Aveo Group

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

Appendix 4E and 2019 Financial Report

Aveo Group

Aveo Group is a stapled group consisting of Aveo Group Limited (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.

Appendix 4E

for the year ended 30 June 2019

(previous corresponding period being the year ended 30 June 2018)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Loss after tax	$m	up/down	% movement
Revenue	274.8	down	35.4
Loss after tax attributable to stapled securityholders	(213.4)	down	158.4

Dividend/distribution information	Total dividends and distributions	Distribution per unit	Dividend per share	Franked amount per share
Final dividend/distribution – payable 30 September 2019	$26.0m	4.5 cps	-	-
Previous corresponding period				
Final dividend/distribution – payable 29 September 2018	$51.9m	9.0 cps	-	-

The record date for determining entitlements to the final dividend/distribution was 30 June 2019.

The Group's Dividend/Distribution Reinvestment Plan ('DRP') remains suspended and is not operational for the 2019 final distribution.

Additional information	30 June 2019	30 June 2018
Net tangible assets per stapled security[1]	$3.50	$3.92

1. Attributable to stapled securityholders, excluding other non-controlling interests.

Commentary on the results for the period can be found in the attached 2019 Directors' Report.

Additional Appendix 4E disclosure requirements can be found in the attached notes to the 2019 consolidated financial statements including details of entities over which control has been gained or lost during the period and details of associates and joint venture entities.

Anna Wyke
Company Secretary

Sydney
28 August 2019

Aveo Group
2019 Financial Report

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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 Aveo Group Trust for the year ended 30 June 2019 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.

The meaning of defined terms is given in the Dictionary at page 89, which forms part of the Directors' Report.

DIRECTORS

The Directors of Aveo Group Limited and of Aveo Funds Management Limited during the financial 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 year
J E F Frayne	Non-Executive Director	Full year
E L Lee	Non-Executive Director	Full year
K W Lo	Non-Executive Director	Full year
W L McDonald	Non-Executive Director	Full year
D P J Saw	Non-Executive Director	Full year
G E Grady	Executive Director and Chief Executive Officer	Full year
Alternate Directors		
Current Directors		
G D Shaw	Alternate Director for S H Lee and E L Lee	Full year

Information on Directors

S H Lee

Non-Executive Chairman (age 45)

Mr Lee joined the Board in February 2006 and was appointed as Chairman in February 2009. Mr Lee was educated at the University of Sydney in Australia and has wide experience in the financial services and real estate investment industries.

Mr Lee is currently the Group Executive Chairman of Sun Hung Kai & Co. Limited (appointed in January 2007), a company listed on the Stock Exchange of Hong Kong Limited. He is also the Deputy Chairman of Everbright Sun Hung Kai & Company Limited, a leading financial services institution in Hong Kong (appointed in July 2015). Mr Lee is also Executive Chairman of Mulpha International Berhad (appointed in December 2003), a company listed on the Bursa Malaysia Securities Berhad.

J E F Frayne, BCom, FCA, GAICD

Non-Executive Director (age 72)

Mr Frayne joined the Board in July 2008. He has over 40 years' experience in chartered accountancy in audit and corporate services fields. Mr Frayne was appointed as a partner of PKF Chartered Accountants and Business Advisers (now BDO Chartered Accountants) in 1983 and from that time headed up the Audit and Assurance Division of PKF Brisbane until his retirement in June 2006.

He was a Director of Black & White Holdings Limited and effective 1 July 2017, Mr Frayne was appointed as a Director of CFMG Equity and Income Limited, which is an unlisted public company.

Mr Frayne was appointed a member of the Audit and Risk Committee effective November 2017 and has been a member of the Nomination and Remuneration Committee since July 2012. Mr Frayne was also appointed as a member of the Independent Board Committee on 14 November 2018.

E L Lee, Registered Accountant (Malaysia), CPA

Non-Executive Director (age 51)

Mr Lee joined the Board in December 2012. He is currently the Executive Director for Mulpha International Bhd, the holding company of Mulpha Australia Limited, Aveo's largest single securityholder.

Mr Lee was formerly the Group Chief Financial Officer of Alliance Bank Malaysia Berhad from 4 January 2010 to 2 October 2012. Prior to joining Alliance Bank Malaysia Berhad, he was the Chief Financial Officer for the Greater China Region at Microsoft, a major global company where he oversaw its finance operations covering the Asia region. For over 20 years, he has held various leadership roles in management positions within both local companies and multi-national companies in Asia. Prior to Mr Lee's appointment as Executive Director of Mulpha International Berhad, he was the Group Chief Financial Officer since 3 October 2012.

He is a Director of Mudajaya Group Berhad (appointed in October 2012), a Director of Thriven Global Berhad (appointed March 2016), a Director of Mulpha Australia Limited (appointed November 2012) and a Director of Mulpha International Bhd (appointed July 2017).

Mr Lee was appointed as a member of the Audit and Risk Committee in February 2013.

K W Lo, FCCA, CPA, CGA, CFA, LLM

Non-Executive Director (age 58)

Mr Lo joined the Board in February 2017. He has been engaged in the funds management business and practising law in New South Wales, Australia at Alliance Law Group since 2007. He previously served as Chief Investment Officer of Value Creation Inc from 2002 to 2007, Chief Executive Officer of Mreferral Corporation Ltd from 2000 to 2001, Chief Financial Officer of Midland Realty Ltd from 1999 to 2001 and Financial Controller of Lippo Ltd from 1992 to 1999. Mr. Lo was appointed as a Non-Executive Director of Medtech Group Company Ltd, a company listed in Hong Kong, in 2001.

Mr Lo is a fellow of the Association of Chartered Certified Accountants of England, an associate of the Hong Kong Institute of Certified Public Accountants, an associate of the Chartered Professional Accountants of Canada, a Chartered Financial Analyst of the CFA Institute of United States, and holds a graduate diploma of the Institute of Chartered Secretaries & Administrators Australia. He is an associate member of the Law Society of New South Wales, Australia. Mr Lo obtained a Master of Laws from the University of Sydney, Australia. Mr Lo was appointed as a Notary Public of New South Wales of Australia in 2012. He is also an independent director of OUE Limited (SGX-ST: OUE), a diversified real estate owner, developer and operator with a real estate portfolio located in prime locations in Asia and the United States.

Mr Lo was appointed a member of the Audit and Risk Committee in February 2017. Mr Lo was also appointed as a member of the Independent Board Committee on 14 November 2018.

W L McDonald, BEc, LLB (Hons)

Non-Executive Director (age 61)

Mr McDonald joined the Board in August 2012. He is recognised as one of Australia's leading legal practitioners with many years' experience in advising major government and corporate clients. Currently, Mr McDonald is a partner in the Corporate Division at Piper Alderman. Prior to this, Mr McDonald held various business management positions over a number of years as a Managing Partner at Clayton Utz in its National Corporate Division.

During this time, Mr McDonald has gained experience across a wide range of areas of law including government, corporate, mergers and acquisitions, energy and resources, corporate finance, intellectual property, workout/recovery, major projects and technology, media and telecommunications.

Mr McDonald was appointed as Chair of the Nomination and Remuneration Committee effective June 2014. As a consequence of commencement of the Strategic Review, Mr McDonald was appointed as Lead Independent Director and Chairman of the Independent Board Committee in November 2018.

D P J Saw, B Econ, B.LLB

Non-Executive Director (age 47)

Mrs Saw joined the Board in November 2016. Mrs Saw has more than 15 years' experience in senior roles in Australia and overseas, primarily in the areas of property finance and investment. Mrs Saw has worked as a senior executive in Babcock & Brown's infrastructure group in Sydney and London where she gained considerable experience in transaction structuring and execution for local and cross-border transactions, across various infrastructure asset classes.

In addition, prior to this Mrs Saw was a member of the structured debt capital markets team at Deutsche Bank and was a solicitor in the banking and finance group at Mallesons Stephen Jacques (now King & Wood Mallesons).

Mrs Saw was previously the Managing Director – Corporate Services for Qualitas Property Partners where she was responsible for group operational risk management and compliance, as well as fund establishment and monitoring.

Mrs Saw holds a Bachelor of Economics (Honours) and Bachelor of Laws (Honours) from the University of Sydney.

Mrs Saw was also appointed as a member of the Independent Board Committee on 14 November 2018.

G E Grady, LLB (Hons), BCom, ACA

Executive Director and Chief Executive Officer (age 60)

Mr Grady joined Aveo Group as Chief Operating Officer in March 2009. He was appointed as Executive Director and Chief Executive Officer of Aveo Group in July 2013. He has also worked as a partner at KPMG.

Mr Grady holds degrees in commerce and law with honours from the University of Queensland. He is a chartered accountant and admitted as a solicitor of the Supreme Court of Queensland. Mr Grady is also the Chairman of Aveo Healthcare Limited (appointed 18 March 2014).

G D Shaw

Alternate Director (age 60)

Mr Shaw joined Mulpha Australia Limited as Chief Executive Officer and Executive Director in April 2016 and Mulpha International Berhad (a company listed on the Malaysian stock exchange) as Chief Executive Officer in December 2016. He holds a Bachelor of Commerce and is an Australian Chartered Accountant. Mr Shaw was appointed as Alternate Director for Mr Seng Huang Lee and Mr E Lee in December 2016. His working experience includes Chief Executive Officer of Ardent Leisure Group a publicly listed stapled entity.

COMPANY SECRETARY

A Wyke, BEc, Dip in Law, FGIA FCIS

Ms Wyke joined Aveo Group in the position of Company Secretary in June 2017. Ms Wyke is an experienced governance professional with over 15 years of legal, compliance and company secretarial experience obtained through the funds management sector, primarily in property and financial services, as well as not-for-profit sectors.

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Directors' Meetings[1]		Independent Board Committee[3]		Board Sub Committee Meetings		Audit and Risk Committee Meetings		Nomination and Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held[1]	Attended	Held[4]	Attended	Held[4]	Attended
S H Lee[1]	4	4	-	-	-	-	-	-	1	1
J E F Frayne[2,3]	4	4	6	5	2	2	4	4	2	2
E L Lee[1]	4	4	-	-	-	-	2	2	-	-
K W Lo[2,3]	4	4	6	6	-	-	4	4	1	1
W L McDonald[2,3]	4	4	6	6	-	-	2	2	2	2
D P J Saw[2,3]	4	4	6	6	-	-	2	2	1	1
G E Grady	4	4	-	-	2	2	-	-	-	-

1. Represents Board and Committee meetings held and attended from 1 July 2018 to 14 November 2018, the date the Board resolved to establish an Independent Board Committee ("IBC") as part of the Strategic Review.
2. Members of the IBC have oversight and control of any potential transaction with respect to the strategic review and to ensure securityholders' best interests are advanced by the proper consideration of any potential transaction. The members of the IBC comprised the Independent Directors, W L McDonald (Chairman), J E F Frayne, K W Lo and D Saw.
3. Represents the number of Board and Committee meetings held and attended by IBC Directors from 14 November 2018 to 30 June 2019.
4. The variable number of meetings held for these committees reflect the Directors and membership of these committees was temporarily suspended while the IBC was in effect.

Committee membership

As at the date of this report, the Group has an Audit and Risk Committee, a Nomination and Remuneration Committee and an Independent Board Committee.

Members acting on the Committees of the Board at the date of this report were:

Audit and Risk
J E F Frayne (Chairman)
E L Lee
K W Lo
W L McDonald
D P J Saw

Nomination and Remuneration
W L McDonald (Chairman)
J E F Frayne
S H Lee
K W Lo
D P J Saw

Independent Board Committee
W L McDonald (Chairman)
J E F Frayne
K W Lo
D P J Saw

On 15 August 2018, Aveo Group (AOG) announced that it was undertaking a strategic review of its retirement portfolio and operations. The strategic review included the possibility of introducing capital partners (Australian or overseas) in relation to either a change of control transaction or partnership at the asset level.

The Board of Directors resolved on 14 November 2018, prior to the finalisation and issue of the Information Memorandum and opening of the Phase 1 data room, to establish an IBC to have oversight and control of any potential transaction relating to the strategic review and to ensure securityholders' best interests are advanced by the proper consideration of any potential transaction.

The IBC protocols were approved by the full Group Board of Directors on 10 December 2018 and served as a guide for the IBC in addressing actual or potential conflicts of duty and interest, real or perceived, in considering, developing and possibility of implementing a transaction.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were:

- investment in, and development and management of, retirement villages;
- development for resale of land and residential and retail property;
- investment in, and management of, income producing retail, commercial and industrial property; and
- funds and asset management.

There have been no significant changes in the nature of these activities during the year.

REVIEW AND RESULTS OF OPERATIONS

Financial results:

- statutory loss after tax of $213.4 million;
- underlying profit after tax and non-controlling interest of $50.1 million;
- earnings per stapled security on underlying profit after tax and non-controlling interest of 8.7 cents;
- funds from operations at $44.4 million; and
- net tangible assets per stapled security of $3.50.

Aveo's statutory result decreased by $259.3 million (after tax and non-controlling interest), largely due to the investment property valuation of the Retirement portfolio. This was on the back of a review of the retirement portfolio's unit pricing and the adoption of lower property price growth assumptions used in determining the value of the portfolio, reflecting the downturn in the broader residential property market across Australia over the past two years. This resulted in a decrease in Aveo's net tangible assets per security from $3.92 as at 30 June 2018 to $3.50 as at 30 June 2019.

Aveo's retirement business continued to encounter a tough trading environment in FY19 with sustained weakness across residential property markets in Australia. This weakness adversely impacted settlements achieved on our retirement properties as incoming residents were delayed in selling their homes to complete settlement.

Regardless, the quality of our portfolio and resilience of our business showed through in FY19 with demand for our retirement living product remaining strong with Aveo's written sales volumes of 1,140 in FY19 comparing well to prior years. This demand has led to a substantial increase in the number of deposits on hand, from 89 at 30 June 2018 to 239 at 30 June 2019.

A key metric looking forward relates to the ratio of seen appointments to written sales. This ratio continued to strengthen throughout FY19 with our written conversion rates at an all-time high of ~29% in the fourth quarter of the period, compared to less than 17% a year earlier.

Most importantly, the satisfaction and welfare of our residents and the quality of the retirement offering that we deliver to them remains our core business focus.

The latest results from the July resident satisfaction pulse survey show that resident satisfaction and our net promotor score is continuing to increase. In line with our commitment to our residents, we delivered over 1 million hours of care across our residential aged care homes and home care communities and delivered more than 1.4 million meals to residents across 65 sites.

Aveo also undertook a number of underlying portfolio value enhancements and management initiatives during the period, including the rollout of Aveo Way contracts, new developments, and the conversion of villages to the Freedom Aged Care model. These initiatives added $180 million of value in FY19.

In addition, Aveo delivered on time and on budget all 419 major development units forecast for FY19, reinforcing the Group's track record in delivering on major developments: 1,437 new units in the past five years.

Key results

Key outcomes of the Group's 30 June 2019 results are:

Outcome	FY19	FY18	Change
Statutory profit/(loss) after tax[1]	($213.4m)	$365.1m	(158%)
Statutory EPS	(36.9 cps)	63.3 cps	(158%)
Underlying profit after tax[2]	$50.1m	$127.2m	(61%)
Underlying EPS	8.7 cps	22.0 cps	(61%)
Retirement Established Business settlements	615	622	(1%)
Retirement Development settlements	286	352	(19%)
Total Retirement settlements	901	974	(7%)
Non-Retirement settlements	212	469	(55%)
Net receipts and payments disclosed in Cash Flow Statement	$156.1m	$123.2m	27%
Net cash flows from operating activities	$136.1m	$102.8m	32%
FFO[3]	$44.4m	$115.4m	(62%)
AFFO[3]	$33.0m	$97.4m	(66%)
Outcome	**FY19**	**FY18**	**Change**
Total assets	$6,578.2m	$6,715.6m	(2%)
Net assets	$2,050.3m	$2,298.1m	(11%)
NTA per security	$3.50	$3.92	(11%)

1. Net profit after tax attributable to stapled security holders of the Group.
2. Reconciliation of statutory profit to underlying profit is given below.
3. FFO and AFFO reflect Property Council of Australia guidelines. They are reconciled to underlying profit after tax below.

The underlying profit after tax of $50.1 million is driven by the number of unit settlements achieved in FY19.

Written sales have improved on FY18 despite the softening in the residential property market. Interest in Aveo's retirement product remains strong. The Group successfully achieved the development target of 419 new unit deliveries.

NTA per security decreased to $3.50, down 11% from FY18, primarily due to the adoption of lower future property price growth assumptions and unit pricing levels in the retirement investment property valuation.

Financial results

Profit and Loss	FY19 ($m)	FY18 ($m)	Change
Retirement			
Established Business	47.5	59.4	(20%)
Development[1]	11.1	80.6	(86%)
Care and Support Services	(1.4)	0.8	NM
Total Retirement	**57.2**	**140.9**	**(59%)**
Non-Retirement[1]	33.2	50.5	(34%)
Divisional contribution[1]	**90.3**	**191.4**	**(53%)**
Group marketing costs	-	(3.5)	(100%)
Group overheads and incentive scheme	(19.2)	(17.9)	7%
EBITDA	**71.1**	**169.9**	**(58%)**
Depreciation and amortisation	(4.7)	(3.0)	58%
EBIT	**66.4**	**166.9**	**(60%)**
Interest and borrowing expense	(18.3)	(4.3)	326%
Profit before tax	**48.1**	**162.6**	**(70%)**
Income tax	1.6	(35.1)	(104%)
Profit after tax	**49.7**	**127.5**	**(61%)**
Non-controlling interests	0.4	(0.3)	(239%)
Underlying profit after tax[2]	**50.1**	**127.2**	**(61%)**
Change in fair value of investment properties[3]	(259.3)	177.0	(246%)
Sale of Gasworks	6.6	53.7	(88%)
Other	(10.8)	7.2	(250%)
Statutory profit/(loss) after tax	**(213.4)**	**365.1**	**(158%)**

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 interests.

The Retirement result decreased by 59% and amounted to 63% of overall divisional contribution. The Established Business profit contribution was impacted by lower settlements. Sales leads levels remained high and written sales improved compared to FY18; however contracts are taking longer to settle.

All units in the major development pipeline for FY19 were delivered (419 units). Development profit was affected by lower major development deliveries compared to FY18, and lower minor development settlements due to the softening residential property market.

Non-Retirement profit reduced with lower sales volumes in line with the Group's sell down strategy of its non-core assets.

Group brand marketing campaigns successfully completed in FY18.

In the opinion of the Directors, the Group's underlying profit reflects the results generated from 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 properties. A whole of portfolio unit pricing review and adoption of more conservative property price growth assumptions are the key drivers responsible for the reduction in the fair value of investment property.

Retirement

Established Business

Established Business	FY19	FY18	Change
DMF/CG revenue			
Resales	$47.2m	$55.3m	(15%)
Operating buyback purchases	$28.7m	$25.2m	14%
Freedom conversion	$1.0m	$3.0m	(65%)
Gross DMF/CG	**$76.9m**	**$83.5m**	**(8%)**
Other revenue			
Buyback sales	$70.6m	$60.2m	17%
Other[1]	$20.9m	$20.6m	2%
Total other revenue	$91.6m	$80.8m	13%
Total revenue	**$168.5m**	**$164.3m**	**3%**
Profit contribution			
Net DMF/CG[2]	$67.4m	$75.0m	(10%)
Net buyback sales	$2.6m	$3.4m	(23%)
Other income[1]	$20.9m	$20.6m	2%
Marketing expenses	($14.2m)	($9.1m)	56%
Commission expenses	($3.8m)	($4.7m)	(20%)
Village expenses	($4.2m)	($1.8m)	131%
Other expenses[3]	($21.4m)	($24.0m)	(11%)
Total profit contribution	**$47.5m**	**$59.4m**	**(20%)**
Depreciation and amortisation	($1.0m)	($0.5m)	96%
EBIT	**$46.5m**	**$58.9m**	**(21%)**

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.

DMF/CG and profit contribution was in line with the decrease in settlement volumes in FY19.

Established Business revenue increased by 3%, largely due to a 17% increase in buyback sales volumes.

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

Established Business sales

Sales	FY19	FY18	Change
DMF / CG generating transactions			
Resales	399	436	(8%)
Operating buyback purchases	295	284	4%
Freedom conversion[1]	36	65	(45%)
Total DMF/CG generating transactions	**730**	**785**	**(7%)**
Operating buyback purchases			
Discretionary	56	120	(53%)
Mandatory[2]	213	140	52%
Subtotal	**269**	**260**	**3%**
Internal transfers	26	24	8%
Total operating buyback purchases (DMF/CG generating)	**295**	**284**	**4%**
Money back guarantee buybacks[3]	46	14	229%
Total operating buyback purchases	**341**	**298**	**14%**
Sales settlements			
Resales	399	436	(8%)
Buyback sales	216	186	16%
Total sales settlements	**615**	**622**	**(1%)**
Net buybacks[4]	**125**	**112**	**12%**
Other metrics			
Deposits on hand	151	67	125%
Written sales rate (net deposits taken)[5]	7.8%	6.6%	1.2%
Settlement sales rate[5]	6.9%	7.5%	(0.6%)
Occupancy (excluding unsold company stock)	95%	96%	(1%)
Occupancy (total portfolio)	87%	90%	(3%)

1. Purchase of units for Freedom conversion that are then sold as Minor Developments.
2. Includes statutory and contractual buybacks (including buyback guarantee).
3. Six month money back buyback guarantee introduced in September 2017.
4. Operating buyback purchases less buyback sales.
5. Excludes new units sold within the last five years and includes Minor Development sales.

