

## APPENDIX 4D

### Interim Report

For the half-year ended 31 December 2017

Name of entity	Aventus Retail Property Fund
	ARSN 608 000 764

#### Explanation of reporting periods

The interim report of the Aventus Retail Property Fund ("the Fund") is for the period 1 July 2017 to 31 December 2017. The previous corresponding interim period is 1 July 2016 to 31 December 2016.

#### Results for announcement to the market

		Change %		31 Dec 2017 \$m
Revenue from ordinary activities	Up	28.3%	to	83.1
Profit from ordinary activities attributable to unitholders	Up	16.6%	to	75.0
Net profit for the period attributable to unitholders	Up	16.6%	to	75.0

The increase in revenue from ordinary activities compared to the prior period is mainly attributable to the acquisition of Castle Hill Super Centre and Marsden Park Home on 3 July 2017 which contributed additional revenues of \$15.1 million.

The \$10.7 million increase in net profit compared to the prior period is mainly due to:

- > net property income derived from the acquisition of Castle Hill Super Centre and Marsden Park Home;
- > \$24.0 million in stamp duty costs expensed relating to the acquisitions;
- > a \$33.2 million increase in fair value gains on investment properties;
- > a \$2.8 million increase in performance fees; and
- > an \$8.8 million increase in finance costs including a \$4.3 million increase in interest costs resulting from increased debt funding and a \$4.4m increase in fair value losses on derivatives.

#### Distributions

Quarter	Distribution per unit (cents)	Total distribution \$m	Ex- distribution date	Record date	Payment date
September 2017	4.05	19.9	28/09/2017	29/09/2017	23/11/2017
December 2017	4.07	20.0	28/12/2017	29/12/2017	22/02/2018
Total	8.12	39.9			
September 2016	3.88	15.3	29/09/2016	30/09/2016	23/11/2016
December 2016	3.96	15.7	29/12/2016	30/12/2016	15/02/2017
Total	7.84	31.0			

### Distributions (continued)

During the period the Fund operated a distribution reinvestment plan ("DRP") under which unitholders may elect to reinvest all or part of their distribution in new units in the Fund rather than being paid in cash.

The last date for the receipt of an election notice for participation in the DRP is the next business day after the record date for the respective quarterly distribution.

The DRP unit price is determined as the average of the daily volume weighted average price of the Fund's units sold on the Australian Securities Exchange during a ten-day trading period prior to the payment date for the distribution, less a discount of 2%.

### Net tangible assets

	31 Dec 2017 \$m	30 June 2017 \$m
Net tangible assets	1,151.3	1,111.7
Net tangible assets per unit (\$)	2.34	2.27

### Entities over which control has been gained or lost during the period

Not applicable.

### Details of associates and joint venture entities

Not applicable.

### Accounting standards used by foreign entities

Not applicable.

### Audit

This report is based on the attached consolidated interim financial statements which have been reviewed by Ernst & Young.

# AVENTUS RETAIL PROPERTY FUND

ARSN 608 000 764

Interim consolidated financial report  
for the half-year ended 31 December 2017



## CONTENTS

Directors' report	3
Auditor's independence declaration	7
Interim financial report	
Consolidated statement of comprehensive income	8
Consolidated balance sheet	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the consolidated financial statements	12
Directors' declaration	25
Independent auditor's review report	26

## DIRECTORS' REPORT

The directors of Aventus Capital Limited ("the Responsible Entity"), the responsible entity of Aventus Retail Property Fund ("the Fund"), present their report together with the interim consolidated financial statements of the Fund and its consolidated entities ("the Group") for the half-year ended 31 December 2017.

### Directors

The following persons held office as directors of the Responsible Entity during the period and up to the date of this report, unless otherwise stated:

- > Bruce Carter Independent Non-Executive Chairman
- > Darren Holland Executive Director
- > Kieran Pryke Independent Non-Executive Director
- > Robyn Stubbs Independent Non-Executive Director
- > Nico van der Merwe Alternate Director to Brett Blundy (resigned as director and appointed as alternate director to Brett Blundy on 11 August 2017)
- > Brett Blundy Non-Executive Director (resigned as alternate director to Nico van der Merwe and appointed as director on 11 August 2017)

### Review of operations and results

The principal activity of the Group during the period was investment in large format retail property assets.

### Summary of financial performance

A summary of the Group's financial performance for the financial period is set out below.

