



Aveo Group

(Comprising Aveo Group Limited ABN 28 010 729 950 and its controlled entities and Aveo Group Trust ARSN 099 648 754 and its controlled entities)

Appendix 4D and Financial Report for the half-year ended 31 December 2018

This half-year financial report constitutes the Appendix 4D prepared in accordance with the Australian Securities Exchange Listing Rules and the half-year financial report in accordance with the *Corporations Act 2001*. This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by Aveo Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Aveo Group

Aveo Group ('Group') is a stapled group consisting of Aveo Group Limited ('Parent') ABN 28 010 729 950 and its controlled entities and Aveo Group Trust ARSN 099 648 754, the Responsible Entity of which is Aveo Funds Management Limited ABN 17 089 800 082, and its controlled entities ('Trust Group').

Appendix 4D

for the half-year ended 31 December 2018

(previous corresponding period being the half-year ended 31 December 2017)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Loss after tax	\$m	up/down	% movement
Revenue	144.0	down	30.8
Loss after tax attributable to stapled security holders	(44.7)	down	129.9

Dividend/distribution information	Total dividends & distributions	Distribution per unit	Dividend per share	Franked amount per share
Interim dividend/distribution	-	-	-	-
Previous corresponding period	-	-	-	-

There were no dividends/distributions proposed or declared by the Group to stapled security holders since the end of the previous financial period.

The Group's Dividend/Distribution Reinvestment Plan ('DRP') remains suspended.

Additional information	31 Dec 2018	30 Jun 2018
Net tangible assets ('NTA') per stapled security ¹	\$3.83	\$3.92

1. Attributable to stapled security holders, excluding non-controlling interests.

Commentary on the results for the period can be found in the attached 31 December 2018 half-year Directors' Report.

Additional Appendix 4D disclosure requirements can be found in the attached notes to the 31 December 2018 Half-Year Consolidated Financial Statements.



Anna Wyke
Company Secretary

Sydney
13 February 2019

Aveo Group

December 2018 Half-Year Financial Report

Table of Contents

	Page
Directors' Report	1
Auditor's Independence Declaration	17
Financial Report	
Consolidated income statements	18
Consolidated statements of comprehensive income	19
Consolidated balance sheets	20
Consolidated statements of changes in equity	21
Consolidated cash flow statements	23
Note 1 Statement of significant accounting policies	24
Note 2 Revenue and other income	25
Note 3 Finance costs	26
Note 4 Income tax expense	26
Note 5 Receivables	27
Note 6 Assets held for sale	27
Note 7 Inventories	28
Note 8 Investment properties	28
Note 9 Investments	30
Note 10 Payables	30
Note 11 Interest Bearing Loans and Borrowings	31
Note 12 Resident loans	31
Note 13 Contributed equity	32
Note 14 Dividends and distributions	33
Note 15 Segment information	33
Note 16 Fair values of financial instruments	36
Note 17 Subsequent events	36
Directors' Declaration	37
Independent Auditor's Report	38

The Directors of Aveo Group Limited and the Directors of Aveo Funds Management Limited, the Responsible Entity of Aveo Group Trust, present their report together with the financial reports of the Group and of the Trust for the half-year ended 31 December 2018 and the Auditor's Report thereon. The financial report of the Group comprises the consolidated financial report of Aveo Group Limited ('Parent') and its controlled entities including Aveo Group Trust ('Trust') and its controlled entities ('Trust Group'). The financial report of the Trust comprises the consolidated financial report of the Trust Group.

DIRECTORS

The Directors of Aveo Group Limited and of Aveo Funds Management Limited during the half-year and up until the date of this report are as follows:

Director	Position	Period of Directorship
Current Directors		
S H Lee	Non-Executive Chairman	Full half-year
J E F Frayne	Non-Executive Director	Full half-year
E L Lee	Non-Executive Director	Full half-year
W L McDonald	Non-Executive Director	Full half-year
K W Lo	Non-Executive Director	Full half-year
D P J Saw	Non-Executive Director	Full half-year
G E Grady	Executive Director & Chief Executive Officer	Full half-year
Alternate Directors		
G D Shaw	Alternate Director for S H Lee & E L Lee	Full half-year

REVIEW AND RESULTS OF OPERATIONS

Overview

While the broader property market across large parts of Australia has experienced a significant downturn over the past 18 months, with a decrease in average weighted auction clearance rates for the four major capital cities in which it operates from 72% in the final quarter of FY17 to 42% last week, Aveo has shown that demand for innovative retirement living remains strong, with Aveo's sales lead indicators and written sales volumes for HY19 exceeding the same period as last year.

Aveo's sales in HY19 were steady at an average of 19 written sales per week, while retirement unit pricing remained steady.

However, Aveo Group Chief Executive Officer, Geoff Grady said that the current residential property market remains extremely challenging, which has had an adverse impact in HY19 on Aveo's time frame for settlements.

"Settlements are taking longer to occur as incoming residents are experiencing increased difficulty in selling their homes. This has led to a substantial increase in the number of our deposits on hand, from 89 at 30 June 2018 to 212 at 31 December 2018. Our underlying profit, at \$12 million for HY19, is driven by the number of unit settlements and is a reflection of this broader property market downturn.

"However, typically the delivery profile for settlements is weighted to the second half of the financial year. Our business focus for the second half of FY19 will be on maintaining our written sales rate and settlement of sales.

"On the customer front in HY19, our focus on resident wellbeing remains our highest priority. Aveo's latest annual resident satisfaction survey revealed that resident satisfaction is at its highest level since 2014, with an 83% positive rating. This tells us that the experience of living in an Aveo retirement property is an overwhelmingly positive one.

"In addition, the revised Aveo Way contract regime, including the Aveo Certainty contract with its care transfer options, introduced in September 2018 has been well received, giving residents flexibility and choice on how they structure their entry into an Aveo community."

REVIEW AND RESULTS OF OPERATIONS (continued)**Strategic review**

Aveo also today provided an update on the strategic review, which was announced on 15 August 2018.

Merrill Lynch Markets (Australia) Pty Ltd ("Merrill Lynch") was appointed as the financial adviser to Aveo in relation to the strategic review.

Consistent with the process timetable previously disclosed, the first stage of the strategic review process began in late November 2018. In late January 2019, a number of indicative non-binding bids were received from parties interested in a whole of company transaction.

The Independent Board Committee, together with Aveo's advisors, are currently assessing those bids and aims to shortlist preferred bidders to take into the second stage of the process, which will commence in late February 2019.

The full Aveo Board is supportive of the strategic review process and is committed to maximising value for all Aveo securityholders.

Securityholders do not need to take any action at this time and there is no certainty that a transaction will eventuate on terms acceptable to the Independent Board Committee.

Aveo will keep securityholders updated in accordance with its continuous disclosure obligations.

Aveo also continues to explore other strategies to improve value for securityholders, including the continuation of the non-core asset divestment process.

The Board is also considering using free cash flow, which is expected to become available from May 2019 given the timing of cash flow generation, to allocate to the current security buyback. This has the potential to improve Aveo's net tangible assets per security.

REVIEW AND RESULTS OF OPERATIONS (continued)**Key results**

Key financial headlines of the Group's 31 December 2018 results are:

Outcome	HY19	HY18	Change
Statutory profit/(loss) after tax ¹	(\$44.7m)	\$149.3m	(130%)
Statutory EPS	(7.7 cps)	26.1 cps	(130%)
Underlying profit after tax ²	\$12.0m	\$36.3m	(67%)
Underlying EPS	2.1 cps	6.4 cps	(68%)
Retirement Established Business settlements	270	299	(10%)
Retirement Development settlements	94	164	(43%)
Total Retirement settlements	364	463	(21%)
Non-Retirement settlements	79	231	(66%)
Net receipts and payments disclosed in Cash Flow Statement	\$74.5m	\$70.8m	5%
Net cash flows from operating activities	\$64.5m	\$59.2m	9%
FFO ³	\$1.3m	\$50.9m	(98%)
AFFO ³	(\$4.5m)	\$40.9m	(111%)
Outcome	HY19	FY18	Change
Total assets	\$6,715.7m	\$6,715.6m	0%
Net assets	\$2,251.5m	\$2,298.1m	(2%)
NTA per security	\$3.83	\$3.92	(2%)

¹ Net profit after tax attributable to stapled securityholders of the Group.

² Reconciliation of statutory profit to underlying profit is given below.

³ Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO") reflect Property Council of Australia guidelines.

The decrease in statutory profit was largely due to a revaluation decrease in the retirement portfolio due to the more conservative property price growth assumptions used in determining the value of the portfolio, partially offset by the sale of Gasworks. The decrease in the net tangible assets per security by 9c is largely driven by more conservative property price growth assumptions used in the valuation model to reflect the current residential property market.

Underlying profit was impacted by a weighting to second half for the delivery profile of Retirement Development and Non-Retirement asset sales.

