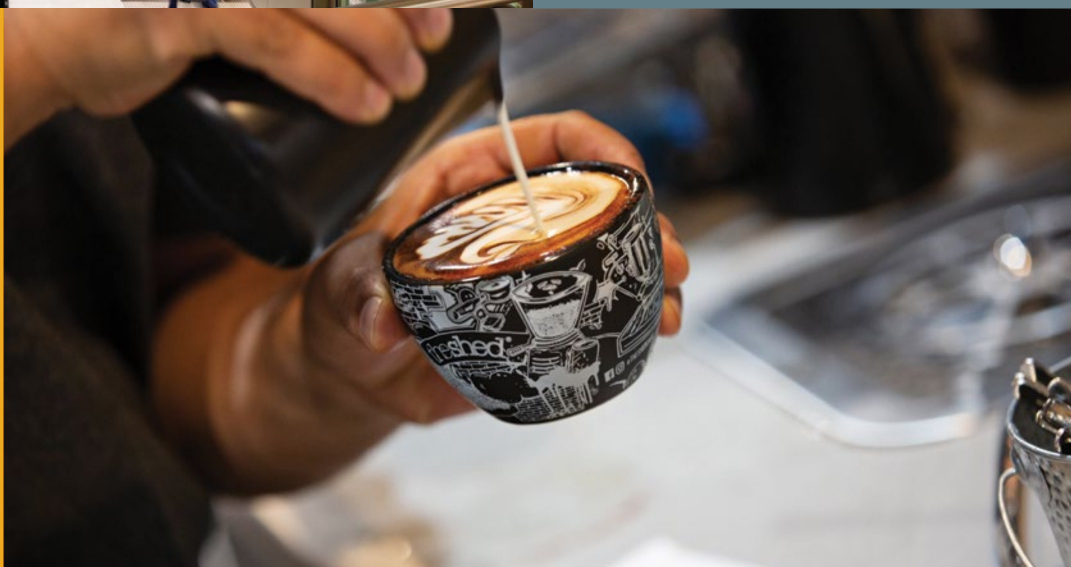
aventus

RETAIL PROPERTY FUND

ANNUAL REPORT 2018



OUR MISSION AND OBJECTIVE

To be the leading Large Format Retail (LFR) pure-play landlord in Australia by consolidating the highly fragmented LFR sector through portfolio management, development and selective acquisitions.

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

CONTENTS

IMPORTANT NOTICE

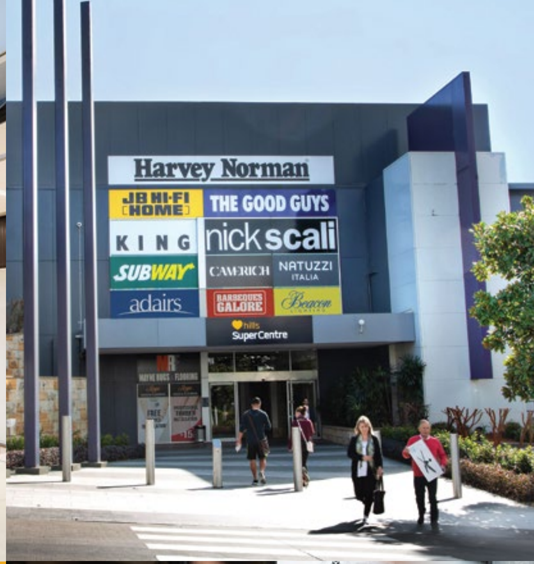
This document contains certain forward-looking statements along with certain forecast financial information. The words “anticipate”, “believe”, “expect”, “project”, “forecast”, “guidance”, “estimate”, “outlook”, “upside”, “likely”, “intend”, “should”, “could”, “may”, “target”, “plan”, and other similar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

For more information visit
aventusgroup.com.au

AVENTUS RETAIL PROPERTY FUND

ARSN 608 000 764 I RESPONSIBLE ENTITY – AVENTUS CAPITAL LIMITED

ABN 34 606 555 480 I Australian financial services licence No. 478061



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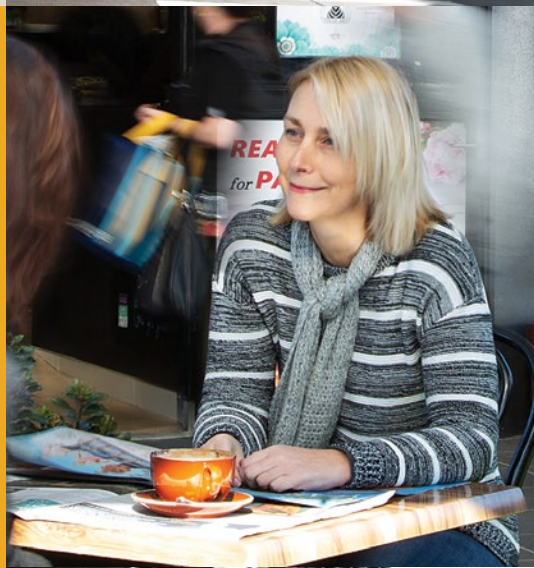
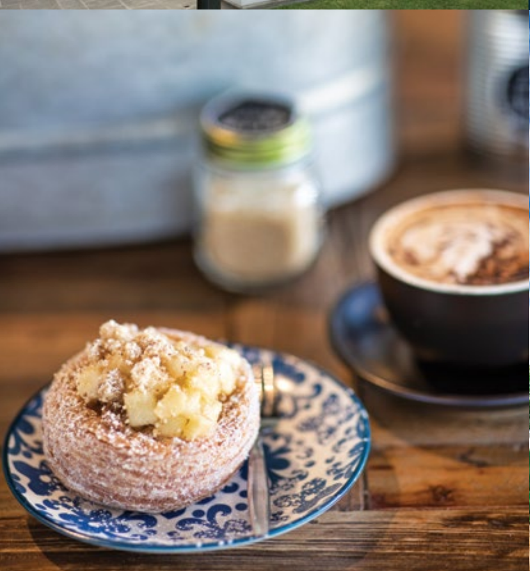
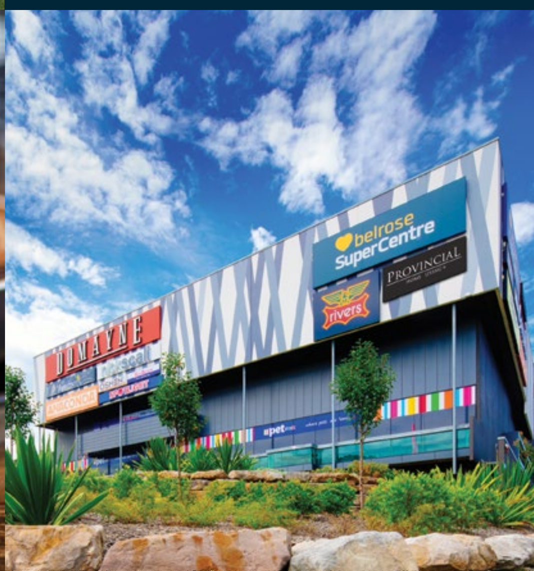
The combination of active portfolio management, value enhancing developments and strategic capital transactions have contributed to a total unitholder return from the Fund of 12.7% since IPO







FROM THE CHAIRMAN AND CEO AVENTUS GROUP

This has been a very exciting year for the Fund with the completion, subsequent to balance date, of the internalisation, resulting in the creation of the Aventus Group (Aventus or Group) through the acquisition of Aventus Property Group Pty Ltd (APG) on 1 October 2018. From the time that the Fund became a listed entity in October 2015, it was envisaged that, at a certain size and scale, internalisation would become commercially advantageous. The value of the portfolio has more than doubled in that time to $1.9 billion and internalisation will now support the next stage of growth.

Now that the management and the Fund are effectively one entity, there is an even stronger alignment of interests. Further consolidating this feature is the high proportion of equity that the owners of APG accepted as consideration, and, as CEO, Darren Holland has entered into a new 3 year employment contract and increased the size of his holding in the Group by 4.5 times.

In terms of governance benefits, as there will now be no external fee payments for services between the Fund and management, any areas of perceived conflicts of interest are removed. The APG team are now employed and incentivised directly by Aventus and securityholders will be able to elect board members at the Annual General Meeting.

While management will focus on the assets of the Fund, the Group now has flexibility to diversify its income stream through third party asset management mandates.

With respect to financial benefits, in addition to the FFO, AFFO and value accretion, the elimination of external management fees on new acquisitions will improve Aventus' competitiveness in pursuing acquisitions and thereby improve the prospects of further increasing the size of the portfolio.

The Aventus Group Board remains committed to continue to implement the key growth initiatives to drive long term value creation and sustainable earnings growth.

KEY HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2018

Financial Highlights

- FFO of $89 million or 18.1 cents per unit, an increase of 2.3% over the prior corresponding period;
- Distributions of 16.3 cents per unit, 2.4% higher than the prior corresponding period;
- Significant progress on refinancing the debt book has resulted in the next debt maturity being extended to October 2020 and lifting the Weighted Average Debt Expiry (WADE) to 4.4 years;
- Net tangible assets per unit (NTA) of $2.38, an increase of 7.2% compared to the prior corresponding period; and
- Revaluation gains of $78 million, 4.3% higher than June 2017, with the portfolio valued at approximately $1.9 billion.

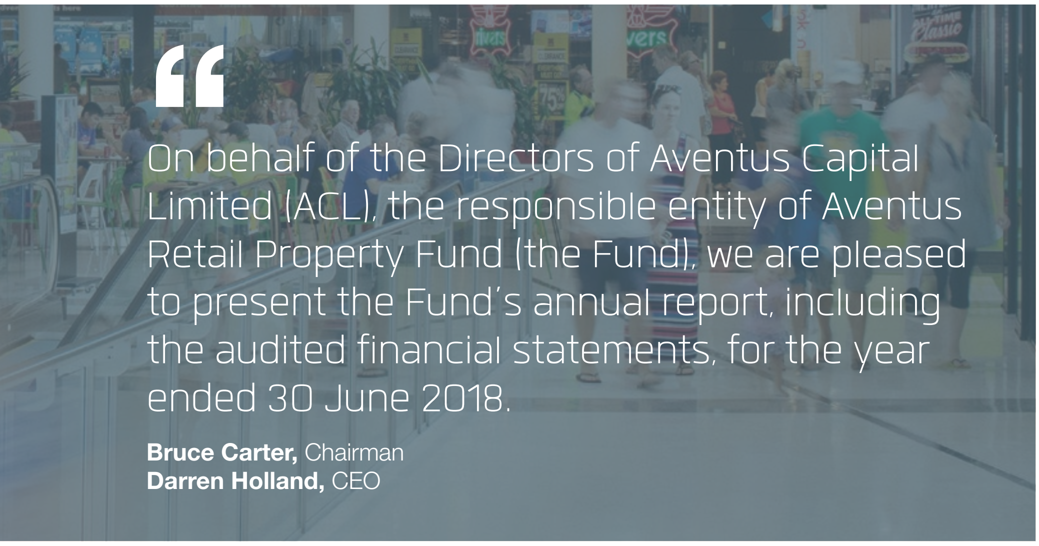
Property Portfolio Highlights

- Occupancy has increased to 98.7% with stable Weighted Average Lease Expiry (WALE) of 4.1 years
- Continued tenant remixing with leases negotiated achieving low incentives and positive leasing spreads
- 3.3% like-for-like Net Property Income (NPI) growth
- High exposure to national tenants, comprising 87% of the portfolio by GLA
- Diversified tenancy mix with 37% by income from the non-household category

Financial Management

The Fund's profit for the year ended 30 June 2018 is $136 million and FFO is $89 million or 18.1 cents per unit. Valuation uplifts and divestments have reduced the gearing of the Fund to 35.6% as at 30 June 2018[1], within the target range of 30% – 40%.

1. Gearing will move to 36.0% following payment of the FY18 Performance Fee and pro forma for the Internalisation Proposal moves gearing to 39.3%



"On behalf of the Directors of Aventus Capital Limited (ACL), the responsible entity of Aventus Retail Property Fund (the Fund), we are pleased to present the Fund's annual report, including the audited financial statements, for the year ended 30 June 2018.

Bruce Carter, Chairman
Darren Holland, CEO

FINANCIAL HIGHLIGHTS

FUNDS FROM OPERATIONS (FFO)

$89m

FFO CENTS PER UNIT

18.1

DISTRIBUTIONS CENTS PER UNIT

16.3

Distributions

Distributions per unit for the year ended 30 June 2018 are 16.3 cents per unit. This represents a payout ratio of 90% of FFO, within the Fund's distribution policy of 90% – 100% of FFO.

