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
2015 Financial Report

Aveo Group

Aveo Group is a stapled group consisting 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 2015

(previous corresponding period being the year ended 30 June 2014)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Profit after tax	$m	up/down	% movement
Revenue	300.2	down	29.1
Profit after tax attributable to stapled securityholders	58.0	up	122.2

Dividend/distribution information	Total dividends and distributions	Distribution per unit	Dividend per share	Franked amount per share
Final dividend/distribution – payable 30 September 2015	$25.8m	5.0 cps	-	-
Previous corresponding period				
Final dividend/distribution – payable 30 September 2014	$20.0m	4.0 cps	-	-

The record date for determining entitlements to the final dividend/distribution was 30 June 2015.

The Group's Dividend/Distribution Reinvestment Plan ('DRP') remains suspended and is not operational for the 2015 final distribution.

Additional information	30 June 2015	30 June 2014
Net tangible assets per stapled security[1]	$2.85	$2.78

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

Commentary on the results for the period can be found in the attached 2015 Directors' Report.

Additional Appendix 4E disclosure requirements can be found in the attached notes to the 2015 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.

Nicole Moodie
Company Secretary

Sydney
19 August 2015

Aveo Group
2015 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 2015 and the Auditor's Report thereon. The financial report of the Group comprises the consolidated financial report of Aveo Group Limited and its controlled entities including Aveo Group Trust and its controlled entities. The financial report of the Property Trust comprises the consolidated financial report of the Trust Group.

The meaning of defined terms is given in the Dictionary at page 96, 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
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
W L McDonald	Non-Executive Director	Full year
L R McKinnon	Non-Executive Director	Full year
S B Muggleton	Non-Executive Director	Full year
G E Grady	Executive Director and Chief Executive Officer	Full year

Alternate Directors

W Chow	Alternate Director for S H Lee	Full year
W Chow	Alternate Director for E L Lee	Full year

Information on Directors

S H Lee

Non-Executive Chairman (age 41)

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 industry in the Asian region. He has previously served, in various capacities, on the Board of Lippo Limited and Lippo China Resources Limited in Hong Kong, Auric Pacific Group Limited in Singapore and Export and Industry Bank, Inc. in the Philippines. Mr Lee is currently the Group Executive Chairman of Sun Hung Kai & Co. Limited (appointed in January 2007). Listed in Hong Kong, Sun Hung Kai & Co. Limited is the leading non-bank financial institution in Hong Kong. Mr Lee is also a Non-Executive Director of Mudajaya Group Berhad (appointed in March 2011), a company listed on the Bursa Malaysia Securities Berhad, and Executive Chairman of Mulpha International Bhd (appointed in December 2003), a company listed on the Bursa Malaysia Securities Berhad.

Former Directorships of listed entities in the last three years

Mr Lee was a director of Ambrian Capital PLC (listed on the Alternative Investment Market of the London Stock Exchange) from May 2007 to July 2012.

J E F Frayne, BCom, FCA, GAICD

Non-Executive Director (age 68)

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 is a Director of Black & White Holdings Limited. Mr Frayne was appointed a member of the Audit Committee effective December 2010 and has been a member of the Nomination and Remuneration Committee since July 2012.

E L Lee, Registered Accountant (Malaysia), CPA

Non-Executive Director (age 47)

Mr Lee joined the Board in December 2012. He is currently the Group Chief Financial Officer for Mulpha International Bhd, the Parent of Mulpha Australia Limited, Aveo's largest single securityholder. Prior to joining Mulpha International Bhd, Mr Lee was the Executive Vice President of Alliance Financial Group. Mr Lee has also held various senior management positions, including 12 years at Microsoft as Chief Financial Officer of Greater China Region and Finance Director of Asia Pacific Region. He is Non-Executive Chairman of Mulpha Land Berhad (appointed in January 2013), an alternate Director of Mudajaya Group Berhad (appointed in October 2012) and a Director of Mulpha Australia Limited. Mr Lee was appointed as a member of the Audit Committee in February 2013.

W L McDonald, BEc, LLB (Hons)

Non-Executive Director (age 57)

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. During his career, 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. He is a Non-Executive Director of Retirement Villages Australia Limited, the head entity of Retirement Villages Group. Mr McDonald was appointed as Chair of the Nomination and Remuneration Committee effective June 2014.

L R McKinnon, BA, LLB, MCom

Non-Executive Director (age 61)

Mr McKinnon joined the Board in May 2005. He has extensive experience in property financing and investment gained through approximately 30 years in banking and finance. Mr McKinnon established the property financing business of Bankers Trust Australia in 1993. In 2000, in partnership with Gresham Partners, he established the first institutionally supported property mezzanine debt funds in Australia. He was the managing director of the funds until 2005 and continues as a non-executive member of the Investment Committee on Gresham's follow-on funds. In 2010, he was appointed as Chair of the Investment Committee of AsheMorgan and was instrumental in the establishment of the group's asset syndication business. He has stepped down as Chairperson. In 2014, Mr McKinnon was appointed as Chair of an independent committee by Parramatta City Council to report on the use of Council owned land in third party developments. This includes the development of a number of projects to deliver the vision of a revitalised city centre in Parramatta Square. Mr McKinnon was appointed Chairman of the Audit Committee effective December 2010.

Adjunct Professor S B Muggleton, BAppSc, MHA, GAICD

Non-Executive Director (age 55)

Mr Muggleton joined the Board in June 2014. He is regarded as an innovative CEO with more than 25 years' experience managing teaching hospitals and some of Australia's largest residential aged and community care organisations. He has been a member of a number of industry, state, national and international expert panels and committees on health and ageing. Mr Muggleton holds a Degree in Applied Science and a Master's Degree in Health Administration from the University of NSW. His contributions to health and aged care have been recognised with an Adjunct Professor title from the University of Queensland, two Ageing Asia Investment Forum Awards and an Institute of Management Award.

Former Directorships of listed entities in the last three years

Mr Muggleton was a Director of Aveo Healthcare Limited from July 2013 to March 2014. This company was removed from the official list of ASX Limited on 22 April 2014.

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

Executive Director and Chief Executive Officer (age 56)

Mr Grady joined Aveo Group as Chief Operating Officer in March 2009, having previously been the Chief Executive Officer of Mulpha Sanctuary Cove (Developments) Pty Limited since 2002. He was appointed as Executive Director and Chief Executive Officer of Aveo Group in July 2013. He has also worked as a partner of KPMG. Mr Grady holds degrees in commerce and law with honours from the University of Queensland. He is a chartered accountant and a solicitor of the Supreme Court of Queensland. Mr Grady is also the Chairman of Aveo Healthcare Limited (appointed in March 2014).

Former Directorships of listed entities in the last three years

Mr Grady was an Alternate Director of PBD Developments Limited from July 2011 to October 2013 and was a Director of Metlifecare Limited (listed on the New Zealand Stock Exchange) from September 2012 to November 2013.

W Chow, MEnvPlan, BE (Civil) (Env), BEng (Hons)

Non-Executive Alternate Director (age 53)

Mr Chow was appointed as Alternate Director for Mr Seng Huang Lee in November 2011 and for Mr Eric Lee in March 2014. Mr Chow was appointed Chief Operational Officer of Mulpha Australia Limited in October 2011 and was previously Managing Director at China Resources Group. Mr Chow holds degrees in civil and environmental engineering and environmental planning and has extensive experience in property development, management and construction. He was appointed Chairman of PBD Developments Limited in April 2013.

COMPANY SECRETARY

N A Moodie, BCom, GradDipCorpLaw

Ms Moodie joined Aveo Group in 2012 and was appointed to the position of Company Secretary in June 2014. Ms Moodie has previously been the Company Secretary for a number of other listed entities and is currently the Company Secretary for Aveo Healthcare Limited and Retirement Villages Group. Ms Moodie holds a Bachelor of Commerce from the University of Wollongong and a Graduate Diploma in Corporate Securities and Finance Law from the University of Sydney.

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		Audit Committee Meetings		Nomination and Remuneration Committee Meetings	
	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]
S H Lee	6	6	-	-	1	1
J E F Frayne	8	8	5	5	1	1
E L Lee	6	6	5	5	-	-
W L McDonald	6	6	-	-	1	1
L R McKinnon	7	6	5	5	-	-
S B Muggleton	6	6	-	-	-	-
G E Grady	8	8	-	-	-	-

1. Reflects the number of meetings held in the time the Director held office during the year.
2. Reflects the number of meetings attended by the Director or his alternate.

Committee membership

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

Members acting on the Committees of the Board during the year were:

Audit
L R McKinnon (Chairman)
J E F Frayne
E L Lee

Nomination and Remuneration
W L McDonald (Chairman)
J E F Frayne
S H Lee

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, retail, commercial and industrial property;
- investment in, and management of, income producing retail, commercial and industrial property;
- commercial, industrial and residential building and construction for the Group; 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

Overview

The Group's strategy of focusing on retirement and transitioning to a pure-play retirement vehicle is delivering results. Underlying profit after tax increased by 30% to $54.7 million, funds from operations were up 88% to $73.9 million and gearing has fallen to the lower end of the target range.

Operationally, the Group recorded a record total retirement sales of 721 units, delivered 62 new retirement units and increased its ability to provide care services to retirement residents.

Non-retirement asset sales are progressing well, whilst acquisitions continue to expand the retirement development pipeline. The Group is on track to achieve its stated FY16 and FY18 return on retirement assets targets of 6.0% - 6.5% and 7.5% - 8.0% respectively.

Financial results

Key financial headlines of the Group's 30 June 2015 results are:

- statutory profit after tax before transfer from foreign currency translation reserve (*FCTR*) increased 29% to a profit of $58.0 million;
- statutory profit after tax and transfer from FCTR increased 122% to a profit of $58.0 million;
- underlying profit after tax[1] of $54.7 million, up 30%;
- earnings per stapled security on underlying profit after tax increased 15% to 10.9 cents;
- a distribution of five cents per security, up 25%;
- net tangible assets per stapled security of $2.85; and
- gearing of 13.8%, down from 15.8%.

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. Underlying profit has not been audited.

The Group's statutory profit after tax for the year ended 30 June 2015 was $58.0 million. A reconciliation of the Group's statutory profit after tax to the income statement is:

	2015 $m	2014 $m
Profit from continuing operations after income tax	60.3	26.0
Less: Other non-controlling interests	(2.3)	0.1
Net profit after tax attributable to stapled securityholders of the Group	**58.0**	**26.1**

The following table summarises key reconciling items between the Group's statutory profit and underlying profit after tax.

	2015 $m	2014 $m
Underlying profit after tax and non-controlling interest	54.7	42.1
Change in fair value of retirement investment properties	2.9	2.5
Change in fair value of other investment properties	3.5	(1.0)
Change in fair value of derivatives	2.8	6.3
Share of non-operating profit or loss of equity-accounted investments:		
Transfer from foreign currency translation reserve on disposal of foreign operation[1]	-	(18.7)
Other non-operating gains and losses	(1.1)	(1.0)
Derecognition of deferred tax assets	(3.6)	(4.0)
Net impairment of equity-accounted investments	-	(0.9)
Provision for losses	-	(1.4)
Other	(1.2)	2.2
Net profit after tax attributable to stapled securityholders of the Group	**58.0**	**26.1**

1. This is a transfer of the foreign currency translation reserve relating to the Group's indirect stake in Metlifecare (held by RVG) that was sold during the prior year. This amount of $18.7 million was transferred from reserves within equity to the income statement, and so the transfer did not affect net assets. The reserve accumulated over the life of the Metlifecare investment due to foreign currency exchange fluctuations.

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.

Results of operations

Key divisional contributions to the underlying performance of the Group included:

	Divisional underlying profit		
Division	**2015 $m**	**2014 $m**	**Change $m**
Established Business	48.3	43.1	5.2
Development[1]	3.2	0.4	2.8
Care and Support Services	1.5	1.3	0.2
Total Retirement	**53.0**	**44.8**	**8.2**
Total Non-Retirement	**33.1**	**32.7**	**0.4**
Non-allocated overheads	(11.1)	(10.9)	(0.2)
Group incentive scheme	(2.0)	(0.3)	(1.7)
EBITDA	**73.0**	**66.3**	**6.7**
Depreciation and amortisation	(2.0)	(1.9)	(0.1)
EBIT	**71.0**	**64.4**	**6.6**
Interest and borrowings expense	(3.0)	(16.6)	13.6
Income tax expense	(12.7)	(5.3)	(7.4)
Non-controlling interest	(0.6)	(0.4)	(0.2)
Underlying profit after tax and non-controlling interest	**54.7**	**42.1**	**12.6**

1. Includes capitalised interest in cost of goods sold.

The Group's underlying profit after tax and non-controlling interest for the year ended 30 June 2015 was $54.7 million, up $12.6 million (30%) on the prior year. Notable contributions to the result came from Retirement, where EBITDA was up $8.2 million, and interest expense, which was down $13.6 million. Detailed discussion of divisional results follows.

Retirement

Retirement EBITDA for the year was $53.0 million, an increase of $8.2 million (18%) on the previous year, driven by improved results from all business units.

	2015 $m	2014 $m	Change $m	%
Revenue[1]				
Established Business[2]	109.7	98.9	10.8	10.9
Development[3]	27.9	7.1	20.8	293.0
Care and Support Services[4]	12.2	10.7	1.5	14.0
	149.8	**116.7**	**33.1**	**28.4**
EBITDA				
Established Business	48.3	43.1	5.2	12.1
Development[5]	3.2	0.4	2.8	700.0
Care and Support Services	1.5	1.3	0.2	15.4
	53.0	**44.8**	**8.2**	**18.3**
Sales volumes	**Number**	**Number**	**Number**	**%**
Established Business	685	688	(3)	(0.4)
Development	36	23	13	56.5
	721	**711**	**10**	**1.4**
Total value of units transacted	$200.7m	$189.0m	$11.7m	6.2

1. Includes new and buyback sales and share of equity-accounted profits. These items are not included in revenue in the Income Statement, but in other line items.
2. Includes deferred management fee and capital gains, administration fees and other income relating to the existing business, and share of profits from equity-accounted investments.
3. Includes new sales income.
4. Includes aged care and other support income.
5. Development profits are accounted for in the change in fair value of retirement investment property.

The increase in the Established Business result was primarily due to improved DMF/CG margins, whilst the Development improvement was driven by a significant increase in volumes. Care and Support Services was assisted by the earnings from the newly acquired interests in allied health businesses.

Established Business

	2015 $m	2014 $m	Change $m	%
Revenue				
DMF/CG				
Resales	50.9	45.9	5.0	10.9
Buyback purchases	6.2	3.9	2.3	59.0
	57.1	49.8	7.3	14.7
Other revenue				
Buyback sales	23.4	19.2	4.2	21.9
Other	29.2	29.9	(0.7)	(2.3)
	52.6	49.1	3.5	7.1
	109.7	**98.9**	**10.8**	**10.9**
EBITDA				
Net DMF/CG	52.1	43.5	8.6	19.8
Net other	(3.8)	(0.4)	(3.4)	850.0
	48.3	**43.1**	**5.2**	**12.1**

The increase in revenue and EBITDA was mainly due to improved DMF/CG revenue from both resales and buyback purchases, principally due to improved margins and assisted by a small increase in volumes. The increased level of buyback sales assisted in the recycling of capital into new buyback purchases.

Established Business sales and margins

	2015 Number	2014 Number	Change Number	Change %
Sales volumes				
Resales	602	611	(9)	(1.5)
Buyback sales	83	77	6	7.8
	685	**688**	**(3)**	**(0.4)**
Buyback purchases	90	52	38	73.1
DMF generating transactions	692	663	29	4.4
Deposits on hand	96	145	(49)	(33.8)
Average DMF/CG transaction price point	$267k	$266k	$1k	0.4
Average DMF/CG per transaction	$83k	$75k	$8k	10.7
DMF/CG margin per transaction	31%	28%	3%	
Portfolio turnover	11.0%	11.0%	-	

The average DMF/CG per transaction of $83,000 was higher than the FY15 target of $75,000 - $80,000. This reflected the benefits of the Group's historical resident contract improvement program, which continues to translate into growth in average margins per transaction.

Total sales volumes continue at record levels. The Established Business's strong sales momentum has continued into FY16, with sales now occurring under its new standard *Aveo Way* contract. The strong start to FY16 has lifted deposits on hand to 131 currently.

The Group successfully trialled the new *Aveo Way* contract across a selected group of villages in the first half of FY15, and implemented it as the standard contract across all Group villages in the second half. Driven by customer demand, the contract offers certainty to the resident on departure, in terms of timing and quantum of funds to be returned to the resident, and improved terms for Aveo, including DMF of 35% of entry price accrued over three years and 100% of capital gains. Its rollout has had no adverse impact on sales rates or prices.

The improved *Aveo Way* DMF/CG terms have the potential to increase the fair value of the Group's retirement investment properties by 5% - 10% as the improved contracts are rolled out.

The improved DMF/CG terms have the potential to increase the Group's retirement investment property valuation by 5% - 10% as the new contract is rolled out.

Portfolio turnover continues to sit in the middle of the targeted range of 10% - 12%.

Development

	2015	2014	Change Amount	Change %
Revenue	$27.9m	$7.1m	$20.8m	293.0
Gross profit (after capitalised interest)	$4.5m	$0.4m	$4.1m	1,025.0
EBITDA	$3.2m	$0.4m	$2.8m	700.0
Units delivered	62	23	39	169.6
Average margin				
before capitalised interest	20%	6%	14%	
after capitalised interest	16%	6%	10%	
Number of projects under development	6	2	4	200.0

The Group is targeting average development margins before funding costs (i.e. interest) of 16% - 20%. The increase in EBITDA in FY15 reflects a combination of exceeding target development margins and higher delivery volumes.

The acquisition of a new development site at Springfield, Queensland, increases the development pipeline by 2,500 units, to be delivered over the next 15 – 20 years. The development pipeline stood at 5,066 units at 30 June 2015. The Group is actively evaluating other acquisition opportunities for new development sites.

