Australian Unity Healthcare Property Trust

ARSN 092 755 318

Annual report

for the year ended 30 June 2022

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Contents | **Page**

Contents	Page
Directors' report	2
Auditor's independence declaration	8
Consolidated statement of comprehensive income	9
Consolidated statement of financial position	10
Consolidated statement of changes in net assets attributable to unitholders - liability	11
Consolidated statement of cash flows	12
Notes to the consolidated financial statements	13
Directors' declaration	58
Independent auditor's report to the unitholders of Australian Unity Healthcare Property Trust	59

Directors' report

The directors of Australian Unity Funds Management Limited (ABN 60 071 497 115), the Responsible Entity of Australian Unity Healthcare Property Trust ("the Scheme"), present their report together with the consolidated financial statements of the Scheme for the year ended 30 June 2022.

Directors
The following persons were directors of the Responsible Entity during the whole of the financial year and up to the date of this report (unless otherwise stated):

Rohan Mead, Chairman and Group Managing Director
Esther Kerr-Smith, Chief Executive Officer, Wealth & Capital Markets
Darren Mann, Group Executive Finance & Strategy and Chief Financial Officer

Principal activities
The Scheme aims to provide unitholders with regular income and the opportunity for long term capital growth.

The Scheme primarily invests in a diversified portfolio of healthcare property and related assets including direct property, unlisted managed funds and listed REITs.

The Scheme may also invest in property syndicates or companies that mainly hold healthcare property and similar international healthcare related assets in countries with healthcare systems and property markets with key attributes similar to Australia.

Review and results of operations
Capital management
Consistent with continued active capital management of the Scheme, a $120 million entitlement offer (Entitlement Offer), announced on 9 June 2021, for wholesale units was made to existing unitholders, with the offer open to existing unitholders until 12 July 2021. The shortfall arising from the Entitlement Offer was then offered to new unitholders. Proceeds from the capital raising was used to strengthen the Scheme's balance sheet for growth, providing funding to accelerate the execution of its significant development pipeline and near-term acquisition opportunities. After the capital raising, applications for the Scheme's Wholesale units were again suspended until further notice.

On 16 December 2021, the Scheme refinanced its debt facility to support its significant pipeline of acquisitions and developments. The $1 billion senior unsecured debt facility replaced the $850 million secured debt facility and increased funding diversity of the Scheme. The new borrowing structure is an important step in the Scheme's growth strategy and is also structured to facilitate access to longer term tenor debt capital markets. The increase in the weighted average tenor of the debt facilities also provides a smoother maturity profile which reduces future refinancing risk and enhances the Scheme's ability to continue to deliver on its objective to provide investors consistent and sustainable income returns, together with the opportunity of long-term capital growth.

Property acquisitions
On 4 August 2021, the Scheme completed the purchase of Park Lot 77, Bunjil Way, Knoxfield, VIC for a purchase price of $10,750,000 and acquisition costs of $1,132,000.

On 23 September 2021, the Scheme completed the purchase of 151-153 Furlong Road, St Albans, VIC for a purchase price of $6,000,000 and acquisition costs of $455,000.

On 5 October 2021, the Scheme completed the purchase of 9 Westwood Avenue, Belmore, NSW for a purchase price of $1,900,000 and acquisition costs of $242,000.

On 4 November 2021, the Scheme completed the purchase of 20 Gillon Court, St Albans, VIC for a purchase price of $1,200,000 and acquisition costs of $109,000.

On 1 December 2021, the Scheme completed the purchase of 22 Buttercup Close, Meadowbrook, QLD for a purchase price of $1,250,000 and acquisition costs of $90,000.

On 23 December 2021, the Scheme completed the purchase of 28-23 Alma Road, Padstow, NSW for a purchase price of $6,200,000 and acquisition costs of $2,125,000.

Review and results of operations (continued)

Property acquisitions (continued)

On 10 February 2022, the Scheme completed the purchase of 4A Larool Road, Terrey Hills, NSW for a purchase price of $8,000,000 and acquisition costs of $1,181,000.

On 7 March 2022, the Scheme completed the purchase of 17 Buttercup Close, Meadowbrook, QLD for a purchase price of $1,080,000 and acquisition costs of $75,000.

On 17 March 2022, the Scheme completed the purchase of the following:
• 199 St Albans Road, St Albans, VIC for a purchase price of $1,200,000 and acquisition costs of $97,000; and,
• 203 St Albans Road, St Albans, VIC for a purchase price of $1,200,000 and acquisition costs of $97,000.