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 7.8% represents a 1.2% increase from FY18, providing strong evidence of the market's interest in Aveo's retirement product. The soft residential market is making it difficult for prospective residents to settle their deposits, leading to an increase of deposits on hand of 125% compared to FY18.

The higher proportion of mandatory buybacks is a function of the Aveo Way Contract's six-month on-entry and from-departure buyback guarantees, with 46 units bought back under the on-entry guarantee and 56 units bought back under the from-departure guarantee in FY19.

Established Business sales margins

Sales Margins	FY19	FY18	Change
Resales			
Avg DMF/CG transaction value	$434k	$442k	(2%)
Avg DMF/CG margin per transaction	$118k	$127k	(7%)
DMF/CG margin per transaction	27%	29%	(2%)
Operating buyback purchases and Freedom conversion			
Avg DMF/CG transaction value	$319k	$304k	5%
Avg DMF/CG margin per transaction	$90k	$81k	11%
DMF/CG margin per transaction	28%	27%	2%
Overall DMF/CG generating transactions			
Avg DMF/CG transaction value	$382k	$381k	0%
Avg DMF/CG margin per transaction	$105k	$106k	(1%)
DMF/CG margin per transaction	28%	28%	0%
Operating buyback sales			
Avg transaction value	$327k	$324k	1%
Avg margin per transaction	$12k	$18k	(33%)
Avg margin % per transaction	4%	6%	(2%)

The realised average transaction value was in line with FY18, despite the softening of the residential property market.

The average margin on buyback sales was eroded by the longer settlement periods experienced during FY19, which resulted in higher unit holding costs.

The Aveo suite of contracts continues to be adopted throughout the portfolio, which will contribute to margin growth as those residents sell their units.

Development

Development	FY19	FY18	Change
Revenue	$240.2m	$394.4m	(39%)
COGS	($182.4m)	($274.3m)	(33%)
Gross profit	**$57.7m**	**$120.1m**	**(52%)**
Marketing expenses	($18.3m)	($16.3m)	13%
Holding costs	($7.2m)	($1.3m)	454%
Other expenses[1]	($21.1m)	($22.0m)	(4%)
Profit contribution	**$11.1m**	**$80.6m**	**(86%)**
Depreciation	($0.1m)	($0.1m)	-
EBIT	**$10.9m**	**$80.5m**	**(86%)**

1. Relates to overhead and other expenses.

The decrease in gross profit was associated with a decrease in delivery of new product of 87 units compared to FY18. The FY18 result included the delivery of 199 new units at Aveo Newstead.

Holding costs, consisting mainly of vacant unit levies, increased due to the longer settlement periods experienced in FY19.

Commencement of the development of new product has been deferred to conserve capital and this resulted in a decrease of other expenditure in FY19.

Major Development sales and margins

Major Development	FY19	FY18	Change
Deliveries and sales			
Units delivered	419	506	(17%)
Units sold	211	225	(6%)
Revenue and margin			
Average transaction value	$478k	$652k	(27%)
Revenue	$200.2m	$329.8m	(39%)
Average margin (including interest)[1]	21%	28%	(7%)
Average margin (excluding interest)[1]	23%	29%	(6%)
Gross profit (including interest)[2]	$41.8m	$92.3m	(55%)
Gross profit (excluding interest)[2]	$46.6m	$94.7m	(51%)
Other metrics			
Deposits on hand	77	17	353%
Redevelopment buyback purchases	10	45	(78%)

1. Average project margin.
2. Includes profit adjustments from FY19 deliveries where actual sales prices were higher or lower than expected and actual expenses were higher or lower than expected.

Major Development Units	FY19	FY18	Change
Closing units	777	570	36%
Average price of units	$545k	$608k	(10%)
Total value of units	$423.8m	$346.8m	22%

Major Development generates its profits through the recognition of new units that are delivered at values above cost. The Group successfully delivered 419 new major units, with 339 deliveries in the second half, predominantly at the Carindale, Hunters Green and Morayfield retirement communities.

Margins (before interest) exceeded the target range of 16% to 20%. Average transaction values decreased, primarily as a function of the product mix delivered.

Due to the current market environment and ongoing sales levels, stock levels represent approximately two years of unit selldown. The Group has reduced FY20 development deliveries to 62 units.

Minor Development sales and margins

Minor Development	FY19	FY18	Change
Deliveries and sales			
Units sold	75	127	(41%)
Revenue and margin			
Average transaction value	$533k	$508k	5%
Revenue	$40.0m	$64.6m	(38%)
Average margin (including interest)	40%	43%	(3%)
Average margin (excluding interest)	40%	43%	(3%)
Gross profit (including interest)	$15.9m	$27.8m	(43%)
Gross profit (excluding interest)	$15.9m	$27.8m	(43%)
Other metrics			
Deposits on hand	11	5	120%

Minor Development Units	FY19	FY18	Change
Closing units	293	329	(11%)
Average carrying value of units[1]	$255k	$234k	9%
Carrying value of units[1]	**$74.6m**	**$76.9m**	**(3%)**

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 are at the top of the target range of 35% to 40%.

The average transaction values in FY19 were 5% higher compared to FY18, which is indicative of the pricing premium attached to units with comprehensive care services.

Development update

Construction is on schedule for the 62 major unit deliveries for FY20, with a majority of projects underway or expected to commence shortly:

Community	H1 Delivery	H2 Delivery	Total FY20 Units	Development Status
Island Point	-	25	25	Civil works complete with the Build tendered
Newcastle	-	37	37	Civil works complete with the Build tendered
Total Major Development	-	62	62	
Total Minor Development	50	75	125	
Total	**50**	**137**	**187**	

The Group's Major Development pipeline stands at 4,717 units. Major sites include Springfield (2,204 units), Bella Vista (400 units), Carindale (333 units), the Newmarket redevelopment (258 units) and Rochedale (219 units). The pipeline for minor development is 646 units.

Care and Support Services

Care and Support Services	FY19	FY18	Change
Revenue			
RACF	$24.9m	$17.8m	40%
Allied Health	$1.2m	$0.7m	76%
Food and Nutrition	$23.5m	$21.0m	12%
Other	$3.7m	$2.5m	46%
Total revenue	**$53.3m**	**$42.0m**	**27%**
Profit contribution			
RACF	$2.2m	$2.2m	(2%)
Allied Health	$0.4m	($0.1m)	NM
Food and Nutrition	($0.8m)	($0.3m)	156%
Home Care	($0.6m)	($0.5m)	12%
Other	$0.2m	$0.5m	(63%)
Subtotal	**$1.4m**	**$1.8m**	**(22%)**
Other expenses	($2.8m)	($0.9m)	206%
Total profit contribution	**($1.4m)**	**$0.8m**	**(274%)**
Depreciation and amortisation	($2.8m)	($1.7m)	65%
EBIT	**($4.2m)**	**($0.9m)**	**366%**

Total revenue increased by 27% in FY19 due to increasing occupancy at the newly developed Newstead facility. Newstead was 69% occupied at 30 June 2019, with full occupancy expected in the first half of FY20.

The Group's care offering was complemented by the launch of the Aveo Care at Home business that will expand the availability of traditional home care services to all Aveo communities.

Non-Retirement

Key Performance Indicators	FY19	FY18	Change
Contracts on hand	54	183	(70%)
Contracts on hand ($m)	$24.8m	$80.3m	(69%)
Residential land lots held	534	738	(28%)
Inventories	$81.4m	$95.2m	(15%)
Property, plant and equipment	$3.2m	$3.3m	(2%)
Total Non-Retirement assets	**$84.6m**	**$98.5m**	**(14%)**
Non-Retirement assets as percentage of divisional assets	2.9%	3.2%	(0.3%)

Non-Retirement	FY19	FY18	Change
Sales revenue	$95.3m	$177.6m	(46%)
COGS	($52.6m)	($128.1m)	(59%)
Gross profit	**$42.6m**	**$49.5m**	**(14%)**
Marketing expenses	($1.7m)	($2.0m)	(13%)
Other expenses	($8.6m)	($5.7m)	51%
Development profit contribution	**$32.3m**	**$41.8m**	**(23%)**
Net rental and other income	$0.9m	$8.7m	(90%)
Total profit contribution	**$33.2m**	**$50.5m**	**(34%)**
Non-Retirement settlements	212	469	(55%)
Average margin	44%	28%	16%

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, Rochedale and Peregian Springs have had their final stages delivered and are now selling down.

Pre-sales of the remaining lots as at 30 June 2019 are at 29% (54 out of 186 lots were pre-sold).

Gasworks 3 settled in September 2018, with net proceeds of $9.4 million received. Net rental income decreased due to the sale of Gasworks 1 and 2 in February 2018.

Capital management

Capital management metrics

Capital Management Metrics	FY19	FY18	Change
Reported Gearing (< 30.0%)	21.3%	16.8%	4.5%
Group ICR (>2.0x)	2.55x	5.78x	(3.23x)
Gross Interest Bearing Liabilities	$787.5m	$687.7m	14.5%
Less: Cash	$53.3m	$71.0m	(24.9%)
Net Debt	**$734.2m**	**$616.7m**	**19.0%**
Undrawn committed lines and cash at bank[1]	$53.8m	$87.0m	(38.2%)
Weighted average AUD borrowing cost	3.2%	3.8%	(0.6%)
Weighted average total borrowing cost[2]	3.8%	4.3%	(0.5%)
Weighted average debt maturity	2.0 years	2.1 years	(0.1 years)

1. Undrawn facilities are dependent on having sufficient security.
2. Includes all debt, whether funded in Australian or United States dollars.

In FY19, the Group's syndicated facility limits were increased by $77.5 million to $630 million and the facility maturity was extended to July 2021, and the Aveo Healthcare facility maturity was extended to March 2020.

Capacity through undrawn committed lines and cash at bank is expected to increase as the sell down of new retirement units on hand is settled and the commencement of future Retirement development is delayed until the residential market improves.

The weighted average Australian dollar borrowing cost decrease was due to decreased market base rates. Australian dollar denominated debt remains unhedged, whilst United States dollar denominated debt comprises fixed rate loans. A forward exchange contract for half of the US$40 million facility has been taken out, maturing in December 2019. The Group does not apply hedge accounting.

All covenants have been met.

FFO and AFFO

Contribution to Group AFFO	FY19 ($m)	FY18 ($m)	Change
Underlying profit after tax[1]	**50.1**	**127.2**	**(61%)**
Major Development			
Profit recognised on delivery	(41.8)	(92.3)	(55%)
Profit that would be recognised on settlement	29.9	33.7	(11%)
Profit adjustment on settled basis	**(12.0)**	**(58.6)**	**(80%)**
Tax impact	2.4	16.6	(86%)
Adjusted underlying profit after tax	**40.5**	**85.2**	**(52%)**
Profit from equity-accounted investments	(0.1)	(0.6)	(91%)
Depreciation	4.7	3.0	58%
Net capitalised interest[2]	3.1	8.1	(61%)
Amortisation of leasing incentives	-	1.2	(100%)
Deferred income tax expense	(4.0)	18.5	(121%)
Funds from operations (FFO)[3]	**44.4**	**115.4**	**(62%)**
Capex	(11.4)	(18.0)	(37%)
Adjusted FFO (AFFO)[3]	**33.0**	**97.4**	**(66%)**

1. Underlying profit has been calculated as per the AICD Underlying Profit Guidelines.
2. Net adjustment consisting of capitalised interest, capitalised interest in cost of sales and other items.
3. FFO 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. Profit recognised on delivery of $41.8 million (419 units) is deducted and $29.9 million (221 units sold) of profit on settlement is added to provide a result based on settlements.

Net capitalised interest consists of $21.1 million included in cost of goods sold (FY18: $33.7 million), offset by $17.9 million of interest capitalised to projects (FY18: $25.6 million)

The decrease in the capitalised interest adjustment was driven mainly by a reduction in development activity (decrease in capitalised interest).

Risk

There are a number of risks that could affect the Group's future performance. These include:

- A 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 contract terms.
- Such a downturn could also reduce the Group's 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.

Strategic review

On 14 August 2019, the Group announced that it had entered into a Scheme Implementation Deed with entities controlled by Brookfield Property Group.

Under the Scheme Implementation Deed, Brookfield Property Group proposes to acquire 100% of the outstanding securities of Aveo by way of a trust scheme and a company scheme of arrangements for consideration representing $2.195 per security. The consideration is based on cash consideration and includes the final FY19 distribution of 4.5 cents per security, expected to be paid on 30 September 2019. The schemes are subject to Aveo securityholder approvals by:

- 75% by number of securities voted; and
- 50% by number of securityholders who vote.

The transaction is subject to limited conditions, but is not subject to financing or due diligence. If the transaction were to complete, Aveo would delist from the Australian Securities Exchange.

In exchange for their securities, Aveo securityholders would be entitled to receive:

- total cash of $2.195 per security (inclusive of the FY19 final distribution of 4.5 cents per security; or
- a conditional scrip consideration alternative, providing current Aveo securityholders with the potential to participate in an unlisted equity vehicle which would give them future exposure to Aveo.

Based on the cash consideration, the Aveo Board of Directors unanimously recommend that Aveo securityholders vote in favour of the schemes in the absence of a superior proposal. This recommendation is subject to an Independent Expert concluding and continuing to conclude, that the schemes are in the best interest of Aveo securityholders.

Each Aveo director intends to vote all securities held by them at the time if the scheme meeting is in favour of the schemes.

The Aveo Board makes no recommendation in relation to the scrip consideration. Aveo securityholders should read the Scheme Booklet before considering making any election under the Schemes.

The Aveo Directors intend to vote any Aveo securities held by them at the time of the scheme meetings in favour of the schemes, subject to the following matters:

- the absence of a superior proposal;
- the Independent Expert concluding (and continuing to conclude) that the schemes are in the best interests of Aveo securityholders; and

- Mr Seng Huang Lee and Mr Eric Lee, who are nominee directors of Mulpha group on the Board of Aveo, make no representation as to the voting intentions of the Mulpha subsidiaries which hold stapled securities in Aveo, since Mulpha International Bhd is a listed entity on Bursa Malaysia and its board will need to consider the Scheme Booklet, once it is available, in order to make a decision. However, Messrs Lee and Lee have confirmed to the Board of Aveo that, in respect of Mulpha's consideration of the Transaction, they intend to recommend and support a decision that Mulpha vote in favour of the schemes. Should Mulpha inform Aveo of its voting or consideration election intentions, Aveo will update the market accordingly.

Each Aveo director intends to vote all securities held by them at the time of the scheme meeting in favour of the schemes.

A full overview of the terms of the schemes will be provided in a Scheme Booklet (including an Independent Expert's Report), which is intended to be distributed to Aveo securityholders in October 2019. The scheme meeting is expected to be held in November 2019, and if approved, the schemes are expected to be implemented this calendar year.

Securityholders should read the Scheme Booklet once it is available and seek independent advice as necessary.

Outlook

As the market leader, Aveo will continue to improve and innovate to provide greater living choices for older Australians:

- continuing to roll out its Aveo Way contracts to provide greater certainty to residents;
- integrating of care through its Freedom Aged Care, co-located Aged Care facilities and Aveo Care At Home product lines; and
- delivering on its high quality development projects.

Management is committed to delivering on the following value-creating initiatives for FY20:

- achieving settlements from the increased level of deposits;
- delivering 62 Major Development units and 125 Minor Development units; and
- continuing to prudently manage capital, whilst the current challenges in the market remain.

The FY19 full year distribution of 4.5 cents per security will be paid on 30 September 2019.

STATE OF AFFAIRS

There have been no material changes in the state of the Group's affairs since the date of the last report, other than as disclosed in this report and the accompanying financial statements.

DIVIDENDS AND DISTRIBUTIONS

Distributions paid or declared by the Group to securityholders since the end of the previous financial year were:

Distribution	Cents per security	Total amount $m	Date of payment
Final 2018	9.0	51.9	29 September 2018
Final 2019	4.5	26.0	30 September 2019

The FY19 distribution is 52% of underlying profit after tax and 79% of adjusted funds from operations. The distribution is in line with the Group's policy of distributing between 40% and 60% of underlying profit after tax.

ENVIRONMENTAL REGULATION

The Group undertakes property development in various states in Australia. It is subject to legislation regulating development. Consents, approvals and licences are generally required for all developments, and it is usual for them to be granted subject to conditions. The Group complies with these requirements by ensuring that all necessary consents, approvals and licences are obtained prior to any project being commenced, and consents, approvals and licences are implemented in order to ensure compliance with conditions. To the best of the Directors' knowledge, all projects are being, and have been, undertaken in compliance with these requirements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Commentary on likely developments and expected results of operations of the Group is included in this report under *Review and Results of Operations*.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in an unreasonable prejudice to the Group.

REMUNERATION REPORT

The Remuneration Report set out on pages 22 to 36 provides details of the remuneration and equity holdings of the Directors and Key Management Personnel, including details of options issued or exercised during the financial year, or outstanding at the date of this report, and forms part of the Directors' Report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than the proposed Brookfield Property Group transaction (refer page 6), no matters or circumstances have arisen since the end of the financial year and up until the date of this report, which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITOR

Indemnification

Pursuant to the Constitutions of the Parent and the Responsible Entity, all Directors and Company Secretaries ("Officers"), past and present, have been indemnified against all liabilities allowed under the law. The Parent and the Responsible Entity have also entered into agreements with each of the Directors and Officers to indemnify them against all liabilities to another person that may arise from their positions as officeholders of the Group to the extent permitted by law. The agreements stipulate that the Parent and the Responsible Entity will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

To the extent permitted by law, the Parent and the Responsible Entity have agreed to indemnify their auditor, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Insurance premiums

During the financial year, the Group paid premiums in respect of Directors' and Officers' liability insurance contracts, for the current and former Directors and Officers, including executive officers and secretaries of the Group.

Under the terms of the insurance contracts, disclosure of the extent of the cover and the amount of the premium is prohibited by a confidentiality clause.

NON-AUDIT SERVICES

The Board has considered the services provided during the year by the external auditor and, in accordance with advice provided by the Audit and Risk Committee, is satisfied that the provision of those services during the year is compatible with, and did not compromise, the auditor independence requirements of the Act for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Committee to ensure that they do not impact the integrity and objectivity of the external auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, as they did not involve reviewing or auditing the external auditor's own work, acting in a management capacity for the Group, acting as an advocate for the Group or jointly sharing risks or rewards.

Details of any amounts paid or payable by the Group for non-audit services provided during the year are given in Note 27 to the financial statements.

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

We confirm that we have obtained the Auditor's Independence Declaration, which is set out on page 21.

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 amounts in the Financial Report and the Directors' Report are rounded to the nearest hundred thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

S H Lee
Chairman

G E Grady
Executive Director and Chief Executive Officer

Sydney
28 August 2019

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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 audit of the financial report of Aveo Group Limited and the entities it controlled for the year ended 30 June 2019 and Aveo Group Trust and the entities it controlled for the year ended 30 June 2019, 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 Aveo Group Limited and the entities it controlled during the financial year and Aveo Group Trust and the entities it controlled during the financial year.

Ernst & Young

Chris J Lawton
Partner
28 August 2019

1. INTRODUCTION

The Nomination and Remuneration Committee is pleased to provide the Aveo Group's Remuneration Report for the year ended 30 June 2019, which has been audited in accordance with section 308(3C) of the Corporations Act 2001.

The Committee's primary objective is to provide a remuneration structure that attracts, retains and motivates staff, reflects Aveo's strategic goals, is aligned with securityholder interests, and addresses current market and stakeholder views.

The meaning of defined terms is given in the Dictionary at page 89, which forms part of this report.

1.1 Key Management Personnel defined

The table below shows the name, position and period of employment or directorship for each KMP whose remuneration is disclosed in this report.

Name	Position	KMP 2019	KMP 2018
Non-Executive Directors			
S H Lee	Non-Executive Chairman	Full year	Full year
W L McDonald	Lead Independent Director and Chairman of the Independent Board Committee	Full year[1]	Full year
J E F Frayne	Non-Executive Director	Full year	Full year
E L Lee	Non-Executive Director	Full year	Full year
K W Lo	Non-Executive Director	Full year	Full year
D P J Saw	Non-Executive Director	Full year	Full year
G D Shaw	Non-Executive Alternate Director (for S H Lee and E L Lee)	Full year	Full year
Executive Director			
G E Grady	Executive Director and Chief Executive Officer	Full year	Full year
Other Key Management Personnel			
D A Hunt	Chief Financial Officer	Full year	Full year

1. Mr McDonald was a Non-Executive Director for all of FY19. He was appointed as the Lead Independent Director and the Chairman of the Independent Board Committee on 14 November 2018.

