

APPENDIX 4D

Interim Report

For the half year ended 31 December 2018

Name of entity	Aventus Group – Aventus Retail Property Fund
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Aventus Group

The Aventus Group is a stapled entity comprising the Aventus Retail Property Fund (“ARPF”) (ARSN 608 000 764) and its controlled entities and Aventus Holdings Limited (“AHL”) (ACN 627 640 180) and its controlled entities.

For financial reporting purposes ARPF has been deemed the parent entity of the Aventus Group.

This Appendix 4D should be read in conjunction with the interim consolidated financial report of ARPF for the half year ended 31 December 2018.

Explanation of reporting periods

The interim report of ARPF is for the period 1 July 2018 to 31 December 2018. The previous corresponding interim period is 1 July 2017 to 31 December 2017.

Results for announcement to the market

		Change %		31 Dec 2018 \$m
Revenue from ordinary activities	Up	1.3%	to	84.2
Net profit after tax attributable to security holders	Down	15.1%	to	63.7
Funds from operations attributable to security holders	Up	6.3%	to	47.4

The \$1.1 million increase in revenue from ordinary activities compared to the prior period is mainly attributable to increases in rental and other property related income.

The \$11.3 million or 6.3% decrease in net profit compared to the period is mainly attributable to:

- > a \$32.0 million decrease in net fair value gains on investment properties; and
- > a \$19.5 million decrease in transaction costs.

Distributions

Quarter	Distribution per unit (cents)	Total Distribution \$m	Ex-distribution Date	Record Date	Payment Date
September 2018	4.09	20.2	27/09/2018	28/09/2018	23/11/2018
December 2018	4.14	22.0	28/12/2018	31/12/2018	27/02/2019
Total	8.23	42.2			
September 2017	4.05	19.9	28/09/2017	29/09/2017	23/11/2017
December 2017	4.07	20.0	28/12/2017	29/12/2017	22/02/2018
Total	8.12	39.9			

During the period the Aventus Group operated a dividend reinvestment plan ("DRP") under which security holders may elect to reinvest all or part of their dividends/distributions in new securities 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 dividend/distribution.

The DRP price is determined as the average of the daily volume weighted average price of the securities sold on the Australian Securities Exchange during a ten day trading period prior to the payment date for the dividend/distribution, less a discount (if any).

Net tangible assets

	31 Dec 2018	30 June 2018
Net tangible assets (\$m)	1,139.7	1,175.2
Number of securities on issue (m)	531.0	494.2
Net tangible assets per security (\$)	2.15	2.38

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

Refer to note 3 "Business combinations" in the attached interim consolidated financial report.

Details of associates and joint venture entities

Not applicable.

Accounting standards used by foreign entities

Not applicable.

Audit

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

AVENTUS RETAIL PROPERTY FUND & CONTROLLED ENTITIES (AVENTUS GROUP)

ARSN 608 000 764

Interim consolidated financial report
for the half year ended 31 December 2018



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DIRECTORS' REPORT

The directors of Aventus Capital Limited ("ACL") (ACN 606 555 480), the Responsible Entity of the Aventus Retail Property Fund ("ARPF" or "Fund") (ARSN 608 000 764), present their report together with the interim consolidated financial statements of the Fund and its consolidated entities ("the Aventus Group") for the half-year ended 31 December 2018.

Directors

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

- > Bruce Carter Independent Non-Executive Chairman
- > Darren Holland Executive Director
- > Kieran Pryke Independent Non-Executive Director
- > Robyn Stubbs Independent Non-Executive Director
- > Brett Blundy Non-Executive Director
- > Nico van der Merwe Alternate Director to Brett Blundy

Review of operations and results

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

Internalisation of management

On 25 September 2018 ARPF unitholders approved a proposal to internalise management. The internalisation involved:

1. ARPF forming a new 100% owned subsidiary – Aventus Holdings Limited ("AHL");
2. ARPF distributing one fully paid ordinary share in AHL to unitholders for each existing unit held in ARPF;
3. stapling each share in AHL to each existing unit in ARPF to form a new stapled security; and
4. AHL acquiring Aventus Property Group Pty Ltd and its controlled entities ("APG Group") comprising ARPF's responsible entity, fund manager, property manager and services company. Details of the acquisition are disclosed in note 3 to the consolidated financial statements. The transaction also resulted in the acquisition of management rights for Kotara Home (North) which is owned by a director related entity.

The internalisation of management and stapling of ARPF and AHL occurred on 1 October 2018.

