South property at a price determined by independent valuations.</li></ul>

### Fee Summary

#### Management Services Agreement (Funds Management)

The following fees are payable to Aventus Funds Management Pty Limited.

Fee Type	Basis of Calculation
Investment management fees	<ul style="list-style-type: none"><li>&gt; 0.6% per annum of the Gross Asset Value ("GAV") of AVN up to \$2.0 billion; and</li><li>&gt; 0.5% per annum of the GAV in excess of \$2.0 billion.</li></ul>
Performance fees	<ul style="list-style-type: none"><li>&gt; 20% of the percentage by which the total return of AVN exceeds a hurdle of 12%. This is calculated as: 20% x Overperformance % x Closing NTA plus any Carry Forward Overperformance from prior periods.</li><li>&gt; Total investment management fees and performance fees payable in any one year are capped at 1% of GAV of AVN. Any excess is carried over to subsequent Performance Fee periods.</li></ul>

# CORPORATE GOVERNANCE STATEMENT (cont.)

## Property Management & Development Agreement (Property Management)

The following fees are payable to Aventus Property Management Pty Limited.

Fee Type	Basis of Calculation
<b>Asset &amp; property management fees</b>	<ul style="list-style-type: none"> <li>&gt; 4% of the annual gross rent* of a property.</li> <li>&gt; Recovery of property employee costs.</li> </ul>
<b>Leasing fees</b>	<p><b>New tenants</b></p> <ul style="list-style-type: none"> <li>&gt; 15% of gross rent* for the first year of the lease term.</li> </ul> <p><b>Existing tenants not exercising an option</b></p> <ul style="list-style-type: none"> <li>&gt; 10% of gross rent* for the first year of a new lease or additional leased space.</li> </ul> <p><b>Existing tenants exercise an option</b></p> <ul style="list-style-type: none"> <li>&gt; 7% of gross rent* for the first year of the renewed lease.</li> </ul> <p><b>Market rent reviews</b></p> <ul style="list-style-type: none"> <li>&gt; 7% of the increase in rent payable. Relates mainly to mid-term market reviews or renewals where a valuer is appointed.</li> </ul> <p><b>Leasing administration fee</b></p> <ul style="list-style-type: none"> <li>&gt; \$4,000 per lease where the lease is prepared and negotiated by Aventus Property Management.</li> </ul> <p>*Gross rent excludes lease incentives and rent abatements.</p>
<b>Development services fees</b>	<ul style="list-style-type: none"> <li>&gt; 5% of total development costs (excluding land) for which development approval has been granted.</li> <li>&gt; Prior to the commencement of construction, development services fees are charged at 2% post Board approval. Upon commencement of construction, Aventus Property Management will recover the additional 3%.</li> </ul>

## Fee Reviews

Fee Type	Fee Review
<b>Investment management &amp; performance Fees</b>	<ul style="list-style-type: none"> <li>&gt; Any change in fees under AVN's constitution would require approval of Unitholders by special resolution.</li> </ul>
<b>Asset and property management fees</b> <b>Leasing fees</b> <b>Development services fees</b>	<ul style="list-style-type: none"> <li>&gt; On the 5th anniversary of the initial term (20 October 2020) and on commencement of any successive term (20 October 2025, 20 October 2030 etc.) ACL or Aventus Property Management may request asset and property management fees, leasing fees and development services fees to be benchmarked to market by independent property consultants.</li> </ul>

## Director Appointment Rights

In accordance with the Corporations Act and ACL's Constitution, APG currently appoints all of the Directors of ACL, given that it is an APG subsidiary. As AVN is an externally managed fund, Unitholders are not legally able to vote for Directors of the Responsible Entity. Instead the non-executive directors must be appointed by APG.



# FINANCIAL REPORT

DIRECTORS' REPORT	28
AUDITOR'S INDEPENDENCE DECLARATION	38
ANNUAL FINANCIAL REPORT	
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	39
CONSOLIDATED BALANCE SHEET	40
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	42
CONSOLIDATED STATEMENT OF CASH FLOWS	43
NOTES TO THE FINANCIAL STATEMENTS	45
DIRECTORS' DECLARATION	91

INDEPENDENT AUDITOR'S REPORT	92
UNITHOLDER INFORMATION	94
CORPORATE DIRECTORY	99



# DIRECTORS' REPORT

The directors of Aventus Capital Limited present their report together with the consolidated financial statements of the Aventus Retail Property Fund ("the Fund") and its consolidated entities ("the Group") for the financial year ended 30 June 2016.

## DIRECTORS AND SECRETARIES

The responsible entity of the Fund for the period 14 September 2015 to 11 March 2016 was One Managed Investment Funds Limited ("OMIFL"). The following persons held office as directors of OMIFL for the period 14 September 2015 to 11 March 2016:

- > Frank Tearle                      Executive director
- > Elizabeth Reddy                Non-executive director
- > Justin Epstein                  Executive director

On 11 March 2016 OMIFL retired as responsible entity and was replaced by Aventus Capital Limited.

The following persons held office as directors of Aventus Capital Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- > Bruce Carter                    Independent non-executive chairman
- > Darren Holland                Executive director
- > Tracey Blundy                Non-executive director (appointed 30 September 2015 and resigned 18 August 2016)
- > Kieran Pryke                  Independent non-executive director (appointed 30 September 2015)
- > Robyn Stubbs                Independent non-executive director (appointed 30 September 2015)

The company secretaries of Aventus Capital Limited are Lawrence Wong and Mary Weaver.

## PRINCIPAL ACTIVITY

The principal activity of the Group during the financial year was investment and management of large format retail ("LFR") property assets. There was no significant change in the Group's principal activity during the financial year.

## REVIEW OF OPERATIONS AND RESULTS

### Fund establishment and equity raising

- > The Fund was established on 28 July 2015 and was registered as a managed investment scheme on 14 September 2015.
- > On 29 July 2015 the Fund acquired 100% of the units in Aventus Kotara South Unit Trust (formerly BB Retail Property Unit Trust No.2). The transaction has been accounted for with reference to the guidance for reverse acquisitions set out in AASB 3 "Business Combinations". The impact of the reverse acquisition on the presentation of the consolidated financial statements is outlined in note 1(b).
- > The Fund was listed on the Australian Securities Exchange ("ASX") on 16 October 2015 and subsequently raised \$303.3 million as a result of an initial public offering ("IPO"). Monies raised from the IPO were spent in accordance with the Product Disclosure Statement ("PDS") dated 30 September 2015.
- > In May 2016 the Fund raised an additional \$104.5 million via a 3 for 20 entitlement offer. Units were issued at a price of \$2.03.

### Investment portfolio

- > In October 2015 the Group acquired 13 LFR properties to add to its existing Kotara Home South property. The fair value of the properties at acquisition, including rental guarantees, was \$810.3 million.
- > On 9 December 2015 the Group acquired Epping Hub for \$40.0 million.
- > On 18 December 2015 the Group acquired the Belrose Gateway Centre for \$6.4 million.
- > On 21 December 2015 the Group's Mile End Home, Peninsula

Home and Jindalee Home properties were revalued based on independent valuations. The total increase in fair value, compared to prior valuations, amounted to \$21.3 million.

- > On 20 May 2016 the Group acquired Bankstown Home, Logan Super Centre, MacGregor Home, McGraths Hill Home and Shepparton Home. The fair value of the properties at acquisition, including rental guarantees, was \$219.0 million.
- > The Group completed redevelopment projects of Peninsula Home and Tuggerah Super Centre during the financial year. Both projects reached practical completion in May 2016.
- > On 30 June 2016 the Group revalued 11 of its investment properties resulting in a \$65.2 million increase in fair value, compared to prior valuations.
- > At 30 June 2016 the Group owned 20 large format retail investment properties across Australia with a combined value of \$1,273.3 million including rental guarantees.

The weighted average capitalisation rate of the portfolio at 30 June 2016 was 7.53%.

### Debt funding and hedging activities

- > At 30 June 2016 the Group had a \$500 million revolving cash advance syndicated debt facility with Commonwealth Bank of Australia, Australian and New Zealand Banking Group Limited, and National Australia Bank Limited. The debt facility has three individual tranches which expire in October 2018, October 2020 and May 2021 respectively. The facilities are interest only with a lump sum payment of all amounts outstanding at the end of the term.
- > To manage risks associated with interest rate fluctuations, the Group has entered into \$240 million in interest rate swap agreements representing 51.9% of debt drawn at 30 June 2016.

### Distributions

Distributions declared and/or paid to Unitholders of the Fund during the financial year were as follows:

	<b>2016 \$m</b>
Interim distribution (December quarter) – 2.89 cents per unit paid on 5 February 2016	9.9
Interim distribution (March quarter) – 3.68 cents per unit paid on 13 May 2016	12.6
Final distribution – 3.68 cents per unit to be paid on 31 August 2016	14.5
	<b>37.0</b>



# DIRECTORS' REPORT (cont.)

## REVIEW OF OPERATIONS AND RESULTS (cont.)

### Summary of financial performance

A summary of the Group's results for the financial year is set out below.

	2016 \$m
Net profit for the financial year	51.0
Basic and diluted earnings per unit for the financial year (cents per unit)	18.56
Distributions to Unitholders	37.0
Distributions to Unitholders (cents per unit)	10.25

The increase in profit during the financial year is mainly attributable to the acquisition of 19 investment properties during the financial year.

The following table provides a reconciliation between the statutory net profit for the financial year and Funds from Operations ("FFO").

FFO represents the net profit for the period adjusted for:

- > straight-lining of rental income;
- > amortisation of rental guarantees;
- > amortisation of debt establishments costs;
- > unrealised fair value gains or losses on investment properties;
- > unrealised fair value gains or losses on derivative financial instruments;
- > property acquisition and transaction costs; and
- > other non-cash or non-recurring amounts outside core operating activities.

For the current financial year FFO is measured from 20 October 2015 to 30 June 2016.

	<b>2016</b> <b>\$m</b>
Statutory net profit for the period 1 July 2015 to 30 June 2016	51.0
Less profit for the period 1 July 2015 to 19 October 2015	(1.0)
Adjustments for the period 20 October 2015 to 30 June 2016	
Straight-lining of rental income	(2.2)
Amortisation of rental guarantees	0.5
Amortisation of debt establishment costs	0.5
Net gain on movement in fair value of investment properties	(82.0)
Net loss on movement in fair value of derivative financial instruments	3.5
Portfolio acquisition and transaction costs	70.7
<b>FFO</b>	<b>41.0</b>
<b>FFO (cents per unit)</b>	<b>11.65</b>

FFO has been determined in accordance with best practice guidelines published by the Property Council of Australia.

FFO is the basis upon which distributions are determined by the directors. The Fund's distribution policy is to distribute between 90 and 100% of FFO to Unitholders.

# DIRECTORS' REPORT (cont.)

## REVIEW OF OPERATIONS AND RESULTS (cont.)

### Summary of financial position

A summary of the Group's financial position at 30 June 2016 is set out below.

	30 June 2016 \$m
<b>Assets</b>	
Investment property portfolio	1,268.9
Total assets	1,286.1
Net tangible assets	796.4
Net tangible assets (\$ per unit)	2.02
<b>Capital management</b>	
Drawn debt	462.0
Debt facility limit	500.0
Cash and undrawn debt	42.3
Gearing ratio (%)	35.7%
Interest rate hedging	240.0
Hedged debt to drawn debt ratio (%)	51.9%

The value of the Group's assets and liabilities is determined in accordance with the accounting policies disclosed in note 2 to the financial statements.



## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

With the exception of property acquisitions and redevelopments outlined in the “review of operations” section above there were no other significant changes in the state of affairs of the Group during the financial year.

## BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE FINANCIAL YEARS

The Group will continue to engage in its principal activity and be managed by the responsible entity in accordance with the investment objectives and guidelines as set out in the governing

documents of the Fund and in accordance with the provisions of the Fund's constitution.

The key business strategies of the Group as at 30 June 2016 include:

- > optimising the tenancy mix across the portfolio through proactive management and leasing leverage;
- > executing on future development projects;
- > participating in sector consolidation through acquisition of additional centres;
- > monitor potential regulatory changes in the LFR sector which could enable a broader range of tenants to occupy centres within the portfolio; and
- > focused capital management.

## INFORMATION ON DIRECTORS

The following information is current as at the date of this report.

