

AVENTUS PROPERTY GROUP PTY LTD

ACN 606 747 620

Annual report

for the financial year ended 30 June 2018



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DIRECTORS' REPORT

The directors of Aventus Property Group Pty Limited ("the Company") present their report together with the consolidated financial statements of the Company and its consolidated entities ("the Group") for the financial year ended 30 June 2018.

Directors and secretaries

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

- > Brett Blundy Non-Executive Director
- > Darren Holland Executive Director

The company secretaries of the Company are Mary Weaver AGIA and Lawrence Wong.

Principal activities

The principal activities of the Group during the financial year were to provide property investment, management, development and leasing services.

There was no significant change in the Group's principal activities during the financial year.

Review of operations and results

During the financial year the Group engaged in its principal activities, the results of which are disclosed in the attached financial statements.

Dividends

Dividends paid to shareholders during the financial year were as follows:

	2018 \$	2017 \$
Dividend in respect of the year ended 30 June 2017	7,648,727	-
Dividend in respect of the year ended 30 June 2018	7,562,366	-
	<u>15,211,093</u>	<u>-</u>

The directors have not declared a dividend subsequent to the end of the financial year.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Likely developments and expected results of operations

The Group will continue to engage in its principal activities in future financial years. Expected results of operations in future financial years have not been disclosed as it would result in unreasonable prejudice to the Group.

Shares under option

No options over unissued shares were granted during the financial year. There were no shares under option at 30 June 2017, 30 June 2018 or at the date of this report.

DIRECTORS' REPORT

Environmental regulations

The Group's activities are not subject to any significant environmental regulations under Commonwealth, State or Territory legislation.

Events occurring after the reporting period

There has not been any 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

During the financial year, the Company paid a premium to insure the directors, company secretaries and officers of the Group against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

To the extent permitted by law, the Company has agreed to indemnify the auditors, Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit except for any loss in respect of any matters which are finally determined to have resulted from Ernst & Young's negligent, wrongful or wilful acts or omissions.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

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 5.

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



Darren Holland
Executive Director

Sydney
10 August 2018

Auditor's Independence Declaration to the Directors of Aventus Property Group Pty Limited

As lead auditor for the audit of Aventus Property Group Pty Limited for the financial year ended 30 June 2018, 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 Property Group Pty Limited and the entities it controlled during the financial year.



Ernst & Young



Mark Conroy
Partner
10 August 2018

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

	Notes	2018 \$	2017 \$
Revenue			
Revenue from services		30,098,577	28,218,169
Other revenue		768,113	538,204
Total revenue		30,866,690	28,756,373
Expenses			
Employee benefits expense	4	(10,278,847)	(8,454,746)
Professional fees		(593,498)	(505,624)
Payroll tax expense		(550,894)	(480,623)
Recruitment fees		(227,036)	(154,762)
Rent expense		(960,894)	(732,597)
Insurance expenses		(149,805)	(179,358)
Travel expenses		(208,812)	(273,012)
Depreciation		(61,818)	(42,868)
Loss on disposal of plant and equipment		-	(943)
Other expenses		(1,565,843)	(1,430,782)
Total expenses		(14,597,447)	(12,255,315)
Profit for the year before tax		16,269,243	16,501,058
Income tax expense	5	(5,187,228)	(4,920,658)
Profit for the year		11,082,015	11,580,400
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the year		11,082,015	11,580,400