Summary of financial performance

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

	31 Dec 2018 \$m	31 Dec 2017 \$m
Net profit after tax for the financial period	63.7	75.0
Funds from operations ("FFO")	47.4	44.6
Basic and diluted earnings per unit (cents per unit)	12.4	15.3
FFO per unit (cents per unit)	9.2	9.1
Distributions to security holders	42.2	39.9
Distributions to security holders (cents per unit)	8.2	8.1

DIRECTORS' REPORT

Review of operations and results (continued)

FFO

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

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

	31 Dec 2018 \$m	31 Dec 2017 \$m
Net profit after tax	63.7	75.0
Straight-lining of rental income	(1.3)	(2.5)
Amortisation of rental guarantees	1.6	1.8
Amortisation of debt establishment costs	1.6	0.6
Net gain on movement in fair value of investment properties	(26.3)	(58.3)
Net loss on movement in fair value of derivative financial instruments	3.0	0.8
Transaction costs	4.9	24.4
Performance fees	-	2.8
Rounding	0.2	-
FFO	47.4	44.6

FFO has been determined in accordance with best practice guidelines published by the Property Council of Australia. FFO is the basis upon which distributions are determined by the directors. The Fund's distribution policy is to distribute between 90 and 100% of FFO to securityholders.

Distributions

Distributions declared and/or paid to security holders during the period were as follows:

Quarter	Distribution per unit (cents)	Total Distribution \$m	Ex- distribution Date	Record Date	Payment Date
September 2018	4.09	20.2	27/09/2018	28/09/2018	23/11/2018
December 2018	4.14	22.0	28/12/2018	31/12/2018	27/02/2019
Total	8.23	42.2			
September 2017	4.05	19.9	28/09/2017	29/09/2017	23/11/2017
December 2017	4.07	20.0	28/12/2017	29/12/2017	22/02/2018
Total	8.12	39.9			

DIRECTORS' REPORT

Review of operations and results (continued)

Summary of financial position

A summary of the Aventus Group's financial position at 31 December 2018 is set out below.

	31 Dec 2018 \$m	30 June 2018 \$m
Assets		
Investment property portfolio (including rental guarantees)	1,938.8	1,892.3
Total assets	2,098.2	1,900.5
Net tangible assets	1,139.7	1,175.2
Number of securities on issue	531.0	494.2
Net tangible assets (\$ per security)	2.15	2.38
Net assets (\$ per security)	2.42	2.38
Capital management		
Drawn debt	775.4	678.0
Debt facility limit	820.0	800.0
Cash and undrawn debt	55.3	125.6
Gearing ratio (%)	39.4	35.6
Interest rate hedging (notional amount)	520.0	420.0
Hedged debt to drawn debt ratio (%)	67.1	61.9

Investment property portfolio

- > At 31 December 2018 the Aventus 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 6.7% (30 June 2018: 6.7%).
- > Net fair value gains on the portfolio for the six months ended 31 December 2018 amounted to \$26.3 million (December 2017: \$58.3 million).
- > Key development highlights included the opening of level 1 at Tuggerah Super Centre, adding approximately 10,000 square metres of additional GLA to the centre, and the opening of pad sites at Cranbourne Home and Bankstown Home. Development works at MacGregor Home have commenced and planning for the Caringbah Home redevelopment is expected to be finalised in early 2019.

Debt and hedging activities

- > Gearing increased from 35.6% at 30 June 2018 to 39.4% at 31 December 2018 mainly due to the acquisition of the APG Group on 1 October 2018. Management are considering various capital management initiatives to reduce gearing in future financial periods.
- > During the period the Aventus Group undertook the following refinancing activities:
 - a) the maturity dates of \$400.0 million of debt under the syndicated bank debt facility were extended by an additional 12 months;
 - b) \$60.0 million of new 5 year bi-lateral bank debt facilities were entered into during July 2018. The proceeds were used to repay a portion of debt under the syndicated bank debt facility.
 - c) a \$50.0 million expansion of the syndicated loan note facility was finalised in September 2018. The proceeds were used to repay debt under the syndicated bank debt facility.
 - d) Tranche B of the syndicated bank debt facility was permanently repaid in September 2018.

DIRECTORS' REPORT

Review of operations and results (continued)

Summary of financial position (continued)

Debt and hedging activities (continued)

- > The Aventus Group continued to comply with and maintain significant headroom for all key debt covenants during the period ended 31 December 2018.
- > A net \$100.0 million in additional interest rate swaps were entered into during the period. At 31 December 2018 the Aventus Group had \$520.0 million in interest rate swaps (30 June 2018: \$420.0 million).
- > Hedging coverage as a percentage of drawn debt increased from 61.9% at 30 June 2018 to 67.1% at 31 December 2018.

Events occurring after the reporting period

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

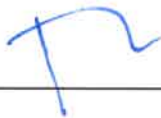
Auditor's independence declaration

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

Rounding of amounts

The Aventus Group is an entity 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 ACL made pursuant to s306(3) of the Corporations Act 2001.



