aventus
retail property fund

ANNUAL REPORT 2017

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Front cover: Castle Hill Super Centre, NSW

Marsden Park Home, NSW

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.

AVENTUS RETAIL PROPERTY FUND –
ARSN 608 000 764 I RESPONSIBLE ENTITY –
AVENTUS CAPITAL LIMITED –
ABN 34 606 555 480

Australian financial services licence No. 478061
www.aventusproperty.com.au

Further acquisitions and value enhancing development opportunities

The combination of active portfolio management, value enhancing developments and strategic acquisitions have contributed to a total unitholder return from the Fund of 31.9% since IPO

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

Logan Super Centre, QLD

FROM THE CHAIRMAN AND CEO

BRUCE CARTER
Chairman

DARREN HOLLAND
CEO of Aventus Property Group (APG) and Executive Director

On behalf of the Directors of Aventus Capital Limited (ACL), the responsible entity of Aventus Retail Property Fund (AVN or the Fund), we are pleased to present AVN's annual report, including the audited financial statements, for the year ended 30 June 2017.

The Fund has produced solid results for unitholders in FY17:

- FFO earnings of 17.7 cpu which is in line with the Fund's guidance of 17.5 cpu
- Distributions of 15.9 cpu or 90% of the Fund's FFO for the year
- Growth in Net Tangible Assets (NTA) per unit to $2.22 from $2.02 per unit, up 9.9% from 30 June 2016 (post settlement of acquisitions on 3 July 2017)
- Total unitholder return (distributions plus unit price growth since IPO) of 31.9% and 6.2% during the year ended 30 June 2017

Acquisitions

During FY17, the Fund entered into contracts to acquire two LFR centres valued at $436 million located in Castle Hill and Marsden Park, two metropolitan Sydney locations. The acquisition was completed on 3 July 2017 (Acquisition).

The Acquisition is consistent with the Fund's strategy to consolidate ownership in the highly fragmented LFR sector and to be the leading pure-play LFR owner in Australia.

Value Adding Developments

Key highlights include:

- Redevelopment of the former Bunnings tenancy at Sunshine Coast Home in Queensland is on budget and programmed for completion during the first quarter of FY18. The project is 100% pre-committed to Amart Furniture, Sheridan and World Gym
- Construction of the first child care facility in the portfolio commenced at Cranbourne Home in Victoria and is on budget and programmed for completion during the first quarter of FY18
- The expansion of the Belrose Super Centre in New South Wales to add 2,263 sqm of retail GLA to the existing rooftop car park was completed and opened for trade in March 2017
- The Fund has also obtained 11 planning approvals allowing for further expansion in eight AVN centres

In FY17 and with the Acquisition, the Fund increased its land bank (total site area) to 1.3 million sqm.

Disciplined Capital Management

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

Key highlights include:

- A well supported entitlement offer which raised $214.7 million
- $300 million of new tranches under the existing debt facility, expiring in 2021 and 2022
- Activated a Distribution Reinvestment Plan (DRP) as a component of long term capital management. The DRP provides a measured and efficient means of raising additional equity from existing unitholders

The pro forma gearing of the Fund post settlement of the Acquisition is 38.9% which is within target range of 30%–40%.

Optimising the Portfolio

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

Key highlights include:

- Expanding the portfolio which now consists of 22 LFR centres and is now valued at $1.8 billion post settlement of the Acquisition
- 98.3% occupied with a Lease Expiry (WALE) of 4.2 years
- 84% of portfolio leased to national retailers
- 34% leased to non-household category uses
- 87% of all leases have annual fixed or CPI increases
- 133 leases over GLA of 107,000 sqm were signed during the financial year which reduced the FY18 lease expiries to 11% or 7% on a like-for-like basis excluding the Acquisition
- FY17 like-for-like Net Property Income (NPI) growth 3.0% (excluding Acquisition and development impacted centres)

The Fund also achieved strong property revaluations of $91.4 million, equal to a 7.2% increase across the portfolio during the year.

The increase in valuations is the result of annual rental growth, completion of a number of asset management and development initiatives, together with a reduction in capitalisation rate. The Weighted Average Capitalisation Rate (WACR) of the portfolio tightened to 6.85% as at 30 June 2017, representing a 68 basis point compression.

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

Changes to the Board

We would like to acknowledge changes to the Board of ACL as the responsible entity of the Fund. Brett Blundy will be appointed to the Board of ACL in August 2017. Nico van der Merwe will, however, remain as an alternate Director for Brett Blundy.

Delivering on Strategy

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

In light of the successful execution of our strategy, we are pleased to forecast FY18 FFO guidance of 2%–4% higher than FY17 FFO per Unit.

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

Bruce Carter
Chairman

Darren Holland
CEO of APG and Executive Director

FINANCIAL HIGHLIGHTS

Funds from operations (FFO)

$70.5m

FFO cents per unit

17.7

Distributions cents per unit

15.9

CAPITAL MANAGEMENT

NTA per unit

$2.22

Pro forma NTA per unit post Acquisition

ABOUT THE FUND

Aventus prides itself on being proactive, hands on and visible

The Aventus Retail Property Fund (AVN or the Fund) (ARSN 608 000 764 is listed on the Australian Securities Exchange ("ASX") and invests in Australian retail property, focusing predominantly on Large Format Retail (LFR) centres.

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

As at 30 June 2017, the Fund owned 20 LFR centres in NSW, QLD, VIC, SA and WA valued at approximately $1.4 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. The AVN portfolio is now valued at $1.8 billion.

The AVN portfolio is diversified by tenant base, with national retailers representing 84% of the total Portfolio by GLA. Approximately 87% 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 is 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 provides key investment management functions including asset management, leasing, marketing, acquisitions and development, providing an end-to-end service to manage and identify value add opportunities across the investment cycle.

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

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%.

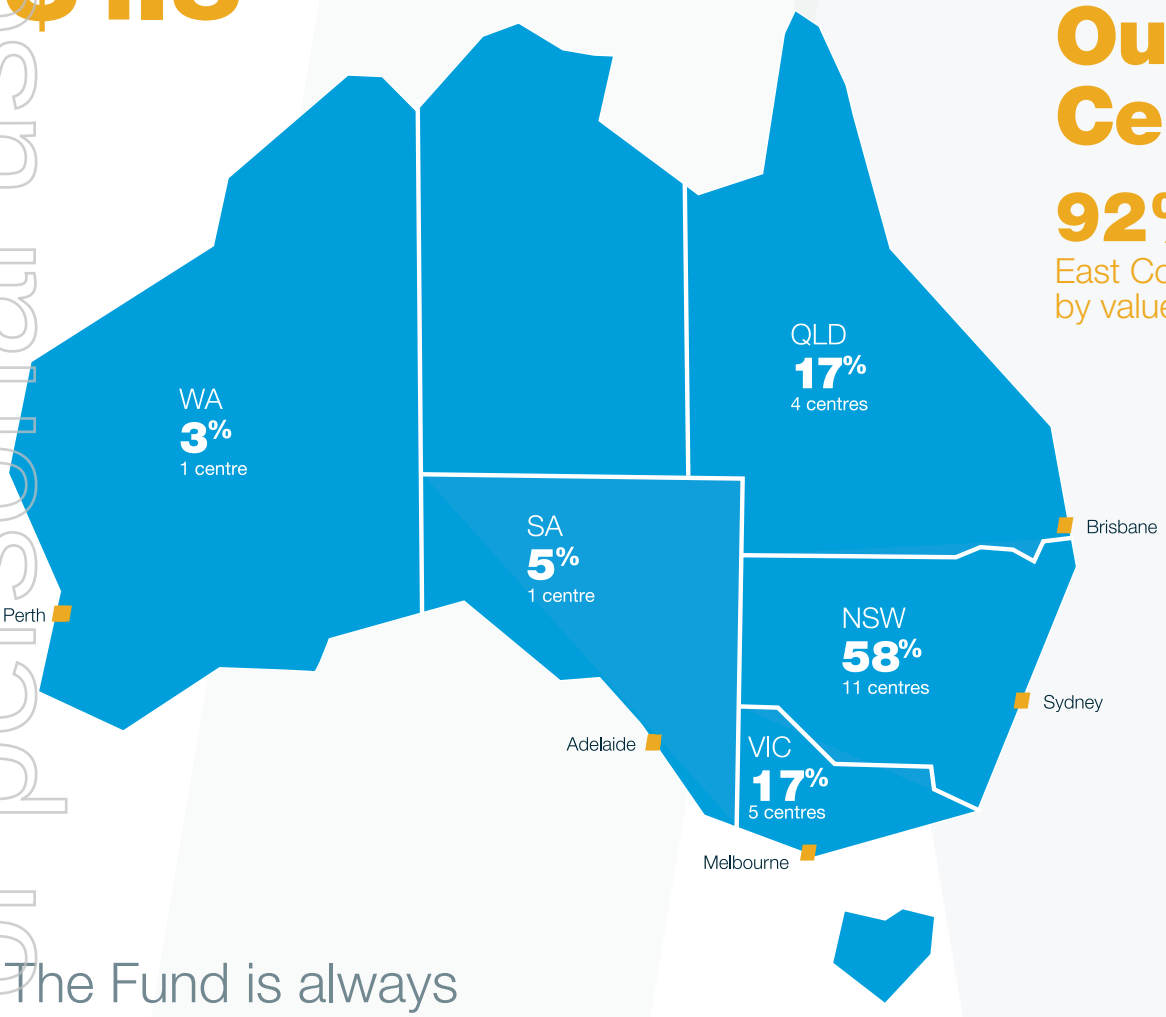
Portfolio

Belrose Super Centre, NSW

OUR PROPERTY PORTFOLIO

Total Portfolio Value[1]