Bruce Carter	Independent non-executive chairman
<b>Experience and expertise</b>	<p>Bruce has spent over 30 years in corporate recovery and insolvency. Bruce is a consultant at Ferrier Hodgson in Adelaide. He was formerly a partner at Ernst &amp; Young, Chair of the South Australian Economic Board and a member of the Executive Committee of Cabinet.</p> <p>Bruce is currently chair of the Australian Submarine Corporation, Deputy Chair of SkyCity Entertainment Group Limited and a director of the Bank of Queensland Limited.</p> <p>Bruce holds a Masters of Business Administration from Heriot-Watt University and a Bachelor of Economics from University of Adelaide. He is a Fellow of both the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.</p>
<b>Other current listed and government directorships</b>	<p>ASC Pty Limited</p> <p>SkyCity Entertainment Group Limited</p> <p>Bank of Queensland Limited</p>
<b>Special responsibilities</b>	<p>Chairman</p> <p>Member of the Audit, Risk and Compliance Committee</p>
<b>Interest in units in the Fund</b>	745,856

## DIRECTORS' REPORT (cont.)

### INFORMATION ON DIRECTORS (cont.)

Darren Holland	Executive director
<b>Experience and expertise</b>	<p>Darren has more than 22 years experience in the retail property industry. He is experienced in leasing, development, asset management and acquisitions, and has grown assets under management in the last 10 years from one centre in 2004 to 20 centres at the date of this report, valued at \$1,273.3 million.</p> <p>Prior to joining the Aventus Property Group, Darren played a leading role in the development and management of the only pure-play listed Australian LFR owner and operator to date, Homemaker Retail Group (ASX: HRP).</p> <p>Darren holds a Bachelor of Business (Land Economics) from the University of Western Sydney and is a Registered Valuer and Licensed Real Estate Agent.</p>
<b>Other current listed directorships</b>	None
<b>Special responsibilities</b>	None
<b>Interest in units in the Fund</b>	1,836,892

Tracey Blundy	Non-executive director
<b>Experience and expertise</b>	<p>Tracey joined BB Retail Capital in 1981 and is the nominated representative of BB Retail Capital on the Board of Aventus Capital Limited. Over the past 34 years, she has held a number of senior executive positions across BB Retail Capital's businesses.</p> <p>Tracey is currently a board-level advisor across the BB Retail Capital portfolio, including being the representative on the board of Lovisa Holdings Limited, which listed on the ASX in December 2014.</p> <p>In addition to her property experience and breadth of public markets experience, Tracey brings in-depth knowledge and expertise of the retail sector having previously been Chief Executive Officer of both Sanity Entertainment and Bras N Things.</p>
<b>Other current listed directorships</b>	Lovisa Holdings Limited
<b>Special responsibilities</b>	None
<b>Interest in units in the Fund</b>	10,689,285

Kieran Pryke	Independent non-executive director
<b>Experience and expertise</b>	<p>Kieran has over 25 years experience in the property industry. He spent nine years in various finance roles across the construction, development and investment management divisions within Lend Lease Corporation before becoming CFO of General Property Trust ("GPT") in 1996. He remained as CFO of GPT during and after the internalisation of management of GPT. Kieran was CFO of Australand Property Group between 2010 and 2014. He is currently CFO of Grocon Pty Limited.</p> <p>Kieran holds a Bachelor of Commerce (Accounting) from the University of Wollongong and is a Fellow of CPA Australia.</p>
<b>Other current listed and not-for-profit directorships</b>	Qzharvest Limited
<b>Special responsibilities</b>	Chairperson of the Audit, Risk and Compliance Committee
<b>Interest in units in the Fund</b>	57,500

Robyn Stubbs	Independent non-executive director
<b>Experience and expertise</b>	<p>Robyn has more than 25 years experience with blue chip companies in senior marketing, sales, leasing and broader management roles across retail property, media and fast-moving consumer goods. She has a deep understanding of these sectors and has led multi-disciplinary teams across leasing, sales and marketing, operations, strategy &amp; research, sustainability, events, PR, editorial and new product development functions.</p> <p>After eight years as a General Manager at Stockland, Robyn is currently completing a Master of Science in Coaching Psychology at the University of Sydney, and working as an Executive Coach on a project by project basis with Executive Coaching International.</p> <p>Robyn is a graduate of the Australian Institute of Company Directors and a University Medal winner with a business degree from the University of Technology Sydney.</p>
<b>Other current listed and not-for-profit directorships</b>	<p>Harness Racing NSW</p> <p>Lifeline Northern Beaches</p>
<b>Special responsibilities</b>	Member of the Audit, Risk and Compliance Committee
<b>Interest in units in the Fund</b>	23,000



# DIRECTORS' REPORT (cont.)

## REMUNERATION REPORT

The directors of OMIFL, which acted as the responsible entity of the Fund for the period 14 September 2015 to 11 March 2016, were not remunerated by the Group.

The directors of Aventus Capital Limited, which has acted as responsible entity of the Fund from 11 March 2016, were remunerated by the Aventus Property Group. Director fees of independent non-executive directors of Aventus Capital Limited are reimbursed by the Fund. Details of these fees are outlined in note 23(b) to the financial statements.

## RESPONSIBLE ENTITY'S INTERESTS IN THE FUND

Aventus Capital Limited did not hold any units in the Fund at balance date.

## FEES PAID TO THE RESPONSIBLE ENTITIES AND THEIR ASSOCIATES

Fees paid to OMIFL and Aventus Capital Limited, and their associates, during their respective terms as responsible entity of the Fund, are disclosed in note 23(c) to the financial statements.

## INTERESTS IN THE FUND

The number of units in the Fund issued during the financial year and the total number of units on issue at 30 June 2016 are disclosed in note 18 to the financial statements.

## UNITS UNDER OPTION

No options over unissued units were granted during the financial year. There were no units under option at 30 June 2016 or at the date of this report.

## ENVIRONMENTAL REGULATIONS

The Group's development activities are subject to development approvals and environmental regulations under Commonwealth and State legislation. To the best of the directors' knowledge, development activities during the financial year have been undertaken in compliance with development approvals and applicable environmental regulations.

## EVENTS OCCURRING SINCE THE END OF THE FINANCIAL YEAR

On 1 July 2016 the Group acquired additional land adjacent to the Tuggerah Super Centre for \$3.8 million excluding GST.

On 3 August 2016 the Group announced the introduction of a distribution reinvestment plan. The last date for the receipt of an election notice for participation in the distribution reinvestment plan is the record date for the September 2016 quarter distribution.

On 3 August 2016 the Group announced 50% of units held in the Fund by entities associated with Brett Blundy, Darren Holland and Bruce Carter, which are subject to voluntary escrow deeds, will be released from escrow after the announcement of the Group's audited financial results for the year ended 30 June 2016.

There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## INSURANCE OF OFFICERS AND INDEMNITIES

No insurance premiums are paid for out of the assets of the Group in regards to insurance cover provided to either the officers of the responsible entity or the auditors of the Fund.

So long as the officers of the responsible entity act in accordance with the Fund Constitution and the Law, the officers remain indemnified out of the assets of the Group against losses incurred while acting on behalf of the Group.

The auditors of the Fund are in no way indemnified out of the assets of the Group.

## AUDIT AND NON-AUDIT SERVICES

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Details of amounts paid or payable to the Fund's auditors for audit and non-audit services during the financial year are disclosed in note 30 to the financial statements.

The responsible entity is satisfied that the provision of non-audit services did not compromise the auditor's independence requirements under the Corporations Act as:

- > all non-audit services have been reviewed by the audit, risk

and compliance committee to ensure they do not impact on the impartiality and objectivity of the auditor; and

- > none of the services undermine the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards Board APES 110 Code of Ethics for Professional Accountants.

## ROUNDING OF AMOUNTS

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The Fund is a registered scheme of a kind referred to in Class Order 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and the financial report.

Amounts in the directors' report and the financial report have been rounded off to the nearest hundred thousand dollars in accordance with that Class Order.

## AUDITOR'S INDEPENDENCE DECLARATION

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A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 38.

This report is made in accordance with a resolution of the directors of the responsible entity made pursuant to s298(2) of the Corporations Act 2001.



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**Darren Holland**  
Executive Director  
Sydney  
18 August 2016



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**Bruce Carter**  
Chairman  
Sydney  
18 August 2016

## AUDITOR'S INDEPENDENCE DECLARATION



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200 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

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### Auditor's Independence Declaration to the Directors of Aventus Retail Property Fund

As lead auditor for the audit of Aventus Retail Property Fund for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Aventus Retail Property Fund and the entities it controlled during the financial year.

Ernst & Young

Mark Conroy  
Partner  
18 August 2016

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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Notes	2016 \$m	2015 \$m
<b>Revenue</b>			
Rental and other property income		77.1	8.5
Other revenue		0.5	0.1
		<b>77.6</b>	<b>8.6</b>
<b>Other income</b>			
Net gain on movement in fair value of investment properties		81.9	7.8
		<b>159.5</b>	<b>16.4</b>
<b>Expenses</b>			
Property expenses		(20.0)	(2.1)
Finance costs	5	(12.3)	(2.9)
Management fees	23(g)	(4.3)	-
Portfolio acquisition and transaction costs	6	(70.7)	-
Other expenses		(1.2)	-
		<b>(108.5)</b>	<b>(5.0)</b>
<b>Profit for the year</b>		<b>51.0</b>	<b>11.4</b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<b>51.0</b>	<b>11.4</b>
<b>Earnings per unit</b>			
Basic (cents per unit)	20	18.6	63.6
Diluted (cents per unit)	20	18.6	63.6

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2016

	Notes	30 June 2016 \$m	30 June 2015 \$m
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	4.3	0.3
Receivables	9	7.7	0.5
Rental guarantees	10	2.2	-
Other assets	11	0.7	0.1
<b>Total current assets</b>		<b>14.9</b>	<b>0.9</b>
<b>Non-current assets</b>			
Receivables	9	0.1	-
Rental guarantees	10	2.2	-
Investment properties	12	1,268.9	95.5
<b>Total non-current assets</b>		<b>1,271.2</b>	<b>95.5</b>
<b>Total assets</b>		<b>1,286.1</b>	<b>96.4</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	13	(10.8)	(1.2)
Distributions payable	14	(14.5)	-
Deferred revenue	15	(1.8)	(0.2)
<b>Total current liabilities</b>		<b>(27.1)</b>	<b>(1.4)</b>

	Notes	30 June 2016 \$m	30 June 2015 \$m
<b>Non-current liabilities</b>			
Borrowings	16	(459.1)	(55.9)
Derivative financial instruments	17	(3.5)	-
<b>Total non-current liabilities</b>		<b>(462.6)</b>	<b>(55.9)</b>
<b>Total liabilities</b>		<b>(489.7)</b>	<b>(57.3)</b>
<b>Net assets</b>		<b>796.4</b>	<b>39.1</b>
<b>Equity</b>			
Issued units	18	747.6	4.3
Retained earnings	19	48.8	34.8
<b>Total equity</b>		<b>796.4</b>	<b>39.1</b>

The consolidated balance sheet should be read in conjunction with the accompanying notes.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Notes	Issued units \$m	Retained earnings \$m	Total equity \$m
<b>Balance at 1 July 2014</b>		-	27.2	27.2
Profit for the year		-	11.4	11.4
Other comprehensive income		-	-	-
<b>Total comprehensive income for the year</b>		-	11.4	11.4
Issue of units net of transaction costs		4.3	-	4.3
Distributions paid or provided for	7	-	(3.8)	(3.8)
<b>Balance at 30 June 2015</b>		4.3	34.8	39.1
<b>Balance at 1 July 2015</b>		4.3	34.8	39.1
Profit for the year		-	51.0	51.0
Other comprehensive income		-	-	-
<b>Total comprehensive income for the year</b>		-	51.0	51.0
Redemption of units	18	(0.5)	-	(0.5)
Return of capital	18	(0.2)	-	(0.2)
Issue of units net of transaction costs	18	744.0	-	744.0
Distributions paid or provided for	7	-	(37.0)	(37.0)
<b>Balance at 30 June 2016</b>		747.6	48.8	796.4

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Notes	2016 \$m	2015 \$m
<b>Cash flows from operating activities</b>			
Rental and other property income received		81.9	9.5
Other income received		1.0	0.1
Payments to suppliers		(39.9)	(2.9)
Finance costs paid		(11.3)	(2.4)
<b>Net cash inflows/(outflows) from operating activities</b>	21(a)	<b>31.7</b>	<b>4.3</b>
<b>Cash flows from investing activities</b>			
Payments for capital expenditure		(20.3)	(0.4)
Payments for businesses (including transaction costs) net of cash acquired		(452.5)	-
<b>Net cash inflows/(outflows) from investing activities</b>		<b>(472.8)</b>	<b>(0.4)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of units		407.8	3.9
Unit issue transaction costs		(7.2)	-
Proceeds from borrowings		500.5	-
Repayment of borrowings		(432.8)	-
Redemption of units		(0.5)	-
Return of capital		(0.2)	-
Distributions paid		(22.5)	(8.0)
<b>Net cash inflows/(outflows) from financing activities</b>		<b>445.1</b>	<b>(4.1)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4.0</b>	<b>(0.2)</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (cont.)