Darren Holland
Executive Director

Sydney
14 February 2019



Bruce Carter
Chairman

Sydney
14 February 2019

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

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

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



Ernst & Young



Mark Conroy
Partner
14 February 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Notes	31 Dec 2018 \$m	31 Dec 2017 \$m
Revenue			
Rental and other property revenue		83.9	83.1
Revenue from services		0.2	-
Other revenue		0.1	-
		84.2	83.1
Other income			
Net gain on movement in fair value of investment properties		26.3	58.3
Total revenue and other income		110.5	141.4
Expenses			
Property expenses		(18.2)	(20.7)
Finance costs		(17.3)	(12.6)
Management fees		(2.6)	(4.9)
Performance fees	5	-	(2.8)
Transaction costs	5	(4.9)	(24.4)
Employee benefits expense		(1.9)	-
Rent expense		(0.3)	-
Other expenses		(1.6)	(1.0)
Total expenses		(46.8)	(66.4)
Profit before income tax		63.7	75.0
Income tax expense		-	-
Profit for the period		63.7	75.0
Other comprehensive income for the period net of tax		-	-
Total comprehensive income for the period		63.7	75.0
Total comprehensive income for the period is attributable to:			
Security holders of Aventus Retail Property Fund		67.1	75.0
Security holders of Aventus Holdings Limited		(3.4)	-
		63.7	75.0
Earnings per security			
Basic and diluted earnings per security attributable to the security holders of Aventus Retail Property Fund (cents per security)	6	13.1	15.3
Basic and diluted earnings per security attributable to the security holders of Aventus Group (cents per security)	6	12.4	15.3

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

CONSOLIDATED BALANCE SHEET **AS AT 31 DECEMBER 2018**

	Notes	31 Dec 2018 \$m	30 June 2018 \$m
Assets			
Current assets			
Cash and cash equivalents		10.7	3.6
Trade and other receivables		2.7	2.1
Rental guarantees		1.2	3.3
Other assets		1.7	2.1
Total current assets		16.3	11.1
Non-current assets			
Derivative financial instruments	10	-	0.4
Rental guarantees		3.1	2.1
Plant and equipment		0.1	-
Investment properties	7	1,934.5	1,886.9
Intangible assets	8	144.2	-
Total non-current assets		2,081.9	1,889.4
Total assets		2,098.2	1,900.5
Liabilities			
Current liabilities			
Trade and other payables		(10.6)	(15.9)
Distributions payable		(22.0)	(20.1)
Borrowings	9	-	(89.9)
Derivative financial instruments	10	(0.1)	(0.1)
Current tax liabilities		(0.7)	-
Provision for employee benefits		(0.6)	-
Provision for performance fees		-	(9.1)
Deferred revenue		(4.9)	(4.0)
Total current liabilities		(38.9)	(139.1)
Non-current liabilities			
Trade and other payables		(0.1)	-
Borrowings	9	(770.5)	(584.5)
Derivative financial instruments	10	(4.4)	(1.7)
Deferred tax liabilities		(0.2)	-
Provision for employee benefits		(0.2)	-
Total non-current liabilities		(775.4)	(586.2)
Total liabilities		(814.3)	(725.3)
Net assets		1,283.9	1,175.2

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018**

	Notes	31 Dec 2018 \$m	30 June 2018 \$m
Equity			
Contributed equity	11	1,058.3	975.1
Retained earnings		225.0	200.1
Total equity attributable to Aventus Retail Property Fund		1,283.3	1,175.2
Total equity attributable to Aventus Holdings Limited		0.6	-
Total equity		1,283.9	1,175.2

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Notes	ARPF Contributed equity \$m	ARPF Retained earning \$m	ARPF Total equity \$m	AHL Group Total equity \$m	Aventus Group Total equity \$m
Balance at 1 July 2017		967.0	144.7	1,111.7	-	1,111.7
Profit for the period		-	75.0	75.0	-	75.0
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	75.0	75.0	-	75.0
Issue of securities net of transaction costs		4.5	-	4.5	-	4.5
Distributions paid or provided for		-	(39.9)	(39.9)	-	(39.9)
Balance at 31 December 2017		971.5	179.8	1,151.3	-	1,151.3
Balance at 1 July 2018		975.1	200.1	1,175.2	-	1,175.2
Profit/(loss) for the period		-	67.1	67.1	(3.4)	63.7
Other comprehensive income		-	-	-	-	-
Total comprehensive income/(loss) for the period		-	67.1	67.1	(3.4)	63.7
Equity recognised on stapling		-	-	-	3.9	3.9
Issue of securities net of transaction costs		83.2	-	83.2	0.1	83.3
Distributions paid or provided for		-	(42.2)	(42.2)	-	(42.2)
Balance at 31 December 2018		1,058.3	225.0	1,283.3	0.6	1,283.9