$1.8b



Our 22 Centres

92%
East Coast
by value

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

1 Post acquisition of Castle Hill Super Centre and Marsden Park Home on 3 July 2017

Centre	30 June 2017 value (A$m)	Cap rate (%)	GLA ('000 sqm)[4]	Site Area ('000 sqm)	Occu-pancy[2] (%)	WALE (years)[3]	No. of tenancies[4]
New South Wales							
Bankstown Home	56	7.00	17	40	100	4.2	21
Belrose Super Centre[1]	159	6.75	37	44	100	4.9	46
Caringbah Home	91	7.75	19	23	100	1.6	26
Castle Hill Super Centre[5]	336	5.50	52	60	99	3.1	73
Highlands Hub	32	7.50	11	32	100	3.5	14
Kotara Home South	112	6.75	29	53	98	4.4	22
Marsden Park Home[5]	100	6.00	20	40	95	6.5	33
McGraths Hill Home	39	7.00	16	38	100	3.0	9
Tuggerah Super Centre	66	7.00	29	127	100	6.3	22
Tweed Hub	35	7.50	10	26	100	4.3	17
Warners Bay Home	36	7.50	12	35	100	3.1	12
Total NSW	**1,063**	**6.50**	**253**	**519**	**99**	**4.0**	**295**
Victoria							
Ballarat Home	39	7.50	20	52	100	5.5	15
Cranbourne Home	129	7.25	54	194	100	6.7	31
Epping Hub	41	7.75	22	60	100	2.5	30
Peninsula Home	80	7.25	33	85	100	3.6	30
Shepparton Home	22	8.00	14	30	74	4.5	11
Total VIC	**310**	**7.44**	**143**	**421**	**98**	**5.0**	**117**
Queensland							
Jindalee Home	110	7.50	27	72	99	4.2	57
Logan Super Centre	89	7.00	27	27	94	5.2	28
Macgregor Home	24	8.00	13	29	100	0.4	6
Sunshine Coast Home	85	7.00	26	69	95	5.0	33
Total QLD	**308**	**7.26**	**93**	**197**	**96**	**4.2**	**124**
South Australia							
Mile End Home	92	7.50	33	71	100	4.0	32
Total SA	**92**	**7.50**	**33**	**71**	**100**	**4.0**	**32**
Western Australia							
Midland Home	58	7.50	23	43	100	4.7	18
Total WA	**58**	**7.50**	**23**	**43**	**100**	**4.7**	**18**
Total Portfolio	**1,831**	**6.85**	**546**	**1,250**	**98**	**4.2**	**586**

Stable wale[3] of

4.2yrs

Leases with annual fixed or CPI increases

87%

Leases comprised of non-household uses

34% by GLA

Leases comprised of national retailers

84%

1. Metrics are calculated on a weighted average basis (by value) including Belrose Super Centre and adjacent Belrose Gateway Centre
2. By GLA as at 30 Jun 2017
3. By gross income as at 30 Jun 2017 (excluding rental guarantees)
4. Metrics as at 30 Jun 2017
5. As at 3 Jul 2017

Sunshine Coast Home, QLD

Local personality

DELIVERING ON STRATEGY

The Fund continues to implement its four key growth initiatives to drive long term value creation and sustainable earnings growth

01 Portfolio management

Initiative

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

Outcome

The portfolio continues to perform well with high occupancy, positive leasing spreads and low incentives with increased diversification to non-household categories

02 Development pipeline

Initiative

Identify and deliver value enhancing development opportunities within the existing portfolio

Outcome

Nearing completion of the repositioning of the former Bunnings tenancy at Sunshine Coast Home and construction on the portfolio's first child care facility at Cranbourne Home. Achieved 11 development approvals to expand the portfolio

03 Consolidation opportunities

Initiative

Selective acquisitions to enhance the Fund's portfolio and entrench the Fund as the largest pure-play large format retail ("LFR") landlord in Australia

Outcome

Acquired Castle Hill Super Centre and Marsden Park Home consolidating the Funds foothold as the largest LFR land lord in Sydney with 43% catchment coverage

04 Potential benefits from zoning & planning reforms

Initiative

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

Outcome

Continue to progress long term master planning strategies for three centres with flexible zoning

DELIVERING ON SUSTAINABILITY

Sustainability is a growing focal point in the Fund's drive to create value for our stakeholders

During the year, APG and the Fund commenced building a sustainability framework to formalise its approach to meeting the Fund's obligations with respect to financial, environmental and social sustainability risks.

A strong sense of responsibility runs throughout the Fund's operations, as provided by APG as the property and fund manager. Sustainable practices also make commercial sense and fit with core business objectives to innovate, entice quality retailers and attract investors.

APG also recognises its unique opportunity as property manager to influence action and provide leadership amongst retailers in the AVN portfolio.

The implementation of the sustainability framework will enhance this approach and prepare for the publication of the Fund's first sustainability report in FY18.

The APG Sustainability Policy underpins this commitment.

KEY FOCUS AREAS ARE:

The Culture

Caring for people, retailers and communities

APG recognises that the best asset it has is the team that manages the AVN portfolio.

As part of the environment pillar, APG, as property manager, collaborates with retailers to help them improve their environmental approach through initiatives to improve waste management practices and reduce energy use.

Supporting local charities is a highlight in each centre. In FY17, charities such as the Jared Dunscombe fund, The Cancer Council, Bear Cottage, Lions Clubs, Marine Rescue (NSW), Coast Shelter as well as various schools and community groups were promoted and made use of AVN centre facilities.

Our Environment

Improving our environmental performance and resource efficiency

The development of the APG Environmental Management System (EMS) will assist the APG team to identify and focus on key environmental issues. The EMS will monitor and manage impacts in relation to waste generation and energy use.

As part of the implementation, detailed waste and energy audits are being conducted to identify opportunities to reduce waste generated across the AVN portfolio, minimise costs and switch to low energy or renewable energy technologies where feasible.

Some initiatives currently under review include:

- LED lighting
- Air conditioning units
- Installing community environmental initiatives and recycling stations at various centres

Health and Safety

The health, safety and wellbeing of the team and those visiting centres is paramount. The APG Work Health and Safety (WHS) Management System was audited by an independent third party in April 2017 and the FY18 WHS Plan has been approved.

APG will build on this progress with physical risk assessments to be conducted in the coming months across the AVN portfolio.

Stakeholder Engagement

APG engages with its stakeholders on a regular basis, through various communication channels. This ranges from daily whole team morning meetings, unitholder engagement, retailer conference events and community events such as hosting regular events for local community groups.

Bankstown Home, NSW

BOARD OF DIRECTORS

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

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

BRUCE CARTER

Independent Non-Executive Chairman

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 and a Director of the Bank of Queensland.

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

DARREN HOLLAND

Chief Executive Officer of Aventus Property Group and Executive 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 assets under management from one centre in 2004 to 22 centres as at the date of this report, valued at $1.8 billion.

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

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

KIERAN PRYKE

Independent Non-Executive Director

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

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

ROBYN STUBBS

Independent Non-Executive Director

Robyn 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 Executive Coaching International (ECI).

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.

NICO VAN DER MERWE

Non-Executive Director

Nico joined BB Retail Capital Pty Limited (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.

Nico will step down as a director of Aventus Capital Limited upon the appointment of Brett Blundy in August 2017 as a director. Nico will then act as an alternate director for Brett Blundy.

CORPORATE GOVERNANCE

Committed to fostering a strong governance of compliance culture

For the reporting period to 30 June 2017, the corporate governance framework 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 of ACL is committed to maintaining a high standard of corporate governance and culture of compliance with respect to the Fund. The 2017 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.

The 2017 Corporate Governance Statement can be viewed in the Investor Info Section of the Aventus Property website, along with key policies and charters.