Construction has commenced on all targeted FY16 developments, which are tracking to the required construction schedules. Development progress is as follows:

Village	FY16 delivery	Expected completion	Development status
Cleveland	12	August 15	♦ Practical completion on target to deliver in August.
Durack	40	August 15 / May 16	♦ 13 units already delivered. Civils underway. Builder appointed and on site for next stage.
Island Point	20	July 15 / May 16	♦ Four units already delivered. Civil contractor currently on site for the remainder of the stage.
Mingarra	14	May 16	♦ Civil works targeting completion in November 2015 with building works to commence thereafter.
Peregian	30	May 16	♦ Civil works have commenced and currently assessing building tenders.
Clayfield	66	May 16	♦ Bulk excavation nearing completion and crane erected.
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The Clayfield development of 66 units in a seven-storey apartment building is the first of several higher density developments in the pipeline, which will deliver new units in blocks of 50 - 75 units, as opposed to the traditional development model of 10 - 30 detached dwellings in a stage.

Planning is underway for delivery of FY17 development units.

Care and Support Services

	2015 $m	2014 $m	Change $m	%
Revenue				
Aged care	10.8	9.6	1.2	12.5
Other	1.4	1.1	0.3	27.3
	12.2	**10.7**	**1.5**	**14.0**
EBITDA				
Aged care	1.3	1.0	0.3	30.0
Other	0.2	0.3	(0.1)	(33.3)
	1.5	**1.3**	**0.2**	**15.4**

This business unit's EBITDA still predominantly relates to the four aged care facilities that have been owned for some time.

The Group acquired 50% interests in two allied health businesses during FY15. The contribution from these businesses is expected to increase in FY16 due to a full year of ownership and increased integration into the Groups' retirement villages.

The Group has established a new General Manager of Care role. An appointment has been made and the appointee will commence in September 2015.

The Group is seeking to move to a customer offering that is not focused solely on a property offering, so as to diminish the distinction between existing serviced apartments and independent living units. Instead, the customer proposition becomes a two-stage process:

- customer to choose a real estate accommodation offering from a range of property types and price points dependent on the size and location of the accommodation;
- customer to determine the required care and service needs (e.g. food, laundry, medical) and have those services provided to the chosen form of accommodation.

This will be a progressive change across the business model and operating culture over the long term, driven by an ageing and more discerning customer base with an increased desire for care and support services and a willingness to pay.

A development application for a new 131 bed ACF at Durack, Queensland, was lodged in early August 2015. This facility will replace an existing 25 bed facility. The Group has an ACF development pipeline in excess of 800 beds.

Non-Retirement

	2015	2014	Change	
			Amount	%
Sales revenue	$191.2m	$259.9m	($68.7m)	(26.4)
Rental income	$11.2m	$11.1m	$0.1m	0.9
Total revenue	$202.4m	$271.0m	($68.6m)	(25.3)
EBITDA	$33.1m	$32.7m	$0.4m	1.2
Gross profit	$35.1m	$34.3m	$0.8m	2.3
Land lot sales	508	459	49	10.7
Bult product sales	41	81	(40)	(49.4)
Average margin	18%	9%	9%	
Contracts on hand	763	696	67	9.6
Investment properties held	2	3	(1)	(33.3)

Non-Retirement EBITDA was supported by a lift in residential contribution, driven by the performance of the land estates, for which both sales volumes and profit margins increased, the latter by 2% to 24%.

The sell-down of Non-Retirement assets is on target to achieve a less than 20% overall asset weighting by FY16 through continuing sell-down of residential land lots and apartments. The Milton apartment development is on track for settlement in September 2015, with 92% of residential units pre-sold. Existing sales rates at the land banks would see Rochedale sold down by FY18 and Point Cook and Peregian Springs sold down by FY19.

The Group has decided to retain the Gasometer 1 asset until completion of the proposed vertical retirement village development above the existing retail precinct and the addition of extra parking from Gasometer 3.

Other

There was a marginal increase in management expenses during the year to support growth in retirement activity. Corporate costs were contained in line with inflation.

Gross interest expense declined by $25.3 million, reflecting reduced debt levels flowing from the FY14 equity issue, and lower average rates, due to the lower cost of a new finance facility and the termination of interest rate swaps. However, reduced interest capitalisation on lower Non-Retirement development activity saw net interest expense decline by $13.6 million.

The increase in income tax expense was primarily due to the increase in profit before tax.

Capital management

Capital management metrics

	30 June 2015	30 June 2014
Gearing[1]	13.8%	15.8%
Look-through gearing	13.7%	16.4%
Net debt drawn[2]	$280.1m	$313.2m
Gross interest bearing liabilities	$359.0m	$344.6m
Undrawn committed lines[3]	$144.5m	$250.0m
Available facilities	$109.1m	$120.6m
Weighted average borrowing cost	4.0%	8.6%
Weighted average debt maturity	2.2 years	1.8 years

1. Measured as net debt divided by total assets net of cash and resident loans.
2. Net debt is after deducting the Milton joint venture partner's share of project debt.
3. Undrawn facilities are dependent upon having sufficient security.

The Group terminated $300 million in out-of-the-money interest rate swaps during FY15, so that debt is now unhedged. Together with reduced margins on a new finance facility and a reduction in undrawn committed lines, this saw weighted average borrowing costs fall by 4.6% to 4.0% at year end.

The Group's focus on asset returns means it remains on track to achieve its desired ROA and earnings quality targets from FY16. The Group is targeting a long-term retirement earnings mix, based on EBIT before capitalised interest in cost of goods sold, of 70% - 80% recurring (Established Business and Care and Support Services) and 20% - 30% active (Development).

The Group had $559 million of Non-Retirement assets carried on the balance sheet at 30 June 2015. Selling the residential land estates and the Milton development will generate a further $125 million of cash flow. During FY16 to FY18, the Group expects to apply the proceeds of these sales as follows:

- working capital investment in developments:
  - $237 million to be applied to developments that will be delivered by the end of FY18;
  - a further $88 million to be applied to developments that will be delivered post FY18;
- at least $120 million available for retirement asset acquisitions ($40 million per annum);
- acquire further securities in the existing on-market buyback; and
- pay down debt levels.

The Group will manage its capital allocation priorities within the context of maintaining a gearing level in the target range of 10% - 20%.

Risk

There are a number of risks that could affect the Group's ability to achieve its staged goals of returns on retirement assets of 6.0% - 6.5% by FY16 and 7.5% - 8.0% by FY18. 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 Groups' ability to sell its retirement and non-retirement developments. This risk would by 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 on its strategy to improve revenue from Care and Support Services. The Group is working hard to expand its capacity in this area.

Outlook

The Established Business is continuing to perform well, underpinned by strong sales levels.

The acceleration of the retirement development pipeline is well progressed and on track to meet profit and unit delivery targets.

Resident take-up of increased care and support services continues to grow.

Non-retirement assets continue to provide strong cash flows for recycling into retirement growth projects as they are sold down.

The Group expects for FY16:

- an underlying profit after tax of over $80 million, resulting in at least a 45% increase on the FY15 underlying profit after tax of $54.7 million; and
- a full year distribution of 8 cents per security, an increase of 60% on the FY15 distribution of 5 cents per security. No interim distribution will be paid.

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 2014	4.0	20.0	30 September 2014
Final 2015	5.0	25.8	30 September 2015

The distribution is 47% of underlying profit after tax and 56% 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 are 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 15 to 27 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

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 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 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 amounts paid or payable by the Group for non-audit services provided during the year are given in note 31 to the financial statements.

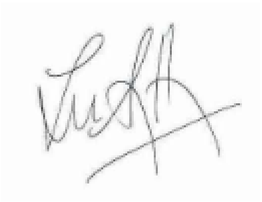
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE ACT

We confirm that we have obtained the Auditor's Independence Declaration, which is set out on page 14.

ROUNDING

The Group is an entity of a kind referred to in ASIC Class Order 98/100 and, in accordance with that Class Order, 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
19 August 2015

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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

In relation to our audit of the financial report of Aveo Group for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Douglas Bain
Partner
19 August 2015

1. INTRODUCTION

The Nomination and Remuneration Committee is pleased to provide the Aveo Group Remuneration Report for the year ended 30 June 2015, which has been audited in accordance with section 308(3C) of the Act.

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 96, 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 2015	KMP 2014
Non-Executive Directors			
S H Lee[1]	Non-Executive Chairman	Full year	Full year
J E F Frayne	Non-Executive Director	Full year	Full year
E L Lee	Non-Executive Director	Full year	Full year
W L McDonald	Non-Executive Director	Full year	Full year
L R McKinnon	Non-Executive Director	Full year	Full year
S B Muggleton[2]	Non-Executive Director	Full year	Partial year
W Chow[3]	Non-Executive Alternate Director (for S H Lee and E L Lee)	Full year	Full year
Retired Non-Executive Directors			
A J Zammit[4]	Non-Executive Director	-	Partial year
C Manuel[5]	Non-Executive Alternate Director (for E L Lee)	-	Partial year
Executive Directors			
G E Grady[6, 8]	Executive Director and Chief Executive Officer	Full year	Full year
Other Key Management Personnel			
D A Hunt	Chief Financial Officer	Full year	Full year
M Jewell[7, 8]	Director of Development	-	Partial year

1. Mr S H Lee assumed the role of Executive Chairman effective 14 September 2012. He was previously a NED and Chairman. He returned to non-executive Chairman effective 1 July 2013, on the appointment of Mr Grady as Chief Executive Officer.
2. Mr Muggleton was appointed as a NED effective 20 June 2014.
3. Mr Chow was appointed as an alternate Director for Mr S H Lee on 25 November 2011 and alternate Director for Mr E L Lee on 28 March 2014.
4. Mr Zammit resigned from the Board on 20 June 2014.
5. Ms Manuel was appointed as alternate Director for Mr E L Lee effective 3 December 2012 and resigned on 28 March 2014.
6. Mr Grady was appointed Executive Director and Chief Executive Officer on 1 July 2013. He was previously Chief Operating Officer.
7. Mr Jewell was appointed Executive Director on 20 July 2011 and retired from the Board effective 20 August 2012. Mr Jewell continued as an employee of the Group in the executive position of Director of Development until his resignation on 31 July 2013.
8. The positions of Chief Operating Officer and Director of Development have now been abolished.

1.2 Actual remuneration received in 2015

The following table provides a summary of remuneration received by KMP (excluding NEDs), for FY15. 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 2015 remuneration received by these executives, prepared in accordance with the statutory obligations and accounting standards, are provided on page 27.

	Fixed annual remuneration $[1]	STI $	LTI $	Other $[2]	Total actual 2015 remuneration $
G E Grady	650,000	206,250	-	4,809	861,059
D A Hunt	504,000	164,616	-	9,335	677,951

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. 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 2015 are:

- W L McDonald (Chairman);
- J E F Frayne; and
- S H Lee

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 2014 Annual General Meeting

The remuneration report for FY14 was approved at the Group's 2014 Annual General Meeting with more than 95% 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 FY15.

3. LINK BETWEEN REMUNERATION AND PERFORMANCE

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

	2015	2014	2013	2012	2011
Net profit/(loss) ($m)	58.0	26.1	(166.5)	(350.3)	82.3
Underlying profit after tax ($m)[1,2,3]	54.7	42.1	39.2	41.3	121.0
EPS (cents)[4]	11.6	5.9	(52.4)	(204.7)	49.0
Dividends/distributions ($m)	25.8	20.0	3.2	33.7	35.4
DPS - ordinary (cents)[4]	5.0	4.0	1.0	19.6	21.0
Securities Price at year end ($)[4]	2.58	2.06	1.27	2.66	4.90
Market capitalisation ($m)	1,326.7	1,030.2	408.4	460.6	829.6

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. Underlying profit for the 2012 financial year, but not the 2011 and earlier financial years, has been restated to reflect the Group's 2012 decision to change the reporting of underlying profit, so that the entire impact of the revaluation of retirement investment properties is classified as non-operating.
3. A reconciliation of UPT for the Group to statutory profit after tax for the 2015 and 2014 financial years is given in the Directors' Report at page 5.
4. Reported earnings per security, dividends and distributions per security and security price at year-end for the 2011 and 2012 financial years have been adjusted to reflect the seven-for-one stapled security consolidation made on 13 December 2012.

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% - 6.5% by FY16 and 7.5% - 8.0% by FY18. The targets for variable remuneration, comprising STI, LTI and Retention Rights, are chosen to align KMP performance with achievement of this key financial goal.
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 UPT is below target. More information on UPT is given below.

Remuneration component	Link to Group performance
LTI	Equity-based executive remuneration is provided by the issue of Rights. Vesting of Performance Rights is subject to three-year performance hurdles including aggregate UPT and RTSR. Both these measures reflect the Group's performance as measured by the key financial performance measures shown above. More information on UPT 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 together with retirement and development companies not in that index, being Cedar Woods Properties Limited, Devine Limited, AV Jennings Limited, Lend Lease Group, Peet Limited and Sunland Group Limited. Vesting of Retention Rights is subject to performance hurdles including ROA and ROE. Both these measures reflect the Group's long-term retirement strategy announced in the prior year and appropriately align the outcomes of this strategy with the financial interests of its securityholders. Further details of the Rights are given in section 5.6.

UPT is deemed an appropriate performance measure for the granting of STIs and LTIs to senior executives given that it is the key target hurdle referenced by the Board in preparing its annual budgets and measuring Group performance. UPT 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 UPT target is determined by the Board having regard to the Group's annual budget. The target could be higher or lower than budget, and is adjusted for the effect of material equity issues. 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 UPT target is at least as high as this guidance.

Historical actual and target UPT was:

	2015 $m	2014 $m	2013 $m	2012 $m	2011 $m
Actual[1]	54.7	42.1	39.2	94.7	121.0
Target[1]	50.5	37.8	36.8	121.0	119.5

1. Underlying profit for the 2012 and earlier financial years has not been restated to reflect the Group's 2012 decision to change the reporting of underlying profit, so that the entire impact of the revaluation of retirement investment properties is classified as non-operating.

4. REMUNERATION OF NON-EXECUTIVE DIRECTORS

4.1 Directors' fees

In 2006, securityholders resolved that the maximum aggregate fee pool available to NEDs be increased to $650,000 per year, excluding retirement benefits.

Mr S H Lee receives a fee of $176,000 as Non-Executive Chairman. All other Directors receive a fee of $85,000 per annum inclusive of superannuation. These fees cover all main Board activities. Additionally, the Chairman of the Audit Committee receives $12,000 per annum and the other members of the Audit Committee, Messrs E Lee and Frayne, receive $2,000 per annum. No additional fees are paid to members of the Nomination and Remuneration Committee.

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.

The TFR for the CEO and CFO from 1 July 2015 has been set at $725,000 and $544,000 respectively. These were determined taking into account comparative remuneration and the Group's, and their individual, strong performance over the last two years.

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	Board discretion[1]
D A Hunt	Chief Financial Officer	6 months	6 months	Board discretion	Board discretion[1]

1. See section 5.6.

5.3 Target and 2015 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 2015, expressed as a percentage of total remuneration, was:

	TFR	At risk remuneration				Total remuneration
		STI	STID[1]	LTI[1]	Total	
	(%)	(%)	(%)	(%)	(%)	(%)
Target mix						
G E Grady[2]	45.0	18.3	18.3	18.4	55.0	100.0
D A Hunt	50.0	16.7	16.7	16.6	50.0	100.0
2015 achieved						
G E Grady	45.2	18.4	16.4	20.0	54.8	100.0
D A Hunt	52.6	17.5	17.4	12.5	47.4	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. Mr Grady's target mix from 1 July 2015 has been set at 43% for TFR and 57% for at risk remuneration, the latter divided equally between the three components of at risk remuneration.

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 81% of TFR, and the CFO is entitled to receive a short-term incentive of up to 67% 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 these short-term incentives 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 FY15 were to be determined as follows:

Performance Criterion	% of STI CEO	% of STI CFO
EBITDA exceeds target	25	25
UPT exceeds target	25	25
Management expenses below target[1]	15	15
Retirement Existing Business portfolio turnover target exceeded[1]	5	-
Retirement Existing Business property price growth target exceeded[1]	5	-
Retirement Development site acquisition targets met or exceeded[1]	5	5
Retirement Care and Support Services strategy finalised	5	5
Sell the remaining Non-Retirement sites not under active development	5	5
Agree and implement new financial facility	5	10
Other	5	10

1. The Committee has not disclosed these targets given their commercial sensitivity.

The Committee has determined that the 'cliff' vesting of the components relating to UPT and EBITDA is appropriate given that each component represents only 25% of total STI.

The Committee revises performance hurdles annually.

Actual and target UPT and EBITDA for 2015 was:

Measure	Actual $m	Target $m	Target Met or Exceeded
UPT	54.7	50.5	Yes
Group EBITDA	73.0	66.4	Yes

The Committee has assessed the performance of these KMP against their various performance hurdles, determined that all performance criteria were satisfied, and awarded STIs, as follows:

KMP	UPT %	Group EBITDA %	Other Performance Hurdles %	Total STI %	Total STI $	STI Cash $	STID Face Value $	STID Number of Securities[1]
G E Grady	25	25	50	100	529,630	264,815	264,815	102,641
D A Hunt	25	25	50	100	336,000	168,000	168,000	65,116

1. The number of STID Securities was calculated as the STID face value divided by the Group's Securities Price at 30 June 2015.

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 30 June of the year following the award. The executive is entitled to dividends and distributions declared during the vesting period.

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

Where Special Circumstances apply, or the KMP ceases employment and is a Good Leaver, the Board may in its absolute discretion vest any STID Securities issued to the KMP.

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 FY15 in relation to FY14 are:

Name	Date of grant	Vesting Date	Number granted[1]	Value at grant date	
				Per security	Total
G E Grady	12 Nov 14	1 Sep 15	99,638	$2.07	$206,250
D A Hunt	13 Aug 14	1 Sep 15	79,525	$2.07	$164,616

1. The number granted was determined by dividing the STID face value by the Group's Securities Price at the date that the Committee approved the grant.

No STID Securities vested or were forfeited during FY15.

5.6 Long-term incentives

The Group's LTIP was approved at the Group's 2012 Annual General Meeting. The Plan 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). Previously, the number of Rights granted was then calculated as that face value divided by the Group's Securities Price on the day that the Committee approves the grant. From 1 July 2014, 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. For grants made in FY14 and FY15, the Board imposed two performance conditions, relating to RTSR and UPT. 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 be exercised
Less than the 50th percentile	Nil
50th percentile or more but less than or equal to 75th percentile	25%
Higher than 75th percentile	50%

For grants made up to 30 June 2015, there will be no pro-rata vesting of Rights between the 50th and 75th percentiles. For grants made after that date, pro-rata vesting will apply.