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

CONSOLIDATED STATEMENT OF CASH FLOWS **FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

	31 Dec 2018 \$m	31 Dec 2017 \$m
Cash flows from operating activities		
Rental and other property revenue received	93.0	89.7
Receipts from services	0.1	-
Other revenue received	0.1	-
Payments to suppliers and employees	(43.6)	(32.3)
Payment of transaction costs	(5.5)	(25.1)
Finance costs paid	(12.4)	(10.9)
Net cash inflows from operating activities	31.7	21.4
Cash flows from investing activities		
Payments for capital expenditure	(24.3)	(18.9)
Payments for businesses net of cash acquired	(56.2)	(392.0)
Proceeds on sale of investment properties	-	19.1
Net cash outflows from investing activities	(80.5)	(391.8)
Cash flows from financing activities		
Security issue transaction costs	-	(0.3)
Proceeds from borrowings	227.2	426.4
Repayment of borrowings	(129.8)	(53.8)
Payment of debt establishment costs	(2.9)	(1.2)
Distributions paid	(38.6)	(31.3)
Net cash inflows from financing activities	55.9	339.8
Net increase/(decrease) in cash and cash equivalents	7.1	(30.6)
Cash at the beginning of the financial period	3.6	33.9
Cash at the end of the financial period	10.7	3.3

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

1. Basis of preparation

a) The Aventus Group

The Aventus Group is a stapled entity comprising the Aventus Retail Property Fund ("ARPF") (ARSN 608 000 764) and its controlled entities ("the ARPF Group") and Aventus Holdings Limited ("AHL") (ACN 627 640 180) and its controlled entities ("the AHL Group"). For financial reporting purposes ARPF has been deemed the parent entity of the Aventus Group. The interim consolidated financial statements of the Aventus Group comprise ARPF and its controlled entities which includes AHL.

The stapled securities of the Aventus Group comprise one unit in ARPF and one share in AHL. Securities of ARPF and AHL were stapled on 1 October 2018. Stapled securities cannot be traded or dealt with separately. ARPF and AHL remain separate legal entities in accordance with the Corporations Act 2001.

b) Statement of compliance

This condensed consolidated interim financial report for the half year ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

The condensed consolidated interim financial report does not include all the notes normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2018 and public announcements made during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

c) Comparative information

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

d) Excess of current liabilities over current assets

The Aventus Group's current liabilities exceeded its current assets by \$22.6 million at 31 December 2018. The deficiency is mainly attributable to distributions payable of \$22.0 million and deferred revenue of \$4.9 million which are recorded as current liabilities at balance date.

Distributions will be paid on 27 February 2019 and funded from available cash and debt reserves. Deferred revenue represents rental income received in advance and will be recognised as revenue in future financial periods.

e) New and amended accounting standards adopted

The Aventus Group has adopted all of the new and revised accounting standards issued by the Australian Accounting Standards Board that are relevant to its operation and effective for the financial reporting period beginning 1 July 2018 including AASB 9 *Financial Instruments* ("AASB 9") and AASB 15 *Revenue from Contracts with Customers* ("AASB 15"). The directors' assessment of the impact of AASB 9 and AASB 15 is set out below. Other new and amended accounting standards adopted from 1 July 2018 did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

AASB 9

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. From 1 July 2018, the new standard requires expected credit losses associated with receivables to be assessed on a forward looking basis using either the general or simplified approach. There has not been any other significant impact on the recognition or measurement of financial instruments. The new standard has not resulted in restatement of prior year comparatives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

1. Basis of preparation (continued)

e) New and amended accounting standards adopted (continued)

AASB 15

AASB 15 replaces AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts and establishes a five-step model to account for revenue arising from contracts with customers.

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 previous notion of risks and rewards. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The scope of AASB 15 excludes income derived from leases which is accounted for under AASB 117 *Leases*. As the Aventus Group's main source of revenue is rental income derived from tenants in accordance with operating leases, the adoption of the new revenue recognition rules has not had a significant impact on the Group's accounting policies or the amounts recognised in the financial statements.

f) New and amended accounting standards issued but not yet adopted

AASB 16 Leases

AASB 16 *Leases* ("AASB 16") supersedes AASB 117 *Leases* and associated interpretations and provides a comprehensive model for the identification of leasing arrangements and their treatment in the financial statements of both lessees and lessors. 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.

Lessees will be required to recognise all leases on the balance sheet, except for short-term leases and leases of low value assets. Rent expenses will be replaced by depreciation of the leased asset and interest expenses relating to the lease liability.