To read the Corporate Governance Statement in full visit www.aventusproperty.com.au

Cranbourne Home, VIC

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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 2017.

Directors and secretaries

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
- Tracey Blundy — Non-Executive Director (resigned 18 August 2016)
- Nico van der Merwe — Non-Executive Director (appointed 18 August 2016)
- Brett Blundy — Alternate Director to Nico van der Merwe (appointed 18 August 2016)

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.

	2017 $m	2016 $m
Net profit for the financial year	158.9	51.0
Funds from operations ("FFO")	70.5	41.0
FFO per unit (cents)	17.7	11.7
Basic and diluted earnings per unit (cents)	39.2	18.3
Distributions to unitholders	63.0	37.0
Distributions to unitholders (cents)	15.9	10.3

The increase in net profit during the financial year is mainly attributable to:

- the acquisition of Bankstown Home, Logan Super Centre, MacGregor Home, McGraths Hill Home and Shepparton Home in May 2016;
- the acquisition of Epping Hub and Belrose Gateway Centre in December 2015;
- the 13 properties acquired in conjunction with the Fund's initial public offering in October 2015; and
- in the impact of IPO and business combination acquisition costs incurred in the prior financial year.

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 acquisition and transaction costs;
- provision for performance fee; and
- other non-cash or non-recurring amounts outside core operating activities.

For the prior financial year FFO was measured from 20 October 2015 (date of the Fund's IPO) to 30 June 2016.

	2017 $m	2016 $m
Statutory net profit	158.9	51.0
Less profit for the period 1 July 2015 to 19 October 2015	–	(1.0)
Straight-lining of rental income	(4.5)	(2.2)
Amortisation of rental guarantees	1.3	0.5
Amortisation of debt establishment costs	0.8	0.5
Net gain on movement in fair value of investment properties	(91.4)	(82.0)
Net (gain)/loss on movement in fair value of derivative financial instruments	(3.0)	3.5
Portfolio acquisition and transaction costs	2.1	70.7
Provision for performance fee	6.3	–
FFO	**70.5**	**41.0**

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:

	2017 Distribution – cents per unit	2017 Distribution $m	2016 Distribution – cents per unit	2016 Distribution $m
September quarter	3.88	15.3	N/A	N/A
December quarter	3.96	15.7	2.89	9.9
March quarter	4.02	16.0	3.68	12.6
June quarter	4.02	16.0	3.68	14.5
Total	**15.88**	**63.0**	**10.25**	**37.0**

Summary of financial position

A summary of the Group's financial position at 30 June 2017 is set out below.

	30 June 2017 $m	30 June 2016 $m
Assets		
Investment property portfolio	1,392.4	1,268.9
Total assets	1,476.1	1,286.1
Net tangible assets	1,111.7	796.4
Net tangible assets ($ per unit)	2.27	2.02
Capital management		
Drawn debt	329.3	462.0
Debt facility limit	500.0	500.0
Cash and undrawn debt	204.6	42.3
Gearing ratio (%)	20.5%	35.7%
Interest rate hedging	240.0	240.0
Hedged debt to drawn debt ratio (%)	72.9%	51.9%

Review of operations and results (continued)

Summary of financial position (continued)

Investment property portfolio

- At 30 June 2017, the Group owned 20 large format retail investment properties across Australia with a combined value of $1,392.4 million (exclusive of rental guarantees). The weighted average capitalisation rate of the portfolio at 30 June 2017 was 7.24% (30 June 2016: 7.53%).
- On 3 July 2017, the Group settled Home Hub Castle Hill and Home Hub Marsden Park 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. Additional details of the acquisition and the impact on the Group subsequent to balance date are disclosed in note 27 to the financial statements.
- The Group also acquired additional land adjacent to the Tuggerah Super Centre on 1 July 2016 for $4.0 million inclusive of $0.2 million of transaction costs.
- In relation to development activities, the Group completed the expansion of the Belrose Super Centre during the financial year adding an additional 2,262 square metres of retail GLA to the existing rooftop carpark. The Group also commenced the redevelopment of the former Bunnings tenancy at Sunshine Coast Home and the construction of the portfolio's first child care centre at Cranbourne Home.

Debt and hedging activities

- Gearing decreased from 35.7% at 30 June 2016 to 20.5% at 30 June 2017. The decrease is attributable to a temporary $160.0 million repayment of debt in June 2017 on partial receipt of funds raised from the entitlement offer. On settlement of the Home Hub Castle Hill and Home Hub Marsden Park acquisitions the gearing ratio increased to 38.9%.
- The Group continued to comply with and maintain significant headroom for all debt covenants during the financial year ended 30 June 2017.
- No additional interest rate swaps were entered into during the financial year. Hedging coverage as a percentage of drawn debt increased from 51.9% at 30 June 2016 to 72.9% at 30 June 2017 due to the temporary debt repayment in June 2017.
- The Group also entered into a 3 year $5 million bank guarantee facility on 14 September 2016. Drawn bank guarantees represent contingent liabilities of the Group and do not form part of total debt disclosed in the balance sheet. Additional details of the facility are disclosed in note 29 to the financial statements.

Significant changes in state of affairs

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

Business strategies and prospects for future financial years

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

The key business strategies of the Group include:

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

Information on directors

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

Bruce Carter	**Independent non-executive chairman**
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 and a director of the Bank of Queensland Limited. 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
Special responsibilities	Chairman Member of the Audit, Risk and Compliance Committee
Interest in units in the Fund	919,312

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 22 centres at the date of this report, valued at $1.8 billion. Prior to joining the Aventus Property Group, Darren played a leading role in the development and management of the only pure-play listed Australian LFR owner and operator to date, Homemaker Retail Group (ASX: HRP). He holds a Bachelor of Business (Land Economics) from the University of Western Sydney and is a Registered Valuer and Licensed Real Estate Agent.
Other current listed directorships	None
Special responsibilities	None
Interest in units in the Fund	2,264,077

Kieran Pryke	**Independent non-executive director**
Experience and expertise	Kieran has over 25 years experience in the property industry. He spent nine years in various finance roles across the construction, development and investment management divisions within Lend Lease Corporation before becoming CFO of General Property Trust ("GPT") in 1996. He remained as CFO of GPT during and after the internalisation of management of GPT. Kieran was CFO of Australand Property Group between 2010 and 2014. He is currently CFO of Grocon Pty Limited. 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 Executive Coaching International (ECI). 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	28,349

Nico van der Merwe	**Non-executive director**
Experience and expertise	Nico joined BB Retail Capital Pty Limited (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 and not-for-profit directorships	None
Special responsibilities	None
Interest in units in the Fund	159,374

Information on directors (continued)

Brett Blundy	Alternate non-executive director
Experience and expertise	Brett is as an alternate director for Nico van der Merwe. 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 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. BBRC is also a founding shareholder of Sydney's BridgeClimb. 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

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(b) 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(c) to the financial statements.

Interests in the Fund

The number of units in the Fund issued during the financial year and the total number of units on issue at 30 June 2017 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 2017 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

With the exception of those events disclosed in note 27 to the financial statements there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Insurance of officers and indemnities

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 Class Order 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and the financial report.

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

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

Darren Holland
Executive Director

Sydney
10 August 2017

Bruce Carter
Chairman

Sydney
10 August 2017

AUDITOR'S INDEPENDENCE DECLARATION

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Building a better working world

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 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Notes	2017 $m	2016 $m
Revenue			
Rental and other property revenue		129.6	77.1
Other revenue		1.0	0.5
		130.6	77.6
Other income			
Net gain on movement in fair value of investment properties		91.4	81.9
Total revenue and other income		**222.0**	**159.5**
Expenses			
Property expenses		(33.6)	(20.0)
Finance costs	5	(11.7)	(12.3)
Management fees	23(g)	(7.9)	(4.3)
Performance fee	23(g)	(6.3)	–
Portfolio acquisition and transaction costs	6	(2.1)	(70.7)
Other expenses		(1.5)	(1.2)
Total expenses		**(63.1)**	**(108.5)**
Profit for the year		**158.9**	**51.0**
Other comprehensive income		**–**	**–**
Total comprehensive income for the year		**158.9**	**51.0**
Earnings per unit			
Basic (cents per unit)	7	39.2	18.3
Diluted (cents per unit)	7	39.2	18.3