On 8 April 2022, the Scheme completed the purchase of 19 Buttercup Close, Meadowbrook, QLD for a purchase price of $1,525,000 and acquisition costs of $97,000.

On 23 June 2022, the Scheme completed the purchase of Corio Medical Clinic, Corio, VIC for a purchase price of $9,500,000 and acquisition costs of $762,000.

On 27 June 2022, the Scheme completed the purchase of 59 East Street, Ipswich, QLD for a purchase price of $6,850,000 and acquisition costs of $558,000.

On 30 June 2022, the Scheme completed the purchase of South Haven Aged Care Facility, 7-11 Queensbury Road, Padstow Heights, NSW for a purchase price of $24,110,000 and acquisition costs of $1,361,000.

During the year, the Scheme completed the purchase of the following properties under sale and leaseback arrangements:

- The Terraces Aged Care, 74 University Drive, Varsity Lakes, QLD for a purchase price of $34,971,000 and acquisition costs of $2,496,000 on 18 November 2021;
- Capella Bay Aged Care, 260 Old Cleveland Road East, Capalaba, QLD for a purchase price of $31,091,000 and acquisition costs of $2,251,000 on 18 November 2021;
- Seabrook Aged Care, 15-29 Bonton Avenue Deception Bay, QLD for a purchase price of $27,587,000 and acquisition costs of $2,030,000 on 18 November 2021;
- 53-67 Chamberlain Road, Wyoming, NSW for a purchase price of $27,315,000 and acquisition costs of $466,000 on 22 January 2022;

Property disposals

On 5 July 2021, the Scheme settled the sale of three of the four lots of Mackay Medical Centre and Day Surgery, Mackay, QLD for $16,100,000 excluding selling costs. The contract of sale for the remaining lot of vacant land was subject to conditions precedent that were met on 4 August 2021. Settlement occurred on 11 August 2021 for $600,000 excluding selling costs. The Scheme exchanged contracts to sell the properties on 28 June 2021.

On 14 June 2022, the Scheme exchanged contracts to sell Suite 13, Gosford Medical Centre, North Gosford, NSW. Settlement occurred on 27 July 2022 for $930,000, excluding selling costs.

On 21 June 2022, the Scheme exchanged contracts to sell Suites 3, 8 and 12 and various car parking lots, Gosford Medical Centre, North Gosford, NSW. Settlement occurred on 1 July 2022 for $4,150,000, excluding selling costs.

Property valuations

The revaluations for the year ending 30 June 2022 were in total above the revalued properties carrying values resulting in recording a net revaluation fair value increment of $361,948,000 (2021: $277,897,000).

Derivatives

In the current year, the Scheme recognised net gains on derivative instruments held at fair value through profit or loss of $32,171,000 (2021: gain of $3,564,000).

Results

For the year ended 30 June 2022, the Scheme's:

- Retail units posted a total return of 23.7% (split between a distribution return of 4.5% and a growth return of 19.2%)*

Review and results of operations (continued)
Results (continued)

- Wholesale units posted a total return of 23.7% (split between a distribution return of 4.5% and a growth return of 19.2%)*
- Class A units posted a total return of 18.7% (split between a distribution return of 3.5% and a growth return of 15.2%)*

Unit prices (ex distribution) as at 30 June 2022 (2021) are as follows:
Retail units $2.7493 ($2.3069)*
Wholesale units $2.6824 ($2.2508)*
Class A units $1.6209 ($1.4064)*

*The reported performance numbers and reported unit prices (which are not audited) have been derived based on the declared unit prices calculated in accordance with the Responsible Entity's unit pricing policy, and are not based on the net assets of these IFRS compliant consolidated financial statements. Return calculations assume reinvestment of distributions.

The performance of the Scheme, as represented by the results of its operations, was as follows:

	2022 $'000	2021 $'000
Profit before finance costs attributable to unitholders	**504,409**	401,573
Distributions - Retail units		
Distributions paid and payable	**8,416**	8,113
Distributions - Wholesale units		
Distributions paid and payable	**76,178**	64,692
Distributions - Class A units		
Distributions paid and payable	**7,893**	9,141

Significant changes in the state of affairs
In the opinion of the directors, there were no other significant changes in the state of affairs of the Scheme that occurred during the year, except those mentioned elsewhere in the report.

Other significant events during the year
Effective 12 April 2022, the Scheme expanded on the tiered base management fee structure with an additional fee tier for all of the Scheme's unitclasses. The base management fees paid by the unitholders was 0.65% per annum of the Scheme's gross asset value ("GAV") under $2 billion (previously 0.65% per annum), 0.50% per annum of the Scheme's GAV between $2 billion and $4 billion (previously 0.50% per annum) and a new tier of 0.40% per annum of the Scheme's GAV over $4 billion.

