Aveo Healthcare Limited

(Comprising Aveo Healthcare Limited ABN 75 061 421 565 and its controlled entities)

Appendix 4D and Financial Report for the half-year ended 31 December 2013

This half-year financial report constitutes the Appendix 4D prepared in accordance with the Australian Securities Exchange Listing Rules and the half-year financial report in accordance with the *Corporations Act 2001*. This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by Aveo Healthcare Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Aveo Healthcare Limited

Aveo Healthcare Limited (‘Group’) comprises **Aveo Healthcare Limited** (‘Parent’) ABN 75 061 421 565 and its controlled entities.

Appendix 4D
for the half-year ended 31 December 2013

(previous corresponding period being the half-year ended 31 December 2012)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Loss after tax	**$'000**	**up/down**	**% movement**
Revenue	5,313	down	1.9
Loss after tax attributable to members	(4,299)	improved	3.8

Dividends	**Total dividends $'000**	**Dividend per share**	**Franked amount per share**
Interim dividend	-	-	-
Previous corresponding period	1,817	2.2 cps	-

There were no dividends proposed or declared by the Group to shareholders since the end of the previous financial period.

Additional information	**31 Dec 2013**	**30 Jun 2013**
Net tangible assets ('NTA') per share[1]	$2.31	$2.34

1. Attributable to owners of Aveo Healthcare Limited, excluding non-controlling interests.

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

There were no entities over which control was gained or lost during the half-year ended 31 December 2013.

Associates and joint ventures

No new associates or joint ventures were acquired during the half-year ended 31 December 2013.

Commentary on the results for the period can be found in the attached December 2013 Half-Year Directors’ Report.

Additional Appendix 4D disclosure requirements can be found in the attached notes to the December 2013 Half-Year Consolidated Financial Statements.

Lisa Godfrey

Lisa Godfrey
Company Secretary

Sydney
19 February 2014

Aveo Healthcare Limited
December 2013 Half-Year Financial Report

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The Directors present their report on the Group, consisting of Aveo Healthcare Limited ("Parent") and its controlled entities for the half-year ended 31 December 2013 and the Auditor's Report thereon. With effect from 9 July 2013, the name of the Parent was changed from Forest Place Group Limited to Aveo Healthcare Limited.

DIRECTORS

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

Director	Position	Period of Directorship
D C Mackenzie	Non-Executive Director	Full half-year
S B Muggleton	Non-Executive Director	Appointed 9 July 2013
M Palavidis	Non-Executive Director	Resigned 31 October 2013
P Parker	Non-Executive Director	Full half-year
D A Hunt	Executive Director	Full half-year
A J Quinn	Executive Director	Full half-year

REVIEW AND RESULTS OF OPERATIONS

The net profit/(loss) attributable to shareholders of the Group for the half-year ended 31 December 2013 was as follows:

	For the half-year ended	
	31 Dec 2013 $'000	31 Dec 2012 $'000
Loss from continuing operations before income tax	(5,726)	(6,458)
Income tax benefit	1,427	1,989
Loss from continuing operations after income tax	**(4,299)**	**(4,469)**
Less: Non-controlling interests	1,511	(173)
Net loss after tax attributable to shareholders of the Group	**(2,788)**	**(4,642)**

The net loss after tax attributable to shareholders for the half-year was $2,788,000 (2012: loss $4,642,000), which represents a 40% improvement on the previous corresponding period. Loss per share during the half-year was 3.4 cents per share (2012: loss 5.6 cents per share). Net tangible assets at 31 December 2013 were $2.31 per share.

The following table summarises the key reconciling items between the Group's statutory profit/(loss) and the underlying profit after tax:

	For the half-year ended	
	31 Dec 2013 $'000	31 Dec 2012 $'000
Underlying profit after tax	1,095	1,645
Change in fair value of retirement investment property portfolio	(3,883)	(6,287)
Net loss after tax attributable to shareholders of the Group	**(2,788)**	**(4,642)**

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 adjustment outlined above is considered to be non-cash in nature. This item is included in the Group's consolidated statutory result but excluded from the underlying result.

Underlying profit after tax declined from $1,645,000 for the previous half-year to $1,095,000 for the current half-year. This decline principally reflects reduced development and buyback activity in the current half-year. Further details are given below.