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

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2017

	Notes	30 June 2017 $m	30 June 2016 $m
Assets			
Current assets			
Cash and cash equivalents	8	33.9	4.3
Receivables	9	21.0	7.7
Rental guarantees	10	2.2	2.2
Other assets	11	25.4	0.7
Total current assets		**82.5**	**14.9**
Non-current assets			
Receivables	9	–	0.1
Derivative financial instruments	17	0.7	–
Rental guarantees	10	0.5	2.2
Investment properties	12	1,392.4	1,268.9
Total non-current assets		**1,393.6**	**1,271.2**
Total assets		**1,476.1**	**1,286.1**
Liabilities			
Current liabilities			
Payables	13	(10.8)	(10.8)
Distributions payable	14	(16.0)	(14.5)
Deferred revenue	15	(3.1)	(1.8)
Total current liabilities		**(29.9)**	**(27.1)**
Non-current liabilities			
Borrowings	16	(327.0)	(459.1)
Derivative financial instruments	17	(1.2)	(3.5)
Provision for performance fee	23(g)	(6.3)	–
Total non-current liabilities		**(334.5)**	**(462.6)**
Total liabilities		**(364.4)**	**(489.7)**
Net assets		**1,111.7**	**796.4**
Equity			
Issued units	18	967.0	747.6
Retained earnings	19	144.7	48.8
Total equity		**1,111.7**	**796.4**

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 2017

	Notes	Issued units $m	Retained earnings $m	Total equity $m
Balance at 1 July 2015		**4.3**	**34.8**	**39.1**
Profit for the year		–	51.0	51.0
Other comprehensive income		–	–	–
Total comprehensive income for the year		**–**	**51.0**	**51.0**
Redemption of units	18	(0.5)	–	(0.5)
Return of capital	18	(0.2)	–	(0.2)
Issue of units net of transaction costs	18	744.0	–	744.0
Distributions paid or provided for	20	–	(37.0)	(37.0)
Balance at 30 June 2016		**747.6**	**48.8**	**796.4**
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	18	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**

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 2017

	Notes	2017 $m	2016 $m
Cash flows from operating activities			
Rental and other property revenue received		141.3	81.9
Other revenue received		2.3	1.0
Payments to suppliers		(56.6)	(39.9)
Finance costs paid		(14.4)	(11.3)
Net cash inflows from operating activities	21(a)	**72.6**	**31.7**
Cash flows from investing activities			
Payments for capital expenditure		(21.8)	(20.3)
Payments for businesses (including transaction costs) net of cash acquired		(46.2)	(452.5)
Net cash outflows from investing activities		**(68.0)**	**(472.8)**
Cash flows from financing activities			
Proceeds from issue of units		214.7	407.8
Unit issue transaction costs		(2.6)	(7.2)
Proceeds from borrowings		54.0	500.5
Repayment of borrowings		(186.7)	(432.8)
Redemption of units		–	(0.5)
Return of capital		–	(0.2)
Distributions paid		(54.4)	(22.5)
Net cash inflows from financing activities		**25.0**	**445.1**
Net increase in cash and cash equivalents		**29.6**	**4.0**
Cash at the beginning of the financial year		**4.3**	**0.3**
Cash at the end of the financial year	8	**33.9**	**4.3**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

a) Statement of compliance

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

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

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

The financial statements were authorised for issue by the directors on 10 August 2017.

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

The Fund was established on 28 July 2015.

On 29 July 2015, the Fund acquired 100% of the units in Aventus Kotara (South) Unit Trust ("Kotara") (formerly BB Retail Property Unit Trust No.2). This transaction resulted in the unitholder of Kotara obtaining control of the merged entities. The acquisition was accounted for with reference to the guidance for reverse acquisitions set out in AASB 3 "Business Combinations" and resulted in the Fund (the legal parent) being accounted for as a subsidiary of the Group and Kotara (the legal subsidiary) being accounted for as the parent entity of the Group for financial reporting purposes.

As Kotara is deemed to be the parent of the Group for accounting purposes, the consolidated financial statements of the Fund represent a continuation of the financial statements of Kotara, with the exception of the equity structure (i.e. the number and type of equity interests issued) which reflects the equity structure of the Fund.

In addition to the above the Fund listed on the Australian Securities Exchange in October 2015 and acquired 13 properties following the completion of its initial public offering ("IPO").

The results of the Group for the year ended 30 June 2016 comprise the results of Kotara for the period 1 July 2015 to 30 June 2016 and the results of the Group subsequent to the completion of the IPO.

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 Class Order 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and the financial report.

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

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.

1. Basis of preparation (continued)

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 2016.

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.

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 2017 and have not been early adopted by the Group. The directors' assessment of the impact of these new standards and interpretations is set out below.

Title	Key requirements and impacts	Effective date
AASB 9 *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 is not applicable until 1 January 2018 but is available for early adoption. At the date of this report the directors have not early adopted AASB 9.	1 January 2018
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 is not applicable until 1 January 2018 but is available for early adoption. At the date of this report the directors have not early adopted AASB 15.	1 January 2018
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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

2. Summary of significant accounting policies (continued)

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 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.

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.

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 2017 the Group has recognised a $6.3 million provision for performance fee on the basis it is probable a performance fee will be incurred at the end of the inaugural performance period ending 30 June 2018. The provision has been calculated as the best estimate of expenditure required to settle the obligation at the end of the financial year.

The actual performance fee payable (if any) may differ as key inputs into the calculation are dependent upon future events.

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.

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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

	2017 $m	2016 $m
Interest and finance costs	14.9	8.9
Less: amounts capitalised relating to redevelopment of investment properties	(0.2)	(0.1)
	14.7	8.8
Fair value (gains)/losses on interest rate swaps	(3.0)	3.5
Finance costs expensed	**11.7**	**12.3**

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

6. Portfolio acquisition and transaction costs

	2017 $m	2016 $m
Portfolio acquisition and transaction costs		
IPO acquisition and transaction costs		
Stamp duty costs	–	43.4
IPO offer management and advisory fees	–	5.1
Interest rate swap break costs	–	4.1
Other	–	1.4
	–	54.0
Post IPO acquisition and transaction costs		
Stamp duty costs	–	14.8
Advisory fees	1.9	1.8
Other	0.2	0.1
	2.1	16.7
Total portfolio acquisition and transaction costs	**2.1**	**70.7**

7. Earnings per unit

	2017	2016
Net profit for the year ($m)	158.9	51.0
Weighted average number of units used in calculating basic and diluted earnings per unit	405.0	278.6
Basic and diluted earnings per unit (cents)	39.2	18.3

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 2017 $m	30 June 2016 $m
Cash at bank and in hand	**33.9**	**4.3**

9. Receivables

	30 June 2017 $m	30 June 2016 $m
Current		
Trade receivables	0.6	2.0
Provision for impairment	(0.2)	(0.2)
	0.4	1.8
Deposits paid	20.0	4.4
Other receivables	0.6	1.5
Total	**21.0**	**7.7**
Non-current		
Deposits paid	**–**	**0.1**

Trade receivables represent outstanding rent due from tenants.

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

10. Rental guarantees

	30 June 2017 $m	30 June 2016 $m
Current		
Rental guarantees	**2.2**	**2.2**
Non-current		
Rental guarantees	**0.5**	**2.2**

Rental guarantees at 30 June 2017 expire in May 2021. Rental guarantees at 30 June 2016 expire between October 2016 and May 2021.

11. Other assets

	30 June 2017 $m	30 June 2016 $m
Current		
Stamp duty paid in advance of settlement	24.0	–
Prepayments	1.4	0.7
Total	**25.4**	**0.7**

$24.0 million in stamp duty paid in advance of settlement relates to the acquisition of Home Hub Castle Hill and Home Hub Marsden Park. Details of the acquisitions are disclosed in note 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. Investment properties

Property	Acquisition date	Last independent valuation date	Independent valuer	Independent valuation $m	Carrying value 30 June 2017 $m	Carrying value 30 June 2016 $m
Ballarat Home	October 2015	June 2016	Savills	36.5	38.6	36.5
Bankstown Home	May 2016	June 2017	Savills	56.5	56.5	53.3
Belrose Super Centre	October 2015	June 2017	Savills	151.0	151.0	122.0
Belrose Gateway Centre	December 2015	June 2017	Savills	7.7	7.7	6.4
Caringbah Home	October 2015	June 2015	Knight Frank	82.5	91.4	88.4
Cranbourne Home	October 2015	December 2016	CBRE	125.0	129.2	120.1
Epping Hub	December 2015	October 2015	Savills	40.0	40.8	40.0
Highlands Hub	October 2015	December 2016	JLL	31.2	31.8	29.8
Jindalee Home	October 2015	December 2015	CBRE	103.9	110.2	103.9
Kotara Home (South)	August 2008	June 2016	Knight Frank	107.0	112.5	107.0
Logan Super Centre	May 2016	June 2017	Savills	88.5	88.5	81.9
MacGregor Home	May 2016	April 2016	Savills	26.1	23.9	26.1
McGraths Hill Home	May 2016	June 2017	Savills	39.4	39.4	36.1
Midland Home	October 2015	June 2016	CBRE	54.5	58.5	54.5
Mile End Home	October 2015	December 2016	Savills	89.5	92.1	83.2
Peninsula Home	October 2015	December 2016	CBRE	75.3	79.8	71.7
Shepparton Home	May 2016	April 2016	Savills	21.6	21.7	21.6
Sunshine Coast Home	October 2015	June 2017	JLL	85.0	85.0	66.8
Tuggerah Super Centre	October 2015	June 2016	Knight Frank	60.5	65.5	60.5
Tweed Hub	October 2015	December 2016	JLL	34.2	34.7	30.2
Warners Bay Home	October 2015	December 2016	JLL	35.2	36.3	33.3
				1,351.1	1,395.1	1,273.3
Less amounts classified as rental guarantees					(2.7)	(4.4)
Total					**1,392.4**	**1,268.9**