1.2 Actual remuneration received in FY19

The following table provides a summary of remuneration received by KMP (excluding NEDs), for FY19. The figures below are the amounts that each individual received in cash and not the amounts calculated in accordance with Australian Accounting Standards. They contain no allowance for annual or long service leave accrual, nor the STID and Rights expense required to be recognised by Accounting Standard AASB 2 *Share-Based Payment*. Consequently, the figures below may not correspond to those in later sections of this report. Specific details of the FY19 remuneration received by these executives, prepared in accordance with the statutory obligations and accounting standards, are provided on page 36.

	Fixed annual remuneration[1] $	STI[2] $	STID[3] $	LTI[4] $	Other[5] $	Total actual 2019 remuneration $
G E Grady	725,000	377,000	302,519	1,003,109	4,200	2,411,828
D A Hunt	590,000	184,293	164,124	525,939	6,600	1,470,956

1. Fixed annual remuneration includes superannuation benefits together with salary-packaged benefits calculated on a "cost to Aveo" basis, grossed up for fringe benefits tax payable.
2. Reflects FY18 STI paid in cash during the year.
3. Reflects FY17 STID that vested during the year, measured at the Group's closing security price at the date of vesting.
4. Reflects FY16 Performance Rights and the Retention Rights that vested during the year, measured at the Group's closing security price at the date of vesting. It only includes 50% of the Retention Rights, as the remaining 50% is subject to a holding lock.
5. Includes fringe benefits that are not salary-packaged.

2. REMUNERATION FRAMEWORK

2.1 Remuneration governance

The Board has established a Nomination and Remuneration Committee, which is responsible for determining and reviewing remuneration arrangements for Directors and other KMP. The members of the Committee during the year and as at 30 June 2019 are:

- W L McDonald (Chairman);
- J E F Frayne; and
- S H Lee
- K W Lo
- D P J Saw

The Committee is responsible for:

- providing recommendations to the Board with respect to the necessary and desirable competencies of the Board, the appointment, election and re-election of Directors and reviewing Board succession plans to ensure that the Board has the necessary guidance to facilitate appointments to the Board without disruption; and
- ensuring that the remuneration levels for the Group are set at appropriate levels to ensure that the Group has access to the skills and capabilities it needs to operate successfully.

2.2 Remuneration policy

The Group's remuneration policy is to ensure that remuneration packages properly reflect the person's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The structure of remuneration, as explained below, is designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of long-term value creation for securityholders. The remuneration structures take into account a range of factors, including the following:

- the capability, skills and experience of the KMP;
- the ability of KMP to impact achievement of the strategic objectives of the Group;
- the performance of the KMP in their roles;
- the Group's overall performance;
- the remuneration levels being paid by competitors for similar positions; and

- the need to ensure continuity of executive talent and smooth succession planning.

In assessing the performance of an executive, regard is given to a mix of quantitative and qualitative factors in addition to the Group's immediate underlying profit performance. The nature of the Group's activities is such that decisions are constantly being taken that may not generate profit for several years. Examples include the acquisition of land for future development, the process of development itself, and the upgrading of systems and procedures. The likelihood of success of such longer-term projects is considered in establishing measures of executive performance for remuneration purposes.

2.3 Voting and comments made at the Group's 2018 Annual General Meeting

The remuneration report for FY18 was approved at the Group's 2018 Annual General Meeting with more than 83% of votes cast in favour. There were no specific comments made on the report at that meeting.

2.4 External advisers

No remuneration consultant made any remuneration recommendation as defined in the Act in relation to any of the KMP for FY19.

3. LINK BETWEEN REMUNERATION AND PERFORMANCE

Profit, EPS and other key financial performance measures over the last five financial years for the Group are set out below:

	2019	2018	2017	2016	2015
Statutory net profit/(loss) ($m)	(213.4)	365.1	252.8	116.0	58.0
Underlying profit after tax ($m)[1,2]	50.1	127.2	108.4	89.0	54.7
EPS (cents)[3]					
Statutory	(36.9)	63.3	44.2	22.1	11.6
Underlying	8.7	22.0	18.9	17.0	10.9
Dividends/distributions ($m)	26.0	51.9	52.0	43.5	25.8
DPS - ordinary (cents)	4.5	9.0	9.0	8.0	5.0
Total assets ($m)	6,578.2	6,715.6	5,955.1	4,094.5	3,392.8
Net assets ($m)	2,050.3	2,298.1	1,978.7	1,660.4	1,505.6
NTA per security ($)	3.50	3.92	3.37	3.00	2.85
Securities Price ($)					
At year end	1.88	2.43	2.78	3.17	2.58
Change for year	(0.55)	(0.35)	(0.39)	0.59	0.52
Price / earnings ratio[3]	21.6	11.0	14.7	18.6	23.7
Market capitalisation ($m)	1,087.9	1,402.1	1,604.9	1,715.3	1,326.7

1. Underlying profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Group, in accordance with AICD/Finsia principles of recording underlying profit.
2. A reconciliation of UPT for the Group to statutory profit after tax for the 2019 and 2018 financial years is given in the Directors' Report at page 8.
3. Based on underlying profit after tax.

Remuneration component	Link to Group performance
Fixed remuneration	Fixed remuneration is not linked to Group performance. It is set with reference to the individual's role, responsibilities and performance and remuneration levels for similar positions in the market.
Variable remuneration	The current CEO was appointed on 1 July 2013, as the Group was finalising its strategy to focus on its retirement business. In February 2014, the Group publicly committed to the key financial goal of that strategy, being to lift ROA to 6.0% to 6.5% by FY16 and 7.5% to 8.0% by FY18. In 2016, the Board enunciated a financial target of growth in statutory EPS of 6.5% per annum for the period FY17 to FY21. The targets for variable remuneration, comprising STI and LTI, are chosen to align KMP performance with achievement of these key financial goals.
STI	STIs are awarded to individuals based on achievement of financial and other targets in individual balanced scorecards, subject to the Group's profitability and ability to pay STI awards. The Board maintains the right to adjust downwards the aggregate pool available to fund STIs if the Group's actual UEPS is below target. More information on UEPS is given below.
LTI	Equity-based executive remuneration is provided by the issue of Rights. Vesting of Performance Rights is subject to three-year performance hurdles being aggregate UEPS and RTSR. Both these measures reflect the Group's performance as measured by the key financial performance measures shown above. More information on UEPS is given below. RTSR is deemed appropriate because: • it helps to align KMP rewards with securityholder returns; and • the effects of market cycles are minimised because it measures the Group's performance relative to its peers, which are presently considered to be the members of the S&P/ASX 300 A-REIT Index. Vesting of Retention Rights is subject to performance hurdles relating to ROA and ROE. Both these measures reflect the Group's long-term retirement strategy noted above and appropriately align the outcomes of this strategy with the financial interests of securityholders. Vesting of Growth Rights is subject to a performance hurdle relating to growth in statutory EPS. This measure reflects the Group's financial goal for FY17 to FY21 noted above and appropriately aligns the outcomes of this strategy with the financial interests of securityholders. Further details of these Rights are given in Sections 5.6, 5.7 and 5.8.

UEPS is deemed an appropriate performance measure for the granting of STIs and LTIs to senior executives since it is the key target hurdle referenced by the Board in preparing its annual budgets and measuring Group performance. UEPS reflects the Directors' assessment of the result for the ongoing business activities of the Group by excluding non-cash, one-off market related items that are usually out of management's control. The annual UEPS target is determined by the Board having regard to the Group's annual budget. The target could be higher or lower than budget. If the Board decides it is appropriate to provide profit guidance to the market for the forthcoming financial year at the time of release of the Group's results for the previous financial year, the UEPS target is at least as high as this guidance. Where UPT targets are given, they have been adjusted for the effect of security issues and material buybacks, so that target UEPS is unchanged.

Historical and target UEPS was:

	2019 cents	2018 cents	2017 cents	2016 cents	2015 cents
Actual	8.7	22.0	18.9	17.0	10.9
Target	20.4	21.3	18.4	16.4	9.9

Historical actual and target UPT, after adjusting for the effect of material equity issues and buybacks made after the original target was set, so that UEPS targets were unchanged, was:

	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Actual	50.1	127.2	108.4	89.0	54.7
Target[1,2]	117.6	122.2	105.4	85.9	50.4

1. The UPT target for FY17 was increased from the original target of $99.9 million to $105.4 million to reflect the issue of securities in connection with the acquisition of RVG.
2. The UPT target for FY16 was increased from the original target of $84.6 million to $85.9 million to reflect the issue of securities in connection with the acquisition of Freedom.

4. REMUNERATION OF NON-EXECUTIVE DIRECTORS

4.1 Directors' fees

In 2018, securityholders resolved that the maximum aggregate fee pool available to NEDs be increased to $850,000 per year.

Mr S H Lee receives a fee of $176,000 per annum as Non-Executive Chairman.

Mr W L McDonald, as Lead Independent Director and Chairman of the Independent Board Committee, receives a fee of $267,000 per annum (which includes his fee as Chairman of the Nomination and Remuneration Committee). This fee became effective on Mr McDonald's appointment to that position on 16 November 2018. His fees until that date are those set out below.

All other Directors, including Mr McDonald until his appointment as Lead Independent Director and Chairman of the Independent Board Committee, receive a fee of $85,000 per annum inclusive of superannuation. These fees cover all main Board activities. Additionally, members of the Independent Board Committee (other than its Chairman) receive a fee of $2,000 per meeting of that Committee, the Chairs of the Nomination and Remuneration Committee and Audit and Risk Committee receive $12,000 per annum, and the other members of those Committees receive $2,000 per annum. The fee for Mr McDonald in his role as Chairman of the Nomination and Remuneration Committee was subsumed into his fee as Lead Independent Director and Chairman of the Independent Board Committee from the date of his appointment to that role on 16 November 2018.

4.2 Retirement benefits

The Group does not provide any retirement benefits scheme for the NEDs.

4.3 Performance-based remuneration

NEDs do not receive any performance-based remuneration.

4.4 Equity-based remuneration

The Group's DSP was approved at the 2002 Annual General Meeting (*AGM*) and amended at the 2003 and 2004 AGMs. Under the DSP, eligible NEDs can elect to receive their Directors' fees by way of securities in the Group, in lieu of cash, after taking into account any fringe benefits tax payable by the Group. Securities allocated under the DSP can either be issued by the Group or purchased on-market. This plan continues to operate; however, no Directors to date have elected to receive their Directors' fees by way of securities in the Group.

5. REMUNERATION OF OTHER KMP

5.1 Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes salary packaged benefits grossed up for fringe benefits tax payable including motor vehicles, car parking and other specified benefits), as well as employer contributions to superannuation funds.

The Committee reviews remuneration levels periodically.

The total fixed remuneration of the CEO and the CFO is set annually based on role specifications, responsibilities, and performance and remuneration data for 20 comparably sized companies with 10 larger and 10 smaller than the Groups market capitalisation. The comparator group includes comparably sized healthcare and real estate companies under the assumption that they face similar operational challenges to those faced by the Group. However, as there were a small number of comparably sized companies in these sectors, other companies of similar scale have been included from different sectors, including consumer discretionary and industrials.

From 1 July 2018, the TFR for the CEO and the CFO remained unchanged at $725,000 and $590,000 respectively.

5.2 Termination provisions

The following table provides details of the termination provisions for the KMP (excluding NEDs) identified in this report. Contracts are open-ended in nature rather than being fixed term.

Name	Position	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
G E Grady	Chief Executive Officer	6 months	6 months	Board discretion[1]	Board discretion[1]
D A Hunt	Chief Financial Officer	6 months	6 months	Board discretion[1]	Board discretion[1]

1. See Sections 5.5, 5.6, 5.7 and 5.8.

5.3 Target and FY19 achieved mix of remuneration components

Executive remuneration packages include a mix of fixed remuneration, bonuses and equity-based remuneration. The target and achieved remuneration mix for executives for FY19, expressed as a percentage of total remuneration, was:

	TFR	At risk remuneration				Total
		STI	STID[1]	LTI[1,2]	Total	remuneration
	(%)	(%)	(%)	(%)	(%)	(%)
Target mix						
G E Grady	35.0	21.7	21.7	21.6	65.0	100.0
D A Hunt	48.0	17.3	17.3	17.4	52.0	100.0
FY19 achieved						
G E Grady	82.7	-	21.5	(4.2)	17.3	100.0
D A Hunt	89.3	-	13.9	(3.2)	10.7	100.0

1. STID and LTI percentages are calculated based on the annual amortised expense required under Accounting Standard AASB 2 *Share-Based Payment*.
2. LTI excludes the Retention and Growth Rights.

The Committee may exercise its discretion to vary the size of the available performance pool, as well as the target mix of remuneration components, in any given year as appropriate, by reference largely to the financial performance against target earnings and comparative periods.

5.4 Short-term incentives

Under the Group's STIP, the CEO is entitled to receive a short-term incentive of up to 124% of TFR, and the CFO is entitled to receive a short-term incentive of up to 72% of TFR. These annual bonuses are subject to achieving performance hurdles based on the financial and operational performance of the Group, and other priorities specified each year by the Committee. Half of any short-term incentive awarded will be deferred, with the other half payable in cash on or around 31 August each year. Terms of the STID are given in Section 5.5.

Refer to Section 3 *Link between remuneration and performance* above for further details on the correlation between the Group's performance and performance-based payments.

CEO and CFO

STIP awards for FY19 were to be determined as follows:

Performance Criterion	% of STI	
	CEO	CFO
UEPS meets or exceeds target		
Meets or exceeds meets or exceeds 20.4 cps	10	10
Greater than or equal to 20.8 cps	7.5	7.5
Greater than or equal to 21.2 cps	7.5	7.5
	25	25
Group EBITDA exceeds target	10	10
Business units EBITDA exceeds targets	15	15
Ratio of EBITDA to management expenses exceeds target	10	10
Divisional cash flow exceeds targets	15	15
Improvement on net promoter score across all relevant segments	10	-
Review and rationalise Group care offerings to ensure market appeal, consistency and clarity	10	-
Approvals/commencement of Retirement projects (including aged care) in place by 30 June 2019 for delivery in FY20	5	-
Retirement Existing Business property price growth target exceeded[1]	-	2.5
Banking facility targets met	-	15
Other	-	7.5
	100	100

1. The Committee has not disclosed this target given its commercial sensitivity.

The Committee revises performance hurdles annually.

Financial targets and actual results for FY19 were:

Measure	Actual	Target	Target Met or Exceeded
UEPS (cps)			
Greater than or equal to 20.4 cps	8.7	20.4	No
Greater than or equal to 20.8 cps	8.7	20.8	No
Greater than or equal to 21.2 cps	8.7	21.2	No
Group EBITDA ($m)	71.2	154.4	No
Business units EBITDA ($m):			
Retirement	57.2	142.1	No
Non-Retirement	33.2	37.1	No

The Committee assessed the performance of these KMP against their various performance hurdles as follows. Even though non-financial performance hurdles were partially met, the Committee determined that it would be inappropriate to award any STI given the failure to meet any financial performance hurdles:

	UEPS	Group EBITDA	Other Performance Hurdles	Total KPIs Achieved	Total STI Awarded
	%	%	%	%	$
G E Grady	-	-	20%	20%	Nil
D A Hunt	-	-	12.5%	12.5%	Nil

5.5 Deferred short-term incentives

The STID is payable in Securities, which may be sourced either by a new issue or by buying on-market. The Securities will vest on 1 September of the following year, providing only that the executive remains in employment until 31 August of that year. The executive is entitled to dividends and distributions declared during the vesting period.

The CEO's STID is subject to approval by securityholders. If the award is not so approved, it is payable in cash on the Vesting Date.

Subject to the Board's discretion, where Special Circumstances apply, or the KMP ceases employment and is a Good Leaver, all unvested STID held by the employee will remain on foot and will vest in the ordinary course.

In broad terms, if a Change of Control Event occurs, STID Securities will vest immediately.

Details of STID Securities provided as remuneration to KMP during FY19 in relation to FY18, or during FY18 in relation to FY17, are:

Name	Date of grant	Vesting Date	Number granted[1]	Value at grant date	
				Per security	Total
G E Grady[2]	14 Aug 17	1 Sep 18	130,396	$2.78	$362,500
G E Grady[2]	17 Aug 18	1 Sep 19	155,144	$2.43	$377,000
D A Hunt	14 Aug 17	1 Sep 18	70,743	$2.78	$196,666
D A Hunt	17 Aug 18	1 Sep 19	75,841	$2.43	$184,293

1. The number granted was determined by dividing the STID face value by the Group's Securities Price at the end of the relevant financial year.
2. The grant date for Mr Grady is the date of the Committee meeting that approved the grant. These grants are subject to approval by securityholders in general meeting. If not so approved, Mr Grady will receive an equivalent cash award, subject to completing the requisite service period.

5.6 Long-term incentives

The LTIP is designed to align remuneration with the creation of securityholder value over the long-term. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan. No amount is payable for a Right granted under the Plan or on the exercise of a Right.

The number of Performance Rights granted is determined by firstly calculating a face value, being the KMP's target total remuneration times the KMP's target LTI remuneration (as a percentage of total remuneration). Face value is divided by the Securities Price on the 30 June preceding the day that the Committee approves the grant.

Performance Rights vest after three years subject to performance conditions. The Board has imposed two performance conditions, relating to RTSR and earnings as measured by UEPS. The link between these measures and performance is discussed at Section 3 above.

Up to half of Performance Rights granted will vest depending on the level reached by RTSR at the end of the RTSR three-year testing period as follows:

RTSR	Proportion of Rights that may vest
Less than the 50th percentile	Nil
50th percentile	25%
Above 50th percentile but less than or equal to 75th percentile	Pro-rata vesting between 25% and 50%
Higher than 75th percentile	50%

The remaining Performance Rights granted will vest if the aggregate UEPS for the three-year testing period equals or exceeds the aggregate target for that period. Further information on the setting of this target is given in Section 3. There is no pro-rata vesting of Performance Rights under this condition. The Committee considers that this "cliff" vesting is appropriate since the target is cumulative, so that shortfalls against target in one year may be made up in the following year.

Where Special Circumstances apply, or the KMP ceases employment and is a Good Leaver, any Performance Rights issued to the KMP vest pro rata to the elapsed service period, to the extent that the performance conditions, and any other relevant conditions imposed by the Board, are satisfied at the expiry of the testing periods.

In broad terms, if a Change of Control Event occurs, Performance Rights will vest immediately to the extent that the performance conditions attaching to those Rights have been satisfied as determined by the Board.

Securities required on vesting of Performance Rights may be sourced either by a new issue or by buying on-market.

Performance Rights do not carry any entitlement to distributions until they have vested and Securities provided to the holder.

The Plan's rules do not stipulate any limits on the grant of Performance Rights. However, the Board expects to limit Performance Rights awarded under the LTIP in respect of any financial year such that their fair value at grant date is less than or equal to $1.5 million.

Details of Performance Rights provided as remuneration to key management personnel are:

Name	Date of grant	Vesting and exercise date	Expiry date	Number of Rights	Value at grant date[1]	
					Per Right	Total
G E Grady	17 Nov 15	30 Jun 18	30 Sep 18	124,166	$1.93	$239,640
	12 Aug 16	30 Jun 19	30 Sep 19	114,353	$2.14	$244,715
	14 Aug 17	30 Jun 20	30 Sep 20	161,442	$1.31	$211,489
	17 Aug 18	30 Jun 21	30 Sep 21	184,695	$1.20	$221,634
D A Hunt	21 Jul 15	30 Jun 18	30 Sep 18	70,284	$1.75	$122,997
	12 Aug 16	30 Jun 19	30 Sep 19	62,040	$2.14	$132,766
	14 Aug 17	30 Jun 20	30 Sep 20	76,639	$1.31	$100,397
	17 Aug 18	30 Jun 21	30 Sep 21	87,677	$1.20	$105,212

1. The value at grant date is calculated in accordance with AASB 2 *Share-Based Payment.*

Half of the Rights granted during FY16 vested in FY18 because one of the performance conditions was met as follows:

Performance condition	Target	Result
50% of Rights - RTSR over three-year period	≥ 50th percentile	RTSR of -1.2% was the 29th highest of the comparator group and was below the 50th percentile
50% of Rights - Earnings over three-year period		
UEPS	56.1 cps	57.9 cps
UPT	$313.5 million[1,2]	$324.6 million

1. The UPT target for FY16 was increased from the original target of $84.6 million to $85.9 million to reflect the issue of securities in connection with the acquisition of Freedom.
2. The UPT target for FY17 was increased from the original target of $99.9 million to $105.4 million to reflect the issue of securities in connection with the acquisition of RVG

Assessment of vesting of the Rights granted during FY17 has been deferred pending the result of the trust scheme and company scheme of arrangement announced to the ASX on 14 August 2019.

5.7 Long-term retention plan

During FY15, the Committee approved a retention bonus based on a one-off grant of Retention Rights to the CEO and the CFO, which would vest after four years subject to performance conditions relating to ROA and ROE for FY16 and FY18. The rationale for this award and the performance conditions were explained in the Remuneration Report for FY18.