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 Aventus Group and its tenants. The new standard will result in increased disclosure in the financial report. The directors anticipate the application of AASB 16 will have an impact on amounts reported and disclosed in the Aventus Group's financial statements relating to non-cancellable operating leases. At 31 December 2018 the Aventus Group has non-cancellable operating lease commitments of \$3.6 million including GST. At 30 June 2019 it is expected non-cancellable operating lease commitments will be \$3.2 million.

The new standard will be effective for annual reporting periods commencing 1 January 2019 but is available for early adoption. The Aventus Group does not intend to adopt the standard before its effective date. The Aventus Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of the consolidated financial statements. References to "Group" apply to the Aventus Group unless otherwise stated in the relevant accounting policy.

With the exception of changes to accounting policies resulting from the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* the accounting policies adopted are consistent with those of the previous financial year and corresponding interim financial reporting period.

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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

b) Business combinations (continued)

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

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

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

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

c) Segment reporting

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

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.

Revenue derived from significant business activities is recognised on the following basis:

Rental income

Rental income derived from investment properties 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.

Revenue from services

The AHL Group derives revenue from the provision of property investment, management, development and leasing services. Revenue is recognised in accordance with underlying management agreements in the period in which performance obligations are satisfied and actual services are rendered. Fees are recognised net of rebates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

d) Revenue recognition (continued)

Interest income

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

Other expenses

All other expenses are recognised on an accruals basis.

f) Income tax

ARPF Group

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

As a result, deferred taxes have not been recognised in the consolidated 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 consolidated financial statements. In the event that taxable gains are realised by ARPF, 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 ARPF to be offset against any realised capital gains. The benefit of any carried forward capital losses are generally not recognised in the consolidated financial statements, on the basis that ARPF 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 ARPF's constitution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

f) Income tax (continued)

AHL Group

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

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

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

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

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

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

Tax consolidation legislation

AHL and its wholly-owned controlled entities have implemented the tax consolidation legislation.

The head entity, AHL, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, AHL also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate AHL for any current tax payable assumed and are compensated by AHL for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to AHL under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

f) Income tax (continued)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

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 consolidated 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 consolidated 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) Trade and other receivables

Trade and other receivables are initially recognised at the amounts due to the Group, and subsequently at amortised cost, less any provision for doubtful debts. Receivables 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. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Expected loss rates are based on historical payment profiles adjusted for current and forward looking macroeconomic factors affecting the ability of debtors to settle the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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 consolidated balance sheet. Guarantees are recognised in the consolidated statement of comprehensive income on an amortised cost basis over the period of the guarantee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

k) Plant and equipment

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

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

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

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

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

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

l) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

l) Investment properties (continued)

The carrying amount of investment properties recorded in the consolidated balance sheet may include the cost of acquisition, additions, refurbishments, improvements, lease incentives, leasing costs, employee benefits expenses of development staff, capitalised interest 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.

m) 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.

n) Intangible assets

i. Goodwill

Goodwill is measured as described in note 2(b). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing except for goodwill that arises from the recognition of deferred tax on management rights with an indefinite useful life. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

ii. Management rights

Management rights reflect the right to provide investment and property management services in accordance with management agreements. Management rights acquired as part of a business combination are recognised at fair value at the date of acquisition.

Management rights have an indefinite useful life. Management rights are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

o) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

o) Impairment of assets (continued)

Other 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 other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment of management rights acquired via business combinations will result in a decrease to deferred tax liabilities associated with management rights and a corresponding decrease in goodwill.

p) Trade and other payables

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

q) Employee benefits

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

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

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

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

Superannuation contributions

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

Executive incentive scheme

Senior management and executives participate in an executive incentive scheme whereby, subject to achieving certain KPIs, they will be eligible for annual cash awards and grants of deferred stapled securities vesting over 2, 3 and 4 years.

Annual cash awards are recognised on an accruals basis as part of employee benefits expenses.

Deferred stapled securities are held in trust by the Aventus Group Employee Security Trust on behalf of participants until the relevant vesting date. The fair value of the stapled securities are measured at the grant date and expensed on a straight-line basis over the relevant vesting period with a corresponding increase in equity via a reserve. The reserve is reversed against contributed equity when the stapled securities vest to executives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

r) 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.

s) Derivative financial instruments

The Group has entered into derivative financial instruments, in the form of interest rate swap agreements, to partially hedging 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.

t) Distributions/dividends payable

A payable is recognised for the amount of any distribution or dividend declared, appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

u) Contributed equity

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

v) Earnings per security

Basic earnings per security

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

Diluted earnings per security

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

3. Business combinations

Acquisition of Aventus Property Group Pty Ltd

On 25 September 2018 ARPF unitholders approved a proposal to internalise management. The internalisation involved:

1. ARPF forming a new 100% owned subsidiary – AHL;
2. ARPF distributing one fully paid ordinary share in AHL to unitholders for each existing unit held in ARPF;
3. stapling each share in AHL to each existing unit in ARPF to form a new stapled security; and
4. AHL acquiring Aventus Property Group Pty Ltd and its controlled entities ("APG Group") comprising ARPF's responsible entity, fund manager, property manager and services company. The transaction also resulted in the acquisition of management rights for Kotara Home (North) which is owned by a director related entity.