	6 months to 31 Dec 2017 \$m	6 months to 31 Dec 2016 \$m
Net profit for the financial period	75.0	64.3
Funds from operations ("FFO")	44.6	34.6
Basic and diluted earnings per unit for the financial period (cents per unit)	15.3	16.3
FFO per unit (cents per unit)	9.1	8.8
Distributions to unitholders	39.9	31.0
Distributions to unitholders (cents per unit)	8.1	7.8

The \$10.7 million increase in net profit compared to the prior period is mainly due to:

- > net property income derived from the acquisition of Castle Hill Super Centre and Marsden Park Home;
- > \$24.0 million in stamp duty costs expensed relating to the acquisitions;
- > a \$33.2 million increase in fair value gains on investment properties;
- > a \$2.8 million increase in performance fees; and
- > an \$8.8 million increase in finance costs including a \$4.3 million increase in interest costs resulting from increased debt funding and a \$4.4m increase in fair value losses on derivatives.

## DIRECTORS' REPORT

### Summary of financial performance (continued)

#### FFO

The table below provides a reconciliation between the statutory net profit for the period and FFO. FFO represents the net profit for the period adjusted for:

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

	6 months to 31 Dec 2017 \$m	6 months to 31 Dec 2016 \$m
Statutory net profit	75.0	64.3
Straight-lining of rental income	(2.5)	(2.1)
Amortisation of rental guarantees	1.8	0.7
Amortisation of debt establishment costs	0.6	0.4
Net gain on movement in fair value of investment properties	(58.3)	(25.1)
Net loss/(gain) on movement in fair value of derivative financial instruments	0.8	(3.6)
Portfolio transaction costs	24.4	-
Performance fees	2.8	-
FFO	44.6	34.6

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.

#### Distributions

Distributions declared and/or paid to unitholders of the Fund during the period were as follows:

Quarter	Distribution per unit (cents)	Total distribution \$m	Ex- distribution date	Record date	Payment date
September 2017	4.05	19.9	28/09/2017	29/09/2017	23/11/2017
December 2017	4.07	20.0	28/12/2017	29/12/2017	22/02/2018
Total	8.12	39.9			
September 2016	3.88	15.3	29/09/2016	30/09/2016	23/11/2016
December 2016	3.96	15.7	29/12/2016	30/12/2016	15/02/2017
Total	7.84	31.0			

## DIRECTORS' REPORT

### Summary of financial position

A summary of the Group's financial position at 31 December 2017 is set out below.

	31 Dec 2017 \$m	30 June 2017 \$m
<b>Assets</b>		
Investment property portfolio (including rental guarantees)	1,890.1	1,395.1
Total assets	1,897.9	1,476.1
Net tangible assets	1,151.3	1,111.7
Net tangible assets (\$ per unit)	2.34	2.27
<b>Capital management</b>		
Drawn debt	702.2	329.3
Debt facility limit	800.0	500.0
Cash and undrawn debt	101.1	204.6
Gearing ratio (%)	36.9%	20.5%
Interest rate hedging (notional amount)	420.0	240.0
Hedged debt to drawn debt ratio (%)	59.8%	72.9%

### Investment property portfolio

- > At 31 December 2017 the Group owned 21 large format retail investment properties across Australia with a combined value of \$1.9 billion. The weighted average capitalisation rate of the portfolio was 6.69% (30 June 2017: 7.24%).
- > On 3 July 2017 the Group acquired Castle Hill Super Centre and Marsden Park Home for \$436.0 million. The acquisition was funded via a \$214.7 million accelerated non-renounceable entitlement offer and a \$300.0 million increase in the Group's debt facility. Additional details of the acquisitions are disclosed in note 11 to the financial statements.
- > On 21 December 2017 the Group sold Shepparton Home and also exchanged an unconditional contract for the sale of Tweed Hub. The combined sales price for Shepparton Home and Tweed Hub was \$60.1 million, reflecting a 6.5% premium to the carrying value at 30 June 2017 and a weighted yield of 7.42%. The sales are in line with the Group's strategy to divest smaller regional centres to maintain balance sheet strength and reduce gearing. The sale of Tweed Hub is expected to settle on or before 31 March 2018. Additional details of the sales are disclosed in note 6 to the financial statements.
- > In relation to development activities the Group completed the redevelopment of the former Bunnings tenancy at Sunshine Coast Home and the construction of the portfolio's first child care centre at Cranbourne Home. Development of level 1 at Tuggerah Super Centre also commenced during the period which will add approximately an additional 10,000 square metres of retail GLA to the centre. Practical completion is expected in May 2018.