	Notes	2016 \$m	2015 \$m
Cash and cash equivalents at the beginning of the financial year		0.3	0.5
Cash and cash equivalents at the end of the financial year	8	4.3	0.3

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

### a) Statement of compliance

The Aventus Retail Property Fund ("Fund") is a listed managed investment scheme incorporated and domiciled in Australia. The financial statements comprise the consolidated financial statement of the Fund and its subsidiaries ("the Group").

These general purpose financial statements have been prepared in accordance with the Fund's constitution, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The Fund is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorised for issue by the directors on 18 August 2016.

### b) Impact of reverse acquisition on the presentation of the consolidated financial statements

On 29 July 2015 the Fund acquired 100% of the units in Aventus Kotara South Unit Trust ("Kotara") (formerly BB Retail Property Unit Trust No.2).

The transaction resulted in the unitholder of Kotara obtaining control of the merged entities. Consequently, the acquisition has been accounted for with reference to the guidance for reverse acquisitions set out in AASB 3 "Business Combinations" ("AASB 3"). A reverse acquisition occurs when the entity that issues securities in an acquisition (the legal acquirer) is identified as the acquiree for accounting purposes.

Consolidated financial statements prepared following a reverse acquisition are issued under the name of the legal parent (the Fund) but described in the notes as a continuation of the financial statements of the legal subsidiary (Kotara), with one exception, which is to adjust retroactively the legal capital of the accounting acquirer (Kotara) to reflect the legal capital of the accounting acquiree (the Fund).

The application of the reverse acquisition guidance contained in AASB 3 has resulted in the Fund (the legal parent) being accounted for as a subsidiary of the Group and Kotara (the legal subsidiary) being accounted for as the parent entity of the Group for financial reporting purposes.

Given Kotara is considered to be the parent of the Group for accounting purposes, the consolidated financial statements of the Fund for the year ended 30 June 2016 represent a continuation of the financial statements of Kotara, with the exception of the equity structure (i.e. the number and type of equity interest issued) which reflects the equity structure of the Fund.

The results of the Group for the year ended 30 June 2016 comprise the results of Kotara for the period 1 July 2015 to 30 June 2016 and the results of the Group subsequent to the completion of the initial public offering ("IPO").

### c) Comparative information

The comparative balances disclosed in the financial statements relate to Aventus Kotara South Unit Trust. Where necessary, comparative information has been adjusted to conform with changes in presentation in the current year.

### d) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- > financial assets and derivative financial instruments measured at fair value; and
- > investment properties measured at fair value.

### e) Rounding of amounts

The Fund is a registered scheme of a kind referred to in Class Order 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and the financial report.

Amounts in the directors' report and the financial report have been rounded off to the nearest hundred thousand dollars in accordance with that Class Order.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 1. BASIS OF PREPARATION (cont.)

### f) Functional and presentation currency

All amounts presented in the consolidated financial statements are expressed in Australian dollars which is the functional and presentation currency of the Group.

The adoption of these new or revised standards and interpretations did not have a significant impact on the current or prior financial years and is not likely to affect future financial periods.

### g) New and amended accounting standards and interpretations adopted by the Group

The Group has adopted all of the new and revised accounting standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operation and effective for the financial reporting period beginning 1 July 2015.

### h) New and amended accounting standards and interpretations issued but not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 2016 and have not been early adopted by the Group. The directors' assessment of the impact of these new standards and interpretations is set out below.

Title	Key requirements and impacts	Effective date
<b>AASB 9 Financial Instruments (and applicable amendments)</b>	AASB 9 "Financial Instruments" addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It has also introduced new rules for hedge accounting and impairment of financial assets.  The directors do not expect the new standard to have a significant impact on the recognition or measurement of the Group's financial instruments.  The standard is not applicable until 1 January 2018 but is available for early adoption. At the date of this report the directors have not early adopted AASB 9.	1 January 2018
<b>AASB 15 Revenue from Contracts with Customers</b> <b>AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15</b> <b>AASB 2015-08 5 Amendments to Australian Accounting Standards – Effective date of AASB 15</b>	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 "Revenue" which covers contracts for goods and services and AASB 111 "Construction Contracts" which covers construction contracts.  The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.  The scope of AASB 15 excludes income derived from leases which is accounted for under AASB 117 "Leases".  As the Group's main source of revenue is rental income derived from tenants in accordance with operating leases the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Group's accounting policies or the amounts recognised in the financial statements.  The standard is not applicable until 1 January 2018 but is available for early adoption. At the date of this report the directors have not early adopted AASB 15.	1 January 2018

## h) New and amended accounting standards and interpretations issued but not yet adopted by the Group (cont.)

Title	Key requirements and impacts	Effective date
<b>IFRS 16 Leases</b>	<p>IFRS 16 supersedes IAS 17 "Leases" and associated interpretations. Key features of IFRS 16 from a lessor perspective include:</p> <ul style="list-style-type: none"> <li>&gt; IFRS 16 substantially carries forward the lessor accounting requirements from IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases.</li> <li>&gt; IFRS 16 also requires enhanced disclosure to be provided by lessors that will improve information disclosed about a lessor's risk exposure.</li> </ul> <p>The new standard will be effective for annual reporting periods commencing 1 January 2019 but is available for early adoption.</p> <p>At the date of this report IFRS 16 had not yet been adopted by the AASB.</p>	1 January 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all years presented unless otherwise stated.

The consolidated financial statements are for the Group consisting of the Fund and its subsidiaries.

### a) Principles of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-entity transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure

consistency with the policies adopted by the Group.

When the Group ceases to consolidate for an investment because of a loss of control any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### b) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- > fair values of the assets transferred
- > liabilities incurred to the former owners of the acquired business
- > equity interests issued by the Group
- > fair value of any asset or liability resulting from a contingent consideration arrangement, and
- > fair value of any pre-existing equity interest in the subsidiary.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

### c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker, who is responsible

for allocating resources and assessing performance of the operating segments, has been identified as Darren Holland, in his capacity as chief executive officer and executive director of Aventus Capital Limited.

### d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of allowances, rebates and amounts collected on behalf of third parties. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Revenue for the Group's business activities is recognised on the following basis:

#### Rental and other property income

Rental income derived from investment properties (inclusive of outgoings recovered from tenants) is recognised on a straight-line basis over the term of the lease.

The portion of rental income relating to fixed increases in rent in future years is recognised as a separate component of investment properties and amortised on a straight-line basis over the term of the lease.

#### Interest income

Interest income is recognised on an accruals basis using the effective interest method. Interest income is disclosed as 'other income' in the statement of comprehensive income.

### e) Expenses

#### Property expenses

Property expenses include rates, taxes and other property outgoings incurred in relation to investment properties. Property expenses are recorded on an accruals basis.

#### Finance costs

Finance costs include interest, fair value movements in derivative financial instruments, payments in respect of derivative financial instruments and the amortisation of other costs incurred in respect of obtaining finance.

Finance costs associated with the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset during the period that is required to complete and prepare the asset for its intended use.

Borrowing costs not associated with qualifying assets are recognised as an expense when incurred. Other costs incurred in respect of obtaining finance, including loan establishment fees, are deferred and expensed over the term of the respective loan facility.

#### **Management fees**

Management fees are recognised on an accruals basis. Refer to note 23(g) for further information on management fees.

#### **Other expenses**

All other expenses are recognised on an accruals basis.

#### **f) Income tax**

Under current income tax legislation, the Fund is not liable to pay income tax as the net income of the Fund is assessable in the hands of the beneficiaries (the Unitholders) who are 'presently entitled' to the income of the Fund. There is no income of the Fund to which the Unitholders are not presently entitled.

As a result, deferred taxes have not been recognised in the financial statements in relation to differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that taxable gains are realised by the Fund, these gains would be included in the taxable income that is assessable in the hands of the Unitholders as noted above.

Realised capital losses are not distributed to Unitholders but are retained within the Fund to be offset against any realised capital gains. The benefit of any carried forward capital losses are generally not recognised in the financial statements, on the basis that the Fund is a flow through trust for Australian tax purposes. If in any period realised capital gains exceed realised capital losses, including those carried forward from earlier periods and eligible for offset, the excess is included in taxable income that is assessable in the hands of Unitholders in that period and is distributed to Unitholders in accordance with

the requirements of the Fund Constitution.

#### **g) Goods and service tax ("GST")**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flows.

#### **h) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

#### **i) Receivables**

Receivables are initially recognised at the amounts due to the Group less any provision for doubtful debts. Rent and outgoings receivable are usually settled within 30 days of recognition. Receivables are presented as current assets unless collection is not expected for greater than 12 months after reporting date.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in the year in which they are identified. A provision for doubtful debts is raised where there is objective evidence that the Group will not collect all amounts due. The amount of the provision is the difference between the carrying amount and estimated future cash flows. Cash flows relating to current receivables are not discounted.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

### j) Rental guarantees

Rental guarantees are measured as the expected future cash flows to be received under the guarantee arrangements and are disclosed as a separate asset in the balance sheet. Guarantees are recognised in the statement of comprehensive income on an amortised cost basis over the period of the guarantee.

### k) Investment properties

Investment properties comprise large format retail centres which are held for long-term rental yields and/or capital appreciation and are not occupied by the Group.

With the exception of investment properties acquired as part of a business combination (refer to note 2b), investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value.

Fair value is the amount at which the investment property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A willing seller is neither a forced seller nor one prepared to sell at a price not considered reasonable in the market.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- > current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- > discounted cash flow projections based on reliable estimates of future cash flows;
- > capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

Gains and losses arising from changes in fair value of investment properties are recognised in profit or loss in the period in which they arise.

The Group obtains independent valuations for its investment properties at least every two years.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates. Fair value is determined using a long term investment period. Specific circumstances of the owner are not taken into account.

The carrying amount of investment properties recorded in the balance sheet may include the cost of acquisition, additions, refurbishments, improvements, lease incentives, leasing costs and assets relating to fixed increases in operating lease rentals in future years.

Existing investment properties being developed for continued future use are also carried at fair value.

Where the Group disposes of an investment property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, with a corresponding adjustment recorded in profit or loss.

### l) Lease incentives and leasing fees

Prospective lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including rent-free periods, upfront cash payments, or a contribution to certain lessee costs such as a fitout contribution. Leasing fees may also be incurred for the negotiation of leases. Incentives and leasing fees are capitalised in the consolidated balance sheet as a component of investment properties and amortised on a straight-line basis over the term of the lease as an adjustment to rental income.

### m) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### **n) Payables**

Payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### **o) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

#### **p) Derivative financial instruments**

The Group has entered into derivative financial instruments, in the form of interest rate swap agreements, to partially hedge against interest rate fluctuations on its debt facilities.

The Group has not adopted hedge accounting. Derivative financial instruments are classified as financial instruments at fair value through profit or loss. Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to

their fair value at the end of each reporting period. Subsequent changes in fair value are recognised in profit or loss.

Fair value is determined using valuation techniques with reference to observable market inputs for similar instruments. The fair value of all derivative contracts has been confirmed with the counter party.

Derivative financial instruments are presented as current assets or liabilities as appropriate if they are expected to be settled within 12 months, or presented as non-current assets or liabilities if they are expected to be settled more than 12 months after the end of the reporting period.

#### **q) Distributions payable**

A payable is recognised for the amount of any distribution declared and appropriately authorised on or before the end of the reporting period but not distributed at the end of the reporting period.

#### **r) Issued units**

Issued units are classified as equity and recognised at the fair value of the consideration received by the Fund. Transaction costs directly attributable to the issue of new ordinary units are recognised directly in equity as a deduction from the proceeds received.