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

**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2018**

	Notes	30 June 2018 \$	30 June 2017 \$
Assets			
Current assets			
Cash and cash equivalents	6	5,322,535	5,250,818
Trade and other receivables	7	12,138,274	10,068,152
Other assets	8	156,065	187,542
Total current assets		17,616,874	15,506,512
Non-current assets			
Trade and other receivables	7	-	6,269,219
Plant and equipment	9	93,063	89,386
Deferred tax assets	10	822,731	887,179
Total non-current assets		915,794	7,245,784
Total assets		18,532,668	22,752,296
Liabilities			
Current liabilities			
Trade and other payables	11	(2,478,606)	(1,841,442)
Current tax liabilities	12	(1,545,345)	(3,319,922)
Provision for employee benefits	13	(678,513)	(592,618)
Total current liabilities		(4,702,464)	(5,753,982)
Non-current liabilities			
Trade and other payables	11	(114,402)	(52,024)
Provision for employee benefits	13	(167,579)	(176,198)
Deferred tax liabilities	14	(2,788,858)	(1,881,649)
Total non-current liabilities		(3,070,839)	(2,109,871)
Total liabilities		(7,773,303)	(7,863,853)
Net assets		10,759,365	14,888,443
Equity			
Share capital	15	1,000	1,000
Retained earnings	16	10,758,365	14,887,443
Total equity		10,759,365	14,888,443

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 2018**

	Notes	Contributed equity \$m	Retained earnings \$m	Total equity \$m
Balance at 1 July 2016		1,000	3,307,043	3,308,043
Profit for the year		-	11,580,400	11,580,400
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	11,580,400	11,580,400
Dividends paid or provided for	17	-	-	-
Balance at 30 June 2017		1,000	14,887,443	14,888,443
Balance at 1 July 2017		1,000	14,887,443	14,888,443
Profit for the year		-	11,082,015	11,082,015
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	11,082,015	11,082,015
Dividends paid or provided for	17	-	(15,211,093)	(15,211,093)
Balance at 30 June 2018		1,000	10,758,365	10,759,365

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 2018**

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		29,412,063	24,735,796
Payments to suppliers and employees		(16,487,191)	(14,509,280)
Interest received		77,942	78,933
Other receipts		689,415	459,507
Income tax paid		(5,990,147)	(1,934,470)
Net cash inflows from operating activities	18(a)	7,702,082	8,830,486
Cash flows from investing activities			
Payment for plant and equipment		(65,494)	(68,477)
Loans to related parties		(7,564,871)	(7,646,223)
Net cash outflows from investing activities		(7,630,365)	(7,714,700)
Cash flows from financing activities			
Repayment of borrowings		-	(1,385,623)
Net cash outflows from financing activities		-	(1,385,623)
Net increase/(decrease) in cash and cash equivalents		71,717	(269,837)
Cash at the beginning of the financial year		5,250,818	5,520,655
Cash at the end of the financial year	6	5,322,535	5,250,818

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

Aventus Property Group Pty Limited ("the Company") is a proprietary company incorporated in Australia. The financial statements comprise the consolidated financial statement of the Company and its subsidiaries ("the Group").

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The Company 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").

This is the first year that the Group has adopted General Purpose Financial Reporting in compliance with Australian Accounting Standard disclosures. The Group has not presented a reconciliation of opening financial position, financial performance and cash flows as there were no changes from the opening comparative period as the Group has complied with the recognition and measurement requirements of Australian Accounting Standards in prior financial periods.

The financial statements were authorised for issue by the directors on 10 August 2018.

b) Comparative information

Where necessary, comparative information has been adjusted to conform with changes in presentation in the current year.

c) Historical cost convention

The financial statements have been prepared on a historical cost basis.

d) 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.

e) 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 2017.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation (continued)

f) 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 2018 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 Financial Instruments	<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 applicable for financial years commencing on or after 1 January 2018. The Group will apply the new standard from 1 July 2018.</p>	1 January 2018
AASB 15 Revenue from Contracts with Customers	<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> <p>The adoption of the new revenue recognition rules will not significantly impact on the Group's accounting policies or the amounts recognised in the financial statements. The only exception is in relation to performance fees which may be recognised later under the new standard given the guidance requires a higher degree of certainty regarding the amount of performance fees before revenue is recognised.</p> <p>The standard is applicable for financial years commencing on or after 1 January 2018. The Group will apply the new standard from 1 July 2018.</p>	1 January 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation (continued)