REVIEW AND RESULTS OF OPERATIONS (continued)

Revenue from continuing operations

Revenue for the half-year was $5,313,000 comprising:

	For the half-year ended 31 Dec 2013 $'000	For the half-year ended 31 Dec 2012 $'000	Change $'000	Change %
Deferred management fee	3,216	3,734	(518)	(14)
Services provided	724	526	198	38
Government grants	1,144	1,038	106	10
Interest	17	26	(9)	(35)
Other revenue	212	91	121	133
Total revenue	**5,313**	**5,415**	**(102)**	(1.9)

(i) Deferred management fee

This is the base fees paid by residents for their tenure in the Group's retirement villages.

(ii) Services provided

Revenue from services provided mainly comprises fees from respite accommodation and the hostel care option. Revenue from such services increased on the previous corresponding period.

(iii) Government grants

The residential aged care facility receives revenue from two sources; government funding and resident contributions. The amount of government funding paid is dependent on the assessed care needs of the residents.

Operational Highlights

Sales volumes for the half-year, compared to the previous half-year, were:

	For the half-year ended 31 Dec 2013 Units	For the half-year ended 31 Dec 2012 Units	Change Units	Change %
Resales	44	16	28	175
Buyback sales	4	26	(22)	(85)
Newly developed sales	6	8	(2)	(25)
Total sales	**54**	**50**	**4**	**8**
Buyback purchases	5	14	(9)	(64)
Deposits on hand	28	38	(10)	(26)

Overall sales volumes improved by 8%. There was a significant shift in the mix of sales, with resales improving by 175%, whilst buyback sales declined by 85%. This reflected a change in focus from clearing low profit margin Group owned buyback stock in the previous half-year, to a more 'business as usual' sales mix in the current half-year.

The average deferred management fee and capital gain per resale unit improved by 11% over the previous half-year.

The Group controls 1,280 units at its five villages, and has a development pipeline of 420 units.

Capital management

When managing capital, being fully paid ordinary securities, retained profits and reserves, 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 its equity holders. The Group aims to maintain a capital structure that ensures the lowest weighted average cost of capital available.

The Board and 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 equity holders, returning capital to equity holders or adjusting debt levels.

The 35% maximum gearing target will introduce further discipline while still allowing the flexibility needed for the successful execution of growth targets.

The Group is not subject to any externally imposed capital requirements.

REVIEW AND RESULTS OF OPERATIONS (continued)

Current assets deficiency

Current liabilities of $298,664,000 exceed current assets of $13,006,000 by $285,658,000 (30 June 2013: $284,544,000). This is mainly because resident loans are classified as current liabilities because the Group does not have an unconditional right to defer settlement for at least twelve months after reporting date. In practice, the rate at which the Group's retirements 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 $268,021,000 (30 June 2013: $267,931,000), only $32,654,000 (30 June 2013: $29,774,000) is expected to be paid in the next twelve months as residents vacate their units. If this amount becomes payable, the Group expects that incoming contributions of $55,972,000 (30 June 2013: $52,306,000) would be received from incoming residents who would occupy the newly vacated units.

In addition, deferred revenue of $24,561,000 (30 June 2013: $24,991,000) is classified as a current liability. This liability will not be discharged by a cash payment but will be taken to the statement of comprehensive income as the Group becomes entitled to recognise the revenue.

DIVIDENDS

No dividend has been declared or recommended since the end of the previous financial year, or in respect of the current half-year. An interim dividend of 2.2 cents per share, amounting to $1,817,000, was paid in respect of the half-year ended 31 December 2012.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 8 January 2014, the Parent announced that it had applied to the ASX to be removed from the official list of the ASX. This removal is conditional on approval by the shareholders at a general meeting that has been convened for 18 March 2014. If approved by shareholders, the removal is expected to occur on or about 22 April 2014.

Apart from this, no matters or circumstances have arisen since the end of the half-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.

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

We confirm that we have obtained the Auditor's Independence Declaration, which is set out on page 4.