#### **s) Earnings per unit**

##### **Basic earnings per unit**

Basic earnings per unit is calculated by dividing the profit or loss attributable to Unitholders by the weighted average number of ordinary units outstanding during the financial period, adjusted for bonus elements in ordinary units issued during the period.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

### Diluted earnings per unit

Diluted earnings per unit is calculated by dividing the profit or loss attributable to Unitholders, adjusted for the after income tax effect of interest and other financing costs associated with dilutive potential ordinary units, by the weighted average number of ordinary units and dilutive potential ordinary units outstanding during the financial period.

The weighted average number of units used in calculating basic and diluted earnings per unit is retrospectively adjusted for bonus elements in ordinary units issued during the financial year.

### t) Excess of current liabilities over current assets

The Group's current liabilities exceeded its current assets by \$12.2 million at 30 June 2016. The deficiency is mainly attributable to distributions payable of \$14.5 million and deferred revenue of \$1.8 million which are recorded as current liabilities at balance date.

The distribution will be paid on 31 August 2016 and will be funded from available cash and debt reserves.

Deferred revenue represents rental income received in advance and will be recognised as revenue in accordance with note 2(d).

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements, are disclosed below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events, that may have a financial impact on the Group and are believed to be reasonable under the circumstances.

### a) Critical accounting estimates and assumptions

The Group is required in certain circumstances to make estimates and assumptions concerning the future. The resulting accounting estimates may differ from actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

#### Estimated fair value of investment properties

Critical assumptions underlying the estimated fair value of investment properties are those relating to passing and market rents, capitalisation rates, terminal yields and discount rates.

If there is any change in these assumptions or economic conditions the fair value of the investment properties may differ. Refer to note 24 for further information on the assumptions used in assessing the fair value of investment properties.

#### Estimated fair value of derivative financial instruments

The fair value of derivative assets and liabilities are based on assumptions of future events and involve significant estimates. The fair value of the derivatives reported at the reporting date may differ if there is volatility in market rates. Refer to note 24 for further information on the assumptions used in assessing the fair value of derivative financial instruments.

### b) Critical judgements in applying the Group's accounting policies

#### Performance fees

Aventus Funds Management Pty Limited is entitled to a Performance Fee calculated in accordance with the terms and conditions of the Management Services Agreement outlined in note 23(g). The first Performance Fee (if any) will become payable on the publication of the Fund's financial results for the year ending 30 June 2018.

No provision for performance fees has been recognised as at 30 June 2016 as the amount and probability of any Performance Fee payable at 30 June 2018 cannot be measured with sufficient reliability at balance date.

There were no other significant judgements, apart from those involving estimations, in the process of applying the Group's accounting policies that had a significant effect on the amounts recognised in the consolidated financial statements.

## 4. SEGMENT INFORMATION

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The Group has only one reportable segment being investment in Australian large format retail assets.

The Group has determined it has one operating segment based on the internal information that is provided to the chief operating decision maker and which is used in making strategic decisions. Darren Holland has been identified as the chief operating decision maker in his capacity as chief executive officer and executive director of Aventus Capital Limited.

## 5. FINANCE COSTS

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	2016 \$m	2015 \$m
Interest and finance costs	8.9	2.9
Less: amounts capitalised relating to redevelopment of investment properties	(0.1)	-
	<b>8.8</b>	<b>2.9</b>
Fair value losses on interest rate swaps	3.5	-
<b>Finance costs expensed</b>	<b>12.3</b>	<b>2.9</b>

The capitalisation rate used to determine the amount of borrowing costs capitalised during the year was the weighted average interest rate applicable to the Group's general borrowings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 6. PORTFOLIO ACQUISITION AND TRANSACTION COSTS

	2016 \$m	2015 \$m
<b>IPO acquisition and transaction costs</b>		
Stamp duty costs	43.4	-
IPO offer management and advisory fees	5.1	-
Interest rate swap break costs	4.1	-
Other	1.4	-
	<b>54.0</b>	-
<b>Post IPO acquisition and transaction costs</b>		
Stamp duty costs	14.8	-
Advisory fees	1.8	-
Other	0.1	-
	<b>16.7</b>	-
	<b>70.7</b>	-

## 7. DISTRIBUTIONS

	2016 \$m	2015 \$m
<b>Fully paid ordinary units</b>		
<b>Aventus Retail Property Fund</b>		
Interim distribution (December quarter) – 2.89 cents per unit paid on 5 February 2016	9.9	-
Interim distribution (March quarter) – 3.68 cents per unit paid on 13 May 2016	12.6	-
Final distribution – 3.68 cents per unit to be paid on 31 August 2016	14.5	-
<b>Aventus Kotara South Unit Trust</b>		
Final distribution – 89.56 cents per unit	-	3.8
	<b>37.0</b>	<b>3.8</b>

## 8. CASH AND CASH EQUIVALENTS

	30 June 2016 \$m	30 June 2015 \$m
<b>Cash at bank and in hand</b>	<b>4.3</b>	<b>0.3</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 9. RECEIVABLES

	30 June 2016 \$m	30 June 2015 \$m
<b>Current</b>		
Trade receivables	2.0	-
Provision for impairment	(0.2)	-
	<b>1.8</b>	<b>-</b>
Deposits paid	4.4	-
Other receivables	1.5	0.5
	<b>7.7</b>	<b>0.5</b>
<b>Non-current</b>		
Deposits paid	<b>0.1</b>	-

Trade receivables represent outstanding rent due from tenants.

Information about the impairment and ageing of receivables and the Group's exposure to credit risk is disclosed in note 26.

## 10. RENTAL GUARANTEES

	30 June 2016 \$m	30 June 2015 \$m
<b>Current</b>		
Rental guarantees	2.2	-
<b>Non-current</b>		
Rental guarantees	2.2	-

Rental guarantees have been provided for 8 of the Group's investment properties. Expiry dates of the guarantees range from October 2016 to May 2021.

## 11. OTHER ASSETS

	30 June 2016 \$m	30 June 2015 \$m
<b>Current</b>		
Prepayments	0.7	0.1

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 12. INVESTMENT PROPERTIES – NON CURRENT

Property	Acquisition Date	Independent Valuation Date	Independent Valuer	Independent Valuation \$m	Carrying Value 30 June 2016 \$m	Carrying Value 30 June 2015 \$m
Ballarat Home	Oct 2015	Jun 2016	Savills	36.5	36.5	-
Bankstown Home	May 2016	Mar 2016	Savills	53.3	53.3	-
Belrose Super Centre	Oct 2015	Jun 2016	Savills	122.0	122.0	-
Belrose Gateway Centre	Dec 2015	Oct 2015	Knight Frank	6.4	6.4	-
Caringbah Home	Oct 2015	Jun 2015	Knight Frank	82.5	88.4	-
Cranbourne Home	Oct 2015	Jun 2015	CBRE	114.1	120.1	-
Epping Hub	Dec 2015	Oct 2015	Savills	40.0	40.0	-
Highlands Hub	Oct 2015	Jun 2015	JLL	28.5	29.8	-
Jindalee Home	Oct 2015	Dec 2015	CBRE	103.9	103.9	-
Kotara Home (South)	Aug 2008	Jun 2016	Knight Frank	107.0	107.0	95.5
Logan Super Centre	May 2016	Apr 2016	Savills	81.9	81.9	-
MacGregor Home	May 2016	Apr 2016	Savills	26.1	26.1	-
McGraths Hill Home	May 2016	Mar 2016	Savills	36.1	36.1	-
Midland Home	Oct 2015	Jun 2016	CBRE	54.5	54.5	-
Mile End Home	Oct 2015	Dec 2015	Savills	83.2	83.2	-
Peninsula Home	Oct 2015	Dec 2015	CBRE	67.6	71.7	-
Shepparton Home	May 2016	Apr 2016	Savills	21.6	21.6	-
Sunshine Coast Home	Oct 2015	Jun 2015	Knight Frank	64.5	66.8	-
Tuggerah Super Centre	Oct 2015	Jun 2016	Knight Frank	60.5	60.5	-

Property	Acquisition Date	Independent Valuation Date	Independent Valuer	Independent Valuation \$m	Carrying Value 30 June 2016 \$m	Carrying Value 30 June 2015 \$m
Tweed Hub	Oct 2015	Jun 2015	JLL	29.5	30.2	-
Warners Bay Home	Oct 2015	Jun 2015	JLL	32.5	33.3	-
				1,252.2	1,273.3	95.5
Less amounts classified as rental guarantees					(4.4)	-
					<b>1,268.9</b>	<b>95.5</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 12. INVESTMENT PROPERTIES (cont.)

A reconciliation of the movement in the carrying value of investment properties during the financial year is outlined below:

	\$m
Balance at the beginning of the year	95.5
Additions from acquisitions via business combinations	1,072.3
Capital expenditure	21.8
Straight-lining of rental income	2.3
Amortisation of rental guarantees	(0.5)
Net gain on movement in fair value of investment properties	81.9
Less amounts reclassified as rental guarantees	(4.4)
Balance at the end of the year	<b>1,268.9</b>

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

Refer to note 24 for information on how the Group determines fair value of investment properties.

### Leasing arrangements

The Group's investment properties are leased to tenants under non-cancellable operating leases with rentals payable on a monthly basis. Future minimum rentals receivable under the leases as at 30 June 2016 and 30 June 2015 are as follows:

	30 June 2016 \$m	30 June 2015 \$m
Within 1 year	96.3	5.7
Later than 1 year but not later than 5 years	232.4	16.1
Later than 5 years	89.0	9.6
	<b>417.7</b>	<b>31.4</b>



## 13. PAYABLES

	30 June 2016 \$m	30 June 2015 \$m
<b>Current</b>		
Trade payables and accruals	9.1	0.4
Other payables	1.7	0.8
	<b>10.8</b>	<b>1.2</b>

Trade payables are unsecured and are usually paid within 30 days of recognition.

## 14. DISTRIBUTIONS PAYABLE

	30 June 2016 \$m	30 June 2015 \$m
<b>Current</b>		
Distributions payable	14.5	-

## 15. DEFERRED REVENUE

	30 June 2016 \$m	30 June 2015 \$m
<b>Current</b>		
Deferred revenue	1.8	0.2

Deferred revenue represents rental income received in advance. Deferred revenue will be recognised as revenue in accordance with note 2(d).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 16. BORROWINGS

	30 June 2016 \$m	30 June 2015 \$m
<b>Non-current</b>		
<i>Secured</i>		
Bank debt	462.0	56.0
Less: unamortised transaction costs	(2.9)	(0.1)
	<b>459.1</b>	<b>55.9</b>

During the financial year the Group entered into a syndicated debt facility with Commonwealth Bank of Australia, Australian and New Zealand Banking Group Limited, and National Australia Bank Limited. The debt facility has three tranches, the key features of which are summarised as follows:

	Tranche A	Tranche B	Tranche C
<b>Type of facility</b>	Revolving cash advance facility	Revolving cash advance facility	Revolving cash advance facility
<b>Amount</b>	\$200 million	\$200 million	\$100 million
<b>Term</b>	5 years	3 years	5 years
<b>Maturity</b>	October 2020	October 2018	May 2021
<b>Interest</b>	BBSY + margin	BBSY + margin	BBSY + margin
<b>Repayment</b>	Interest only with a lump sum payment of all amounts outstanding at the end of the term	Interest only with a lump sum payment of all amounts outstanding at the end of the term	Interest only with a lump sum payment of all amounts outstanding at the end of the term

All borrowings are denominated in Australian dollars.

## Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the financial year:

	30 June 2016			30 June 2015		
	Limit \$m	Drawn \$m	Undrawn \$m	Limit \$m	Drawn \$m	Undrawn \$m
<b>Syndicated debt facility</b>						
– Tranche A	200.0	200.0	-	N/A	N/A	N/A
– Tranche B	200.0	200.0	-	N/A	N/A	N/A
– Tranche C	100.0	62.0	38.0	N/A	N/A	N/A
Westpac bank debt	N/A	N/A	N/A	56.0	56.0	-
	<b>500.0</b>	<b>462.0</b>	<b>38.0</b>	<b>56.0</b>	<b>56.0</b>	<b>-</b>

Undrawn debt under the syndicated debt facility may be drawn at any time.

An additional tranche of up to \$100 million may be added to the existing debt facility subject to the satisfaction of certain conditions. No commitment is provided by the banks for this additional tranche and there is no certainty that it will be available in future financial periods.