REVIEW AND RESULTS OF OPERATIONS (continued)**Financial results**

Profit and Loss	HY19 (\$m)	HY18 (\$m)	Change
Retirement			
Established Business	24.4	26.6	(8%)
Development ¹	(9.7)	2.1	NM
Care and Support Services	-	-	NM
Total Retirement	14.7	28.7	(49%)
Non-Retirement ¹	7.9	28.7	(73%)
Divisional contribution¹	22.5	57.4	(61%)
Group marketing costs	-	(3.0)	NM
Group overheads and incentive scheme	(7.0)	(8.0)	(13%)
EBITDA	15.5	46.4	(67%)
Depreciation and amortisation	(2.1)	(1.4)	50%
EBIT	13.4	45.0	(70%)
Interest and borrowing expense	(8.6)	(3.3)	161%
Profit before tax	4.8	41.7	(89%)
Income tax	7.1	(5.3)	(234%)
Profit after tax	11.9	36.4	(67%)
Non-controlling interests	0.1	(0.1)	NM
Underlying profit after tax²	12.0	36.3	(67%)
Change in fair value of investment properties ³	(63.2)	69.4	NM
Sale of Gasworks	6.6	50.4	(87%)
Other	-	(6.8)	NM
Statutory profit after tax	(44.7)	149.3	(130%)

¹ Includes capitalised interest in cost of goods sold.

² The principles underlying the calculation of underlying profit are discussed below.

³ Includes DMF valuation and other fair value movements adjusted for tax and non-controlling interest.

The Retirement result decreased by 49% and amounted to 65% of overall divisional contribution. The Established Business profit contribution was impacted by lower resale volumes largely related to a delayed settlement process, resulting in increases deposits on hand.

Established business was steady in HY19, despite the softening of the residential property market. Sales leads levels are high and written sales have improved compared to HY18, however contracts are taking longer to settle impacting the profit contribution from Established Business.

Development loss of \$9.7m is largely due to increased holding costs because of the slower settlement rates as incoming residents take more time to sell their property to fund their incoming contributions.

Non-Retirement's contribution reduced due to lower sales volumes in line with the sell-down of the portfolio.

In the opinion of the Directors, the Group's underlying profit reflects the results generated from the ongoing operating activities and is calculated in accordance with AICD/Finsia principles. The non-operating adjustments outlined above are considered to be non-cash or non-recurring in nature. These items are included in the Group's consolidated statutory result but excluded from the underlying result.

The variance between statutory and underlying profit was largely driven by revaluations of Retirement investment property and the sale of the final component of the Gasworks complex.

REVIEW AND RESULTS OF OPERATIONS (continued)**Retirement***Established Business*

Established Business	HY19	HY18	Change
Revenue			
DMF/CG revenue			
Resales	\$22.6m	\$24.0m	(6%)
Operating buyback purchases	\$10.3m	\$11.6m	(11%)
Freedom conversion	\$0.3m	\$1.8m	(83%)
Gross DMF/CG	\$33.2m	\$37.3m	(11%)
Other revenue			
Buyback sales	\$27.9m	\$25.9m	8%
Other ¹	\$13.1m	\$9.1m	44%
Total other revenue	\$41.0m	\$35.0m	17%
Total revenue	\$74.2m	\$72.3m	3%
Profit contribution			
Net DMF/CG ²	\$28.4m	\$34.6m	(18%)
Net buyback sales	\$0.1m	\$2.4m	(97%)
Other income ¹	\$13.1m	\$9.1m	44%
Marketing expenses	(\$5.6m)	(\$6.1m)	(8%)
Commission expenses	(\$1.6m)	(\$0.4m)	300%
Other expenses ³	(\$10.1m)	(\$13.0m)	(22%)
Total profit contribution	\$24.4m	\$26.6m	(9%)
Depreciation and amortisation	(\$0.2m)	(\$0.2m)	-
EBIT	\$24.1m	\$26.4m	(9%)

¹ Includes resident commissions, community administration fees and US seniors.

² Relates to resales, operating buyback purchases and Freedom conversion.

³ Relates to overhead and other expenses.

The total Established Business revenue is up 3%. DMF/CG revenue and profit contribution was in line with settlement volumes.

Due to decreased settlements, Freedom conversion buybacks have been reduced in line with sales to manage working capital

Buyback sales proceeds increased due to increase in average sale value

Management's cost management schemes employed in prior periods resulted in lower overheads compared to HY18.

REVIEW AND RESULTS OF OPERATIONS (continued)**Retirement (continued)***Established Business sales*

Sales	HY19	HY18	Change
DMF / CG generating transactions			
Resales	186	209	(11%)
Operating buyback purchases	120	150	(20%)
Freedom conversion ¹	17	36	(53%)
Total DMF/CG generating transactions	323	395	(18%)
Operating buyback purchases			
Discretionary	37	80	(54%)
Internal transfers	13	14	(7%)
Mandatory ²	70	56	25%
Total operating buyback purchases (DMF/CG generating)	120	150	(20%)
Money back guarantee buybacks	27	3	NM
Total operating buyback purchases	147	153	(4%)
Sales settlements			
Resales	186	209	(11%)
Buyback sales	84	90	(7%)
Total sales settlements	270	299	(10%)
Net buybacks³	63	63	-
Other metrics			
Deposits on hand	134	61	120%
Written sales rate (net deposits taken) ⁴	7.9%	6.6%	1.3%
Settlement sales rate ⁴	5.4%	7.5%	(2.1%)
Occupancy (excluding unsold company stock)	95%	96%	(1%)
Occupancy (total portfolio)	87%	92%	(5%)

¹ Sale of Freedom conversion units shown in Minor Developments.

² Operating buyback purchases less buyback sales.

³ Excludes new units sold within the last five years and includes Freedom minor development sales.

⁴ Includes statutory and contractual buybacks (including buyback guarantee).

Established Business generates its profits through the resales of existing units to new residents, the buyback and sale of units to new residents and the buyback of Freedom conversion units. Units bought back under the Freedom conversion process undergo major refurbishment and are sold as part of the Minor Development business.

The written sales rate of 7.9% outperformed the rate in the prior comparative period of 6.6% indicating a recovery in sales rates. A decrease in settlement rates resulted increased in deposits on hand of 120%.

Company owned stock levels are steady, despite a decrease in their occupancy levels.

The higher proportion of mandatory buybacks in HY19 is a function of the Aveo Way six-month buyback guarantee. Twenty-seven units were bought back under the Aveo Way six-month money back guarantee in HY19 (within six months of settlement). Twenty-three units were bought back under the Aveo Way six / twelve month buyback guarantee.

REVIEW AND RESULTS OF OPERATIONS (continued)***Retirement (continued)******Established Business sales margins***

Sales Margins	HY19	HY18	Change
Resales			
Avg DMF/CG transaction value	\$472k	\$409k	15%
Avg DMF/CG margin per transaction	\$121k	\$115k	5%
DMF/CG margin per transaction	26%	28%	(2%)
Operating buyback purchases and Freedom conversion			
Avg DMF/CG transaction value	\$307k	\$306k	0%
Avg DMF/CG margin per transaction	\$78k	\$72k	8%
DMF/CG margin per transaction	25%	23%	2%
Overall DMF/CG generating transactions			
Avg DMF/CG transaction value	\$402k	\$361k	11%
Avg DMF/CG margin per transaction	\$103k	\$94k	9%
DMF/CG margin per transaction	26%	26%	-
Operating buyback sales			
Avg transaction value	\$332k	\$288k	15%
Avg margin per transaction	\$1k	\$27k	(96%)
Avg margin % per transaction	0%	9%	(9%)

The realised average resales transaction value increased substantially with higher value ILU resales and a higher ILU to SA mix.

The realised average transaction value continued to grow which results in higher average DMF/CG amount per transaction. The overall DMF/CG margin percentage was flat compared to HY18.

The Aveo Way contracts continue to be adopted throughout the portfolio that will contribute to margin growth as those residents sell their units.

The average margin on buyback sales has been eroded by longer settlement periods leading to higher holding costs.

REVIEW AND RESULTS OF OPERATIONS (continued)**Retirement (continued)***Development*

Development	HY19	HY18	Change
Revenue	\$54.3m	\$62.5m	(13%)
COGS	(\$40.9m)	(\$40.5m)	1%
Gross profit	\$13.4m	\$22.0m	(39%)
Marketing expenses	(\$7.2m)	(\$8.5m)	(15%)
Holding costs	(\$3.3m)	(\$0.6m)	NM
Other expenses ¹	(\$12.7m)	(\$10.8m)	17%
Profit contribution	(\$9.7m)	\$2.1m	NM
Depreciation	(\$0.1m)	(\$0.1m)	-
EBIT	(\$9.8m)	\$2.0m	NM

¹ Relates to overhead and other expenses.

Gross profit is skewed towards the second half for both major and minor developments. Holding costs mainly consist of vacant unit levies that have increased due to the longer time the stock is held before settled.

Additional overheads have been incurred to facilitate the accelerated rollout of the successful Freedom conversion program. Other expenses are expected to reduce with the deferral of commencement of future developments until the residential market improves.