## DIRECTORS' REPORT

### Summary of financial position (continued)

#### Debt and hedging activities

- > The Group continued to comply with and maintain significant headroom for all key debt covenants during the period ended 31 December 2017.
- > Gearing increased from 20.5% at 30 June 2017 to 36.9% at 31 December 2017. Gearing at 30 June 2017 was lower than normal due to a temporary \$160 million debt repayment in June 2017 following partial receipt of funds raised for the Castle Hill Super Centre and Marsden Park Home acquisitions.
- > An additional \$180 million in interest rate swaps were entered into during July 2017.
- > Hedging coverage as a percentage of drawn debt decreased from 72.9% at 30 June 2017 to 59.8% at 31 December 2017.
- > In December 2017 the Group's existing syndicated debt facility agreement was restructured to include a new common terms deed. There were no changes to debt covenants or individual tranche facility limits, maturity dates, repayment terms and interest rate margins.

#### Events occurring after the reporting period

On 19 January 2018 the Group entered into a new \$110 million, 7-year, syndicated loan note facility with bank and institutional lenders. Refer to note 7 to the financial statements for details of key terms and conditions.

There has not been any other matter or circumstance occurring subsequent to the end of the financial period 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.

#### Auditor's independence declaration


A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

#### 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.

This report is made in accordance with a resolution of the Directors of the Responsible Entity made pursuant to s306(3) of the Corporations Act 2001.

  
\_\_\_\_\_  
Darren Holland  
Executive Director

Sydney  
12 February 2018

  
\_\_\_\_\_  
Bruce Carter  
Chairman

Sydney  
12 February 2018



## Auditor's Independence Declaration to the Directors of Aventus Capital Limited as the Responsible Entity of Aventus Retail Property Fund

As lead auditor for the review of Aventus Retail Property Fund for the half-year ended 31 December 2017, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Ernst & Young



Mark Conroy  
Partner  
12 February 2018

# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Notes	6 months to 31 Dec 2017 \$m	6 months to 31 Dec 2016 \$m
<b>Revenue</b>			
Rental and other property revenue		82.5	64.5
Other revenue		0.6	0.4
		83.1	64.9
<b>Other income</b>			
Net gain on movement in fair value of investment properties		58.3	25.1
Total revenue and other income		141.4	90.0
<b>Expenses</b>			
Property expenses		(20.7)	(17.0)
Finance costs		(12.6)	(3.8)
Management fees		(4.9)	(3.9)
Portfolio transaction costs	4	(24.4)	-
Performance fees	4	(2.8)	-
Other expenses		(1.0)	(1.0)
Total expenses		(66.4)	(25.7)
<b>Profit for the period</b>		75.0	64.3
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the period</b>		75.0	64.3
<b>Earnings per unit</b>			
Basic (cents per unit)	5	15.3	16.3
Diluted (cents per unit)	5	15.3	16.3

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

# **CONSOLIDATED BALANCE SHEET** **AS AT 31 DECEMBER 2017**

	Notes	31 Dec 2017 \$m	30 June 2017 \$m
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		3.3	33.9
Receivables		2.8	21.0
Rental guarantees		2.0	2.2
Other assets		1.1	25.4
Investment properties held for sale	6	40.1	-
<b>Total current assets</b>		49.3	82.5
<b>Non-current assets</b>			
Derivative financial instruments	8	0.6	0.7
Rental guarantees		4.3	0.5
Investment properties	6	1,843.7	1,392.4
<b>Total non-current assets</b>		1,848.6	1,393.6
<b>Total assets</b>		1,897.9	1,476.1
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables		(12.7)	(10.8)
Borrowings	7	(199.7)	-
Derivative financial instruments	8	(0.3)	-
Distributions payable		(20.0)	(16.0)
Provision for performance fees		(9.1)	-
Deferred revenue		(4.0)	(3.1)
<b>Total current liabilities</b>		(245.8)	(29.9)
<b>Non-current liabilities</b>			
Borrowings	7	(499.3)	(327.0)
Derivative financial instruments	8	(1.5)	(1.2)
Provision for performance fees		-	(6.3)
<b>Total non-current liabilities</b>		(500.8)	(334.5)
<b>Total liabilities</b>		(746.6)	(364.4)
<b>Net assets</b>		1,151.3	1,111.7
<b>Equity</b>			
Issued units	9	971.5	967.0
Retained earnings		179.8	144.7
<b>Total equity</b>		1,151.3	1,111.7