External proposal to acquire all of the units in the Scheme and related matters
In February 2021, the consortium comprising NorthWest Healthcare Properties Real Estate Investment Trust (NorthWest) and a Singaporean sovereign wealth fund GIC Private Limited (GIC) commenced a process to seek to acquire all the units in the Scheme, resulting in four unsolicited offers being made between February to June 2021 and ultimately, NorthWest convening a unitholder meeting to consider and vote on resolutions proposed by NorthWest which, if approved by the Scheme's unitholders, would have resulted in NorthWest's acquisition of 100% of the units on issue in the Scheme.

The Responsible Entity recommended that each offer be rejected on the basis they materially undervalued the Scheme. In mid-July 2021, NorthWest formed the view there was insufficient unitholder support for its proposal to acquire all the units in the Scheme to be successful and withdrew its proposal and cancelled the meeting of the Scheme's unitholders.

During this time, the Responsible Entity, along with Australian Unity Limited and other parties, was named as a defendant in a separate legal proceeding brought by NorthWest. The proceeding concerns NorthWest's claim that certain aspects of the equity raising activities undertaken by the Responsible Entity during the second half of the 2021 financial year and aspects of its response (in that capacity) to NorthWest's proposal to Scheme members to acquire 100% of the units in the Scheme, were in breach of its duties or breached provisions of the *Corporations Act 2001*. NorthWest is seeking declarations by the Court to this effect, as well as court orders invalidating certain transactions entered into by the Responsible Entity and the other defendants as part of the 2021 equity raising activities and orders which concern the ability of other defendants who were issued units in the Scheme to vote.

This litigation is ongoing and remains before the New South Wales Supreme Court. The Responsible Entity is defending these claims. No date for the trial has been fixed, however it is likely to be heard during 2023. Unitholders are encouraged to refer to the Scheme's website for any updates from the Responsible Entity on the progress and status of the proceeding.

Events occurring after end of the year
On 1 July 2022, the Scheme completed the sale of Suites 3, 8 and 12 and various car parking lots, 12 Jarrett Street, North Gosford, NSW for a sale price of $4,150,000 excluding selling costs.

On 27 July 2022, the Scheme completed the sale of Suite 13, 12 Jarrett Street, North Gosford, NSW for a sale price of $930,000 excluding selling costs.

On 3 August 2022, the Scheme completed the purchase of 201 St Albans Road, St Albans, VIC for a purchase price of $1,250,000 excluding acquisition costs.

On 26 September 2022, the Scheme completed the purchase of 9-15 Old Heidelberg Road, Alphington, VIC for a purchase price of $14,750,000 excluding acquisition costs.

On 6 October 2022, the Scheme completed the purchase of 133-139 Jannali Avenue, Sutherland, NSW for a purchase price of $10,500,000 excluding acquisition costs.

Other than the above matters and those mentioned elsewhere in the report, no other matters or circumstance has arisen since 30 June 2022 that have significantly affected, or may significantly affect the operations of the Scheme, the result of operations, or the state of the Scheme's affairs in the future years.

Likely developments and expected results of operations
The Scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

The Scheme is in exclusive due diligence and negotiations on several acquisition and development opportunities and will continue to actively execute on its investment objectives and guidelines

Likely developments and expected results of operations (continued)

Further information on likely developments in the operations of the Scheme and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Scheme.

Indemnification and insurance of officers and auditors
No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of Australian Unity Funds Management Limited or the auditors of the Scheme. So long as the officers of Australian Unity Funds Management Limited act in accordance with the Scheme's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

Fees paid to and interests held in the Scheme by the Responsible Entity or its associates
Fees paid to the Responsible Entity and its associates out of Scheme property during the year are disclosed in note 22 to the consolidated financial statements.

No fees were paid out of Scheme property to the directors of the Responsible Entity during the year.

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the year are disclosed in note 22 to the consolidated financial statements.

Units in the Scheme
The movement in units on issue in the Scheme during the year is disclosed in note 10 to the consolidated financial statements.

The value of the Scheme's assets and liabilities is disclosed in the consolidated statement of financial position and derived using the basis set out in note 2 to the consolidated financial statements.

Environmental regulation
The property operations of the Scheme are subject to environmental regulations under Australian law. There have been no known reportable breaches of these regulations.