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

	2017 $m	2016 $m
Balance at the beginning of the financial year	**1,268.9**	**95.5**
Additions via business combinations (excluding rental guarantees)	–	1,067.4
Additions	4.0	–
Capitalised expenditure	23.2	21.8
Straight-lining of rental income	4.5	2.3
Net gain on movement in fair value of investment properties	91.4	81.9
Amounts reclassified from rental guarantees	0.4	–
Balance at the end of the financial year	**1,392.4**	**1,268.9**

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

Post balance date acquisitions

On 3 July 2017 the Group acquired Home Hub Castle Hill and Home Hub Marsden Park for $436.0 million. Refer to note 27 for details.

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 2017 and 30 June 2016 are as follows:

	30 June 2017 $m	30 June 2016 $m
Within 1 year	104.3	96.3
Later than 1 year but not later than 5 years	283.8	232.4
Later than 5 years	114.9	89.0
Total	**503.0**	**417.7**

13. Payables

	30 June 2017 $m	30 June 2016 $m
Current		
Trade payables and accruals	8.8	9.1
Other payables	2.0	1.7
Total	**10.8**	**10.8**

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

14. Distributions payable

	30 June 2017 $m	30 June 2016 $m
Current		
Distributions payable	**16.0**	**14.5**

15. Deferred revenue

	30 June 2017 $m	30 June 2016 $m
Current		
Deferred revenue	**3.1**	**1.8**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

16. Borrowings

	30 June 2017 $m	30 June 2016 $m
Non-current		
Secured		
Bank debt	329.3	462.0
Less: unamortised transaction costs	(2.3)	(2.9)
Total	**327.0**	**459.1**

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

At 30 June 2017 the debt facility had three tranches, the key features of which are summarised as follows:

	Tranche A	Tranche B	Tranche C
Type of facility	Revolving cash advance facility	Revolving cash advance facility	Revolving cash advance facility
Amount	$200 million	$200 million	$100 million
Term	5 years	3 years	5 years
Maturity	October 2020	October 2018	May 2021
Interest	30 day BBSY + margin	30 day BBSY + margin	30 day BBSY + margin
Repayment	Interest only with a lump sum payment of all amounts outstanding at the end of the term.		

All borrowings are denominated in Australian dollars.

Financing arrangements

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

	30 June 2017			30 June 2016		
	Limit $m	Drawn $m	Undrawn $m	Limit $m	Drawn $m	Undrawn $m
Syndicated debt facility						
– Tranche A	200.0	40.0	160.0	200.0	200.0	–
– Tranche B	200.0	200.0	–	200.0	200.0	–
– Tranche C	100.0	89.3	10.7	100.0	62.0	38.0
Total	**500.0**	**329.3**	**170.7**	**500.0**	**462.0**	**38.0**

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

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

Security

The syndicated debt facility is secured by:

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

Compliance with debt covenants

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

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

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

Expansion of borrowings

On 3 July 2017 the Group finalised a $300 million extension of its existing debt facility to partially fund the acquisition of Home Hub Castle Hill and Home Hub Marsden Park. Refer to note 27 for details of the acquisition.

The revised debt facility includes 4 new tranches. Key terms and conditions are summarised as follows:

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

Other key terms and conditions of the debt facility, including security and debt covenants, remain unchanged.

$1.4 million in debt establishment costs were incurred in relation to the new tranches subsequent to balance date.

17. Derivative financial instruments

	30 June 2017 $m	30 June 2016 $m
Non-current assets		
Interest rate swaps – at fair value	**0.7**	**–**
Non-current liabilities		
Interest rate swaps – at fair value	**1.2**	**3.5**

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

At 30 June 2017 the Group had entered into interest rate swap agreements totalling $240.0 million (30 June 2016: $240.0 million) representing 72.9% (30 June 2016: 51.9%) of drawn debt. Key features of the interest rate swaps are summarised as follows:

Maturity date	Notional amount $m	Fair value 30 June 2017 $m	Fair value 30 June 2016 $m
October 2018	80.0	(0.5)	(1.0)
October 2019	40.0	(0.3)	(0.8)
May 2020	20.0	0.1	(0.1)
October 2020	40.0	(0.4)	(1.1)
May 2021	60.0	0.6	(0.5)
Total	**240.0**	**(0.5)**	**(3.5)**

As at 30 June 2017 the fixed rate on the interest rate swaps varies from 1.83% to 2.36% per annum (30 June 2016: 1.83% to 2.36%). Interest rate swap contracts require settlement of net interest receivable or payable on a monthly basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18. Issued units

	30 June 2017 $m	30 June 2016 $m
490,421,802 ordinary units (2016: 394,717,614)	**967.0**	**747.6**

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

	2017 Units	2017 $m	2016 Units	2016 $m
Balance at the beginning of the financial year	**394,717,614**	**747.6**	**–**	**4.3**
Redemption of units	–	–	–	(0.5)
Return of capital	–	–	–	(0.2)
Establishment of the Fund	–	–	1	–
Units issued under reverse acquisition	–	–	19,744,091	–
Units issued as consideration for business combinations	–	–	171,821,115	343.6
Units issued at IPO	–	–	151,667,500	303.3
Units issued under entitlement offer	92,533,186	214.7	51,484,907	104.5
Unit issue costs	–	(2.4)	–	(7.4)
Units issued in accordance with the distribution reinvestment plan	3,171,002	7.1	–	–
Balance at the end of the financial year	**490,421,802**	**967.0**	**394,717,614**	**747.6**

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 units 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 invited institutional and retail investors to participate in a 1 for 4.3 accelerated non-renounceable entitlement offer to assist fund the acquisition of Home Hub Castle Hill and Home Hub Marsden Park. Refer to note 27 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 rank 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 $2.4 million and have been recognised directly in equity as a reduction to gross proceeds raised.

19. Retained earnings

	30 June 2017 $m	30 June 2016 $m
Retained earnings	**144.7**	**48.8**

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

	2017 $m	2016 $m
Balance at the beginning of the financial year	**48.8**	**34.8**
Net profit for the year	158.9	51.0
Distributions paid or payable	(63.0)	(37.0)
Balance at the end of the financial year	**144.7**	**48.8**

20. Distributions

	2017 Distribution – cents per unit	2017 Distribution $m	2016 Distribution – cents per unit	2016 Distribution $m
Fully paid ordinary units				
September quarter	3.88	15.3	N/A	N/A
December quarter	3.96	15.7	2.89	9.9
March quarter	4.02	16.0	3.68	12.6
June quarter	4.02	16.0	3.68	14.5
Total	**15.88**	**63.0**	**10.25**	**37.0**

Distribution Reinvestment Plan ("DRP")

During the financial year the Fund established a 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 first period which the DRP was operational was the quarter ended 30 September 2016.

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

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

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

	2017 $m	2016 $m
Profit for the year	**158.9**	**51.0**
Adjustments for		
Finance costs capitalised	(0.2)	(3.4)
Portfolio acquisition and transaction costs	2.1	70.7
Straight-lining of rental income	(4.5)	(2.3)
Amortisation of rental guarantees	1.3	0.5
Amortisation of debt establishment costs	0.8	0.5
Net gain on movement in fair value of investment properties	(91.4)	(81.9)
Net (gain)/loss on movement in fair value of interest rate swaps	(3.0)	3.5
Change in operating assets and liabilities, net of effects from purchase of controlled entities:		
(Increase)/decrease in receivables	2.4	(1.3)
(Increase)/decrease in other assets	(0.6)	0.4
Increase/(decrease) in payables	(0.8)	(6.9)
Increase/(decrease) in deferred revenue	1.3	0.9
Increase/(decrease) in provision for performance fee	6.3	–
Net cash inflow from operating activities	**72.6**	**31.7**

b) Non-cash investing and financing activities

	2017 $m	2016 $m
Units issued in accordance with the Fund's distribution reinvestment plan	7.1	–
Units issued as consideration for business combinations	–	343.6

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

22. Business combinations

Business combinations occurring during the year ended 30 June 2016 are outlined below.

a) IPO acquisitions

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

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

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

Reverse acquisition

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

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

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

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

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

22. Business combinations (continued)

a) IPO acquisitions (continued)

IPO acquisitions

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

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

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

	2016 $m
Purchase consideration	
Cash paid	124.0
Units issued	343.6
Total	**467.6**

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

	Fair Value 2016 $m
Cash and cash equivalents	6.2
Trade and other receivables	1.0
Other assets	0.7
Investment properties	809.0
Rental guarantees	1.3
Trade and other payables	(12.3)
Borrowings	(338.3)
Net identifiable assets acquired	**467.6**

Transaction costs of $54.0 million not directly attributable to the issue of units, were expensed during the year ended 30 June 2016 and are included as part of portfolio acquisition and transactions costs in the statement of comprehensive income. Transaction costs of $5.4 million, directly attributable to the issue of units, were recognised directly in equity as a reduction of issued units.