Details of Retention Rights provided as remuneration to KMP are:

Name	Date of grant	Vesting and exercise date	Expiry date	Number of Rights	Value at grant date[2]	
					Per Right	Total
G E Grady	12 Nov 14	1 Jul 18	30 Sep 18	701,439	$0.81	$568,166
D A Hunt	19 Aug 14	1 Jul 18	30 Sep 18	362,590	$0.84	$304,576

1. The number of Rights granted was determined by dividing the awarded value of three and two times TFR by net tangible assets per Security at 30 June 2014 of $2.78.
2. The value at grant date is calculated in accordance with AASB 2 *Share-Based Payment.*

As explained in the FY18 Remuneration Report, all performance conditions were met. The number of Rights that vested on 1 July 2018 consequently was:

Name	Number
G E Grady	701,439
D A Hunt	362,590

After vesting, the Securities resulting from exercise of the Retention Rights are subject to a holding lock as follows:

- up to 50% of Securities may be sold immediately;
- the next 25% of Securities must be held for 12 months before being able to be sold (i.e. 1 July 2019); and
- the final 25% of Securities must be held for two years before being able to be sold (i.e. 1 July 2020).

5.8 Long-term growth plan

In 2016, the Board observed that:

- the market had comfort around the clarity of the existing strategy, which then expired in less than two years' time in FY18, but required further clarity about the Group's strategic and financial targets post FY18, and the ability to meet these targets; and
- clarity around future targets will assist in creating additional securityholder value.

Consequently, the Board decided to enunciate a financial target of growth in statutory EPS of 6.5% for the period FY17 to FY21.

To complement this decision, and to keep the two executive KMP together (the CEO and CFO have complementary skills), the Committee decided on 2 August 2016 to make a further one-off grant of Growth Rights to key management including the CEO and CFO. The Growth Rights awarded to the CEO and CFO have a value of $2,625,000 and $1,750,000 respectively, subject to service and performance conditions.

The number of Growth Rights was determined as the award value divided by a “stretch pricing” of $3.50 per Security compared to the closing market price as at 30 June 2016 of $3.17 per Security. The grant of 750,000 Growth Rights to the CEO was approved by securityholders at the 2018 annual general meeting. The grant of Growth Rights to the CFO was 500,000.

Growth Rights vest on 30 June 2021 subject to a performance condition relating to statutory EPS. The number of securities to be awarded for each Right depends on growth in statutory EPS over the period FY17 to FY21 as follows:

Growth in statutory EPS per annum	Number of Securities awarded for each Right
<5.0%	0
5.0%	0.25
5.5%	0.50
6.0%	0.75
6.5%	1.00
7.0%	1.25
7.5%	1.50
8.0%	1.75
8.5%	2.00
>8.5%	2.00

In calculating statutory EPS to determine if the performance condition has been met, a key input to the valuation of the Group’s Retirement investment properties, being future property price growth, will be held constant.

Whilst designed as an extension of the retention plan under which Retention Rights were awarded to selected management, and which rewards for performance over the FY16 to FY18 period, the growth plan reaches back to FY17 to ensure smooth growth trends as an aid to market confidence.

After vesting, the Securities resulting from exercise of the Growth Rights will not be subject to a holding lock.

If a Change of Control Event occurs, the greater of:

- the number of Securities that would be awarded given actual statutory EPS growth to the date of the event, times the elapsed proportion of the FY17 to FY21 performance period; or
- 50% of the number of Securities that would be awarded if statutory EPS growth to the date of the event was 6.5% per annum

will be awarded, will immediately vest and will not be subject to a holding lock. The Board has the discretion to award a higher number of Securities.

Other conditions of these Growth Rights are the same as those applying to Performance Rights.

Details of Growth Rights provided as remuneration KMP are:

Name	Date of grant	Vesting and exercise date	Expiry date	Number of Rights	Value at grant date[2]	
					Per Right	Total
G E Grady[1]	15 Aug 16	30 Jun 21	30 Sep 21	750,000	$1.13	$847,500
D A Hunt	15 Aug 16	30 Jun 21	30 Sep 21	500,000	$1.13	$565,000

1. The grant of 750,000 Growth Rights to the CEO was approved by securityholders at the 2018 annual general meeting.
2. The value at grant date is calculated in accordance with AASB 2 *Share-Based Payment.*

5.9 KMP equity instrument disclosures

Equity holdings and transactions

The movement during the reporting period in the number of stapled securities of the Group held directly, indirectly or beneficially, by key management personnel, including their personally related entities and close family members, was:

	Balance at the beginning of the year	Purchased	Received on vesting of STID	Received on vesting of Rights[1]		Balance at the end of the year
				Not subject to holding lock	to holding lock	
2019						
Directors						
S H Lee	131,799,915	9,815,305	-	-	-	141,615,220
J E F Frayne	60,624	-	-	-	-	60,624
K W Lo	3,000	-	-	-	-	3,000
Other key management personnel						
G E Grady	859,280	90,000	130,396	412,802	350,720	1,843,198
D A Hunt	423,026	-	70,743	216,436	181,296	891,501
2018						
Directors						
S H Lee	131,799,915	-	-	-	-	131,799,915
J E F Frayne	60,624	-	-	-	-	60,624
K W Lo	-	3,000				3,000
Other key management personnel						
G E Grady	630,294	-	101,056	127,930	-	859,280
D A Hunt	284,664	-	57,203	81,159	-	423,026

1. Includes both Performance Rights and Retention Rights.
2. KMP not mentioned in this table do not or did not hold any stapled securities.

Options and Rights holdings and transactions

The movement during the reporting period in the number of options over ordinary securities of the Group held directly, indirectly or beneficially, by KMP, including their personally related entities and close family members was:

	Balance at the beginning of the year	Granted during the year	Vested during the year[1]	Forfeited/ lapsed during the year	Balance at the end of the year
Performance Rights					
2019					
G E Grady	399,941	184,695	(62,083)	(62,083)	460,470
D A Hunt	208,963	87,677	(35,142)	(35,142)	226,356
2018					
G E Grady	366,449	161,422	(127,930)	-	399,941
D A Hunt	213,483	76,639	(81,159)	-	208,963
Retention Rights					
2019					
G E Grady	701,439	-	(701,439)	-	-
D A Hunt	362,590	-	(362,590)	-	-
2018					
G E Grady	701,439	-	-	-	701,439
D A Hunt	362,590	-	-	-	362,590
Growth Rights					
2019					
G E Grady	750,000	-	-	-	750,000
D A Hunt	500,000	-	-	-	500,000
2018					
G E Grady	750,000	-	-	-	750,000
D A Hunt	500,000	-	-	-	500,000
Total Rights					
2019					
G E Grady	1,851,380	184,695	(763,522)	(62,083)	1,210,470
D A Hunt	1,071,553	87,677	(397,732)	(35,142)	726,356
2018					
G E Grady	1,817,888	161,422	(127,930)	-	1,851,380
D A Hunt	1,076,073	76,639	(81,159)	-	1,071,553
STID					
2019					
G E Grady	130,396	155,144	(130,396)	-	155,144
D A Hunt	70,743	75,841	(70,743)	-	75,841
2018					
G E Grady	101,056	130,396	(101,056)	-	130,396
D A Hunt	57,203	70,743	(57,203)	-	70,743

1. Includes both those subject to a holding lock and those not subject to a holding lock.
2. KMP not mentioned in this table do not hold any options or Rights.

5.10 Other matters

With effect from 1 July 2016, the Group has implemented a Security retention policy for members of the Aveo Senior Staff Incentive Scheme, including the CEO and CFO. The policy forms part of the conditions of all awards of Securities under the STID and LTI schemes. Under this policy, KMP will be required to hold Securities equivalent to 100% of their total fixed remuneration. During the first five years of the retention arrangements (i.e. the five years ended 30 June 2021), officers may in any financial year sell 50% of securities vesting in that year. During this period, officers may also sell securities vested under those schemes that are in excess of the 100% target. After that time, officers may only sell securities vested under those schemes that are in excess of the 100% target.

STI for all employees is limited to 5% of UPT before STI.

The Board retains ultimate discretion regarding the vesting of unvested, awarded grants. Consequently, awarded but unvested STI or LTI may be reduced or forfeited in the event of material misstatement of the Group's financial reports or other circumstances demonstrating that the performance that resulted in the initial grant was not as assessed at the time of the grant.

The Group's Security Trading Policy and the Committee's policy in relation to the hedging of equity-based remuneration prohibit the use of derivative or hedging arrangements by KMP in relation to unvested Securities or vested Securities that are still subject to an Aveo imposed holding lock. Adherence to this policy is monitored on an annual basis and involves each KMP signing an annual declaration of compliance with the hedging policy.

6. REMUNERATION TABLES

6.1 Non-Executive Directors

	Year	Short-term benefits	Post-employment benefits	Total
		Salary and fees	Superannuation	
		$	$	$
S H Lee	**2019**	**162,557**	**15,443**	**178,000**
	2018	162,557	15,443	178,000
W L McDonald	**2019**	**186,758**	**17,742**	**204,500**
	2018	88,585	8,415	97,000
J E F Frayne	**2019**	**99,529**	**9,471**	**109,000**
	2018	90,237	8,763	99,000
E L Lee[1]	**2019**	**87,000**	**-**	**87,000**
	2018	87,000	-	87,000
K W Lo	**2019**	**89,498**	**8,502**	**98,000**
	2018	79,452	7,548	87,000
D P J Saw	**2019**	**88,584**	**8,416**	**97,000**
	2018	77,626	7,374	85,000
Total	**2019**	**713,926**	**59,574**	**773,500**
	2018	585,457	47,543	633,000

1. No compensation was received by Mr E L Lee personally. All compensation paid in exchange for Mr Lee's services was paid to a company within MIB.

NEDs did not receive any other benefits.

6.2 Other KMP

		Short-term employment benefits				Post-employment benefits	Other long-term benefits	Share-based payments		Total	Proportion of remuneration		
	Year	Salary[1]	STI	Accrued annual leave	Non-monetary benefits[2]	Super-annuation	Accrued long service leave	STID	LTI[3]		Performance related	Non-performance related	Consisting of Securities and security options
		$	$		$	$	$	$	$	$	%	%	%
G E Grady	**2019**	**704,469**	**-**	**29,675**	**4,200**	**20,531**	**14,735**	**188,500**	**987,790**	**1,949,900**	**60.3**	**39.7**	**60.3**
	2018	704,951	377,000	7,930	6,236	20,049	13,322	369,750	882,055	2,381,293	68.4	31.6	52.6
D A Hunt	**2019**	**565,000**	**-**	**(6,214)**	**6,600**	**25,000**	**9,537**	**92,147**	**661,873**	**1,353,943**	**55.7**	**44.3**	**55.7**
	2018	565,000	184,293	17,218	9,590	25,000	5,913	190,479	489,895	1,487,388	58.1	41.9	45.7
Total	**2019**	**1,269,469**	**-**	**23,461**	**10,800**	**45,531**	**24,272**	**280,647**	**1,649,663**	**3,303,843**	**58.4**	**41.6**	**58.4**
	2018	1,269,951	561,293	25,148	15,826	45,049	19,235	560,229	1,371,950	3,868,681	64.5	35.5	49.9

1. Includes salary-packaged benefits such as car parking calculated on a "cost to Aveo" basis, grossed up for fringe benefits tax payable.
2. Includes fringe benefits paid to employees that are not salary packaged.
3. Includes Performance Rights, Retention Rights (FY18 only) and Growth Rights. These are required to be expensed by Accounting Standard AASB 2 *Share-Based Payment*, but are subject to performance targets.

	Note	Group		Trust Group	
		2019	2018	2019	2018
		$m	$m	$m	$m
Sale of goods	1	95.8	178.4	-	-
Revenue from rendering of services	1	173.3	241.4	40.6	19.6
Other revenue	1	5.7	5.5	1.7	2.4
Revenue		**274.8**	**425.3**	**42.3**	**22.0**
Cost of sales		(124.1)	(186.9)	-	-
Gross profit		**150.7**	**238.4**	**42.3**	**22.0**
Change in fair value of investment properties	9	(388.1)	322.0	(44.2)	-
Change in fair value of resident loans	7	94.1	(35.5)	-	-
Change in fair value of financial liabilities		2.2	11.1	-	-
Change in fair value of FVTPL assets	18	-	-	28.3	-
Employee expenses		(57.0)	(57.1)	-	-
Marketing expenses		(33.0)	(31.4)	-	-
Occupancy expenses		(3.6)	(3.9)		-
Property expenses		(0.2)	(2.3)	-	-
Administration expenses		(23.9)	(19.1)	-	-
Net gain on business combination		-	1.5	-	6.7
Inventory write-down to net realisable value		(5.6)	-	-	-
Finance costs	2	(18.3)	(4.3)	(3.7)	(1.3)
Other expenses	2	(24.6)	(9.8)	(5.2)	(11.0)
Share of net gain/(loss) of associates and joint ventures accounted for using the equity method		0.1	0.8	-	0.4
(Loss)/profit from continuing operations before income tax		**(307.2)**	**410.4**	**17.5**	**16.8**
Income tax benefit/(expense)	3	86.5	(44.2)	-	(0.2)
(Loss)/profit for the year		**(220.7)**	**366.2**	**17.5**	**16.6**
(Loss)/profit for the year is attributable to:					
Owners of Aveo Group Limited		(230.9)	348.5	-	-
Non-controlling interests - owners of Aveo Group Trust		17.5	16.6	17.5	16.6
Net (loss)/profit after tax attributable to stapled securityholders of the Group		**(213.4)**	**365.1**	**17.5**	**16.6**
Other non-controlling interests		(7.3)	1.1	-	-
		(220.7)	**366.2**	**17.5**	**16.6**
Earnings per Security (cents per Security):					
Basic earnings per stapled security	19	(36.9)	63.3	3.0	2.9
Diluted earnings per stapled security	19	(36.9)	63.3	3.0	2.9

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the year ended 30 June 2019

	Group		Trust Group	
	2019 $m	2018 $m	2019 $m	2018 $m
(Loss)/profit for the year	**(220.7)**	**366.2**	**17.5**	**16.6**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Foreign currency translation differences for foreign operations	(4.4)	4.4	0.2	0.1
Other comprehensive income for the year, net of tax	**(4.4)**	**4.4**	**0.2**	**0.1**
Total comprehensive income for the year	**(225.1)**	**370.6**	**17.7**	**16.7**
Total comprehensive income for the year is attributable to:				
Owners of Aveo Group Limited	(235.3)	352.8	-	-
Non-controlling interest - owners of Aveo Group Trust	17.7	16.7	17.7	16.7
Total comprehensive income for the year attributable to stapled securityholders of the Group	**(217.6)**	**369.5**	**17.7**	**16.7**
Other non-controlling interests	(7.3)	1.1	-	-
	(224.9)	**370.6**	**17.7**	**16.7**

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

CONSOLIDATED BALANCE SHEETS
As at 30 June 2019

	Note	Group 2019 $m	Group 2018 $m	Trust Group 2019 $m	Trust Group 2018 $m
Assets					
Cash and cash equivalents	20	53.3	71.0	0.8	1.5
Receivables and other assets	4	177.8	247.2	65.6	82.2
Inventories	8	81.4	95.2	-	-
Property, plant and equipment	21	143.8	138.5	85.1	86.7
Investment properties	9	6,117.7	6,158.9	422.1	470.7
Investments	18	-	-	67.7	39.4
Intangible assets		3.2	4.8	-	-
Derivative assets	15	1.0	-	-	-
Total assets		**6,578.2**	**6,715.6**	**641.3**	**680.5**
Liabilities					
Payables	5	228.5	238.0	42.4	52.9
Provisions	22	40.5	65.6	26.4	52.4
Interest bearing loans and borrowings	6	787.5	687.7	63.5	59.5
Deferred revenue		329.0	266.8	-	-
Resident loans	7	3,029.8	2,960.6	-	-
Deferred tax liabilities	10	112.6	198.8	-	-
Total liabilities		**4,527.9**	**4,417.5**	**132.3**	**164.8**
NET ASSETS		**2,050.3**	**2,298.1**	**509.0**	**515.7**
Equity					
Contributed equity	11	1,266.0	1,262.2	724.7	723.1
Reserves	23	(10.8)	(4.1)	2.6	2.4
Retained profits/(accumulated losses)	23	262.9	493.8	(219.6)	(211.1)
Total equity attributable to securityholders		**1,518.1**	**1,751.9**	**507.7**	**514.4**
Non-controlling interests					
Aveo Group Trust		507.7	514.4	-	-
Other non-controlling interests		24.5	31.8	1.3	1.3
Total equity attributable to non-controlling interests		**532.2**	**546.2**	**1.3**	**1.3**
TOTAL EQUITY		**2,050.3**	**2,298.1**	**509.0**	**515.7**

The Group has adopted the liquidity basis for presenting its balance sheets. *See page 43 for more detail.*

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

Aveo Group
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2019

	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**
Comprehensive income:								
Profit for the year	23	-	-	348.5	348.5	16.6	1.1	366.2
Other comprehensive income		-	4.4	-	4.4	0.1	-	4.5
Total comprehensive income for the year		**-**	**4.4**	**348.5**	**352.9**	**16.7**	**1.1**	**370.7**
Transactions with owners in their capacity as owners:								
Dividends and distributions provided for	12	-	-	-	-	(51.9)	-	(51.9)
Equity-settled employee benefits	11,23	1.2	1.1	-	2.3	0.6	-	2.9
Acquisition of treasury securities	11	(0.7)	-	-	(0.7)	(0.3)	-	(1.0)
Securities bought back and cancelled	11	(0.9)	-	-	(0.9)	(0.4)	-	(1.3)
Total transactions with owners in their capacity as owners		**(0.4)**	**1.1**	**-**	**0.7**	**(52.0)**	**-**	**(51.3)**
Balance at 30 June 2018		**1,262.2**	**(4.1)**	**493.8**	**1,751.9**	**514.4**	**31.8**	**2,298.1**
Comprehensive income:								
(Loss)/profit for the year	23	-	-	(230.9)	(230.9)	17.5	(7.3)	(220.7)
Other comprehensive income		-	(4.4)	-	(4.4)	0.2	-	(4.2)
Total comprehensive income for the year		**-**	**(4.4)**	**(230.9)**	**(235.3)**	**17.7**	**(7.3)**	**(224.9)**
Transactions with owners in their capacity as owners:								-
Dividends and distributions provided for	12	-	-	-	-	(26.0)	-	(26.0)
Equity-settled employee benefits	11,23	3.9	(2.3)	-	1.6	1.6	-	3.2
Securities bought back and cancelled	11	(0.1)	-	-	(0.1)	-	-	(0.1)
Total transactions with owners in their capacity as owners		**3.8**	**(2.3)**	**-**	**1.5**	**(24.4)**	**-**	**(22.9)**
Balance at 30 June 2019		**1,266.0**	**(10.8)**	**262.9**	**1,518.1**	**507.7**	**24.5**	**2,050.3**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)
For the year ended 30 June 2019

	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**
Comprehensive income:							
Profit for the year	23	-	-	16.6	16.6	-	16.6
Other comprehensive income		-	0.1	-	0.1	-	0.1
Total comprehensive income for the year		**-**	**0.1**	**16.6**	**16.7**	**-**	**16.7**
Transactions with owners in their capacity as owners:							
Dividends and distributions provided for	12	-	-	(51.9)	(51.9)	-	(51.9)
Equity settled employee benefits	11	0.6	-	-	0.6	-	0.6
Acquisition of treasury securities	11	(0.3)	-	-	(0.3)	-	(0.3)
Securities bought back and cancelled	11	(0.4)	-	-	(0.4)	-	(0.4)
Total transactions with owners in their capacity as owners		**(0.1)**	**-**	**(51.9)**	**(52.0)**	**-**	**(52.0)**
Balance at 30 June 2018		**723.1**	**2.4**	**(211.1)**	**514.4**	**1.3**	**515.7**
Comprehensive income:							
Profit for the year	23	-	-	17.5	17.5	-	17.5
Other comprehensive income		-	0.2	-	0.2	-	0.2
Total comprehensive income for the year		**-**	**0.2**	**17.5**	**17.7**	**-**	**17.7**
Transactions with owners in their capacity as owners:							
Dividends and distributions provided for	12	-	-	(26.0)	(26.0)	-	(26.0)
Securities bought back and cancelled	11	-	-	-	-	-	-
Total transactions with owners in their capacity as owners		**1.6**	**-**	**(26.0)**	**(24.4)**	**-**	**(24.4)**
Balance at 30 June 2019		**724.7**	**2.6**	**(219.6)**	**507.7**	**1.3**	**509.0**

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

CONSOLIDATED CASH FLOW STATEMENTS
For the year ended 30 June 2019

	Note	Group		Trust Group	
		2019	2018	2019	2018
		$m	$m	$m	$m
Cash flows from operating activities					
Receipts from customers		445.2	360.6	37.7	15.6
Payments to suppliers and employees		(289.2)	(237.4)	(6.2)	(9.9)
Net receipts and payments		**156.0**	**123.2**	**31.5**	**5.7**
Interest received		0.4	1.4	-	2.4
Finance costs including interest		(22.4)	(22.8)	(0.9)	(1.3)
Dividends and distributions received		0.4	0.2	-	-
GST recovered/(paid)		1.7	0.8	0.5	(0.6)
Net cash flows from operating activities	25(a)	**136.1**	**102.8**	**31.1**	**6.2**
Cash flows from investing activities					
Payments for property, plant and equipment		(8.7)	(31.2)	(0.1)	(35.9)
Payments for intangible assets		(1.0)	(2.3)	-	-
Payments for investment properties		(202.2)	(285.1)	11.6	(106.0)
Proceeds from the sale of investment properties		9.5	218.5	-	-
Proceeds from sale of equity-accounted investments		9.8	5.0	-	-
Payments for acquisition of subsidiaries		-	(2.6)	-	(3.8)
Repayment of loans by related parties		-	-	7.7	197.4
Net cash flows (used in)/from investing activities		**(192.6)**	**(97.7)**	**19.2**	**51.7**
Cash flows from financing activities					
Payments for acquisition of treasury securities and securities bought back		(0.2)	(2.3)	(0.1)	(0.7)
Dividends and distributions paid		(51.9)	(51.9)	(51.9)	(51.9)
Proceeds from borrowings		299.8	539.8	1.5	-
Repayment of borrowings		(208.9)	(466.9)	(0.5)	(3.8)
Net cash flows from/(used in) financing activities		**38.8**	**18.7**	**(51.0)**	**(56.4)**
Net (decrease)/increase in cash and cash equivalents		(17.7)	23.8	(0.7)	1.5
Cash and cash equivalents at the beginning of the year		71.0	47.2	1.5	-
Cash and cash equivalents at the end of the year	20	**53.3**	**71.0**	**0.8**	**1.5**

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

Aveo Group (the "Group") is domiciled and incorporated in Australia. Aveo Group's registered office and 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 and its controlled entities and Aveo Group Trust and its controlled entities. The financial report has been drawn up in accordance with *ASIC Corporations (Stapled Group Reports) Instrument 2015/838* relating to combining accounts under stapling. A list of major subsidiaries is given in Note 17 in Section C. Details of the stapling arrangement are given in Note 29(a) in Appendix 2.