The remaining Performance Rights granted will vest if the aggregate UPT for the three-year UPT testing period equals or exceeds the aggregate target UPT for that period. 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 granted	Value at grant date[1]	
					Per Right	Total
G E Grady[2]	1 Nov 13	30 Jun 16	30 Sep 16	310,000	$1.35	$418,500
G E Grady	12 Nov 14	30 Jun 17	30 Sep 17	127,930	$1.26	$161,192
D A Hunt	30 Aug 13	30 Jun 16	30 Sep 16	120,000	$0.78	$93,600
D A Hunt	22 Aug 14	30 Jun 17	30 Sep 17	81,159	$1.40	$113,623

1. The value at grant date is calculated in accordance with AASB 2 *Share-Based Payment.*
2. The grant of Rights to Mr Grady was approved by the Committee on 29 August 2013. The grant required ratification by securityholders in general meeting on 1 November 2013, which was the grant date for the purposes of AASB 2. Between 29 August 2013 and 1 November 2013, there was a significant increase in the share price of the Group from $1.09 to $1.85. This resulted in an increase to the value of the Rights at grant date of $176,700.

No Rights vested or were forfeited during the financial year.

5.7 Long-term retention plan

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% - 6.5% by FY16 and 7.5% - 8.0% by FY18. The Committee considered it essential that there be KMP stability until this strategy is fully delivered and financial targets achieved. Consequently, the Committee deemed it appropriate that there be a retention scheme for KMP, beyond the STI and LTI targets, to align the outcomes of the Group's long-term retirement strategy with the financial interests of its securityholders. The Committee regards the retention scheme as particularly relevant given the low STI and LTI awarded in previous years.

Accordingly, the Committee approved a retention bonus based on a one-off grant of Retention Rights to the CEO and the CFO, to a maximum value of $1,950,000 and $1,008,000 respectively (being three and two times respectively their TFR), subject to service and performance conditions. The number of Retention Rights was determined as the award value divided by net tangible assets per security at 30 June 2014 of $2.78. The grant of 701,439 Retention Rights to the CEO was approved by securityholders at the Group's 2014 Annual General Meeting. The grant of retention Rights to the CFO was 362,590.

Retention Rights vest after four years subject to performance conditions, relating to ROA and ROE.

Up to 75% of Rights granted will vest depending on the level reached by ROA at the end of the ROA four-year testing period as follows:

Year	ROA	Proportion of Rights that may be exercised
FY16	≥ 6.5%	15%
	≥ 6.25%	11.25%
	≥ 6.0%	7.5%
	< 6.0%	nil
FY18	≥ 8.0%	60%
	≥ 7.75%	45%
	≥ 7.5%	30%
	< 7.5%	nil

If FY18 ROA is greater than or equal to 8.0%, the Board has discretion to award the full 15% for FY16, even if the FY16 ROA target was not met, or only partially met.

Details of the calculation of ROA are given in the Dictionary. The starting point of the calculation is the carrying amount of Retirement investment property (including investment property development) and aged care assets at 30 June 2013, being the date from which the retirement strategy began to be implemented with the appointment of the current CEO.

The remaining rights granted will vest depending on the level reached by ROE as follows:

Year	ROE	Proportion of Rights that may be exercised
FY16 - FY18	≥ 6.5%	25%
	≥ 6.0%	12.5%

To the extent that the conditions are satisfied, Retention Rights vest on 1 July 2018 (including those resulting from meeting the FY16 ROA targets). After vesting, the Securities resulting from exercise of the Retention Rights will be 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 a further 12 months before being able to be sold (i.e. 1 July 2019); and
- the final 25% of Securities must be held for a further two years before being able to be sold (i.e. 1 July 2020).

Where Special Circumstances apply, or the KMP ceases employment and is a Good Leaver, any Retention 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 this case, a holding lock will not apply.

The Retention Rights will vest pro-rata to the elapsed service period if a Change of Control Event occurs, and will not be subject to a holding lock. The Board has the discretion to award 100% of the Retention Rights on a Change of Control Event.

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

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.*

5.8 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 exercise of options/ Rights	Sales	Balance at the end of the year
2015					
Directors					
S H Lee	131,174,775	-	-	-	131,174,775
J E F Frayne	30,624	-	-	-	30,624
L R McKinnon	10,000	-	-	-	10,000
Other key management personnel					
G E Grady	515	82,500	-	-	83,015
D A Hunt	5,023	-	-	-	5,023
2014					
Directors					
S H Lee	84,326,641	46,848,134	-	-	131,174,775
J E F Frayne	17,891	12,733	-	-	30,624
L R McKinnon	-	10,000	-	-	10,000
Other key management personnel					
G E Grady	515	-	-	-	515
D A Hunt	515	4,508	-	-	5,023

1. Numbers have been adjusted to reflect the seven-for-one stapled security consolidation made on 13 December 2013.
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	Forfeited/ lapsed during the year	Balance at the end of the year
Performance Rights				
2015				
G E Grady	310,000	127,930	-	437,930
D A Hunt	120,000	81,159	-	201,159
2014				
G E Grady	-	310,000	-	310,000
D A Hunt	-	120,000	-	120,000
Retention Rights				
2015				
G E Grady	-	701,439	-	701,439
D A Hunt	-	362,590	-	362,590
STID [2]				
2015				
G E Grady	-	99,638	-	99,638
D A Hunt	-	79,525	-	79,525
Employee Options [3]				
2014				
G E Grady	321,428	-	321,428	-
D A Hunt	428,571	-	428,571	-
M Jewell	428,572	-	428,572	-

1. Numbers have been adjusted to reflect the seven for one stapled security consolidation made on 13 December 2013.
2. The STID granted during the year relates to FY14. That relating to FY15 was granted on 31 July 2015 to Mr Hunt and on 7 August 2015 to Mr Grady.
3. Options are no longer issued under the EOP.
4. KMP not mentioned in a section of this table do not hold any options.

5.9 On-market security acquisitions

Details of Securities purchased by the Group on-market during the year for the purpose of employee incentive schemes as follows:

	2015	2014
Total number of Securities purchased	1,211,891	-
Average price per Security	$2.59	-

5.10 Other matters

Up to 30 June 2015, the Committee limited STI for all employees to 5% of Group EBITDA before STI. From 1 July 2015, STI for all employees will be limited to 5% of UPT before STI.

There is no specific provision for awarded but unvested STI or LTI to 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. However, the Board retains ultimate discretion over the vesting of awarded but unvested grants.

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	**2015**	**160,731**	**15,269**	**176,000**
	2014	161,098	14,902	176,000
J E F Frayne	**2015**	**79,452**	**7,548**	**87,000**
	2014	79,618	7,382	87,000
E L Lee[1]	**2015**	**87,000**	**-**	**87,000**
	2014	87,000	-	87,000
W L McDonald	**2015**	**77,626**	**7,374**	**85,000**
	2014	77,803	7,197	85,000
L R McKinnon	**2015**	**88,584**	**8,416**	**97,000**
	2014	88,787	8,213	97,000
A J Zammit[2]	**2015**	**-**	**-**	**-**
	2014	82,403	-	82,403
S B Muggleton[3]	**2015**	**77,645**	**7,355**	**85,000**
	2014	2,114	215	2,329
Total	**2015**	**571,038**	**45,962**	**617,000**
	2014	578,823	37,909	616,732

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.
2. Mr Zammit resigned as a NED effective 20 June 2014.
3. Mr Muggleton was appointed as a NED effective 20 June 2014.
4. 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[4]	**2015**	**631,217**	**264,815**	**16,487**	**4,809**	**18,783**	**35,300**	**235,533**	**287,925**	**1,494,869**	**52.7**	**47.3**	**35.0**
	2014	532,225	206,250	19,222	4,802	17,775	38,011	103,125	139,500	1,060,910	42.3	57.7	22.9
D A Hunt	**2015**	**479,000**	**168,000**	**32**	**9,335**	**25,000**	**15,094**	**166,308**	**119,837**	**982,606**	**46.2**	**53.8**	**29.1**
	2014	478,927	164,616	3,581	9,503	25,000	10,598	82,308	31,200	805,733	34.5	65.5	14.1
M Jewell[5]	**2015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2014	36,019	-	(33,177)	-	1,481	-	-	-	4,323	-	100.0	-
Total	**2015**	**1,110,217**	**432,815**	**16,519**	**14,144**	**43,783**	**50,394**	**401,841**	**407,762**	**2,477,475**	**50.1**	**49.9**	**32.7**
	2014	1,047,171	370,866	(10,374)	14,305	44,256	48,609	185,433	170,700	1,870,966	38.9	61.1	19.0

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. LTI in the form of Rights and options are required to be expensed by Accounting Standard AASB 2 *Share-Based Payment*. The Rights are subject to performance targets and do not vest until 30 June 2016 for Performance Rights and 1 July 2018 for Retention Rights.
4. The grant of Performance Rights to Mr Grady for FY14 was approved by the Committee on 29 August 2013. The grant required ratification by securityholders in general meeting on 1 November 2013, which was the grant date for the purposes of AASB 2. Between 29 August 2013 and 1 November 2013, there was a significant increase in the share price of the Group from $1.09 to $1.85. This resulted in an increase to the value of the Rights at grant date of $176,700 and an increase to the AASB 2 expense relating to these Rights of $58,900 for the year ended 30 June 2014.
5. Mr Jewell was appointed Executive Director on 20 July 2011 and retired from the Board effective 20 August 2012. Mr Jewell continued as an employee of the Group in the executive position of Director of Development until his resignation on 31 July 2013.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance of Aveo Group (*Aveo*, the *Group*). This statement outlines the main corporate governance practices in place and the extent to which the Group has followed the recommendations of the ASX Corporate Governance Council (the *Council*) throughout the year to 30 June 2015, including the Council's revised Corporate Governance Principles and Recommendations (*3rd edition principles*) published in March 2014 (the *Guidelines*).

The Guidelines set out core principles and practices that the Council believes underlie good corporate governance, and all listed entities are required to disclose the extent to which they depart from the Guidelines.

A copy of this statement is available from the Investor Centre on the Aveo website at www.aveo.com.au/investor-centre/corporate-governance.

1. THE BOARD AND MANAGEMENT

The Board's primary role is the creation of long-term securityholder value through the development of the strategic direction of the Group, the implementation of efficient internal delegations and controls, the effective oversight of senior management, the promotion of high ethical standards of behaviour, the offering of high quality products to the market, and commitment to the constant improvement of the Group's corporate governance practices.

The Board's responsibilities and functions include:

- strategic planning;
- capital management and financial reporting;
- approving and monitoring major capital expenditure, acquisitions and disposals;
- appointing or removing, or ratifying the appointment or removal of, senior management;
- approving and monitoring the risk management framework; and
- overseeing the Group's accountability systems and code of conduct.

Further details of the specific philosophy, values and responsibilities of the Board are contained in the Board Charter available from the Investor Centre on the Aveo website.

The Board has delegated to the Executive Director and Chief Executive Officer responsibility for the day-to-day management of the Group and the implementation and delivery of the Board's strategic direction. The Board delegates authority and functions to the Executive Director and Chief Executive Officer, the Chief Financial Officer and senior management in accordance with a formal delegations of authority protocol (the *Delegations*). The Delegations contain the business rules and authorities which govern the operations of the Group on a day-to-day basis. These Delegations are reviewed annually by senior management and presented to the Audit Committee for endorsement and approval in June each year.

During the financial year, the Board comprised the Executive Director (who is also the Chief Executive Officer) and six Non-Executive Directors. The names, skills, experience and expertise of the Directors who held office as at the date of the Directors' Report and the period of office of each Director are set out in the Directors' Report.

Independence of Directors

For the purposes of determining Director independence, the Board considers any material previous or current business relationships which could reasonably be perceived to interfere with or compromise each Director's independent judgement in accordance with the Guidelines.

The following factors and relationships are considered by the Board in assessing whether a Director is independent:

- whether the Director is a substantial securityholder of the Group or an officer of, or otherwise associated with, either directly or indirectly, a substantial securityholder of the Group;
- whether the Director is employed by the Group or has been employed in an executive capacity by the Group within the last three years;

- whether the Director has been a principal of a material professional adviser or a material consultant to the Group, or an employee materially associated with the service provided, within the last three years;
- whether the Director is, or is associated with, a material supplier or customer of the Group;
- whether the Director has a material contractual relationship with the Group other than as a Director of the Group; and
- whether the Director has any other interest or relationship that could materially interfere with the Director's ability to act in the best interests of the Group and independently of management.

The Board has not set any tests as to the number of terms or years on the Board that would be regarded as undermining judgement.

The Board assesses the independence of Directors each year having regard to each Director's specific circumstances and the disclosures made by the Director. The Board makes more frequent assessments if a Director discloses a new interest or relationship relevant to that Director's independence.

The Board considers the majority of Non-Executive Directors who held office during the year to be independent. The Non-Executive Directors who have been assessed as independent and their length of tenure (as at the time of publication of this statement) are set out below.

Non-Executive Director	Tenure
L R McKinnon	10 years, 3 months
J E F Frayne	7 years, 1 month
W L McDonald	3 years
S B Muggleton	1 year, 2 months

Mr S.H. Lee, and Mr E.L. Lee do not meet the independence test set out in the Guidelines, as they are associated directly with Mulpha Australia Limited, a substantial securityholder of the Group. Mr G.E. Grady does not meet the independence test as set out in the Guidelines, as he is an employee of the Group.

To facilitate independent judgement in decision-making, each Director has the right to seek independent professional advice in relation to the execution of Board responsibilities. Such advice may be obtained at the Group's expense with prior approval of the Chairman, which will not be unreasonably withheld. Directors may share advice obtained with the other Directors where appropriate.

Conflicts of Interest

Wherever a Director has an actual or potential conflict of interest or material personal interest, the Board's policies and protocols ensure:

- that the interest is fully disclosed to the Board and the disclosure is recorded in the Board minutes;
- unless the Directors resolve to the contrary in accordance with the *Corporations Act 2001* (Cth) (the *Corporations Act)*, that the relevant Director is excluded from all considerations of the matter by the Board; and
- unless the Directors decide to the contrary, that the relevant Director does not receive any segment of the Board papers or other documents containing any reference to the matter.

A copy of the Board's Conflict of Interest Policy is available from the Investor Centre on the Aveo website.

Role of Chairman

Mr S.H. Lee was appointed Chairman of the Group on 12 February 2009. Mr S.H. Lee is not an independent Director for the purposes of the Guidelines, as he is directly associated with Mulpha Australia Limited, a substantial securityholder of the Group.

The Board has not appointed a lead independent Director, as the Board does not believe that any such appointment could increase the exercise of independent judgement by the Board, which has comprised a majority of independent Directors since 29 August 2012. The Board considers that the Chairman facilitates the effective contribution of all Directors and promotes constructive and respectful relations between Directors and between the Board and senior management.

The roles of the Chairman and Chief Executive Officer are exercised by separate individuals. The Board recognises the importance of ensuring that the Chairman and the Chief Executive Officer have defined roles within the organisation and function within clear functional lines. Further information in relation to the role of the Chairman is available from the Investor Centre on the Aveo website.

Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, for ensuring that Board processes and procedures operate efficiently and effectively, and is charged with facilitating the Group's corporate governance processes and providing counsel on corporate secretarial matters. In doing so, the Company Secretary will ensure compliance with the Group's governance framework. Further details with respect to the role and accountability of the Company Secretary are contained in the Board Charter available from the Investor Centre on the Aveo website.

Nomination and Remuneration Committee

In June 2015, the Board established a Nomination and Remuneration Committee (the *Committee*) that operates pursuant to a Board approved charter that is available from the Investor Centre on the Aveo website. Previously, a Remuneration Committee oversaw the responsibilities with respect to the remuneration function of the Group (as delegated by the Board), and the Board maintained oversight of all responsibilities with respect to nomination and succession planning. In acknowledging the recommendations of the Guidelines, and to ensure that a culture of continuous improvement and dedicated resourcing is present with respect to succession planning for both the Executive Director and Non-Executive Directors going forward, the Board resolved that the Committee should be formed and a charter developed to address the specific needs of succession planning of the Group.

The primary responsibilities of the Committee are to review and recommend for approval to the Board:

- procedures to assess the performance of Non-Executive Directors and the Board's Committees;
- nomination and selection processes for appointment of Non-Executive Directors to the Board;
- candidates to fill casual vacancies (as they relate to non-executive vacancies) on the Board and those Non-Executive Directors who should be considered for election and re-election;
- the removal of Non-Executive Directors (as required);
- succession plans for both Directors and senior management which will detail a list of eligible candidates in circumstances where a vacancy arises;
- remuneration policies and practices which are consistent with the Group's strategic goals and which enable the Group to attract and retain senior management and Directors who will create value for securityholders;
- the quantum and structure of remuneration for Directors and senior management having regard to the performance of the Group, the performance of senior management and the general remuneration environment; and
- policies and procedures to attract, motivate and retain appropriately skilled persons to meet the Group's needs.

The Committee comprises three Non-Executive Directors, with a majority of Directors being independent. An independent Director who is not the Chairman of the Board chairs the Committee. The structure and functions of the Committee comply with Recommendations 2.1 and 8.1 in the Guidelines and therefore Listing Rule 12.8. The current members of the Nomination and Remuneration Committee are Mr W.L. McDonald (Chairman), Mr J.E.F. Frayne, and Mr S.H. Lee, and the qualifications of each member are set out in the Directors' Report.

The Committee reviews, and recommends any changes to the Board for approval, the procedures used to assess the performance of Directors and the Board's committees. The Chair is responsible for monitoring and reviewing Board performance annually. In addition to this, the Board also undertakes an informal review of its performance annually, which includes an assessment of future requirements in relation to Board composition and overall Director and Board Committee performance.

The Committee considers when the appointment of a new Director is required and whether to support the re-election of incumbent Directors. The Committee is also responsible for the nomination process for new Directors and provides recommendations to the Board with respect to who should be invited to fill a casual vacancy. When a casual vacancy occurs or where it is considered that there is a gap in necessary expertise, the Committee reviews potential candidates, with advice from external consultants if necessary. All prospective Directors under consideration are subject to employment screening policies to ascertain the good fame and character of those individuals before any appointment or nomination for election is made. The Board invites the most suitable candidate to join the Board in a casual vacancy until their proposed election by the Group's securityholders at its next Annual General Meeting (*AGM*). Formal written documentation is provided to all Directors upon commencement confirming the terms and conditions of their appointment. During FY15, there were no new appointments to the Aveo Board, nor were there any resignations.