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 Directors' Report are rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

D A Hunt
Director

Sydney
19 February 2014

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
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Auditor's Independence Declaration to the Directors of Aveo Healthcare Limited

In relation to our review of the financial report of Aveo Healthcare Limited, comprising Aveo Healthcare Limited and the entities it controlled at the half-year end or from time to time during the half-year ended 31 December 2013, 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 February 2014

Consolidated statement of comprehensive income
For the half-year ended 31 December 2013

	Group For the half-year ended 31 Dec 2013 $'000	31 Dec 2012 $'000
Continuing operations		
Revenue from rendering of services	1,868	1,564
Deferred management fee	3,216	3,734
Other income	229	117
Revenue	**5,313**	**5,415**
Change in fair value of investment properties	(10,507)	(18,341)
Change in fair value of resident loans	3,635	10,747
Corporate and unallocated overheads	(1,342)	(1,346)
Sales and marketing expenses	(577)	(670)
Residential aged care facility operating costs	(1,207)	(1,198)
Other expenses	(118)	(175)
Finance costs	(923)	(890)
Loss from continuing operations before income tax	**(5,726)**	**(6,458)**
Income tax benefit	1,427	1,989
Loss from continuing operations after income tax	**(4,299)**	**(4,469)**
Other comprehensive income		
Other comprehensive income for the half-year, net of tax	-	-
Total comprehensive income for the half-year	**(4,299)**	**(4,469)**
Loss for the half-year is attributable to:		
Owners of Aveo Healthcare Limited	(2,788)	(4,642)
Non-controlling interests	(1,511)	173
	(4,299)	**(4,469)**
Total comprehensive income for the half-year is attributable to:		
Owners of Aveo Healthcare Limited	(2,788)	(4,642)
Non-controlling interests	(1,511)	173
	(4,299)	**(4,469)**
Earnings per share (cents per share):		
Basic earnings per share	(3.4)	(5.6)
Diluted earnings per share	(3.4)	(5.6)

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

	Note	Group 31 Dec 2013 $'000	Group 30 Jun 2013 $'000
Current assets			
Cash and cash equivalents		2,322	1,922
Trade and other receivables		8,752	10,413
Other financial assets		1,820	1,775
Other assets		112	18
Total current assets		**13,006**	**14,128**
Non-current assets			
Trade and other receivables		1,425	1,275
Investment properties		591,070	599,731
Equity-accounted investments		10	10
Property, plant and equipment		627	639
Intangible assets		253	253
Other financial assets		735	-
Total non-current assets		**594,120**	**601,908**
TOTAL ASSETS		**607,126**	**616,036**
Current liabilities			
Trade and other payables		4,122	3,818
Interest bearing loans and borrowings		14	22
Provision for income tax		61	61
Provisions		65	74
Other financial liabilities		1,820	1,775
Deferred revenue		24,561	24,991
Total current liabilities (excluding resident loans)		30,643	30,741
Resident loans		268,021	267,931
Total current liabilities		**298,664**	**298,672**
Non-current liabilities			
Interest bearing loans and borrowings		23,516	26,568
Deferred tax liabilities		83,147	84,574
Provisions		58	51
Other financial liabilities		3,791	4,446
Total non-current liabilities		**110,512**	**115,639**
TOTAL LIABILITIES		**409,176**	**414,311**
NET ASSETS		**197,950**	**201,725**
Equity			
Contributed equity	2	56,605	56,605
Reserves		(3,085)	(4,140)
Retained profits		137,827	140,615
Total equity attributable to owners of Aveo Healthcare Limited		**191,347**	**193,080**
Non-controlling interest		6,603	8,645
TOTAL EQUITY		**197,950**	**201,725**

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

Consolidated statement of changes in equity

For the half-year ended 31 December 2013

	Note	Attributable to owners of Aveo Healthcare Limited				Non-controlling interests	Total equity
		Share capital	Reserves	Retained profits	Total		
		$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2012		56,605	(4,738)	148,834	200,701	13,777	214,478
Comprehensive income:							
Loss for the period		-	-	(4,642)	(4,642)	173	(4,469)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the period		-	-	(4,642)	(4,642)	173	(4,469)
Transactions with owners in their capacity as owners:							
Dividends and distributions provided for	3	-	-	(3,138)	(3,138)	-	(3,138)
Transactions with non-controlling interests		-	172	-	172	(723)	(551)
Total transactions with owners in their capacity as owners		-	172	(3,138)	(2,966)	(723)	(3,689)
Balance at 31 December 2012		**56,605**	**(4,566)**	**141,054**	**193,093**	**13,227**	**206,320**
Balance at 1 July 2013		56,605	(4,140)	140,615	193,080	8,645	201,725
Comprehensive income:							
Loss for the period		-	-	(2,788)	(2,788)	(1,511)	(4,299)
Other comprehensive income		-	-		-	-	-
Total comprehensive income for the period		-	-	(2,788)	(2,788)	(1,511)	(4,299)
Transactions with owners in their capacity as owners:							
Transactions with non-controlling interests		-	1,390	-	1,390	(531)	859
Fair value loss on transactions with non-controlling interests		-	(335)	-	(335)	-	(335)
Total transactions with owners in their capacity as owners		-	1,055	-	1,055	(531)	524
Balance at 31 December 2013		**56,605**	**(3,085)**	**137,827**	**191,347**	**6,603**	**197,950**