From the date of acquisition to 30 June 2016, the acquired businesses contributed revenues of $63.9 million and a net profit, including transaction costs, of $60.3 million to the Group.

b) Epping Hub acquisition

On 9 December 2015 the Group acquired Epping Hub.

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

	2016 $m
Purchase consideration	
Cash paid	40.0
Units issued	–
Total	**40.0**

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

	Fair Value 2016 $m
Investment properties	40.0
Net identifiable assets acquired	**40.0**

Total transaction costs of $2.5 million were expensed during the year ended 30 June 2016 and are included as part of portfolio acquisition and transactions costs in the statement of comprehensive income.

From the date of acquisition to 30 June 2016, Epping Hub contributed revenues of $2.1 million and a net loss, including transaction costs, of $1.8 million to the Group.

c) Belrose Gateway Centre acquisition

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

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

	2016 $m
Purchase consideration	
Cash paid	6.4
Units issued	–
Total	**6.4**

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

	Fair Value 2016 $m
Investment properties	6.4
Net identifiable assets acquired	**6.4**

Total transaction costs of $0.4 million were expensed during the year ended 30 June 2016 and are included as part of portfolio acquisition and transactions costs in the statement of comprehensive income.

From the date of acquisition to 30 June 2016, the Belrose Gateway Centre contributed revenues of $0.4 million and a net loss, including transaction costs, of $0.2 million to the Group.

22. Business combinations (continued)

d) Portfolio acquisition

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

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

	2016 $m
Purchase consideration	
Cash paid	219.5
Units issued	–
Total	**219.5**

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

	Fair Value 2016 $m
Cash and cash equivalents	1.0
Trade and other receivables	0.5
Other assets	0.3
Investment properties	215.2
Rental guarantees	3.8
Trade and other payables	(0.6)
Deferred revenue	(0.7)
Net identifiable assets acquired	**219.5**

Total transaction costs of $13.7 million were expensed during the year ended 30 June 2016 and are included as part of portfolio acquisition and transactions costs in the statement of comprehensive income.

From the date of acquisition to 30 June 2016 the acquired businesses contributed revenues of $2.2 million and a net loss, including transaction costs, of $12.3 million to the Group.

23. Related party transactions

a) Responsible entity

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

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

b) 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
- Tracey Blundy — Non-Executive Director (resigned 18 August 2016)
- Nico van der Merwe — Non-Executive Director (appointed 18 August 2016)
- Brett Blundy — Alternate Director to Nico van der Merwe (appointed 18 August 2016)

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 2017 amounted to $367,000 (2016: $250,000). Director fees are disclosed as part of other expenses in the statement of comprehensive income.

In the prior financial year the following persons held office as directors of OMIFL during its term as responsible entity:

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

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

c) Responsible Entity fees

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

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

d) Directors' interest in the Fund

Directors' interest in the Fund at 30 June 2017 and 30 June 2016 are summarised as follows:

Director	Number of units held in the Fund 30 June 2017	Number of units held in the Fund 30 June 2016
Bruce Carter	919,312	745,856
Darren Holland	2,264,077	1,836,892
Kieran Pryke	70,873	57,500
Robyn Stubbs	28,349	23,000
Nico van der Merwe	159,374	125,000
Brett Blundy	142,643,925	115,838,399

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 2017 amounted to $7,912,000 (2016: $4,272,000).

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 dividend by the NTA per unit at the commencement of the relevant period (expressed as a percentage).

  Total return is measured on a three-year rolling basis and annualised as a compounded annual growth rate. For the 2016 financial year, total return is measured from the commencement date of the Management Services Agreement to 30 June 2016 and the first performance fee period ends on 30 June 2018.
- **Hurdle Rate** = 12%
- **Closing NTA** = The NTA of the 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 2017 the Group has recognised a $6,269,000 provision for performance fees on the basis it is probable a performance fee will be incurred at the end of the inaugural performance period ending 30 June 2018.

The provision has been calculated as the best estimate of expenditure required to settle the obligation at the end of the financial year. As disclosed in note 3(a) the provision represents a critical accounting estimate as it is dependent upon future events.

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 2017 amounted to $13,498,000 (2016: $8,375,000).

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 amounted to $53,000 (2016: $125,000). There were no rental guarantees outstanding at 30 June 2017 (30 June 2016: $53,000).

j) Rental income

Total rental income derived from the Aventus Property Group during the financial year amounted to $220,000 (2016: $Nil).

k) 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 2017 amounted to $514,000 (2016: $2,775,000). In the prior year $2,170,000 of these total costs related to portfolio acquisition and transactions costs disclosed in note 22(a).

Total property expenses reimbursed by the Group to a director related party during the year ended 30 June 2017 amounted to $92,000 (30 June 2016: Nil).

l) Outstanding payable balances with related parties

Total amounts payable to the Aventus Property Group at 30 June 2017 amounted to $8,234,000 (30 June 2016: $1,874,000). Total payables at 30 June 2017 include a $6,269,000 provision for performance fee.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

23. Related party transactions (continued)

m) Subsidiaries

As disclosed in note 1(b) Aventus Kotara South Unit Trust (legal subsidiary) is deemed to be the parent entity of the Group and Aventus Retail Property Fund (legal parent) is deemed to be a subsidiary for financial reporting purposes. The Group's subsidiaries are set out below. All subsidiaries are incorporated in Australia.

NAME OF ENTITY	OWNERSHIP INTEREST		PRINCIPAL ACTIVITIES
	2017 %	2016 %	
Deemed parent (legal subsidiary)			
Aventus Kotara South Unit Trust			Property investment
Deemed subsidiary (legal parent)			
Aventus Retail Property Fund	100%	100%	Investment holding trust
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 – 2	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 – 3	100%	100%	Property investment
Aventus Highlands Unit Trust – 3	100%	100%	Property investment
Aventus Tweed Unit Trust – 3	100%	100%	Property investment
Aventus Warners Bay Unit Trust – 3	100%	100%	Property investment
Aventus Epping Unit Trust	100%	100%	Property investment
Aventus Jindalee Unit Trust	100%	100%	Property investment
Aventus Logan Holding Trust	100%	100%	Investment holding trust
Aventus Logan Unit Trust – 4	100%	100%	Property investment
Aventus MacGregor Holding Trust	100%	100%	Investment holding trust
Aventus MacGregor Unit Trust – 5	100%	100%	Property investment
Aventus Marsden Park Unit Trust – 6	100%	–	Property investment
Aventus McGraths Hill Holding Trust	100%	100%	Investment holding trust
Aventus McGraths Hill Unit Trust – 7	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 Limited	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 has been created to acquire Home Hub Castle Hill
3 – Entity is a 100% owned subsidiary of Aventus Diversified Unit Trust
4 – Entity is a 100% owned subsidiary of Aventus Logan Holding Trust
5 – Entity is a 100% owned subsidiary of Aventus MacGregor Holding Trust
6 – Entity has been created to acquire Home Hub Marsden Park
7 – Entity is a 100% owned subsidiary of Aventus McGraths Hill Holding Trust

n) Key related party contracts

Kotara Home call option and pre-emptive deed

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

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

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

Call option

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

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

Pre-emptive right

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

o) Parent entity related party transactions

1 July 2016 to 30 June 2017

During the financial year Aventus Kotara South Unit Trust incurred $777,000 in property management, leasing fees and salary and wages recoveries from the Property Manager in accordance with the Property Management and Development Agreement. Details of the fees are outlined in note 23(h).

20 October 2015 to 30 June 2016

Total fees incurred under the Property Management and Development Agreement for the period 20 October 2015 to 30 June 2016 amounted to $653,000.

1 July 2015 to 19 October 2015

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

Property management fees

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

23. Related party transactions (continued)

c) Parent entity related party transactions (continued)

1 July 2015 to 19 October 2015 (continued)

Leasing fees

Leasing fees were calculated as follows:

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

Fees were calculated and payable on a monthly basis.