The financial report is presented in Australian dollars, which is Aveo Group Limited's functional and presentation currency.

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 10 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, 12 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.

Notes to the consolidated financial statements

The notes to the consolidated financial statements are set out in the following main sections. Each section or note explains the accounting policies relevant to that section or note. Other significant accounting policies are given in Note 29 in Appendix 2.

The notes include all disclosures that the Group considers material, either quantitatively or qualitatively. In determining materiality, the Group considers whether the inclusion or omission of a disclosure could reasonably be expected to influence the economic decisions that users make based on the financial statements.

SECTION A. HOW THE NUMBERS ARE CALCULATED

This section provides details of those individual items in the financial statements that the Directors consider most relevant in the context of the operations of the Group. It also explains the accounting policies that have been applied to determine these items and how their amounts were affected by significant estimates and judgements. The section includes the following notes:

SECTION A1. PROFIT AND LOSS INFORMATION

1. REVENUE

	Segment[1]	Group 2019 $m	Group 2018 $m	Trust Group 2019 $m	Trust Group 2018 $m
From continuing operations					
Sale of goods					
Land (i)	Non-Ret	89.6	173.6	-	-
Built form	Non-Ret	1.1	4.0	-	-
Commercial	Non-Ret	5.1	0.8	-	-
		95.8	**178.4**	**-**	**-**
Rendering of services (ii)					
Gross deferred management fees and capital gains (iii)					
Cash received	Est Bus	76.9	83.5	-	-
Difference between cash and accruals basis	Est Bus	11.4	75.2	-	-
Accruals basis		88.3	158.7	-	-
Rent received for commercial investment property (iv)					
Foreign retirement communities	Est Bus	16.4	14.7	2.0	4.6
Other	Various	0.8	12.1	38.6	15.0
Village administration fees	Various	13.4	13.5		-
Care services	Care	10.8	6.5		-
Food services	Care	22.7	20.1		-
Government grants (v)	Care	17.3	13.0		-
Other	Various	3.6	2.8		-
		173.3	**241.4**	**40.6**	**19.6**
Other revenue					
Interest received/receivable (vi)	Various	0.4	1.5	1.7	2.4
Other	Various	5.3	4.0	-	-
		5.7	**5.5**	**1.7**	**2.4**

1. "Non-Ret" refers to "Non-Retirement". "Est Bus" refers to "Established Business". "Care" refers to "Care and Support". "Various" is used when multiple segments contribute to the Revenue item. For further detail on Revenue by Segment, refer to Note 13.

(a) Revenue recognition

AASB 15 *Revenue from contracts with customers* 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.

Revenue recognised from contracts with customers, in accordance with AASB 15, represents all the above items with the exception of rent received, government grants, DMF and interest received. The total revenue recognised for the Group from contracts with customers was $151.6 million (2018: $225.3 million) and for the Trust Group was nil (2018: nil).

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

1. REVENUE (continued)

Sale of goods

(i) Revenue from the sale of land and buildings

Revenues from land subdivision are recognised upon settlement of the contract of sale.

Rendering of services

(ii) Rendering of services

Revenue from the rendering of services is recognised when the Group has performed the services concerned and, if only partly performed, by reference to the stage of completion of the transaction at the end of the reporting period.

(iii) Gross deferred management fees and capital gain

DMF revenue on retirement village investment property is earned while the resident occupies the independent living unit or serviced apartment and is recognised as income over the resident's expected tenure. The expected tenure is calculated with reference to historical trends of rollovers within the Group and is 10 years for independent living units and 4 years for serviced apartments. DMF revenue is not discounted to present value, as the income is received by offset against repayment of the existing resident loan on its settlement (see Note 7).

DMF revenue from each resident is amortised over the expected period of tenure of the resident and is calculated by reference to:

- for "entry"-based contracts, the entry market value of the underlying unit; and
- for "exit"-based contracts, the current market value of the underlying unit.

DMF revenue to which the Group is contractually entitled at reporting date is presented in the balance sheet as a deduction from resident loans. The excess of DMF revenue to which the Group is contractually entitled at reporting date, over DMF revenue earned to date by amortisation over the expected period of tenure, is included in deferred revenue in the balance sheet.

DMF revenue is considered to meet the definition of a lease and therefore is within the scope of AASB 117 *Leases*. Management is still assessing DMF revenue in the context of the adoption of AASB 16 *Leases*.

(iv) Gross rental income

Rental income from operating leases is recognised on a straight-line basis over the lease term. Rent not received at balance date is reflected in the balance sheet as a receivable, or if paid in advance, as deferred revenue. Lease incentives granted are recognised over the lease term, on a straight-line basis, as a reduction of rent.

(v) Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

(vi) Interest revenue

Interest revenue is recognised in the income statement as it accrues using the effective interest method.

2. PARTICULAR EXPENSES

	Group		Trust Group	
	2019	2018	2019	2018
	$m	$m	$m	$m
(Loss)/profit from continuing operations before income tax includes the following significant expenses:				
Other Expenses				
Acquisition costs	2.9	0.4	-	-
Depreciation	3.3	2.6	1.2	-
Amortisation	1.4	0.4	-	-
Management fees	1.4	1.4	3.5	10.3
Professional and regulatory services	2.8	2.0	0.5	0.3
Warranty expenses	7.8	0.6	-	-
Other	5.0	2.4	-	0.4
	24.6	9.8	5.2	11.0
Finance costs at amortised cost				
Interest and amortisation of borrowing costs from bank loans and overdraft	39.3	29.9	3.7	1.3
Less: capitalised finance costs	(21.0)	(25.6)	-	-
	18.3	4.3	3.7	1.3

Finance costs have been capitalised during the year as part of the carrying amounts of the following assets:

Inventories - land and development properties held for resale	1.8	8.6	-	-
Investment properties under construction	19.2	17.0	-	-
	21.0	25.6	-	-

Interest was capitalised at a weighted average rate of 4.5% (2018: 4.0%).

3. INCOME TAX EXPENSE

	Group		Trust Group	
	2019	**2018**	**2019**	**2018**
	$m	**$m**	**$m**	**$m**
(a) Income tax (benefit)/expense				
Current income tax				
Current income tax charge	-	0.3	-	0.2
Deferred income tax	-			
Current year movement	(86.5)	43.9		-
Under provisions	-	-	-	-
Income tax (benefit)/expense reported in the income statement	**(86.5)**	**44.2**	**-**	**0.2**

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

	Group 2019 $m	Group 2018 $m	Trust Group 2019 $m	Trust Group 2018 $m
Accounting (loss)/profit before income tax	(307.2)	410.4	17.5	16.8
Income tax at the Australian tax rate of 30% (2018: 30%)	(92.2)	123.1	5.3	5.0
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income				
Non-assessable Trust Group income	3.2	(5.0)	(5.3)	(5.0)
Unrecognised temporal differences added to/(utilised) during the year	2.3	(46.6)	-	-
Benefit of previously unrecognised capital losses utilised during the year	-	(29.8)	-	-
Other	0.2	2.5	-	0.2
	(86.5)	44.2	-	0.2
Income tax (benefit)/expense	**(86.5)**	**44.2**	**-**	**0.2**

(c) Accounting for current income tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

(i) Trust taxation

Under current tax legislation, the Trust is not liable for income tax, provided its unitholders are presently entitled to its income. Any tax allowances for building and plant and equipment are distributed to unitholders in the form of a tax-deferred component of distributions.

Tax losses and realised capital losses are not distributed to unitholders but are carried forward in the Property Trust to be offset against future taxable income and capital gains of the Trust.

The accounting profit of the Trust includes $28.3 million related to the fair value of the Trust's investment in RVG. This adjustment eliminates on consolidation, as RVG is 100% held by the Group. The non-assessable Trust Group loss on a consolidated level reflects this elimination.

SECTION A2. FINANCIAL ASSETS AND LIABILITIES

4. RECEIVABLES AND OTHER ASSETS

	Group		Trust Group	
	2019	2018	2019	2018
	$m	$m	$m	$m
Trade receivables	128.0	195.3	0.9	1.9
Other receivables	26.5	32.1	-	-
Prepayments and other assets	27.1	23.6	4.0	3.5
Allowance for impairment	(3.8)	(3.8)	-	-
	177.8	247.2	4.9	5.4
Due from Parent - interest bearing[1]	-	-	60.7	76.8
	177.8	247.2	65.6	82.2
Expected to be recovered:				
No more than twelve months after the reporting date	108.2	195.4	0.5	4.3
More than twelve months after the reporting date	69.6	51.8	65.1	77.9

1. For terms and conditions relating to receivables due from the Parent, refer to note 26(b).

(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. AASB 9 *Financial Instruments* 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 has adopted the simplified approach for trade receivables and contract assets that do not contain a significant financing component. For other receivables, 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.

(b) Fair value and credit risk

The maximum exposure to credit risk is the fair value of receivables, except for receivables secured by first registered mortgage. The fair values of trade and other receivables approximate their carrying amounts.

5. PAYABLES

	Group		Trust Group	
	2019	2018	2019	2018
	$m	$m	$m	$m
Trade accounts payable	20.8	34.1	1.5	-
Interest payable	8.2	0.4	-	-
Payment for Freedom acquisition	2.9	7.1	-	-
Payment for development land acquired	50.5	54.7	-	1.9
Payable to Parent	-	-	15.1	25.2
Refundable accommodation bonds	64.3	37.0	-	-
Other payables	81.8	104.7	25.8	25.8
	228.5	**238.0**	**42.4**	**52.9**
Expected to be settled:				
No more than twelve months after the reporting date	177.9	179.8	42.4	51.0
More than twelve months after the reporting date	50.6	58.2	-	1.9

5. PAYABLES (continued)

(a) Accounting for trade and other payables

Trade and other payables are carried at amortised cost, with the exception of deferred consideration, which is carried at fair value. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

The Group has acquired land for retirement development on deferred payment terms. The carrying amount of the deferred payment for the land has been calculated as the present value of anticipated future payments.

6. INTEREST BEARING LOANS AND BORROWINGS

	Group		Trust Group	
	2019	2018	2019	2018
	$m	$m	$m	$m
Secured				
Bank loans (note 6b)	787.1	686.9	35.2	33.1
Lease liability	-	-	28.3	26.4
Other loans	0.4	0.8	-	-
	787.5	**687.7**	**63.5**	**59.5**
Expected to be settled:				
No more than twelve months after the reporting date	154.4	102.1	-	-
More than twelve months after the reporting date	633.1	585.6	63.5	59.5

(a) Accounting for interest bearing loans and borrowings

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period to get ready for its intended use or sale) are capitalised as part of the cost of that asset. For non-specific borrowings, borrowing costs are capitalised using a weighted average capitalisation rate. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

6. INTEREST BEARING LOANS AND BORROWINGS (continued)

(b) Bank loans

The weighted average interest rate including margin and line fees on all bank loans (including both drawn and undrawn amounts) at 30 June 2019 was 3.8% (2018: 4.3%).

On 6 August 2018, the Group's syndicated facility limit was 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 secured a new loan with a facility limit of $57.6 million and a maturity date of 21 December 2019. This facility is denominated in USD. The Group entered into a forward contract of $20 million USD to serve as a natural hedge for foreign currency risk related to this loan. The Group does not apply hedge accounting in relation to the derivative.

(c) Financing arrangements

The Group has access to the following lines of credit:

	Group		Trust Group	
	2019	2018	2019	2018
	$m	$m	$m	$m
Total facilities available				
Bank loans (including bank overdraft)	787.6	705.1	35.8	33.1
Bank guarantee and insurance bond facilities	60.1	60.1	-	-
	847.7	765.2	35.8	33.1
Facilities utilised at balance date				
Bank loans (including bank overdraft)	787.1	686.9	35.8	33.1
Bank guarantee and insurance bond facilities	35.5	36.5	-	-
	822.6	723.4	35.8	33.1
Facilities not utilised at balance date				
Bank loans (including bank overdraft)	0.5	18.2	-	-
Bank guarantee and insurance bond facilities	24.6	23.6	-	-
	25.1	41.8	-	-

(d) Restrictions as to use or withdrawal

The facilities are subject to the Group complying with covenants concerning such matters as minimum interest times cover, maximum loan-to-value ratio and gearing ratio (see Note 16).

(e) Assets pledged as security

In accordance with the security arrangements of the bank loans, all current and non-current assets of the Group are secured by floating charge. Those assets that are also secured by mortgage are:

	Group		Trust Group	
	2019	2018	2019	2018
	$m	$m	$m	$m
Inventories	81.4	95.2	-	-
Investment properties	6,117.6	6,158.9	422.1	470.7
	6,199.0	6,254.1	422.1	470.7

(f) Defaults and breaches

During the current and prior year, there were no defaults or breaches on any of the loans.

7. 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 12 months after reporting date are:

	Group	
	2019	2018
	$m	$m
Expected to be settled:		
No more than twelve months after the reporting date	167.3	111.5
More than twelve months after the reporting date	2,862.5	2,849.1
	3,029.8	2,960.6

If residents do vacate their units as anticipated in the next 12 months, the Group expects that new loans of $240.2 million (2018: $268.0 million) would be received from residents who would occupy the newly vacated units.

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

	Group	
	2019	2018
	$m	$m
Opening balance	2,960.6	2,797.7
Items recognised in profit or loss:		
Deferred management fees	(88.3)	(158.7)
Change in fair value of resident loans	(94.1)	35.5
Net cash receipts on resident departures and arrivals	251.6	286.1
Closing balance	3,029.8	2,960.6

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 $4,387.0 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 9. If the value used for this input was 5% higher, the fair value of these loans would be $110.5million higher (2018: $105.6 million higher), and if the input was 5% lower, the fair value of these loans would be $131.2 million lower (2018: $115.5 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 15(e).

A critical accounting judgement affecting resident loans is discussed at Note 9(b).

SECTION A3. NON-FINANCIAL ASSETS AND LIABILITIES

8. INVENTORIES

	Group		Trust Group	
	2019	2018	2019	2018
	$m	$m	$m	$m
Residential communities				
Cost of land acquisition	80.9	89.5	-	-
Development and other costs	21.9	21.5	-	-
Interest capitalised	43.4	45.2	-	-
Impairment provision	(85.6)	(87.3)	-	-
	60.6	68.9	-	-
Commercial				
Cost of land acquisition	10.2	9.9	-	-
Development and other costs	7.4	10.1	-	-
Interest capitalised	10.9	13.3	-	-
Impairment provision	(7.7)	(7.0)	-	-
	20.8	26.3	-	-
	81.4	**95.2**	**-**	**-**
Expected to be recovered:				
No more than twelve months after the reporting date	69.3	95.2	-	-
More than twelve months after the reporting date	12.1	-	-	-

(a) Accounting for inventories

Inventories are carried at the lower of cost and net realisable value.

Cost includes the costs of acquisition, development and holding costs such as borrowing costs, rates and taxes. Borrowing costs are capitalised where the development is regarded as a qualifying asset. Holding costs incurred after completion of development are expensed.

Net realisable value is determined based on sales for each class of inventory in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write-down of inventories to net realisable value is recognised as an expense in the income statement. The amount of any reversal of write-down of inventory arising from a change in the circumstances that gave rise to the original write-down is recognised as a reduction in the impairment of inventories in the balance sheet and recognised as a reduction of expense in the income statement.

(b) Inventory pledged as security

Inventory is pledged as first mortgage or floating charge security for bank loans. Details are given in Note 6(e).

9. INVESTMENT PROPERTIES

	Group		Trust Group	
	2019	2018	2019	2018
	$m	$m	$m	$m
At fair value				
Balance at the beginning of the year	6,158.9	5,505.5	470.7	307.0
Acquisition of subsidiaries	-	53.2	-	53.2
Capitalised subsequent expenditure	351.3	497.0	-	110.5
Capitalised tenant incentives	-	0.7	-	-
Amortisation of tenant incentives	-	(1.2)	-	-
Straight-line lease revenue recognition	-	0.2	-	-
Change in fair value of investment properties	(388.1)	322.0	(44.2)	-
Disposals	-	(218.5)	-	-
Foreign currency translation	(4.4)	-	(4.4)	-
Balance at the end of the year	**6,117.7**	**6,158.9**	**422.1**	**470.7**
Comprising:				
Retirement investment property	6,117.7	6,158.9	422.1	470.7
	6,117.7	**6,158.9**	**422.1**	**470.7**

(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 inputs including resident entry dates, entry prices, 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 benchmarked against independent values every three years. Management 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. The Audit and Risk Committee has the benefit of an independent review of management's estimates.

9. INVESTMENT PROPERTIES (continued)

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 12.50% to 15.50% (2018: 12.5% to 15.25%);
- the aggregate current market value of the individual retirement units of $5,137.2 million (2018: $5,061.3 million);
- first year property price growth was reduced to 0% (2018: 1.75%);
- ILU and Freedom SA property price growth rates of 3.0% to 3.5% in the medium term and 3.5% to 3.75% in the long term (2018: 3.5% to 4.0% in the medium term and 3.5% to 4.25% in the long term);
- other SA property price growth rates of 2.0% to 2.5% in the medium term and 2.5% in the long term (2018: 3.5% to 4.0% in the medium term and 3.5% to 4.25% in the long term);
- long-term property price growth has been adjusted downwards to reflect the current market outlook on the 20-year average growth rate of 3.38% (2018: 3.96%); and
- average tenure period after first resident departure of 10.5 years for ILU, and 4.5 years for Freedom SA and 4.8 years for other SA (2018: ILU: 10.5 years, Freedom and other SA: 4.5 years). The half year relates to the six-month buyback period for both ILUs and SAs.

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 15(e).