The acquisition of the APG Group and stapling of ARPF and AHL occurred on 1 October 2018.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	\$m
Purchase consideration	
Cash	63.0
Stapled securities issued	85.1
Total purchase consideration	148.1

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

	Fair Value \$m
Cash and cash equivalents	6.9
Trade and other receivables	0.1
Other assets	0.1
Plant and equipment	0.1
Management rights	3.8
Deferred tax assets	0.7
Trade and other payables	(1.5)
Current tax liabilities	(0.5)
Provision for employee benefits	(0.9)
Deferred tax liabilities	(1.1)
Net identifiable assets acquired	7.7
Goodwill	140.4
Net assets acquired	148.1

Under the provisions of AASB 3 *Business Combinations* the amounts recognised in the consolidated financial statements for the business combination have been determined on a provisional basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

3. Business combinations (continued)

Revenue and profit contributions

From the date of acquisition to 31 December 2018 the acquired businesses contributed revenues of \$0.3 million and a net loss of \$3.4 million to the Aventus Group.

Transaction costs

Transaction costs relating to the acquisition of the APG Group are disclosed in note 5 to the consolidated financial statements.

4. Segment information

The Aventus Group has only one reportable segment being the investment and management of Australian large format retail assets.

The directors of ACL are the chief operating decision makers of the Aventus Group. Information provided to the directors for strategic decision making is consistent with that presented in the financial report.

5. Profit or loss information

	31 Dec 2018 \$m	31 Dec 2017 \$m
The profit for the period includes the following items of revenue and expenses which are significant due to their nature, size or incidence:		
Transaction costs:		
Stamp duty costs	-	24.0
Advisory fees	4.9	0.4
Total	4.9	24.4
Performance fees	-	2.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

6. Earnings per security

	31 Dec 2018 \$m	31 Dec 2017 \$m
ARPF		
Net profit for the period (\$m)	67.1	75.0
Weighted average number of securities used in calculating basic and diluted earnings per security (m)	512.5	491.4
Basic and diluted earnings per security (cents)	13.1	15.3
Aventus Group		
Net profit for the period (\$m)	63.7	75.0
Weighted average number of securities used in calculating basic and diluted earnings per security (m)	512.5	491.4
Basic and diluted earnings per security (cents)	12.4	15.3

7. Investment properties

Property	Independent Valuation Date	Independent Valuation \$m	31 Dec 2018 \$m	30 June 2018 \$m
Ballarat Home	December 2017	40.5	41.0	40.6
Bankstown Home	June 2018	60.9	62.8	60.9
Belrose Super Centre	December 2018	183.0	183.0	176.5
Caringbah Home	December 2017	92.3	94.1	92.3
Castle Hill Super Centre	June 2018	347.0	353.0	347.0
Cranbourne Home	December 2017	133.0	138.8	133.9
Epping Hub	December 2018	44.0	44.0	43.4
Highlands Hub	December 2017	33.0	33.5	33.3
Jindalee Home	December 2017	123.4	132.7	124.7
Kotara Home (South)	December 2017	120.0	122.8	121.0
Logan Super Centre	June 2018	91.3	92.6	91.2
MacGregor Home	December 2018	20.6	21.9	24.0
Marsden Park Home	June 2018	101.0	101.0	101.0
McGraths Hill Home	December 2018	42.5	42.5	40.5
Midland Home	December 2017	62.0	63.0	62.8
Mile End Home	December 2017	97.0	101.5	97.7
Peninsula Home	December 2018	85.5	85.5	83.7
Sunshine Coast Home	June 2018	95.8	98.9	95.8
Tuggerah Super Centre	June 2018	85.0	89.2	85.0
Warners Bay Home	December 2017	37.0	37.0	37.0
			1,938.8	1,892.3
Less amounts classified as rental guarantees			(4.3)	(5.4)
			1,934.5	1,886.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

7. Investment properties (continued)

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

	6 months to 31 Dec 2018 \$m	12 months to 30 June 2018 \$m
Balance at the beginning of the period	1,886.9	1,392.4
Additions via business combinations (excluding rental guarantees)	-	431.0
Disposals	-	(60.1)
Capitalised expenditure	20.5	41.9
Straight-lining of rental income	1.3	3.3
Net gain on movement in fair value of investment properties	26.3	78.2
Amounts reclassified to/from rental guarantees	(0.5)	0.2
Balance at the end of the period	1,934.5	1,886.9

8. Intangible assets

	31 Dec 2018 \$m	30 June 2018 \$m
Goodwill	140.4	-
Management rights	3.8	-
	144.2	-

Goodwill and management rights were recognised as part of the acquisition of the APG Group disclosed in note 3 to the consolidated financial statements.