A comprehensive induction program is provided for new Directors and senior executives, which includes the opportunity to meet with key management personnel, and the provision of detailed information in relation to the Group, its financial, strategic, operational and risk management position, and its policies and procedures, upon their appointment. The opportunity to participate in further education is provided through a number of mechanisms including Director Briefings, training presentations within formal Board meetings and external professional development as required.

In addition, in accordance with the Constitution of the Parent, one third of Directors, excluding the Executive Director, retire from office at each AGM but may stand for re-election. The Board confirms to securityholders whether it supports the re-election of each retiring Director and provides all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director, in a statement that accompanies the Notice of Meeting for the AGM (with the next Notice of Meeting to be published in October 2015).

The Chief Executive Officer is responsible for the induction of senior management. Each year, the Executive Director and Chief Executive Officer, and the Committee, undertake a formal process of reviewing the performance of senior management by reference to key performance indicators identified annually for each executive. The measures generally relate to the performance of the Group, the performance of the executive's division and the performance of the executive individually. Performance evaluations for senior management have taken place during the financial year in accordance with the approved processes of the Group. Each member of the senior management team has a written agreement setting out the terms of their appointment. Further details relating to assessment criteria for senior management remuneration are disclosed in the Remuneration Report.

Diversity

The Group is committed to diversity and equality in the workplace, as it adds value to the organisation by actively creating opportunities for all employees to use their knowledge, skills and abilities. The Board has adopted a Diversity Policy which is reviewed annually and which is available from the Investor Centre on the Aveo website. The Board has adopted measurable objectives for achieving gender diversity, which are disclosed in the Diversity Policy. Reporting in respect of the Diversity Policy will be a periodic item on the Nomination and Remuneration Committee and Board agendas.

The Board itself also recognises the value in it having a mix of relevant business, executive and professional experience, and the benefits of diversity. With respect to the ethnic diversity of the Board, 37% of Aveo Directors (including alternates) are from an ethnically diverse background.

The key diversity objective for the Group is to increase the number of females in senior roles, with a target of 35% of females assuming senior management positions by 2018 (subject to identification of candidates with appropriate skills). As at 30 June 2015, the proportion of women employees in the whole Group, women in senior executive positions and women on the Board is as follows:

Position	% Female employees
Board	0
Senior Executive[1]	34
Group	72

1. Senior Executives in the Group are comprised of the CEO, Key Management Personnel, Other Executives and Senior Managers

As Aveo is a 'relevant employer' under the Workplace Gender Equality Act 2012 (Cth), the most recent Gender Equality Indicators are available from the Investor Centre on the Aveo website.

Directors' skills and experience

Aveo is committed to ensuring that the Board has an appropriate mix of skills and experience that will assist in the realisation of the Group's strategy to become a pure-play retirement operator and the associated financial targets that have been identified for FY16 and FY18 which underpin this strategy ('Strategy').

The Board Charter details the composition and structure of the Board. The following business experience and skills have been identified among the incumbent Board members, which are considered appropriate not only for the purposes of enabling the Board to discharge its duties effectively, but to enable Aveo to deliver on its Strategy:

- accounting and audit;
- corporate finance and treasury;
- enterprise risk management;
- capital transactions;
- mergers, acquisitions and divestments;
- aged care and allied health services provision;
- retirement village operations;
- corporate and regulatory governance;
- legal due diligence; and
- human resources and remuneration.

2. ACTING ETHICALLY AND RESPONSIBLY

Code of conduct

The Group has well-established policies, procedures and codes of conduct which seek to promote ethical standards of behaviour by all employees and a culture of compliance that is risk-aware and embraces good governance practices, underpinned by knowledge of the law and relevant corporate and community expectations.

The Board supports the need for Directors, senior management and all other employees to observe the highest standards of behaviour and business ethics. All Directors and employees are expected to act with integrity, striving at all times to enhance the reputation and performance of the Group. The Board's policies reflect its requirements in relation to the promotion of ethical and responsible decision-making. Appropriate training programs on the Group's internal policies support the policies.

A formal Code of Conduct, which requires employees to act honestly and in good faith, not disclose confidential information, avoid conflicts of interest, observe all relevant laws and maintain a culture of lawful and ethical behaviour, is available from the Investor Centre on the Aveo website. The Code of Conduct is supported by various internal policies, including those dealing with avoiding conflicts of interest and ensuring that privacy is respected. To further support Aveo's business activities, Aveo also has a Fraud, Bribery and Corruption ('FB&C') control framework, supported by the Aveo Whistleblower Policy. The FB&C control strategy focuses on addressing the elements of awareness, prevention, detection and investigation with continuous monitoring.

The Board Charter sets out the Board's philosophy for driving the creation of long-term securityholder value through high ethical standards of behaviour, respect for employees' aspirations, and acting as a good corporate citizen in the community in which the Group operates. The Board Charter also articulates the Board's values, which include a commitment to a climate of trust and candour, fostering a culture of open constructive dissent and ensuring individual accountability.

The Board has established written guidelines, detailed in its Securities Trading Policy, that restrict dealings by Directors and employees in the Group's securities and in securities of customers and other entities with which Directors or employees may deal in the course of their duties.

The Securities Trading Policy complies with Listing Rules 12.9 and 12.12. It identifies certain periods when, even in the absence of knowledge of unpublished price-sensitive information, Directors and all employees may not buy or sell securities. These periods are the earlier of the ex-dividend date in circumstances where the Board has declared a dividend for the half year and/or full year reporting periods, or 1 January and 1 July each year, and expiring one day following the release of half year and full year results respectively.

A copy of the Securities Trading Policy is available from the Investor Centre on the Aveo website.

3. INTEGRITY IN CORPORATE REPORTING

The Group has an established Audit and Risk Committee (the *Audit Committee*) which operates under written terms of reference approved by the Board and embodied in the Audit and Risk Committee Charter. The Audit Committee assists the Board to verify and safeguard the integrity of the Group's financial reporting, internal control structures and risk management systems, and oversees the independence of the external auditor.

The Audit Committee is also responsible for making recommendations to the Board in relation to the selection, appointment and rotation of the external audit engagement partners, and overseeing and appraising the quality and effectiveness of audit work performed by the external auditor.

The Audit Committee comprises three Non-Executive Directors, with a majority of Directors being independent. The Audit Committee is chaired by an independent Director who is not the Chairman of the Board. The structure and functions of the Audit Committee comply with the recommendations in the Guidelines, and therefore Listing Rule 12.7.

The primary responsibilities of the Audit Committee are to review and recommend for approval to the Board:

- the integrity of the Group's financial reports, including oversight of the external auditor, approval of the external audit plan and compliance with auditor independence requirements;
- the appropriateness of the Group's accounting policies;
- the effectiveness of the Group's financial reporting controls and procedures;
- the effectiveness of the Group's internal control environment, including oversight of the internal audit function, approval of the annual internal audit plan and reviewing the results of internal audit engagements; and
- compliance with relevant laws and regulations.

The current members of the Audit Committee are Mr L.R. McKinnon (Chairman), Mr J.E.F. Frayne and Mr E.L. Lee, and the qualifications of each member are set out in the Directors' Report.

Meetings of the Audit Committee are attended, by invitation, by the Chief Financial Officer, the Company Secretary, the engagement partner from the Group's external auditor, and such other senior staff or professional advisers as may be appropriate from time to time. The number of meetings of the Audit Committee held during the year, and a record of attendance by each member of the Committee at those meetings, is set out in the Directors' Report. Minutes of all Audit Committee meetings are provided to the Board, and the Chairman of the Audit Committee reports to the Board after each Audit Committee meeting.

When considering the Audit Committee's review of financial reports, the Board also receives a written statement in accordance with section 295A of the Corporations Act signed by the Executive Director and Chief Executive Officer, and the Chief Financial Officer, affirming that the Group's Financial Report gives a true and fair view, in all material respects, of the Group's financial position, and complies, in all material respects, with relevant accounting standards.

The Audit and Risk Committee Charter is available from the Investor Centre on the Aveo website.

The Group's external auditor has declared its independence to the Audit Committee during the year. The Audit Committee has examined detailed material provided by the external auditor and by management and has satisfied itself that the standards for auditor independence and associated issues have been complied with.

4. TIMELY AND BALANCED DISCLOSURE

The Group has established a Continuous Disclosure Policy and a Communications Policy and also has External Communications and Continuous Disclosure Protocols which are intended to enhance the Group's compliance with the continuous disclosure requirements of the Corporations Act and the ASX Listing Rules. These documents set out procedures to identify relevant material information, report material information to the Company Secretary for review, and ensure compliance with the continuous disclosure requirements. A copy of the Continuous Disclosure Policy is available from the Investor Centre on the Aveo website.

The Company Secretary has primary responsibility for communications with the ASX, including responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and overseeing information sent to the ASX and securityholders.

The Directors have obligations under a Disclosure of Interests and Transactions in Securities Agreement, entered into by each of them with the Group, to inform the Group of any trading by them in the Group's securities and of any other interests in contracts the Director may have with a Group entity.

All announcements made by the Group to the ASX are available from the Investor Centre on the Aveo website.

5. SECURITYHOLDER ENGAGEMENT

The Group aims to keep securityholders informed of the Group's performance and all major developments in an ongoing manner. The investor relations protocols for the Group are governed by a formal Communications Policy to facilitate the protocols for the exchange of information between the Group and securityholders. All of the Group's corporate governance materials (including the Communications Policy) are available from the Investor Centre on the Aveo website.

Investor relations with the Group's securityholders is facilitated by communication in the following manner:

- utilising the Investor Centre on the Aveo website to publish:
  - all media releases made by the Group;
  - announcements made to the ASX during the course of the year;
  - the corporate calendar;
  - the Group's Constitutions and Stapling Deed;
  - biographies of the Directors;
  - Annual Reports;
  - Notices of Meetings and details of Annual and General Meetings;

- the Annual Report, which is available for distribution to all securityholders;
- the Half Year Financial Report, which contains summarised financial information and a review of the operations during the period since the Annual Report; and
- other correspondence to securityholders as required.

Securityholders are also encouraged to participate in the AGM to ensure a high level of accountability and identification with the Group's strategies and goals. The AGM provides the opportunity for the Group to update securityholders on the Group's performance and provides a valuable opportunity for securityholders to ask questions of the Board and senior management. Securityholders can also submit questions to the Chairman and the Executive Director and Chief Executive Officer by mail to the Group's registered office prior to the AGM, in accordance with the notice period outlined in the Notice of Meetings.

The senior engagement partner of the Group's external auditor attends the Group's AGM and is available to answer questions from securityholders about the conduct of the audit and the preparation and content of the auditor's report. The Chairman advises the securityholders of this at the commencement of each AGM.

In addition, the AGM and the half year and full year results presentations, and a summary of the transcript of the Chairman's address from the AGM, are available from the Investor Centre on the Aveo website.

Computershare, the Group's registry services provider, has assisted the Group to facilitate electronic communication with securityholders. This involves the ability of securityholders to register for email notifications when relevant information, including ASX announcements, are posted to the Investor Centre on the Aveo website. Since 2004, the Group has participated in the eTree initiative and has successfully encouraged a number of securityholders to move from paper-based communications to electronic mail. This initiative has meant that more securityholders now receive communications from the Group, such as Notices of Meetings and Annual Reports, in an electronic format. New initiatives that have been implemented by the Group since the conclusion of the eTree initiative include the offering of an enhanced user experience on the Computershare Investor Centre (including features such as proactive alerts), which has been responsible for an increase in the number of securityholders providing an email address, payment instructions and tax details.

6. RECOGNISING AND MANAGING RISK

Oversight of the risk management function

The Group recognises the importance of managing risk and controlling its business activities in a manner which enables it to maximise profitable opportunities, avoid or reduce risks which may cause injury or loss, ensure compliance with applicable laws and regulations, and enhance resilience to external events.

The Board is responsible for approving and reviewing the Group's risk management strategy and policy. The Board is assisted in its oversight function by the Audit Committee. The active identification of risks and the design and implementation of the risk management framework are the responsibilities of management, while business units are responsible for integrating the risk management framework within their business processes and systems.

Over many years, the Board has developed and implemented procedures to ensure that the material risks facing the Group are adequately and regularly identified, assessed, monitored and managed throughout the whole organisation. Through the measures referred to below, senior management reports to the Board as to the effectiveness of the Group's management of its material business risks:

- annual budgets, divisional business plans and the Group's strategic plan are prepared for approval by Directors;
- actual trading results for the Group and each division are presented to the Board at each Board meeting and compared against budget and forecasts;
- comprehensive Board papers containing relevant operational, strategic, financial and legal information are prepared by senior management and circulated to Directors before each Board meeting;

- monthly project reviews are attended by senior management to monitor the progress of each individual project and the risk environment applicable. Material developments or changes are reported to the Board at the next Board meeting;
- financial authority limits have been set by the Board (which are reviewed annually) to delegate the Board's approval process for various matters, including site acquisitions and developments. Where the cost is above those delegated authorities, the approval of the full Board is required;
- insurance cover appropriate to the size and nature of the Group's operations is carried out to reduce the financial impact of any significant insurable losses;
- bi-annual reporting on the Group's risk profile and material business risks as identified by management and captured in divisional risk registers is carried out; and
- independent appraisal of the Group's system of risk management and control is undertaken by the internal audit function or other external party.

Within the framework, and in addition to the daily management of business activities, each business unit is required to formally profile its risk environment, which is reviewed and updated on a regular basis through a detailed risk register. This includes the identification and review of material risks, providing a risk rating, assessment of the key controls in place to manage the risk, and the person(s) responsible for implementing and reviewing controls. A comprehensive enterprise risk management ('ERM') review was conducted during FY15 to consider the Group's risk profile and risk maturity, and to ensure that the risk management framework meets the expectations of the Group. At this time, the Group does not consider that it faces material exposure to economic, environmental or social sustainability risks. Further information with respect to the Group's compliance with environmental regulation can be found in the Directors' Report. The findings of the ERM review were reported to the Audit Committee. Minutes of all Audit Committee meetings are circulated to the full Board, and the Chairman of the Audit Committee reports to the Board after each Audit Committee meeting.

It is the responsibility of the senior management of the Group to ensure that the risk register is regularly reviewed and updated, and to bring any extreme risks promptly to the attention of the Chief Executive Officer and the Chairman for consideration. If it is considered necessary, the Chairman will convene a meeting of the Board to consider and provide direction on how the risk should be managed.

The Board also receives regular updates from the Chief Executive Officer, the Chief Financial Officer, other senior managers and, where relevant, external parties, on material risks faced by the Group and the ongoing assessment and level of effectiveness of management of those risks.

The Chief Financial Officer reports in writing to the Board and attends all Board meetings. The Chief Financial Officer also attends all meetings of the Audit Committee and provides written reports to the Audit Committee, as required.

In addition, the Audit Committee reviews and reports to the Board in relation to the integrity of the Group's financial reporting, internal control structures and risk management systems with regard to financial risks and the internal and external audit functions.

The Group has established a Risk Management Policy and a Treasury and Financial Risk Management Policy, which are available from the Investor Centre on the Aveo website. These policies and underlying procedures are reviewed annually by the Board to ensure their continued application and relevance.

The Group has established an in-house internal audit function that operates pursuant to a Board approved charter. The function is internally resourced and led by the Group Internal Audit and Risk Manager, with supplemental resourcing provided by specialist third parties.

The internal audit function provides the Board with assurance over the adequacy, effectiveness and efficiency of risk management and control and governance processes employed across the Group. Internal audit also assists in the achievement of the Group's strategy by providing insight and recommendations on business process improvement and the management of material business risks.

The internal audit function has no direct authority or responsibility for the activities it reviews. The Group Internal Audit and Risk Manager reports functionally to the Chair of the Audit Committee and administratively to the Chief Financial Officer. The Group Internal Audit and Risk Manager retains and exercises the right to meet with the Audit Committee and its Chair in the absence of management.

The Audit Committee approves the annual internal audit plan and assurance programme, which is determined using a structured, risk-based approach. The Audit Committee also determines the scope and budget of the function, on recommendation from management and the Group Internal Audit and Risk Manager.

While internal and external audit work closely together, they are separate functions. Aveo's external audit firm does not provide internal audit services to the Group.

The internal audit function conducts its activities in accordance with the Group's policies and other relevant professional standards, including the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing.*

Further details regarding the structure and role of the internal audit function can be found in the Internal Audit Charter, which is available from the Investor Centre on the Aveo website.

The Group's Compliance Committee was dissolved on 7 December 2012 as a result of the Board comprising a majority of independent Directors. While the Board continues to be comprised of a majority of independent Directors, it will oversee the operation of the Managed Investment Schemes ('Schemes') associated with the Group. On a quarterly basis, the Board will monitor compliance with the Schemes' risk management systems and compliance plans. Aveo Funds Management Limited, the Responsible Entity of the Schemes, also has a Risk Management Policy in place, which sets out the procedures required to be followed to ensure compliance with its risk management obligations under the Corporations Act and its Australian Financial Services Licence.

Certification of risk management controls

The Chief Executive Officer and the Chief Financial Officer state in writing to the Board each financial year that the declarations made by them in accordance with section 295A of the Corporations Act in relation to the integrity of the Group's Financial Report are founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

The declarations from the Chief Executive Officer and the Chief Financial Officer are based on a formal sign-off framework established throughout the Group and reviewed by the Audit Committee as part of the financial reporting process.

7. REMUNERATING FAIRLY AND RESPONSIBLY

The Nomination and Remuneration Committee assists the Board in fulfilling its corporate governance and oversight responsibilities in relation to the remuneration and incentive framework for the Group's senior executives and Directors.

The primary responsibilities of the Nomination and Remuneration Committee with respect to the remuneration and incentive framework are to review and recommend for approval to the Board:

- remuneration policies and practices which are consistent with the Group's strategic goals and which enable the Group to attract and retain executives and Directors who will create value for securityholders;
- the quantum and structure of remuneration for Directors and senior executives, having regard to the performance of the Group, the performance of the executives and the general remuneration environment; and
- policies and procedures to attract, motivate and retain appropriately skilled persons to meet the Group's needs.