Debt Management

A disciplined approach to implementing capital management to ensure greater diversity in debt providers and longer dated debt resulted in the following measures being finalised in July 2018:

- Expansion of 7-year loan note from $110 million to $160 million expiring in 2025;
- New 5 year bi-lateral facilities totalling $60 million expiring in 2023; and
- 12-month extensions of $400 million of debt facilities now expiring in 2022 and 2023.

This strategy has created a more staggered debt maturity profile with no debt expiring before October 2020 and lengthened the WADE to 4.4 years.

Valuation Uplift

Net property valuation uplifts of $78 million were achieved for the portfolio bringing the value of the portfolio to $1.9 billion. As a result of these revaluations and the transactions undertaken during FY18, the Weighted Average Capitalisation Rate (WACR) of the portfolio is now 6.69%.

All of the capitalisation rate compression occurred during the first half of the year with the weighted cap rate remaining the same over the second half. All of the valuation gains during the second half of the year were attributable to income growth and the development of our portfolio.

Portfolio Management

The Fund continues to work with its tenants to improve the customer experience. Continued tenant remixing resulted in the negotiation of 109 leases covering 77,000 sqm boosting the portfolio's occupancy rate to 98.7% across the portfolio. The lift in occupancy was achieved along with low incentives and positive leasing spreads.

The focus remains on introducing new tenants that offer non-household products and services such as food, health and wellbeing, and childcare. These uses drive traffic, extend customer linger time and on average pay higher rents. Non-household products and services comprise the largest single category within the portfolio and account for 37% of AVN's income.

Development Pipeline

The Fund continued its development activities and spent $32 million in line with its strategy to add value, increase GLA, improve the shopping experience and enhance investor returns. The major development project completed during the year was Tuggerah Super Centre adding approximately 10,000 sqm of GLA to a centre anchored by Bunnings, Spotlight and The Good Guys.

Development spend for FY19 is forecast to be over $40 million.

Delivering on Strategy

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

As a result of the internalisation being approved, FY19 guidance for FFO per unit is 18.4 cents per unit.

On behalf of the Board and management, we would like to thank our loyal Securityholders for their investment in the Fund, and our retailers and shoppers who visit our centres for their continued support and look forward to an exciting year ahead for the Aventus Group.

Bruce Carter
Chairman

Darren Holland
CEO

ABOUT THE FUND

Aventus prides itself on being proactive, hands on and visible.

The Aventus Retail Property Fund (the Fund) (ARSN 608 000 764 was listed on the Australian Securities Exchange (“ASX”) and invests in Australian retail property, focusing predominantly on Large Format Retail (LFR) centres in October 2015. On 1 October 2018, the units in the Fund were stapled to Aventus Holdings Limited shares to create the Aventus Group.

The LFR property sector is a substantial component of the Australian retail property sector and accounts for approximately 30% of total occupied retail floor space.

As at 30 June 2018, the Fund owned 20 LFR centres in NSW, QLD, VIC, SA and WA valued at approximately $1.9 billion. On 3 July 2017, the Fund completed the acquisition of two further LFR centres located in Castle Hill and Marsden Park, NSW with a combined value of $436 million and in FY18 divested Tweed Home in New South Wales and Shepparton in Victoria for $60 million.

The Fund portfolio is diversified by tenant base, with national retailers representing 87% of the total Portfolio by GLA. Approximately 85% of gross annual income is subject to annual fixed or CPI rent increases. The AVN portfolio has minimal exposure to turnover based leases which mitigate against the risk of a downturn in retail sales.

The Fund was managed by an external responsible entity, Aventus Capital Limited (ACL or the Company) (ACN 606 555 480) (AFSL No. 478061) which was appointed under the Fund’s constitution and operates under an Australian Financial Services Licence. ACL is wholly owned by Aventus Property Group Pty Ltd (APG).

APG is a specialist fund and asset manager of LFR centres and the APG management team provided key investment management functions including asset management, leasing, marketing, acquisitions and development, providing an end-to-end service to manage and identify value add opportunities across the investment cycle.

On 1 October 2018, APG and ACL were acquired by Aventus Holdings Limited to form the fully internalised vehicle, the Aventus Group.

KEY ELEMENTS OF THE FUND’S APPROACH TO PORTFOLIO ACQUISITIONS

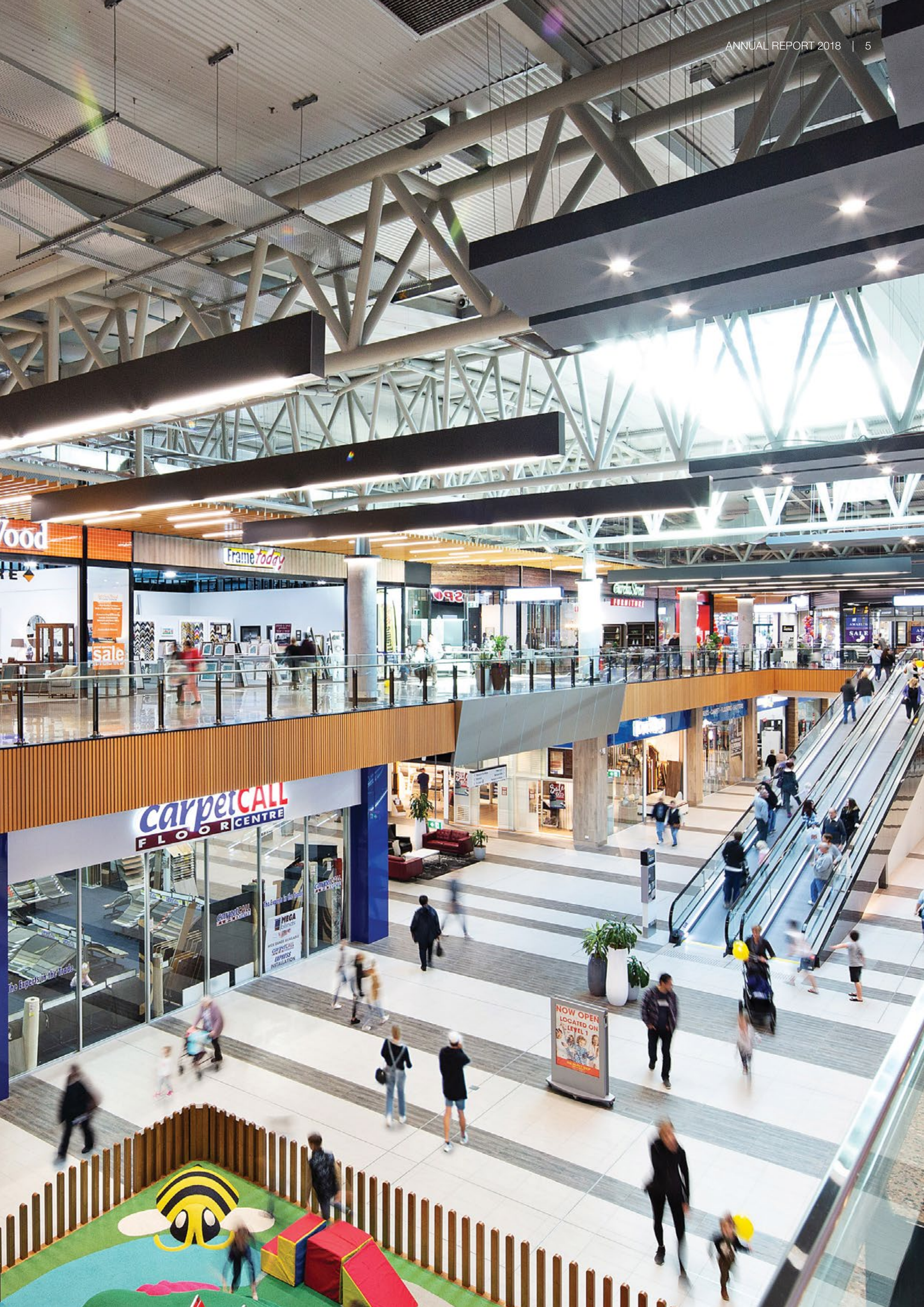
- Generation of stable income returns predominantly backed by quality national retailers
- Potential for capital gains and positive rental growth
- Opportunity to add value add through active asset management, such as optimising tenant mix, development or expansion
- Flexible zoning and repositioning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

KEY ELEMENTS OF THE FUND’S APPROACH TO PORTFOLIO DEVELOPMENTS

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

CONSERVATIVE CAPITAL STRUCTURE

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


Frame Today
sale
carpetCALL
FLOOR CENTRE
NOW OPEN
LOCATED ON
LEVEL 1

OUR PROPERTY PORTFOLIO

Centre	Carrying value ($M)	Cap rate (%)	GLA ('000 sqm)[4]	Site area ('000 sqm)	Occupancy[1] (%)	WALE (years)[2]	No. of tenancies[3]
New South Wales							
Bankstown Home	61	6.75	17	40	90	3.1	21
Belrose Super Centre	177	6.25	37	44	100	4.7	46
Caringbah Home	92	7.50	19	23	99	1.1	26
Castle Hill Super Centre	347	5.50	52	60	100	3.6	76
Highlands Hub	33	7.50	11	32	100	3.3	14
Kotara Home South	121	6.50	29	53	100	3.6	23
Marsden Park Home	101	6.00	20	40	100	5.7	32
McGraths Hill Home	41	7.00	16	38	100	2.2	9
Tuggerah Super Centre	85	7.00	39	127	96	6.5	35
Warners Bay Home	37	7.50	12	35	98	3.5	12
Total NSW	**1,095**	**6.32**	**253**	**493**	**99**	**3.9**	**294**
Victoria							
Ballarat Home	41	7.50	20	52	100	5.1	15
Cranbourne Home	134	7.25	56	194	100	6.6	34
Epping Hub	43	7.50	22	60	100	3.8	30
Peninsula Home	84	7.25	33	85	100	3.2	30
Total VIC	**302**	**7.32**	**131**	**390**	**100**	**5.0**	**109**
Queensland							
Jindalee Home	125	7.00	27	72	100	3.6	53
Logan Super Centre	91	7.00	27	27	98	4.5	31
Macgregor Home	24	7.75	13	29	82	0.2	6
Sunshine Coast Home	96	7.00	27	69	98	5.4	33
Total QLD	**336**	**7.05**	**93**	**197**	**96**	**4.2**	**123**
South Australia							
Mile End Home	98	7.25	34	71	100	3.6	33
Total SA	**98**	**7.25**	**34**	**71**	**100**	**3.6**	**33**
Western Australia							
Midland Home	63	7.25	23	43	100	4.2	18
Total WA	**63**	**7.25**	**23**	**43**	**100**	**4.2**	**18**
Total Portfolio	**1,892**	**6.69**	**535**	**1,194**	**99**	**4.1**	**577**

1. By GLA as at 30 June 2018
2. By gross income as at 30 June 2018
3. Metrics as at 30 June 2018
4. Further development of certain centres may be subject to contractual and regulatory approvals including planning approvals from relevant local government authorities

OUR 20 CENTRES

PORTFOLIO VALUE

1.9b

EAST COAST BY VALUE

92%

METRO BY VALUE

74%

The Fund is always seeking to expand, reposition or revitalised our centres to lift the shopping experience

Stable WALE[2] of

4.1yrs

Leases comprised of non-household uses (by Gross Income)

37%

Leases with annual fixed or CPI increases

85%

Leases comprised of national retailers by GLA

87%

DELIVERING ON SUSTAINABILITY

The FY18 Sustainability Report sets out what we are doing on a strategic and operational level to make better choices for our business, our communities and our environment.

Our mission is to continue to develop and enhance our portfolio to be the leading large format retail pure play landlord in Australia. As we focus on this goal, we look to create long term value for all our stakeholders, we are broadening our definition of value to include more than just financials. This means working together to bring meaningful, positive changes to the communities and environment around us.

We recognise our sphere of influence is quite extensive. By nature of our activities and our role as landlord, we have capacity to reach and affect positive change amongst a wide range of tenants, suppliers and customers. We have always recognised our duty of care to leverage this influence and create change for the better, however our approach has been somewhat fragmented. Our Sustainability Report is part of our plan to redress this by adopting a more co-ordinated, focused and ambitious approach.