Management rights represents property management rights for Kotara Home (North) which is owned by a director related entity. The underlying management agreement between the director related entity and Aventus Property Management Pty Ltd has an indefinite useful live.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

9. Borrowings

	31 Dec 2018 \$m	30 June 2018 \$m
Current		
<i>Secured</i>		
Syndicated bank debt facility	-	90.0
Less: unamortised transaction costs	-	(0.1)
Total	-	89.9
Non-current		
<i>Secured</i>		
Syndicated bank debt facility	555.4	478.0
Syndicated loan note facility	160.0	110.0
Bi-lateral bank debt facilities	60.0	-
Less: unamortised transaction costs	(4.9)	(3.5)
Total	770.5	584.5

a) Syndicated bank debt facility

The 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 at 31 December 2018 are summarised as follows:

	Tranche A	Tranche C	Tranche E	Tranche F	Tranche G	Tranche H
Tranche limit	\$200.0 million	\$100.0 million	\$50.0 million	\$50.0 million	\$75.0 million	\$125.0 million
Maturity	October 2020	May 2022	July 2022	July 2022	July 2023	July 2023
Interest	30 day BBSY + margin	30 day BBSY + margin	90 day BBSY + margin	90 day BBSY + margin	90 day BBSY + margin	30 day BBSY + margin

In July 2018 the maturity dates of tranches C, E, F, G and H, amounting to \$400.0 million of committed debt, were extended by an additional 12 months.

Tranche B was permanently repaid in September 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

9. Borrowings (continued)

b) Syndicated loan note facility

Key features of the loan notes at 31 December 2018 are summarised as follows:

Facility limit	\$160.0 million
Term	7 years (5 year initial term plus 2 x 1 year extensions at the option of the Aventus Group)
Maturity	January 2025
Interest	90 day BBSY + margin
Repayments	Before 3 rd anniversary – non-call period Before 4 th anniversary – 105% prepayment Before 5 th anniversary – 101% prepayment

In September 2018 a \$50.0 million extension of the facility was finalised increasing the facility limit from \$110.0 million to \$160.0 million. The proceeds were used to repay debt under the syndicated bank debt facility.

c) Bi-lateral bank debt facilities

In July 2018 the Aventus Group entered into \$60.0 million of new 5 year bi-lateral bank debt facilities. The proceeds were used to repay a portion of debt under the syndicated bank debt facility.

The facilities are revolving cash advance facilities which mature in July 2023. Loan repayments are interest only with a lump sum payment of all amounts outstanding at the end of the term. Interest is based on 90 day BBSY plus a margin.

d) Financing arrangements

At 31 December 2018 the Aventus Group had access to the following undrawn debt:

	31 Dec 2018			30 June 2018		
	Limit \$m	Drawn \$m	Undrawn \$m	Limit \$m	Drawn \$m	Undrawn \$m
Syndicated bank debt facility						
- Tranche A	200.0	200.0	-	200.0	200.0	-
- Tranche B	-	-	-	90.0	90.0	-
- Tranche C	100.0	100.0	-	100.0	95.3	4.7
- Tranche E	50.0	50.0	-	50.0	50.0	-
- Tranche F	50.0	50.0	-	50.0	50.0	-
- Tranche G	75.0	30.4	44.6	75.0	-	75.0
- Tranche H	125.0	125.0	-	125.0	82.7	42.3
Syndicated loan note facility	160.0	160.0	-	110.0	110.0	-
Bi-lateral bank debt facilities	60.0	60.0	-	-	-	-
Total	820.0	775.4	44.6	800.0	678.0	122.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

9. Borrowings (continued)

d) Financing arrangements (continued)

Undrawn debt may be drawn at any time.

An additional tranche (tranche D) of up to \$100 million may be added to the existing syndicated bank 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.

e) Compliance with debt covenants

The Aventus Group has complied with the financial covenants of its borrowing facilities during the period ended 31 December 2018.

10. Derivative financial instruments

	31 Dec 2018 \$m	30 June 2018 \$m
Non-current assets		
Interest rate swaps - at fair value	-	0.4
Current liabilities		
Interest rate swaps - at fair value	0.1	0.1
Non-current liabilities		
Interest rate swaps - at fair value	4.4	1.7

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

As at 31 December 2018 the Aventus Group had entered into interest swap agreements totalling \$520.0 million (30 June 2018: \$420.0 million) representing 67.1% of drawn debt (30 June 2018: 61.9%).