Major Development sales and margins

Major Development	HY19	HY18	Change
Deliveries and sales			
Units delivered	80	50	60%
Units sold	62	89	(30%)
Revenue and margin			
Average transaction value	\$448k	\$492k	(9%)
Revenue	\$35.9m	\$24.6m	46%
Average margin (including interest) ¹	19%	18%	1%
Average margin (excluding interest) ¹	21%	20%	1%
Gross profit (including interest) ²	\$6.8m	\$7.5m	(9%)
Gross profit (excluding interest) ²	\$7.8m	\$7.8m	-
Other metrics			
Deposits on hand	66	44	50%
Redevelopment buyback purchases	7	24	(71%)

¹ Includes units to be converted which are not yet available.

² Includes profit adjustments from FY18 deliveries where actual sales price were higher/lower than expected and/or actual expenses were higher/lower than expected.

Major Development	HY19	FY18	Change
Units available for sale			
Closing units	588	570	3%
Average price of units	\$586k	\$608k	(4%)
Total value of units	\$344.7m	\$346.8m	(1%)

REVIEW AND RESULTS OF OPERATIONS (continued)**Retirement (continued)***Major Development sales and margins (continued)*

Major Development generates its profits through the recognition of new units that are delivered at values above cost. Similar to FY18, there is a second half skew to development deliveries with 339 to be delivered in the second half of FY19.

The Group successfully delivered 80 new major units in HY19. These units were predominantly at the Springfield, QLD and Island Point, NSW communities.

Major development margins (before interest) exceeded the target range of 16% - 20%. The decrease in margins is due to lower average transaction values. Deliveries including a higher proportion of serviced apartments, which have lower sales prices than independent living units.

Minor Development sales and margins

Minor Development	HY19	HY18	Change
Deliveries and sales			
Units sold	32	75	(57%)
Revenue and margin			
Average transaction value	\$577k	\$506k	14%
Revenue	\$18.5m	\$37.9m	(51%)
Average margin (including interest)	36%	38%	(2%)
Average margin (excluding interest)	36%	38%	(2%)
Gross profit (including interest)	\$6.6m	\$14.5m	(55%)
Gross profit (excluding interest)	\$6.6m	\$14.5m	(55%)
Other metrics			
Deposits on hand	12	9	33%

Minor Development	HY19	FY18	Change
Units available for sale			
Closing units	315	329	(4%)
Average carrying value of units ¹	\$254k	\$234k	9%
Carrying value of units ¹	\$80.1m	\$76.9m	4%

¹ Includes units to be converted which are not yet available.

Minor Development sales consist of Freedom units undergoing substantial refurbishment and units being converted to the Freedom model. The average margin achieved represents the value added through the inclusion of Freedom services and refurbishment works undertaken. Minor development margins (pre-interest) were within the target range of 35% - 40%.

The average transaction value of \$577,000 per unit, together with the higher deposits on hand reflects demand attached to units with comprehensive care services.

REVIEW AND RESULTS OF OPERATIONS (continued)**Retirement (continued)***Development update*

Community	H1 Delivery	H2 Delivery	Total FY19 Units	Development Status
Hunters Green	-	49	49	Civil works and framing have been completed. Roofing, brickwork and plastering are all at various stages of progress. Practical completion expected by June 2019.
Island Point	16	-	16	FY19 units already delivered.
Newcastle	9	36	45	First 9 units reached practical completion in December. The remaining 36 units are well advanced with the structures complete and painting, electrical fit outs, flooring and landscaping all progressing well. Progressively being delivered – will be completed by March 2019.
Robertson Park	-	32	32	All external slabs and services rough-in have been completed. Plasterboard linings, rendering, aluminium windows and doors are nearing completion. All other works are progressing well. Practical completion expected in April 2019.
Mowbray Links	7	9	16	First 7 units already delivered. The balance of units are under construction and on schedule for delivery in FY19. Progressively being delivered – will be completed by June 2019.
Springfield	48	-	48	FY19 units already delivered.
Morayfield	-	40	40	All wall, roof framing and roof sheeting is complete. Aluminium windows and door installs are well advanced. Service rough-in and external cladding install has commenced. Practical completion expected in June 2019.
Carindale	-	97	97	Floor slabs including plant decks have been completed for both buildings. Structural steel for roofing and glazing have commenced. Services rough-ins are progressing well with display units scheduled for completion in March 2019. Practical completion expected in June 2019.
Redland Bay	-	38	38	Dwellings are 90% completed, with landscaping works ongoing. The acoustic panelling is currently being installed in the Leisure Centre and all other works are progressing well. Practical completion expected in March 2019.
Palmview	-	38	38	The last slabs of the units have been poured with wall framing to commence shortly. The frame for the community centre is complete with the roof being installed on one wing. Services rough-in have started. The display units (including fences and landscaping) are on target to be completed by March 2019. Practical completion expected in May 2019.
Total Major Development	80	339	419	
Total Minor Development	32	93	125	
Total	112	432	544	

The Group's Major Development pipeline stands at 5,062 units. Major sites include Springfield (2,326 units), the Carindale redevelopment (430 units), Bella Vista (400 units), the Newmarket redevelopment (258 units) and Newcastle (250 units). The pipeline for minor development is 721 units.

REVIEW AND RESULTS OF OPERATIONS (continued)**Retirement (continued)***Care and support services*

Care and Support Services	HY19	HY18	Change
Revenue			
RACF	\$11.8m	\$7.6m	55%
Allied Health	\$0.6m	\$0.2m	180%
Food and Nutrition	\$11.4m	\$9.7m	17%
Other	\$1.8m	\$0.9m	97%
Total revenue	\$25.5m	\$18.4m	39%
Profit contribution			
RACF	\$1.0m	\$0.8m	20%
Allied Health	\$0.2m	(\$0.1m)	(265%)
Food and Nutrition	\$0.1m	\$0.1m	30%
Home Care	(\$0.1m)	-	NM
Other	\$0.3m	\$0.3m	(15%)
Other expenses ¹	(\$1.4m)	(\$1.1m)	24%
Total profit contribution	-	-	-
Depreciation and amortisation	(\$1.3m)	(\$0.7m)	82%
EBIT	(\$1.3m)	(\$0.7m)	81%

¹ Relates to overhead and other expenses.

Aveo's aged care portfolio consists of five facilities with 406 beds. Average occupancy remains above 95% across the mature facilities (excluding Newstead that opened in May 2018).

Newstead retirement aged care facility is currently 43% occupied, with full occupancy expected by June 2019.

Upfront costs associated with the roll out of the new Newstead aged care facility impacted on total aged care facility contribution

The allied health and food and nutrition business operate around break-even levels, while improving the overall resident experience.

Aveo's care offering is complemented by the start of the Aveo Care at Home business, which will expand the availability of traditional home care services to all Aveo communities and provide a referral network and sales channel.

The aged care facility development pipeline stands at 850 bed (including the redevelopment of Mingarra / Minkara).

REVIEW AND RESULTS OF OPERATIONS (continued)**Non-Retirement**

Key Performance Indicators	HY19	FY18	Change
Contracts on hand	140	183	(23%)
Contracts on hand (\$m)	\$72.3m	\$80.3m	(10%)
Residential land lots held	659	738	(11%)
Inventories	\$97.2m	\$95.2m	2%
Investment properties	-	-	NM
Property, plant and equipment	\$3.3m	\$3.3m	(1%)
Total Non-Retirement assets	\$100.5m	\$98.5m	2%
Non-Retirement assets as percentage of divisional assets	3%	3%	-

Non-Retirement	HY19	HY18	Change
Sales revenue	\$33.4m	\$85.4m	(61%)
COGS	(\$20.6m)	(\$58.7m)	(65%)
Gross profit	\$12.8m	\$26.7m	(52%)
Marketing expenses	(\$1.0m)	(\$0.8m)	29%
Other expenses ¹	(\$4.4m)	(\$2.9m)	52%
Development profit contribution	\$7.3m	\$23.0m	(68%)
Net rental and other income	\$0.5m	\$5.7m	(91%)
Total profit contribution	\$7.9m	\$28.7m	(73%)
Non-Retirement settlements	79	231	(66%)
Average margin	37%	31%	6%

¹ Relates to overhead and other expenses.

Non-retirement assets continue to sell down in line with strategy. The change in profit contribution primarily related to lower numbers of land lot sales. Point Cook has less than 10 lots remaining to sell.

Presales of remaining lots are at 45% (140 presales out of 311 lots).

The decrease in net rental income is due to the sale of Gasworks. Gasworks 3 settled in September 2018.

REVIEW AND RESULTS OF OPERATIONS (continued)**Capital management***Capital management metrics*

Capital Management Metrics	HY19	FY18	Change
Reported gearing	19.7%	16.8%	2.9%
Group ICR (>2.0)	4.0x	5.8x	(1.8x)
Gross interest bearing liabilities	\$751.4m	\$691.1m	9%
Less: cash	\$43.5m	\$71.0m	(39%)
Net debt	\$707.9m	\$620.1m	15%
Undrawn committed lines and cash at bank ¹	\$74.5m	\$87.0m	(14%)
Weighted average AUD borrowing cost	4.1%	3.8%	0.3%
Weighted average total borrowing cost ²	4.6%	4.3%	0.3%
Weighted average debt maturity	2.5 years	2.1 years	0.4 years

¹ Undrawn facilities are dependent on having sufficient security.

² Includes all AUD and USD debt.