The Nomination and Remuneration Committee may invite any executives of the Group and other external advisers to attend any meetings of the Nomination and Remuneration Committee; however, no person is responsible for assessing their own performance or solely responsible for recommending the quantum or structure of their own remuneration for Board approval. The number of meetings of the Nomination and Remuneration Committee held during the year, and a record of attendance by each member of the Committee at those meetings, is set out in the Directors' Report. Minutes of all Nomination and Remuneration Committee meetings are provided to the Board, and the Chairman of the Nomination and Remuneration Committee also reports to the Board after each Nomination and Remuneration Committee meeting.

The structure of Non-Executive Directors' remuneration and that of senior management is set out in the Remuneration Report within the Directors' Report. Remuneration packages for senior management involve a balance between fixed and incentive-based remuneration, via participation in the Aveo Group Long-Term and Short-Term Incentive Plans (collectively 'the Plans'), reflecting short and long-term performance objectives appropriate to the Group's circumstances and goals. Information relating to the prohibition on engaging in activities that limit the economic risks associated with the Plans are disclosed in the Remuneration Report and the Securities Trading Policy, which is available from the Investor Centre on the Aveo website.

Non-Executive Directors' remuneration is clearly distinguished from that of senior management, with remuneration solely by way of Directors' fees and statutory superannuation entitlements.

Details of the nature and amount of each element of the remuneration of each Director and the key management personnel for the financial year are also disclosed in the Remuneration Report.

The 2015 Aveo Group Corporate Governance Statement was approved by the Aveo Group Board and is current as of 19 August 2015.

	Note	Group		Trust Group	
		2015	2014	2015	2014
		$m	$m	$m	$m
Continuing operations					
Sale of goods	1	191.2	319.2	-	-
Revenue from rendering of services	1	94.0	84.7	1.0	3.0
Other revenue	1	15.0	19.3	23.6	23.1
Revenue		**300.2**	**423.2**	**24.6**	**26.1**
Cost of sales	2	(174.4)	(308.6)	-	-
Gross profit		**125.8**	**114.6**	**24.6**	**26.1**
Change in fair value of investment properties	9	37.4	2.6	(0.7)	0.1
Change in fair value of resident loans	7	(20.6)	11.5	-	-
Change in fair value of derivative financial assets and liabilities		4.1	8.9	-	-
Employee expenses		(31.9)	(29.2)	-	-
Marketing expenses		(10.4)	(11.3)	-	-
Occupancy expenses		(1.4)	(2.1)	-	-
Property expenses		(2.7)	(2.7)	(0.2)	(0.5)
Administration expenses		(10.8)	(10.6)	-	(0.3)
Other expenses		(7.7)	(13.2)	(1.1)	(1.0)
Finance costs	2	(3.0)	(18.0)	(0.5)	(0.8)
Share of net gain/(loss) of associates and joint ventures accounted for using the equity method	(a)	2.7	(13.3)	0.7	1.7
Profit from continuing operations before income tax		**81.5**	**37.2**	**22.8**	**25.3**
Income tax expense	3	(21.2)	(11.2)	-	-
Profit for the year		**60.3**	**26.0**	**22.8**	**25.3**
Profit for the year is attributable to:					
Owners of Aveo Group Limited		35.2	0.8	-	-
Non-controlling interests - owners of Aveo Group Trust		22.8	25.3	22.8	25.3
Net profit after tax attributable to stapled securityholders of the Group		**58.0**	**26.1**	**22.8**	**25.3**
Other non-controlling interests	26	2.3	(0.1)	-	-
		60.3	**26.0**	**22.8**	**25.3**
Earnings per Security (cents per Security):					
Basic earnings per stapled security	19	11.6	5.9	4.6	5.7
Diluted earnings per stapled security	19	11.6	5.9	4.6	5.7
Earnings per Security from continuing operations (cents per Security):					
Basic earnings per stapled security	19	11.6	5.9	4.6	5.7
Diluted earnings per stapled security	19	11.6	5.9	4.6	5.7

(a) Includes gain on disposal of foreign operation net of impairment reversal of nil (2014: $1.3 million profit), transfer from foreign currency translation reserve on disposal of foreign operation of nil (2014: $18.7 million loss) and other profits of $2.7 million (2014: $4.1 million profit).

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 2015

		Group 2015 $m	Group 2014 $m	Trust Group 2015 $m	Trust Group 2014 $m
Profit for the year		**60.3**	**26.0**	**22.8**	**25.3**
Other comprehensive income					
Items that may be reclassified to profit or loss					
Foreign currency translation differences for foreign operations		2.2	13.0	1.7	(0.1)
Income tax on items of other comprehensive income		-	8.2	-	-
Other comprehensive income for the year, net of tax		**2.2**	**21.2**	**1.7**	**(0.1)**
Comprising:					
Share of associates' transfer to profit or loss on disposal of foreign operation	(a)	-	18.7	-	-
Other foreign currency translation differences		2.2	2.5	1.7	(0.1)
		2.2	21.2	1.7	(0.1)
Total comprehensive income for the year		**62.5**	**47.2**	**24.5**	**25.2**
Total comprehensive income for the year is attributable to:					
Owners of Aveo Group Limited		35.7	22.1	-	-
Non-controlling interest - owners of Aveo Group Trust		24.5	25.2	24.5	25.2
Total comprehensive income for the year attributable to stapled securityholders of the Group		**60.2**	**47.3**	**24.5**	**25.2**
Other non-controlling interests		2.3	(0.1)	-	-
		62.5	**47.2**	**24.5**	**25.2**

(a) Reflects recycling of foreign currency translation reserve to profit or loss on disposal of a foreign operation.

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

CONSOLIDATED BALANCE SHEETS
As at 30 June 2015

	Note	Group 2015 $m	Group 2014 $m	Trust Group 2015 $m	Trust Group 2014 $m
Current assets					
Cash and cash equivalents	20	32.9	23.8	0.3	1.1
Trade and other receivables	4	47.8	151.4	-	-
Inventories	8	259.5	106.8	-	-
Derivative financial assets		0.3	1.7	-	-
Assets classified as held-for-sale	21	-	20.5	-	20.5
Prepayments		3.1	2.1	-	0.1
Other assets	18(e)	46.8	-	-	-
Total current assets		**390.4**	**306.3**	**0.3**	**21.7**
Non-current assets					
Trade and other receivables	4	2.7	2.7	525.6	544.5
Inventories	8	171.5	336.7	-	-
Investment properties	9	2,614.7	2,491.1	59.2	15.9
Equity-accounted investments	18	179.1	101.6	11.3	8.9
Property, plant and equipment	22	18.7	18.8	-	-
Intangible assets		5.7	4.5	-	-
Other assets		10.0	8.1	-	-
Total non-current assets		**3,002.4**	**2,963.5**	**596.1**	**569.3**
TOTAL ASSETS		**3,392.8**	**3,269.8**	**596.4**	**591.0**
Current liabilities					
Trade and other payables	5	44.5	51.0	16.0	16.2
Interest bearing loans and borrowings	6	93.6	23.2	-	11.1
Provisions	23	31.4	23.7	25.8	20.0
Derivative financial liabilities	24	1.8	11.4	-	-
Deferred revenue		97.2	96.7	-	-
Total current liabilities (excluding resident loans)		268.5	206.0	41.8	47.3
Resident loans	7	1,290.5	1,258.8	-	-
Total current liabilities		**1,559.0**	**1,464.8**	**41.8**	**47.3**
Non-current liabilities					
Interest bearing loans and borrowings	6	265.9	321.4	-	-
Deferred tax liabilities	10	60.7	39.7	-	-
Provisions	23	1.3	1.2	-	-
Derivative financial liabilities	24	0.3	13.2	-	-
Total non-current liabilities		**328.2**	**375.5**	**-**	**-**
TOTAL LIABILITIES		**1,887.2**	**1,840.3**	**41.8**	**47.3**
NET ASSETS		**1,505.6**	**1,429.5**	**554.6**	**543.7**
Equity					
Contributed equity	11	1,122.0	1,093.8	663.0	650.8
Reserves	25	(11.1)	(12.9)	1.6	(0.1)
Accumulated losses	25	(192.5)	(227.7)	(111.3)	(108.3)
Total equity attributable to securityholders		**918.4**	**853.2**	**553.3**	**542.4**
Non-controlling interests					
Aveo Group Trust		553.3	542.4	-	-
Other non-controlling interests	26	33.9	33.9	1.3	1.3
Total equity attributable to non-controlling interests		**587.2**	**576.3**	**1.3**	**1.3**
TOTAL EQUITY		**1,505.6**	**1,429.5**	**554.6**	**543.7**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2015

	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	Accumulated losses $m	Total $m	$m	$m	$m
Balance at 1 July 2013		**933.3**	**(35.2)**	**(228.5)**	**669.6**	**469.2**	**35.2**	**1,174.0**
Comprehensive income:								
Profit/(loss) for the period	25,26	-	-	0.8	0.8	25.3	(0.1)	26.0
Other comprehensive income		-	21.3	-	21.3	(0.1)	-	21.2
Total comprehensive income for the period		**-**	**21.3**	**0.8**	**22.1**	**25.2**	**(0.1)**	**47.2**
Transactions with owners in their capacity as owners:								
Dividends and distributions provided for	12	-	-	-	-	(20.0)	-	(20.0)
Transactions with non-controlling interests		-	0.7	-	0.7	-	(1.2)	(0.5)
Equity-settled employee benefits	25	-	0.3	-	0.3	-	-	0.3
Issue of securities	11	160.5	-	-	160.5	68.0	-	228.5
Total transactions with owners in their capacity as owners		**160.5**	**1.0**	**-**	**161.5**	**48.0**	**(1.2)**	**208.3**
Balance at 30 June 2014		**1,093.8**	**(12.9)**	**(227.7)**	**853.2**	**542.4**	**33.9**	**1,429.5**
Comprehensive income:								
Profit for the period	25,26	-	-	35.2	35.2	22.8	2.3	60.3
Other comprehensive income		-	0.5	-	0.5	1.7	-	2.2
Total comprehensive income for the period		**-**	**0.5**	**35.2**	**35.7**	**24.5**	**2.3**	**62.5**
Transactions with owners in their capacity as owners:								-
Dividends and distributions provided for	12	-	-	-	-	(25.8)	-	(25.8)
Transactions with non-controlling interests		-	0.7	-	0.7	-	(2.3)	(1.6)
Equity-settled employee benefits	25	-	0.6	-	0.6	-	-	0.6
Acquisition of treasury securities	11	(2.2)	-	-	(2.2)	(0.9)	-	(3.1)
Securities bought back and cancelled	11	(1.0)	-	-	(1.0)	(0.4)	-	(1.4)
Issue of securities	11	31.4	-	-	31.4	13.5	-	44.9
Total transactions with owners in their capacity as owners		**28.2**	**1.3**	**-**	**29.5**	**(13.6)**	**(2.3)**	**13.6**
Balance at 30 June 2015		**1,122.0**	**(11.1)**	**(192.5)**	**918.4**	**553.3**	**33.9**	**1,505.6**

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

	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 2013		**582.8**	**-**	**(113.6)**	**469.2**	**1.3**	**470.5**
Comprehensive income:							
Profit for the period	25,26	-	-	25.3	25.3	-	25.3
Other comprehensive income		-	(0.1)	-	(0.1)	-	(0.1)
Total comprehensive income for the period		**-**	**(0.1)**	**25.3**	**25.2**	**-**	**25.2**
Transactions with owners in their capacity as owners:							
Dividends and distributions provided for	12	-	-	(20.0)	(20.0)	-	(20.0)
Issue of securities	11	68.0	-	-	68.0	-	68.0
Total transactions with owners in their capacity as owners		**68.0**	**-**	**(20.0)**	**48.0**	**-**	**48.0**
Balance at 30 June 2014		**650.8**	**(0.1)**	**(108.3)**	**542.4**	**1.3**	**543.7**
Comprehensive income:							
Profit for the period	25,26	-	-	22.8	22.8	-	22.8
Other comprehensive income		-	1.7		1.7	-	1.7
Total comprehensive income for the period		**-**	**1.7**	**22.8**	**24.5**	**-**	**24.5**
Transactions with owners in their capacity as owners:							
Dividends and distributions provided for	12	-	-	(25.8)	(25.8)	-	(25.8)
Acquisition of treasury securities	11	(0.9)	-	-	(0.9)	-	(0.9)
Securities bought back and cancelled	11	(0.4)	-	-	(0.4)	-	(0.4)
Issue of securities	11	13.5	-	-	13.5	-	13.5
Total transactions with owners in their capacity as owners		**12.2**	**-**	**(25.8)**	**(13.6)**	**-**	**(13.6)**
Balance at 30 June 2015		**663.0**	**1.6**	**(111.3)**	**553.3**	**1.3**	**554.6**

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

	Note	Group		Trust Group	
		2015	2014	2015	2014
		$m	$m	$m	$m
Cash flows from operating activities					
Receipts from customers		430.8	421.2	1.0	3.3
Payments to suppliers and employees		(288.6)	(250.9)	(2.4)	(3.2)
Interest received		1.4	2.3	-	-
Finance costs including interest and other costs of finance paid		(24.6)	(52.0)	(0.5)	(0.8)
Dividends and distributions received		-	0.5	-	-
GST (paid)/recovered		(6.9)	(3.4)	0.1	-
Net cash flows from/(used in) operating activities	28(a)	**112.1**	**117.7**	**(1.8)**	**(0.7)**
Cash flows from investing activities					
Payments for property, plant and equipment		(0.9)	(0.8)	-	-
Proceeds from sale of property, plant and equipment		-	0.1	-	-
Payments for intangible assets		(4.2)	(1.4)	-	-
Payments for investment properties, including investment properties classified as held-for-sale		(61.2)	(18.8)	(4.9)	(0.7)
Proceeds from the sale of investment properties		19.8	31.2	19.8	31.2
Payments for equity-accounted investments		(35.2)	(10.9)	-	-
Return of equity from equity-accounted investments		7.8	4.0	-	-
Proceeds from sale of equity-accounted investments		-	4.1	-	-
Payments for acquisition of non-controlling interests		(2.9)	(1.7)	-	-
Loans to related parties		-	-	(9.1)	(102.3)
Repayment of loans by related parties		-	-	27.9	3.8
Net cash flows (used in)/from investing activities		**(76.8)**	**5.8**	**33.7**	**(68.0)**
Cash flows from financing activities					
Proceeds from issue of securities		-	232.1	-	69.6
Costs associated with issue of securities		-	(5.2)	-	(1.5)
Payments for security buyback		(4.5)	-	(1.4)	-
Dividends and distributions paid		(20.0)	(3.2)	(20.0)	(3.2)
Payments for convertible bond buybacks		-	(99.5)	-	-
Payment for settlement of derivative		(15.7)	(3.5)	-	-
Proceeds from borrowings		405.2	369.7	-	3.0
Repayment of borrowings		(391.2)	(620.9)	(11.3)	-
Net cash flows (used in)/from financing activities		**(26.2)**	**(130.5)**	**(32.7)**	**67.9**
Net increase/(decrease) in cash and cash equivalents		9.1	(7.0)	(0.8)	(0.8)
Cash and cash equivalents at the beginning of the year		23.8	30.8	1.1	1.9
Cash and cash equivalents at the end of the year	20	**32.9**	**23.8**	**0.3**	**1.1**

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

These are the consolidated financial statements of Aveo Group, which is a stapled entity comprising Aveo Group Limited and its subsidiaries, and Aveo Group Trust and its subsidiaries. The consolidated financial statements of Aveo Group Trust comprise Aveo Group Trust and its subsidiaries. A list of major subsidiaries is given in note 17 in section C. Details of the stapling arrangement are given in note 35(a) in Appendix 2.

The Parent and the Property Trust are domiciled and formed in Australia. Their registered office and principal place of business is Level 5, 99 Macquarie Street, Sydney, New South Wales.

The financial statements are presented in the Australian currency.

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 35 in Appendix 2.

Immaterial disclosures have been omitted.

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 what accounting policies 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

	Note	Group		Trust Group	
		2015	2014	2015	2014
		$m	$m	$m	$m
From continuing operations					
Sale of goods					
Land	(i)	147.4	133.3	-	-
Built form	(ii)	42.4	110.5	-	-
Commercial and industrial	(iii)	1.4	75.4	-	-
		191.2	**319.2**	**-**	**-**
Rendering of services					
Gross deferred management fees and capital gains	(iv)	57.1	49.8	-	-
Rent received for commercial investment property	(v)	11.7	11.6	1.0	3.0
Administration fees		4.3	4.2	-	-
Government grants	(vi)	9.3	8.0	-	-
Commissions received		3.5	3.4	-	-
Other		8.1	7.7	-	-
		94.0	**84.7**	**1.0**	**3.0**
Other revenue					
Management fee received	(vii)	11.1	11.3	-	-
Interest received/receivable	(viii)	1.4	2.3	23.6	23.1
Gain on disposal of investments		-	3.1	-	-
Other		2.5	2.6	-	-
		15.0	**19.3**	**23.6**	**23.1**

(a) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. No revenue is recognised if there is significant uncertainty regarding recoverability of the consideration due or if the costs incurred or to be incurred cannot be measured reliably. The following specific criteria must also be met before revenue is recognised:

Sale of goods

(i) Land subdivision

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

(ii) Residential development properties

Revenues from the sale of residential development properties to retail buyers are recognised when the developments are completed and sales are settled. Revenues from the sale of such property in one line to other developers are recognised on the exchange of unconditional sales contracts provided the Group has no further significant work to perform under the sales contract.

(iii) Commercial development projects

Revenues from commercial development projects are recognised upon completion of the project and on the exchange of unconditional sales contracts. Revenues from the sale of such property in one line to other developers are recognised on the exchange of unconditional sales contracts provided the Group has no further significant work to perform under the sales contract.

1. REVENUE (continued)

Rendering of services

When the outcome of a contract to provide services can be estimated reliably, revenue is recognised by reference to the percentage of the services performed, specifically:

(iv) 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 Australian Bureau of Statistics current data relating to life expectancy and historical trends of rollovers within the Group. DMF revenue is not discounted to present value, as the income is received by reduction 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 based on:

- 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.

(v) Gross rental income

Rental income from operating leases over commercial investment property 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.

(vi) 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.

(vii) Management fee revenue

Management fees are recognised when the relevant entity has performed the associated services to which the management fees relate.