Rounding of amounts to the nearest thousand dollars
The Scheme is an entity of a kind referred to in *ASIC Corporations Instrument 2016/191* issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and consolidated financial statements. Amounts in the directors' report and consolidated financial statements have been rounded to the nearest thousand dollars.

Auditor's independence declaration
A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Signed in accordance with a resolution of the directors of Australian Unity Funds Management Limited.

Rohan Mead
Director

Esther Kerr-Smith
Director

21 October 2022

Auditor's Independence Declaration

As lead auditor for the audit of Australian Unity Healthcare Property Trust for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Unity Healthcare Property Trust and the entities it controlled during the period.

George Sagonas
Partner
PricewaterhouseCoopers

Melbourne
21 October 2022

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Consolidated statement of comprehensive income

	Notes	**2022 $'000**	2021 $'000
Income			
Rental income	4	**138,601**	120,977
Property expenses	5	**(23,770)**	(20,420)
Net property income		**114,831**	100,557
Interest income	3	**3,439**	5,740
Distribution income	6	**4,519**	4,009
Net gains on financial instruments held at fair value through profit or loss	7	**68,848**	48,563
Realised loss on disposal of investment property		**(126)**	(80)
Net fair value increment of investment properties	16(b)	**362,982**	277,897
Other income		**86**	88
Total income net of property expenses		**554,579**	436,774
Expenses			
Management fees	22	**23,472**	18,868
Borrowing costs		**15,260**	13,394
Other expenses	9	**11,438**	2,939
Total expenses, excluding property expenses		**50,170**	35,201
Profit before finance costs attributable to unitholders		**504,409**	401,573
Finance costs attributable to unitholders			
Distributions to unitholders	11	**(92,487)**	(81,946)
Increase in net assets attributable to unitholders	10	**(411,922)**	(319,627)
Total comprehensive income attributable to unitholders		**-**	-

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

Consolidated statement of financial position

	Notes	**2022 $'000**	2021 $'000
Assets			
Cash and cash equivalents	12	**58,233**	71,069
Receivables	13	**13,706**	18,998
Financial assets held at fair value through profit or loss	14	**398,920**	238,494
Loans receivable	15	**44,192**	63,139
Other assets		**9,997**	4,451
Properties held for sale	16(c)	**5,080**	16,700
Investment properties	16	**2,807,567**	2,225,661
Total assets		**3,337,695**	2,638,512
Liabilities			
Distributions payable	11	**23,750**	23,238
Payables	17	**26,965**	23,512
Financial liabilities held at fair value through profit or loss	14	**598**	3,617
Lease liabilities	16(e)	**3,438**	3,447
Borrowings	18	**692,433**	511,495
Total liabilities (excluding net assets attributable to unitholders)		**747,184**	565,309
Net assets attributable to unitholders - liability	10	**2,590,511**	2,073,203

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in net assets attributable to unitholders - liability

	2022	2021
	$'000	$'000
Balance at the beginning of the year	**2,073,203**	1,588,416
Profit before finance costs attributable to unitholders	**504,409**	401,573
Distributions to unitholders	**(92,487)**	(81,946)
Applications	**120,180**	196,980
Redemptions	**(32,617)**	(43,113)
Units issued upon reinvestment of distributions	**17,823**	11,293
Balance at the end of the year	**2,590,511**	2,073,203

The above consolidated statement of changes in net assets attributable to unitholders - liability should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
Interest received		**3,837**	5,176
Distributions and other income received		**3,507**	4,927
Collection of financing receivables		**13,331**	9,323
Rental income received		**139,445**	113,476
Payments to suppliers		**(59,291)**	(36,505)
Net cash inflow from operating activities	23	**100,829**	96,397
Cash flows from investing activities			
Purchase of investment properties		**(80,765)**	(37,670)
Acquisition costs on purchases of investment properties		**(7,820)**	(4,433)
Payments for additions to owned investment properties		**(67,938)**	(97,529)
Receipts from the repayment of loans advanced to tenants		**19,434**	23,236
Advanced to tenants for loans		**(487)**	-
Purchase of financial assets held at fair value through profit or loss		**(155,445)**	(392)
Payments for potential acquisitions		**(9,125)**	(1,219)
Proceeds from sale of investment properties		**16,700**	1,511
Disposal costs paid from sale of investment properties		**(120)**	(70)
Advanced to related party for loans		**-**	(1,713)
Receipts from the repayment of loans advanced to related party		**-**	40,294
Net cash outflow from investing activities		**(285,566)**	(77,985)
Cash flows from financing activities			
Proceeds from applications by unitholders		**120,181**	196,980
Payments for redemptions by unitholders		**(32,617)**	(43,112)
Proceeds from borrowings		**838,200**	254,700
Repayment of borrowings		**(655,700)**	(317,500)
Distributions paid		**(74,151)**	(65,822)
Payment of borrowing costs and other related costs		**(20,126)**	(18,860)
Payment of lease liabilities		**(9)**	(144)
Payment of interest rate swap termination costs		**(3,877)**	-
Net cash inflow from financing activities		**171,901**	6,242
Net (decrease)/increase in cash and cash equivalents		**(12,836)**	24,654
Cash and cash equivalents at the beginning of the year		**71,069**	46,415
Cash and cash equivalents at the end of the year	12	**58,233**	71,069
Non-cash operating and financing activities	23(b)	**18,182**	11,572