OUR FOCUS AREAS:

1. **Our People – nurturing our team to promote fulfilment and wellbeing.**
2. **Our Centres – enhancing the shopping experience that has become synonymous with our centres.**
3. **Our Communities – enriching our local communities through engagement and support.**

For more information on our Sustainability, visit **aventusgroup.com.au**

Our approach to sustainability enhances our existing systems to better support our values and commitment to the environment and communities around us. We consciously adopt a 'connected thinking' approach in all aspects of our operations to truly embed sustainability in our activities. By linking different teams and communicating our goals, sustainability issues stay current across the whole business from acquisitions and operations to marketing and team culture. Giving sustainability an elevated platform ensures it remains part of our focus at both an operational and strategic level.

We use a range of internal tools to leverage our sphere of influence to champion sustainable choices at our centres and try to encourage sustained behavioural changes through small shifts in daily habits. For our first Sustainability Report, we are primarily focused on the issues and impacts that occur within our organisation.

Good governance is essential to ensure that as a team we operate honourably and with transparency while striving to meet our own goals and the expectations of our stakeholders. This is important to ensure our operations at every level uphold the high principles associated with our brand.

Our governance framework is reviewed regularly to ensure it is fit for purpose and focused on best practice.

SUSTAINABILITY CONTROL GROUP

A Sustainability Control Group was established to manage and meet the commitments set out in our Sustainability Policy. This group comprises of members across divisions such as operations, marketing, culture and legal as well as representatives from our centres who have responsibility of day-to-day operations and sustainability outcomes.

The Sustainability Control Group will report to the Board, which has overall responsibility for the Fund's sustainable operations. This group reports on sustainability issues through various governance mechanisms, including the ASX Corporate Governance Council's Corporate Governance Principles & Recommendations (3rd Edition).

A copy for the FY18 Sustainability Report and our Sustainability Policy can be found on our website.


CLIPSAL
Home


HOME

BOARD OF DIRECTORS

The Aventus Board left to right: Brett Blundy, Bruce Carter, Darren Holland, Keiran Pryke and Robyn Stubbs.

aventus
RETAIL PROPERTY FUND

Our Board comprises five directors, three of whom are independent, including an independent Chairman. They bring valuable skills and experience to our organisation, including industry and business knowledge, financial management and corporate governance.

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

BRUCE CARTER

Independent Non-Executive Chairman

Bruce has spent over 30 years in corporate recovery and insolvency. He is a consultant at Ferrier Hodgson in Adelaide, where he was previously the Managing Partner for 19 years. Bruce was formerly a partner at Ernst & Young, Chair of the South Australian Economic Development Board and a Member of the Executive Committee of Cabinet.

Bruce is currently Chair of the Australian Submarine Corporation, Deputy Chair of SkyCity Entertainment Group Limited and a Director of the Bank of Queensland and a Director of Genesee & Wyoming Inc. He holds a Master of Business Administration from Heriot-Watt University and a Bachelor of Economics from the University of Adelaide. Bruce is a Fellow of both the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.

DARREN HOLLAND

Chief Executive Officer and Managing Director

Darren has more than 25 years' experience in the retail property industry. He is experienced in leasing, development, asset management and acquisitions, and has grown Aventus assets under management from one centre in 2004 to 20 centres, valued at $1.9 billion as at 30 June 2018.

Prior to co-founding Aventus, Darren played a leading role in the development and management of the only other pure-play listed large format retail owner and operator to date, Homemaker Retail Group. Darren holds a Bachelor of Business (Land Economics) from the University of Western Sydney and is a licensed Real Estate Agent.

BRETT BLUNDY

Non-Executive Director

Brett is Chairman and Founder of BB Retail Capital. BB Retail Capital is a pre-eminent private investment group with diverse interests across three key portfolios including global retail brand, retail properties and the beef industry.

Brett also sits on the Board of Directors of Human Longevity Inc.

Nico van der Merwe, the Group Chief Financial Officer of BBRC, acts as an alternate director for Brett Blundy.

ROBYN STUBBS

Independent Non-Executive Director

Robyn is a Board Director and Executive Coach, working across the commercial, government and not-for-profit sectors. Drawing on a successful career spanning more than 25 years as a senior executive in large, complex organisations, Robyn sits on the Board of ASX-listed Invocare Limited as well as Lifeline Northern Beaches. She provides Executive Coaching services to a diverse range of corporate clients via ECI Partners.

Prior to joining the Aventus Board in 2015, Robyn spent eight years as General Manager at Stockland, leading retail leasing across a portfolio of 40 shopping centres nationally. Robyn is a graduate of the Australian Institute of Company Directors and holds a Master of Science degree in Coaching Psychology from The University of Sydney. She was awarded a University Medal with her business degree from the University of Technology Sydney.

KIERAN PRYKE

Independent Non-Executive Director

Kieran has over 25 years' experience in the property industry. He spent nine years at Lendlease Corporation in the construction, development and investment management divisions, before becoming Chief Financial Officer at General Property Trust (GPT). Kieran remained CFO of GPT following the internalisation of management, before moving to Australand Property Group, and from July 2016 until July 2018 held the role of CFO for Grocon Pty Limited. Kieran holds a Bachelor of Commerce (Accounting) from the University of Wollongong and is a Fellow of CPA Australia.

CORPORATE GOVERNANCE

Committed to fostering a strong governance and compliance culture.

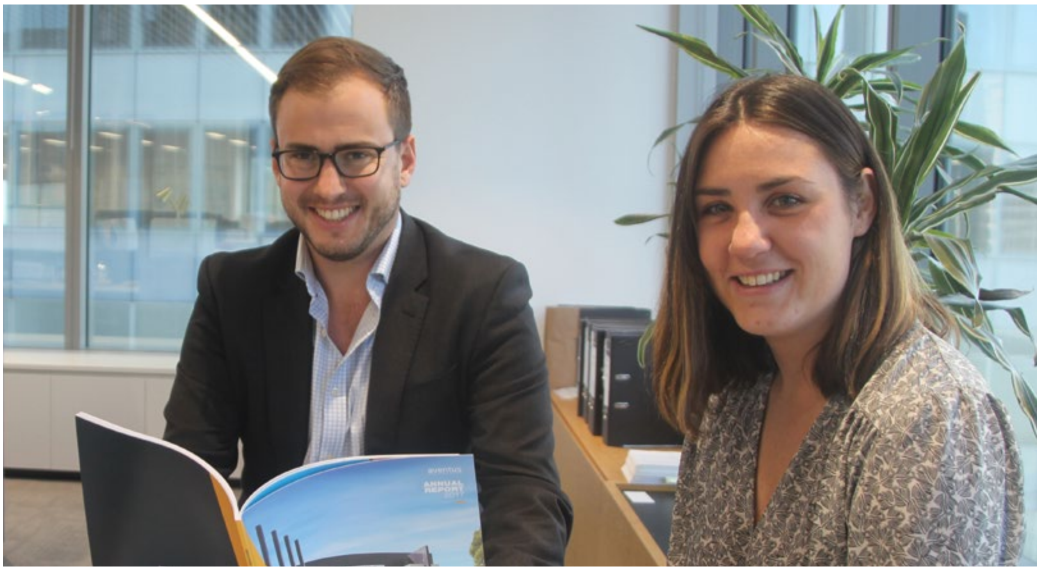
For the reporting period to 30 June 2018, the corporate governance framework was overseen by Aventus Capital Limited (ACL) as the responsible entity of the Fund, complied with the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council (ASX Corporate Governance Principles) and the further ASX recommendations on externally managed entities.

The Board is committed to maintaining a high standard of corporate governance and culture of compliance with respect to the Fund. The Fund Corporate Governance Statement reports on these arrangements as they relate to the Board of ACL, its committees, related party relationships, unitholders, risk management, internal controls, compliance and external auditor relationships for the period to 30 September 2018.

The Fund Corporate Governance Statement can be viewed in the Corporate Governance section of the Aventus Group website, along with key policies and charters.

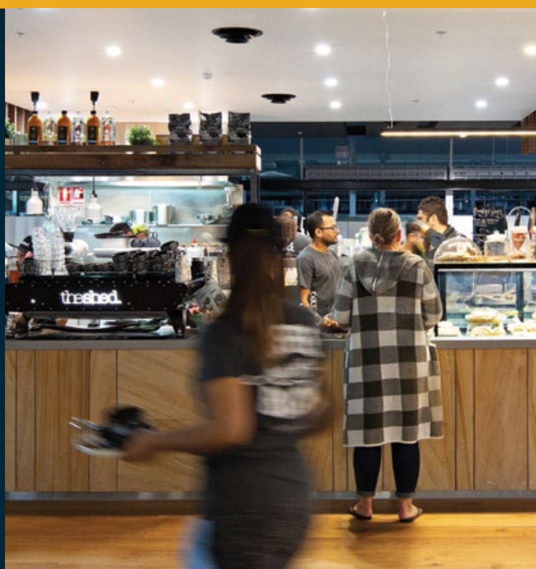
The Aventus Corporate Governance Statement which was approved on 25 September 2018 to apply to the stapled Group can also be viewed at this location.

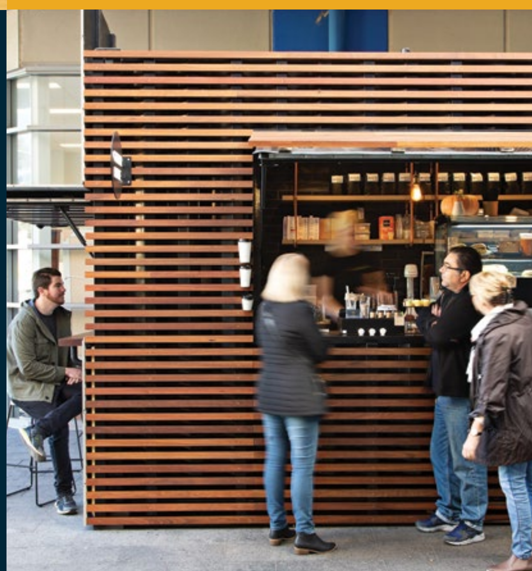
To read the Corporate Governance Statements in full visit www.aventusgroup.com.au



For more information on our Corporate Governance, visit **aventusgroup.com.au/about-aventus/corporate-governance**

FINANCIAL REPORT





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 consolidated financial statements of the Fund and its consolidated entities ("the Group") for the financial year ended 30 June 2018.

Directors and company secretaries

The following persons were directors of the Responsible Entity during the whole of the financial year and up to the date of this report, unless otherwise stated:

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

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

Principal activity

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

Review of operations and results

Summary of financial performance

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

	2018 $m	2017 $m
Net profit for the financial year	135.6	158.9
Funds from operations ("FFO")	88.9	70.5
FFO per unit (cents)	18.1	17.7
Basic and diluted earnings per unit (cents)	27.5	39.2
Distributions to unitholders	80.2	63.0
Distributions to unitholders (cents)	16.3	15.9

The $23.3 million decrease in net profit compared to the prior financial year was mainly attributable to a $24.8 million increase in portfolio transaction costs; a $13.6 million increase in finance costs associated with the Group's expanded debt portfolio and a $13.2 million decrease in net fair value gains on investment properties. These items were offset by a $26.6 million increase in net property income.

FFO

The table below provides a reconciliation between the statutory net profit for the financial year and FFO. FFO represents the net profit for the year 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.

	2018 $m	2017 $m
Statutory net profit	135.6	158.9
Straight-lining of rental income	(3.3)	(4.5)
Amortisation of rental guarantees	3.1	1.3
Amortisation of debt establishment costs	1.3	0.8
Net gain on movement in fair value of investment properties	(78.2)	(91.4)
Net loss/(gain) on movement in fair value of derivative financial instruments	0.9	(3.0)
Portfolio transaction costs	26.9	2.1
Performance fee	2.8	6.3
Other – rounding	(0.2)	–
FFO	88.9	70.5

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 financial year were as follows:

	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	20.1	28/12/2017	29/12/2017	22/02/2018
March 2018	4.07	20.1	28/03/2018	29/03/2018	24/05/2018
June 2018	4.07	20.1	28/06/2018	29/06/2018	31/08/2018
Total	**16.26**	**80.2**			
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
March 2017	4.02	16.0	30/03/2017	31/03/2017	25/05/2017
June 2017	4.02	16.0	29/06/2017	30/06/2017	24/08/2017
Total	**15.88**	**63.0**			

DIRECTORS' REPORT
continued

Review of operations and results *continued*

Summary of financial position

A summary of the Group's financial position at 30 June 2018 is set out below.