Salary and wages recoveries

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

24. Fair value measurement

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

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

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

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

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

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

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

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

		LEVEL 2		LEVEL 3		TOTAL	
	Note	30 June 2017 $m	30 June 2016 $m	30 June 2017 $m	30 June 2016 $m	30 June 2017 $m	30 June 2016 $m
Non-financial assets							
Derivative financial instruments	17	0.7	–	–	–	0.7	–
Investment properties	12	–	–	1,392.4	1,268.9	1,392.4	1,268.9
Financial liabilities							
Derivative financial instruments	17	1.2	3.5	–	–	1.2	3.5

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

The Group did not measure any financial assets or liabilities at fair value on a non-recurring basis as at 30 June 2017 or 30 June 2016.

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 2017 and 30 June 2016 are outlined below. Terminal yields and discount rates relate solely to independent valuations.

	Range 30 June 2017	Weighted average 30 June 2017	Range 30 June 2016	Weighted average 30 June 2016
Net passing rent ($ per square metre)	$94 to $353	$227	$117 to $343	$216
Net market rent ($ per square metre)	$133 to $353	$232	$128 to $343	$223
Adopted capitalisation rate (%)	6.75% to 8.00%	7.24%	6.50% to 8.00%	7.53%
Adopted terminal yield (%)	7.00% to 7.25%	7.16%	6.75% to 8.50%	7.73%
Adopted discount rate (%)	8.50% to 8.75%	8.62%	8.00% to 9.25%	8.85%

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 2017 $m	30 June 2016 $m
Gross borrowings	329.3	462.0
Less: cash and cash equivalents	(33.9)	(4.3)
Net debt	295.4	457.7
Total assets (less cash and cash equivalents)	1,442.2	1,281.8
Gearing ratio (%)	**20.5%**	**35.7%**

The decrease in the gearing ratio is mainly attributable to a temporary $160.0 million repayment of debt in June 2017 on receipt of funds raised from the entitlement offer. As disclosed in note 27, the Group's gearing ratio increased to 38.9% subsequent to balance date on the acquisition of Home Hub Castle Hill and Home Hub Marsden Park.

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

26. Financial risk management

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

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

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

	30 June 2017 $m	30 June 2016 $m
Floating rate borrowings		
Bank debt	329.3	462.0
Derivative financial instruments		
Interest rate swaps (notional principal amount)	(240.0)	(240.0)
Net interest rate exposure	**89.3**	**222.0**

Further details of the Group's borrowings and interest rate swaps held at 30 June 2017 and 30 June 2016 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 $0.9 million (2016: $2.2 million) decrease/increase in profit or loss per annum. Aside from the profit or loss impact on equity, the 1% increase/decrease in market interest rates at the reporting date has no other impact on equity.

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 2017 and 30 June 2016 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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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

30 June 2017

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	1 to 3 years	3-5 years	Total contracted cash flows	Carrying amount of liabilities
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 fee	–	–	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**

30 June 2016

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

26. Financial risk management (continued)

c) Credit risk

Risk management and security

Credit risk is the risk that a customer or counterparty to a financial instrument will default on their contractual obligations resulting in a financial loss to the Group. The Group's credit risk arises from cash and cash equivalents, receivables and rental guarantees. The carrying amount of these financial assets disclosed in the balance sheet represents the maximum credit exposure to the Group at 30 June 2017 and 30 June 2016.

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

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

Impaired receivables

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

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

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

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. There were no significant impaired trade receivables at 30 June 2017 or 30 June 2016.

Receivables past due but not impaired

As at 30 June 2017, trade receivables of $0.1 million (30 June 2016: $0.2 million) were past due but not impaired. These relate to tenants for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	30 June 2017 $m	30 June 2016 $m
31–60 days	0.1	0.1
61–90 days	–	0.1
90+ days	–	–
Total	**0.1**	**0.2**

27. Events occurring after the reporting period

Acquisition of Home Hub Castle Hill and Home Hub Marsden Park

On 3 July 2017 the Group settled Home Hub Castle Hill and Home Hub Marsden Park 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. Details of the increased borrowings and entitlement offer are disclosed in notes 16 and 18 respectively.

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
Units issued	–
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**

Transaction costs

$2.1 million of transaction costs were expensed during the year ended 30 June 2017 and are disclosed as part of portfolio acquisition and transactions costs in the statement of comprehensive income. An additional $24.0 million in stamp duty costs was expensed on 3 July 2017 at settlement.

$2.4 million of transaction costs, directly attributable to the issue of new units under the entitlement offer, were recognised directly in equity as a reduction of issued units at 30 June 2017. In addition, $1.4 million in debt establishment costs, relating to the Group's new debt tranches, were capitalised on 3 July 2017.

Impact of the acquisition on related party investment management fees

As part of the acquisition the Manager has agreed to waive 50% of its investment management fee relating to the acquired assets for the financial years ending 30 June 2018 and 30 June 2019.

Proforma balance sheet

The pro forma balance sheet outlined below has been presented in accordance with ASIC Class Order 2015/842 to highlight the financial effect of the acquisitions on the Group subsequent to balance date. The pro forma balance sheet has been prepared based on the actual balance sheet as at 30 June 2017 and adjusted for:

- the acquisition of Home Hub Castle Hill and Home Hub Marsden Park (excluding immaterial settlement adjustments);
- draw downs of cash and debt reserves to fund settlement; and
- stamp duty costs expensed at settlement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

27. Events occurring after the reporting period (continued)

Acquisition of Home Hub Castle Hill and Home Hub Marsden Park (continued)

Proforma balance sheet (continued)

Proforma balance sheet	Actual 30 June 2017 $m	Impact of Acquisitions $m	Proforma 30 June 2017 $m
Assets			
Current assets			
Cash and cash equivalents	33.9	(28.7)	5.2
Receivables	21.0	(20.0)	1.0
Rental guarantees	2.2	–	2.2
Other assets	25.4	(24.0)	1.4
Total current assets	**82.5**	**(72.7)**	**9.8**
Non-current assets			
Derivative financial instruments	0.7	–	0.7
Rental guarantees	0.5	5.0	5.5
Investment properties	1,392.4	431.0	1,823.4
Total non-current assets	**1,393.6**	**436.0**	**1,829.6**
Total assets	**1,476.1**	**363.3**	**1,839.4**
Liabilities			
Current liabilities			
Payables	(10.8)	–	(10.8)
Distributions payable	(16.0)	–	(16.0)
Deferred revenue	(3.1)	–	(3.1)
Total current liabilities	**(29.9)**	**–**	**(29.9)**
Non-current liabilities			
Borrowings	(327.0)	(387.3)	(714.3)
Derivative financial instruments	(1.2)	–	(1.2)
Provision for performance fee	(6.3)	–	(6.3)
Total non-current liabilities	**(334.5)**	**(387.3)**	**(721.8)**
Total liabilities	**(364.4)**	**(387.3)**	**(751.7)**
Net assets	**1,111.7**	**(24.0)**	**1,087.7**
Equity			
Issued units	967.0	–	967.0
Retained earnings	144.7	(24.0)	120.7
Total equity	**1,111.7**	**(24.0)**	**1,087.7**
NTA per unit ($)	**$2.27**		**$2.22**
Gearing (%)	**20.5%**		**38.9%**

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 2017 $m	30 June 2016 $m
Acquisition of investment properties	416.4	3.6
Development expenditure	7.5	3.8
Total	**423.9**	**7.4**

Acquisition of investment properties

Home Hub Castle Hill and Home Hub Marsden Park

On 30 May 2017 the Group exchanged contracts to acquire Home Hub Castle Hill and Home Hub Marsden Park. As disclosed in note 27 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.

Tuggerah land acquisition

In the prior financial year the Group exchanged contracts to acquire additional land adjacent to the Tuggerah Super Centre. The settlement date of the acquisition was 1 July 2016.

Total outstanding commitments under the contract at 30 June 2016 amounted to $3.6 million excluding GST.

Development expenditure

The Group has entered into contracts for the redevelopment of a number of its investment properties. Total commitments as at 30 June 2017 amounted to $7.5 million excluding GST (2016: $3.8 million excluding GST).

29. Contingent assets and liabilities

Bank guarantees

On 14 September 2016 the Group entered into a 3 year $5 million bank guarantee facility.

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.

At 30 June 2017 the Group had given $1.1 million in bank guarantees relating to the redevelopment of one of its investment properties.

There were no other contingent liabilities or assets at 30 June 2017 or 30 June 2016.

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.