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

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Notes	Issued units \$m	Retained earnings \$m	Total equity \$m
<b>Balance at 1 July 2016</b>		747.6	48.8	796.4
Profit for the period		-	64.3	64.3
Other comprehensive income		-	-	-
<b>Total comprehensive income for the period</b>		-	64.3	64.3
Issue of units net of transaction costs		2.7	-	2.7
Distributions paid or provided for	10	-	(31.0)	(31.0)
<b>Balance at 31 December 2016</b>		750.3	82.1	832.4
<b>Balance at 1 July 2017</b>		967.0	144.7	1,111.7
Profit for the period		-	75.0	75.0
Other comprehensive income		-	-	-
<b>Total comprehensive income for the period</b>		-	75.0	75.0
Issue of units net of transaction costs		4.5	-	4.5
Distributions paid or provided for	10	-	(39.9)	(39.9)
<b>Balance at 31 December 2017</b>		971.5	179.8	1,151.3

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

# **CONSOLIDATED STATEMENT OF CASH FLOWS** **FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

		6 months to 31 Dec 2017 \$m	6 months to 31 Dec 2016 \$m
<b>Cash flows from operating activities</b>			
Rental and other property revenue received		88.7	69.3
Other revenue received		1.0	1.1
Payments to suppliers		(32.3)	(28.8)
Finance costs paid		(10.9)	(7.1)
<b>Net cash inflows from operating activities</b>		<b>46.5</b>	<b>34.5</b>
<b>Cash flows from investing activities</b>			
Payments for capital expenditure		(18.9)	(10.8)
Payments for businesses (including transaction costs) net of cash acquired		(416.8)	(0.9)
Proceeds on sale of investment properties (including transaction costs)		18.8	-
<b>Net cash outflows from investing activities</b>		<b>(416.9)</b>	<b>(11.7)</b>
<b>Cash flows from financing activities</b>			
Unit issue transaction costs		(0.3)	(0.3)
Proceeds from borrowings		426.4	16.0
Repayment of borrowings		(53.8)	(12.7)
Payment of debt establishment costs		(1.2)	-
Distributions paid		(31.3)	(27.2)
<b>Net cash inflows/(outflows) from financing activities</b>		<b>339.8</b>	<b>(24.2)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(30.6)</b>	<b>(1.4)</b>
<b>Cash at the beginning of the financial period</b>		<b>33.9</b>	<b>4.3</b>
<b>Cash at the end of the financial period</b>		<b>3.3</b>	<b>2.9</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

## 1. Basis of preparation

### Statement of compliance

This condensed consolidated interim financial report for the half-year ended 31 December 2017 has been prepared in accordance with the Fund's Constitution, Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

The condensed consolidated interim financial report does not include all the notes normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2017 and public announcements made by the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim financial reporting period.

### 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 period ended 31 December 2017 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
AASB 9 <i>Financial Instruments</i>	<p>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.</p> <p>The directors do not expect the new standard to have a significant impact on the recognition or measurement of the Group's financial instruments.</p> <p>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.</p>	1 January 2018
AASB 15 <i>Revenue from Contracts with Customers</i>	<p>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.</p> <p>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.</p>	1 January 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

## 1. Basis of preparation (continued)

New and amended accounting standards and interpretations issued but not yet adopted by the Group (continued)

Title	Key requirements and impacts	Effective date
AASB 15 <i>Revenue from Contracts with Customers</i>	<p>The scope of AASB 15 excludes income derived from leases which is accounted for under AASB 117 "Leases".</p> <p>As the Group's main source of revenue is rental income derived from tenants in accordance with operating leases, and non-rental income is immaterial, the adoption of the new revenue recognition rules will not have a significant impact on the Group's accounting policies or the amounts recognised in the financial statements.</p> <p>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.</p>	
AASB 16 <i>Leases</i>	<p>AASB 16 supersedes AASB 117 "Leases" and associated interpretations. Key features of AASB 16 from a lessor perspective include:</p> <ul style="list-style-type: none"> <li>AASB 16 substantially carries forward the lessor accounting requirements from AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases.</li> <li>AASB 16 also requires enhanced disclosure to be provided by lessors that will improve information disclosed about a lessor's risk exposure.</li> </ul> <p>As AASB 16 retains the distinction between operating leases and finance leases for lessors there is no fundamental change in accounting for leases between the Group and its tenants. The new standard will result in increased disclosure in the financial report.</p> <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 the directors have not early adopted AASB 16.</p>	1 January 2019

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### 2. Excess of current liabilities over current assets

The Group's current liabilities exceeded its current assets by \$196.5 million at 31 December 2017. The deficiency is attributable to \$200 million in tranche B bank debt which matures in October 2018 and is classified as a current liability at balance date.