The Group's refinanced its syndicated debt facility on 6 August 2018, resulting in an increase in the facility limit by \$77.5 million to \$630 million (inclusive of bank guarantees) and the facility maturity was extended to July 2021, and the Aveo Healthcare facility maturity date was extended to March 2020

Aveo Healthcare repaid its USD denominated loan of \$23.6 million USD during HY19 and secured a new USD denominated facility of \$40.0 million USD. The facility has a maturity date of December 2019. Subsequent to the period end, the Group entered into a forward contract to serve as a hedge for foreign currency risk related to this loan.

The capacity through undrawn committed lines and cash at bank is expected to increase as commencement of development is delayed until the residential property market improves.

The reported gearing is at the top end of the Group's preferred range of 10% - 20%, but is expected to reduce to 17% - 18% by June 2019. All banking covenants have been met.

REVIEW AND RESULTS OF OPERATIONS (continued)*FFO and AFFO*

Contribution to Group AFFO	HY19 (\$m)	HY18 (\$m)	Change
Underlying profit after tax ¹	12.0	36.3	(67%)
Major Development			
Profit recognised on delivery	(6.8)	(7.5)	(8%)
Profit that would be recognised on settlement	4.7	9.0	(48%)
Profit adjustment on settled basis	(2.2)	1.6	NM
Tax impact	0.7	(0.5)	NM
Adjusted underlying profit after tax	10.5	37.5	(72%)
Profit from equity-accounted investments	(0.2)	(0.1)	63%
Depreciation	2.1	1.4	49%
Net capitalised interest ²	(3.4)	6.8	NM
Deferred income tax expense	(7.8)	5.3	NM
Funds from operations (FFO) ³	1.3	50.9	(98%)
Capex	(5.8)	(9.9)	(42%)
Adjusted FFO (AFFO) ³	(4.5)	40.9	(111%)

¹The underlying profit has been calculated as per the AICD Underlying Profit Guidelines.

²Net adjustment consisting of capitalised interest and capitalised interest in cost of goods sold. Refer to A45 for more detail.

³FFO and AFFO reflect Property Council of Australia Guidelines.

Underlying profit reflects Retirement Development deliveries, which are adjusted to reflect settlements in calculating FFO and AFFO. \$6.8 million (80 units) of profit recognised on delivery is deducted and \$4.7 million (62 units sold) of profit on settlement is added to provide a result based on settlements.

Net capitalised interest consists of \$5.0m included in cost of goods sold (HY18: \$15.0m), offset by \$8.4m of interest capitalised to projects (HY18: \$9.2m).

REVIEW AND RESULTS OF OPERATIONS (continued)**Risk**

There are a number of risks that could affect the Group's ability to achieve its goals. These include:

- A continued downturn in the Australian property market could reduce growth in average transaction price points and consequently average DMF/CGs. This risk is partly mitigated by the Group's introduction of the improved Aveo Way contracts.
- Such a downturn could also reduce the Groups' ability to sell its retirement and non-retirement developments. This risk could be partly mitigated by the Group reducing the rate of development.
- Development margins could be affected by construction delays and cost increases. Wherever possible, the Group controls this risk through fixed price contracts and by including early completion bonuses and/or late completion penalties in its construction contracts. The Group also carefully monitors development progress through regular management review.
- The Group may experience difficulties in executing its strategy to improve revenue from the Established Business by expanding the Freedom product offering to existing Aveo villages.

Outlook

Aveo remains focused on leading the Australian retirement living sector through its commitment to care, innovation and choice for its residents and delivering growth and value to its securityholders. Despite the challenges in the current Australian property market, Aveo's retirement living product remains attractive and demand for it is strong.

Aveo management remains focused on delivering value in FY19 by:

Converting written sales into settlements from the increased level of deposits;

- Delivering 419 major development units in FY19;
- Progressing the strategic review process to bridge the value gap for securityholders; and
- Reviewing the free cash flow position and considering value adding options, such as continued buybacks of shares.

The Board reaffirms its target full year distribution based on 40% - 60% of underlying profit.

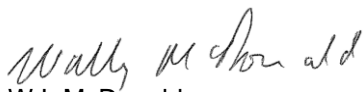
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

We confirm that we have obtained the Auditor's Independence Declaration, which is set out on page 17.

ROUNDING

The Group is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and, in accordance with that instrument, amounts in the Financial Report and Directors' Report are rounded to the nearest hundred thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:



W L McDonald
Non-Executive Director



G E Grady
Executive Director & Chief Executive Officer

Sydney
13 February 2018

Auditor's Independence Declaration to the Directors of Aveo Group Limited and the Directors of Aveo Funds Management Limited as Responsible Entity for Aveo Group Trust

As lead auditor for the review of Aveo Group Limited and the entities it controlled for the half-year ended 31 December 2018 and Aveo Group Trust and the entities it controlled for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Aveo Group Limited and the entities it controlled and Aveo Group Trust and the entities it controlled during the financial period.



Ernst & Young



Chris Lawton
Partner
13 February 2019

	Note	Group For the half-year ended		Trust Group For the half-year ended	
		31 Dec 2018 \$m	31 Dec 2017 \$m	31 Dec 2018 \$m	31 Dec 2017 \$m
Continuing operations					
Sale of goods		33.7	85.7	-	-
Revenue from rendering of services		106.1	120.2	25.1	13.1
Other revenue		4.2	2.1	1.1	2.5
Revenue	2	144.0	208.0	26.2	15.6
Cost of sales		(54.2)	(84.4)	-	-
Gross profit		89.8	123.6	26.2	15.6
Change in fair value of investment properties	2	(109.1)	160.8	-	-
Change in fair value of resident loans		12.6	(64.9)	-	-
Change in fair value of financial liabilities		1.2	5.2	-	-
Change in fair value of investments	9	-	-	28.1	-
Employee expenses		(26.7)	(26.6)	-	-
Marketing expenses		(14.1)	(17.4)	-	-
Occupancy expenses		(2.1)	(1.4)	-	-
Property expenses		(0.2)	(1.8)	-	-
Administration expenses		(9.2)	(8.6)	-	-
Impairment of equity-accounted investment		-	(12.8)	-	-
Net gain on business combination		-	1.5	-	6.7
Finance costs	3	(8.6)	(3.3)	(0.9)	(0.6)
Other expenses		(6.4)	(5.4)	(5.4)	(6.7)
Share of net profit of associates and joint ventures accounted for using the equity method		0.2	0.4	-	0.4
(Loss)/profit from continuing operations before income tax		(72.6)	149.3	48.0	15.4
Income tax benefit/(expense)	4	25.5	(1.1)	-	(0.2)
(Loss)/profit for the half-year		(47.1)	148.2	48.0	15.2
(Loss)/profit for the half-year is attributable to:					
Owners of Aveo Group Limited		(92.7)	134.1	-	-
Non-controlling interests - Owners of Aveo Group Trust		48.0	15.2	48.0	15.2
Net (loss)/profit after tax attributable to stapled security holders of the Group		(44.7)	149.3	48.0	15.2
Other non-controlling interests		(2.4)	(1.1)	-	-
		(47.1)	148.2	48.0	15.2
Earnings per security (cents per security):					
Basic earnings per stapled security		(7.7)	26.1	8.3	2.7
Diluted earnings per stapled security		(7.7)	26.1	8.3	2.7
Earnings per security from continuing operations (cents per security):					
Basic earnings per stapled security		(7.7)	26.1	8.3	2.7
Diluted earnings per stapled security		(7.7)	26.1	8.3	2.7

The above consolidated income statements should be read in conjunction with the accompanying notes.

	Note	Group For the half-year ended		Trust Group For the half-year ended	
		31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
		\$m	\$m	\$m	\$m
(Loss)/profit for the half-year		(47.1)	148.2	48.0	15.2
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Foreign currency translation differences for foreign operations		(0.9)	3.2	1.3	(1.9)
Income tax on items of other comprehensive income		-	-	-	-
Other comprehensive income for the half-year, net of tax		(0.9)	3.2	1.3	(1.9)
Total comprehensive income for the half-year		(48.0)	151.4	49.3	13.3
Total comprehensive income for the half-year is attributable to:					
Owners of Aveo Group Limited		(94.9)	139.2	-	-
Non-controlling interests - Owners of Aveo Group Trust		49.3	13.3	49.3	13.3
Total comprehensive income for the half-year attributable to stapled security holders of the Group		(45.6)	152.5	49.3	13.3
Other non-controlling interests		(2.4)	(1.1)	-	-
		(48.0)	151.4	49.3	13.3