	2017 $'000	2016 $'000
a) Ernst & Young		
Audit and other assurance services		
Audit and review of financial statements	240	245
Compliance plan audit	20	–
Other assurance services	69	210
Agreed upon procedures engagements	–	60
Due diligence services	89	985
Total audit and other assurance services	**418**	**1,500**
Taxation services		
Tax compliance services	125	225
Tax advisory services	25	355
Total taxation services	**150**	**580**
Total remuneration of Ernst & Young	**568**	**2,080**
b) PWC		
Audit services		
Compliance plan audit	–	23
Total auditors' remuneration	**568**	**2,103**

31. Offsetting financial assets and liabilities

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

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

At 30 June 2017 and 30 June 2016 there were no financial assets and liabilities that were offset in the balance sheet.

32. Parent entity information

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

a) Summary financial information

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

	2017 $m	2016 $m
Statement of comprehensive income		
Profit for the year	11.7	16.9
Total comprehensive income for the year	**11.7**	**16.9**

	30 June 2017 $m	30 June 2016 $m
Balance sheet		
Current assets	0.5	0.5
Non-current assets	112.5	107.0
Total assets	**113.0**	**107.5**
Current liabilities	(0.8)	(0.9)
Non-current liabilities	(56.6)	(51.2)
Total liabilities	**(57.4)**	**(52.1)**
Net assets	**55.6**	**55.4**
Issued capital	3.6	3.6
Retained earnings	52.0	51.8
Total equity	**55.6**	**55.4**

b) Guarantees entered into by the parent entity

Aventus Kotara South Unit Trust had not provided any guarantees as at 30 June 2017 or 30 June 2016.

c) Contingent liabilities of the parent entity

Aventus Kotara South Unit Trust did not have any contingent liabilities as at 30 June 2017 or 30 June 2016.

d) Contractual commitments

Aventus Kotara South Unit Trust did not have any contractual commitments as at 30 June 2017 or 30 June 2016.

e) Determining the parent entity financial information

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

DIRECTORS' DECLARATION

In the directors' opinion:

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 2017 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 2017	10 August 2017

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 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and the Directors' Declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

(ii) 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 *Corporations Act* 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional* Accountants (the Code) that are relevant to our audit of the financial report in Australia; and we have 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)

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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 2017 amounted to $1,392.4 million and represents 94.3% of total assets. Fair values are determined by the directors at the end of each reporting period, with changes in fair value recognised in the consolidated statement of comprehensive income. This is considered a key audit matter due to the number of judgments required in determining fair value. These judgments include assessing 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. Refer to note 2(k) of the financial report for a description of the accounting policy treatment for these assets.	As outlined in note 24 of the financial report, the Group's basis for determining the carrying value of investment properties is underpinned by external valuations sourced from qualified valuation experts. We assessed the extent to which we could use the work of the valuation experts by considering their competence and independence. We also evaluated the suitability of the valuation scope and methodology for the purposes of reporting in the financial report. On a sample basis, we agreed data used in the valuations to the actual and budgeted financial performance of the specific properties. We considered the adequacy of the key inputs and assumptions used in the valuations by comparing this information to external market data. We involved our real estate valuation specialists in our assessment of the valuation methodology adopted and the assumptions used in the valuations. We assessed the appropriateness of the key assumptions used by reference to external market data.

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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 deemed to be related parties under Australian Accounting Standards. Aventus incurred a total of $21.8 million in investment, asset & property, development management fees and independent director fees and $0.5 million in expense reimbursements to these related parties. A further $6.3 million was accrued as at 30 June 2017 as an estimate of the future performance fee liability (refer below). 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. This is 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.	We evaluated the Group's process for identifying and recording related party transactions. In obtaining sufficient audit evidence we assessed contracts and agreements with related parties to understand the nature of the transactions. We assessed related party transactions recorded and disclosed against our understanding of the contracts and agreements in place and our understanding of the business, including significant transactions which have occurred during the period. We 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. Our related party procedures included an assessment of the Group's judgment on the probability of the performance fee becoming payable in the future. Our procedures also considered if, at balance sheet date, the performance fee met the recognition criteria, of being probable and reliably measurable, and the disclosure requirements under Australian Accounting Standards.

Information Other than the Financial Report and Auditor's Report

The Directors of Aventus Capital Limited are responsible for the other information. The other information comprises the information in the Group's Annual Report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

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

INDEPENDENT AUDITOR'S REPORT
(continued)

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

Directors' Responsibilities for the Financial Report

The Directors of Aventus Capital Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal 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 related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or 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 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 Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity 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 consolidated financial statements represent 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 2017

UNITHOLDER INFORMATION

The Unitholder Information set out below was applicable as at 31 July 2017.

a) Distribution of equity securities

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

Holding	Holders	Ordinary units	% of units
1 to 1,000	186	58,451	0.01
1,001 to 5,000	282	879,414	0.18
5,001 to 10,000	377	2,735,063	0.56
10,001 to 100,000	880	20,821,516	4.25
1000,001 +	128	465,927,358	95.00
Units on Issue		**490,421,802**	**100.00**
Unitholders Holding less than a Marketable Parcel of Shares (<$500)	**0**		

b) Equity security holders

The names of the 20 largest Unitholders are listed below:

#	Name	Number held	%
1	BB RETAIL CAPITAL PTY LTD	117,537,897	23.97
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	66,383,839	13.54
3	NATIONAL NOMINEES LIMITED	53,624,459	10.93
4	CITICORP NOMINEES PTY LIMITED	44,246,420	9.02
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	41,728,686	8.51
6	RRI INVESTMENTS PTY LTD	22,901,245	4.67
7	BBRC INTERNATIONAL PTE LIMITED	12,500,000	2.55
8	JD MARNABECK PTY LTD	7,895,292	1.61
9	CRANBOURNE PTY LTD	7,183,000	1.46
10	BNP PARIBAS NOMS PTY LTD	6,975,318	1.42
11	RAYRA PTY LIMITED	5,881,989	1.20
12	BB HOLDINGS (PROPERTY) PTY LTD	5,423,028	1.11
13	WEC ENTERPRISES PTY LTD	3,582,929	0.73
14	MYRTLE INVESTMENTS PTY LTD	3,464,713	0.71
15	LADIDAA PTY LTD	3,151,403	0.64
16	BNP PARIBAS NOMINEES PTY LTD	2,785,717	0.57
17	COLOSKYE PTY LIMITED	2,651,216	0.54
18	CECILE BRUNNER PTY LTD	2,598,534	0.53
18	GRIZZLY KOALA PTY LTD	2,598,534	0.53
19	COLOVINE PTY LTD	2,350,655	0.48
20	VANHAVEN PTY LTD	2,227,480	0.45
	Total	**417,692,354**	**85.17**
	Balance of register	**72,729,448**	**14.83**
	Grand total	**490,421,802**	**100.00**

c) Substantial holders

Substantial Unitholders in the Fund 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	27/9/16
Milford Funds Pty Ltd ACN	24,563,685	3/7/17

d) Units subject to voluntary escrow

Nil

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.

UNITHOLDERS INFORMATION
(continued)

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

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

How do I become a unitholder?
Investors will need to use the services of a stockbroker or an online broking facility to invest in AVN.

Unitholder enquiries
Please contact the Unit Registry if you have any questions about your unitholding or distributions.

Contact details are as follows:

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

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

ASX Code: AVN

Email: registrars@linkmarketservices.com.au
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 for both the interim distribution and final distribution and will be operational from the quarter ended 30 September 2016.

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

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

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

Distributions
Distributions are paid quarterly.

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

The Fund Manager,
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 Policies and Procedures Section at **www.aventusproperty.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 Financial Ombudsman Service ("FOS"), an external and independent industry complaint handling scheme.

FOS is located at:
Level 12, 717 Bourke Street
Docklands VICTORIA 3008

FOS can be contacted by:

Mail: GPO Box 3, Melbourne VICTORIA 3001

Telephone: +61 1800 367 287
Facsimile: +61 3 9613 6399

Email: info@fos.org.au
Website: www.fos.org.au

CORPORATE DIRECTORY

Responsible entity

Aventus Capital Limited (ABN 34 606 555 480)
Governor Macquarie Tower
Level 33, 1 Farrer Place
SYDNEY NSW 2000

Directors

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

Company secretaries

Mary Weaver AGIA
Lawrence Wong

Registered office and principal place of business

Governor Macquarie Tower
Level 33, 1 Farrer Place
SYDNEY NSW 2000
+61 2 9285 6700

Share registry

Link Market Services Limited
Level 12, 680 George Street
SYDNEY NSW 2000

Auditors

Ernst & Young
Level 34, 200 George Street
SYDNEY NSW 2000

Custodian

One Managed Investment Funds Limited
Level 11, 20 Hunter Street
SYDNEY NSW 2000

Website address

www.aventusproperty.com.au

www.aventusproperty.com.au

aventus
retail property fund