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

Notes to the financial statements

		Page
1	General information	14
2	Summary of significant accounting policies	14
3	Interest income	24
4	Rental income	24
5	Property expenses	24
6	Distribution income	24
7	Net gains/(losses) on financial instruments held at fair value through profit or loss	25
8	Auditor's remuneration	25
9	Other expenses	25
10	Net assets attributable to unitholders	26
11	Distributions to unitholders	27
12	Cash and cash equivalents	28
13	Receivables	28
14	Financial assets and liabilities held at fair value through profit or loss	28
15	Loan receivables	30
16	Investment properties	31
17	Payables	36
18	Borrowings	36
19	Derivative financial instruments	37
20	Financial risk management	38
21	Fair value hierarchy	45
22	Related party transactions	50
23	Reconciliation of profit to net cash inflows from operating activities	54
24	Parent entity financial information	55
25	Events occurring after end of the financial year	56
26	External proposal to acquire all of the units in the Scheme and related matters	57
27	Contingent assets and liabilities and commitments	57

1 General information

These consolidated financial statements cover Australian Unity Healthcare Property Trust ("the Scheme") and its subsidiaries. The Scheme was constituted on 17 June 1998 and will terminate on the 80th anniversary or earlier in accordance with the provisions of the Scheme's Constitution.

The Responsible Entity of the Scheme is Australian Unity Funds Management Limited (ABN 60071497115) ("the Responsible Entity"), a wholly owned subsidiary of Australian Unity Limited (ABN 23 087 648 888). The Responsible Entity's registered office is Level 15, 271 Spring Street, Melbourne, VIC 3000.

The Responsible Entity is incorporated and domiciled in Australia.

The controlled entities of the Scheme are:

- Healthcare Property Trust Sub-trust No. 2 (formerly Primary Health Care Property Trust) which was established by Trust Deed dated 21 December 2015; and,
- Herston SRACC Trust which was established by Constitution dated 20 February 2017; and,
- Australian Unity Aged Care Property Trust which was established by Trust Deed dated 1 June 2021.

The consolidated financial statements are for the year 1 July 2021 to 30 June 2022.

The consolidated financial statements were authorised for issue by the directors of the Responsible Entity on 21 October 2022. The directors of the Responsible Entity have the power to amend and reissue the consolidated financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. Where appropriate, comparatives have been reclassified to enhance comparability with current year disclosures.

(a) Basis of preparation
These general purpose consolidated financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The Scheme is a for-profit entity for the purposes of preparing the consolidated financial statements.

The consolidated financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The consolidated statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within 12 months, except for investment properties, loan receivables, financial assets/(liabilities) held at fair value through profit or loss, borrowings, and net assets attributable to unitholders, where the amount expected to be recovered or settled within 12 months after the end of the year cannot be reliably determined.

(i) Compliance with Australian Accounting Standards and International Financial Reporting Standards
The consolidated financial statements of the Scheme comply with Australian Accounting Standards as issued by AASB and also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated financial statements of the Scheme have been prepared on a consolidated basis to provide the end users of the financial information with the most appropriate information in making financial decisions.

(ii) New accounting standards and amendments adopted by the Scheme
There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) New accounting standards, amendments and interpretations
Certain new accounting standards, amendments and interpretations have been published that are not mandatory for the 30 June 2022 reporting period and have not yet been applied in the financial statements. None of these are expected to have a material effect on the consolidated financial statements of the Scheme.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by the Scheme as at 30 June 2022 and their results for the year then ended. The Scheme and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all entities over which the Scheme is exposed, or has rights, to variable returns from its involvement with the subsidiary and the ability to affect those returns through its powers over the subsidiaries.

Consolidation of subsidiaries begins from the date the Scheme obtains control of the subsidiary and ceases when the Scheme loses control of the subsidiary.