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

	Note	Group		Trust Group	
		31 Dec	30 Jun	31 Dec	30 Jun
		2018	2018	2018	2018
		\$m	\$m	\$m	\$m
Assets					
Cash and cash equivalents		43.5	71.0	1.5	1.5
Receivables	5	163.3	247.2	29.3	82.2
Assets held for sale	6	4.1	-	4.1	-
Inventories	7	97.2	95.2	-	-
Property, plant and equipment		140.3	138.5	88.0	86.7
Investment properties	8	6,262.7	6,158.9	483.2	470.7
Investments	9	-	-	67.5	39.4
Intangible assets		4.6	4.8	-	-
Total assets		6,715.7	6,715.6	673.6	680.5
Liabilities					
Payables	10	198.3	238.0	45.7	52.9
Provisions		7.5	65.6	0.3	52.4
Interest bearing loans and borrowings	11	751.4	687.7	61.3	59.5
Deferred revenue		300.7	266.8	-	-
Resident loans	12	3,032.9	2,960.6	-	-
Deferred tax liabilities		173.4	198.8	-	-
Total liabilities		4,464.2	4,417.5	107.3	164.8
NET ASSETS		2,251.5	2,298.1	566.3	515.7
Equity					
Contributed equity	13	1,265.3	1,262.2	724.4	723.1
Reserves		(9.3)	(4.1)	3.7	2.4
Retained profits/(accumulated losses)		401.1	493.8	(163.1)	(211.1)
Total equity attributable to securityholders		1,657.1	1,751.9	565.0	514.4
Non-controlling interests					
Aveo Group Trust		565.0	514.4	-	-
Other non-controlling interests		29.4	31.8	1.3	1.3
Total equity attributable to non-controlling interests		594.4	546.2	1.3	1.3
TOTAL EQUITY		2,251.5	2,298.1	566.3	515.7

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

Aveo Group
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the half-year ended 31 December 2018

December 2018 Half-Year
Financial Report

	Note	Attributable to securityholders of Aveo Group Limited				Non-controlling interest attributable to Aveo Group Trust	Other non-controlling interests	Total equity
		Contributed equity \$m	Reserves \$m	Retained profits \$m	Total \$m	\$m	\$m	\$m
Balance at 1 July 2017		1,262.6	(9.6)	145.3	1,398.3	549.7	30.7	1,978.7
<i>Comprehensive income:</i>								
Profit/(loss) for the period		-	-	134.1	134.1	15.2	(1.1)	148.2
Other comprehensive income		-	5.1	-	5.1	(1.9)	-	3.2
Total comprehensive income for the period		-	5.1	134.1	139.2	13.3	(1.1)	151.4
<i>Transactions with owners in their capacity as owners:</i>								
Transactions with non-controlling interests		-	-	-	-	-	-	-
Equity settled employee benefits	13	0.6	-	-	0.6	0.3	-	0.9
Acquisition of treasury securities	13	(0.2)	-	-	(0.2)	(0.1)	-	(0.3)
Securities bought back and cancelled	13	(0.9)	-	-	(0.9)	(0.4)	-	(1.3)
Total transactions with owners in their capacity as owners		(0.5)	-	-	(0.5)	(0.2)	-	(0.7)
Balance at 31 December 2017		1,262.1	(4.5)	279.4	1,537.0	562.8	29.6	2,129.4
Balance at 1 July 2018		1,262.2	(4.1)	493.8	1,751.9	514.4	31.8	2,298.1
<i>Comprehensive income:</i>								
(Loss)/profit for the period		-	-	(92.7)	(92.7)	48.0	(2.4)	(47.1)
Other comprehensive income		-	(2.2)	-	(2.2)	1.3	-	(0.9)
Total comprehensive income for the period		-	(2.2)	(92.7)	(94.9)	49.3	(2.4)	(48.0)
<i>Transactions with owners in their capacity as owners:</i>								
Equity settled employee benefits	13	3.2	(3.0)	-	0.2	1.4	-	1.6
Acquisition of treasury securities	13	-	-	-	-	-	-	-
Securities bought back and cancelled	13	(0.1)	-	-	(0.1)	(0.1)	-	(0.2)
Total transactions with owners in their capacity as owners		3.1	(3.0)	-	0.1	1.3	-	1.4
Balance at 31 December 2018		1,265.3	(9.3)	401.1	1,657.1	565.0	29.4	2,251.5

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

Aveo Group
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)
For the half-year ended 31 December 2018

December 2018 Half-Year
Financial Report

	Note	Attributable to securityholders of Aveo Group Trust				Non-controlling interests	Total equity
		Contributed equity	Reserves	Accumulated losses	Total		
		\$m	\$m	\$m	\$m	\$m	\$m
Balance at 1 July 2017		723.2	2.3	(175.8)	549.7	1.3	551.0
<i>Comprehensive income:</i>							
Profit for the period		-	-	15.2	15.2	-	15.2
Other comprehensive income		-	(1.9)	-	(1.9)	-	(1.9)
Total comprehensive income for the period		-	(1.9)	15.2	13.3	-	13.3
<i>Transactions with owners in their capacity as owners:</i>							
Equity settled employee benefits	13	0.3	-	-	0.3	-	0.3
Acquisition of treasury securities	13	(0.1)	-	-	(0.1)	-	(0.1)
Securities bought back and cancelled	13	(0.4)	-	-	(0.4)	-	(0.4)
Total transactions with owners in their capacity as owners		(0.2)	-	-	(0.2)	-	(0.2)
Balance at 31 December 2017		723.0	0.4	(160.6)	562.8	1.3	564.1
Balance at 1 July 2018		723.1	2.4	(211.1)	514.4	1.3	515.7
<i>Comprehensive income:</i>							
Profit for the period		-	-	48.0	48.0	-	48.0
Other comprehensive income		-	1.3	-	1.3	-	1.3
Total comprehensive income for the period		-	1.3	48.0	49.3	-	49.3
<i>Transactions with owners in their capacity as owners:</i>							
Equity settled employee benefits	13	1.4	-	-	1.4	-	1.4
Acquisition of treasury securities	13	-	-	-	-	-	-
Securities bought back and cancelled	13	(0.1)	-	-	(0.1)	-	(0.1)
Total transactions with owners in their capacity as owners		1.3	-	-	1.3	-	1.3
Balance at 31 December 2018		724.4	3.7	(163.1)	565.0	1.3	566.3

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

	Group		Trust Group	
	For the half-year ended		For the half-year ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	\$m	\$m	\$m	\$m
Cash flows from operating activities				
Receipts from customers	219.8	161.5	22.1	2.7
Payments to suppliers and employees	(145.3)	(90.7)	(1.2)	(1.5)
Net receipts and payments	74.5	70.8	20.9	1.2
Interest received	0.2	0.3	-	2.5
Finance costs including interest and other costs of finance paid	(10.7)	(10.4)	(0.9)	-
Dividends and distributions received	0.2	-	-	-
GST recovered/(paid)	0.3	(1.5)	0.5	-
Net cash flows from operating activities	64.5	59.2	20.5	3.7
Cash flows from investing activities				
Payments for property, plant and equipment	(4.9)	(21.2)	(1.3)	(26.6)
Payments for intangible assets	(0.2)	(0.6)	-	-
Payments for investment properties	(110.3)	(171.8)	(20.3)	(113.4)
Proceeds from the sale of investment properties	9.5	1.4	-	-
Proceeds from sale of equity-accounted investments	9.8	-	-	-
Payments for acquisitions of subsidiaries	-	(2.6)	-	(3.7)
Repayment of loans by related parties	-	-	53.3	198.1
Net cash flows (used in)/from investing activities	(96.1)	(194.8)	31.7	54.4
Cash flows from financing activities				
Payments for securities bought back	(0.2)	(1.6)	(0.1)	(0.5)
Dividends and distributions paid	(51.9)	(51.9)	(51.9)	(51.9)
Proceeds from borrowings	226.3	343.5	-	41.7
Repayment of borrowings	(170.1)	(154.0)	(0.2)	(45.8)
Net cash flows from/(used in) financing activities	4.1	136.0	(52.2)	(56.5)
Net (decrease)/increase in cash and cash equivalents	(27.5)	0.4	-	1.6
Cash and cash equivalents at the beginning of the period	71.0	47.2	1.5	-
Cash and cash equivalents at the end of the period	43.5	47.6	1.5	1.6

The above consolidated cash flow statements should be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Aveo Group (the 'Group') is domiciled and incorporated in Australia. Aveo Group's registered office and its principal place of business is Level 5, 99 Macquarie Street, Sydney, New South Wales. The financial report of Aveo Group consists of the financial statements of the Group comprising Aveo Group Limited ('Parent') and its controlled entities and Aveo Group Trust ('Property Trust') and its controlled entities ('Trust Group'). The financial report has been drawn up in accordance with ASIC Corporations (Stapled Group Reports) Instrument 2015/838 relating to combining accounts under stapling. The financial report is presented in Australian dollars, which is Aveo Group Limited's functional and presentation currency.

The significant accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) Basis of preparation

This interim financial report has been prepared in accordance with the requirements of the *Corporations Act 2001* and *AASB134 Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Aveo Group during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*. The accounting policies are consistent with the previous annual report, except for the adoption of new standards effective 1 July 2018.

Liquidity basis of preparation

The Group has adopted the liquidity basis for presenting its balance sheets, under which assets and liabilities are presented in order of their liquidity. The Group expects that the tenure of residents of its retirement investment properties will be ten years for independent living units and four years for serviced apartments. Consequently, the Group does not have a clearly identified operating cycle and the liquidity basis provides more relevant information that is also reliable.

The Group continues to disclose the amounts expected to be recovered or settled not more than, and more than, twelve months from reporting date for each asset and liability line item that combines amounts expected to be recovered or settled in those periods. This information is given in the note for each relevant line item.