(viii) Interest revenue

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

2. PARTICULAR EXPENSES

	Group 2015 $m	Group 2014 $m	Trust Group 2015 $m	Trust Group 2014 $m
Profit from continuing operations before income tax includes the following significant expenses:				
Depreciation	1.0	1.4	-	-
Amortisation	1.0	0.5	-	-
Finance costs at amortised cost				
Interest and amortisation of borrowing costs from bank loans and overdraft	27.1	53.8	0.5	0.8
Less: capitalised finance costs	(24.1)	(35.8)	-	-
	3.0	18.0	0.5	0.8

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

	Group 2015 $m	Group 2014 $m	Trust Group 2015 $m	Trust Group 2014 $m
Inventories - land and development properties held for resale	24.1	35.8	-	-

Interest was capitalised at a weighted average rate of 7.5% (2014: 8.25%).

	Group 2015 $m	Group 2014 $m	Trust Group 2015 $m	Trust Group 2014 $m
Impairment of assets				
Trade and other receivables (note 4c)	0.7	1.9	-	(0.1)
Equity-accounted investments	-	4.0	-	-
Utilisation of impairment of assets				
Inventories (included in cost of goods sold)	19.8	51.1	-	-

3. INCOME TAX EXPENSE

	Group		Trust Group	
	2015	2014	2015	2014
	$m	$m	$m	$m
(a) Income tax expense				
Current income tax				
Current income tax charge	-	-	-	-
Deferred income tax				
Current year movement	21.1	12.5	-	-
Under/(over) provisions	0.1	(1.3)	-	-
Income tax expense reported in the income statement	**21.2**	**11.2**	**-**	**-**

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

	Group 2015 $m	Group 2014 $m	Trust Group 2015 $m	Trust Group 2014 $m
Accounting profit before income tax	81.5	37.2	22.8	25.3
Income tax at the Australian tax rate of 30% (2014: 30%)	24.5	11.2	6.8	7.6
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income				
Non-assessable Trust Group income	(6.8)	(7.6)	(6.8)	(7.6)
Equity accounted (profits)/losses	(0.6)	4.5	-	-
Other	4.0	4.4	-	-
	21.1	12.5	-	-
Prior years' under/(over) provisions	0.1	(1.3)	-	-
Income tax expense	**21.2**	**11.2**	**-**	**-**

(c) Tax expense relating to items of other comprehensive income

	Group 2015 $m	Group 2014 $m	Trust Group 2015 $m	Trust Group 2014 $m
Income tax expense or income was recognised in other comprehensive income in relation to the following items:				
Foreign currency translation reserve - translation of foreign operations	-	(8.2)	-	-
	-	**(8.2)**	**-**	**-**

(d) 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.

Trust taxation

Under current tax legislation, the Property Trust is not liable for income tax, provided its taxable income and taxable capital gains are fully distributed to unitholders each year. The Property Trust fully distributes its taxable income in accordance with the Trust Deed. 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 Property Trust.

SECTION A2. FINANCIAL ASSETS AND LIABILITIES

Accounting for financial assets

Financial assets within the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either 'financial assets at fair value through profit or loss', 'held-to-maturity investments', 'loans and receivables' or 'available-for-sale financial assets'. The classification depends on the purpose for which the investments were acquired.

When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group does not presently have any financial assets classified as 'financial assets at fair value through profit or loss', 'held-to-maturity investments' or 'available-for-sale financial assets'.

4. TRADE AND OTHER RECEIVABLES

	Group		Trust Group	
	2015	2014	2015	2014
	$m	$m	$m	$m
Current				
Trade receivables	38.5	104.4	-	-
Other receivables	24.7	11.6	-	-
Allowance for impairment (note 4c)	(17.4)	(3.2)	-	-
	45.8	112.8	-	-
Due from other related parties - non-interest bearing	2.0	38.6	-	-
Total current receivables	**47.8**	**151.4**	**-**	**-**
Non-current				
Trade receivables	2.0	2.0	-	-
Other receivables	0.7	14.2	-	-
Allowance for impairment (note 4c)	-	(13.5)	-	-
	2.7	2.7	-	-
Due from Parent - interest bearing[1]	-	-	525.6	487.0
Due from Parent - non-interest bearing[1]	-	-	-	57.5
Total non-current receivables	**2.7**	**2.7**	**525.6**	**544.5**

1. For terms and conditions relating to receivables due from the Parent, refer to note 29(b).

(a) Accounting for trade and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method, less any allowance for impairment. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These assets are classified as current, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

Individual debts that are known to be uncollectible are written off when identified. An impairment is recognised when there is objective evidence that the Group will not be able to collect the receivable. Indicators of impairment include where there is objective evidence of significant financial difficulties, debtor bankruptcy, financial reorganisation or default in payment. The amount of the impairment loss is the receivable's carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

4. TRADE AND OTHER RECEIVABLES (continued)

(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 the carrying amount.

(c) Impairment of trade receivables

Movement in the allowance for impairment were:

	Group		Trust Group	
	2015	2014	2015	2014
	$m	$m	$m	$m
Balance at the beginning of the year	16.7	14.9	-	0.2
Provision for impairment recognised during the year (note 2)	0.7	2.0	-	-
Receivables written off as uncollectible	-	(0.1)	-	(0.1)
Unused amounts reversed (note 2)	-	(0.1)	-	(0.1)
Balance at the end of the year	**17.4**	**16.7**	**-**	**-**

5. TRADE AND OTHER PAYABLES

	Group		Trust Group	
	2015	2014	2015	2014
	$m	$m	$m	$m
Current				
Trade accounts payable	24.3	26.7	-	-
Other payables	19.0	23.2	0.4	1.9
Payable to Parent	-	-	15.6	14.3
Interest payable	1.2	1.1	-	-
Total current payables	**44.5**	**51.0**	**16.0**	**16.2**

(a) Accounting for trade and other payables

Trade and other payables are carried at amortised cost. 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.

6. INTEREST BEARING LOANS AND BORROWINGS

	Group		Trust Group	
	2015	2014	2015	2014
	$m	$m	$m	$m
Current				
Secured				
Bank loans (note 6b)	93.1	20.7	-	11.1
Other loans	0.5	2.5	-	-
	93.6	**23.2**	**-**	**11.1**
Non-current				
Secured				
Bank loans (note 6b)	265.9	320.9	-	-
Other loans	-	0.5	-	-
	265.9	**321.4**	**-**	**-**

(a) Accounting for interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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.

(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 2015 was 4.0% (2014: 8.6%).

(c) Financing arrangements

The Group has access to the following lines of credit:

	Group		Trust Group	
	2015	2014	2015	2014
	$m	$m	$m	$m
Total facilities available				
Bank loans (including bank overdraft)	468.1	462.2	-	11.1
Bank guarantee and insurance bond facilities	42.6	50.6	-	-
	510.7	512.8	-	11.1
Facilities utilised at balance date				
Bank loans (including bank overdraft)	359.0	341.6	-	11.1
Bank guarantee and insurance bond facilities	28.4	35.2	-	-
	387.4	376.8	-	11.1
Facilities not utilised at balance date				
Bank loans (including bank overdraft)	109.1	120.6	-	-
Bank guarantee and insurance bond facilities	14.2	15.4	-	-
	123.3	136.0	-	-

Borrowings not listed in this table are fully drawn.

6. INTEREST BEARING LOANS AND BORROWINGS (continued)

(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, current ratios and net tangible assets (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	
	2015	2014	2015	2014
	$m	$m	$m	$m
Current				
Inventories	258.9	106.2	-	-
Assets held-for-sale	-	20.5	-	20.5
	258.9	126.7	-	20.5
Non-current				
Inventories	171.5	336.7	-	-
Investment properties	2,556.2	2,489.6	-	-
	2,727.7	2,826.3	-	-

(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. They are classified as current liabilities because the Group does not have an unconditional right to defer settlement for at least 12 months after reporting date. 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 $1,290.5 million (2014: $1,258.8 million), only $149.0 million (2014: $138.4 million) is expected to be paid within the next 12 months.

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

7. RESIDENT LOANS (continued)

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

	Group 2015 $m	Group 2014 $m
Opening balance	1,258.8	1,248.2
Items recognised in profit or loss:		
Deferred management fees	(57.1)	(54.0)
Change in fair value of resident loans	20.6	(11.5)
Net cash receipts on resident departures and arrivals	68.2	76.1
Closing balance	1,290.5	1,258.8

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 $1,835.2 million (2014: $1,778.4 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 15(b). If the value used for this input was 5% higher, the fair value of these loans would be $47.5 million higher (2014: $49.3 million higher), and the input was 5% lower, the fair value of these loans would be $51.3 million lower (2014: $56.0 million lower). The effect of changing that current market value on the fair value of the related investment properties would be greater.

An explanation of the fair value hierarchy is given in note 15(e).

SECTION A3. NON-FINANCIAL ASSETS AND LIABILITIES

8. INVENTORIES

	Group		Trust Group	
	2015	2014	2015	2014
	$m	$m	$m	$m
Current				
Residential communities				
Cost of land acquisition	48.5	30.0	-	-
Development and other costs	54.8	27.8	-	-
Interest capitalised	80.4	14.3	-	-
Impairment provision	(39.4)	(6.1)	-	-
	144.3	66.0	-	-
Residential apartments				
Cost of land acquisition	32.1	8.5	-	-
Development and other costs	60.6	23.2	-	-
Interest capitalised	18.5	6.4	-	-
Impairment provision	(13.8)	(1.4)	-	-
	97.4	36.7	-	-
Commercial and industrial				
Cost of land acquisition	9.5	1.3	-	-
Development and other costs	8.3	4.0	-	-
Interest capitalised	4.6	0.5	-	-
Impairment provision	(4.6)	(1.7)	-	-
	17.8	4.1	-	-
Total current inventories	**259.5**	**106.8**	**-**	**-**
Non-current				
Residential communities				
Cost of land acquisition	141.5	190.4	-	-
Development and other costs	46.0	76.3	-	-
Interest capitalised	62.5	135.7	-	-
Impairment provision	(116.2)	(171.9)	-	-
	133.8	230.5	-	-
Residential apartments				
Cost of land acquisition	-	28.8	-	-
Development and other costs	-	19.9	-	-
Interest capitalised	-	14.9	-	-
Impairment provision	-	(11.4)	-	-
	-	52.2	-	-
Commercial and industrial				
Cost of land acquisition	13.5	22.2	-	-
Development and other costs	32.2	36.9	-	-
Interest capitalised	14.7	18.9	-	-
Impairment provision	(22.7)	(24.0)	-	-
	37.7	54.0	-	-
Total non-current inventories	**171.5**	**336.7**	**-**	**-**

8. INVENTORIES (continued)

(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 and recognised as an expense on 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	
	2015 $m	2014 $m	2015 $m	2014 $m
At fair value				
Balance at the beginning of the year	2,491.1	2,352.5	15.9	19.5
Transferred from property, plant and equipment	-	2.5	-	-
Transferred from inventory	-	98.6	-	-
Acquisition of investment properties	39.5	15.0	39.5	15.0
Capitalised subsequent expenditure	46.2	33.4	3.8	1.6
Capitalised tenant incentives	0.1	7.4	-	0.6
Amortisation of tenant incentives	(0.8)	(1.0)	-	(0.3)
Straight-line lease revenue recognition	0.5	0.7	-	-
Change in fair value of investment properties[1,2]	38.1	2.5	-	-
Disposals	-	-	-	-
Transfer to assets classified as held-for-sale	-	(20.5)	-	(20.5)
Balance at the end of the year	**2,614.7**	**2,491.1**	**59.2**	**15.9**
1 Excludes change in fair value of resident loans.				
2 Excludes change in fair value of investment properties classified as held-for-sale at the beginning of the year, being:	(0.7)	0.1	(0.7)	0.1

	Group 2015 $m	Group 2014 $m	Trust Group 2015 $m	Trust Group 2014 $m
Leasing arrangements				
Minimum lease payments due to the Consolidated Group under non-cancellable operating leases of investment property not recognised in the financial statements are receivable as follows:				
Within one year	9.0	7.0	-	-
Later than one year but not later than five years	37.5	28.0	-	-
Later than five years	37.5	40.1	-	-
	84.0	**75.1**	**-**	**-**

9. INVESTMENT PROPERTIES (continued)

(a) Accounting for investment properties

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

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

(b) Retirement villages

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

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

Estimates of fair value are prepared by management and presented to the Audit Committee, which recommends their adoption to the Directors. The Audit Committee has the benefit of an independent review of management's estimate.

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

- the discount rate of 12.5% (2014: 12.5%);
- the aggregate current market value of the individual retirement units of $1,886.5 million (2014: $1,813.8 million);
- long-term property price growth rate of 3.5% in year one, followed by 3.5% in year two, 3.5% in year three, 3.75% in year four, 4.0% in year five, and 4.25% from year six onwards (2014: 3.0% in year one, followed by 3.25% in year two, 3.5% in year three, 3.75% in year four, 4.0% in year five, and 4.5% from year six onwards); and
- average subsequent tenure period of ten years for independent living units (ILU) and four years for serviced apartments (SA) (2014: ILU: ten years, SA: four years).

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).

The Group has a contingent commitment to acquire land for retirement village development. If the contingency is removed, the minimum amount payable would be $53.1 million.

9. INVESTMENT PROPERTIES (continued)

(c) Commercial and retail properties

The carrying amount of investment property is the fair value of the property as determined by Directors' valuations. The Directors' valuations were based on current market offers and external valuations performed during the financial year by an independent appraiser with a recognised professional qualification and recent experience in the location and category of property being valued. In addition, the valuations were updated for market conditions as at 30 June 2015. Fair values of the Group's investment properties were determined with regard to recent market transactions of similar properties in similar locations to the Group's investment properties, capitalised rental returns and discounted cash flows.

Commercial and retail properties are also classified as level 3 in the fair value hierarchy. The key assumption used in their valuation is the capitalisation rate used in the Directors' valuation, which was a range of 7.0% to 8.5% (2014: 7.25% to 9.0%). Increasing the capitalisation rate would reduce the fair value of these properties (and vice-versa).

(d) Valuation reconciliation

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

	Group		Trust Group	
	2015 $m	2014 $m	2015 $m	2014 $m
Carrying amount of investment properties	2,614.7	2,491.1	59.2	15.9
Less:				
Resident loans	(1,290.5)	(1,258.8)	-	-
Deferred revenue	(97.2)	(96.7)	-	-
Valuation	**1,227.0**	**1,135.6**	**59.2**	**15.9**
Comprising:				
Retirement:				
Net present value of annuity streams - units sold or leased	916.5	909.4	-	-
New and buyback units available for occupancy	46.0	38.3	-	-
Under construction	140.7	70.3	59.2	15.9
	1,103.2	1,018.0	59.2	15.9
Commercial and retail properties	123.8	117.6	-	-
	1,227.0	**1,135.6**	**59.2**	**15.9**

10. DEFERRED TAX ASSETS AND LIABILITIES

	Group 2015 $m	Group 2014 $m	Trust Group 2015 $m	Trust Group 2014 $m
(a) Deferred tax assets				
The balance comprises temporary differences attributable to:				
Amounts recognised in the statement of comprehensive income				
Difference between tax base and carrying amount of inventories	51.1	67.1	-	-
Tax losses	133.3	134.6	-	-
Deferred revenue	29.2	29.0	-	-
Other	10.1	11.7	-	-
Deferred tax assets	**223.7**	**242.4**	**-**	**-**
Less: amounts set off against deferred tax liabilities	(223.7)	(242.4)	-	-
Net deferred tax assets	**-**	**-**	**-**	**-**
Movements				
Balance at the beginning of the year	242.4	218.6	-	-
Changes in inventories recognised for accounting but not yet deductible for tax	(16.0)	16.9	-	-
Tax losses	(1.3)	6.1	-	-
Deferred revenue	0.2	0.6	-	-
Other	(1.6)	0.2	-	-
Balance at the end of the year	**223.7**	**242.4**	**-**	**-**
Less: amounts set off against deferred tax liabilities	(223.7)	(242.4)	-	-
Net deferred tax assets	**-**	**-**	**-**	**-**

10. DEFERRED TAX ASSETS AND LIABILITIES (continued)

	Group		Trust Group	
	2015	2014	2015	2014
	$m	$m	$m	$m
(b) Deferred tax liabilities				
The balance comprises temporary differences attributable to:				
Amounts recognised in the statement of comprehensive income				
Accrued income	1.2	18.3	-	-
Fair value of investment properties	606.0	592.9	-	-
Fair value of resident loans	(310.6)	(308.3)	-	-
Equity-accounted profits	(8.2)	(11.8)	-	-
Other	(1.8)	(6.8)	-	-
Amounts recognised directly in equity	(2.2)	(2.2)	-	-
Deferred tax liabilities	**284.4**	**282.1**	**-**	**-**
Less: amounts set off against deferred tax assets	(223.7)	(242.4)	-	-
Net deferred tax liabilities	**60.7**	**39.7**	**-**	**-**
Movements				
Balance at the beginning of the year	282.1	248.6	-	-
Accrued income	(17.1)	10.2	-	-
Fair value of investment properties	13.1	16.8	-	-
Fair value of resident loans	(2.3)	(1.1)	-	-
Equity-accounted profits	3.6	4.0	-	-
Other	5.0	3.6	-	-
Balance at the end of the year	**284.4**	**282.1**	**-**	**-**
Less: amounts set off from deferred tax assets	(223.7)	(242.4)	-	-
Net deferred tax liabilities	**60.7**	**39.7**	**-**	**-**

(c) Tax losses

Unused losses for which no deferred tax asset has been recognised	156.3	139.5	-	-
Potential tax benefit at Australian tax rate of 30% (2014: 30%)	46.9	41.9	-	-

These mainly comprise Australian capital losses.

10. DEFERRED TAX ASSETS AND LIABILITIES (continued)

(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.