## Security

The syndicated debt facility is secured by:

- > a first ranking real property mortgage in respect of each property in the portfolio;
- > a first ranking general security deed over all the assets of the guarantors;
- > a first ranking specific security deed over all the shares and units held by the guarantors; and
- > a limited recourse share mortgage provided by Aventus Capital Limited.

## Compliance with debt covenants

The Fund has complied with the financial covenants of its borrowing facilities during the financial year.

Key financial covenants under the syndicated debt facility are summarised as follows which are assessed semi-annually:

- > Interest cover ratio is at least 2 times;
- > Loan to value ratio is less than or equal to 55%; and
- > Total liabilities to total tangible assets ratio is less than or equal to 55%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 17. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2016 \$m	30 June 2015 \$m
<b>Non-current</b>		
Interest rate swaps – at fair value	3.5	-

The Group utilises interest rate swaps to partially hedge against interest rate risk fluctuations. Interest rate swaps have the economic effect of converting borrowings from floating interest rates to fixed interest rates.

At 30 June 2016 the Group had entered into interest rate swap agreements totalling \$240.0 million (30 June 2015: \$Nil) representing 51.9% of total borrowings. Key features of the interest rate swaps are summarised as follows:

Maturity date	Notional amount \$m	Fair value \$m
October 2018	80.0	1.0
October 2019	40.0	0.8
May 2020	20.0	0.1
October 2020	40.0	1.1
May 2021	60.0	0.5
	<b>240.0</b>	<b>3.5</b>

As at 30 June 2016 the fixed rate on the interest rate swaps varies from 1.83% to 2.36% per annum.

Interest rate swap contracts require settlement of net interest receivable or payable on a monthly basis.

## 18. ISSUED UNITS

	30 June 2016 \$m	30 June 2015 \$m
394,717,614 ordinary units (2015: NIL)	747.6	4.3

A reconciliation of the movement in ordinary units during the financial year is as follows:

	Units	\$m
<b>Balance at the beginning of the financial year</b>	-	4.3
Redemption of units	-	(0.5)
Return of capital	-	(0.2)
Establishment of the Fund	1	-
Units issued under reverse acquisition	19,744,091	-
Units issued as consideration for business combinations	171,821,115	343.6
Units issued at IPO	151,667,500	303.3
Units issued for entitlement offer	51,484,907	104.5
Unit issue costs	-	(7.4)
<b>Balance at the end of the financial year</b>	<b>394,717,614</b>	<b>747.6</b>

As stipulated in the Fund's constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund.

Each unit ranks equally and has the same rights attached to it as with all other units on issue.

Each unit confers the right to vote at meetings of Unitholders, subject to any voting restrictions imposed on a Unitholder under the Corporations Act and the ASX Listing Rules.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 19. RETAINED EARNINGS

	30 June 2016 \$m	30 June 2015 \$m
Retained earnings	48.8	34.8

A reconciliation of the movement in retained earnings during the financial year is as follows:

	2016 \$m	2015 \$m
<b>Balance at the beginning of the financial year</b>	<b>34.8</b>	<b>27.2</b>
Net profit for the year	51.0	11.4
Distributions paid or payable	(37.0)	(3.8)
<b>Balance at the end of the financial year</b>	<b>48.8</b>	<b>34.8</b>

## 20. EARNINGS PER UNIT

	2016 \$m	2015 \$m
Net profit for the year	51.0	11.4
Weighted average number of units used in the basic and diluted earnings per unit	274.7	17.9
<b>Basic and diluted earnings per unit (cents)</b>	<b>18.6</b>	<b>63.6</b>

The weighted average number of units used in calculating basic and diluted earnings per unit has been retrospectively adjusted as a result of the entitlement offer which occurred during the financial year.

## 21. STATEMENT OF CASH FLOWS INFORMATION

### a) Reconciliation of profit to net cash flows from operating activities

	2016 \$m	2015 \$m
<b>Profit for the year</b>	<b>51.0</b>	<b>11.4</b>
<b>Adjustments for:</b>		
Finance costs capitalised	(3.4)	-
Portfolio acquisition and transaction costs	70.7	-
Straight-lining of rental income	(2.3)	0.2
Amortisation of rental guarantees	0.5	-
Amortisation of debt establishment costs	0.5	-
Net gain on movement in fair value of investment properties	(81.9)	(7.8)
Net loss on movement in fair value of interest rate swaps	3.5	-
<b>Change in operating assets and liabilities, net of effects from purchase of controlled entities:</b>		
(Increase)/decrease in receivables	(1.3)	0.1
(Increase)/decrease in other assets	0.4	-
Increase/(decrease) in payables	(6.9)	0.5
Increase/(decrease) in deferred revenue	0.9	(0.1)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>31.7</b>	<b>4.3</b>

### b) Non-cash investing and financing activities

Non-cash investing and financing activities relating to the IPO acquisition assets are disclosed in note 22(a).

There were no other non-cash investment or financing activities during the financial year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 22. BUSINESS COMBINATIONS

### a) IPO acquisitions

The Fund was established on 28 July 2015 and was registered with ASIC as a managed investment scheme on 14 September 2015. The Fund subsequently listed on the Australian Securities Exchange ("ASX") on 16 October 2015.

On 29 July 2015, the Fund acquired 100% of the units in Aventus Kotara (South) Unit Trust ("Kotara") (formerly BB Retail Property Unit Trust No.2). The Fund subsequently acquired 100% interests in the assets outlined below ("IPO acquisition assets"), which were funded partially by the issue of units in the Fund, and partially by cash raised during the Fund's IPO.

- > BBRC Belrose Fund
- > BBRC Mile End Fund
- > Caringbah Unit Trust
- > BBRC Midland Fund
- > BBRC Diversified Retail Fund
- > Cranbourne Home
- > BBRC Jindalee Fund
- > Peninsula Unit Trust
- > BBJ Thompsons Road Unit Trust
- > Sunshine Coast Home
- > Tuggerah Super Centre

### Reverse acquisition

As disclosed in note 1(b) the acquisition of Kotara by the Fund resulted in the unitholder of Kotara obtaining control of the merged entities. Consequently, the acquisition has been accounted for with reference to the guidance for reverse acquisitions set out in AASB 3.

The application of the reverse acquisition guidance contained in AASB 3 has resulted in the Fund (the legal parent) being accounted for as a subsidiary of the Group and Kotara (the legal subsidiary) being accounted for as the parent entity of the Group for financial reporting purposes.

At the date of acquisition the Fund was non-trading and its operations did not fall within the definition of a business under AASB 3. Consequently, the acquisition did not meet the definition of a business combination under AASB 3, and the principles of AASB 3 could not be applied in their entirety.

Instead, the transaction has been accounted for as a share-based payment transaction using the principles set out in AASB 2 "Share-based Payment" whereby Kotara is deemed to have issued shares in exchange for the net assets of the Fund. In accordance with AASB 2, the difference between the fair value of the deemed consideration paid by Kotara and the fair value of the identifiable net assets of the Fund is required to be recognised as an expense. At the date of acquisition the fair value of the net assets of the Fund was \$2 and the deemed consideration paid by Kotara amounted to \$2. As a result, no expense arose.

This is consistent with the accounting outcome that would have been achieved under AASB 3 had the Fund met the definition of a business at the time of the acquisition of Kotara.

The Group's acquisition of the IPO acquisition assets on 20 October 2015 met the definition of a business and therefore the principles of a business combination under AASB 3 were applied in their entirety to the Group's acquisition.

The purchase consideration did not exceed the fair value of the identifiable assets and liabilities of the IPO acquisition assets and accordingly, no goodwill arose as a result of the transaction.

The above transactions have been disclosed as one single transaction for the purposes of the disclosure adopted in the financial statements. Details of the purchase consideration and the net assets and liabilities acquired related to the IPO acquisition assets are as follows:

	\$m
<b>Purchase consideration</b>	
Cash paid	124.0
Units issued	343.6
	<b>467.6</b>
The assets and liabilities recognised as a result of the acquisition are as follows:	
	Fair Value \$m
Cash and cash equivalents	6.2
Trade and other receivables	1.0
Other assets	0.7
Investment properties	809.0
Rental guarantees	1.3
Trade and other payables	(12.3)
Borrowings	(338.3)
<b>Net identifiable assets acquired</b>	<b>467.6</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 22. BUSINESS COMBINATIONS (cont.)

### a) IPO acquisitions (cont.)

Transaction costs of \$54.0 million not directly attributable to the issue of units, were expensed during the year and are included as part of portfolio acquisition and transactions costs in the statement of comprehensive income. Transaction costs of \$5.4 million, directly attributable to the issue of units, were recognised directly in equity as a reduction of issued units.

From the date of acquisition, the acquired businesses contributed revenues of \$63.9 million and a net profit, including transaction costs, of \$60.3 million to the Group.

### b) Epping Hub acquisition

On 9 December 2015 the Group acquired Epping Hub.

Net assets were acquired at fair value. Accordingly, no goodwill arose as a result of the transaction. Details of the purchase consideration and the net assets acquired are as follows:

	\$m
<b>Purchase consideration</b>	
Cash paid	40.0
Units issued	-
	<b>40.0</b>

The assets recognised as a result of the acquisition are as follows:

	Fair Value \$m
Investment properties	40.0
<b>Net identifiable assets acquired</b>	<b>40.0</b>

Total transaction costs of \$2.5 million were expensed during the year and are included as part of portfolio acquisition and transactions costs in the statement of comprehensive income.

From the date of acquisition, Epping Hub contributed revenues of \$2.1 million and a net loss, including transaction costs, of \$1.8 million to the Group.



### c) Belrose Gateway Centre acquisition

On 18 December 2015 the Group acquired the Belrose Gateway Centre.

Net assets were acquired at fair value. Accordingly, no goodwill arose as a result of the transaction. Details of the purchase consideration and the net assets acquired are as follows:

	\$m
<b>Purchase consideration</b>	
Cash paid	6.4
Units issued	-
	<b>6.4</b>

The assets recognised as a result of the acquisition are as follows:

	Fair Value \$m
Investment properties	6.4
<b>Net identifiable assets acquired</b>	<b>6.4</b>

Total transaction costs of \$0.4 million were expensed during the year and are included as part of portfolio acquisition and transactions costs in the statement of comprehensive income.

From the date of acquisition, the Belrose Gateway Centre contributed revenues of \$0.4 million and a net loss, including transaction costs, of \$0.2 million to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 22. BUSINESS COMBINATIONS (cont.)

### d) Portfolio acquisition

On 20 May 2016 the Group acquired the Aventus Bankstown Unit Trust (formerly Chapel Road Bankstown Trust), Aventus Logan Unit Trust (formerly Logan Megacentre Trust), Aventus MacGregor Unit Trust (formerly Kessels Road Trust), McGraths Hill Unit Trust (formerly Windsor Road Unit Trust) and Shepparton Home.

Net assets were acquired at fair value. Accordingly, no goodwill arose as a result of the transaction. Details of the purchase consideration and the net assets acquired are as follows:

	\$m
<b>Purchase consideration</b>	
Cash paid	219.5
Units issued	-
	<b>219.5</b>
The assets and liabilities recognised as a result of the acquisition are as follows:	
	Fair Value \$m
Cash and cash equivalents	1.0
Trade and other receivables	0.5
Other assets	0.3
Investment properties	215.2
Rental guarantees	3.8
Trade and other payables	(0.6)
Deferred revenue	(0.7)
<b>Net identifiable assets acquired</b>	<b>219.5</b>

Total transaction costs of \$13.7 million were expensed during the year and are included as part of portfolio acquisition and transactions costs in the statement of comprehensive income.

From the date of acquisition the acquired businesses contributed revenues of \$2.2 million and a net loss, including transaction costs, of \$12.3 million to the Group.

## 23. RELATED PARTY INFORMATION

### a) Responsible entities

The responsible entity of the Fund for the period 14 September 2015 to 11 March 2016 was One Managed Investment Funds Limited ("OMIFL"). On 11 March 2016 OMIFL retired as responsible entity and was replaced by Aventus Capital Limited.

### b) Directors of the responsible entities

The following persons held office as directors of OMIFL during its term as responsible entity:

- > Frank Tearle                      Executive director
- > Elizabeth Reddy                  Non-executive director
- > Justin Epstein                    Executive director

Directors of OMIFL were not remunerated by the Group and did not hold any units in the Fund.