Stapling

On 12 November 2004, Aveo Group Trust units were stapled to Aveo Group Limited shares. The Group is a stapled entity that comprises Aveo Group Limited and its subsidiaries and Aveo Group Trust and its subsidiaries. The stapled securities cannot be traded or dealt with separately.

The constitutions of the Parent and the Property Trust ensure that, for as long as the two entities remain jointly quoted on the Australian Securities Exchange, the number of units in the Property Trust and the number of shares in the Parent shall be equal and that unitholders and shareholders will be identical.

Aveo Group Limited has been identified as the acquirer and the parent for the purposes of preparing the Group's financial statements. The Property Trust has been consolidated under the stapling arrangement and is identified as the acquiree.

The net assets of the acquiree have been identified as non-controlling interests and presented in the balance sheet within equity, separately from the Parent's equity. The profit of the acquiree has also been separately disclosed in the income statement.

Although the interests of the equity holders of the acquiree are treated as non-controlling interests, the equity holders of the acquiree are also the equity holders in the acquirer by virtue of the stapling arrangement.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations

The Group has adopted as of 1 July 2018 all of the new and revised Standards and Interpretations issued by the AASB with mandatory effective dates impacting the current period. The Group has adopted the standards by using the modified retrospective method, and therefore the comparatives have not been adjusted. The adoption of the new and revised Standards and Interpretations had no material impact on the financial position or performance of the Group, except for the change in classification of investments for the Trust Group, as described in Note 9 Investments.

2. REVENUE AND OTHER INCOME

		Group For the half-year ended		Trust Group For the half-year ended	
		31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	Segment	\$m	\$m	\$m	\$m
From continuing operations					
Sale of goods					
Land	Non-Ret	32.6	85.7	-	-
Built form	Non-Ret	1.1	-	-	-
		33.7	85.7	-	-
Rendering of services					
Gross deferred management fees and capital gains					
Cash received	Est Bus	33.2	37.3	-	-
Difference between cash and accruals basis	Est Bus	30.1	42.3	-	-
Accruals basis		63.3	79.6	-	-
Rent received					
Foreign retirement communities	Est Bus	9.0	6.9	5.3	3.9
Other	Various	0.4	8.7	19.8	9.2
Village administration fees	Various	4.9	4.4	-	-
Care services	Care	4.8	1.6	-	-
Food services	Care	11.2	9.3	-	-
Government grants	Care	8.3	6.6	-	-
Commissions received	Est Bus	2.4	1.5	-	-
Other	Various	1.8	1.6	-	-
		106.1	120.2	25.1	13.1
Other revenue					
Interest received/receivable	Various	0.3	0.4	1.1	2.5
Other	Various	3.9	1.7	-	-
		4.2	2.1	1.1	2.5

"Non-Ret" refers to "Non-Retirement". "Est Bus" refers to "Established Business". "Care" refers to "Care & Support". "Various" is used when multiple segments contribute to the Revenue item. For further detail on Revenue by Segment, refer to note 15.

The change in fair value of investment properties comprises:

	Group For the half-year ended		Trust Group For the half-year ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	\$m	\$m	\$m	\$m
<i>Change in fair value attributable to:</i>				
Retirement properties	(109.1)	128.6	-	-
Non-Retirement properties	-	32.2	-	-
Total change in fair value of investment properties	(109.1)	160.8	-	-

2. REVENUE AND OTHER INCOME

(a) Accounting for revenue

AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has adopted the new standard from 1 July 2018.

DMF revenue is considered to meet the definition of a lease and therefore is within the scope of AASB 16 Leases. Non-Retirement revenue is revenue from the sale of residential land. Under AASB 15, this revenue is recognised on settlement.

The measurement of other revenue streams, which fall within scope of AASB 15, have not been materially impacted by application of the new standard.

3. FINANCE COSTS

The Group's gross borrowing costs for the half year-ended 31 December 2018 were \$18.6 million (31 December 2017: \$12.5 million).

As required by AASB 123 – *Borrowing Costs*, during the half-year ended 31 December 2018, borrowing costs related to the acquisition and construction of qualifying assets of \$10.0 million (31 December 2017: \$9.2 million) were capitalised to inventory and investment property.

4. INCOME TAX EXPENSE

Group		Trust Group	
For the half-year ended		For the half-year ended	
31 Dec	31 Dec	31 Dec	31 Dec
2018	2017	2018	2017
\$m	\$m	\$m	\$m

Numerical reconciliation between aggregate tax (benefit)/expense recognised in the income statement and tax expense calculated at the statutory income tax rate

Accounting (loss)/profit before income tax	(72.6)	149.3	48.0	15.4
Income tax at the Australian tax rate of 30% (31 Dec 2017: 30%)	(21.8)	44.8	14.4	4.6
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income</i>				
Non-assessable Trust Group income				
Change in fair value of available for sale financial assets eliminated on consolidation	-	-	(8.4)	-
Other	(6.0)	(4.6)	(6.0)	(4.6)
Temporal differences from unrealised capital losses arising during the period not recognised	4.7	-	-	-
Non-assessable loss on business combination	-	1.6	-	-
Benefit of previously unrecognised temporal differences utilised during the period	(2.5)	(18.8)	-	-
Benefit of previously unrecognised tax losses on capital account utilised during the period	-	(27.6)	-	-
Impairment of equity-accounted investment	-	3.8	-	-
Other	0.1	1.9	-	0.2
Income tax (benefit)/expense	(25.5)	1.1	-	0.2

5. RECEIVABLES

	Group		Trust Group	
	31 Dec	31 Dec	31 Dec	31 Dec
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Trade receivables	108.2	195.3	1.5	1.9
Other receivables	30.8	32.1	-	-
Prepayments	28.0	23.6	3.7	3.5
Allowance for impairment	(3.7)	(3.8)	-	-
	<u>163.3</u>	<u>247.2</u>	<u>5.2</u>	<u>5.4</u>
Due from Parent - interest bearing	-	-	24.1	76.8
	<u>163.3</u>	<u>247.2</u>	<u>29.3</u>	<u>82.2</u>
<i>Expected to be recovered:</i>				
No more than twelve months after the reporting date	104.5	195.4	4.1	4.3
More than twelve months after the reporting date	58.8	51.8	25.2	77.9

(a) Accounting for receivables

The Group's receivables are held to collect contractual cash flows and the cash flows solely represent payments of principal and interest. Consistent with its comparatives, receivables are measured at amortised cost using the effective interest method. The standard requires the adoption of an Expected Credit Loss ("ECL") model to recognise an allowance for either 12-month or lifetime ECLs and applies to all debt instruments, except for those at fair value through profit or loss, including trade and lease receivables.

Under the new standard, the Group does not raise a provision solely for past due loans and debtors balances, instead a forward looking estimate that reflects current and forecast credit conditions is raised at inception and considered every reporting period. The Group assessed ECL related to each category of receivables. There is no material change to the carrying value of the Group's receivables resulting from adoption of the new accounting standard.

6. ASSETS HELD FOR SALE

Non-current assets are classified as 'held-for-sale' if the carrying amount will be recovered principally through a sale transaction rather than the continuing use. Generally, the sale must be expected to be completed within a year from the date of classification.

Investment properties which are classified as 'non-current assets classified as held-for-sale' are carried at fair value as the measurement provisions of AASB 5 *Non-current assets held for sale and discontinued operations* do not apply to investment properties.

Assets held for sale relates to a retirement village in the United States that is the subject of a contract for sale executed on 21 December 2018. Settlement has yet to occur. The property was remeasured to current fair value prior to transfer to this asset category.

7. INVENTORIES

	Group		Trust Group	
	31 Dec	30 Jun	31 Dec	30 Jun
	2018	2018	2018	2018
	\$m	\$m	\$m	\$m
<i>Residential communities</i>				
Cost of land acquisition	87.0	89.5	-	-
Development and other costs	24.2	21.5	-	-
Interest capitalised	43.0	45.2	-	-
Impairment provision	(84.9)	(87.3)	-	-
	<u>69.3</u>	<u>68.9</u>	<u>-</u>	<u>-</u>
<i>Commercial</i>				
Cost of land acquisition	10.8	9.9	-	-
Development and other costs	10.3	10.1	-	-
Interest capitalised	13.5	13.3	-	-
Impairment provision	(6.7)	(7.0)	-	-
	<u>27.9</u>	<u>26.3</u>	<u>-</u>	<u>-</u>
	<u>97.2</u>	<u>95.2</u>	<u>-</u>	<u>-</u>
<i>Expected to be recovered:</i>				
No more than twelve months after the reporting date	95.8	95.2	-	-
More than twelve months after the reporting date	1.4	-	-	-