A critical accounting judgement affecting retirement investment properties is whether the performance obligations in relation to the underlying retirement unit have been satisfied and control has passed to the resident. 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 rights to control 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. INVESTMENT PROPERTIES (continued)

(c) Valuation reconciliation

Valuations are reconciled to the investment properties carrying amount as follows:

	Group 2019 $m	Group 2018 $m	Trust Group 2019 $m	Trust Group 2018 $m
Carrying amount of investment properties	6,117.7	6,158.9	422.1	470.7
Less:				
Resident loans	(3,029.8)	(2,960.6)	-	-
Deferred revenue	(326.0)	(266.8)	-	-
Deferred payment for development land	(50.4)	(54.7)	(2.9)	(1.9)
Valuation	**2,711.5**	**2,876.8**	**419.2**	**468.8**
Comprising:				
Retirement (domestic):				
Net present value of annuity streams - units sold or leased	1,797.2	1,991.9	-	-
Leased to subsidiaries of the parent	-	-	272.0	261.0
New units available for first occupancy	423.8	346.8	-	-
Operating buyback units	159.8	118.6	-	-
Minor developments units	74.6	76.9	-	-
Under construction	206.8	285.1	97.9	150.3
	2,662.2	2,819.3	369.9	411.3
Retirement (foreign)	49.3	57.5	49.3	57.5
	2,711.5	**2,876.8**	**419.2**	**468.8**

10. DEFERRED TAX ASSETS AND LIABILITIES

	Group 2019 $m	Group 2018 $m	Trust Group 2019 $m	Trust Group 2018 $m
(a) Deferred tax assets				
The balance comprises temporary differences attributable to:				
Amounts recognised in the income statement				
Difference between tax base and carrying amount of fixed assets and inventories	18.1	10.1	-	-
Tax losses	446.6	401.2	-	-
Deferred revenue	28.8	32.9	-	-
Other	9.1	16.3	-	-
Deferred tax assets	**502.6**	**460.5**	**-**	**-**
Less: amounts set off against deferred tax liabilities	(502.6)	(460.5)	-	-
Net deferred tax assets	**-**	**-**	**-**	**-**
Movements				
Balance at the beginning of the year	460.5	441.7	-	-
Changes in fixed assets and inventories recognised for accounting but not yet deductible for tax	8.0	(4.2)	-	-
Tax losses	45.4	29.5	-	-
Deferred revenue	(4.1)	(10.8)	-	-
Other	(7.2)	4.3	-	-
Balance at the end of the year	**502.6**	**460.5**	**-**	**-**
Less: amounts set off against deferred tax liabilities	(502.6)	(460.5)	-	-
Net deferred tax assets	**-**	**-**	**-**	**-**

10. DEFERRED TAX ASSETS AND LIABILITIES (continued)

(b) Deferred tax liabilities

	Group		Trust Group	
	2019 $m	2018 $m	2019 $m	2018 $m
The balance comprises temporary differences attributable to:				
Amounts recognised in the income statement				
Accrued income	1.1	1.1	-	-
Fair value of investment properties	545.2	613.0	-	-
Fair value of resident loans	62.0	38.6	-	-
Other	6.9	6.6	-	-
Deferred tax liabilities	**615.2**	**659.3**	**-**	**-**
Less: amounts set off against deferred tax assets	(502.6)	(460.5)	-	-
Net deferred tax liabilities	**112.6**	**198.8**	**-**	**-**
Movements				
Balance at the beginning of the year	659.3	596.7	-	-
Fair value of investment properties	(67.8)	13.2	-	-
Fair value of resident loans	23.4	39.1	-	-
Other	0.3	10.3	-	-
Balance at the end of the year	**615.2**	**659.3**	**-**	**-**
Less: amounts set off from deferred tax assets	(502.6)	(460.5)	-	-
Net deferred tax liabilities	**112.6**	**198.8**	**-**	**-**

(c) Tax losses

	Group		Trust Group	
	2019 $m	2018 $m	2019 $m	2018 $m
Unused losses for which no deferred tax asset has been recognised	265.9	258.8	-	-
Potential tax benefit at Australian tax rate of 30% (2018: 30%)	79.8	77.6	-	-

These mainly comprise Australian capital losses.

(d) Accounting for deferred tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences. However, such liabilities are not recognised when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

10. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised. However, such assets are not recognised when the deductible temporary difference is associated with investments in subsidiaries, associates or joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

SECTION A4. EQUITY

11. CONTRIBUTED EQUITY

	Aveo Group Limited		Aveo Group Trust	
	2019	2018	2019	2018
	Number of stapled securities		Number of stapled securities	
Issued capital				
Ordinary securities fully paid	580,737,672	580,837,672	580,737,672	580,837,672
Treasury securities	(2,086,705)	(3,846,319)	(2,086,705)	(3,846,319)
	578,650,967	**576,991,353**	**578,650,967**	**576,991,353**
Movements in securities on issue				
Ordinary securities fully paid				
Balance at the beginning of the year	580,837,672	581,337,672	580,837,672	581,337,672
Securities bought back and cancelled	(100,000)	(500,000)	(100,000)	(500,000)
Ordinary securities fully paid	580,737,672	580,837,672	580,737,672	580,837,672
Treasury securities				
Balance at the beginning of the year	(3,846,319)	(4,043,966)	(3,846,319)	(4,043,966)
Acquisition of treasury securities	-	(400,000)	-	(400,000)
Vesting of employee incentive securities	1,759,614	597,647	1,759,614	597,647
Balance at the end of the year	(2,086,705)	(3,846,319)	(2,086,705)	(3,846,319)

	Attributable to the shareholders of Aveo Group Limited		Attributable to the securityholders of Aveo Group Trust	
	2019	2018	2019	2018
	$m	$m	$m	$m
Movements in contributed equity				
Balance at the beginning of the year	1,262.2	1,262.6	723.1	723.2
Acquisition of treasury securities	-	(0.7)	-	(0.3)
Securities bought back and cancelled	(0.1)	(0.9)	-	(0.4)
Vesting of employee incentive securities	3.9	1.2	1.6	0.6
Balance at the end of the year	**1,266.0**	**1,262.2**	**724.7**	**723.1**

(a) Accounting for contributed equity

Incremental costs directly attributable to the issue of ordinary securities and security options are shown in equity as a deduction, net of tax, from the proceeds.

(b) Terms and conditions

Holders of ordinary securities are entitled to receive dividends and distributions as declared from time to time and are entitled to one vote per security at securityholders' meetings. In the event of winding-up of the Parent, ordinary securityholders rank equally with all other securityholders and unsecured creditors and are fully entitled to any proceeds of liquidation.

12. 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 %
2019					
Dividends and distributions recognised in the current year:					
Final 2019 distribution	4.5	26.0	30 September 2019	-	-
	4.5	**26.0**		-	-
Comprising:					
Aveo Group Limited	-	-		-	-
Aveo Group Trust	4.5	26.0		-	-
	4.5	26.0			
2018					
Dividends and distributions recognised in the prior year:					
Final 2018 distribution	9.0	51.9	29 September 2018	-	-
	9.0	**51.9**			
Comprising:					
Aveo Group Limited	-	-		-	-
Aveo Group Trust	9.0	51.9		-	-
	9.0	51.9			

	Group 2019 $m	Group 2018 $m	Trust Group 2019 $m	Trust Group 2018 $m
Dividend franking account				
Balance of the 30% franking credits at year end	8.2	7.9	-	-

The above available amounts are based on the balance of the dividend franking account at reporting date adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax;
- franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
- franking credits that will arise from the receipt of dividends recognised at the year-end; and
- franking credits that the Parent may be prevented from distributing in subsequent years.

SECTION A5. SEGMENT INFORMATION

13. SEGMENT INFORMATION

An operating segment is a component of the Group that:

- engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

The Group also considers other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board.

Operating segments are identified based on internal reports that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance.

(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 UPT, is the primary measure used to assess segment performance.

13. 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				Non-	Total	Non-	Group
	Established Business	Development	Care & Support	Total	Retirement	reportable segments	allocated items[1]	
	$m	$m	$m	$m		$m	$m	$m
2019								
Segment revenue								
Revenue from outside the Group[2]	125.8	-	53.2	179.0	95.8	274.8	-	274.8
Total segment revenue	**125.8**	**-**	**53.2**	**179.0**	**95.8**	**274.8**	**-**	**274.8**
Segment result								
Segment EBITDA	47.5	11.1	(1.4)	57.2	33.2	90.4	(19.2)	71.2
Change in fair value of investment properties[3]	(277.6)	(72.6)	0.1	(350.1)	-	(350.1)	-	(350.1)
Sale of Gasworks	-	-	-	-	9.4	9.4	-	9.4
Inventory write-down to net realisable value				-	(5.6)	(5.6)	-	(5.6)
Other	2.2	2.3	-	4.5	(7.0)	(2.5)	(6.6)	(9.1)
Statutory EBITDA	(227.9)	(59.2)	(1.3)	(288.4)	30.0	(258.4)	(25.8)	(284.2)
Depreciation and amortisation	(1.0)	(0.1)	(2.8)	(3.9)	-	(3.9)	(0.8)	(4.7)
Net interest expense	-	-	-	-	-	-	(18.3)	(18.3)
Net loss from continuing operations before income tax	(228.9)	(59.3)	(4.1)	(292.3)	30.0	(262.3)	(44.9)	**(307.2)**
Income tax benefit								86.5
Net loss after income tax								**(220.7)**

1. Includes unallocated Corporate Services.
2. Segment revenue represents an aggregation of revenue from sales 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.

13. SEGMENT INFORMATION (continued)

	Retirement				Non-	Total	Non-	Group
	Established Business	Development	Care & Support	Total	Retirement	reportable segments	allocated items[1]	
	$m	$m	$m	$m		$m	$m	$m
2018								
Segment revenue								
Revenue from outside the Group[2]	192.9	0.2	41.7	234.8	190.5	425.3	-	425.3
Total segment revenue	**192.9**	**0.2**	**41.7**	**234.8**	**190.5**	**425.3**	**-**	**425.3**
Segment result								
Segment EBITDA	61.1	79.0	0.8	140.9	50.5	191.4	(21.5)	169.9
Change in fair value of investment properties[3]	203.5	-	-	203.5	-	203.5	-	203.5
Change in fair value of deferred consideration								
Sale of Gasworks	-	-	-	-	33.6	33.6		33.6
Other	12.6	-	-	12.6	(1.9)	10.7	-	10.7
Statutory EBITDA	277.2	79.0	0.8	357.0	82.2	439.2	(21.5)	417.7
Depreciation and amortisation	(0.5)	(0.1)	(1.7)	(2.3)	-	(2.3)	(0.7)	(3.0)
Net interest expense	-	-	-	-	-	-	(4.3)	(4.3)
Net profit from continuing operations before income tax	276.7	78.9	(0.9)	354.7	82.2	436.9	(26.5)	**410.4**
Income tax expense								(44.2)
Net profit after income tax								**366.2**

1. Includes unallocated Corporate Services.
2. Segment revenue represents an aggregation of revenue from sales 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 is 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.

SECTION B. RISK MANAGEMENT

This section discusses the Group's exposure to various financial risks, and explains how these affect the Group's financial position and performance and what the Group does to manage these risks. It includes the following notes:

14. CRITICAL ESTIMATES AND JUDGEMENTS

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

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Estimates and assumptions

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 include:

(i) Estimates of net realisable value of inventories

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise and the estimate of costs to complete. Refer to Note 8 for further details.

(ii) Investment properties

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. Details of the investment properties and the key assumptions made in estimating fair value are given in Note 9. The assumptions in this valuation influence amounts recognised for DMF.

(iii) Resident loans

Resident loans are also measured at fair value, being the amount payable on demand, 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. Details of the resident loans and the key assumptions made in estimating fair value are given in Note 7. The assumptions in this valuation influence amounts recognised for DMF.

(b) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the Group makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the consolidated financial statements. These include whether all the performance obligations and control of the Retirement unit assets have been substantially transferred to the occupier (see Note 9).

15. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, bank loans, resident loans, financial assets and liabilities at fair value through profit or loss, finance leases, and cash and short-term deposits.

The Group has in place a Treasury and Risk Management Policy, which focuses on the following main financial risks: interest rate risk, foreign currency risk, liquidity risk and credit risk. The Board has ultimate responsibility for the financial risk management process for the Group. The Board reviews and approves the Policy, the approach to the management of financial risks and where appropriate, variations from these policies. The Board also reviews compliance with the Policy at its monthly meetings as appropriate.

Day-to-day responsibility for the monitoring of financial risk exposure, market movements and the development of an appropriate response, rests with the CFO.

The Group's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the Group's financial performance. The Group uses different methods to measure and mitigate the different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessing market forecasts for interest rate and foreign exchange prices. Ageing analysis and monitoring of specific credit exposures are undertaken to manage credit risk.

(a) Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments or cash flows associated with instruments will fluctuate due to changes in market interest rates, resulting in an adverse impact on financial performance. The Group's exposure to market interest rates relates primarily to the Group's borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group manages this risk exposure by using a range of financial instruments to hedge against changes in interest rates and maintain a mix of fixed and variable debt. The level of debt is disclosed in Note 6.

The Group presently has no interest rate hedges. Consequently, at 30 June 2019, none (2018: none) of the Group's drawn debt denominated in Australian dollars was at a fixed rate of interest. Debt denominated in United States dollars carries a fixed interest rate.

The impact of an increase or decrease in average interest rates of 0.75% (75 basis points) at reporting date, with all other variables held constant, is shown in the table below. This level of sensitivity was considered reasonable given the current level of both short-term and long-term Australian interest rates. The analysis is based on the interest rate risk exposures in existence at reporting date. As the Group has no derivatives that meet the documentation requirements to qualify for hedge accounting, there would be no impact on equity apart from the effect on profit.

	Change in net interest expense higher/(lower)		Change in fair value of derivatives higher/(lower)	
	2019 $m	2018 $m	2019 $m	2018 $m
Consolidated Group				
+0.75% (75 basis points)	5.5	4.1	-	-
-0.75% (75 basis points)	(5.5)	(4.1)	-	-
Consolidated Property Trust				
+0.75% (75 basis points)	0.5	(0.6)	-	-
-0.75% (75 basis points)	(0.5)	0.6	-	-

15. FINANCIAL RISK MANAGEMENT (continued)

(b) Foreign currency risk

Foreign currency risk arises as a result of having assets denominated in a currency that is not the Group's functional currency (balance sheet risk) or from transactions or cash flows denominated in a foreign currency (cash flow risk).

Balance sheet risk can affect net tangible assets whereas cash flow risk is more likely to affect potential equity distributions or other cash requirements such as the repayment of debt.

The Group has a significant concentration of foreign exchange risk associated with the long-term debt facility, denominated in USD. The Group has taken out a forward contract, with a life of less than one year, to manage this risk as outlined in Note 15(d). The Group has not adopted hedge accounting.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet contractual obligations, with the maximum exposure being equal to the carrying amount of these instruments. Credit risk arises from the financial assets of the Group, which may include cash and cash equivalents, trade and other receivables, financial assets at fair value through profit or loss and derivative financial instruments.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored. For third parties with extended term debt, credit checks are obtained and, in some instances, the receivable is secured by registered mortgage.

In addition, receivable balances are monitored regularly with the intention that the Group's exposure to bad debts is minimised.

The Group's cash management policy is to maintain cash in a highly liquid and low risk portfolio with investments made in high quality, short-term money market instruments to ensure the preservation of capital at all times.

The granting of financial guarantees also exposes the Group to credit risk, being the maximum amount that would have to be paid if the guarantee is called on. As the amounts payable under the guarantees are not significantly greater than the original liabilities, this risk is not material.

The Group manages concentrations of credit risk by limiting the maximum exposure to any one financial institution, which varies according to its credit rating.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's objective is to achieve continuity of funding and flexibility, due to the dynamic nature of the underlying business, using bank overdrafts, bank loans, finance leases and committed available credit lines, in addition to other sources of funds.

The Group regularly reviews existing funding lines and assesses future requirements based upon known and forecast information provided by each of the business units. This assists flexibility by matching profiles of short-term investments with cash flow requirements and assists in timing the negotiation of credit facilities. Cash forecasts are prepared for review by the CFO and for presentation to the Board as appropriate. In order to ensure that the Group is able to meet short-term commitments (i.e. less than 12 months) and has sufficient time to plan and fund longer-term commitments, forward commitment tests must be satisfied unless exemptions are approved by the Board.

15. FINANCIAL RISK MANAGEMENT (continued)

Management monitors the maturity and amortisation profile of all debt facilities on a regular basis and reports these to the Board. The CFO presents a refinancing plan for the approval of the Board well in advance of material debt facilities maturity.

The current weighted average debt maturity is 2.3 years (2018: 2.1 years).

The Group 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

A subsidiary, Aveo Healthcare Limited, 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 natural 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. All banking covenants have been met.

The table below reflects the contractual maturity of the Group's financial liabilities. It shows the undiscounted cash flows, including interest and fees, required to discharge the liabilities. Cash flows for financial liabilities without fixed amount or timing are based on conditions existing at 30 June 2019.

	≤ 1 year $m	1-2 years $m	2-5 years $m	> 5 years $m	Total $m
2019					
Group					
Payables	177.9	9.0	22.2	43.2	252.3
Resident loans[1]	3,029.8	-	-	-	3,029.8
Bank loans	188.1	26.7	604.1	35.8	854.7
Other loans	0.2	0.2	-	-	0.4
	3,395.9	**35.9**	**626.3**	**79.0**	**4,137.1**
Trust Group					
Payables	42.4	-	-	-	42.4
	42.4	**-**	**-**	**-**	**42.4**
2018					
Group					
Payables	179.8	11.7	25.4	34.0	250.9
Resident loans[1]	2,960.6	-	-	-	2,960.6
Bank loans	129.9	54.6	527.6	33.7	745.8
Other loans	2.2	0.2	0.2	-	2.6
	3,272.5	**66.5**	**553.2**	**67.7**	**3,959.9**
Trust Group					
Payables	51.0	1.9	-	-	52.9
	51.0	**1.9**	**-**	**-**	**52.9**

1. Resident loans are classified as having a contractual maturity of up to one year because the Group does not have an unconditional right to defer settlement of resident loans for at least 12 months after the reporting period. In practice, 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 Group's best estimate is that, of the total resident loans of $3,029.8m million (2018: $2,960.6 million), only $167.3 million (2018: $111.5 million) is expected to become payable within the next 12 months. If residents do vacate their units as anticipated in the next 12 months, the Group expects that new loans of $240.2 million (2018: $268.0 million) would be received from residents who would occupy the newly vacated units.

15. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value

All financial instruments carried at fair value may be grouped into three categories, defined as follows:

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.

As at reporting date, the Group held the following financial instruments measured at fair value:

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
2019				
Group				
Financial assets				
Forward exchange contract (USD)	-	1.0	-	1.0
	-	**1.0**	**-**	**1.0**
Financial liabilities				
Resident loan obligations at fair value through profit or loss	-	-	3,029.8	3,029.8
	-	**-**	**3,029.8**	**3,029.8**
2018				
Group				
Financial assets				
Financial liabilities				
Resident loan obligations at fair value through profit or loss	-	-	2,960.6	2,960.6
	-	**-**	**2,960.6**	**2,960.6**

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 in line with disclosure made in Note 18(b). The fair value of the Trust Group's investments has been assessed by reference to disclosure in Note 18(b).

The fair value of all other financial instruments approximates their carrying amount.

16. CAPITAL MANAGEMENT

When managing capital, management's objective is to ensure that the Group uses a mix of funding options, while remaining focused on the objective of optimising returns to securityholders. Management aims to maintain a capital structure that ensures the lowest weighted average cost of capital available. The Group aims to maintain reported gearing, measured as net debt divided by cash adjusted assets (net of resident obligations), in the range of 10% to 20%. At 30 June 2019, reported gearing was 21.3% (2018: 16.8%).

Management may adjust the Group's capital structure to take advantage of favourable changes in the cost of capital. This could include changing the amount of dividends to be paid to securityholders, returning capital to securityholders or adjusting debt levels.

16. CAPITAL MANAGEMENT (continued)

Under the terms of the Group's major borrowing facility, it is required to comply with certain main financial covenants. The main covenants, their required and actual values were:

	Required	Group 2019	Group 2018
Group Facility			
Gearing	≤ 30%	21.3%	16.8%
Interest cover - Group (times)	≥ 2.0	2.6	5.8
Interest cover - Core (times)	≥ 2.0	2.9	2.7
Loan to value ratio	≤ 30%	27.0%	21.3%

SECTION C. GROUP STRUCTURE

This section explains significant aspects of the Group's structure and the effect of changes in it on the financial position and performance of the Group. It includes the following notes:

17. INTERESTS IN OTHER ENTITIES

The consolidated financial statements of the Group include the following material entities:

Entity	Activity	Group 2019 %	Group 2018 %	Trust Group 2019 %	Trust Group 2018 %
Material subsidiaries					
Aveo B/P Land Trust	Retirement village owner	100.0	100.0	100.0	100.0
Aveo Cleveland Gardens Pty Limited	Retirement village owner and operator	100.0	100.0	-	-
Aveo Durack Pty Ltd	Retirement village owner and operator	100.0	100.0	-	-
Aveo Group Trust	Property owner	100.0	100.0	-	-
Aveo Healthcare Limited	Retirement village owner and operator	86.6	86.6	-	-
Aveo Leisure Services Pty Ltd	Retirement village owner and operator	100.0	100.0	-	-
Aveo Newstead Trust	Retirement village owner and operator	100.0	100.0	100.0	100.0
Aveo North Shore Retirement Villages Pty Ltd	Retirement village owner and operator	100.0	100.0	-	-
Aveo Retirement Homes (No.2) Pty Ltd	Retirement village owner and operator	100.0	100.0	-	-
Aveo Retirement Homes Limited	Retirement village owner and operator	100.0	100.0	-	-
Aveo Southern Gateway Trust	Retirement village owner	100.0	100.0	100.0	100.0
Aveo Springfield Trust	Retirement village owner	100.0	100.0	100.0	100.0
FKP Commercial Developments Pty Ltd	Property developer	100.0	100.0	-	-
FKP Lifestyle Pty Ltd	Property developer	100.0	100.0	-	-
FKP Residential Developments Pty Ltd	Property developer	100.0	100.0	-	-
Freedom Aged Care Pty Ltd	Retirement village owner and operator	100.0	100.0	-	-
Retirement Villages Australia Pty Ltd	Retirement village owner and operator	100.0	100.0	10.0	10.0
US Senior Living Property Trust	Retirement village owner and operator	100.0	100.0	100.0	100.0
US Senior Living Tenant Trust	Retirement village operator	100.0	100.0	-	-

All these entities are formed or incorporated in Australia.