	30 June 2018 $m	30 June 2017 $m
Assets		
Investment property portfolio	1,886.9	1,392.4
Total assets	1,900.5	1,476.1
Net tangible assets	1,175.2	1,111.7
Net tangible assets ($ per unit)	2.38	2.27
Capital management		
Drawn debt	678.0	329.3
Debt facility limit	800.0	500.0
Cash and undrawn debt	125.6	204.6
Gearing ratio (%)	35.6%	20.5%
Interest rate hedging	420.0	240.0
Hedged debt to drawn debt ratio (%)	61.9%	72.9%

Investment property portfolio

- At 30 June 2018 the Group owned 20 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 syndicated bank debt facility. Additional details of the acquisitions are disclosed in note 22 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 sale of Tweed Hub settled on 28 February 2018. 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 were in line with the Group's strategy to divest smaller regional centres to maintain balance sheet strength and reduce gearing. Additional details of the sales are disclosed in note 12 to the financial statements.
- In relation to development activities the Group completed the redevelopment of the former Bunnings tenancy at Sunshine Coast Home, the construction of the portfolio's first child care centre at Cranbourne Home and the development of level 1 at Tuggerah Super Centre which added an additional 10,000 square metres of retail GLA to the centre.

Debt portfolio

- The Group continued to comply with and maintain significant headroom for all key debt covenants during the financial year.
- Drawn and undrawn debt at 30 June 2018 amounted to $678.0 million and $122.0 million respectively.
- Gearing increased from 20.5% at 30 June 2017 to 35.6% at 30 June 2018. Gearing at 30 June 2017 was below the Group's targeted gearing range of 30% to 40% due to a $160.0 million debt repayment in June 2017 following partial receipt of funds raised for the Castle Hill Super Centre and Marsden Park Home acquisitions.
- In July 2017 the Group finalised a $300.0 million increase in its syndicated bank debt facility as part of the Castle Hill Super Centre and Marsden Park Home acquisitions. Key terms and conditions are disclosed in note 16 to the financial statements.
- In December 2017 the Group's existing syndicated bank 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.
- In January 2018 the Group entered into a new $110.0 million, 7-year, syndicated loan note facility agreement with bank and institutional lenders. The proceeds were used to repay a portion of tranche B under the syndicated bank debt facility. Key terms and conditions of the loan notes are disclosed in note 16 to the financial statements. In July 2018 the Group received unconditional commitments from lenders for a $50.0 million extension of the loan note facility.
- In July 2018 the Group entered into $60.0 million of new 5 year bi-lateral debt facilities with bank lenders. The proceeds were used to repay a portion of tranche B debt under the syndicated bank debt facility.
- In July 2018 the Group also extended the maturity dates of $400.0 million of debt under its syndicated bank debt facility by an additional 12 months.

Hedging

- The Group had $420.0 million in interest rate swaps at 30 June 2018. 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 61.9% at 30 June 2018.

Significant changes in state of affairs

With the exception of property acquisitions, divestments, redevelopments and debt refinancing activities outlined in the "review of operations" section above there were no other significant changes in the state of affairs of the Group during the financial year.

Business strategies and prospects for future financial years

The Group will continue to engage in its principal activity in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's constitution.

The key business strategies of the Group include:

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

Refer to the "events occurring after the reporting period" section below for details on the proposed internalisation of management of the Fund during the year ending 30 June 2019.

DIRECTORS' REPORT
continued

Information on directors

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

Bruce Carter	Independent non-executive chairman
Experience and expertise	Bruce has spent over 30 years in corporate recovery and insolvency. Bruce is a consultant at Ferrier Hodgson in Adelaide where he was previously the managing partner for 19 years. He was formerly a partner at Ernst & Young, Chair of the South Australian Economic Development Board and a member of the Executive Committee of Cabinet. Bruce is currently Chair of the Australian Submarine Corporation, Deputy Chair of SkyCity Entertainment Group Limited, a director of the Bank of Queensland Limited and a director of Genesee & Wyoming Inc. He holds a Masters of Business Administration from Heriot-Watt University and a Bachelor of Economics from University of Adelaide. He is a Fellow of both the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.
Other current listed and government directorships	ASC Pty Limited SkyCity Entertainment Group Limited Bank of Queensland Limited Genesee & Wyoming Inc
Special responsibilities	Chairman Member of the Audit, Risk and Compliance Committee
Interest in units in the Fund	1,189,312
Darren Holland	**Executive director**
Experience and expertise	Darren has more than 25 years experience in the retail property industry. He is experienced in leasing, development, asset management and acquisitions, and has grown assets under management from one centre in 2004 to 20 centres at the date of this report, valued at $1.9 billion. Prior to co-founding the Aventus Property Group, Darren played a leading role in the development and management of the only pure-play listed Australian LFR owner and operator to date, Homemaker Retail Group (ASX: HRP). He holds a Bachelor of Business (Land Economics) from the University of Western Sydney and is a Licensed Real Estate Agent.
Other current listed directorships	None
Special responsibilities	None
Interest in units in the Fund	2,544,889
Kieran Pryke	**Independent non-executive director**
Experience and expertise	Kieran has over 25 years experience in the property industry. He spent 9 years in various finance roles across the construction, development and investment management divisions within Lend Lease Corporation before becoming CFO of General Property Trust ("GPT") in 1996. He remained as CFO of GPT during and after the internalisation of management of GPT. Kieran was CFO of Australand Property Group between 2010 and 2014 and the CFO of Grocon between July 2016 and July 2018. Kieran holds a Bachelor of Commerce (Accounting) from the University of Wollongong and is a Fellow of CPA Australia.
Other current listed and not-for-profit directorships	OzHarvest Limited
Special responsibilities	Chairman of the Audit, Risk and Compliance Committee
Interest in units in the Fund	70,873

Robyn Stubbs	Independent non-executive director
Experience and expertise	Robyn is a board director and executive coach working across the commercial, government and not-for-profit sectors. Drawing on a successful 25+ year career as a senior executive in large, complex organisations, Robyn sits on the Board of ASX-listed Invocare Limited as well as Lifeline Northern Beaches. She provides executive coaching services to a diverse range of corporate clients via ECI Partners. Prior to joining the Aventus Board in 2015, Robyn spent 8 years with Stockland as a General Manager, her last role heading up Retail Leasing across a portfolio of 40 shopping centres nationally. Robyn is a graduate of the Australian Institute of Company Directors, she holds a Master of Science degree in Coaching Psychology from The University of Sydney and was awarded a University Medal with her business degree from the University of Technology, Sydney.
Other current listed and not-for-profit directorships	Lifeline Northern Beaches Invocare Limited
Special responsibilities	Member of the Audit, Risk and Compliance Committee
Interest in units in the Fund	41,364

Brett Blundy	Non-executive director
Experience and expertise	Brett is a substantial unitholder in the Fund and is also the majority shareholder of the Aventus Property Group which provides funds and property management services to the Group. Brett is also Chairman and Founder of BB Retail Capital (BBRC). BBRC is a pre-eminent private investment group with diverse interests across three key portfolios including global retail brands, retail properties and the beef industry. Brett also sits on the Board of Directors of Human Longevity Inc.
Other current listed and not-for-profit directorships	Human Longevity Inc
Special responsibilities	None
Interest in units in the Fund	142,643,925

Nico van der Merwe	Alternate director
Experience and expertise	Nico joined BBRC in 1997. He has held a number of senior finance roles across BBRC and is currently the Group Chief Financial Officer. Nico has over 30 years experience in commercial roles across the retail, real estate and cattle industry sectors. He holds Bachelor of Accounting Science (Hons) and Bachelor of Commerce degrees and is a member of the Institute of Chartered Accountants in Australia.
Other current listed directorships	None
Special responsibilities	None
Interest in units in the Fund	–

DIRECTORS' REPORT
continued

Remuneration report

The directors of the Responsible Entity are remunerated by the Aventus Property Group. Director fees of independent non-executive directors of the Responsible Entity are reimbursed by the Fund. Details of these fees are outlined in note 23(c) to the financial statements.

Responsible Entity's interests in the Fund

The Responsible Entity did not hold any units in the Fund at balance date.

Fees paid to the Responsible Entity and associates

Fees paid to the Responsible Entity and associates during the financial year are disclosed in note 23 to the financial statements.

Interests in the Fund

The number of units in the Fund issued during the financial year and the total number of units on issue at 30 June 2018 are disclosed in note 18 to the financial statements.

Units under option

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

Environmental regulations

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

Events occurring after the reporting period

Proposed internalisation

On 10 August 2018 the Responsible Entity announced it had entered into an implementation deed with the shareholders of Aventus Property Group Pty Ltd ("APG") to internalise the management of the Fund.

The internalisation proposal is binding subject to certain conditions including approval of the proposal by the Fund's unitholders at a meeting to be held on 25 September 2018.

The proposed internalisation involves:

1. the Fund forming a new 100% owned subsidiary – Aventus Holdings Limited ("AHL");
2. the Fund distributing one fully paid ordinary share in AHL to unitholders for each existing unit they hold in the Fund;
3. stapling each share in AHL to each existing unit in the Fund to form a new stapled security. Stapled securities would commence trading on the ASX under the existing code AVN, initially on a deferred settlement basis, with full trading expected to commence on or about 2 October 2018; and
4. AHL acquiring APG and its subsidiaries (comprising the Fund's responsible entity, funds manager, property manager and services company) for a total purchase consideration of $143 million plus APG's net tangible assets to be fixed at $5 million. The $143 million will be funded via $85 million in stapled securities and $58 million in cash. The $5 million net tangible assets amount will be funded in cash.

APG is owned by entities associated with Brett Blundy and Darren Holland.

If the proposed internalisation is approved all fees currently charged to AVN by APG (including performance fees) would be eliminated on consolidation in future financial periods. The proposal would also include the Group assuming the management of the Kotara North property which is owned by an entity associated with Brett Blundy.

Debt refinancing

Debt refinancing activities undertaken subsequent to the end of the financial year are outlined in the 'Debt portfolio' section above.

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

Insurance of officers and indemnities

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

So long as the officers of the Responsible Entity act in accordance with the Fund's constitution and the law, the officers remain indemnified out of the assets of the Group against losses incurred while acting on behalf of the Group.

To the extent permitted by law, the Responsible Entity has agreed to indemnify the auditors of the Fund, 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. No payment has been made to indemnify Ernst & Young during or since the financial year.

Audit and non-audit services

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

The Responsible Entity is satisfied that the provision of non-audit services did not compromise the auditor's independence requirements under the *Corporations Act 2001* as:

- all non-audit services have been reviewed by the audit, risk and compliance committee to ensure they do not impact on the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants.*

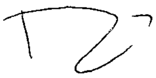
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

Rounding of amounts

The Fund is a registered scheme of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report and the financial report. In accordance with that Legislation Instrument amounts in the directors' report and the financial report have been rounded off to the nearest hundred thousand dollars, or in certain cases, to the nearest thousand dollars.