The following persons held office as directors of Aventus Capital Limited since the company's appointment as responsible entity and up to the date of this report:

- > Bruce Carter                      Independent non-executive chairman
- > Darren Holland                  Executive director
- > Tracey Blundy                    Non-executive director
- > Kieran Pryke                    Independent non-executive director
- > Robyn Stubbs                    Independent non-executive director

Executive and non-executive directors of Aventus Capital Limited are remunerated by the Aventus Property Group. Director fees of independent non-executive directors are reimbursed by the Fund.

The total amount reimbursed for the year ended 30 June 2016 amounted to \$250,000 (2015: \$Nil). Director fees are disclosed as part of other expenses in the statement of comprehensive income.

### c) Responsible entity fees

OMIFL derived a responsible entity fee, directly from Aventus Capital Limited, during its term as responsible entity. The responsible entity fees were not recharged to the Fund.

Aventus Capital Limited is not entitled to a responsible entity fee for services provided to the Group.

### d) Director's interest in the Fund

Directors' interest in the Fund at 30 June 2016 are summarised as follows:

Director	Number of units held in the Fund
Bruce Carter	745,856
Darren Holland	1,836,892
Tracey Blundy	10,689,285
Kieran Pryke	57,500
Robyn Stubbs	23,000

### e) Key management personnel

Key management personnel ("KMP") are defined by AASB 124 "Related Party Transactions" as "those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity".

The responsible entity is considered to be the KMP of the Group.

### f) Manager

The Manager of the Fund is Aventus Funds Management Pty Limited. Directors of the Manager are Darren Holland and Brett Blundy. Directors of the Manager are remunerated by Aventus Services Pty Limited and are not remunerated by the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 23. RELATED PARTY INFORMATION (cont.)

### g) Management fees

In accordance with the Management Services Agreement, Aventus Funds Management Pty Limited is entitled to remuneration in the form of an investment management fee and a performance fee.

#### Investment management fee

The Investment Management Fee is calculated as follows:

- > 0.6% per annum of the gross asset value ("GAV") of the Group, where GAV is less than or equal to \$2.0 billion; and
- > 0.5% of the GAV of the Group, where GAV is greater than \$2.0 billion.

The Investment Management Fee is calculated and payable on a monthly basis.

Total Investment Management Fees incurred for the year ended 30 June 2016 amounted to \$4,272,000 (2015: \$Nil).

#### Performance fee

Aventus Funds Management Pty Limited is also entitled to a Performance Fee of 20% of the percentage by which the total return of the Fund exceeds a hurdle of 12%. This is calculated as:

$20\% \times \text{Outperformance \%} \times \text{Closing NTA}$  (together with any carry forward outperformance as further described below) where:

- > **Outperformance %** = Total Return less Hurdle Rate
- > **Total Return** = Change in the NTA per Unit over the relevant period plus the Distributions per Unit paid during the relevant period divided by the NTA per Unit at the commencement of the relevant period (expressed as a percentage).

Total return is measured on a three year rolling basis and annualised as a compounded annual growth rate.

For the 2016 financial year, total return is measured from the commencement date of the Management Services Agreement to 30 June 2016 and the first performance fee period ends on 30 June 2018.

- > **Hurdle Rate** = 12%
- > **Closing NTA** = The NTA of the Fund on the last day of the relevant period.

The first Performance Fee amount (if any) will become payable on the publication of the Fund's financial results after the third financial year after commencement of the Management Services Agreement (i.e. after 30 June 2018), with Performance Fees calculated and payable annually thereafter.

The total fee payable (comprising the Investment Management Fee plus the Performance Fee) in any year is capped at 1.0% of GAV of the Fund. Any excess fee is carried over to subsequent Performance Fee periods (subject to the performance of the Fund and any application of the cap during that period). Any prior period underperformance must be recovered before the Manager becomes entitled to the payment of a Performance Fee in respect of a subsequent period. The Performance Fee may be paid to the Manager in cash or Units (at the election of the Manager).

## h) Property and development management fees

Aventus Property Management Pty Limited is entitled to the following fees in accordance with the Property Management and Development Agreement:

<b>Leasing fee for new tenants</b>	15% of face rental (being gross rent payable by a tenant, disregarding incentives and rent abatements) for the first year of the lease term.
<b>Leasing renewal fee (existing tenant not exercising an option)</b>	10% of face rental for the first year of a new lease or additional leased space (as applicable) if an existing tenant enters into a new lease for premises it currently occupies (excluding by way of exercise of an option), relocates to new premises within the relevant property or enters into a new lease for new space in a property in the portfolio.
<b>Leasing renewal fee (existing tenant exercising an option)</b>	7% of face rental for the first year of a new lease if an existing tenant exercises an option to continue leasing their current space in a property in the portfolio.
<b>Leasing market rent review fee</b>	7% of the increase between the rent payable for the year before the relevant rent review and the rent payable for the year after that rent review date as a result of the market rent review.
<b>Leasing administration fee</b>	\$4,000 per lease documentation negotiated and prepared by the Property Manager (without double servicing where relevant lease agreements are prepared by external parties).
<b>Asset and property management fee</b>	4% of face rental (payable in equal monthly instalments in arrears) provided that where, immediately prior to a property becoming subject to the Property and Development Management Agreement (for example, the acquisition of a new property), the property management fee in respect of that property (which is recoverable from tenants as outgoings under the terms of the relevant lease agreements) is higher than 4% of the total face rent, the Property Manager shall be entitled to that higher fee for so long as it remains recoverable from the tenants under the relevant lease agreements. The property manager is also entitled to salary and on-cost recoveries associated with managing the property.
<b>Development services fee</b>	5% of total development costs (being the total cost of any development works undertaken in respect of a property), calculated and payable monthly in arrears. The property manager will only be able recover an amount equal to 2% of the total development cost from the time the development proposal is approved to the commencement of construction, with the balance to be paid in instalments from the time that construction commences to delivery of the project.

Total fees incurred in accordance with the Property Management and Development Agreement for the year ended 30 June 2016 amounted to \$8,375,000 (2015: \$Nil).

Asset and property management fees are included as part of property expenses in the statement of comprehensive income. Leasing fees and development services fees are capitalised into the carrying value of investment properties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 23. RELATED PARTY INFORMATION (cont.)

### i) Custody fees

In connection with the provision of custody services to the Group OMIFL is entitled to a custody fee of:

- > 0.02% per annum of the Group's GAV up to \$250 million, and
- > 0.01% per annum of the Group's GAV in excess of \$250 million,

subject to a minimum monthly fee of \$2,000.

Total custody fees incurred for the year ended 30 June 2016 amounted to \$93,000 (2015: \$Nil).

### j) Reimbursement of costs by the Fund

Aventus Capital Limited, Aventus Funds Management Pty Limited and Aventus Property Management Pty Limited are entitled to be reimbursed for expenses relating to proper performance of their respective duties as responsible entity, manager and property manager. This includes the cost of the Group's external advisors, (including auditors), custodian fees, registry fees, ASX fees, and expenses, costs and disbursements incurred by Aventus Property Group personnel in connection with the due and proper management and administration of the Fund.

Total amounts reimbursed by the Fund for the above costs during the year ended 30 June 2016 amounted to \$2,775,000 (2015: \$Nil). \$2,170,000 of these total costs relate to portfolio acquisition and transactions costs disclosed in note 22(a).

### k) Outstanding payable balances with related parties

The following balances are outstanding at the end of the financial year in relation to transactions with related parties:

	30 June 2016 \$m	30 June 2015 \$m
<b>Current payables</b>		
Aventus Funds Management Pty Limited	0.6	-
Aventus Property Management Pty Limited	1.2	-
Blundy Family Trust	-	0.4
	<b>1.8</b>	<b>0.4</b>

The above payables are unsecured and are usually paid within 30 days of recognition.



## l) Other related party transactions

The following related party transactions relate to entities associated with Brett Blundy.

A related party has provided rental guarantees to the Group for 4 stores at 3 of its properties which expire in October 2016. Rental guarantees claimed from the related party during the financial year amounted to \$125,000 (2015: \$Nil). Rental guarantees outstanding at 30 June 2016 were \$53,000 (2015: \$Nil).

The Group has also entered into a number of lease agreements with a related party. Total rental income derived from the

related party during the financial year amounted to \$1,441,000 (2015: \$Nil).

Rental guarantees and lease agreements with other related parties are negotiated on an arm's length basis.

## m) Subsidiaries

As disclosed in note 1(b) Aventus Kotara South Unit Trust (legal subsidiary) is deemed to be the parent entity of the Group and Aventus Retail Property Fund (legal parent) is deemed to be a subsidiary for financial reporting purposes.

The Group's subsidiaries at 30 June 2016 are set out below. All subsidiaries are incorporated in Australia.

Name of entity	Ownership interest		Principal activities
	2016 %	2015 %	
<b>Deemed parent (legal subsidiary)</b>			
Aventus Kotara South Unit Trust			Property investment
<b>Deemed subsidiary (legal parent)</b>			
Aventus Retail Property Fund	100%	-	Investment holding trust
<b>Subsidiaries</b>			
Aventus Bankstown Holding Trust	100%	-	Investment holding trust
Aventus Bankstown Unit Trust – 1	100%	-	Property investment
Aventus Belrose Unit Trust	100%	-	Property investment
Aventus Caringbah Unit Trust	100%	-	Property investment
Aventus Cranbourne Unit Trust	100%	-	Property investment
Aventus Cranbourne Thompsons Road Unit Trust	100%	-	Property investment
Aventus Diversified Unit Trust	100%	-	Investment holding trust
Aventus Ballarat Unit Trust – 2	100%	-	Property investment

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 23. RELATED PARTY INFORMATION (cont.)

Name of entity	Ownership interest		Principal activities
	2016 %	2015 %	
Aventus Highlands Unit Trust – 2	100%	-	Property investment
Aventus Tweed Unit Trust – 2	100%	-	Property investment
Aventus Warners Bay Unit Trust – 2	100%	-	Property investment
Aventus Epping Unit Trust	100%	-	Property investment
Aventus Jindalee Unit Trust	100%	-	Property investment
Aventus Logan Holding Trust	100%	-	Investment holding trust
Aventus Logan Unit Trust – 3	100%	-	Property investment
Aventus MacGregor Holding Trust	100%	-	Investment holding trust
Aventus MacGregor Unit Trust – 4	100%	-	Property investment
Aventus McGraths Hill Holding Trust	100%	-	Investment holding trust
Aventus McGraths Hill Unit Trust – 5	100%	-	Property investment
Aventus Midland Unit Trust	100%	-	Property investment
Aventus Mile End Unit Trust	100%	-	Property investment
Aventus Mile End Stage 3 Unit Trust	100%	-	Property investment
Aventus Peninsula Unit Trust	100%	-	Property investment
Aventus Shepparton Unit Trust	100%	-	Property investment
Aventus Sunshine Coast Unit Trust	100%	-	Property investment
Aventus Tuggerah Unit Trust	100%	-	Property investment

1 – Entity is a 100% owned subsidiary of Aventus Bankstown Holding Trust

2 – Entity is a 100% owned subsidiaries of Aventus Diversified Unit Trust

3 – Entity is a 100% owned subsidiary of Aventus Logan Holding Trust

4 – Entity is a 100% owned subsidiary of Aventus MacGregor Holding Trust

5 – Entity is a 100% owned subsidiary of Aventus McGraths Hill Holding Trust

## **n) Key related party contracts**

### **Kotara Home call option and pre-emptive deed**

The Group's Kotara Home (South) property ("Kotara South") is adjacent to another property ("Kotara North") which is owned by an entity associated with Brett Blundy. The respective owners have entered into the Kotara Call Option and Pre-emptive Deed under which:

- > The owner of Kotara South grants to the owner of Kotara North a call option to acquire Kotara South ("Call Option"); and
- > The owner of Kotara North and the owner of Kotara South have each granted the other reciprocal pre-emptive rights in the event that either of them wishes to sell their respective Kotara properties ("Pre-emptive Right").

Further information relating to the Call Option and the Pre-emptive Right is outlined below.

#### **Call option**

Where as a result of a vote of the Unitholders in the Fund, there is a change of the responsible entity of the Fund to an entity who is not a member of the Aventus Property Group ("Call Option Event") the following process will apply:

- > The owner of Kotara North may require a valuation to be conducted on Kotara South, with two independent valuers to be appointed – one by the owner of Kotara North Owner and one by the new responsible entity;
- > the purchase price for Kotara South will be the average of the two valuations; and
- > upon receipt of those valuations, the owner of Kotara North may exercise the call option and purchase Kotara South for the relevant purchase price so determined.