18. INVESTMENTS

(a) Carrying amounts

Details of the carrying amounts of investments are as follows:

	Group		Trust Group	
	2019 $m	2018 $m	2019 $m	2018 $m
Associates				
Other associates	-	-	2.3	2.3
Joint ventures	-	-	-	-
FVTPL Assets	-	-	65.4	37.1
	-	**-**	**67.7**	**39.4**

(b) Accounting for financial assets 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 values 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 7 and Note 9.

APPENDICES

The appendices set out information that is required under the Standards, the Act or the Regulations, but which, in the Directors' view, is not critical to understanding the financial statements.

APPENDIX 1. HOW THE NUMBERS ARE CALCULATED – OTHER ITEMS

This section provides information about the basis of calculation of line items in the financial statements that the Directors do not consider significant in the context of the Group's operations. It includes the following notes:

19. EARNINGS PER SECURITY

	Group		Trust Group	
	2019	2018	2019	2018
	$m	$m	$m	$m
(a) Earnings used in calculating earnings per security				
(Loss)/profit from continuing operations after income tax	(220.7)	366.2	17.5	16.6
Less: non-controlling interest - external	7.3	(1.1)	-	-
Net (loss)/profit after income tax attributable to equity holders adjusted for the effect of dilution	**(213.4)**	**365.1**	**17.5**	**16.6**

	Group		Trust Group	
	2019	2018	2019	2018
(b) Weighted average number of securities used as the denominator				
Weighted average number of ordinary securities used in calculating basic and diluted earnings per security	578,277,354	576,914,768	578,277,354	576,914,768

(c) Anti-dilutive instruments

The following securities could potentially dilute basic earnings per security in the future but were not included in the calculation of diluted earnings per security because they are anti-dilutive:

Performance rights	3,045,278	3,835,067	3,045,278	3,835,067
STID	-	391,730	-	391,730

(d) Calculating earnings per security

Basic earnings per security is calculated as net profit attributable to members of the Parent divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per security is calculated as net profit attributable to members of the Parent, adjusted for non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

20. CASH AND CASH EQUIVALENTS

	Group		Trust Group	
	2019	2018	2019	2018
	$m	$m	$m	$m
Cash at bank	52.0	69.1	0.8	1.5
Capital replacement funds[1]	1.3	1.9	-	-
	53.3	**71.0**	**0.8**	**1.5**

1. A statutory charge, imposed under the *Retirement Villages Act 1999* (Qld), exists over all amounts held in capital replacement funds, which restricts the use for which these funds can be applied.

21. PROPERTY, PLANT AND EQUIPMENT

	Group		Trust Group	
	2019	2018	2019	2018
	$m	$m	$m	$m
Freehold land				
At cost	8.4	7.5	0.2	0.2
Accumulated impairment	(4.6)	(4.6)		-
	3.8	2.9	0.2	0.2
Residential aged care facilities				
At cost	104.9	106.2	49.7	49.6
Accumulated depreciation	(7.7)	(5.0)	(0.7)	-
	97.2	101.2	49.0	49.6
Freehold buildings				
At cost	42.8	35.2	28.2	28.8
Accumulated depreciation	(2.3)	(1.6)	(0.5)	-
Accumulated impairment	(1.7)	(1.7)		-
	38.8	31.9	27.7	28.8
Leasehold Land				
At cost	-	-	8.0	8.0
Accumulated amortisation	-	-	-	-
	-	-	8.0	8.0
Leasehold improvements				
At cost	7.9	6.8	-	-
Accumulated amortisation	(5.9)	(5.7)	-	-
	2.0	1.1	-	-
Plant and equipment				
At cost	9.3	8.6	0.2	0.1
Accumulated depreciation	(7.6)	(7.5)	-	-
	1.7	1.1	0.2	0.1
Motor Vehicles				
At cost	0.7	0.7	-	-
Accumulated depreciation	(0.4)	(0.4)	-	-
	0.3	0.3	-	-
Total property, plant and equipment	**143.8**	**138.5**	**85.1**	**86.7**

21. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Accounting for property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. All other repairs and maintenance are recognised in the income statement as incurred.

All items of property, plant and equipment, other than freehold and leasehold land, are depreciated using the straight-line method.

Depreciation rates used are as follows:

	Depreciation rate
Residential aged care facilities	2.0% - 2.5%
Freehold buildings	2.0% - 2.5%
Leasehold improvements	2.5% - 20.0%
Plant and equipment	6.0% - 40.0%

These rates are consistent with the prior year.

22. PROVISIONS

	Group		Trust Group	
	2019	2018	2019	2018
	$m	$m	$m	$m
Employee benefits	7.4	12.0	-	-
Warranty maintenance	7.1	1.7	0.4	0.5
Distributions payable	26.0	51.9	26.0	51.9
Other provisions	-	-	-	-
	40.5	**65.6**	**26.4**	**52.4**
Expected to be settled:				
No more than twelve months after the reporting date	39.0	63.2	26.4	52.4
More than twelve months after the reporting date	1.5	2.4	-	-

(a) Accounting for provisions

A provision is recognised where there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying the economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

23. RESERVES AND RETAINED PROFITS/(ACCUMULATED LOSSES)

	Group[1]		Trust Group[2]	
	2019	2018	2019	2018
	$m	$m	$m	$m
Reserves				
Equity-settled employee benefits reserve	14.6	16.9	-	-
Foreign currency translation reserve	(5.7)	(1.3)	2.6	2.4
Fair value reserve	(19.7)	(19.7)	-	-
Total reserves	**(10.8)**	**(4.1)**	**2.6**	**2.4**
Movement in reserves				
Equity-settled employee benefits reserve				
Balance at the beginning of the year	16.9	15.8	-	-
Share-based payment	(2.3)	1.1	-	-
Balance at the end of the year	14.6	16.9	-	-
Foreign currency translation reserve				
Balance at the beginning of the year	(1.3)	(5.7)	2.4	2.3
Translation of foreign operations	(4.4)	4.4	0.2	0.1
Balance at the end of the year	(5.7)	(1.3)	2.6	2.4
Fair value reserve				
Balance at the beginning of the year	(19.7)	(19.7)	-	-
Fair value loss on transactions with owners	-	-	-	-
Balance at the end of the year	(19.7)	(19.7)	-	-
Retained earnings/(accumulated losses)				
Retained earnings/(accumulated losses) at the beginning of the year	493.8	145.3	(211.1)	(175.8)
Net (loss)/profit from ordinary activities after income tax	(230.9)	348.5	17.5	16.6
Dividends and distributions recognised during the year	-	-	(26.0)	(51.9)
Retained earnings/(accumulated losses) at the end of the year	**262.9**	**493.8**	**(219.6)**	**(211.1)**

1. Attributable to the shareholders of Aveo Group Limited.
2. Attributable to the securityholders of Aveo Group Trust.

Nature and purpose of reserves

(i) Equity-settled employee benefits reserve

The equity-settled employee benefits reserve is used to recognise the fair value of options issued to employees, with a corresponding increase in employee expense in the income statement. Refer to remuneration report for details.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the income statement when the net investment is disposed of.

(iii) Fair value reserve

Transactions with non-controlling interests that do not result in a loss of control result in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within the fair value reserve.

24. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	Group 2019	Group 2018
Aveo Healthcare Limited	Australia	13.4%	13.4%

	Group 2019 $'000	Group 2018 $'000
Carrying amount of material non-controlling interest:		
Aveo Healthcare Limited	24.5	30.4
Profit/(loss) allocated to material non-controlling interest:		
Aveo Healthcare Limited	(6.1)	0.5

	Aveo Healthcare Limited 2019 $'000	Aveo Healthcare Limited 2018 $'000
Summarised statement of comprehensive income:		
Revenue	30.3	30.8
Profit/(loss) after tax	(45.5)	22.2
Total comprehensive income	(45.5)	22.2
Attibutable to non-controlling interest	(6.1)	0.5
Dividends paid to non-controlling interest	-	-

The Trust Group has no material partly-owned subsidiaries.

	Aveo Healthcare Limited 2019 $'000	Aveo Healthcare Limited 2018 $'000
Summarised statement of financial position as at 30 June:		
Current assets	19.2	43.6
Non-current assets	822.2	850.7
Current liabilities	(575.5)	(525.2)
Non-current liabilities	(80.1)	(129.3)
Total equity	**185.8**	**239.8**
Attributable to:		
Equity holders of Aveo Healthcare Limited	161.3	209.4
Non-controlling interest	24.5	30.4
Summarised cash flow information:		
Operating cash flows	18.8	15.6
Investing cash flows	(37.8)	(6.6)
Financing cash flows	16.9	(6.2)
Net increase in cash and cash equivalents	**(2.1)**	**2.8**

25. NOTES TO THE CASH FLOW STATEMENTS

(a) Reconciliation of net cash flow from operating activities to profit after income tax

	Group		Trust Group	
	2019	2018	2019	2018
	$m	$m	$m	$m
Operating (loss)/profit after income tax	(220.7)	366.2	17.5	16.6
Adjustments for non-cash items				
Depreciation and amortisation	4.7	3.0	1.2	-
Share of gain of equity-accounted investments	(0.1)	(0.8)	-	(0.4)
Change in fair value of FVTPL financial assets	-	-	(28.3)	-
Change in fair value of investment properties	388.1	(322.0)	44.2	-
Change in fair value of resident loans	(94.1)	35.5	-	-
Gross deferred management fees and capital gains				
Difference between cash and accruals basis	(11.4)	(75.2)	-	
Gain on acquisition of subsidiary	-	(1.5)	-	(7.6)
Interest capitalised	(21.0)	-	1.5	
Income tax expense	(86.5)	44.2	-	0.2
Other	4.6	(27.7)	0.4	4.5
Change in operating assets and liabilities net of effects of purchases and disposals of subsidiaries during the year				
Decrease/(increase) in receivables	56.9	(142.5)	0.7	(8.0)
Decrease in inventories	15.5	73.5	-	-
(Decrease)/increase in payables	(11.1)	14.3	(6.0)	0.7
Increase in deferred revenue and resident loans	110.4	130.8	-	-
Increase/(decrease) in provisions	0.8	5.0	(0.1)	0.2
Net cash flows from operating activities	**136.1**	**102.8**	**31.1**	**6.2**

APPENDIX 2. OTHER INFORMATION

This appendix covers other information that is not directly related to specific line items in the financial statements, as well as information about related party transactions and other statutory information. It includes the following notes:

26. RELATED PARTY TRANSACTIONS

(a) Aggregate remuneration of key management personnel

	Group		Trust Group	
	2019	2018	2019	2018
	$	$	$	$
Short-term employee benefits	2,017,656	2,457,675	-	-
Post-employment benefits	105,105	92,592	-	-
Equity compensation	1,930,310	1,932,179	-	-
Other compensation[1]	24,272	19,235	-	-
Key management personnel compensation	**4,077,343**	**4,501,681**	**-**	**-**

1. Other compensation comprises accrued long service leave.

Detailed remuneration disclosures are provided in the Remuneration Report.

(b) Loans from the Property Trust to Group entities

Aveo Funds Management Limited, as the Responsible Entity for the Property Trust, has entered into a loan agreement with the Parent to make available a $600.0 million loan facility. Interest is payable quarterly at the rate of the prevailing 90-day bank bill swap reference rate plus a margin of 3.0%. Details of movements in the loan are as follows:

	Group		Trust Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	-	-	76,838	266,082
Loans advanced			118,939	-
Net borrowings/ (repayments) made	-	-	(136,838)	(190,920)
Interest charged	-	-	1,738	1,676
Balance at the end of the year	**-**	**-**	**60,677**	**76,838**

26. RELATED PARTY TRANSACTIONS (continued)

(c) Other transactions with related parties

Amounts recognised in respect of other transactions with related parties were:

	Group		Trust Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Administration expenses				
Rent paid - MIB (note i)	977	1,182	-	-
Asset management fees paid - MIB (note ii)	-	700		
Net cost sharing - MIB (note iii)	32	27	-	-
Commission paid - MIB (note iv)	-	2,828	-	-
Cost recharges (note v)	-	176	-	-
Other goods and services - MIB (note vi)	-	375	-	-
Other expenses				
Management fees paid - Responsibile Enttity (note vii)	-	-	1,130	1,292
Development fees paid (note viii)	-	-	2,221	8,823
Investment properties note (ix)				
Rent received	-	-	38,679	15,030
Finance lease payable (note x)				
Acquisition under finance lease:				
Interest expense	-	-	1,881	1,834
Finance lease payable	-	-	28,313	26,432

(i) Rent paid – MIB

The Group leases office premises at commercial rates from a wholly owned subsidiary of MIB.

(ii) Asset management fees – MIB

Formerly the Group had received asset management services from a wholly owned subsidiary of MIB in relation to the Group's former investment property situated at Skyring Terrace, Newstead (Gasometer 1 and associated facilities). This arrangement terminated on the sale of that property during the 2018 financial year, upon the sale of Gasometer 1. The services were provided at market rates.

(iii) Net cost sharing – MIB

The Group has agreed with a wholly owned subsidiary of MIB to share certain administrative functions. Broadly, each party is responsible for nominated functions and provides services for those functions to both itself and the other party. Personnel and other costs for those functions are shared between the parties in agreed proportions.

(iv) Commission paid – MIB

The Group engaged a wholly owned subsidiary of MIB and an unrelated party to provide real estate agency services in relation to the sale of the Group's Gasometer complex. The Group paid the MIB subsidiary for these services; this payment was shared between that subsidiary and the unrelated party in accordance with the agreement between them. The Group also engaged the MIB subsidiary as lead transaction manager for the sale.

(v) Cost recharges

The Group formerly provided personnel, administrative and other services to Mulpha Norwest Pty Limited, a former associate and now a wholly owned subsidiary of MIB.

26. RELATED PARTY TRANSACTIONS (continued)

(vi) Other goods and services – MIB

The Group purchased a range of goods and services from wholly owned subsidiaries of MIB at market rates. This does not include any management fees.

(vii) Management fees paid – responsible entity

The Property Trust pays management fees as provided for under its constitution to its responsible entity, a wholly owned subsidiary of the Group.

(viii) Development fees paid

A subsidiary of the Parent is developing investment properties for subsidiaries of the Trust. Fees are charged at market rates.

(ix) Investment properties

Subsidiaries of the Parent sold certain investment properties to subsidiaries of the Trust, which leased them to other subsidiaries of the Parent.

Subsidiaries of the Property Trust develop new retirement communities and other property and lease these to subsidiaries of the Parent.

All transactions are at market rates.

(x) Finance lease payable

A subsidiary of the Property Trust leases by way of finance lease the sites on which investment and other property has been developed. The lease rental is at market rates.

(xi) Other transactions

The Group agreed to carry out some rectification work on land owned by MIB in the future. The expected cost of the rectification work will be paid to a non-related party and has been recognised as part of the warranty maintenance provision in Note 22.

27. AUDITOR'S REMUNERATION

	Group		Trust Group	
	2019	2018	2019	2018
	$	$	$	$
Ernst & Young				
Audit and assurance services				
Audit and review of the financial reports of the Group	696,872	837,103	-	-
Other assurance services:				
Group	37,406	36,317	-	-
Non-group[1]	463,850	337,264	-	-
Non-assurance services	146,000	-	-	-
Total auditor's remuneration	**1,344,128**	**1,210,684**	**-**	**-**

1. Non-group other assurance services represents fees payable by entities that are not controlled entities. It includes fees for audits of retirement villages, which are payable by the respective retirement villages.

28. PARENT ENTITIES

(a) Parent financial information

The financial information for the parent entities Aveo Group Limited and Aveo Group Trust has been prepared on the same basis as the Group's financial statements except as set out below.

Controlled entities and equity-accounted investments

Investments in these entities are carried in the Parent's balance sheet at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the income statement when they are declared.

Tax consolidation

Aveo Group Limited and its wholly owned Australian controlled entities have formed a tax-consolidated group. The entities in the tax group have entered into a tax sharing agreement to limit the joint and several liability of the wholly owned entities in the case of a default by the head entity, Aveo Group Limited. A tax funding agreement where the wholly owned entities fully compensate the head entity for any current tax receivable and deferred tax assets related to unused tax losses or unused tax credits that are transferred to the head entity under the tax consolidation legislation has also been entered into. The transfer of such amounts to the head entity is recognised as inter-company receivables or payables.

Each entity in the tax-consolidated group continues to account for its own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

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

(b) Summary financial information

	Aveo Group Limited		Aveo Group Trust	
	2019	2018	2019	2018
	$m	$m	$m	$m
Current assets	38.6	56.4	-	-
Total assets	2,908.8	2,863.4	671.1	646.3
Current liabilities	1,517.9	1,603.9	122.0	73.5
Total liabilities	2,174.7	2,076.6	122.0	73.5
Issued capital	1,266.0	1,262.2	724.7	723.1
Reserves:				
Foreign currency translation	(4.9)	(4.9)	-	-
Investment revaluation	(0.3)	(0.3)	-	-
Employee benefits	14.5	16.9	-	-
Retained losses	(541.2)	(487.1)	(175.6)	(150.3)
Total shareholders' equity	734.1	786.8	549.1	572.8
(Loss)/Profit of the parent entity	(54.1)	(25.0)	0.5	0.3
Total comprehensive income of the parent entity	(54.1)	(25.0)	0.5	0.3

(c) Guarantees

Aveo Group Limited has provided cross guarantees of the obligations of subsidiaries under the Deed of Cross Guarantee to the subsidiaries listed in Note 28.

No deficiencies of assets exist in any of these companies. No liability was recognised by the Parent in relation to these guarantees, as the fair value is immaterial.

28. DEED OF CROSS GUARANTEE

Aveo Group Limited and the wholly owned subsidiaries identified below entered into a Deed of Cross Guarantee on 25 June 2008. The effect of the deed is that Aveo Group Limited has guaranteed to pay any deficiency in the event of the winding-up of any of the Group entities that are party to the Deed or if they do not meet their obligation under the terms of the liabilities subject to the guarantee. The Group entities that are party to the Deed have also given a similar guarantee in the event that Aveo Group Limited is wound up or if it does not meet its obligations under the terms of the liabilities subject to the guarantee.

Albion Flour Mill Pty Ltd	FKP Communities Pty Ltd[1]	FKP Residential Developments Pty Ltd[1]
Aveo Leisure Services Pty Ltd	FKP Constructions Pty Ltd[1]	FKP SJYC Pty Ltd
Aveo Retirement Homes (No. 2) Pty Ltd	FKP Core Plus Two Pty Ltd	Flower Roof Pty Ltd
Aveo Retirement Homes (Sales and Marketing) Pty Ltd	FKP Developments Pty Ltd	FP Investments Pty Ltd[1]
Aveo Retirement Homes Limited[1]	FKP Golden Key Pty Ltd	Home Finance Pty Ltd
Aust-Wide Mini Storage Pty Ltd	FKP Holdings Pty Ltd[1]	Aveo Lindsay Gardens Management Pty Ltd
B/P Asset Pty Ltd	FKP Lifestyle (Australia) Pty Ltd[1]	Aveo North Shore Retirement Villages Pty Ltd
B/P Land Pty Ltd	FKP Lifestyle (Development) Pty Ltd	Ntonio Pty Ltd
B/P Sub Land Pty Ltd	FKP Lifestyle (Real Estate) Pty Ltd	Peregian Springs Shopping Centre Pty Ltd
Carmist Pty Ltd	FKP Lifestyle Pty Ltd[1]	Ridgewood Estates Pty Ltd
Aveo Cleveland Gardens Pty Ltd	FKP Mackay Turf Farm No. 2 Pty Ltd	River Kat Pty Ltd
Data Plan Pty Ltd	FKP Maitland Developments Pty Ltd	Skeyer Developments Pty Ltd
Evo-Con Pty Ltd	FKP Maitland Properties Pty Ltd	SPV Sydney Pty Ltd
Aveo Extra Care Services Pty Ltd	FKP Overseas Holdings Pty Ltd	Starwisp Pty Ltd
FKP American Holdings Pty Ltd	FKP PIP Pty Ltd	Aveo Tasmanian Retirement Living Management Pty Ltd
FKP Ann Street Pty Ltd	FKP Queen Street Pty Ltd	Aveo The Domain Retirement Country Club Pty Ltd
FKP Commercial Developments Pty Ltd	Aveo Real Estate Pty Ltd	Freedom Aged Care Pty Ltd
Freedom Aged Care Banora Point (Operations) Pty Ltd	Freedom Aged Care Banora Point (Properties) Pty Ltd	Freedom Aged Care Bendigo (Operations) Pty Ltd
Freedom Aged Care Bendigo (Properties) Pty Ltd	Freedom Aged Care Coffs Harbour (Operations)Pty Ltd	Freedom Aged Care Coffs Harbour (Properties)Pty Ltd
Freedom Aged Care Dromana (Operations) Pty Ltd	Freedom Aged Care Dromana (Properties) Pty Ltd	Freedom Aged Care Fairways (Operations) Pty Ltd
Freedom Aged Care Fairways (Properties) Pty Ltd	Freedom Aged Care Geelong (Operations) Pty Ltd	Freedom Aged Care Geelong (Properties) Pty Ltd
Freedom Aged Care Intellectual Property Pty Ltd	Freedom Aged Care Kawana (Properties) Pty Ltd	Freedom Aged Care Launceston (Operations) Pty Ltd
Freedom Aged Care Launceston (Properties) Pty Ltd	Freedom Aged Care Morayfield (Operations) Pty Ltd	Freedom Aged Care Morayfield (Properties) Pty Ltd
Freedom Aged Care Redland Bay (Operations) Pty Ltd	Freedom Aged Care Redland Bay (Properties) Pty Ltd	Freedom Aged Care Rochedale (Operations) Pty Ltd
Freedom Aged Care Rochedale (Properties) Pty Ltd	Freedom Aged Care Tamworth (Operations) Pty Ltd	Freedom Aged Care Tamworth (Properties) Pty Ltd

28. DEED OF CROSS GUARANTEE (continued)

Freedom Aged Care Tanah Merah (Operations) Pty Ltd	Freedom Aged Care Tanah Merah (Properties) Pty Ltd	Freedom Aged Care Toowoomba (Operations) Pty Ltd
Freedom Aged Care Toowoomba (Properties) Pty Ltd	Freedom Aged Care Clayfield (Operations) Pty Ltd	Freedom Aged Care Clayfield (Properties) Pty Ltd
Freedom Home Care Services Pty Ltd	Residence Custodian Pty Ltd	Residence Management Pty Ltd

1. Pursuant to Instrument 2016/784, relief has been granted from the Act's requirements for preparation, audit and lodgement of financial reports.