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



Darren Holland
Executive Director

Sydney
10 August 2018

Bruce Carter
Chairman

Sydney
10 August 2018

AUDITOR'S INDEPENDENCE DECLARATION

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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 audit of Aventus Retail Property Fund 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 Retail Property Fund and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
10 August 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Notes	2018 $m	2017 $m
Revenue			
Rental and other property revenue		163.4	129.6
Other revenue		1.2	1.0
		164.6	130.6
Other income			
Net gain on movement in fair value of investment properties		78.2	91.4
Total revenue and other income		**242.8**	**222.0**
Expenses			
Property expenses		(40.8)	(33.6)
Finance costs	5	(25.3)	(11.7)
Management fees	23(g)	(9.9)	(7.9)
Performance fees	23(g)	(2.8)	(6.3)
Portfolio transaction costs	6	(26.9)	(2.1)
Other expenses		(1.5)	(1.5)
Total expenses		**(107.2)**	**(63.1)**
Profit for the year		**135.6**	**158.9**
Other comprehensive income		**–**	**–**
Total comprehensive income for the year		**135.6**	**158.9**
Earnings per unit			
Basic (cents per unit)	7	27.5	39.2
Diluted (cents per unit)	7	27.5	39.2

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 $m	30 June 2017 $m
Assets			
Current assets			
Cash and cash equivalents	8	3.6	33.9
Receivables	9	2.1	21.0
Rental guarantees	10	3.3	2.2
Other assets	11	2.1	25.4
Total current assets		**11.1**	**82.5**
Non-current assets			
Derivative financial instruments	17	0.4	0.7
Rental guarantees	10	2.1	0.5
Investment properties	12	1,886.9	1,392.4
Total non-current assets		**1,889.4**	**1,393.6**
Total assets		**1,900.5**	**1,476.1**
Liabilities			
Current liabilities			
Payables	13	(15.9)	(10.8)
Borrowings	16	(89.9)	–
Derivative financial instruments	17	(0.1)	–
Distributions payable	14	(20.1)	(16.0)
Provision for performance fees	23(g)	(9.1)	–
Deferred revenue	15	(4.0)	(3.1)
Total current liabilities		**(139.1)**	**(29.9)**
Non-current liabilities			
Borrowings	16	(584.5)	(327.0)
Derivative financial instruments	17	(1.7)	(1.2)
Provision for performance fees	23(g)	–	(6.3)
Total non-current liabilities		**(586.2)**	**(334.5)**
Total liabilities		**(725.3)**	**(364.4)**
Net assets		**1,175.2**	**1,111.7**
Equity			
Issued units	18	975.1	967.0
Retained earnings	19	200.1	144.7
Total equity		**1,175.2**	**1,111.7**

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	Issued units $m	Retained earnings $m	Total equity $m
Balance at 1 July 2016		**747.6**	**48.8**	**796.4**
Profit for the year		–	158.9	158.9
Other comprehensive income		–	–	–
Total comprehensive income for the year		**–**	**158.9**	**158.9**
Issue of units net of transaction costs		219.4	–	219.4
Distributions paid or provided for	20	–	(63.0)	(63.0)
Balance at 30 June 2017		**967.0**	**144.7**	**1,111.7**
Balance at 1 July 2017		**967.0**	**144.7**	**1,111.7**
Profit for the year		–	135.6	135.6
Other comprehensive income		–	–	–
Total comprehensive income for the year		**–**	**135.6**	**135.6**
Issue of units net of transaction costs		8.1	–	8.1
Distributions paid or provided for	20	–	(80.2)	(80.2)
Balance at 30 June 2018		**975.1**	**200.1**	**1,175.2**

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 $m	2017 $m
Cash flows from operating activities			
Rental and other property revenue received		177.1	141.3
Other revenue received		3.0	2.3
Payments to suppliers		(67.5)	(56.6)
Finance costs paid		(22.0)	(14.4)
Payment of portfolio transaction costs		(2.3)	(26.2)
Net cash inflows from operating activities	21(a)	**88.3**	**46.4**
Cash flows from investing activities			
Payments for capital expenditure		(40.4)	(21.8)
Proceeds on sale of investment properties		59.9	–
Payments for businesses net of cash acquired		(416.0)	(20.0)
Net cash outflows from investing activities		**(396.5)**	**(41.8)**
Cash flows from financing activities			
Proceeds from issue of units		–	214.7
Unit issue transaction costs		(0.3)	(2.6)
Proceeds from borrowings		580.9	54.0
Repayment of borrowings		(232.2)	(186.7)
Payment of debt establishment costs		(2.7)	–
Distributions paid		(67.8)	(54.4)
Net cash inflows from financing activities		**277.9**	**25.0**
Net (decrease)/increase in cash and cash equivalents		**(30.3)**	**29.6**
Cash at the beginning of the financial year		**33.9**	**4.3**
Cash at the end of the financial year	8	**3.6**	**33.9**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

a) Statement of compliance

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

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

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

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

b) Excess of current liabilities over current assets

The Group's current liabilities exceeded its current assets by $128.0 million at 30 June 2018. The deficiency is attributable to $90.0 million in tranche B bank debt, which matures in October 2018, plus $20.1 million in distributions and $9.1 million in performance fees payable which are classified as current liabilities at balance date.

The Group's cash and undrawn debt at 30 June 2018 amounted to $125.6 million. As disclosed in note 16 to the financial statements an additional $110.0 million of debt was raised in July 2018. Current liabilities will be settled in the normal course of business from undrawn debt commitments plus cash flows from operations.

c) Comparative information

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

d) Historical cost convention

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

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

e) Rounding of amounts

The Fund is a registered scheme of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report and the financial report. In accordance with that Legislation Instrument amounts in the directors' report and the financial report have been rounded off to the nearest hundred thousand dollars, or in certain cases, to the nearest thousand dollars.

f) Functional and presentation currency

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

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

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

1. Basis of preparation *continued*

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

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 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*	AASB 9 "Financial Instruments" addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It has also introduced new rules for hedge accounting and impairment of financial assets. The directors do not expect the new standard to have a significant impact on the recognition or measurement of the Group's financial instruments. The standard will be effective for annual reporting periods commencing on or after 1 January 2018 but is available for early adoption. At the date of this report the directors have not early adopted AASB 9.	1 January 2018
AASB 15 *Revenue from Contracts with Customers*	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 "Revenue" which covers contracts for goods and services and AASB 111 "Construction Contracts" which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The scope of AASB 15 excludes income derived from leases which is accounted for under AASB 117 "Leases". As the Group's main source of revenue is rental income derived from tenants in accordance with operating leases, 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. The standard will be effective for annual reporting periods commencing on or after 1 January 2018 but is available for early adoption. At the date of this report the directors have not early adopted AASB 15.	1 January 2018
AASB 16 *Leases*	AASB 16 supersedes AASB 117 "Leases" and associated interpretations. Key features of AASB 16 from a lessor perspective include: • 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. • AASB 16 also requires enhanced disclosure to be provided by lessors that will improve information disclosed about a lessor's risk exposure. 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. The new standard will be effective for annual reporting periods commencing on or after 1 January 2019 but is available for early adoption. At the date of this report the directors have not early adopted AASB 16.	1 January 2019

2. Summary of significant accounting policies

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

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

a) Principles of consolidation

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

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

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

When the Group ceases to consolidate for an investment because of a loss of control any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

b) Business combinations

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

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

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

Acquisition related costs are expensed as incurred.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

2. Summary of significant accounting policies *continued*

c) Segment reporting

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

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

d) Revenue recognition

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

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

Rental and other property income

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

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

Interest income

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

e) Expenses

Property expenses

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

Finance costs

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

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

Borrowing costs not associated with qualifying assets are recognised as an expense when incurred.

Other costs incurred in respect of obtaining finance, including loan establishment fees, are deferred and expensed over the term of the respective loan facility.

Management fees

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

Other expenses

All other expenses are recognised on an accruals basis.

f) Income tax

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

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

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

g) Goods and service tax ("GST")

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

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

h) Cash and cash equivalents

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

i) Receivables

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

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

j) Rental guarantees

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

2. Summary of significant accounting policies *continued*

k) Investment properties

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

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

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

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

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

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

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

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

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

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

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

l) Lease incentives and leasing fees

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

m) Impairment of assets

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

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

n) Payables

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

o) Borrowings

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

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

p) Derivative financial instruments

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

The Group has not adopted hedge accounting. Derivative financial instruments are classified as financial instruments at fair value through profit or loss. Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Subsequent changes in fair value are recognised in profit or loss.

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

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

q) Distributions payable

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

r) Issued units

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

s) Earnings per unit

Basic earnings per unit

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

Diluted earnings per unit

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

3. Critical accounting estimates and judgements

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

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

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

a) Critical accounting estimates and assumptions

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

Estimated fair value of investment properties

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

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

Estimated fair value of derivative financial instruments

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

Provision for performance fee

Aventus Funds Management Pty Limited is entitled to a performance fee calculated in accordance with the terms and conditions of the Management Services Agreement disclosed in note 23(g).

At 30 June 2018 the Group had recognised a $9.1 million provision for performance fees for the inaugural performance period which ended on 30 June 2018. No provision has been recognised at 30 June 2018 in relation to the second performance fee period ending 30 June 2019 as it is not probable a performance fee will be ultimately payable at 30 June 2019.

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.

4. 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 that is provided to the chief operating decision maker and which is used in making strategic decisions. Darren Holland has been identified as the chief operating decision maker in his capacity as chief executive officer and executive director of the Responsible Entity.

5. Finance costs

	2018 $m	2017 $m
Interest and finance costs	24.7	14.9
Less: amounts capitalised relating to redevelopment of investment properties	(0.3)	(0.2)
	24.4	14.7
Fair value losses/(gains) on interest rate swaps	0.9	(3.0)
Finance costs expensed	**25.3**	**11.7**

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

6. Portfolio transaction costs

	2018 $m	2017 $m
Stamp duty costs	24.0	–
Advisory fees	2.7	1.9
Other	0.2	0.2
Total	**26.9**	**2.1**

7. Earnings per unit

	2018	2017
Net profit for the year ($m)	135.6	158.9
Weighted average number of units used in calculating basic and diluted earnings per unit (m)	492.4	405.0
Basic and diluted earnings per unit (cents)	27.5	39.2

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

8. Cash and cash equivalents

	30 June 2018 $m	30 June 2017 $m
Cash at bank and in hand	**3.6**	**33.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

9. Receivables

	30 June 2018 $m	30 June 2017 $m
Current		
Trade receivables	0.9	0.6
Provision for impairment	(0.4)	(0.2)
	0.5	0.4
Deposits paid	–	20.0
Other receivables	1.6	0.6
Total	**2.1**	**21.0**

Trade receivables represent outstanding rental income and outgoings due from tenants.

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

10. Rental guarantees

	30 June 2018 $m	30 June 2017 $m
Current		
Rental guarantees	**3.3**	**2.2**
Non-current		
Rental guarantees	**2.1**	**0.5**

Rental guarantees relate to six of the Group's investment properties with expiry dates ranging from May 2021 to July 2022.

11. Other assets

	30 June 2018 $m	30 June 2017 $m
Current		
Stamp duty paid in advance of settlement	–	24.0
Prepayments	2.1	1.4
Total	**2.1**	**25.4**

The $24.0 million in stamp duty paid in advance of settlement at 30 June 2017 relates to the acquisition of the Castle Hill Super Centre and Marsden Park Home. Details of the acquisitions are disclosed in note 22.

12. Investment properties

Property	Last independent valuation date	Independent valuation $m	Carrying value 30 June 2018 $m	Carrying value 30 June 2017 $m
Ballarat Home	31 December 2017	40.5	40.6	38.6
Bankstown Home	30 June 2018	60.9	60.9	56.5
Belrose Super Centre [1]	31 December 2017	173.0	176.5	158.7
Caringbah Home	31 December 2017	92.3	92.3	91.4
Castle Hill Super Centre	30 June 2018	347.0	347.0	–
Cranbourne Home	31 December 2017	133.0	133.9	129.2
Epping Hub	31 December 2017	43.0	43.4	40.8
Highlands Hub	31 December 2017	33.0	33.3	31.8
Jindalee Home	31 December 2017	123.4	124.7	110.2
Kotara Home (South)	31 December 2017	120.0	121.0	112.5
Logan Super Centre	30 June 2018	91.2	91.2	88.5
MacGregor Home	31 December 2017	24.0	24.0	23.9
Marsden Park Home	30 June 2018	101.0	101.0	–
McGraths Hill Home	30 June 2018	40.5	40.5	39.4
Midland Home	31 December 2017	62.0	62.8	58.5
Mile End Home	31 December 2017	97.0	97.7	92.1
Peninsula Home	31 December 2017	83.5	83.7	79.8
Shepparton Home [2]	2 April 2016	21.6	–	21.7
Sunshine Coast Home	30 June 2018	95.8	95.8	85.0
Tuggerah Super Centre	30 June 2018	85.0	85.0	65.5
Tweed Hub [3]	31 December 2016	34.3	–	34.7
Warners Bay Home	31 December 2017	37.0	37.0	36.3
			1,892.3	1,395.1
Less amounts classified as rental guarantees			(5.4)	(2.7)
Total			**1,886.9**	**1,392.4**

1. Includes Belrose Gateway Centre which was acquired in December 2015.
2. Shepparton Home was sold on 21 December 2017 for $20.0 million.
3. Tweed Hub was sold on 28 February 2018 for $40.1 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

12. Investment properties *continued*

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

	2018 $m	2017 $m
Balance at the beginning of the financial year	**1,392.4**	**1,268.9**
Additions via business combinations (excluding rental guarantees)	431.0	–
Additions	–	4.0
Disposals	(60.1)	–
Capitalised expenditure	41.9	23.2
Straight-lining of rental income	3.3	4.5
Net gain on movement in fair value of investment properties	78.2	91.4
Amounts reclassified from rental guarantees	0.2	0.4
Balance at the end of the financial year	**1,886.9**	**1,392.4**

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

a) Acquisitions and disposals during the financial year

Castle Hill Super Centre and Marsden Park Home

On 3 July 2017 the Group acquired Castle Hill Super Centre and Marsden Park Home for a combined purchase price of $436.0 million. The acquisitions have been accounted for as a business combination. Refer to note 22 to the financial statements for further details.