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

Title	Key requirements and impacts	Effective date
AASB 16 <i>Leases</i>	<p>AASB 16 provides a comprehensive model for the identification of leasing arrangements and their treatment in the financial statements of both lessees and lessors. Lessees will be required to recognise all leases on the balance sheet, except for short-term leases and leases of low value assets. Rent expenses will be replaced by depreciation of the leased asset and interest expenses relating to the lease liability.</p> <p>The directors anticipate the application of AASB 16 will have a material impact on amounts reported and disclosed in the Group's financial statements relating to non-cancellable operating leases.</p> <p>At 30 June 2018 the Group has non-cancellable operating lease commitments of \$4,019,239 including GST. At 30 June 2019 it is expected non-cancellable operating lease commitments will be \$3,150,456.</p> <p>The new standard will be effective for financial years commencing on or after 1 January 2019 but is available for early adoption. At this stage the Group does not intend to adopt the standard before the effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.</p>	1 January 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Company 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) 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:

Revenue from services

Revenue from the provision of property investment, property management, development and leasing services are recognised in accordance with underlying agreements and in the period in which the services are rendered. Fees are recognised net of rebates.

Interest income

Interest income is recognised on an accruals basis using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

c) Expenses

Expenses are recorded on an accruals basis.

d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

e) 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 within 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.

f) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

g) Trade and other receivables

Trade and other 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.

h) Plant and equipment

Plant and equipment is stated at historical cost less depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the asset, net of any residual amount, over its estimated useful life. The useful life of plant and equipment ranges from 2.5 years to 20 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

i) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

j) Trade and other payables

Trade and other 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.

k) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave in the period the related service is rendered.

Liabilities recognised in respect of short term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured at the present value of the estimate future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

The obligations are presented as current liabilities in the balance sheet if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Superannuation contributions

Superannuation contributions are recognised as employee benefit expenses when employees have rendered service entitling them to the contributions.

Employee incentive scheme

Senior employees of the Group are entitled to participate in a remuneration incentive scheme.

Selected employees are issued with a financial instrument which enables them to acquire units in the Aventus Retail Property Fund ("AVN"). The Group prepays employee remuneration to allow the employee to acquire the units in AVN. The Group holds security over the units in AVN until individual employee service and/or performance conditions are satisfied.

The financial instruments are measured at fair value. The portion of the prepaid employee remuneration that relates to satisfied service and /or performance conditions as well as movements in fair value are recognised in the statement comprehensive income as employee benefits expense.

l) Dividends payable

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

m) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

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.

n) Contributed equity

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

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.

Accrued performance fee revenue

The Group is entitled to a performance fee calculated in accordance with the terms and conditions of the Management Services Agreement between Aventus Funds Management Pty Limited and the Aventus Retail Property Fund.

The Group has recognised accrued performance fee revenue of \$9,059,342 at balance date relating to the inaugural performance period ending 30 June 2018. This amount is expected to be received in August 2018. Accrued performance fee revenue is disclosed as part of 'revenue from services' in the statement of comprehensive income.

No performance fee revenue has been accrued at balance date in relation to the performance fee period 1 July 2016 to 30 June 2019 on the basis that it is not probable performance fees will be derived at the end of the performance fee period.

b) Critical judgements in applying the group's accounting policies

There were no 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Employee benefits expense

	2018 \$	2017 \$
Superannuation expenses	660,550	647,328
Other employee benefits	9,618,297	7,807,418
Total	10,278,847	8,454,746

5. Income tax expense

	2018 \$	2017 \$
a) Income tax expense		
Current tax		
Current tax on profits for the year	4,217,316	3,319,922
Adjustment for current tax of prior periods	(1,745)	43,481
Total current tax expense	4,215,571	3,363,403
Deferred income tax		
Decrease/(increase) in deferred tax assets	64,448	(323,441)
(Decrease)/increase in deferred tax liabilities	907,209	1,880,696
Total deferred tax expense/(benefit)	971,657	1,557,255
Income tax expense	5,187,228	4,920,658
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	16,269,243	16,501,058
Tax at 30%		
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income	4,880,773	4,950,317
Entertainment expenses	5,701	29
Adjustments in respect of income tax of prior years	300,754	(29,688)
Income tax expense	5,187,228	4,920,658