The consolidated income statement and balance sheet of the entities that are parties to the Deed of Cross Guarantee are as follows:

Consolidated income statement	Closed Group 2019 $m	Closed Group 2018 $m
Continuing operations		
Sale of goods and construction contract revenue	95.8	178.0
Revenue from rendering of services	83.4	89.0
Other revenue	20.2	14.4
Revenue	**199.4**	**281.4**
Cost of sales	(73.7)	(134.6)
Gross profit	**125.7**	**146.8**
Change in fair value of investment properties	(175.8)	133.0
Change in fair value of resident loans	23.9	81.8
Employee expenses	(56.8)	(57.1)
Marketing expenses	(30.1)	(29.0)
Occupancy expenses	(44.6)	(17.6)
Administration expenses	(21.4)	(17.6)
Other expense	(15.6)	(3.8)
Finance costs	(14.7)	(1.2)
(Loss)/profit from continuing operations before income tax	**(209.4)**	**235.3**
Income tax benefit/(loss)	65.0	(38.6)
(Loss)/profit from continuing operations after income tax	**(144.4)**	**196.7**

28. DEED OF CROSS GUARANTEE (continued)

Consolidated balance sheet

	Closed Group 2019 $m	Closed Group 2018 $m
Current assets		
Cash and cash equivalents	41.2	52.0
Receivables	88.1	72.9
Inventories	81.4	95.4
Other assets	6.8	0.3
Total current assets	**217.5**	**220.6**
Non-current assets		
Receivables	979.5	699.8
Investment properties	2,981.4	2,924.5
Investments	6.4	10.6
Property, plant and equipment	22.3	16.2
Intangible assets	3.6	5.1
Other financial assets	336.4	336.4
Deferred tax assets	84.4	-
Other assets	15.0	13.1
Total non-current assets	**4,429.0**	**4,005.7**
TOTAL ASSETS	**4,646.5**	**4,226.3**
Current liabilities		
Payables	905.1	509.1
Interest bearing loans and borrowings	0.2	105.4
Provisions	7.1	9.4
Deferred revenue	183.3	141.9
Total current liabilities (excluding resident loans)	1,095.7	765.8
Resident loans	1,433.6	1,333.0
Total current liabilities	**2,529.3**	**2,098.8**
Non-current liabilities		
Trade and other payables	50.5	56.4
Interest bearing loans and borrowings	656.6	469.0
Deferred tax liabilities	-	57.3
Provisions	1.3	2.4
Total non-current liabilities	**708.4**	**585.1**
TOTAL LIABILITIES	**3,237.7**	**2,683.9**
NET ASSETS	**1,408.8**	**1,542.4**
Equity		
Contributed equity	1,266.0	1,262.2
Reserves	120.2	122.6
Retained profits	22.6	157.6
TOTAL EQUITY	**1,408.8**	**1,542.4**

29. OTHER ACCOUNTING POLICIES

Significant accounting policies relating to particular items are set out in the financial report next to the item to which they relate. Other significant accounting policies adopted in the preparation of the financial report are set out below. All these policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

This general-purpose financial report has been prepared in accordance with the requirements of the Act, the Standards and other authoritative pronouncements of the AASB. The financial report has been prepared on a historical cost basis except for financial assets and liabilities at fair value through profit or loss, investment property and non-current assets held for sale, which have been measured at fair value.

The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial report has been drawn up in accordance with *ASIC Corporations (Stapled Group Reports) Instrument 2015/838* relating to combining accounts under stapling.

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.

(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 adoption of the new and revised Standards and Interpretations had no material impact on the financial position or performance of the Group.

The Group has adopted AASB 15 *Revenue from Contracts with Customers* (Note 1) and AASB 9 *Financial Instruments* (notes 4, 15, and 19) from 1 July 2018.

i) AASB 15 *Revenue from Contracts with Customers*

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.

29. OTHER ACCOUNTING POLICIES (continued)

The Group has adopted the new standard from 1 July 2018 using the modified retrospective method of adoption. The effect of adopting AASB 15 was not material for the Group.

Retirement Established Business Revenue

DMF revenue is considered to meet the definition of a lease and therefore is within the scope of AASB 117 Leases. Non-Retirement revenue is revenue from the sale of residential land. Under AASB 15, this revenue is recognised on settlement.

The Group receives upfront deposits from its customers. Generally, it is expected that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less. The value of these deposits is immaterial and the Group has not changed the accounting treatment for these amounts.

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

Care and Support Revenue

The Group recognises revenue from aged care and home care services over time as performance obligations are satisfied, which is as the services are rendered, primarily on a daily or monthly basis. Revenue arises from discretionary and non-discretionary services, as agreed in a contract with the resident. The effect of adopting AASB 15 was not material for the Group in relation to aged and home care services.

Other Revenue

Revenues from rent, interest and distributions are within the scope of standards other than AASB 15, and therefore the adoption of AASB 15 did not have an impact on the timing and recognition of revenue.

ii) AASB 9 *Financial Instruments*

AASB 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has adopted the new standard from 1 July 2018.

There was no material impact on the Group's consolidated financial statements for the year ended 30 June 2019.

Classification and measurement of financial assets and financial liabilities

AASB 9 eliminates the previous AASB 139 categories for financial assets of held to maturity, loans and receivables and available for sale. The impact of AASB 9 on the classification and measurement of the Group's financial assets is set out below.

On initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income ("FVTOCI") – debt investment; FVTOCI – equity investment; or fair value through profit or loss ("FVTPL").

As a result of the adoption of AASB9 on 1 July 2018, management has elected to reclassify assets previously held as available for sale to fair value through profit or loss.

29. OTHER ACCOUNTING POLICIES (continued)

Financial Assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is adjusted by impairment losses, interest income, foreign exchange gains and losses; and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The Group's financial assets measured at amortised cost include trade and other receivables.

Financial Assets measured at fair value through profit and loss
All financial assets not classified as measured at amortised cost or FVTOCI are measured at FVTPL. Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest and dividend income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group's financial assets measured at FVTPL are the Property Trust's investment in RVG, which is held for sale.

(c) Pending accounting standards

The following new Standards, amendments to Standards and Interpretations have been identified as those that may affect the Group on initial application.

AASB 16 Leases
AASB 16 is effective for the financial year ended 30 June 2020. The Group has not early adopted this standard. AASB 16 reforms are to be implemented around the change in accounting for leases whereby operating leases will be recorded on the balance sheet as a right to use asset and a corresponding financial liability, with a subsequent recording of amortisation and finance charges through profit or loss.

Currently the expense relating to operating leases is only recognised in the Group's Statement of Profit or Loss and Other Comprehensive Income as a rental expense. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 whereby a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has performed an assessment of the expected impact of the Standard. Because of the Group's limited lease portfolio as lessee, AASB 16 is not expected to have a significant effect on the Group's accounting treatment and disclosure of leases. The modified retrospective approach to adoption will be taken up by the Group.

Property Leases
The Group has assessed the impact of the leasehold properties under lease agreements to create an immaterial offset right of use asset and financial liability. If the Group had early adopted this standard, the estimated impact on the Comprehensive Statement of Profit or Loss and Other Comprehensive Income, and the Consolidated Balance Sheet, for the annual period to 30 June 2019, would have been immaterial.

29. OTHER ACCOUNTING POLICIES (continued)

Resident Agreements
The Group is in the process of considering the impact on the consolidated financial statements of the arrangements that provide the resident with rights to occupy a room in RACFs on the consolidated financial statements. Whilst the Resident Agreement has been assessed as a lease for the purposes of AASB 16, the Group is still considering the appropriate term of the "lease" and the implicit interest rate applicable to ensure that the accounting treatment complies with AASB 16.

Agreements with residents may also include other non-lease components that are a result of the agreement. This may result in a gross up of the revenue and costs, depending on the nature of the non-lease components.

Refundable Accommodation Deposits

For arrangements that provide a resident with the rights to occupy a room, the Group has performed an assessment of the contractual arrangements and has determined that adopting AASB 16 will result in the conclusion that the arrangements will be defined as a lease for accounting purposes. Where residents have opted to pay a Daily Accommodation Fee, adopting AASB 16 is not expected to result in a material change in the accounting treatment. However, for residents that have chosen to pay a Refundable Accommodation Deposit ("RAD"), the application of AASB 16 would result in the recognition of an increase in revenue for accommodation and an offsetting interest expense in respect of the RAD liability, with no net impact on the result for the period. The Group has assessed the potential impact of this adjustment to revenue with a corresponding charge to finance costs as immaterial.

(d) Basis 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 financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

Non-controlling interests in the net assets of consolidated entities are allocated their share of net profit after tax in the income statement and statement of comprehensive income, and are presented within equity in the balance sheet, separately from the equity of the owners of the Parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance. A change in ownership interest of a subsidiary that does not result in loss of control is accounted for as an equity transaction.

(e) Foreign currency translation

Functional and presentation currency

The Group's financial statements are presented in Australian dollars, which is Aveo Group Limited's functional and presentation currency.

In the Financial and Directors' Reports, the following terms have the meaning shown:

AASB	Australian Accounting Standards Board
Act	Corporations Act 2001
AFFO	Adjusted funds from operations
AICD	Australian Institute of Company Directors
ASIC	Australian Securities and Investments Commission
Aveo	The Group
Bad Leaver	A KMP whose employment is terminated or cancelled because of voluntary resignation, for cause or because of unsatisfactory performance or is otherwise determined by the Board to be a Bad Leaver
Board	The board of directors of Aveo Group Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Change of Control Event	A Change of Control Event occurs if a change in control of the Group occurs or is recommended by the Board, or a resolution is passed or order made for the winding up of the Parent or the vesting of the Property Trust
Committee	Nomination and Remuneration Committee of the Board
cps	Cents per security
Directors	Directors of Aveo Group Limited
DMF	Deferred management fees
DMF/CG	Deferred management fees and capital gains
DPS	Dividend/distribution per Security
DSP	Directors' Security Plan
EBIT	Earnings before interest and income tax
EBITDA	Earnings before interest, income tax, depreciation and amortisation
EPS	Earnings per Security
FFO	Funds from operations
Finsia	Financial Services Institute of Australasia
Freedom	Freedom Aged Care Pty Limited
FY	Financial year
FY14	Financial year ended 30 June 2014
FY15	Financial year ended 30 June 2015
FY16	Financial year ended 30 June 2016
FY17	Financial year ended 30 June 2017
FY18	Financial year ended 30 June 2018
FY19	Financial year ended 30 June 2019
FY20	Financial year ended 30 June 2020
FT21	Financial year ended 30 June 2021
FVTPL	Fair value through profit or loss
Good Leaver	A KMP whose employment is terminated or cancelled and is not a Bad Leaver
Group	Aveo Group, which is a stapled entity comprising Aveo Group Limited and its subsidiaries, and Aveo Group Trust and its subsidiaries
IBC	Independent Board Committee
ILU	Independent Living Unit
KMP	Key Management Personnel: Those persons who, during the course of the year ended 30 June 2019, had the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise)
LTI	Long-Term Incentive: LTI is equity-based compensation which provides KMP with securities, options or rights, which may vest into Securities dependent upon performance against defined conditions typically over a three to four year performance period
LTIP	The Group's Long-Term Incentive Plan including the Plan
MIB	Mulpha International Berhad; the Group is an associate of MIB
NED	Non-Executive Director
NTA	Net tangible assets
Parent	Aveo Group Limited

Plan	The Aveo Group Performance Rights Plan that was approved at the Group's 2012 Annual General Meeting
Property Trust	Aveo Group Trust
RACF	Residential aged care facility
Regulations	Corporations Regulations 2001
Rights	Performance Rights and Retention Rights: Rights to acquire Securities in the future for nil consideration, subject to achieving performance conditions, granted under the Plan
ROA	Return on Retirement Assets: Retirement earnings before interest and tax, divided by average Retirement assets employed. Capitalised interest in Retirement development cost of goods sold is added back. Retirement assets employed at any date will be the sum of the carrying amounts of Retirement investment properties (including those under development), equity-accounted investments and aged care assets, all at 30 June 2013, together with cash expenditure (including development expenditure) on those assets to the date of calculation, less any cash recoveries of or from those assets (excluding any profit element) to the date of calculation
ROE	Return on Equity: The sum of the movement in securityholders' equity (excluding new issues of Securities and any change in fair value of Retirement assets occurring after 30 June 2015, net of income tax) and dividends and distributions declared divided by the opening balance of securityholders' equity. Average ROE for FY16 to FY18 will be calculated as the arithmetic average of ROE for those years
RTSR	Relative TSR measures the TSR for Aveo Group relative to the TSR of a comparator group of Aveo's peers over the RTSR testing period
RVG	Retirement Villages Group, a stapled entity Comprising Retirement Villages Australia Limited, RVNZ Investments Limited and Retirement Villages Trust
SA	Serviced apartment
Securities	Stapled securities of the Group
Securities Price	The price at which the last sale of Securities was traded on the ASX on the referenced day
Special Circumstances	The termination of a KMP's employment as a result of total and permanent disablement, death or such other circumstances as the Board may determine
Standards	Australian Accounting Standards
STIP	The Group's Short-Term Incentive Plan: A 12-month incentive plan that provides cash and Securities awards for performance against key financial and non-financial targets during any one financial year
STI	Short-Term Incentive (cash): Cash awards under the STIP
STID	Deferred STI: Awards of Securities under the STIP
TFR	Total Fixed Remuneration: The fixed component of remuneration, which includes base pay and superannuation and excludes movements in accrued annual and long service leave
Trust Group	Aveo Group Trust and its controlled entities
TSR	Total Securityholder Return: Security price growth plus dividends notionally reinvested in securities, over the assessment period
UEPS	Underlying earnings per Security
UPT	Underlying profit after tax and non-controlling interest: Reflects statutory profit after tax, as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Group, in accordance with AICD/Finsia principles of recording underlying profit
USD	United States Dollar
Vesting Date	The date that STID vest, being 1 September of the year following the award

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, and the Remuneration Report in the Directors' Report set out on pages 22 to 36, are in accordance with the Act, including:

  (i) giving a true and fair view of the Group's and the Trust Group's financial position as at 30 June 2019 and of their performance, for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Regulations;

(b) the Financial Report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board, as disclosed in Note 29(a); and

(c) 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.

At the date of this declaration there are reasonable grounds to believe that Aveo Group Limited and the Group entities named in Note 28 will be able to meet any obligations or liabilities to which they are or may have become subject by virtue of the Deed of Cross Guarantee between Aveo Group Limited and those Group entities pursuant to Instrument 2016/784 (as described in Note 28).

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2019 required by section 295A of the Act.

Signed in accordance with a resolution of the Directors:

S H Lee
Chairman

G E Grady
Executive Director and Chief Executive Officer

Dated at Sydney this 28th day of August 2019

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Report to the Securityholders of Aveo Group

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 Audit of the Financial Report

Opinion

We have audited the financial report of Aveo Group, which comprises the consolidated balance sheets as at 30 June 2019, the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the Directors Declaration.

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

a) giving a true and fair view of Aveo Group's and Aveo Group Trust's consolidated financial positions as at 30 June 2019 and of their financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

Retirement Village Investment Properties and Resident Loans

Why significant	How our audit addressed the key audit matter
The Group has Retirement Village Investment Properties of $6,117.7 million (93% of total assets) and Resident Loans amounting to $3,029.8 million (67% of total liabilities). Both the Retirement Village Investment Properties and Resident Loans are recorded at fair value at each reporting date with gains or losses arising from changes in the fair values recognised in the income statement in the year in which they arise. Valuations of Retirement Village Investment Properties and Resident Loans are based upon numerous assumptions including growth and discount rates, pricing and average tenure which require estimation and significant judgement. Minor changes in certain assumptions can lead to significant changes in these valuations In addition to the estimation and significant judgement involved, the valuations are also determined by a complex retirement asset valuation model. The use of inappropriate assumptions, clerical or methodology errors in the valuation model, or the use of inaccurate underlying resident contract data could lead to an incorrect valuation of the Retirement Village Investment Properties and/or Resident Loan balances. Due to the complex and judgemental nature of the Retirement Village Investment Properties valuation, the Group engages independent experts to value the portfolio. These independent valuations are then used as benchmarks against which the Group assesses their own internal valuation. Notes 7 and 9 to the financial report respectively disclose the carrying amounts of Resident Loans and the Retirement Village Investment Properties as well as a description of the applicable accounting policy treatment. Notes 7	Our audit procedures included the following: ‣ Involved our real estate valuation specialists to assess the key valuation assumptions and methodology. ‣ Evaluated the independent portfolio valuations used by the Group in their valuation process and assessed the competence, capability and objectivity of the independent valuation experts. ‣ Assessed the market values adopted for individual retirement units against prevailing market conditions and historical sales prices achieved during the year. ‣ Tested the accuracy of the underlying resident data on which the valuation is based by agreeing, on a sample basis, information in the model to resident contracts. ‣ Involved our financial modelling specialists to test the clerical accuracy and logical integrity of the retirement models prepared by the Group ‣ Evaluated the adequacy of the disclosures relating to Retirement Village Investment Properties and Resident Loans in the financial report, including those made with respect to judgements, estimates and fair value measurement.

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and 9 also disclose the key assumptions and the sensitivity of these valuations to changes in key assumptions.

Disclosure of the significant judgements is included in Note 14 of the financial report.

Retirement Village Deferred Management Fee (DMF) and capital gains revenue

Why significant	How our audit addressed the key audit matter
Deferred Management fee (DMF) and capital gains revenue of $88.3 million on Retirement Village Investment Property was recognised during the year. DMF is earned when a resident occupies a unit and is recognised as revenue over the resident's expected tenure. Capital gains are recognised as revenue when the resident exits and the unit is sold. DMF revenue to which the Group is contractually entitled at reporting date is presented in the balance sheet as a deduction from Resident Loans. The excess of DMF revenue to which the Group is contractually entitled to at reporting date, over DMF revenue recognised as income to date based on the expected period of tenure, is included in deferred revenue in the balance sheet. The expected tenure is an assumption which requires estimation and judgement. Changes in this assumption can lead to significant change in DMF revenue recognised. Additionally, the accrued component of DMF revenue recognised is derived based on the retirement asset valuation model. Clerical error in the valuation model, or the use of inaccurate underlying resident contract data could lead to incorrect DMF revenue recognition. Note 1 to the financial report contains the amount of the DMF revenue and a description of the applicable accounting policy treatment. Note 9 also discloses the tenure assumption and disclosure of the significant judgements is included in Note 14 of the financial report.	Our audit procedures included the following: ▸ Assessed the reasonableness of the tenure assumptions by reviewing the historical tenure of the Group's portfolio based on resident data and involving our real estate valuation specialists. ▸ Tested the accuracy of the underlying resident data on which the accrued DMF revenue is based by agreeing, on a sample basis, information in the model to resident contracts. ▸ Tested the clerical calculation of accrued DMF derived from the valuation models including assessing, on a sample basis, whether the accounting treatment of contractual DMF and accrued DMF were applied appropriately. ▸ Evaluated the adequacy of the disclosures relating to DMF revenue in the financial report, including those made with respect to judgements, estimates and fair value measurement.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's 2019 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report and Remuneration Report that are to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon with the exception of the Remuneration report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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.

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 36 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Aveo Group Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Chris Lawton
Partner
Sydney
28 August 2019