As disclosed in notes 7 and 16 to the financial statements, the Group raised \$110 million in additional debt on 19 January 2018 which has been used to partially repay tranche B bank debt. The Group anticipates to have the remaining \$90 million of tranche B debt refinanced prior to 30 June 2018.

The Group's cash and undrawn debt at 31 December 2017 amounted to \$101.1 million.

### 3. Segment information

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 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.

### 4. Profit or loss information

	6 months to 31 Dec 2017 \$m	6 months to 31 Dec 2016 \$m
The profit for the period includes the following items of revenue and expenses which are significant due to their nature, size or incidence:		
<b>Portfolio transaction costs:</b>		
Stamp duty costs	24.0	-
Advisory fees	0.4	-
<b>Total</b>	<b>24.4</b>	<b>-</b>
<b>Performance fees</b>	<b>2.8</b>	<b>-</b>

#### 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.

As at 31 December 2017 the Group recognised a \$9.1 million provision for performance fees (30 June 2017: \$6.3 million) on the basis it is probable a performance fee will be incurred at the end of the inaugural performance period ending 30 June 2018. The impact to profit or loss for the period was \$2.8 million.

The provision has been calculated as the best estimate of expenditure required to settle the obligation at the end of the financial period. The actual performance fee payable may differ as key inputs into the calculation are dependent upon future events. Key inputs include NTA per unit, gross asset value of the Group, distributions to unitholders, units on issue and management fees.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### 5. Earnings per unit

	6 months to 31 Dec 2017 \$m	6 months to 31 Dec 2016 \$m
Net profit for the period (\$m)	75.0	64.3
Weighted average number of units used in calculating basic and diluted earnings per unit (m)	491.4	395.0
Basic and diluted earnings per unit (cents)	15.3	16.3

### 6. Investment properties

Property	Acquisition date	Independent valuation date	Independent valuer	Independent valuation \$m	31 Dec 2017 \$m	30 June 2017 \$m
Ballarat Home	Oct 2015	Dec 2017	Savills	40.5	40.5	38.6
Bankstown Home	May 2016	June 2017	Savills	56.5	59.7	56.5
Belrose Super Centre <sup>-1</sup>	Oct 2015	Dec 2017	Urbis	173.0	173.0	158.7
Caringbah Home	Oct 2015	Dec 2017	Urbis	92.3	92.3	91.4
Castle Hill Super Centre	July 2017	July 2017	Urbis	336.0	338.3	-
Cranbourne Home	Oct 2015	Dec 2017	Savills	133.0	133.0	129.2
Epping Hub	Dec 2015	Dec 2017	Savills	43.0	43.0	40.8
Highlands Hub	Oct 2015	Dec 2017	Knight Frank	33.0	33.0	31.8
Jindalee Home	Oct 2015	Dec 2017	Urbis	123.4	123.4	110.2
Kotara Home (South)	Aug 2008	Dec 2017	Knight Frank	120.0	120.0	112.5
Logan Super Centre	May 2016	June 2017	Savills	88.5	89.1	88.5
MacGregor Home	May 2016	Dec 2017	Savills	24.0	24.0	23.9
Marsden Park Home	July 2017	July 2017	Urbis	100.0	100.5	-
McGraths Hill Home	May 2016	June 2017	Savills	39.4	40.2	39.4
Midland Home	Oct 2015	Dec 2017	Knight Frank	62.0	62.0	58.5
Mile End Home	Oct 2015	Dec 2017	Urbis	97.0	97.0	92.1
Peninsula Home	Oct 2015	Dec 2017	Savills	83.5	83.5	79.8
Shepparton Home <sup>-2</sup>	May 2016	Apr 2016	Savills	21.6	-	21.7
Sunshine Coast Home	Oct 2015	June 2017	JLL	85.0	95.0	85.0
Tuggerah Super Centre	Oct 2015	Dec 2017	Urbis	65.5	65.5	65.5
Tweed Hub <sup>-3</sup>	Oct 2015	Dec 2016	JLL	34.3	-	34.7
Warners Bay Home	Oct 2015	Dec 2017	Knight Frank	37.0	37.0	36.3
				1,888.5	1,850.0	1,395.1
Less amounts classified as rental guarantees					(6.3)	(2.7)
					1,843.7	1,392.4

1 - Belrose Super Centre and Belrose Gateway Centre have been aggregated for financial reporting purposes.

Belrose Gateway Centre was acquired in December 2015.

2 - Shepparton Home was sold on 21 December 2017 for \$20.0 million.