Shepparton Home and Tweed Hub

On 21 December 2017 the Group sold Shepparton Home for $20.0 million and also exchanged an unconditional contract for the sale of Tweed Hub for $40.1 million. Settlement of the Tweed Hub property occurred on 28 February 2018. The combined sales price of $60.1 million reflected a 6.5% premium to the carrying value of the properties at 30 June 2017 and a weighted yield of 7.42%. The sales were in line with the Group's strategy to divest smaller centres to maintain balance sheet strength and reduce gearing.

b) Leasing arrangements

The Group's investment properties are leased to tenants under non-cancellable operating leases with rentals payable on a monthly basis. Future minimum rentals receivable under the leases as at 30 June 2018 and 30 June 2017 are as follows:

	30 June 2018 $m	30 June 2017 $m
Within 1 year	97.6	104.3
Later than 1 year but not later than 5 years	271.4	283.8
Later than 5 years	86.5	114.9
Total	**455.5**	**503.0**

13. Payables

	30 June 2018 $m	30 June 2017 $m
Current		
Trade payables and accruals	12.7	8.8
Other payables	3.2	2.0
Total	**15.9**	**10.8**

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

14. Distributions payable

	30 June 2018 $m	30 June 2017 $m
Current		
Distributions payable	20.1	16.0

15. Deferred revenue

	30 June 2018 $m	30 June 2017 $m
Current		
Deferred revenue	4.0	3.1

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

16. Borrowings

	30 June 2018 $m	30 June 2017 $m
Current		
Secured		
Syndicated bank debt facility	90.0	–
Less: unamortised transaction costs	(0.1)	–
	89.9	**–**
Non-current		
Secured		
Syndicated bank debt facility	478.0	329.3
Syndicated loan note facility	110.0	–
Less: unamortised transaction costs	(3.5)	(2.3)
Total	**584.5**	**327.0**

a) Syndicated bank debt facility

The Group's syndicated bank debt facility is a revolving cash advance facility.

Loan repayments are interest only with a lump sum payment of all amounts outstanding at the end of the term. Key features of each tranche are summarised as follows:

	Tranche A	Tranche B	Tranche C	Tranche E	Tranche F	Tranche G	Tranche H
Tranche limit	$200.0 million	$90.0 million	$100.0 million	$50.0 million	$50.0 million	$75.0 million	$125.0 million
Term	5 years	3 years	5 years	4 years	4 years	5 years	5 years
Maturity	October 2020	October 2018	May 2021	July 2021	July 2021	July 2022	July 2022
Interest	30 day BBSY + margin	30 day BBSY + margin	30 day BBSY + margin	90 day BBSY + margin	90 day BBSY + margin	90 day BBSY + margin	30 day BBSY + margin

The facility is denominated in Australian dollars.

Tranches E, F, G and H were entered into on 3 July 2017 to partially fund the acquisition of Castle Hill Super Centre and Marsden Park Home. Refer to note 22 for details of the acquisition. $1.4 million in debt establishment costs were incurred in relation to the new tranches.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

16. Borrowings *continued*

b) Syndicated loan note facility

On 19 January 2018 the Group entered into a $110.0 million syndicated loan note facility with bank and institutional lenders. Key terms are summarised as follows:

Facility limit	$110.0 million
Term	7 years (5 year initial term plus 2 x 1 year extensions at the option of the Group)
Maturity	January 2025
Interest	90-day BBSY + margin
Repayments	Before 3rd anniversary – non-call period Before 4th anniversary – 105% prepayment Before 5th anniversary – 101% prepayment

The facility is denominated in Australian dollars.

c) Financing arrangements

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

	30 June 2018			30 June 2017		
	Limit $m	**Drawn $m**	**Undrawn $m**	**Limit $m**	**Drawn $m**	**Undrawn $m**
Syndicated bank debt facility						
– Tranche A	200.0	200.0	–	200.0	40.0	160.0
– Tranche B	90.0	90.0	–	200.0	200.0	–
– Tranche C	100.0	95.3	4.7	100.0	89.3	10.7
– Tranche E	50.0	50.0	–	–	–	–
– Tranche F	50.0	50.0	–	–	–	–
– Tranche G	75.0	–	75.0	–	–	–
– Tranche H	125.0	82.7	42.3	–	–	–
Syndicated loan note facility	110.0	110.0	–	–	–	–
Total	**800.0**	**678.0**	**122.0**	**500.0**	**329.3**	**170.7**

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

An additional tranche (tranche D) of up to $100.0 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.

d) Debt refinancing subsequent to the end of the financial year

In July 2018 the Group undertook the following refinancing activities:

- An additional $60.0 million of 5 year bi-lateral debt was raised with bank lenders with the proceeds used to repay tranche B debt under the syndicated bank debt facility.
- The maturity dates of tranches C, E, F, G and H under the syndicated bank debt facility, amounting to $400.0 million of committed debt, were extended by an additional 12 months.
- The Group received unconditional commitments from lenders for a $50.0 million extension of the Group's loan note facility.

e) Compliance with debt covenants

The Group complied with the financial covenants of its borrowing facilities during the financial year. Key financial covenants under the syndicated bank debt and loan note facilities are summarised as follows:

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

Covenants are assessed semi-annually.

f) Security

The Group's debt facilities are secured by:

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

17. Derivative financial instruments

	30 June 2018 $m	30 June 2017 $m
Non-current assets		
Interest rate swaps – at fair value	**0.4**	**0.7**
Current liabilities		
Interest rate swaps – at fair value	**0.1**	**–**
Non-current liabilities		
Interest rate swaps – at fair value	**1.7**	**1.2**

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

At 30 June 2018 the Group had entered into interest rate swap agreements totalling $420.0 million (30 June 2017: $240.0 million) representing 61.9% (30 June 2017: 72.9%) of drawn debt. Key features of the interest rate swaps are summarised as follows:

Maturity date	Notional amount $m	Fair value 30 June 2018 $m	Fair value 30 June 2017 $m
October 2018	80.0	(0.1)	(0.5)
October 2019	40.0	(0.2)	(0.3)
May 2020	20.0	0.1	0.1
October 2020	40.0	(0.3)	(0.4)
May 2021	60.0	0.3	0.6
June 2021	25.0	(0.1)	–
July 2021	30.0	(0.1)	–
July 2022	125.0	(1.0)	–
Total	**420.0**	**(1.4)**	**(0.5)**

As at 30 June 2018 the fixed rate on the interest rate swaps ranged from 1.83% to 2.43% per annum (30 June 2017: 1.83% to 2.36%). Interest rate swap contracts require settlement of net interest receivable or payable on a monthly or quarterly basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18. Issued units

	30 June 2018 $m	30 June 2017 $m
494,174,250 ordinary units (2017: 490,421,802)	**975.1**	**967.0**

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

	2018 Units	2018 $m	2017 Units	2017 $m
Balance at the beginning of the financial year	**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 in accordance with the distribution reinvestment plan	3,752,448	8.2	3,171,002	7.1
Balance at the end of the financial year	**494,174,250**	**975.1**	**490,421,802**	**967.0**

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

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

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

Entitlement offer

On 30 May 2017 the Fund announced in a 1 for 4.3 accelerated non-renounceable entitlement offer to assist fund the acquisition of Castle Hill Super Centre and Marsden Park Home. Refer to note 22 for details of the acquisition.

The entitlement offer resulted in the issue of 92.5 million units, at an issue price of $2.32, and raised a total of $214.7 million in additional equity.

New units issued under the offer ranked equally with existing units and are entitled to all future distributions of the Fund, except for distributions relating to the quarter ended 30 June 2017.

Costs directly associated with the equity raise amounted to $2.5 million and have been recognised directly in equity as a reduction to gross proceeds raised.

19. Retained earnings

	30 June 2018 $m	30 June 2017 $m
Retained earnings	**200.1**	**144.7**

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

	2018 $m	2017 $m
Balance at the beginning of the financial year	**144.7**	**48.8**
Net profit for the year	135.6	158.9
Distributions paid or payable	(80.2)	(63.0)
Balance at the end of the financial year	**200.1**	**144.7**

20. Distributions

	2018 Distribution – cents per unit	2018 Distribution $m	2017 Distribution – cents per unit	2017 Distribution $m
Fully paid ordinary units				
September quarter	4.05	19.9	3.88	15.3
December quarter	4.07	20.1	3.96	15.7
March quarter	4.07	20.1	4.02	16.0
June quarter	4.07	20.1	4.02	16.0
Total	**16.26**	**80.2**	**15.88**	**63.0**

Distribution Reinvestment Plan

During the financial year 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 an average of the daily volume weighted average price of the Fund’s units sold on the Australian Securities Exchange during a 10 day trading period prior to the payment date for the distribution. The DRP unit price for the quarters ended 30 September 2017 and 31 December 2017 included a discount of 2%. There was no discount to the DRP unit price for remaining quarters during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21. Statement of cash flow information

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

	2018 $m	2017 $m
Profit for the year	**135.6**	**158.9**
Adjustments for		
Finance costs capitalised	(0.3)	(0.2)
Straight-lining of rental income	(3.3)	(4.5)
Amortisation of rental guarantees	3.1	1.3
Amortisation of debt establishment costs	1.3	0.8
Net gain on movement in fair value of investment properties	(78.2)	(91.4)
Net loss/(gain) on movement in fair value of interest rate swaps	0.9	(3.0)
Change in operating assets and liabilities, net of effects from purchase of controlled entities:		
(Increase)/decrease in receivables	(1.1)	2.4
(Increase)/decrease in other assets	23.3	(24.6)
Increase/(decrease) in payables	3.3	(0.9)
Increase/(decrease) in deferred revenue	0.9	1.3
Increase/(decrease) in provision for performance fees	2.8	6.3
Net cash inflow from operating activities	**88.3**	**46.4**

b) Non-cash investing and financing activities

	2018 $m	2017 $m
Units issued in accordance with the Fund's distribution reinvestment plan	8.2	7.1

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

22. 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 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
Purchase consideration	
Cash paid	436.0
Total	**436.0**

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

	Fair Value $m
Investment properties	431.0
Rental guarantees	5.0
Net identifiable assets acquired	**436.0**

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.

Revenue and profit contributions

From the date of acquisition to 30 June 2018 the acquired businesses contributed revenues of $30.2 million and a net profit of $6.2 million (including $24.0 million of transaction costs).

23. Related party transactions

a) Responsible entity

The responsible entity of the Fund is Aventus Capital Limited ("Responsible Entity").

b) Responsible Entity fees

The Responsible Entity is not entitled to a fee for services provided to the Group.

c) Directors of the Responsible Entity

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

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

Executive and non-executive directors of the Responsible Entity are remunerated by the Aventus Property Group.

Director fees of independent non-executive directors are reimbursed by the Group. The total amount reimbursed for the year ended 30 June 2018 amounted to $469,000 (2017: $367,000). Director fees are disclosed as part of other expenses in the statement of comprehensive income.

d) Directors interest in the Fund

Directors' interest in the Fund at 30 June 2018 and 30 June 2017 are summarised as follows:

Director	Number of units held in the Fund 30 June 2018	Number of units held in the Fund 30 June 2017
Bruce Carter	1,189,312	919,312
Darren Holland	2,544,889	2,264,077
Kieran Pryke	70,873	70,873
Robyn Stubbs	41,364	28,349
Brett Blundy	142,643,925	142,643,925
Nico van der Merwe	–	–

23. Related party transactions *continued*

e) Key management personnel

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

The Responsible Entity is considered to be the KMP of the Group.

f) Manager

The manager of the Fund is Aventus Funds Management Pty Limited ("Manager"). Directors of the Manager are Darren Holland and Brett Blundy. Directors of the Manager are remunerated by the Aventus Property Group.

g) Management fees

The Manager is entitled to remuneration in the form of an investment management fee and a performance fee in accordance with a Management Services Agreement.

Investment management fee

The investment management fee is calculated as:

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

The investment management fee is calculated and payable on a monthly basis.

Total investment management fees incurred for the year ended 30 June 2018 amounted to $9,937,000 (2017: $7,912,000).

As disclosed in note 22 as part of the acquisition of Castle Hill Super Centre and Marsden Park Home 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.

Performance fee

The Manager is also entitled to a performance fee of 20% of the percentage by which the total return of the Fund exceeds a hurdle of 12%. This is calculated as:

20% x Outperformance % x 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 divided by the NTA per unit at the commencement of the relevant period (expressed as a percentage).