As at 31 December 2018 the fixed rate on interest rate swaps ranges from 1.83% to 2.43% per annum (30 June 2018: 1.83% to 2.43%) with maturity dates ranging from October 2019 to October 2023 (30 June 2018: October 2018 to July 2022).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

11. Contributed equity

	31 Dec 2018 \$m	30 June 2018 \$m
531,041,408 fully paid stapled securities (30 June 2018: 494,174,250 fully paid securities)	1,058.3	975.1

	6 months to 31 Dec 2018 Securities	6 months to 31 Dec 2018 \$m	12 months to 30 June 2018 Securities	12 months to 30 June 2018 \$m
Balance at the beginning of the period	494,174,250	975.1	490,421,802	967.0
Securities issued under dividend reinvestment plan	846,543	1.7	3,752,448	8.2
Securities issued as consideration for business combinations	35,735,034	80.9	-	-
Securities issued under executive incentive scheme	285,581	0.6	-	-
Security issue costs	-	-	-	(0.1)
Balance at the end of the period	531,041,408	1,058.3	494,174,250	975.1

The stapled securities of the Aventus Group comprise one unit in ARPF and one share in AHL. Stapled securities cannot be traded or dealt with separately.

Dividend reinvestment plan ("DRP")

During the period the Aventus Group operated a DRP under which security holders may elect to reinvest all or part of their dividends/distributions in new securities 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 dividend/distribution.

The DRP price is determined as the average of the daily volume weighted average price of the securities sold on the Australian Securities Exchange during a ten day trading period prior to the payment date for the dividend/distribution, less a discount (if any).

12. Distributions

	31 Dec 2018 Distribution - cents per unit	31 Dec 2018 Distribution \$m	31 Dec 2017 Distribution - cents per unit	31 Dec 2017 Distribution \$m
Fully paid ordinary units				
September quarter	4.09	20.2	4.05	19.9
December quarter	4.14	22.0	4.07	20.0
Total	8.23	42.2	8.12	39.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

13. Fair value measurement of financial instruments

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

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

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

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

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

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

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

	Note	Level 2		Total	
		Dec 2018 \$m	June 2018 \$m	Dec 2018 \$m	June 2018 \$m
Financial assets					
Derivative financial instruments	10	-	0.4	-	0.4
Financial liabilities					
Derivative financial instruments	10	4.5	1.8	4.5	1.8

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

The Aventus Group did not measure any financial assets or liabilities at fair value on a non-recurring basis as at 31 December 2018 or 30 June 2018.

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.

b) Assets and liabilities not measured at fair value

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

14. Contingencies

Bank guarantees

	31 Dec 2018 \$m	30 June 2018 \$m
Bank guarantees – ARPF facility	1.1	1.1
Bank guarantees – Aventus Services Pty Ltd facility	0.5	-
Total	1.6	1.1

ARPF has a \$5.0 million bank guarantee facility which expires in September 2019. At 31 December 2018 and 30 June 2018 ARPF had given \$1.1 million in bank guarantees relating to redevelopments of investment properties.

Aventus Services Pty Ltd has a \$0.5 million bank guarantee facility which expires in April 2023. At 31 December 2018 and 30 June 2018 the company had given a \$0.5 bank guarantee relating to the lease of office premises.

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

15. Commitments

a) Development expenditure

The Aventus Group has entered into contracts for the redevelopment of a number of its investment properties. Development expenditure contracted for at balance date but not recognised as liabilities is as follows:

	31 Dec 2018 \$m	30 June 2018 \$m
Development expenditure	3.4	3.3

b) Non-cancellable operating leases

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

	31 Dec 2018 \$m	30 June 2018 \$m
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	0.9	-
Later than one year but not later than five years	2.7	-
Total	3.6	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

16. Significant contract terms and conditions

Kotara Home call option and pre-emptive deed

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

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

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

Call option

Where as a result of a vote of security holders, there is a change of the responsible entity of ARPF 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.

17. Events occurring after the reporting period

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

DIRECTORS' DECLARATION

In the directors' opinion:

- a) the consolidated financial statements and notes are in accordance with the Corporations Act 2001, including:
 - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date, and
- b) there are reasonable grounds to believe that ARPF will be able to pay its debts as and when they become due and payable.

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



Darren Holland
Executive Director

Sydney
14 February 2019



Bruce Carter
Chairman

Sydney
14 February 2019

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

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Aventus Retail Property Fund (the Fund) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Interim Financial Report

The directors of Aventus Capital Limited, the Responsible Entity of the Fund, are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Ernst & Young



Mark Conroy
Partner
Sydney
14 February 2019