3 - Tweed Hub has been reclassified as investment properties held for sale as at 31 December 2017.

Fair value at 31 December 2017 is \$40.1 million and is based on the property's contracted sales price.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### 6. Investment properties (continued)

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

	6 months to 31 Dec 2017 \$m	12 months to 30 June 2017 \$m
Balance at the beginning of the period	1,392.4	1,268.9
Additions via business combinations (excluding rental guarantees)	431.0	-
Additions	-	4.0
Disposals	(20.0)	-
Amounts reclassified as investment properties held for sale	(40.1)	-
Capitalised expenditure	19.2	23.2
Straight-lining of rental income	2.5	4.5
Net gain on movement in fair value of investment properties	58.3	91.4
Amounts reclassified relating to rental guarantees	0.4	0.4
Balance at the end of the period	1,843.7	1,392.4

### Acquisitions and disposals during the period

#### Castle Hill Super Centre and Marsden Park Home

The acquisition of Castle Hill Super Centre and Marsden Park Home have been accounted for as a business combination. Refer to note 11 to the financial statements for details of the acquisition.

#### Shepparton Home and Tweed Hub

On 21 December 2017 the Group settled the sale of Shepparton Home and also exchanged an unconditional contract for the sale of Tweed Hub.

The combined sales price for Shepparton Home and Tweed Hub was \$60.1 million, reflecting a 6.5% premium to the carrying value at 30 June 2017 and a weighted yield of 7.42%. The sales are in line with the Group's strategy to divest smaller regional centres to maintain balance sheet strength and reduce gearing.

In accordance with the Shepparton Home sales contract a \$0.9 million vacancy guarantee has been provided to the purchaser for vacancies existing at the date of settlement. The \$0.9 million will be held in trust and the Group is entitled to recover any unclaimed guarantee amounts at the end of the 2 year guarantee period.

The sale of Tweed Hub is expected to settle on or before 31 March 2018. Tweed Hub has been disclosed in the balance sheet as an investment property held for sale as at 31 December 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### 7. Borrowings

	31 Dec 2017 \$m	30 June 2017 \$m
<b>Current</b>		
<i>Secured</i>		
Bank debt	200.0	-
Less: unamortised transaction costs	(0.3)	-
<b>Total</b>	<b>199.7</b>	<b>-</b>
<b>Non-current</b>		
<i>Secured</i>		
Bank debt	502.2	329.3
Less: unamortised transaction costs	(2.9)	(2.3)
<b>Total</b>	<b>499.3</b>	<b>327.0</b>

The Group's borrowings represent a syndicated debt facility with Commonwealth Bank of Australia, Australian and New Zealand Banking Group Limited, and National Australia Bank Limited.

#### Expansion of syndicated debt agreement

On 3 July 2017 a \$300 million extension of the existing debt facility was finalised to partially fund the acquisition of Castle Hill Super Centre and Marsden Park Home. The additional \$300 million incorporates 4 new tranches. Key terms and conditions are summarised as follows:

	Tranche E	Tranche F	Tranche G	Tranche H
<b>Amount</b>	\$50 million	\$50 million	\$75 million	\$125 million
<b>Term</b>	4 years	4 years	5 years	5 years
<b>Maturity</b>	July 2021	July 2021	July 2022	July 2022
<b>Interest</b>	90-day BBSY + margin	90-day BBSY + margin	90-day BBSY + margin	30-day BBSY + margin
<b>Repayment</b>	Interest only with a lump sum payment of all amounts outstanding at the end of the term.			

\$1.5 million in debt establishment costs were incurred in relation to the new tranches.

#### Restructure of syndicated debt agreement

In December 2017 the syndicated debt agreement was restructured to incorporate a new common terms deed. Items contained in the common terms deed include, but are not limited to, guarantees and indemnities, representations and warranties, undertakings, financial covenants, defaults, and review events and will apply to all current and future debt facility agreements.

As part of the restructure there have been no changes to debt covenants or individual tranche facility limits, maturity dates, repayment terms and interest rate margins.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### 7. Borrowings (continued)

#### Financing arrangements

At 31 December 2017 the Group had access to the following undrawn debt:

	31 Dec 2017			30 June 2017		
	Limit \$m	Drawn \$m	Undrawn \$m	Limit \$m	Drawn \$m	Undrawn \$m
Syndicated debt facility						
- Tranche A	200.0	200.0	-	200.0	40.0	160.0
- Tranche B	200.0	200.0	-	200.0	200.0	-
- Tranche C	100.0	78.0	22.0	100.0	89.3	10.7
- Tranche E	50.0	50.0	-	-	-	-
- Tranche F	50.0	50.0	-	-	-	-
- Tranche G	75.0	5.7	69.3	-	-	-
- Tranche H	125.0	118.5	6.5	-	-	-
Total	800.0	702.2	97.8	500.0	329.3	170.7

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

An additional tranche (tranche D) 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.