  Total return is measured on a three-year rolling basis and annualised as a compounded annual growth rate. For the 2016 financial year, total return is measured from the commencement date of the Management Services Agreement to 30 June 2016 and the first performance fee period ends on 30 June 2018.
- **Hurdle Rate =** 12%
- **Closing NTA =** The NTA of the Fund on the last day of the relevant period.

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

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

At 30 June 2018 the Group has recognised a $9,059,000 provision for performance fees (30 June 2017: $6,269,000).

No provision has been recognised at 30 June 2018 in respect of the second performance fee period ending 30 June 2019 on the basis it is not probable a performance fee will be payable at 30 June 2019. As disclosed in note 3(a) this is considered a critical accounting estimate at balance date.

h) Property and development 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	$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.

Total fees incurred in accordance with the Property Management and Development Agreement for the year ended 30 June 2018 amounted to $16,766,000 (2017: $13,498,000).

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

i) Rental guarantees

In conjunction with acquisitions made in October 2015 a director related entity provided rental guarantees to the Group which expired in October 2016. The rental guarantees were negotiated on an arm's length basis.

Rental guarantees claimed from the director related entity during the financial year ended 30 June 2017 amounted to $53,000. There were no related party rental guarantees outstanding at 30 June 2018 or 2017.

j) Rental income

Total rental income derived from the Aventus Property Group during the financial year amounted to $289,000 (2017: $220,000).

k) Outstanding payable balances with related parties

Total amounts payable to the Aventus Property Group at 30 June 2018 amounted to $11,891,000 (30 June 2017: $8,234,000).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23. Related party transactions *continued*

l) Subsidiaries

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

Name of entity	Ownership interest 2018 %	2017 %	Principal activities
Parent entity			
Aventus Retail Property Fund			
Subsidiaries			
Aventus Bankstown Holding Trust	100%	100%	Investment holding trust
Aventus Bankstown Unit Trust [1]	100%	100%	Property investment
Aventus Belrose Unit Trust	100%	100%	Property investment
Aventus Caringbah Unit Trust	100%	100%	Property investment
Aventus Castle Hill Unit Trust	100%	100%	Property investment
Aventus Cranbourne Unit Trust	100%	100%	Property investment
Aventus Cranbourne Thompsons Road Unit Trust	100%	100%	Property investment
Aventus Diversified Unit Trust	100%	100%	Investment holding trust
Aventus Ballarat Unit Trust [2]	100%	100%	Property investment
Aventus Highlands Unit Trust [2]	100%	100%	Property investment
Aventus Tweed Unit Trust [2]	100%	100%	Property investment
Aventus Warners Bay Unit Trust [2]	100%	100%	Property investment
Aventus Epping Unit Trust	100%	100%	Property investment
Aventus Jindalee Unit Trust	100%	100%	Property investment
Aventus Kotara South Unit Trust	100%	100%	Property investment
Aventus Logan Holding Trust	100%	100%	Investment holding trust
Aventus Logan Unit Trust [3]	100%	100%	Property investment
Aventus MacGregor Holding Trust	100%	100%	Investment holding trust
Aventus MacGregor Unit Trust [4]	100%	100%	Property investment
Aventus Marsden Park Unit Trust	100%	100%	Property investment
Aventus McGraths Hill Holding Trust	100%	100%	Investment holding trust
Aventus McGraths Hill Unit Trust [5]	100%	100%	Property investment
Aventus Midland Unit Trust	100%	100%	Property investment
Aventus Mile End Unit Trust	100%	100%	Property investment
Aventus Mile End Stage 3 Unit Trust	100%	100%	Property investment
Aventus Peninsula Unit Trust	100%	100%	Property investment
Aventus Property Administration Pty Ltd	100%	100%	Administration
Aventus Shepparton Unit Trust	100%	100%	Property investment
Aventus Sunshine Coast Unit Trust	100%	100%	Property investment
Aventus Tuggerah Unit Trust	100%	100%	Property investment

1. Entity is a 100% owned subsidiary of Aventus Bankstown Holding Trust.
2. Entity is a 100% owned subsidiary of Aventus Diversified Unit Trust.
3. Entity is a 100% owned subsidiary of Aventus Logan Holding Trust.
4. Entity is a 100% owned subsidiary of Aventus MacGregor Holding Trust.
5. Entity is a 100% owned subsidiary of Aventus McGraths Hill Holding Trust.

m) Key related party contracts

Kotara Home call option and pre-emptive deed

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

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

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

Call option

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

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

Pre-emptive right

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

n) Reimbursement of costs by the Fund

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

Total amounts reimbursed by the Group for the above costs during the year ended 30 June 2018 amounted to $535,000 (2017: $514,000).

o) Parent entity related party transactions

Reimbursement of independent non-executive director fees are disclosed in note 23(d). Management fees are disclosed in note 23(g).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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24. Fair value measurement

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

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

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

To provide an indication about the reliability of inputs used in determining fair value, the Group classifies its assets and liabilities into three levels prescribed under accounting standards. An explanation of each level is outlined below:

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

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

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

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

		Level 2		Level 3		Total	
	Note	30 June 2018 $m	30 June 2017 $m	30 June 2018 $m	30 June 2017 $m	30 June 2018 $m	30 June 2017 $m
Non-financial assets							
Derivative financial instruments	17	0.4	0.7	–	–	0.4	0.7
Investment properties	12	–	–	1,886.9	1,392.4	1,886.9	1,392.4
Financial liabilities							
Derivative financial instruments	17	1.8	1.2	–	–	1.8	1.2

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

The Group did not measure any financial assets or liabilities at fair value on a non-recurring basis as at 30 June 2018 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.

Valuation techniques used to derive level 3 fair values

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

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

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

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

Key inputs used in determining property values as at 30 June 2018 and 30 June 2017 are outlined below. Terminal yields and discount rates relate solely to independent valuations.

	Range 30 June 2018	Weighted average 30 June 2018	Range 30 June 2017	Weighted average 30 June 2017
Net passing rent ($ per square metre)	$119 to $377	$264	$94 to $353	$227
Net market rent ($ per square metre)	$150 to $379	$267	$133 to $353	$232
Adopted capitalisation rate (%)	5.50% to 7.75%	6.69%	6.75% to 8.00%	7.24%
Adopted terminal yield (%)	5.75% to 7.25%	6.47%	7.00% to 7.25%	7.16%
Adopted discount rate (%)	7.50% to 8.50%	7.77%	8.50% to 8.75%	8.62%

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

Sensitivity analysis

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

b) Assets and liabilities not measured at fair value

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

25. Capital management

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

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

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

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

	30 June 2018 $m	30 June 2017 $m
Gross borrowings	678.0	329.3
Less: cash and cash equivalents	(3.6)	(33.9)
Net debt	674.4	295.4
Total assets (less cash and cash equivalents)	1,896.9	1,442.2
Gearing ratio (%)	**35.6%**	**20.5%**

The Group's strategy is to maintain a gearing ratio of between 30% and 40%.

The gearing ratio at 30 June 2017 was below the Group's targeted gearing range of 30% to 40% due to a $160.0 million debt repayment in June 2017 on receipt of funds raised from the entitlement offer to partially finance the acquisition of the Castle Hill Super Centre and Marsden Park Home in July 2017. The Group's gearing ratio increased to 38.9% on settlement of the properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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26. 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 arises from borrowings with variable interest rates.

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

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

	30 June 2018 $m	30 June 2017 $m
Floating rate borrowings		
Syndicated bank debt facility	568.0	329.3
Syndicated loan note facility	110.0	–
Derivative financial instruments		
Interest rate swaps (notional principal amount)	(420.0)	(240.0)
Net interest rate exposure	**258.0**	**89.3**

Further details of the Group's borrowings and interest rate swaps held at 30 June 2018 and 30 June 2017 are disclosed in notes 16 and 17 respectively.

Interest rate risk sensitivity

The impact of a 1% increase/decrease in market interest rates at balance date would result in a $2.6 million (2017: $0.9 million) decrease/increase in profit or loss per annum. Aside from the profit or loss impact on equity, the 1% increase/decrease in market interest rates at the reporting date has no other impact on equity.

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 by ensuring there is sufficient cash and/or committed undrawn borrowings available.

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

The Group's financing arrangements, debt maturity profiles and access to undrawn borrowing facilities at 30 June 2018 and 30 June 2017 are disclosed in note 16.

Maturities of financial liabilities

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

a) all non-derivative financial liabilities, and

b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows.

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

30 June 2018

Contractual maturities of financial liabilities	Less than 6 months $m	6-12 months $m	1 to 3 years $m	3-5 years $m	Greater than 5 years $m	Total contracted cash flows $m	Carrying amount of liabilities $m
Non-derivative							
Payables	15.9	–	–	–	–	15.9	15.9
Distributions payable	20.1	–	–	–	–	20.1	20.1
Borrowings	101.1	10.2	331.5	194.8	116.8	754.4	674.4
Provision for performance fees	9.1	–	–	–	–	9.1	9.1
Total	**146.2**	**10.2**	**331.5**	**194.8**	**116.8**	**799.5**	**719.5**
Derivative							
Interest rate swaps	**0.5**	**0.4**	**1.4**	**0.5**	**–**	**2.8**	**1.8**

30 June 2017

Contractual maturities of financial liabilities	Less than 6 months $m	6-12 months $m	1 to 3 years $m	3-5 years $m	Greater than 5 years $m	Total contracted cash flows $m	Carrying amount of liabilities $m
Non-derivative							
Payables	10.8	–	–	–	–	10.8	10.8
Distributions payable	16.0	–	–	–	–	16.0	16.0
Borrowings	4.9	4.8	210.6	132.2	–	352.5	329.3
Provision for performance fees	–	–	6.3	–	–	6.3	6.3
Total	**31.7**	**4.8**	**216.9**	**132.2**	**–**	**385.6**	**362.4**
Derivative							
Interest rate swaps	**0.5**	**0.5**	**1.0**	**0.1**	**–**	**2.1**	**1.2**

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.

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

Impaired receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

26. Financial risk management *continued*

c) Credit risk *continued*

Impaired receivables *continued*

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.

Receivables past due but not impaired

As at 30 June 2018, trade receivables of $0.5 million (30 June 2017: $0.1 million) were past due but not impaired. These relate to tenants for whom there is no recent history of default.

27. Events occurring after the reporting period

a) Proposed internalisation

On 10 August 2018 the Responsible Entity announced it had entered into an implementation deed with the shareholders of Aventus Property Group Pty Ltd ("APG") to internalise the management of the Fund.

The internalisation proposal is binding subject to certain conditions including approval of the proposal by the Fund's unitholders at a meeting to be held on 25 September 2018.

The proposed internalisation involves:

1. the Fund forming a new 100% owned subsidiary – Aventus Holdings Limited ("AHL");
2. the Fund distributing one fully paid ordinary share in AHL to unitholders for each existing unit they hold in the Fund;
3. stapling each share in AHL to each existing unit in the Fund to form a new stapled security. Stapled securities would commence trading on the ASX under the existing code AVN, initially on a deferred settlement basis, with full trading expected to commence on or about 2 October 2018; and
4. AHL acquiring APG and its subsidiaries (comprising the Fund's responsible entity, funds manager, property manager and services company) for a total purchase consideration of $143 million plus APG's net tangible assets to be fixed at $5 million. The $143 million will be funded via $85 million in stapled securities and $58 million in cash. The $5 million net tangible assets amount will be funded in cash.

APG is owned by entities associated with Brett Blundy and Darren Holland.

If the proposed internalisation is approved all fees currently charged to AVN by APG (including performance fees) would be eliminated on consolidation in future financial periods. The proposal would also include the Group assuming the management of the Kotara North property which is owned by an entity associated with Brett Blundy.

b) Debt refinancing

Refer to note 16 for details of debt refinancing activities undertaken subsequent to the end of the financial year.

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

28. Commitments

Capital commitments

Significant capital expenditure contracted for at the end of the financial year but not recognised as liabilities is as follows:

	30 June 2018 $m	30 June 2017 $m
Acquisition of investment properties	–	416.4
Development expenditure	3.0	7.5
Total	**3.0**	**423.9**

Acquisition of investment properties

Castle Hill Super Centre and Marsden Park Home

On 30 May 2017 the Group exchanged contracts to acquire Castle Hill Super Centre and Marsden Park Home. As disclosed in note 22 the settlement date of the acquisitions was 3 July 2017.

Total outstanding commitments under the contract at 30 June 2017 amounted to $416.4 million.

Development expenditure

The Group has entered into contracts for the redevelopment of a number of its investment properties. Total commitments as at 30 June 2018 amounted to $3.0 million excluding GST (2017: $7.5 million excluding GST).