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 liabilities 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 2015	Aveo Group Limited 2014	Aveo Group Trust 2015	Aveo Group Trust 2014
	Number of stapled securities		Number of stapled securities	
Issued capital				
Ordinary securities fully paid	515,430,885	500,111,460	515,430,885	500,111,460
Treasury securities	(1,211,891)	-	(1,211,891)	-
	514,218,994	**500,111,460**	**514,218,994**	**500,111,460**
Movements in securities on issue				
Balance at the beginning of the year	500,111,460	321,578,705	500,111,460	321,578,705
Securities issued[1]	15,946,571	178,532,755	15,946,571	178,532,755
Securities bought back and cancelled	(627,146)	-	(627,146)	-
Ordinary securities fully paid	515,430,885	500,111,460	515,430,885	500,111,460
Acquisition of treasury securities	(1,211,891)	-	(1,211,891)	-
Balance at the end of the year	514,218,994	500,111,460	514,218,994	500,111,460

	Attributable to the shareholders of Aveo Group Limited 2015 $m	Attributable to the shareholders of Aveo Group Limited 2014 $m	Attributable to the securityholders of Aveo Group Trust 2015 $m	Attributable to the securityholders of Aveo Group Trust 2014 $m
Movements in contributed equity				
Balance at the beginning of the year	1,093.8	933.3	650.8	582.8
Securities issued[1]	31.4	162.5	13.5	69.6
Transaction costs on issue of securities[2]	-	(2.0)	-	(1.6)
Acquisition of treasury securities	(2.2)	-	(0.9)	-
Securities bought back and cancelled	(1.0)	-	(0.4)	-
Balance at the end of the year	**1,122.0**	**1,093.8**	**663.0**	**650.8**

1. On 29 May 2015, the Group issued 15,946,571 fully paid ordinary stapled securities as consideration for the acquisition of stapled securities in Retirement Villages Group.
2. Transaction costs are stated net of income tax.

(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 %
2015					
Dividends and distributions recognised in the current year:					
Final 2015 distribution	5.0	25.8	30 September 2015	-	-
	5.0	**25.8**		-	-
Comprising:					
Aveo Group Limited	-	-		-	-
Aveo Group Trust	5.0	25.8		-	-
	5.0	25.8			
2014					
Dividends and distributions recognised in the current year:					
Final 2014 distribution	4.0	20.0	30 September 2014	-	-
	4.0	**20.0**			
Comprising:					
Aveo Group Limited	-	-		-	-
Aveo Group Trust	4.0	20.0		-	-
	4.0	20.0			

	Group		Trust Group	
	2015 $m	2014 $m	2015 $m	2014 $m
Dividend franking account				
Balance of the 30% franking credits at year end	7.9	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 two segments:

- Retirement, which develops and operates retirement villages and 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 a UPT basis, 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 $m	Non-retirement $m	Total reportable operating segments $m	Non-allocated items[1] $m	Group $m
2015					
Segment revenue					
Revenue from outside the Group[2]	94.6	205.0	299.6	0.6	300.2
Total segment revenue	**94.6**	**205.0**	**299.6**	**0.6**	**300.2**
Segment result					
Segment EBITDA	53.0	33.1	86.1	(13.1)	73.0
Change in fair value of retirement investment properties	6.2	-	6.2	-	6.2
Change in fair value of other investment properties	-	5.3	5.3	-	5.3
Change in fair value of derivatives	-	-	-	4.1	4.1
Share of non-operating loss of equity-accounted investments	(1.1)	-	(1.1)	-	(1.1)
Other	-	(1.0)	(1.0)	-	(1.0)
Statutory EBITA	58.1	37.4	95.5	(9.0)	86.5
Depreciation and amortisation	(1.2)	(0.1)	(1.3)	(0.7)	(2.0)
Net interest expense	-	-	-	(3.0)	(3.0)
Net profit from continuing operations before income tax	56.9	37.3	94.2	(12.7)	**81.5**
Income tax expense					(21.2)
Net profit after income tax					**60.3**

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.

13. SEGMENT INFORMATION (continued)

	Retirement $m	Non-retirement $m	Total reportable operating segments $m	Non-allocated items[1] $m	Group $m
2014					
Segment revenue					
Revenue from outside the Group[2]	87.4	334.0	421.4	1.8	423.2
Total segment revenue	**87.4**	**334.0**	**421.4**	**1.8**	**423.2**
Segment result					
Segment EBITDA	44.8	32.7	77.5	(11.2)	66.3
Change in fair value of retirement investment properties	3.3	(1.0)	2.3	-	2.3
Change in fair value of derivatives	-	-	-	9.0	9.0
Share of non-operating loss of equity-accounted investments	(19.7)	-	(19.7)	-	(19.7)
Other	-	(1.7)	(1.7)	0.9	(0.8)
Statutory EBITDA	28.4	30.0	58.4	(1.3)	57.1
Depreciation and amortisation	(1.1)	(0.1)	(1.2)	(0.7)	(1.9)
Net interest expense	-	-	-	(18.0)	(18.0)
Net profit from continuing operations before income tax	27.3	29.9	57.2	(20.0)	**37.2**
Income tax expense					(11.2)
Net profit after income tax					**26.0**

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.

SECTION B. RISK MANAGEMENT

This section discusses the Group's exposure to various financial risks, 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.

(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.

(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 significant risks and rewards of ownership of development properties have been substantially transferred to the purchaser.

15. FINANCIAL RISK MANAGEMENT

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

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 primarily manages this risk exposure through entering into derivative instruments (primarily interest rate swaps), in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. The level of derivative instruments required to manage interest rate risk is dependent on Group gearing. During the 2015 financial year, the Group terminated all of its interest rate hedges. Consequently, at 30 June 2015, after taking into account the Group's early exit from its interest rate swaps, none (2014: 88%) of the Group's drawn debt was at a fixed rate of interest.

The amount taken to profit or loss for the year for the Group in relation to interest rate swaps was a gain of $4.1 million (2014 gain: $8.0 million) and for the Trust Group was nil (2014: nil).

15. FINANCIAL RISK MANAGEMENT (continued)

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)	
	2015 $m	2014 $m	2015 $m	2014 $m
Consolidated Group				
+0.75% (75 basis points)	2.4	0.1	-	4.7
-0.75% (75 basis points)	(2.4)	(0.1)	-	(4.7)
Consolidated Property Trust				
+0.75% (75 basis points)	(3.9)	(3.6)	-	-
-0.75% (75 basis points)	3.9	3.6	-	-

(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 no significant concentrations of foreign exchange risk.

(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, available-for-sale financial assets, 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.

15. FINANCIAL RISK MANAGEMENT (continued)

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.

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 draft refinancing plan for the approval of the Board well in advance of material debt facilities maturity.

The current weighted average debt maturity is 2.2 years (2014: 1.8 years).

15. FINANCIAL RISK MANAGEMENT (continued)

The table below reflects the contractual maturity of the Group's fixed and floating rate 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 2015.

	≤ 1 year $m	1-2 years $m	2-5 years $m	> 5 years $m	Total $m
2015					
Group					
Payables	44.5	-	-	-	44.5
Resident loans[1]	1,290.5	-	-	-	1,290.5
Bank loans	104.0	74.8	204.8	-	383.6
Other loans	0.2	0.3	-	-	0.5
Syndicate put options	1.8	0.3	-	-	2.1
	1,441.0	**75.4**	**204.8**	**-**	**1,721.2**
Trust Group					
Payables	16.0	-	-	-	16.0
	16.0	**-**	**-**	**-**	**16.0**
2014					
Group					
Payables	51.0	-	-	-	51.0
Resident loans[1]	1,258.8	-	-	-	1,258.8
Bank loans	27.0	235.5	105.5	-	368.0
Other loans	2.5	0.4	-	-	2.9
Interest rate swaps	9.8	9.4	1.1	-	20.3
Syndicate put options	1.7	0.1	3.2	-	5.0
	1,350.8	**245.4**	**109.8**	**-**	**1,706.0**
Trust Group					
Payables	16.2	-	-	-	16.2
Bank loans	-	11.3	-	-	11.3
	16.2	**11.3**	**-**	**-**	**27.5**

1. Resident loans are classified as a current liability 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 $1,290.5 million (2014: $1,258.8 million), only $149.0 million (2014: $138.4 million) is expected to be paid within the next 12 months.

(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.

15. FINANCIAL RISK MANAGEMENT (continued)

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
2015				
Group				
Financial assets				
Rights to acquire syndicate shares	-	0.3	-	0.3
Financial liabilities				
Put option liability to acquire syndicate shares	-	2.1	-	2.1
Resident loan obligations at fair value through profit or loss	-	-	1,290.5	1,290.5
	-	**2.1**	**1,290.5**	**1,292.6**
2014				
Group				
Financial assets				
Rights to acquire syndicate shares	-	1.7	-	1.7
Financial liabilities				
Interest rate swap contracts	-	19.8	-	19.8
Put option liability to acquire syndicate shares	-	4.8	-	4.8
Resident loan obligations at fair value through profit or loss	-	-	1,258.8	1,258.8
	-	**24.6**	**1,258.8**	**1,283.4**

The Trust Group does not have any financial instruments measured at fair value.

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

Further information on the resident loan obligations is given in note 7.

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 2015, reported gearing was 13.8% (2014: 15.8%).

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.

During the year, the Group refinanced its Development Multi-Option Facility and Retirement Syndicate Facility into a combined Group Facility agreement, executed on 24 December 2014.

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

	Required	Group 2015
Group Facility		
Gearing	≤ 30%	13.8%
Interest cover - Group (times)	≥ 1.5	3.0
Interest cover - Core (times)	≥ 2.0	3.5
Loan to value ratio	≤ 30%	15.6%

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		Trust Group	
		2015	2014	2015	2014
		%	%	%	%
Material subsidiaries					
FKP Commercial Developments Pty Ltd	Property developer	100.0	100.0	-	-
Aveo (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 Healthcare Limited	Retirement village owner and operator	85.6	85.6	-	-
Aveo Group Trust	Property owner	100.0	100.0	-	-
FKP Lifestyle Pty Ltd	Property developer	100.0	100.0	-	-
Aveo North Shore Retirement Villages Pty Ltd	Retirement village owner and operator	100.0	100.0	-	-
Aveo Cleveland Gardens Pty Limited	Retirement village owner and operator	100.0	100.0	-	-
Aveo Leisure Services Pty Ltd	Retirement village owner and operator	100.0	100.0	-	-
FKP Residential Developments Pty Ltd	Property developer	100.0	100.0	-	-
Aveo Sanctuary Cove Trust	Retirement village owner	-	-	100.0	100.0
Aveo Southern Gateway Trust	Retirement village owner	-	-	100.0	100.0
Material equity-accounted investments					
RVG	Retirement village operator	38.8	23.2	-	-

All these entities are formed or incorporated in Australia.

18. EQUITY-ACCOUNTED INVESTMENTS

(a) Carrying amounts

Details of the carrying amounts of equity-accounted investments are as follows:

	Group		Trust Group	
	2015 $m	2014 $m	2015 $m	2014 $m
Associates				
RVG	147.9	95.0	-	-
Other associates	14.9	-	2.3	2.3
Joint ventures	16.3	6.6	9.0	6.6
	179.1	**101.6**	**11.3**	**8.9**

(b) Accounting for equity-accounted investments

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, investments in these entities are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's or Trust Group's share of net assets of these entities.

The Group and Trust Group's share of these entities' profits or losses is recognised in the income statement, and its share of movements in reserves is recognised in reserves. The cumulative movements are adjusted against the carrying amount of the investment. Dividends receivable are recognised as a reduction in the equity-accounted investment.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its equity-accounted investments. If there is any objective evidence that the investment in the associate is impaired, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises it in the income statement.

18. EQUITY-ACCOUNTED INVESTMENTS (continued)

(c) Material associates and joint ventures

The Group has an interest in RVG, which owns and operates retirement villages. Summarised financial information for RVG is:

	Group Retirement Villages Group	
	2015	2014
	$m	$m
Current assets	49.6	73.1
Non-current assets	1,501.4	1,464.6
Current liabilities	(1,148.0)	(1,127.5)
Equity	**403.0**	**410.2**
Proportion of the Group's ownership	38.8%	23.2%
Share of equity	156.4	95.0
Less: ownership acquired at discount to net assets	(8.5)	-
Carrying amount of the investment	**147.9**	**95.0**
Revenue	40.2	34.8
Profit/(loss) before tax	8.1	(80.2)
Income tax expense	-	-
Profit/(loss) from continuing operations	8.1	(80.2)
Profit from discontinued operation	-	-
Profit/(loss) for the year	8.1	(80.2)
Other comprehensive income	-	-
Total comprehensive income	8.1	(80.2)
Proportion of the Group's ownership	38.8%	23.2%
Group's share of profit/(loss) for the year	**2.5**	**(18.6)**
Dividend paid to the Parent	-	-

(d) Aggregated information of individually immaterial associates and joint ventures

The Group's individually immaterial associates and joint ventures are immaterial in aggregate.

(e) Joint operations

In the prior year, the Group sold a 50% interest in its Milton development to a former associate, PBD. The Group has concluded that the relevant contract results in the formation of a joint operation, because the contract transfers the risks and rewards of ownership to PBD in respect of its 50% interest. The Group recognises its 50% share of the joint revenue, expenses, assets (including inventory) and liabilities. As the related project finance is in the Group's name, it does not meet the derecognition criteria set out in AASB 139 *Financial Instruments: Measurement.* Consequently, the Group recognises all of this borrowing in its financial statements and a related asset representing its right to apply a portion of PBD's share of the joint revenue to repayment of this borrowing.

APPENDICES

The appendices set out information that is required under the Standards, the Act or the Regulations, but that, 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	
	2015 $m	2014 $m	2015 $m	2014 $m
(a) Earnings used in calculating earnings per security				
Profit from continuing operations after income tax	60.3	26.0	22.8	25.3
Less: non-controlling interest - external	(2.3)	0.1	-	-
Net profit after income tax attributable to equity holders adjusted for the effect of dilution	**58.0**	**26.1**	**22.8**	**25.3**

	Group		Trust Group	
	2015	2014	2015	2014
(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	500,762,883	441,361,527	500,762,883	441,361,527

(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	2,554,687	870,000	2,554,687	870,000
STID	240,881	-	240,881	-
Options	-	142,858	-	142,858

(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	
	2015	2014	2015	2014
	$m	$m	$m	$m
Cash at bank	30.8	21.7	0.3	1.1
Capital replacement funds[1]	2.1	2.1	-	-
	32.9	**23.8**	**0.3**	**1.1**

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.

(a) Accounting for cash and cash equivalents

Cash and cash equivalents on the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

21. ASSETS CLASSIFIED AS HELD-FOR-SALE

	Group		Trust Group	
	2015	2014	2015	2014
	$m	$m	$m	$m
At fair value				
Investment property	-	20.5	-	20.5
Total non-current assets classified as held-for-sale	**-**	**20.5**	**-**	**20.5**

(a) Accounting for non-current assets classified as held-for-sale

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

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

22. PROPERTY, PLANT AND EQUIPMENT

	Group		Trust Group	
	2015	2014	2015	2014
	$m	$m	$m	$m
Freehold land				
At cost	7.2	7.2	-	-
Accumulated impairment	(6.3)	(6.3)	-	-
	0.9	0.9	-	-
Residential aged care facilities				
At cost	15.4	14.6	-	-
Accumulated depreciation	(3.2)	(2.7)	-	-
	12.2	11.9	-	-
Freehold buildings				
At cost	5.7	5.7	-	-
Accumulated depreciation	(1.0)	(0.9)	-	-
	4.7	4.8	-	-
Leasehold improvements				
At cost	5.7	5.8	-	-
Accumulated amortisation	(5.3)	(5.3)	-	-
	0.4	0.5	-	-
Plant and equipment				
At cost	8.3	8.3	-	-
Accumulated depreciation	(7.8)	(7.6)	-	-
	0.5	0.7	-	-
Total property, plant and equipment	**18.7**	**18.8**	**-**	**-**

(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	2.5%
Freehold buildings	2.5%
Leasehold improvements	2.5% - 20.0%
Plant and equipment	6.0% - 40.0%

These rates are consistent with the prior year.

23. PROVISIONS

	Group		Trust Group	
	2015	2014	2015	2014
	$m	$m	$m	$m
Current				
Employee benefits	3.3	3.2	-	-
Warranty maintenance	2.3	0.5	-	-
Distributions payable	25.8	20.0	25.8	20.0
Total current provisions	**31.4**	**23.7**	**25.8**	**20.0**
Non-current				
Employee benefits	1.3	1.2	-	-
Total non-current provisions	**1.3**	**1.2**	**-**	**-**

(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.

(b) Accounting for employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the balance date are recognised in respect of service up to the balance date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date, discounted using the high quality corporate bond rate. Consideration is given to future wage and salary levels, experience of employee departures and periods of service.

24. DERIVATIVE FINANCIAL LIABILITIES

	Group		Trust Group	
	2015	2014	2015	2014
	$m	$m	$m	$m
Current				
Interest rate swap derivative	-	9.7	-	-
Put option liability to acquire shares in controlled entity	1.8	1.7	-	-
Total current other financial liabilities	**1.8**	**11.4**	**-**	**-**
Non-current				
Interest rate swap derivative	-	10.1	-	-
Put option liability to acquire shares in controlled entity	0.3	3.1	-	-
Total non-current other financial liabilities	**0.3**	**13.2**	**-**	**-**

(a) Accounting for derivative financial liabilities

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at balance date. Fair value of derivatives is determined using generally accepted pricing models based on discounted cash flow analysis using assumptions supported by observable market rates.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

As the Group does not presently have any derivatives qualifying for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

(b) Interest rate swaps

During the year, the Group terminated all its outstanding interest rate swap contracts.