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Cash and cash equivalents

	30 June 2018 \$	30 June 2017 \$
Cash at bank and in hand	2,822,535	2,750,818
Deposits at call	2,500,000	2,500,000
Total	5,322,535	5,250,818

7. Trade and other receivables

	30 June 2018 \$	30 June 2017 \$
Current		
Trade receivable and accrued revenue	3,053,265	2,171,929
Accrued performance fees	9,059,342	-
Other debtors	25,667	-
Prepaid employee benefits	-	250,000
Loans to shareholders	-	7,646,223
Total	12,138,274	10,068,152
Non-current		
Accrued performance fees	-	6,269,219

Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

Information about the impairment and ageing of receivables and the Group's exposure to credit risk is disclosed in note 22(c).

8. Other assets

	30 June 2018 \$	30 June 2017 \$
Current		
Prepayments	156,065	187,542

9. Plant and equipment

	30 June 2018 \$	30 June 2017 \$
Non-current		
Plant and equipment – at cost	218,242	152,747
Accumulated depreciation	(125,179)	(63,361)
Total	93,063	89,386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Deferred tax assets

	30 June 2018 \$	30 June 2017 \$
Non-current		
Deferred tax assets are comprised of:		
Tax losses	-	95,820
Employee benefits	271,093	326,250
Accrued expenses	441,327	312,943
Legal costs	54,425	54,877
Other	55,886	97,289
Total	822,731	887,179

11. Trade and other payables

	30 June 2018 \$	30 June 2017 \$
Current		
Trade creditors and accruals	1,883,313	1,310,314
GST payable	595,293	510,241
Other payables	-	20,887
Total	2,478,606	1,841,442
Non-current		
Other payables	114,402	52,024

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

12. Current tax liabilities

	30 June 2018 \$	30 June 2017 \$
Current		
Provision for income tax	1,545,345	3,319,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Provision for employee benefits

	30 June 2018 \$	30 June 2017 \$
Current		
Provision for employee benefits	678,513	592,618
Non-current		
Provision for employee benefits	167,579	176,198

Employee benefits relating to the Group's liability for annual leave and long service leave.

The current portion of this liability includes all of the accrued annual leave and the unconditional entitlements to long service leave where employees have completed the required period of service. The entire amount of the provision of \$678,513 (30 June 2017 - \$592,618) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

14. Deferred tax liabilities

	30 June 2018 \$	30 June 2017 \$
Non-current		
Deferred tax liabilities are comprised of:		
Performance fees	2,717,803	1,880,766
Accrued income	71,055	883
Total	2,788,858	1,881,649

15. Share capital

	30 June 2018 \$	30 June 2017 \$
1,000 fully paid ordinary shares (2017: 1,000)	1,000	1,000

Ordinary shares entitle the holder to participate in dividends and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Retained earnings

	30 June 2018 \$	30 June 2017 \$
Retained earnings	10,758,365	14,887,443

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

	2018 \$	2017 \$
Balance at the beginning of the financial year	14,887,443	3,307,043
Net profit for the year	11,082,015	11,580,400
Dividends paid or payable	(15,211,093)	-
Balance at the end of the financial year	10,758,365	14,887,443

17. Dividends

	2018 \$	2017 \$
Fully paid ordinary shares		
Dividend in respect of the year ended 30 June 2017	7,648,727	-
Dividend in respect of the year ended 30 June 2018	7,562,366	-
	15,211,093	-

Dividends declared in respect of the years ended 30 June 2018 and 2017 were fully franked.

The directors have not declared a dividend subsequent to the end of the financial year.