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

Consolidated cash flow statement
For the half-year ended 31 December 2013

	Group For the half-year ended	
	31 Dec 2013 $'000	31 Dec 2012 $'000
Cash flows from operating activities		
Receipts from customers	9,810	18,232
Payments to suppliers and employees	(2,699)	(4,159)
Interest received	17	26
Finance costs including interest and other costs of finance paid	(862)	(1,252)
Goods and services tax paid	(88)	(66)
Net cash flows from operating activities	**6,178**	**12,781**
Cash flows from investing activities		
Payments for property, plant and equipment	(16)	(3)
Payments for investment properties	(1,775)	(9,871)
Payments for investment in syndicates	(866)	(776)
Net cash flows used in investing activities	**(2,657)**	**(10,650)**
Cash flows from financing activities		
Finance lease payments	(8)	(4)
Dividends paid	-	(3,138)
Proceeds from borrowings	1,200	6,792
Repayment of borrowings	(4,313)	(3,426)
Net cash flows (used in)/from financing activities	**(3,121)**	**224**
Net increase in cash and cash equivalents	400	2,355
Cash and cash equivalents at the beginning of the period	1,922	1,457
Cash and cash equivalents at the end of the period	**2,322**	**3,812**

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Aveo Healthcare Limited is domiciled and incorporated in Australia. Its registered office and principal place of business is Level 5, 99 Macquarie Street, Sydney, New South Wales. The financial report of Aveo Healthcare Limited consists of the financial statements of the Group comprising Aveo Healthcare Limited ('Parent') and its controlled entities. The financial report is presented in Australian dollars.

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

With effect from 9 July 2013, the name of the Parent was changed from Forest Place Group Limited to Aveo Healthcare Limited.

(a) Basis of preparation

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

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Aveo Healthcare Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

(b) New accounting standards and interpretations

The Group has adopted as of 1 July 2013 the following new and revised Standards and Interpretations issued by the AASB:

AASB 10 Consolidated Financial Statements

This standard establishes a new control model that applies to all entities. It replaces *AASB 127 Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and *UIG-112 Consolidation - Special Purpose Entities*.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority of voting rights may give control.

AASB 11 Joint Arrangements

This standard replaces *AASB 131 Interests in Joint Ventures* and *UIG-113 Jointly-controlled Entities - Non-monetary Contributions by Ventures*.

AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves are accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method.

AASB 12 Disclosure of Interests in Other Entities

This standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.

AASB 13 Fair Value Measurement

The standard establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The new disclosures required in interim financial reports are given in note 5.

Revised AASB 119 Employee Benefits

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

This standard principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

This amendment removes the individual key management personnel disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

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

2. CONTRIBUTED EQUITY

	Group		Group	
	31 Dec 2013	30 Jun 2013	31 Dec 2013	30 Jun 2013
	Number of shares		$'000	$'000
Issued capital				
Balance at the beginning and end of the period	82,578,509	82,578,509	56,605	56,605

3. DIVIDENDS

Details of dividends proposed or paid by the Group are:

	Cents per security	Total amount $'000	Date of payment	Franked tax rate %	Percentage franked %
31 Dec 2013					
Dividends recognised:					
2014 Interim	-	-		-	-
2013 Final	-	-		-	-
	-	**-**			
31 Dec 2012					
Dividends recognised:					
2013 Interim	-	-		-	-
2012 Final	3.8	3,138	26 September 2012	-	-
	3.8	**3,138**			

4. SEGMENT INFORMATION

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

(a) Reportable segments

The principal products and services delivered by the Group, from which each reportable segment derives revenue, are as follows:

Retirements	Management of retirement villages
Residential aged care facilities	Management of residential aged care facilities

The Group operates solely in Australia.