### **Pre-emptive right**

Under the pre-emptive right, where an owner wishes to deal with their Kotara property, it must give notice to the other owner of the proposed sale terms which will constitute an offer to the relevant recipient to acquire the selling owner's Kotara property. The owner will have 40 days to accept those sale terms. If the offer is not accepted, then the owner selling its Kotara asset may sell to another third party within six months on terms and at a price that are no more favourable to the proposed purchaser than the terms offered under the pre-emptive right.

## **o) Parent entity related party transactions**

### **1 July 2015 to 19 October 2015**

For the period 1 July 2015 to 19 October 2015 Aventus Kotara South Unit Trust incurred property management, leasing fees and salary and wages recoveries from BBRC Property Management Pty Limited. Total fees for the period amounted to \$365,000 (2015: \$738,000). Details of these transactions are summarised as follows:

#### **Property management fees**

Property management fees are agreed annually with BBRC Property Management Pty Limited. Fees are calculated and payable on a monthly basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 23. RELATED PARTY INFORMATION (cont.)

### o) Parent entity related party transactions (cont.)

#### Leasing fees

Leasing fees are calculated as follows:

New tenants	14.35% (2015: 13.92%) of gross rent (including marketing levy or fees but disregarding incentives or rent free periods) for the first year of the lease.
Additional space from existing tenants	14.35% (2015: 13.92%) of gross rent (including marketing levy or fees but disregarding incentives or rent free periods) for the first year of the lease.
Lease renewals by existing tenants	6.7% (2015: 6.5%) of gross rent (including marketing levy or fees but disregarding incentives or rent free periods) for the first year of the lease.
Option renewal by existing tenants	6.7% (2015: 6.5%) of gross rent (including marketing levy or fees but disregarding incentives or rent free periods) for the first year of the lease.
Assignment of leases	\$2,000 per lease.

Fees are calculated and payable on a monthly basis.

#### Salary and wages recoveries

BBRC Property Management Pty Limited is entitled to salary and on-cost recoveries associated with managing the Kotara South property. Fees are calculated and payable on a monthly basis.

#### 20 October 2015 to 30 June 2016

For the period 20 October 2015 to 30 June 2016 Aventus Kotara South Unit Trust incurred property management, leasing fees and salary and wages recoveries from Aventus Property Management Pty Limited. Details of the fees are outlined in note 23(h).

Total fees incurred in accordance with the Property Management and Development Agreement for the period 20 October 2015 to 30 June 2016 amounted to \$653,000 (2015: \$Nil).

## 24. FAIR VALUE MEASUREMENT

This note provides information about how the Group determines fair value of various financial and non-financial assets and liabilities.

### a) Assets and liabilities measured at fair value on a recurring basis

The Group measures investment properties and derivative financial instruments at fair value on a recurring basis.

To provide an indication about the reliability of inputs used in determining fair value, the Group classifies its assets and liabilities into three levels prescribed under accounting

standards. An explanation of each level is outlined below:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability are not based on observable market data (unobservable inputs).

The following table summarises the Group's assets and liabilities measured and recognised at fair value on a recurring basis:

		Level 2		Level 3		Total	
	Note	June 2016 \$m	June 2015 \$m	June 2016 \$m	June 2015 \$m	June 2016 \$m	June 2015 \$m
<b>Non-financial assets</b>							
Investment properties	12	-	-	1,268.9	95.5	1,268.9	95.5
<b>Financial liabilities</b>							
Derivative financial instruments	17	3.5	-	-	-	3.5	-

There were no transfers between levels of fair value measurement during the financial year.

The Group did not measure any financial assets or liabilities at fair value on a non-recurring basis as at 30 June 2016 or 30 June 2015.

### Valuation techniques used to derive level 2 fair values

The only level 2 assets or liabilities measured at fair value are interest rate swaps.

The fair value of interest rate swaps is estimated using the discounted cash flow technique. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 24. FAIR VALUE MEASUREMENT (cont.)

### Valuation techniques used to derive level 3 fair values

The only level 3 assets or liabilities measured at fair value are investment properties.

The Group obtains independent valuations for its investment properties at least every two years.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors

determine a property's value within a range of reasonable fair value estimates.

The fair value of investment properties is determined using recognised valuation techniques such as the capitalisation of net income method and discounted cash flow method.

Key inputs used in determining property values as at 30 June 2016 and 30 June 2015 are outlined below. Information disclosed at 30 June 2015 relates solely to Kotara Home South.

	Range 30 June 2016	Weighted average 30 June 2016	Range 30 June 2015	Weighted average 30 June 2015
Net passing rent (\$ per square metre)	\$117 to \$343	\$216	\$250	\$250
Net market rent (\$ per square metre)	\$128 to \$343	\$223	\$255	\$255
Adopted capitalisation rate (%)	6.50% to 8.00%	7.53%	7.50%	7.50%
Adopted terminal yield (%)	6.75% to 8.50%	7.73%	8.00%	8.00%
Adopted discount rate (%)	8.00% to 9.25%	8.85%	8.75%	8.75%

In determining the valuation of all investment properties measured at recurring fair value, consideration has been given to the highest and best use of those properties.

### Sensitivity analysis

Valuation input	Relationship of valuation input to fair value
Net passing rent	The higher net passing rent, the higher the fair value.
Net market rent	The higher net market rent, the higher the fair value.
Adopted capitalisation rate	The higher the capitalisation rate, the lower the fair value.
Adopted terminal yield	The higher the termination yield, the lower the fair value.
Adopted discount rate	The higher the discount rate, the lower the fair value.

### b) Assets and liabilities not measured at fair value

The Group has a number of assets and liabilities which are not measured at fair value in the balance sheet. The fair values of these assets and liabilities are not materially different to their carrying amounts.



## 25. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so it can continue to provide returns for Unitholders and maintain an optimal capital structure to reduce the cost of capital.

The Group's capital structure consists of cash, borrowings and equity. In determining the optimal capital structure, the Group takes into account a number of factors including the capital needs of its portfolio, the relative cost of debt versus equity, the execution and market risk of raising equity or debt, the financial risks of debt including increased volatility of earnings due to exposure to interest rate movements, the liquidity risk of maturing debt facilities and the market in general.

In order to maintain or adjust the capital structure, the Group may adjust the amount of distributions paid to Unitholders, return capital to Unitholders, issue new units or sell assets to reduce debt.

The Group's capital position is monitored using the following gearing ratio:

	30 June 2016 \$m	30 June 2015 \$m
Gross borrowings	462.0	56.0
Less: cash and cash equivalents	(4.3)	(0.3)
Net debt	457.7	55.7
Total assets (less cash and cash equivalents)	1,281.8	96.1
Gearing ratio (%)	35.7%	58.0%

Subsequent to the Fund's IPO the Group's strategy is to maintain a gearing ratio of between 30% and 40%.

## 26. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to financial risks including interest rate risk, liquidity risk and credit risk.

### Interest rate risk

Interest rate risk is the risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's main interest rate risk arises from borrowings with variable interest rates.

The Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps which have the effect of converting a portion of the Group's borrowings from variable to fixed interest rates. The Group's policy for maintaining minimum levels of borrowings at fixed rates using interest rate swaps varies depending upon the maturity profile of the debt.

The Group's exposure to interest rate risk from borrowings is summarised in the table below:

	30 June 2016 \$m	30 June 2015 \$m
<b>Floating rate borrowings</b>		
Bank debt	462.0	56.0
<b>Derivative financial instruments</b>		
Interest rate swaps (notional principal amount)	(240.0)	-
<b>Net interest rate exposure</b>	<b>222.0</b>	<b>56.0</b>

Further details of the Group's borrowings and interest rate swaps held at 30 June 2016 and 30 June 2015 are disclosed in notes 16 and 17 respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 26. FINANCIAL RISK MANAGEMENT (cont.)

### Interest rate risk sensitivity

The impact of a 1% increase/decrease in market interest rates at balance date would result in a \$2.2 million decrease/increase in profit or loss per annum. Aside from the profit or loss impact on equity, the 1% increase/decrease in market interest rates at the reporting date has no other impact on equity.

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Management manages liquidity by ensuring there is sufficient cash and/or committed undrawn borrowings available.

Management prepares and monitors rolling forecasts of liquidity reserves, comprising cash and undrawn borrowing facilities, on the basis of expected future cash flows.

The Group's financing arrangements, debt maturity profiles and access to undrawn borrowing facilities at 30 June 2016 and 30 June 2015 are disclosed in note 16.

### Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

30 June 2016 Contractual maturities of financial liabilities	Less than 6 months	6-12 months	1 to 3 years	3 to 5 years	Total contracted cash flows	Carrying amount of liabilities
<b>Non-derivative</b>						
Payables	10.8	-	-	-	10.8	10.8
Distributions payable	14.5	-	-	-	14.5	14.5
Borrowings	7.0	6.9	223.8	274.0	511.7	462.0
	<b>32.3</b>	<b>6.9</b>	<b>223.8</b>	<b>274.0</b>	<b>537.0</b>	<b>487.3</b>
<b>Derivative</b>						
Interest rate swaps	0.3	0.3	0.9	0.4	1.9	3.5

30 June 2015 Contractual maturities of financial liabilities	Less than 6 months	6-12 months	1 to 3 years	3 to 5 years	Total contracted cash flows	Carrying amount of liabilities
<b>Non-derivative</b>						
Payables	1.2	-	-	-	1.2	1.2
Borrowings	1.4	1.4	56.9	-	59.7	56.0
	<b>2.6</b>	<b>1.4</b>	<b>56.9</b>	<b>-</b>	<b>60.9</b>	<b>57.2</b>
<b>Derivative</b>						
Interest rate swaps	-	-	-	-	-	-

## Credit risk

### Risk management and security

Credit risk is the risk that a customer or counterparty to a financial instrument will default on their contractual obligations resulting in a financial loss to the Group. The Group's credit risk arises from cash and cash equivalents, receivables and rental guarantees. The carrying amount of these financial assets disclosed in the balance sheet represents the maximum credit exposure to the Group at 30 June 2016.

To manage credit risk in relation to cash and cash equivalents, deposits are held with financial institutions with AA – Standards and Poor's credit ratings.

To manage credit risk in relation to receivables and rental guarantees, tenants are billed monthly in advance. For some tenants the Group may also obtain collateral in the form of security deposits, bank guarantees or rental guarantees. Management also monitors tenancy exposure across its portfolio on a monthly basis.

### Impaired receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

The Group considers that there is evidence of impairment if any of the following indicators are present:

- > significant financial difficulties of the debtor
- > probability that the debtor will enter bankruptcy or financial reorganisation, and
- > default or delinquency in payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within other expenses.

There were no significant impaired trade receivables at 30 June 2016 or 30 June 2015.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 26. FINANCIAL RISK MANAGEMENT (cont.)

### Receivables past due but not impaired

As at 30 June 2016, trade receivables of \$0.2 million (2015 - \$Nil) were past due but not impaired. These relate to tenants for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	30 June 2016 \$m	30 June 2015 \$m
31-60 days	0.1	-
61-90 days	0.1	-
90+ days	-	-
	<b>0.2</b>	<b>-</b>

## 27. CONTINGENT ASSETS AND LIABILITIES

Aventus Funds Management Pty Limited is entitled to a Performance Fee calculated in accordance with the terms and conditions of the Management Services Agreement outlined in note 23(g). The first Performance Fee (if any) will become payable on the publication of the Fund's financial results for the year ending 30 June 2018. The amount and probability of any Performance Fee payable at 30 June 2018 cannot be measured with sufficient reliability at balance date.

There were no other significant contingent liabilities or assets at 30 June 2016 or 30 June 2015.

## 28. COMMITMENTS

### a) Land acquisition

The Group has entered into a contract to acquire additional land adjacent to the Tuggerah Super Centre for \$3.8m excluding GST. The settlement date for the acquisition was 1 July 2016. Unpaid purchase consideration at 30 June 2016 was \$3.6m excluding GST.

### b) Development expenditure

The Group has entered into contracts for the redevelopment of a number of its investment properties. Total commitments as at 30 June 2016 amounted to \$3.8 million excluding GST. There were no commitments at 30 June 2015.

The above commitments have not been reflected in the consolidated financial statements.

## 29. EVENTS OCCURRING AFTER THE REPORTING PERIOD

### a) Land acquisition

On 1 July 2016 the Group acquired additional land adjacent to the Tuggerah Super Centre for \$3.8m excluding GST.