29. Contingent assets and liabilities

Bank guarantees

At 30 June 2018 the Group had given $1.1 million in bank guarantees relating to the redevelopment of one of its investment properties (30 June 2017: $1.1 million). 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 guarantee facility has a limit of $5.0 million and expires on 13 September 2019.

Performance fees

In the event that the proposed internalisation disclosed in note 27(a) does not proceed a performance fee of approximately $2.8 million may be payable in relation to the second performance fee period ending 30 June 2019. The actual performance fee payable (if any) may differ as key inputs into the performance fee calculation are based on future events.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

30. Remuneration of auditors

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

	2018 $'000	2017 $'000
Ernst & Young		
Audit and other assurance services		
Audit and review of financial statements	233	240
Compliance plan audit	20	20
Other assurance services	70	69
Due diligence services	163	89
Total audit and other assurance services	**486**	**418**
Taxation services		
Tax compliance services	–	125
Tax advisory services	4	25
Total taxation services	**4**	**150**
Consulting services	88	–
Total remuneration	**578**	**568**

31. Offsetting financial assets and liabilities

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

a) ISDA Master Agreements

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

b) Shepparton Home Guarantee

In connection with the sale of Shepparton Home in December 2017 $0.9 million of the sale proceeds were placed in trust to cover rental guarantees provided to the purchaser. Any monies not claimed at the end of the rental guarantee period will be returned to the Group.

As at 30 June 2018 the Group had a receivable of $0.6 million and a corresponding rental guarantee liability of $0.6 million. These amounts have been netted off in the balance sheet as the Group has a legally enforceable right to offset the recognised amounts and the receivable is realised and the guarantee liability is settled simultaneously.

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

32. Parent entity information

a) Summary financial information

The Fund previously acquired the units in Aventus Kotara (South) Unit Trust ("Kotara South") where the acquisition was accounted for as a reverse acquisition and resulted in the Fund (the legal parent) being accounted for as a subsidiary of the Group and Kotara South (the legal subsidiary) being accounted for as the parent entity of the Group for financial reporting purposes in the previous period. In the current period, the disclosures related to the parent entity have been revised to align to the legal parent for financial reporting purposes.

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

	2018 $'000	2017 $'000
Statement of comprehensive income		
Profit for the year	21.0	37.7
Total comprehensive income for the year	**21.0**	**37.7**

	30 June 2018 $m	30 June 2017 $m
Balance sheet		
Current assets	6.0	79.8
Non-current assets	1,567.6	1,287.8
Total assets	**1,573.6**	**1,367.6**
Current liabilities	(125.7)	(19.4)
Non-current liabilities	(586.2)	(435.5)
Total liabilities	**(711.9)**	**(454.9)**
Net assets	**861.7**	**912.7**
Issued capital	1,010.9	1,002.9
Accumulated losses	(149.2)	(90.2)
Total equity	**861.7**	**912.7**

b) Guarantees entered into by the parent entity

With the exception of guarantees provided in relation to the Group's debt facilities the Fund had not provided any guarantees as at 30 June 2018 or 30 June 2017.

c) Contingent liabilities of the parent entity

With the exception of items disclosed in note 29 to the financial statements the Fund did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

d) Contractual commitments

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

e) Determining the parent entity financial information

The financial information for the Fund 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 Fund. Distributions received from subsidiaries are recognised in the Fund's profit or loss when its right to receive the distribution 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 Retail Property Fund will be able to pay its debts as and when they become due and payable.

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

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

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

Darren Holland	**Bruce Carter**
Executive Director	Chairman
Sydney	Sydney
10 August 2018	10 August 2018

INDEPENDENT AUDITOR'S REPORT

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Sydney NSW 2000 Australia
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Independent Auditor's Report to the unitholders of Aventus Retail Property Fund

Report on the Audit of the Financial Report

Opinion

We have audited the 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 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.

INDEPENDENT AUDITOR'S REPORT
continued

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Investment Property Portfolio – Determination of fair value

Why significant	How our audit addressed the key audit matter
The Group owns large format retail centres classified as investment property carried at fair value. The carrying value of investment properties at 30 June 2018 amounted to $1,886.9 million and represents 99.3% of total assets. As disclosed in Note 2 (k) fair values are determined by the directors at the end of each reporting period with reference to external independent property valuations or internal directors' valuations, with changes in fair value recognised in the consolidated statement of comprehensive income. This was considered a key audit matter due to the number of judgments required in determining fair value. These judgments include determining the capitalisation rate, discount rate, market rent, re-leasing costs and forecast occupancy levels. Minor changes in certain assumptions can lead to significant changes in the valuation. Note 24 of the financial report discloses the sensitivity of these valuations to changes in key assumptions.	Our audit procedures included the following: • We assessed the competence, capabilities, and the objectivity of the independent valuers and the competence and capabilities of the internal experts that prepared the internal directors' valuations. • For both independent valuations and internal directors valuations we: o Assessed the appropriateness of the valuation methodology; o Assessed the key assumptions and inputs including the net passing rent, operating expenses, occupancy rates, lease terms, and capital expenditure. o Evaluated the capitalisation rates adopted, and movement in the year, based on our knowledge of the property portfolio, published industry reports and comparable property valuations. • Our real estate valuation specialists assisted with the assessment of a sample of internal and independent valuations by evaluating the valuation methodology and key inputs and assumptions highlighted above.

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Related Party Transactions

Why significant	How our audit addressed the key audit matter
The Group is an externally managed property fund. The responsible entity, Aventus Capital Limited, and the property manager of the fund, entities collectively controlled by Aventus Property Group, are considered related parties under Australian Accounting Standards. The property manager is entitled to a performance fee in the event that the Group exceeds a predetermined level of return over a 3 year period. Determining if the performance fee will be payable at a future date is subject to uncertainty. The Group incurred a total of $31.1 million in investment, asset & property, development management fees including expense reimbursements, performance fees and independent director fees. No provision has been recorded with respect to future performance fee periods ending subsequent to 30 June 2018. This was considered a key audit matter due to the significance of the transactions and judgment involved in determining the performance fee. Disclosure of related party transactions, including the nature of the arrangements and amounts paid by Group, is included in note 23 to the financial report.	Our audit procedures included the following: • Considered contracts and agreements with related parties to understand the nature of the transactions. • Assessed whether related party transactions recorded and disclosed were consistent with our understanding of the contracts and agreements and our understanding of the business, including significant transactions which have occurred during the period. • Compared the consistency in the recording and disclosure of related party transactions in the financial report against agreements in place, minutes of directors' meetings and market announcements. • Assessed the Group's judgments as to the probability of a performance fee becoming payable in the future as it relates to future performance fee periods extending beyond 30 June 2018. These procedures considered if, at balance sheet date, the performance fee met the recognition criteria of and the disclosure requirements of Australian Accounting Standards. • In assessing the performance fee payable we considered the implications of the internalisation proposal as disclosed in note 27 of the financial report.

INDEPENDENT AUDITOR'S REPORT
continued

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

The directors of Aventus Capital Limited, the Responsible Entity of the Group, are responsible for the other information. The other information comprises the information included in the Group's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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 on the other information obtained prior to the date of this auditor's report, 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 Aventus Capital Limited, the Responsible Entity of the Group, 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 of Aventus Capital Limited 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.

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- 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney
10 August 2018

UNITHOLDER INFORMATION

The Unitholder Information set out below was applicable as at 28 September 2018.

a) Distribution

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

Holding distribution 28 September 2018

Range	Securities	%	No. of holders	%
100,001 and Over	452,444,727	91.50	131	3.38
10,001 to 100,000	31,492,570	6.37	1,356	34.94
5,001 to 10,000	6,939,724	1.40	877	22.60
1,001 to 5,000	3,381,428	0.68	1,057	27.24
1 to 1,000	213,023	0.04	460	11.85
Total	**494,471,472**	**100.00**	**3,881**	**100.00**
Unmarketable Parcels	**0**	**0.00**	**0**	**0.00**

b) Unitholders

The names of the 20 largest Unitholders at 28 September 2018 are listed below:

Rank	Name	28 Sep 2018	%IC
1	BB RETAIL CAPITAL PTY LTD	117,537,897	23.77
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	60,078,492	12.15
3	NATIONAL NOMINEES LIMITED	55,140,697	11.15
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	52,259,844	10.57
5	CITICORP NOMINEES PTY LIMITED	28,106,217	5.68
6	RRI INVESTMENTS PTY LTD	22,901,245	4.63
7	BBFIT INVESTMENTS PTE LIMITED	12,500,000	2.53
8	JD MARNABECK PTY LTD	7,895,292	1.60
9	CRANBOURNE PTY LTD	7,183,000	1.45
10	RAYRA PTY LIMITED	5,881,989	1.19
11	BB HOLDINGS (PROPERTY) PTY LTD	5,423,028	1.10
12	BNP PARIBAS NOMS PTY LTD	4,179,303	0.85
13	MYRTLE INVESTMENTS PTY LTD	3,464,713	0.70
14	WEC ENTERPRISES PTY LTD	3,387,929	0.69
15	COLOSKYE PTY LIMITED	2,651,216	0.54
16	CECILE BRUNNER PTY LTD	2,598,534	0.53
16	GRIZZLY KOALA PTY LTD	2,598,534	0.53
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	2,572,791	0.52
18	PBBT PTY LTD	2,205,638	0.45
19	NEWECONOMY COM AU NOMINEES PTY LIMITED	2,097,660	0.42
20	HIGHTIDE GROUP PTY LTD	1,968,762	0.40
	Total	**402,632,781**	**81.43**
	Balance of register	**91,838,691**	**18.57**
	Grand total	**494,471,472**	**100.00**

c) Substantial holders

Substantial Unitholders in AVN as at 28 September are set out below:

Name	Number held	Date of Notice
Entities associated with Brett Blundy	142,643,925	4/7/17
Entities associated with Ray Itaoui	28,783,234	30/9/16

d) Units subject to voluntary escrow

Nil at 28 September 2018. From 1 October 2018, Darren Holland has agreed to an escrow arrangement on securities acquired as a result of the internalisation of the Fund.

e) Voting rights

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

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

SECURITYHOLDER INFORMATION

ASX

The Aventus Group is listed on the Australian Securities Exchange (ASX:AVN).

Website

The Aventus website, **www.aventusgroup.com.au** provides information on each property in the AVN Portfolio, and an overview of AVN's corporate governance structures. The site also provides Security price information and access to reports, presentations and releases made to the ASX.

How do I become a Securityholder?

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

Securityholder enquiries

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

Contact details are as follows:

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

Telephone: +61 1300 554 474
Facsimile: +61 2 9287 0303

ASX Code: AVN

Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

How do I access my holding online

Visit **www.linkmarketservices.com.au** and click on "Investor Login" or scan the QR Code to take you to the Investor Centre.

Select from one of the following access methods

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

Access a variety of holding information

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

Update your details

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

Distribution reinvestment plan (DRP)

A DRP has been established. A copy of the Plan Rules can be obtained from the website.

Electronic payment of distributions

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

Publications

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

Annual tax statements

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

Distributions

Distributions are paid quarterly.

Complaints handling

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

The Fund Manager,
Governor Macquarie Tower
Level 33, 1 Farrer Place
SYDNEY NSW 2000

The procedure for lodgement of complaints and complaints handling is set out in the Dispute Resolution Policy. A copy can be found under the Corporate Governance section at **www.aventusgroup.com.au**

Should a complainant be dissatisfied with the decision made by the responsible entity in relation to a compliant, the complainant is entitled to take the matter up with the Australian Financial Complaints Authority (AFCA) an external and independent industry complaint handling scheme.

AFCA's contact details are:

Consumers: 1800 931 678 | info@afca.org.au
Members: 1300 56 55 62 | membership@afca.org.au

Postal address: GPO Box 3, Melbourne VIC 3001

AFCA Website: www.afca.org.au

CORPORATE DIRECTORY

Aventus Group

Aventus Holdings Limited (40 627 640 180)
Aventus Capital Limited (34 606 555 480)
as a reponsible entity of the Aventus Retail Property Fund.
Governor Macquarie Tower
Level 33, 1 Farrer Place
SYDNEY NSW 2000

Directors

Bruce Carter
Darren Holland
Kieran Pryke
Robyn Stubbs
Brett Blundy
Nico van der Merwe (alternate for Brett Blundy)

Company secretaries

Mary Weaver AGIA
Lawrence Wong

Registered office and principal place of business

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Share registry

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Auditors

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SYDNEY NSW 2000

Custodian

One Managed Investment Funds Limited
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