Franked dividends

	2018 \$	2017 \$
Franking credits available for subsequent reporting periods based on a tax rate of 30%	2,950,922	5,254,392

The above amounts are calculated from the balance of the franking account as at the end of the financial year, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Statement of cash flow information

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

	2018 \$	2017 \$
Profit for the year	11,082,015	11,580,400
Adjustments for:		
Employee benefits expense	250,000	250,000
Depreciation	61,818	42,868
Loss on disposal of plant and equipment	-	943
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(3,697,127)	(6,234,058)
(Increase)/decrease in other assets	31,477	(76,652)
Increase/(decrease) in deferred tax	971,658	1,557,255
Increase/(decrease) in trade and other payables	699,542	198,275
Increase/(decrease) in provision for income tax	(1,774,577)	1,428,933
Increase/(decrease) in provision for employee entitlements	77,276	82,522
Net cash inflow from operating activities	7,702,082	8,830,486

b) Non-cash investing and financing activities

Dividends declared to shareholders during the financial year of \$15,211,093 were not settled in cash. There were no other non-cash investment or financing activities during the financial year.

19. Related party transactions

a) Parent entity

The group is controlled by BBRC International Pte Ltd as trustee for the BB Family International Trust.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Related party transactions (continued)

b) Subsidiaries

The Group's subsidiaries are set out below. All subsidiaries are incorporated in Australia.

Name of entity	Ownership interest		Principal activities
	2018 %	2017 %	
Subsidiaries			
Aventus Capital Limited	100%	100%	Responsible entity for the Aventus Retail Property Fund
Aventus Custodian Pty Ltd ¹	100%	100%	Trustee company
Aventus Kotara South Pty Ltd ¹	100%	100%	Trustee company
Aventus Cranbourne Thompsons Road Pty Ltd ¹	100%	100%	Trustee company
Aventus Cranbourne Pty Ltd ¹	100%	100%	Trustee company
Aventus Epping Pty Ltd ¹	100%	100%	Trustee company
Aventus Peninsula Pty Ltd ¹	100%	100%	Trustee company
Aventus Caringbah Pty Ltd ¹	100%	100%	Trustee company
Aventus Jindalee Pty Ltd ¹	100%	100%	Trustee company
Aventus Mild End Pty Ltd ¹	100%	100%	Trustee company
Aventus Mild End Stage 3 Pty Ltd ¹	100%	100%	Trustee company
Aventus Midland Pty Ltd ¹	100%	100%	Trustee company
Aventus Belrose Pty Ltd ¹	100%	100%	Trustee company
Aventus Sunshine Coast Pty Ltd ¹	100%	100%	Trustee company
Aventus Tuggerah Pty Ltd ¹	100%	100%	Trustee company
Aventus Diversified Pty Ltd ¹	100%	100%	Trustee company
Aventus Properties Pty Ltd ¹	100%	100%	Trustee company
Aventus Landowner Pty Ltd ¹	100%	100%	Trustee company
Aventus Funds Management Pty Ltd	100%	100%	Funds management
Aventus Property Management Pty Ltd	100%	100%	Property management
Aventus Services Pty Ltd	100%	100%	Administration

1 – Company is a 100% owned subsidiary of Aventus Capital Limited.

c) Dividends

Dividends declared or paid to shareholders are disclosed in note 17 to the financial statements.

d) Key management personnel compensation

	2018 \$	2017 \$
Short term employee benefits	1,094,668	965,000
Post-employment benefits	25,000	30,000
	1,119,668	995,000

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 directors are considered to be the KMP of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Related party transactions (continued)

e) Transactions with other related parties

The following transactions occurred with related parties during the financial year:

	2018 \$	2017 \$
Transactions with Aventus Retail Property Fund		
Management fee revenue	12,742,347	14,181,062
Property and development management fee revenue	17,421,614	13,980,263
Rental expenses	288,531	220,000
Reimbursement of costs	535,111	514,056
Transactions with other related parties		
Property management fee revenue	1,055,944	970,179
Rental revenue	97,956	79,566
Fee rebates	652,730	542,204

f) Outstanding balances arising from the provision of services

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

	30 June 2018 \$	30 June 2017 \$
Current receivables		
Aventus Retail Property Fund	11,970,740	1,999,560
Other related parties	152,835	58,080
Total	12,123,575	2,057,640
Non-current receivables		
Aventus Retail Property Fund	-	6,269,219
Current payables		
Other related parties	72,006	62,374

Related party receivables are unsecured and are usually collected within 30 days of recognition. There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

g) Loans to related parties

	30 June 2018 \$	30 June 2017 \$
Loans to shareholders	-	7,646,223

Loans to shareholders are unsecured, non-interest bearing and are repayable at call.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Related party transactions (continued)

h) Terms and conditions of transactions with Aventus Retail Property Fund

i. Management fee revenue

Investment management fee

Aventus Funds Management Pty Ltd is entitled to management fees in accordance with the Management Services Agreement.