The acquisition method of accounting is used to account for business combinations by the Scheme.

All transactions (including gains and losses) and balances between entities in the consolidated group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Scheme.

Investments in subsidiaries are accounted for at fair value through profit or loss in the individual financial statements of the parent entity.

(c) Investment properties

Initially, investment properties are measured at the cost of acquisition, being the purchase consideration determined at the date of acquisition plus costs incidental to the acquisition. Costs incidental to acquisition may include legal fees, stamp duty and other government charges, professional fees preceding acquisition and where applicable financing charges incurred during the construction or development of an asset.

Subsequent to initial recognition, investment properties are stated at fair value being the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

Redevelopment and refurbishment costs (other than repairs and maintenance) are capitalised to carrying value of the investment property where they result in an enhancement in the future economic benefits of the property. Leasing fees incurred and incentives provided (excluding rental abatements which are expensed) are capitalized and amortised over the lease periods to which they relate.

In accordance with the investment property valuations policy approved by the Board, independent valuations of investment properties are obtained from suitably qualified valuers generally at least once in every 18 months if the property is in a construction phase; otherwise once in any 12 month period from the date of the last valuation; or in exceptional circumstances once in a financial year or calendar year as determined necessary; or as soon as practicable, but not later than within two months after the directors of the Responsible Entity form a view that there is reason to believe that the fair value of the investment property is materially different from its current carrying value. Such valuations are reflected in note 16. Notwithstanding, the directors of the Responsible Entity determine the carrying value of each investment property at each reporting date to ensure that its carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, that asset is adjusted to its fair value.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount because the Scheme does not expect to be ultimately liable for capital gains tax in respect of the assets.

Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of comprehensive income in the year in which they arise.

2 Summary of significant accounting policies (continued)

(c) Investment properties (continued)
Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the consolidated statement of comprehensive income in the year of derecognition.

(d) Financial instruments

(i) Classification
The classification depends on the Scheme's business model for managing the financial instruments and the contractual terms of the relevant cash flows. The Scheme classifies its financial instruments into the following measurement categories:

- *Financial assets and liabilities*

The Scheme's investments are classified as held at fair value through profit or loss. These may include investments in listed property trusts, unlisted property trusts and other unlisted trusts.

Direct properties acquired under sale and leaseback arrangements with option to repurchase are recognised as financing receivables which are classified as financial assets held at fair value through profit or loss in the consolidated statement of financial position. Under AASB 15 *Revenue from Contracts with Customers* the transactions do not meet the requirements for a sale and shall be accounted for as financing arrangements within the scope of AASB 9 *Financial Instruments*.

Financial instruments designated at fair value through profit or loss are those that are managed and their performance evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

The information on the fair value basis is provided internally to the Scheme's key management personnel. In addition, the designation of financial assets and financial liabilities at fair value through profit or loss will reduce any measurement or recognition inconsistencies and any accounting mismatch that would otherwise arise.

- *Amortised cost*

A financial asset is measured at amortised cost only if both of the following conditions are met:

(a) it is held within a business model which objective is to hold assets in order to collect contractual cash flows, and

(b) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

This category includes loans receivables and other receivables/payables.

(ii) Recognition/derecognition
The Scheme recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Scheme retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' agreement; or
- the Scheme has transferred its rights to receive cash flows from the asset and either:
  (a) has transferred substantially all the risks and rewards of the asset; or
  (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Any gains or losses arising on derecognition of a financial asset or liability (calculated as the difference between the disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the financial asset or liability is derecognised as realised gains or losses on financial instruments.

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(iii) Measurement
Except for financing receivables, financial assets and financial liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities held at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the consolidated statement of comprehensive income.

Financing receivables are measured initially at cost of acquisition, being the consideration on the date of acquisition plus transaction costs and subsequently are measured at fair value with changes in their fair value recognised in the consolidated statement of comprehensive income.

For further details on how the fair values of financial instruments are determined please see Note 21 to the consolidated financial statements.

Borrowings, loan receivables and other receivables/payables are measured initially at fair value plus transaction costs and subsequently are carried at amortised cost using the effective interest method.

The Scheme assesses on a forward looking basis the expected credit losses (ECL) associated with its financial assets carried at amortised cost. The recognition of impairment depends on whether there has been a significant increase in credit risk.