### b) Distribution reinvestment plan

On 3 August 2016 the Group announced the introduction of a distribution reinvestment plan. The last date for the receipt of an election notice for participation in the distribution reinvestment plan is the record date for the September 2016 quarter distribution.

### c) Units subject to voluntary escrow

On 3 August 2016 the Group announced 50% of units held in the Fund by entities associated with Brett Blundy, Darren Holland and Bruce Carter, which are subject to voluntary escrow deeds, will be released from escrow after the announcement of the Group's audited financial results for the year ended 30 June 2016.

There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## 30. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditors of the Fund.

	2016 \$'000	2015 \$'000
<b>a) Ernst &amp; Young</b>		
<b>Audit and other assurance services</b>		
Audit and review of financial statements	245	-
Other assurance services	210	-
Agreed upon procedures engagements	60	-
Due diligence services	985	-
	<b>1,500</b>	<b>-</b>
<b>Taxation services</b>		
Tax compliance services	225	-
Tax advisory services	355	-
	<b>580</b>	<b>-</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

## 30. REMUNERATION OF AUDITORS (cont.)

	2016 \$'000	2015 \$'000
<b>Total remuneration of Ernst &amp; Young</b>	<b>2,080</b>	<b>-</b>
<b>b) PWC</b>		
<b>Audit services</b>		
Compliance plan audit	23	-
<b>Total auditors' remuneration</b>	<b>2,103</b>	<b>-</b>

## 31. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

Agreements with derivative counterparties are based on an ISDA Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position payable/ receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated.

At 30 June 2016 and 30 June 2015 there were no financial assets and liabilities that were offset in the balance sheet.



## 32. PARENT ENTITY INFORMATION

As outlined in note 1(b), Aventus Kotara South Unit Trust is deemed to be the parent entity of the Group for financial reporting purposes.

### a) Summary financial information

The individual financial statements for Aventus Kotara South Unit Trust show the following aggregate amounts:

	30 June 2016 \$m	30 June 2015 \$m
<b>Statement of comprehensive income</b>		
Profit for the year	16.9	11.4
<b>Total comprehensive income for the year</b>	<b>16.9</b>	<b>11.4</b>
<b>Balance sheet</b>		
Current assets	0.5	0.9
Non-current assets	107.0	95.5
<b>Total assets</b>	<b>107.5</b>	<b>96.4</b>
Current liabilities	(0.9)	(1.4)
Non-current liabilities	(51.2)	(55.9)
<b>Total liabilities</b>	<b>(52.1)</b>	<b>(57.3)</b>
<b>Net assets</b>	<b>55.4</b>	<b>39.1</b>
Issued capital	3.6	4.3
Retained earnings	51.8	34.8
<b>Total equity</b>	<b>55.4</b>	<b>39.1</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

### 32. PARENT ENTITY INFORMATION (cont.)

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#### **b) Guarantees entered into by the parent entity**

Aventus Kotara South Unit Trust had not provided any guarantees as at 30 June 2016 or 30 June 2015.

#### **c) Contingent liabilities of the parent entity**

Aventus Kotara South Unit Trust did not have any contingent liabilities as at 30 June 2016 or 30 June 2015.

#### **d) Contractual commitments**

Aventus Kotara South Unit Trust did not have any contractual commitments as at 30 June 2016 or 30 June 2015.

#### **e) Determining the parent entity financial information**

The financial information for Aventus Kotara South Unit Trust has been prepared on the same basis as the consolidated financial statements.

## DIRECTORS' DECLARATION

### IN THE DIRECTORS' OPINION:

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- a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date, and
- b) there are reasonable grounds to believe that Aventus Retail Property Fund will be able to pay its debts as and when they become due and payable.

The financial statements also comply with International Financial Reporting Standards as disclosed in note 1(a) to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors of the responsible entity made pursuant to s295(5) of the Corporations Act 2001.



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**Darren Holland**

Executive Director

Sydney

18 August 2016



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**Bruce Carter**

Chairman

Sydney

18 August 2016

# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
200 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

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Fax: +61 2 9248 5959  
ey.com/au

## Independent auditor's report to the unitholders of Aventus Retail Property Fund

### Report on the financial report

We have audited the accompanying financial report of Aventus Retail Property Fund, which comprises the consolidated balance sheet as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Fund 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 Aventus Capital Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1a, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 controls 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 controls. 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

## Opinion

In our opinion:

- a. the financial report of Aventus Retail Property Fund is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii. complying with *Australian Accounting Standards and the Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



Ernst & Young



Mark Conroy  
Partner  
18 August 2016

## UNITHOLDER INFORMATION

The Unitholder Information set out below was applicable as at 8 August 2016.

### a) Distribution of equity securities

An analysis of the number of Unitholders by size of holding are set out below:

Holding	Holders	Ordinary units	% of units
1 to 1,000	100	35,144	0.01
1,001 to 5,000	258	814,971	0.21
5,001 to 10,000	376	2,822,448	0.72
10,001 to 100,000	752	17,878,152	4.53
100,001+	140	373,166,899	94.54
<b>UNITS ON ISSUE</b>		<b>394,717,614</b>	<b>100.00</b>
<b>UNITHOLDERS HOLDING LESS THAN A MARKETABLE PARCEL OF SHARES (&lt;\$500)</b>	52	800	3.24



## b) Equity security holders

The names of the 20 largest Unitholders are listed below:

#	Name	Number held	%	#	Name	Number held	%
1	BB RETAIL CAPITAL PTY LTD	90,732,371	22.99	13	BB HOLDINGS (PROPERTY) PTY LTD	5,423,028	1.37
2	NATIONAL NOMINEES LIMITED	43,997,210	11.15	14	WEC ENTERPRISES PTY LTD	4,670,835	1.18
3	CITICORP NOMINEES PTY LIMITED	31,602,801	8.01	15	LADIDAA PTY LTD	3,151,403	0.80
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	28,663,849	7.29	16	AMP LIFE LIMITED	3,050,677	0.77
5	RRI INVESTMENTS PTY LTD	28,658,517	7.26	17	COLOSKYE PTY LTD	2,220,182	0.56
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,802,925	4.76	18	PBBT PTY LTD	2,205,638	0.56
7	BNP PARIBAS NOMS PTY LTD	14,150,034	3.58	19	VANHAVEN PTY LTD	2,078,280	0.53
8	BBRC INTERNATIONAL PTE LIMITED	12,500,000	3.17	20	COLOVINE PTY LTD	1,907,135	0.48
9	MYRTLE INVESTMENTS PTY LTD	8,661,781	2.19		<b>Total</b>	<b>324,567,018</b>	
10	JD MARNABECK PTY LTD	7,793,848	1.97		<b>Balance of register</b>	<b>70,150,596</b>	
11	CRANBOURNE PTY LTD	7,183,000	1.82		<b>Grand Total</b>	<b>394,717,614</b>	
12	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	7,113,504	1.80				

### c) Substantial holders

Substantial Unitholders in the Fund are set out below:

Name	Number held	Date of Notice
Entities associated with Brett Blundy	115,883,399	07/06/16
Entities associated with Ray Itaoui	26,316,770	29/10/15

### d) Units subject to voluntary escrow

Related party Unitholders have entered into voluntary escrow deeds relating to 117,109,873 units in the Fund.

The escrow period for 50% of the escrowed units expires after the announcement of the Group's financial results for the year ended 30 June 2016.

The escrow period for the remaining 50% of the escrowed units expires after the announcement of the Group's financial results for the half year ending 31 December 2016. The escrowed Unitholders may be released early from the escrow obligations, in respect of the remaining 50% of escrowed units, if both of the following conditions are satisfied:

1. the Group's audited financial results for the year ended 30 June 2016 have been released to the ASX; and
2. the volume weighted average unit price for any period of 10 consecutive trading days occurring after the release of those financial results exceeds \$2.30 per unit.

The escrowed Unitholders may also be released early from the escrow obligations to enable:

- > the escrowed Unitholders to accept an offer under a takeover bid if holders of at least 50% of the units that are subject of the takeover bid, that are not escrowed, have accepted the takeover bid; and
- > the units held by the escrowed unitholder to be transferred or redeemed as part of a trust scheme approved by Unitholders.

### e) Voting rights

Each unit confers the right to vote at meetings of Unitholders, subject to any voting restrictions imposed on a unitholder under the Corporations Act and the ASX Listing Rules.

On a show of hands each unitholder has one vote. On a poll, each unitholder has one vote for each dollar value of units held.

## UNITHOLDER INFORMATION (cont.)

### ASX

The Aventus Retail Property Trust is listed on the Australian Securities Exchange (ASX:AVN).

### Website

The Aventus website, [www.ventusproperty.com.au](http://www.ventusproperty.com.au) provides information on each property in the AVN Portfolio, and an overview of AVN's corporate governance structures. The site also provides unit price information and access to reports, presentations and releases made to the ASX.

### How do I become a unitholder?

Investors will need to use the services of a stockbroker or an online broking facility to invest in AVN.

### Unitholder enquiries

Please contact the Share Registry if you have any questions about your unitholding or distributions.

Contact details are as follows:

C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

**Telephone:** +61 1300 554 474

**Facsimile:** +61 2 9287 0303

**ASX Code:** AVN

**Email:** [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

**Website:** [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### How do I access my holding online

Visit [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) and click on "Investor Login" or scan the QR Code to take you to the Investor Centre.



### Select from one of the following access methods

- > Login to view your portfolio
- > Register to set up a free portfolio
- > Login via a single holding

### Access a variety of holding information

- > View all holdings under your portfolio
- > View current and historical balances, transactions and payment information

### Update your details

- > Update your address details, payment instructions and tax details
- > Update your communication preferences and address
- > Lodge your proxy vote for any current meetings

### **Distribution reinvestment plan (DRP)**

A DRP has been established for both the interim distribution and final distribution and will be operational from the quarter ending 30 September 2016.

### **Electronic payment of distributions**

Unitholders may nominate a bank, building society or credit union account for the payment of distributions by direct credit. Payments are electronically credited on the distribution date and confirmed by mailed payment advice.

### **Publications**

The annual report is the main source of information for Unitholders. A half year presentation is available in February each year providing a review of the six months to December. AVN also sends releases to the ASX covering matters of relevance to Unitholders.

### **Annual tax statements**

Accompanying the final distribution payment each year will be an annual tax statement which details tax advantaged components of the year's distribution.

### **Distributions**

Distributions are paid quarterly.

### **Complaints handling**

Complaints made in regard to the Fund should be directed to:

The Fund Manager,  
Level 14, 71 Macquarie Street  
SYDNEY NSW 2000

The procedure for lodgement of complaints and complaints handling is set out in the Dispute Resolution Policy.

A copy can be found under the Policies and Procedures Section at **[www.ventusproperty.com.au](http://www.ventusproperty.com.au)**

Should a complainant be dissatisfied with the decision made by the responsible entity in relation to a complaint, the complainant is entitled to take the matter up with the Financial Ombudsman Service ("FOS"), an external and independent industry complaint handling scheme.

FOS is located at:

Level 12, 717 Bourke Street  
Docklands VICTORIA 3008

FOS can be contacted by:

**Mail:** GPO Box 3, Melbourne VICTORIA 3001

**Telephone:** +61 1800 367 287

**Facsimile:** +61 3 9613 6399

**Email:** [info@fos.org.au](mailto:info@fos.org.au)

**Website:** [www.fos.org.au](http://www.fos.org.au)

# CORPORATE DIRECTORY

Responsible entity	<b>Aventus Capital Limited (ABN 34 606 555 480)</b> Level 14, 71 Macquarie Street SYDNEY NSW 2000
Directors	Bruce Carter Tracey Blundy Darren Holland Kieran Pryke Robyn Stubbs
Company secretaries	Lawrence Wong Mary Weaver
Registered office and principal place of business	Level 14, 71 Macquarie Street SYDNEY NSW 2000 +61 2 9285 6700
Share registry	<b>Link Market Services Limited</b> Level 12, 680 George Street SYDNEY NSW 2000
Auditors	<b>Ernst &amp; Young</b> Level 34, 200 George Street SYDNEY NSW 2000
Custodian	<b>One Managed Investment Funds Limited</b> Level 11, 20 Hunter Street SYDNEY NSW 2000
Website address	<a href="http://www.ventusproperty.com.au">www.ventusproperty.com.au</a>

[www.aventusproperty.com.au](http://www.aventusproperty.com.au)