The investment management fee is calculated as:

- 0.6% per annum of the gross asset value ("GAV") of the Aventus Retail Property Fund, 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.

Performance fee

Aventus Funds Management Pty Ltd is also entitled to a performance fee of 20% of the percentage by which the total return of the Aventus Retail Property 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 the Hurdle Rate
- **Total Return** = Change in the NTA per unit over the relevant period plus the distributions per unit paid during the relevant period dividend 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 Aventus Retail Property Fund on the last day of the relevant period.

The first performance fee amount (if any) will become payable on the publication of the Aventus Retail Property 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 Aventus Retail Property Fund. Any excess fee is carried over to subsequent performance fee periods (subject to the performance of the Aventus Retail Property Fund and any application of the cap during that period). Any prior period underperformance must be recovered before the Group becomes entitled to the payment of a performance fee in respect of a subsequent period. The performance fee may be paid to the Group in cash or units (at the election of the Manager).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Related party transactions (continued)

h) Terms and conditions of transactions with Aventus Retail Property Fund (continued)

ii. Property and development management fee revenue

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

Fee type	Basis of calculation
Leasing fee for new tenants	15% of face rental (being gross rent payable by a tenant, disregarding incentives and rent abatements) for the first year of the lease term.
Leasing renewal fee (existing tenant not exercising an option)	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.
Leasing renewal fee (existing tenant exercising an option)	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.
Leasing market rent review fee	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.
Leasing administration fee	\$4,000 per lease documentation negotiated and prepared by the Property Manager (without double servicing where relevant lease agreements are prepared by external parties).
Asset and property management fee	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.
Development services fee	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.

iii. Rent expenses

Rent expenses are incurred at market rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Related party transactions (continued)

i) Terms and conditions of transactions with other related parties

i. Property management fees

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

Fee type	Basis of calculation
Leasing fee for new tenants	15% of face rental (being gross rent payable by a tenant, disregarding incentives and rent abatements) for the first year of the lease term.
Leasing renewal fee (existing tenant not exercising an option)	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.
Leasing renewal fee (existing tenant exercising an option)	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.
Leasing market rent review fee	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.
Leasing administration fee	Actual costs incurred by external parties for lease preparation.
Property management fee	4% of face rental (payable in equal monthly instalments in arrears. The property manager is also entitled to salary and on-cost recoveries associated with managing the property.
Development services fee	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.

ii. Rent revenue

Rent revenue from other related parties is derived based on market rates.

iii. Fee rebates

Related parties of Brett Blundy, which hold investments in entities which pay investment management fees, property management fees and leasing and development fees to the Group, are entitled to receive rebates in accordance with an agreement between APG shareholders. Rebates are calculated based on the total revenue derived by the Group, the percentage ownership in entities which incur the fees and fixed rebate percentages agreed between shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Fair value measurement

The Group does not have any financial assets and liabilities which are measured at fair value.

The fair values of these assets and liabilities are not materially different to their carrying amounts.

21. 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 shareholders and maintain an optimal capital structure to reduce the cost of capital.

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Refer to note 17 to the financial statements for dividends declared and paid to shareholders during the financial year.

22. Financial risk management

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

a) 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 is limited to cash balances which are exposed to variable interest rates.

Interest rate risk sensitivity

The impact of a 1% increase/decrease in market interest rates at balance date would result in a \$53,225 (2017: \$52,508) increase/decrease 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.

b) 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 risk by preparing and monitoring rolling forecasts of expected future cash flows to ensure the business has sufficient cash reserves.