For loan receivables, the Scheme applies a three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

- Stage 1: 12-months ECL
  For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

- Stage 2: Lifetime ECL- not credit impaired
  For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

- Stage 3: Lifetime ECL - credit impaired
  Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

At each reporting date, the Scheme assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

The Scheme assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of significant increase in credit risk, loans are grouped on the basis of shared credit risk characteristics, taking into account the type of loans, days in arrears, loan collaterals, remaining term to maturity, geographical location of the borrower and other relevant factors. The Scheme considers its historical loss experience and adjusts this for current observable data.

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(iii) Measurement (continued)

The amount of ECL is measured as the probability-weighted amount of the present value of all reasonable cash shortfalls over the expected life of the loans discounted at the effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Scheme and all the cash flows that the Scheme expects to receive.

The amount of ECL is recognised using a loan loss provision account. If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loan loss provision reverts from lifetime ECL to 12-months ECL.

(iv) Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when, and only when, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(e) Derivatives
In order to minimise exposure to fluctuations in interest rates, the Scheme may use a combination of interest rate swaps and options to ensure that the rate of interest on debt is predominantly fixed. Derivative financial instruments are not held for speculative purposes and are carried on the consolidated statement of financial position at fair value. Changes in fair value are recognised in the consolidated statement of comprehensive income.

Interest payments and receipts under interest rate swap contracts are recognised on an accrual basis in the consolidated statement of comprehensive income, as an adjustment to borrowing costs and other related costs when the transaction occurs.

(f) Net assets attributable to unitholders
Units are redeemable at the unitholders' option via withdrawal facility offers by the Responsible Entity. The units can be put back to the Scheme for cash equal to a proportionate share of the Scheme's net asset value. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the year if unitholders exercised their right to put the units back to the Scheme. Because the Scheme's redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists, which has been treated as a separate component of net assets attributable to unitholders. Changes in the value of this financial liability are recognised in the consolidated statement of comprehensive income as they arise.

The Scheme classifies the net assets attributable to unitholders as liabilities as they do not satisfy the criteria under AASB 132 *Financial instruments: Presentation.*

(g) Cash and cash equivalents
For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts, if any, are shown within borrowings in the consolidated statement of financial position.

Receipts relating to financing receivables is classified as cash flows from operating activities as this represents one of the Scheme's income generating activity.

2 Summary of significant accounting policies (continued)

(h) Investment income
Dividend income is recognised on the ex-dividend date.

Interest income is recognised in the consolidated statement of comprehensive income for all financial instruments using the effective interest method. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(d).

Trust distributions (including distributions from cash management trusts) are recognised on an entitlements basis.

Net gains/(losses) on financial assets and liabilities held at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at the end of the year and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend/distribution income. Realised and unrealised gains/(losses) are shown in the notes to the consolidated financial statements.

(i) Expenses
All expenses, including property expenses, Responsible Entity's fees and custodian fees, are recognised in consolidated statement of comprehensive income on an accruals basis.

(j) Income tax
Under current legislation, the Scheme is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

(k) Distributions
In accordance with the Scheme's Constitution, the Scheme distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the consolidated statement of comprehensive income as finance costs attributable to unitholders.

(l) Increase/decrease in net assets attributable to unitholders
Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in consolidated statement of comprehensive income as finance costs.

(m) Receivables
Receivables may include amounts for dividends, interest, rental income arrears, trust distributions and securities sold where settlement has not yet occurred. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each year from the time of last payment in accordance with the policy set out in note 2(h) above. Amounts are generally received within 30 days of being recorded as receivables.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for expected credit losses. Trade receivables are required to be settled within 30 days and are assessed on an ongoing basis for impairment. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for expected credit losses is recognised for expected credit losses on trade and other receivables. The provision for expected credit losses is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted as the effect of discounting is immaterial.

The calculation of expected credit losses relating to rent and other receivables require significant judgement to assess the future uncertainty of tenants' ability to pay their debts. Expected credit losses have been estimated with reference to the Scheme's historical credit loss experience, general economic conditions and forecasts, assumptions around rent relief that may be provided to tenants and tenant risk factors such as size, industry exposure and the Scheme's understanding of the ability of tenants to pay their debts. Accordingly, expected credit losses include both the part of the rent receivable that is likely to be waived and any additional amount relating to credit risk associated with the financial condition of the tenant.

2 Summary of significant accounting policies (continued)

(n) Payables

Payables include liabilities and accrued expenses owed by the Scheme which are unpaid as at the end of the reporting period. These payables, which are generally settled on 30-90 day terms and are unsecured, are carried at amortised cost.

Interest is taken up as an expense on an accrual basis.

Trades are recorded on trade date, and normally settled within three business days. Purchases of financial instruments that are unsettled at the end of each year are included in payables.