#### Compliance with debt covenants

The Group has complied with the financial covenants of its borrowing facilities during the period ended 31 December 2017.

#### New loan note debt facility

On 19 January 2018 the Group raised an additional \$110 million in debt from bank and institutional lenders. Key terms are summarised as follows:

<b>Facility type</b>	Loan note facility
<b>Facility limit</b>	\$110 million
<b>Term</b>	7 years expiring January 2025 (5-year initial term plus 2 x 1-year extensions at the option of the Group)
<b>Interest rate</b>	90-day BBSY plus margin
<b>Repayments</b>	Before 3 <sup>rd</sup> anniversary – non-call period Before 4 <sup>th</sup> anniversary – 105% prepayment Before 5 <sup>th</sup> anniversary – 101% prepayment
<b>Security</b>	Lenders will share in security pari passu with existing bank lenders
<b>Other</b>	Terms and conditions contained in the common terms deed

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### 8. Derivative financial instruments

	31 Dec 2017 \$m	30 June 2017 \$m
<b>Non-current assets</b>		
Interest rate swaps - at fair value	0.6	0.7
<b>Current liabilities</b>		
Interest rate swaps - at fair value	0.3	-
<b>Non-current liabilities</b>		
Interest rate swaps - at fair value	1.5	1.2

The Group utilises interest rate swaps to partially hedge against interest rate risk fluctuations.

As at 31 December 2017 the Group had entered into interest swap agreements totalling \$420 million (30 June 2017: \$240 million) representing 59.8% of drawn debt (30 June 2017: 72.9%). Key features of the interest rate swaps are summarised as follows:

Maturity date	Notional Amount 31 Dec 2017 \$m	Notional Amount 30 June 2017 \$m	Fair value 31 Dec 2017 \$m	Fair value 30 June 2017 \$m
October 2018	80.0	80.0	(0.3)	(0.5)
October 2019	40.0	40.0	(0.3)	(0.3)
May 2020	20.0	20.0	0.1	0.1
October 2020	40.0	40.0	(0.3)	(0.4)
May 2021	60.0	60.0	0.5	0.6
June 2021	25.0	-	-	-
July 2021	30.0	-	(0.1)	-
July 2022	125.0	-	(0.8)	-
Total	420.0	240.0	(1.2)	(0.5)

As at 31 December 2017 the fixed rate on interest rate swaps ranges from 1.83% to 2.43% per annum (30 June 2017: 1.83% to 2.36%).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### 9. Issued units

	6 months to 31 Dec 2017 Units	6 months to 31 Dec 2017 \$m	12 months to 30 June 2017 Units	12 months to 30 June 2017 \$m
Balance at the beginning of the period	490,421,802	967.0	394,717,614	747.6
Units issued under entitlement offer	-	-	92,533,186	214.7
Unit issue costs	-	(0.1)	-	(2.4)
Units issued under distribution reinvestment plan	2,034,465	4.6	3,171,002	7.1
Balance at the end of the period	492,456,267	971.5	490,421,802	967.0

During the period the Fund operated a distribution reinvestment plan ("DRP") under which unitholders may elect to reinvest all or part of their distribution in new units in the Fund rather than being paid in cash.

The last date for the receipt of an election notice for participation in the DRP is the next business day after the record date for the respective quarterly distribution.

The DRP unit price is determined as the average of the daily volume weighted average price of the Fund's units sold on the Australian Securities Exchange during a ten-day trading period prior to the payment date for the distribution, less a discount of 2%.

### 10. Distributions

	6 months to 31 Dec 2017 Distribution - cents per unit	6 months to 31 Dec 2017 Distribution \$m	6 months to 31 Dec 2016 Distribution - cents per unit	6 months to 31 Dec 2016 Distribution \$m
<b>Fully paid ordinary units</b>				
September quarter	4.05	19.9	3.88	15.3
December quarter	4.07	20.0	3.96	15.7
Total	8.12	39.9	7.84	31.0

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### 11. Business combinations

#### Acquisition of Castle Hill Super Centre and Marsden Park Home

On 3 July 2017 the Group acquired Castle Hill Super Centre and Marsden Park Home for \$436.0 million. The acquisition was funded via a \$214.7 million accelerated non-renounceable entitlement offer and a \$300.0 million increase in the Group's debt facility.