8. INVESTMENT PROPERTIES

	Group		Trust Group	
	31 Dec	30 Jun	31 Dec	30 Jun
	2018	2018	2018	2018
	\$m	\$m	\$m	\$m
Valuation reconciliation				
Carrying amount of investment properties	6,262.7	6,158.9	483.2	470.7
Less:				
Resident loans	(3,032.9)	(2,960.6)	-	-
Deferred revenue	(299.1)	(266.8)	-	-
Deferred payment for development land	(55.1)	(54.7)	(1.0)	(1.9)
Valuation	<u>2,875.6</u>	<u>2,876.8</u>	<u>482.2</u>	<u>468.8</u>
<i>Comprising:</i>				
Retirement (domestic)				
Net present value of DMF/CG annuity streams - units sold or leased	1,931.3	1,991.9	-	-
Leased to subsidiaries of the Parent	-	-	269.4	261.0
New units available for occupancy	344.7	346.8	-	-
Operating buyback units	140.4	118.6	-	-
Minor developments units	80.1	76.9	-	-
Under construction	323.0	285.1	156.7	150.3
	<u>2,819.5</u>	<u>2,819.3</u>	<u>426.1</u>	<u>411.3</u>
Retirement (foreign)	56.1	57.5	56.1	57.5
	<u>2,875.6</u>	<u>2,876.8</u>	<u>482.2</u>	<u>468.8</u>

8. INVESTMENT PROPERTIES (continued)

(a) Accounting for investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held to produce rental income and capital appreciation.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost incurred in replacing part of an existing investment property if it is probable that the future economic benefits embodied within that part will flow to the Group and the cost can be measured reliably. All other costs are recognised in the income statement as an expense as incurred. Subsequent to initial recognition, investment properties are measured at fair value, being the estimated price that would be received on sale in an orderly transaction between market participants at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise.

(b) Retirement villages

Retirement villages are investment properties held to earn revenues and capital appreciation over the long-term, comprising independent living units, serviced apartments, common facilities and integral plant and equipment.

Fair value has been determined by Directors' valuation using the discounted cash flow valuation methodology. These valuations are based on projected cash flows using resident contracts and the current market value of individual retirement units. In determining these market values, a rolling program of external valuations is undertaken so that each unit is independently valued every three years. During the intervening period, management separately assesses the value of individual units on a six-monthly basis to incorporate current pricing and market conditions.

Estimates of fair value are prepared by management and presented to the Audit and Risk Committee, which recommends their adoption to the Directors.

Retirement villages are classified as level 3 in the fair value hierarchy. This means that key assumptions used in their valuation are not directly observable. These key assumptions are:

- the discount rate of 12.5% to 15.25% (2018: 12.5% to 15.25%); with a weighted average discount rate of 13.1% (2018: 13.1%)
- the aggregate current market value of the individual retirement units of \$5,090.0 million (2018: \$5,061.3 million);
- long-term property price growth has been adjusted downwards to reflect the current market outlook on the 20-year average growth rate of 3.65% (2018: 3.96%);
- the first year property price growth assumption was reduced to 0% (2018: 1.75%);
- property price growth rates of 3.5% to 3.75% in the medium term and 3.5% to 3.95% in the long term (2018: 3.5% to 4.0% in the medium term and 3.5% to 4.25% in the long term); and
- average tenure period after first resident departure of 10.5 years for independent living units (ILU) and 4.5 years for serviced apartments (SA) (2018: ILU: 10.5 years, SA: 4.5 years). The tenure assumption has been amended to reflect the six-month period allowed for resale.

Increasing the assumptions made about the aggregate market value of the individual retirement units and long-term property price growth rates would increase the fair value of the retirement villages (and vice-versa). Increasing the assumptions made about the discount rate and average tenure periods would reduce the fair value of the retirement villages (and vice-versa). An explanation of the fair value hierarchy is given in note 16.

A critical accounting judgement affecting retirement investment properties is whether the significant risks and rewards of ownership of the underlying retirement unit have been transferred to the occupier. If so, then a sale is recognised on the initial occupation of a retirement unit and a resident loan is not recognised. The Group believes that those risks and rewards have not been transferred in respect of any of its retirement units, regardless of the legal form of title granted to the resident, which may be freehold or leasehold. Consequently, the Group recognises resident loans in respect of those of its retirement units that are occupied by residents. This affects the carrying amount of retirement properties because, although the underlying valuation of the properties is not affected by this accounting judgement, the carrying amount of the properties is grossed up by the recognised resident loans.

9. INVESTMENTS

Details of the carrying amounts of investments are as follows:

	Group		Trust Group	
	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
	\$m	\$m	\$m	\$m
Associates	-	-	2.3	2.3
Financial assets at fair value through profit or loss	-	-	65.2	37.1
	-	-	67.5	39.4

(a) Accounting for financial assets at fair value through profit or loss

Prior to the adoption of AASB 9 *Financial Instruments*, all external investments with no significant influence had been classified as Available for Sale. From 1 July 2018, the Group has made a designation to measure the investments at fair value through profit or loss.

Financial assets at fair value through profit or loss on initial recognition are measured at fair value (generally transaction price) and subsequently stated at fair value. Transaction costs are recorded as expenses when they are incurred. Any gain or loss arising from a change in fair value is recognised in the Income Statement.

The fair value of the Trust Group's investments has been assessed by reference to the underlying value of the entities in which the investments are held. This fair value is classified as level 3 in the fair value hierarchy, which means that key assumptions used in their valuation are not directly observable.

The underlying value of the entities are closely linked to the investment properties and associated resident loans, measured at fair value by those entities. Accordingly, the key assumptions used in the valuation are similar to those disclosed in note 8 and note 12.

10. PAYABLES

	Group		Trust Group	
	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
	\$m	\$m	\$m	\$m
Trade accounts payable	18.8	34.1	0.1	-
Interest payable	6.1	0.4	-	-
Payment for investment acquisitions	4.2	7.1	-	-
Payment for development land acquired	55.1	54.7	1.0	1.9
Payable to Parent	-	-	24.4	25.2
Refundable accommodation bonds	51.7	37.0	-	-
Other payables	62.4	104.7	20.2	25.8
	198.3	238.0	45.7	52.9
<i>Expected to be settled:</i>				
No more than twelve months after the reporting date	144.1	179.8	45.7	51.0
More than twelve months after the reporting date	54.2	58.2	-	1.9

11. INTEREST BEARING LOANS AND BORROWINGS

	Group		Trust Group	
	31 Dec	30 June	31 Dec	30 June
	2018	2018	2018	2018
	\$m	\$m	\$m	\$m
<i>Secured</i>				
Bank loans	750.7	686.9	33.9	33.1
Lease liability	-	-	27.4	26.4
Other loans	0.7	0.8	-	-
	751.4	687.7	61.3	59.5
<i>Expected to be settled:</i>				
No more than twelve months after the reporting date	51.3	102.1	-	-
More than twelve months after the reporting date	700.1	585.6	61.3	59.5

On 6 August 2018, the Aveo syndicated facility limits were increased by \$77.5 million to \$630 million and the facility maturity date was extended to July 2021.

On 31 August 2018, the maturity date on the debt facility that was listed as current at 30 June 2018 was extended to March 2020. The facility limit on this loan is \$100 million.

On 20 December 2018, the remaining debt facility of \$30.9 million at 30 June 2018 was repaid. Aveo has secured a new loan with a facility limit of \$56.7m and a maturity date of December 2019. This facility is denominated in United States dollars. Subsequent to the period end, the Group entered into a forward contract of \$20 million USD to serve as a hedge for foreign currency risk related to this loan.

12. RESIDENT LOANS

Resident loans are classified as financial liabilities at fair value through profit and loss with resulting fair value adjustments recognised in the income statement. Fair value is the amount payable on demand and is measured at the principal amount plus the residents' share of any increases in market value to reporting date less deferred management fees contractually accruing to reporting date.

Resident loans are non-interest bearing and are payable at the end of the resident contract. The rate at which the Group's retirement residents vacate their units, and hence the rate at which the resident loans will fall due for repayment, can be estimated based on statistical tables. The resulting estimates of amounts expected to be settled less than and more than twelve months after reporting date are:

	Group	
	31 Dec	30 Jun
	2018	2018
	\$m	\$m
<i>Expected to be settled:</i>		
No more than twelve months after the reporting date	204.8	181.5
More than twelve months after the reporting date	2,828.1	2,779.1
	3,032.9	2,960.6

If residents do vacate their units as anticipated in the next twelve months, the Group expects that new loans of \$299.9 million (2018: \$268.0 million) would be received from residents who would occupy the newly vacated units.

Resident loans are presented net of deferred management fees contractually accrued to reporting date and other amounts owing by residents, which are offset against the repayment of the loan on settlement following the resident's departure.

12. RESIDENT LOANS (continued)

The following table presents the changes in resident loans for the half-year.

	Group for the half-year ended	
	31 Dec 2018	31 Dec 2017
	\$m	\$m
Opening balance	2,960.6	2,797.7
Items recognised in profit or loss:		
Deferred management fees	(63.3)	(79.6)
Change in fair value of resident loans	(12.6)	64.9
Net cash receipts on resident departures and arrivals	148.2	113.9
Closing balance	<u>3,032.9</u>	<u>2,896.9</u>

Resident loans are classified as level 3 in the fair value hierarchy. This means that a key assumption used in their valuation is not directly observable. This key assumption is the aggregate current market value of the occupied retirement units of \$4,426.7 million (2018: \$4,300.6 million). This was determined on the same basis as the market value of both occupied and unoccupied units used as an input to the fair value of retirement villages – see note 8. If the value used for this input was 5% higher, the fair value of these loans would be \$221.3 million higher (2018: \$215.0 million higher), and the input was 5% lower, the fair value of these loans would be \$221.3 million lower (2018: \$215.0 million lower). The effect of changing that current market value on the fair value of the related investment properties would be greater.