Liquidity risk in relation to financial liabilities as at 30 June 2018 and 2017 is limited to trade and other payables which are disclosed in note 11 to the financial statements. Trade and other payables are usually paid within 30 days of recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Financial risk management (continued)

c) 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 and receivables. The carrying amount of these financial assets disclosed in the balance sheet represents the maximum credit exposure to the Group at 30 June 2018 and 30 June 2017.

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.

In relation to receivables, the Group has a significant concentration of receivables due from the Aventus Retail Property Fund. Management has no concerns regarding the recoverability of these receivables taking into account the underlying financial position of the Aventus Retail Property Fund and past payment history.

Impaired receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. 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. There were no significant impaired trade receivables at 30 June 2018 or 30 June 2017.

Receivables past due but not impaired

As at 30 June 2018 and 2017 no trade receivables were past due but not impaired.

23. Events occurring after the reporting period

There has not been any 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Commitments

Non-cancellable operating leases

The Group leases office premises under a non-cancellable operating lease which expires in October 2022.

	30 June 2018 \$	30 June 2017 \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	868,783	835,368
Later than one year but not later than five years	3,150,456	4,019,239
Total	4,019,239	4,854,607

25. Contingent assets and liabilities

Bank guarantee

The Group has entered into a bank guarantee facility with the Commonwealth Bank of Australia which expires on 30 April 2023. Drawn bank guarantees represent contingent liabilities of the Group and do not form part of borrowings disclosed in the balance sheet.

At 30 June 2018 and 30 June 2017 the Group had given a \$478,465 bank guarantee in conjunction with entering into a new lease for office premises. The facility was fully drawn at 30 June 2018 and 30 June 2017.

There were no other contingent assets or liabilities at 30 June 2018 or 30 June 2017.

26. Remuneration of auditors

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

	2018 \$	2017 \$
Ernst & Young		
Audit of financial statements	41,800	30,600
Audit of Australian financial services licence	6,120	6,120
Tax compliance services	-	20,000
	47,920	56,720

27. 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.

At 30 June 2018 and 30 June 2017 there were no financial assets and liabilities that were offset in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Parent entity information

a) Summary financial information

The individual financial statements for the Company show the following aggregate amounts:

	2018 \$	2017 \$
Statement of comprehensive income		
Profit for the year	15,213,563	110
Total comprehensive income for the year	15,213,563	110

	30 June 2018 \$	30 June 2017 \$
Balance sheet		
Current assets	39,923	7,650,203
Non-current assets	5,203,100	5,203,100
Total assets	5,243,023	12,853,303
Current liabilities	(5,127)	(4,100)
Non-current liabilities	(5,234,124)	(12,847,901)
Total liabilities	(5,239,251)	(12,852,001)
Net assets	3,772	1,302
Share capital	1,000	1,000
Retained earnings	2,772	302
Total equity	3,772	1,302

a) Guarantees entered into by the parent entity

The Company has provided a guarantee in relation to the Group's bank guarantee facility disclosed in note 25 to the financial statements. The Company has not provided any other guarantees as at 30 June 2018 or 30 June 2017.

b) Contingent liabilities of the parent entity

The Company did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

c) Contractual commitments

The Company did not have any contractual commitments as at 30 June 2018 or 30 June 2017.

d) Determining the parent entity financial information

The financial information for the Company has been prepared on the same basis as the consolidated financial statements with the exception of the following:

- > Investments in subsidiaries are recorded at cost in the financial statements of the Company. Dividends received from subsidiaries are recognised in the Company's profit or loss when its right to receive the dividend is established.

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 30 June 2018 and of its performance for the financial year ended on that date, and
- b) there are reasonable grounds to believe that Aventus Property Group Pty Limited 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 made pursuant to s295(5) of the Corporations Act 2001.



Darren Holland
Executive Director

Sydney
10 August 2018

Independent Auditor's Report to the Members of Aventus Property Group Pty Limited

Opinion

We have audited the financial report of Aventus Property Group Pty Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is 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 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

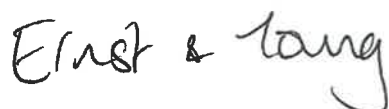
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young



Mark Conroy
Partner
Sydney
10 August 2018