25. RESERVES AND RETAINED PROFITS/(LOSSES)

	Group[1]		Trust Group[2]	
	2015	2014	2015	2014
	$m	$m	$m	$m
Reserves				
Equity-settled employee benefits reserve	14.9	14.3	-	-
Foreign currency translation reserve	(4.5)	(5.0)	1.6	(0.1)
Syndicate options reserve	(1.5)	(2.7)	-	-
Fair value reserve	(20.0)	(19.5)	-	-
Total reserves	**(11.1)**	**(12.9)**	**1.6**	**(0.1)**
Movement in reserves				
Equity-settled employee benefits reserve				
Balance at the beginning of the year	14.3	14.0	-	-
Share-based payment	0.6	0.3	-	-
Balance at the end of the year	14.9	14.3	-	-
Foreign currency translation reserve				
Balance at the beginning of the year	(5.0)	(26.3)	(0.1)	-
Transfer from foreign currency translation reserve on disposal of foreign operation	-	18.7	-	-
Translation of foreign operations	0.5	2.6	1.7	(0.1)
Balance at the end of the year	(4.5)	(5.0)	1.6	(0.1)
Syndicate options reserve				
Balance at the beginning of the year	(2.7)	(4.7)	-	-
Fair value gain/(loss) on unexercised syndicate put options	1.2	2.0	-	-
Balance at the end of the year	(1.5)	(2.7)	-	-
Fair value reserve				
Balance at the beginning of the year	(19.5)	(18.2)	-	-
Fair value loss on transactions with owners	(0.5)	(1.3)	-	-
Balance at the end of the year	(20.0)	(19.5)	-	-
Accumulated losses				
Accumulated losses at the beginning of the year	(227.7)	(228.5)	(108.3)	(113.6)
Net profit from ordinary activities after income tax	35.2	0.8	22.8	25.3
Dividends and distributions recognised during the year	-	-	(25.8)	(20.0)
Accumulated losses at the end of the year	**(192.5)**	**(227.7)**	**(111.3)**	**(108.3)**

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.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign jointly controlled entities are recognised in other comprehensive income as described in note 35(g) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the income statement when the net investment is disposed of.

25. RESERVES AND RETAINED PROFITS/(LOSSES) (continued)

(iii) Syndicate options reserve

The syndicate option reserve represents the fair value of options held by non-controlling interests to require the Group to purchase their units in the Clayfield syndicate.

(iv) 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.

26. NON-CONTROLLING INTERESTS

	Group		Trust Group	
	2015 $m	2014 $m	2015 $m	2014 $m
Interest in:				
Share capital	17.7	18.9	2.8	2.8
Reserves	(0.4)	(0.5)	-	-
Retained profits/(accumulated losses)	16.6	15.5	(1.5)	(1.5)
Total non-controlling interests	**33.9**	**33.9**	**1.3**	**1.3**

27. MATERIAL PARTLY-OWNED SUBSIDIARIES

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

Proportion of equity interest held by non-controlling interests:

		Group	
Name	**Country of incorporation and operation**	2015	2014
Aveo Healthcare Limited	Australia	14.4%	14.4%

	Group	
	2015 $m	2014 $m
Carrying amount of material non-controlling interest:		
Aveo Healthcare Limited	32.3	32.3
Profit/(loss) allocated to material non-controlling interest:		
Aveo Healthcare Limited	2.3	0.1

	Aveo Healthcare Limited	
	2015 $m	2014 $m
Summarised statement of comprehensive income:		
Revenue	19.4	13.4
Profit after tax	13.8	1.8
Total comprehensive income	13.8	1.8
Attibutable to non-controlling interest	2.3	0.1
Dividends paid to non-controlling interest	-	-

The Trust Group has no material partly-owned subsidiaries.

27. MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

	Aveo Healthcare Limited 2015 $m	Aveo Healthcare Limited 2014 $m
Summarised statement of financial position as at 30 June:		
Current assets	11.3	10.9
Non-current assets	659.4	602.3
Current liabilities	(308.5)	(299.6)
Non-current liabilities	(146.8)	(110.4)
Total equity	**215.4**	**203.2**
Attributable to:		
Equity holders of Ave Healthcare Limited	183.1	170.9
Non-controlling interest	32.3	32.3
Summarised cash flow information:		
Operating	8.3	9.3
Investing	(40.4)	(5.2)
Financing	32.8	(3.6)
Net increase in cash and cash equivalents	**0.7**	**0.5**

The Trust Group does not have any non-controlling interest.

28. NOTES TO THE CASH FLOW STATEMENTS

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

	Group		Trust Group	
	2015	2014	2015	2014
	$m	$m	$m	$m
Operating profit after income tax	60.3	26.0	22.8	25.3
Adjustments for non-cash items				
Depreciation and amortisation	2.0	1.9	-	-
Impairment of equity-accounted investments	-	4.0	-	-
Share of (gain)/loss of equity-accounted investments	(2.7)	13.3	(0.7)	(1.7)
Interest receivable	-	-	(23.6)	(23.1)
Change in fair value of investment properties	(37.4)	(2.6)	0.7	(0.1)
Change in fair value of resident loans	20.6	(11.5)	-	-
Change in fair value of financial assets and liabilities	(4.1)	(8.9)	-	-
Other[1]	(22.6)	(8.9)	-	-
Change in operating assets and liabilities net of effects of purchases and disposals of subsidiaries during the year				
Decrease/(increase) in receivables	26.7	(50.5)	-	-
Decrease in inventories	12.4	132.8	-	-
(Increase)/decrease in other assets	(1.3)	(2.3)	0.5	0.1
Decrease in payables	(5.3)	(12.9)	(1.5)	(1.2)
Increase in unearned income and resident loans	40.4	26.1	-	-
Increase in deferred tax liabilities	21.0	11.3	-	-
Increase/(decrease) in provisions	2.1	(0.1)	-	-
Net cash (used in)/provided by operating activities	**112.1**	**117.7**	**(1.8)**	**(0.7)**

1. This includes certain payments that the Group formerly classified as acquisitions of investment properties and included in investing cash flows, but has now reclassified as operating cash flows. Comparative figures have been restated accordingly.

(b) Non-cash financing and investing activities

The Group acquired an additional 15.3% share in RVG for consideration of $10.9 million in cash and $44.9 million in Securities.

APPENDIX 2. OTHER INFORMATION

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

29. RELATED PARTY TRANSACTIONS

(a) Aggregate remuneration of key management personnel

	Group		Trust Group	
	2015	2014	2015	2014
	$	$	$	$
Short-term employee benefits	2,144,733	2,000,791	-	-
Post-employment benefits	89,745	82,165	-	-
Equity compensation	809,603	356,133	-	-
Other compensation[1]	50,394	48,609	-	-
Key management personnel compensation	**3,094,475**	**2,487,698**	**-**	**-**

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% from 1 July 2013 and 2.2% from 1 January 2014. Details of movements in the loan are as follows:

	Group		Trust Group	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	-	-	487,019	380,791
Loans advanced	-	-	80,082	102,234
Loan repayments made	-	-	(65,155)	(19,231)
Interest charged	-	-	23,630	23,225
Balance at the end of the year	**-**	**-**	**525,576**	**487,019**

29. RELATED PARTY TRANSACTIONS (continued)

(c) Sale of development parcel

During the prior financial year, the Group sold a 100% interest in the Yang parcel of its Saltwater Coast, Point Cook, development to PBD for a price of $18.0 million, and recognised a gain of $0.1 million on the sale. The sale price is payable in stages:

- $1.8 million was paid by 30 June 2014;
- a further $1.7 million was paid against settlement funds received for stage one in FY15; and
- the balance is payable within ten business days of the settlement of each lot other than lots in stage one, on a pro-rata basis, but in any event no later than 30 September 2015.

PBD was formerly an associate of the Group, but the Group sold its interest in PBD before the sale of the 100% interest in the Yang parcel. The Group has chosen to disclose this transaction in view of the significant shareholdings of MIB in both the Group and PBD during the year. MIB sold all its shares in PBD on 20 July 2015.

(d) Construction work performed

The Group performed construction work for a wholly owned subsidiary of MIB, and incurred costs of $24.2 million to 30 June 2015 (2014: $21.2 million). No claims remained unpaid at 30 June 2015 (2014: 1 claim for $5.0 million). The work was undertaken on an agency basis, so that the Group is not liable for any claims by creditors in respect of the works.

(e) Sale of subsidiary

The Group sold shares in its wholly owned subsidiary, FKP Hayman Pty Limited, to a wholly owned subsidiary of MIB for consideration of $1 on 20 April 2015. There was no gain or loss resulting from the transaction.

(f) Other transactions with related parties

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

	Group		Trust Group	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Revenue from rendering of services - associates (note i)	7,225	6,940	-	-
Management fees received - associates (note ii)	7,473	7,707	-	-
Administration expenses				
Management fees paid - Responsibile Enttity (note iii)	-	-	831	131
Rent paid - MIB (note iv)	689	592	-	-
Net cost sharing - MIB (note v)	549	921	-	-
Cost recharges - associate (note vi)	310	2,957	-	-
Other receivables - associates (note vii)	2,223	2,171	-	-

(i) Revenue from rendering of services – associates

The Group receives sales commissions, administration and marketing fees from its associate, RVG. Fees are charged at commercial rates.

29. RELATED PARTY TRANSACTIONS (continued)

(ii) Management fees received – associates

The Group derived revenue from providing management services to its associate, RVG. Fees are charged at commercial rates.

(iii) 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.

(iv) Rent paid – MIB

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

(v) Net cost sharing – MIB

The Group has agreed with a wholly-owned subsidiary of MIB to share certain administrative functions including internal audit, human resources and information technology. Broadly, each party is responsible for nominated functions and provides services for those functions to both itself and the other party. Personnel costs for those functions, including an allowance for on-costs, are shared between the parties in agreed proportions.

(vi) Cost recharges - MFKP

The Group provided personnel, administrative and other services to Mulpha FKP Pty Limited (MFKP). MFKP was sold during the prior year.

(vii) Other receivables – associates

These reflect receivables for the services and charges noted above.

30. COMMITMENTS

Details of the Group's lease commitments as lessee are as follows:

	Group		Trust Group	
	2015	2014	2015	2014
	$m	$m	$m	$m
Non-cancellable operating lease expense commitments				
Future operating lease commitments not recognised at balance date:				
Within one year	0.6	0.8	-	-
One year or later and no later than five years	2.0	-	-	-
Commitments not recognised in the financial statements	**2.6**	**0.8**	**-**	**-**

31. AUDITOR'S REMUNERATION

	Group		Trust Group	
	2015	2014	2015	2014
	$	$	$	$
Ernst & Young				
Audit and assurance services				
Audit and review of the financial reports of the Group	438,033	430,025	47,720	46,350
Other assurance services:				
Group	47,263	45,887	-	-
Non-group[1]	225,205	214,961	-	-
Due diligence work[2]	-	51,894	-	-
Non-assurance services	-	-	-	-
Total auditor's remuneration	**710,501**	**742,767**	**47,720**	**46,350**

1. Non-group other assurance services represent fees payable by equity-accounted investments and other entities that are not controlled entities. It includes fees for audits of retirement villages, which are payable by the respective retirement villages.
2. This work was associated with the November 2013 equity raising.

32. 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.

32. PARENT ENTITIES (continued)

(b) Summary financial information

	Aveo Group Limited		Aveo Group Trust	
	2015	2014	2015	2014
	$m	$m	$m	$m
Current assets	21.2	50.1	0.3	0.7
Total assets	1,951.5	1,901.6	669.1	645.1
Current liabilities	477.5	583.5	39.6	24.5
Total liabilities	1,160.1	1,103.4	39.6	24.5
Issued capital	1,122.1	1,093.7	663.0	650.8
Reserves:				
Foreign currency translation	0.9	0.3	-	-
Investment revaluation	(5.2)	(5.2)	-	-
Employee benefits	14.0	14.0	-	-
Retained losses	(340.4)	(304.6)	(33.5)	(30.2)
Total shareholders' equity	791.4	798.2	629.5	620.6
Profit of the parent entity	(35.8)	(16.5)	22.5	23.1
Total comprehensive income of the parent entity	(35.8)	(16.5)	22.5	23.1

(c) Guarantees

Aveo Group Limited has provided the following financial guarantees:

- guarantees in respect of bank loans of subsidiaries amounting to $65.0 million (2014: $74.4 million) secured by registered mortgages over the freehold properties of the subsidiaries; and
- cross guarantees under the Deed of Cross Guarantee to the subsidiaries listed in note 33.

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.

33. 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	

1. Pursuant to ASIC Class Order 98/1418, relief has been granted from the Act's requirements for preparation, audit and lodgement of financial reports.
2. FKP Hayman Pty Limited was removed by a Revocation Deed contemplated by the Deed of Cross Guarantee on 23 June 2015.

33. DEED OF CROSS GUARANTEE (continued)

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	
	2015	2014
	$m	$m
Continuing operations		
Sale of goods and construction contract revenue	191.5	287.6
Revenue from rendering of services	73.8	68.1
Other revenue	11.2	(6.1)
Revenue	**276.5**	**349.6**
Cost of sales	(169.6)	(262.2)
Gross profit	**106.9**	**87.4**
Change in fair value of investment properties	(3.8)	9.7
Change in fair value of resident loans	7.0	9.9
Change in fair value of financial assets/derivative financial liabilities	4.1	8.9
Employee expenses	(31.8)	(28.7)
Marketing expenses	(10.2)	(9.7)
Occupancy expenses	(1.3)	(2.1)
Administration expenses	(10.4)	(9.9)
Other expense	(16.5)	(95.0)
Finance costs	(24.1)	(35.7)
Share of profit or loss of associates and joint ventures accounted for using the equity method	-	(0.2)
Profit/(loss) from continuing operations before income tax	**19.9**	**(65.4)**
Income tax loss	(3.6)	(7.1)
Profit/(loss) from continuing operations after income tax	**16.3**	**(72.5)**

33. DEED OF CROSS GUARANTEE (continued)

Consolidated balance sheet

	Closed Group 2015 $m	Closed Group 2014 $m
Current assets		
Cash and cash equivalents	25.9	15.4
Trade and other receivables	31.3	128.5
Inventories	253.7	69.6
Other assets	49.9	1.9
Total current assets	**360.8**	**215.4**
Non-current assets		
Trade and other receivables	112.9	107.5
Inventories	171.5	335.3
Investment properties	1,913.2	1,874.1
Equity-accounted investments	73.5	25.0
Property, plant and equipment	14.6	14.6
Intangible assets	4.2	4.2
Other financial assets	198.7	206.2
Deferred tax assets	64.9	75.2
Other assets	10.0	8.1
Total non-current assets	**2,563.5**	**2,650.2**
TOTAL ASSETS	**2,924.3**	**2,865.6**
Current liabilities		
Trade and other payables	113.4	155.2
Interest bearing loans and borrowings	93.6	11.9
Provisions	5.5	3.6
Other financial liabilities	-	9.7
Deferred revenue	72.3	71.5
Total current liabilities (excluding resident loans)	284.8	251.9
Resident loans	1,015.5	990.4
Total current liabilities	**1,300.3**	**1,242.3**
Non-current liabilities		
Interest bearing loans and borrowings	747.4	782.2
Provisions	1.3	1.1
Other financial liabilities	-	10.0
Total non-current liabilities	**748.7**	**793.3**
TOTAL LIABILITIES	**2,049.0**	**2,035.6**
NET ASSETS	**875.3**	**830.0**
Equity		
Contributed equity	1,122.1	1,093.7
Reserves	120.6	120.0
Accumulated losses	(367.4)	(383.7)
TOTAL EQUITY	**875.3**	**830.0**

34. EVENTS AFTER REPORTING PERIOD

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.

35. 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 Class Order 05/642 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 2014 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.

35. OTHER ACCOUNTING POLICIES (continued)

(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. They have not been applied in preparing these financial statements.

AASB 9 Financial Instruments: Classification and Measurement

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also sets out new rules for hedge accounting. The standard is applicable for annual reporting periods beginning on or after 1 January 2018. The Group does not believe that this standard will have any material impact on its financial statements.

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. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard is expected to be applicable for annual reporting periods beginning on or after 1 July 2018. The Group has yet to determine what impact, if any, this standard will have on the Group's financial statements.

(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.

35. OTHER ACCOUNTING POLICIES (continued)

(e) Goods and services tax (*GST*)

Revenues, expenses and assets (other than receivables) are recognised net of the amount of GST, except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority, is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statements on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as part of operating cash flows.

(f) Leased assets

Leases under which the Group assumes substantially all the risks and benefits of ownership are classified as finance leases. The Group does not presently have any finance leases. Other leases are classified as operating leases.

(i) Group as lessee

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(g) 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.

Group companies

The results and financial positions of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

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

AASB	Australian Accounting Standards Board
ACF	Aged care facility
Act	Corporations Act 2001
AICD	Australian Institute of Company Directors
ASIC	Australian Securities and Investments Commission
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
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
EOP	Employee Option Plan subject to performance conditions
EPS	Earnings per Security
Finsia	Financial Services Institute of Australasia
FY	Financial year
FY14	Financial year ended 30 June 2014
FY15	Financial year ended 30 June 2015
FY16	Financial year ended 30 June 2016
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
KMP	Key Management Personnel: Those persons who, during the course of the year ended 30 June 2015, 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 encompassing the EOP and the Rights Plan
MIB	Mulpha International Berhad; the Group is an associate of MIB
NED	Non-Executive Director
NTA	Net tangible assets
Parent	Aveo Group Limited
PBD	PBD Developments Limited
Plan	The Aveo Group Performance Rights Plan that was approved at the Group's 2012 Annual General Meeting
Property Trust	Aveo Group Trust
PRP	Performance Rights Plan
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 PRP

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 – 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
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
UPT	Underlying Profit after Tax: 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
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 15 to 27, 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 2015 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;

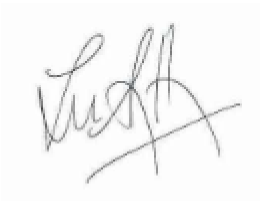
(b) the Financial Report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board, as disclosed in note 35(a); and

(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 33 will be able to meet any obligations or liabilities to which they are or may have become subject to by virtue of the Deed of Cross Guarantee between Aveo Group Limited and those Group entities pursuant to ASIC Class Order 98/1418 (as described in note 33).

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2015 required by section 295A of the Act.

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



S H Lee
Chairman

G E Grady
Executive Director and Chief Executive Officer

Dated at Sydney this 19th day of August 2015

Ernst & Young
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Sydney NSW 2000 Australia
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Independent auditor's report to the security holders of Aveo Group

Aveo Group comprises Aveo Group Limited and the entities it controlled at the year's end or from time to time during the financial year ("Aveo Group" or "the Group") and Aveo Group Trust and the entities it controlled at the year's end or from time to time during the financial year ("Trust Group").

Report on the financial report

We have audited the accompanying financial report of the Group, which comprises the consolidated balance sheets as at 30 June 2015, the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 35(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the group a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of Aveo Group is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the Group and Aveo Group Trust's financial position as at 30 June 2015 and their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 35(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 15 to 27 of the directors' report for the year ended 30 June 2015. The directors of Aveo Group Limited 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.

Opinion

In our opinion, the Remuneration Report of Aveo Group for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Douglas

Douglas Bain
Partner
Sydney
19 August 2015