An explanation of the fair value hierarchy is given in note 16.

13. CONTRIBUTED EQUITY

	Aveo Group Limited for the half-year ended		Aveo Group Trust for the half-year ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	Number of ordinary shares		Number of units	
Issued capital				
Ordinary securities fully paid	580,737,672	580,837,672	580,737,672	580,837,672
Treasury securities	(2,400,188)	(3,875,279)	(2,400,188)	(3,875,279)
	578,337,484	576,962,393	578,337,484	576,962,393
Movements in securities on issue				
Ordinary securities fully paid				
Balance at beginning of period	580,837,672	581,337,672	580,837,672	581,337,672
Securities issued	-	-	-	-
Securities bought back and cancelled	(100,000)	(500,000)	(100,000)	(500,000)
Balance at end of period	580,737,672	580,837,672	580,737,672	580,837,672
Treasury securities				
Balance at beginning of period	(3,846,319)	(4,043,966)	(3,846,319)	(4,043,966)
Acquisition of treasury securities	-	(100,000)	-	(100,000)
Vesting of employee incentive securities	1,446,131	268,687	1,446,131	268,687
Balance at end of period	(2,400,188)	(3,875,279)	(2,400,188)	(3,875,279)

13. CONTRIBUTED EQUITY (continued)

	Attributable to the shareholders of Aveo Group Limited for the half-year ended		Attributable to the unitholders of Aveo Group Trust for the half-year ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	\$m	\$m	\$m	\$m
Movements in contributed equity				
Balance at beginning of period	1,262.2	1,262.6	723.1	723.2
Securities issued	-	-	-	-
Transaction costs for securities issued, net of income tax	-	-	-	-
Acquisition of treasury securities	-	(0.2)	-	(0.1)
Securities bought back and cancelled	(0.1)	(0.9)	(0.1)	(0.4)
Vesting of employee incentive securities	3.2	0.6	1.4	0.3
Balance at end of period	1,265.3	1,262.1	724.4	723.0

14. DIVIDENDS AND DISTRIBUTIONS

Details of dividends and distributions proposed or paid by the Group are:

	Cents per security	Total amount \$m	Date of payment	Franked tax rate %	Percentage franked %
31 Dec 2018					
Dividends & distributions paid:					
2018 Final distribution	9.0	51.9	29 September 2018	-	-
	9.0	51.9			
31 Dec 2017					
Dividends & distributions paid:					
2017 Final distribution	9.0	51.9	29 September 2017	-	-
	9.0	51.9			

15. SEGMENT INFORMATION

(a) Reportable segments

The Group is organised into four segments:

- Retirement Established Business, which operates retirement villages to produce rental and other income;
- Retirement Development, which develops retirement villages to produce development profits represented in the income statement by changes in fair value of investment properties;
- Retirement Care and Support, which operates aged care facilities to produce rental and other income; and
- Non-Retirement, which develops residential, commercial and retail property. Developed residential property is sold, whilst developed commercial and retail property may be sold or held to produce rental income and capital appreciation.

Segment EBITDA, measured on the same basis as underlying profit, is the primary measure used to assess segment performance. Underlying profit is defined in the Directors' Report.

15. SEGMENT INFORMATION (continued)

(b) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

	Retirement			Total	Non-Retirement	Total reportable segments	Non-allocated Items ¹	Group
	Established Business	Development	Care & Support					
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
31 Dec 2018								
Segment revenue								
Revenue from outside the Group ²	84.6	-	25.5	110.1	33.9	144.0	-	144.0
Total segment revenue	84.6	-	25.5	110.1	33.9	144.0	-	144.0
Segment result								
Segment EBITDA	24.4	(9.7)	-	14.7	7.9	22.6	(7.1)	15.5
Change in fair value of investment properties ³	(86.9)	-	-	(86.9)	-	(86.9)	-	(86.9)
Change in fair value of deferred consideration	1.2	-	-	1.2	-	1.2	-	1.2
Sale of Gasworks	-	-	-	-	9.4	9.4	-	9.4
Other	(0.4)	-	-	(0.4)	-	(0.4)	(0.7)	(1.1)
Statutory EBITDA	(61.7)	(9.7)	-	(71.4)	17.3	(54.1)	(7.8)	(61.9)
Depreciation and amortisation	(0.2)	(0.1)	(1.3)	(1.6)	-	(1.6)	(0.5)	(2.1)
Net interest expense	-	-	-	-	-	-	(8.6)	(8.6)
Net loss from continuing operations	(61.9)	(9.8)	(1.3)	(73.0)	17.3	(55.7)	(16.9)	(72.6)
Income tax benefit								25.5
Net loss from continuing operations after								(47.1)

1. Includes unallocated Corporate Services

2. Segment revenue represents an aggregation of revenue from sale of goods, the rendering of services and other revenue. Each of these is a separate line item in the income statement. It differs to that reported in the Directors' Report because revenue for underlying profit includes receipts from incoming residents that in the financial statements are treated as an increase in residents' loans. Revenue for underlying profit also includes development profits that are reflected in the income statement as changes in fair value.

3. Includes resident loans but excludes development gains included in Retirement Development EBITDA.

15. SEGMENT INFORMATION (continued)

	Retirement			Total	Non-Retirement	Total reportable segments	Non-allocated Items ¹	Group
	Established Business	Development	Care & Support					
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
31 Dec 2017								
Segment revenue								
Revenue from outside the Group ²	69.8	26.4	18.4	114.6	95.0	209.6	(1.6)	208.0
Total segment revenue	69.8	26.4	18.4	114.6	95.0	209.6	(1.6)	208.0
Segment result								
Segment EBITDA	26.6	2.1	-	28.7	28.7	57.4	(11.0)	46.4
Change in fair value of investment properties ³	81.8	-	-	81.8	32.2	114.0	-	114.0
Change in fair value of deferred consideration	5.2	-	-	5.2	-	5.2	-	5.2
Net gain on business combination	1.5	-	-	1.5	-	1.5	-	1.5
Impairment of equity-accounted investment	(12.8)	-	-	(12.8)	-	(12.8)	-	(12.8)
Other	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Statutory EBITDA	102.3	2.1	-	104.4	60.6	165.0	(11.0)	154.0
Depreciation and amortisation	(0.2)	(0.1)	(0.8)	(1.1)	-	(1.1)	(0.3)	(1.4)
Interest expense	-	-	-	-	-	-	(3.3)	(3.3)
Net profit/(loss) from continuing	102.1	2.0	(0.8)	103.3	60.6	163.9	(14.6)	149.3
Income tax expense								(1.1)
Net profit from continuing operations								148.2

1. Includes unallocated Corporate Services

2. Segment revenue represents an aggregation of revenue from sale of goods, the rendering of services and other revenue. Each of these is a separate line item in the income statement. It differs to that reported in the Directors' Report because revenue for underlying profit includes receipts from incoming residents that in the financial statements are treated as an increase in residents' loans. Revenue for underlying profit also includes development profits that are reflected in the income statement as changes in fair value.

3. Includes resident loans but excludes development gains included in Retirement Development EBITDA.

16. FAIR VALUES OF FINANCIAL INSTRUMENTS

All financial instruments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 the fair value is calculated using quoted prices in active markets.
- Level 2 the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Trust Group has no financial instruments measured at fair value. The fair value of all other financial instruments approximates their carrying amount.

Further information on the resident loan obligations is given in note 12.

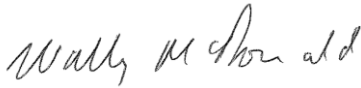
17. SUBSEQUENT EVENTS

There were no subsequent events after year-end that require adjustment or disclosure in the financial report.

In the opinion of the Directors of Aveo Group Limited and Aveo Funds Management Limited as Responsible Entity for Aveo Group Trust (collectively referred to as 'the Directors'):

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's and the Trust Group's financial position as at 31 December 2018 and of their performance, for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Group and the Trust Group will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors:



W L McDonald
Non-Executive Director



G E Grady
Executive Director & Chief Executive Officer

Sydney
13 February 2019

Independent review report to security holders of Aveo Group Limited

Aveo Group is a stapled entity comprising Aveo Group Limited and its subsidiaries and Aveo Group Trust and its subsidiaries ("Aveo Group" or "the Group"). Aveo Group Trust comprises Aveo Group Trust and its subsidiaries ("Trust Group").

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial reports of Aveo Group and Trust Group, which comprises the consolidated balance sheets as at 31 December 2018, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the Group and the Trust Group.

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

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

Directors' Responsibility for the Half-Year Financial Report

The directors of the Group and the directors of Aveo Funds Management Limited as Responsible Entity for the Trust Group (collectively referred to as the "directors") are responsible for the preparation of the half-year financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial reports that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Independence

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



Ernst & Young



Chris Lawton
Partner
Sydney
13 February 2019