Both properties 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	436.0
<b>Total</b>	<b>436.0</b>

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

	Fair Value \$m
Investment properties	431.0
Rental guarantees	5.0
<b>Net identifiable assets acquired</b>	<b>436.0</b>

#### Transaction costs

\$2.1 million of transaction costs were incurred during the year ended 30 June 2017. An additional \$24.0 million in stamp duty costs were incurred on 3 July 2017 at settlement and have been disclosed as portfolio transactions costs in the statement of comprehensive income.

\$2.4 million of transaction costs, directly attributable to the issue of new units under the entitlement offer, were recognised directly in equity as a reduction in the value of issued units at 30 June 2017. In addition, \$1.5 million in debt establishment costs, relating to the Group's new debt tranches, were capitalised in July 2017.

#### Impact of the acquisition on related party investment management fees

As part of the acquisition Aventus Funds Management Pty Ltd has agreed to waive 50% of its investment management fee relating to the assets for the financial years ending 30 June 2018 and 30 June 2019. Refer to the Fund's annual financial report for the year ended 30 June 2017 for further information on related parties and related party transactions.

#### Revenue and profit contributions

From the date of acquisition to 31 December 2017 the acquired businesses contributed revenues of \$15.1 million and a net loss of \$10.5 million (including \$24.0 million of transaction costs).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### 12. Fair value measurement of financial instruments

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

#### Financial assets and liabilities measured at fair value on a recurring basis

The Group measures 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 financial 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 financial assets and liabilities measured and recognised at fair value on a recurring basis:

	Note	Level 2 31 Dec 2017 \$m	30 June 2017 \$m	Total 31 Dec 2017 \$m	30 June 2017 \$m
<b>Financial assets</b>					
Derivative financial instruments	8	0.6	0.7	0.6	0.7
<b>Financial liabilities</b>					
Derivative financial instruments	8	1.8	1.2	1.8	1.2

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

The Group did not measure any financial assets or liabilities at fair value on a non-recurring basis as at 31 December 2017 or 30 June 2017.

#### 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 FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### 12. Fair value measurement of financial instruments (continued)

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

The Group has a number of financial 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.

### 13. Contingencies

#### Bank guarantees

At 31 December 2017 and 30 June 2017 the Group had given \$1.1 million in bank guarantees relating to the redevelopment of investment properties.

Drawn bank guarantees represent contingent liabilities of the Group and do not form part of borrowings disclosed in the balance sheet. Drawn bank guarantees are also excluded from total borrowings when calculating the Group's debt covenants.

The Group's bank guarantees facility has a limit of \$5 million and expires in September 2019.

### 14. Commitments

Significant capital expenditure contracted for at balance date but not recognised as liabilities is as follows:

	31 Dec 2017 \$m	30 June 2017 \$m
Acquisition of investment properties	-	416.4
Development expenditure	14.1	7.5
Total	14.1	423.9

#### Acquisition of investment properties

On 30 May 2017 the Group exchanged contracts to acquire Castle Hill Super Centre and Marsden Park Home. Total outstanding commitments at 30 June 2017 amounted to \$416.4 million. Commitments were settled on 3 July 2017.

#### Development expenditure

The Group has entered into contracts for the redevelopment of a number of its investment properties. Total commitments at 31 December 2017 amounted to \$14.1 million excluding GST (30 June 2017: \$7.5 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### 15. Significant contract terms and conditions

#### 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.

### 16. Events occurring after the reporting period

As disclosed in note 7 to the financial statements the Group entered into a new \$110 million, 7-year, loan note facility with bank and institutional lenders on 19 January 2018.

There has not been any other matter or circumstance occurring subsequent to the end of the financial period 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.

## DIRECTORS' DECLARATION

In the directors' opinion:


- 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 31 December 2017 and of its performance for the half-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.

This declaration is made in accordance with a resolution of the directors of the Responsible Entity made pursuant to s303(5) of the Corporations Act 2001.



Darren Holland  
Executive Director

Sydney  
12 February 2018



Bruce Carter  
Chairman

Sydney  
12 February 2018

## Independent Auditor's Review Report to the Unitholders of Aventus Retail Property Fund

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of Aventus Retail Property Fund (the Fund ) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of Aventus Capital Limited, the Responsible Entity of the Fund, are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young



Mark Conroy  
Partner  
Sydney  
12 February 2018