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior period.

4. 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	Residential aged care facilities	Consolidated Group
	$'000	$'000	$'000
31 Dec 2013			
Segment revenue			
Revenue from outside the Consolidated Group	4,199	1,114	5,313
Total segment revenue	**4,199**	**1,114**	**5,313**
Segment result			
Net segment result	(5,982)	256	(5,726)
Net loss from continuing operations before income tax			**(5,726)**
Income tax benefit			1,427
Net loss from continuing operations after income tax			**(4,299)**
Depreciation and amortisation	(2)	(26)	(28)
Change in fair value of resident loans	3,635	-	3,635
Change in fair value of investment properties	(10,507)	-	(10,507)
31 Dec 2012			
Segment revenue			
Revenue from outside the Consolidated Group	4,486	929	5,415
Total segment revenue	**4,486**	**929**	**5,415**
Segment result			
Net segment result	(6,479)	21	(6,458)
Net loss from continuing operations before income tax			**(6,458)**
Income tax benefit			1,989
Net loss from continuing operations after income tax			**(4,469)**
Depreciation and amortisation	(10)	(25)	(35)
Change in fair value of resident loans	10,747	-	10,747
Change in fair value of investment properties	(18,341)	-	(18,341)

4. SEGMENT INFORMATION (continued)

(c) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable operating segment for the periods under review.

	Retirement $'000	Residential aged care facilities $'000	Consolidated Group $'000
31 Dec 2013			
Segment assets	605,570	1,556	607,126
Segment liabilities	407,316	1,860	409,176
Other items			
Acquisitions of non-current assets	1,775	16	1,791
30 Jun 2013			
Segment assets	614,761	1,275	616,036
Segment liabilities	412,468	1,843	414,311
Other items			
Acquisitions of non-current assets	13,474	5	13,479

5. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

As at reporting date, the Group's only material financial instruments measured at fair value were its resident loan obligations. These are classified as being in level 3 of this hierarchy, and are measured as the estimated liability at reporting date, as if the resident were to require repayment at that date. The inputs to this valuation process were:

- the original amount of each loan;
- the current market value of the retirement unit to which each obligation relates;
- the tenure to date of the resident; and
- the contractual obligations of the Group and the resident relating to sharing of capital gains and payment of deferred management fees.

The following table presents the changes in this liability for the half-year.

	Group 31 Dec 2013 $'000
Resident loans	
Opening balance	267,931
Items recognised in profit and loss:	
Deferred management fees	(3,216)
Change in fair value of resident loans	(3,635)
Net cash receipts on resident departures and arrivals	6,941
Closing balance	268,021

5. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The only significant unobservable input was the current market value of the relevant retirement units, which amounted to $400.9 million at 31 December 2013. A 5% increase in the current market value of the relevant retirement units would increase the fair value of the resident loan obligations by 2%, and a 5% decrease would decrease that fair value by 3%. The effect of changing this input on the fair value of the related investment property would be greater.

As this is the first time these disclosures have been made in the interim financial report, comparative data is not required by the relevant Accounting Standard, and accordingly has not been provided.

6. EVENTS AFTER BALANCE SHEET DATE

On 8 January 2014, the Parent announced that it had applied to the ASX to be removed from the official list of the ASX. This removal is conditional on approval by the shareholders at a general meeting that has been convened for 18 March 2014. If approved by shareholders, the removal is expected to occur on or about 22 April 2014.

Directors' Declaration

In the opinion of the Directors of Aveo Healthcare Limited:

(a) the Financial Statements and Notes of the Group are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

D A Hunt
Director

Sydney
19 February 2014

Building a better working world

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Independent review report to the members of Aveo Healthcare Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Aveo Healthcare Limited and its controlled entities ("Aveo Healthcare"), which comprises the consolidated balance sheet as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Aveo Healthcare and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Aveo Healthcare are responsible for the preparation of the half-year 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 that the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*. As the auditor of Aveo Healthcare Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Aveo Healthcare Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Ernst & Young

Ernst & Young

Douglas Bain

Douglas Bain
Partner
Sydney
19 February 2014