The distribution amount payable to unitholders as at the end of each year is recognised separately in the consolidated statement of financial position when unitholders are presently entitled to the distributable income under the Scheme's Constitution.

Liabilities for trade creditors are carried at original invoice amount which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Scheme.

Payables to related parties are recognised and carried at the nominal amount due. They are carried at the nominal amount due to the short term nature of the payable. Interest is taken up as an expense on an accrual basis.

Provisions are recognised when the Scheme has a present obligation as a result of the past event and it is probable that the Scheme will be requested to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(o) Applications and redemptions

Applications received for units in the Scheme are recorded net of any entry fees payable prior to the issue of units in the Scheme. Redemptions from the Scheme are recorded gross of any exit fees payable after the cancellation of units redeemed.

Unit redemption prices are determined in accordance with the Scheme’s Constitution by reference to the net assets of the Scheme divided by the number of units on issue.

(p) Borrowings and borrowing costs

All loans are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with borrowings.

After initial recognition, loans are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognised in the consolidated statement of comprehensive income when liabilities are derecognised or impaired.

(q) Goods and Services Tax (GST)

The consolidated statement of comprehensive income is shown exclusive of GST, unless the GST incurred (or part thereof) on expenses that are not recoverable. Expenses of various services provided to the Scheme by third parties, such as custodial services and investment management fees, may have non-recoverable GST components, as applicable. In these cases, the non-recoverable GST component is recognised as part of the particular expense in the consolidated statement of comprehensive income.

Accounts payable and receivable are stated inclusive of the GST receivable and payable, respectively. The net amount of GST recoverable, or payable, is included in receivables or payables in the consolidated statement of financial position.

Cash flows relating to GST are included in the consolidated statement of cash flows on a gross basis.

2 Summary of significant accounting policies (continued)

(r) Leases as lessor

Rental income
Rental income is recognised on a straight-line basis over the lease term for leases with fixed rent review Clauses. The rental adjustments from straight-lining of rental income are disclosed in the consolidated financial statements for financial reporting presentation purposes only.

Contingent rentals, such as turnover rent and market rent adjustments, are recognised as income in the financial reporting period in which they are earned. Some leases contain variable payment terms that are linked to sales generated. Variable lease payments that depend on sales are recognised in the consolidated statement of comprehensive income in the period in which the condition that triggers those payments occurs.

Incidental income (costs) derived from an investment property undergoing construction or development but not directly related to bringing the assets to the working condition, are recognised in profit for the year.

Rent not received at the end of the year is reflected in the consolidated statement of financial position as a receivable or if paid in advance, as a liability.

Outgoing income
Outgoing income is recognised in the consolidated statement of comprehensive income on an accruals basis.

Within its lease arrangements, the Scheme provides certain services to tenants (such as utilities, cleaning, maintenance and certain parking arrangements) which are accounted for within AASB 15 *Revenue from Contracts with Customers*. A portion of the consideration within the lease arrangements is therefore allocated to revenue for the provision of these services.

Leasing costs
Lease costs are costs that are directly associated with negotiating and arranging an operating lease (including commissions, legal fees and costs of preparing and processing documentation for new leases). These costs are capitalised and are amortised on a straight-line basis over the term of the lease as property expenses. The carrying amount of the leasing cost is reflected in the carrying value of investment properties.

Lease incentives
Incentives such as cash, rent-free periods, lessee or lessor owned fitouts may be provided to lessees to enter into an operating lease.These incentives are capitalised and are amortised on a straight-line basis over the term of the lease as a reduction of rental income or as property expenses. The carrying amount of the lease incentives is reflected in the carrying value of investment properties.

(s) Leases as lessee

The right-of-use asset and a corresponding lease liability are recognised from the initial application of AASB 16 on 1 July 2019 or at the date at which the leased asset is available for use by the Scheme. The Scheme is not required to make any adjustments on transition for leases previously accounted for as investment property using the fair value model in AASB 140 *Investment Property*.

Right-of-use assets
Right-of-use assets are measured at cost comprising the following
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and,
- restoration costs.

As the Scheme states its investment property at fair value, subsequent to initial recognition the Scheme applies fair value model to right-of-use assets that meet the definition of investment property in AASB 140.

Lease liabilities
Lease liabilities include the net present value of the following lease payments:

2 Summary of significant accounting policies (continued)

(s) Leases as lessee (continued)

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Scheme under residual value guarantees;
- the exercise price of a purchase option if the Scheme is reasonably certain to exercise that option;
- payments of penalties for terminating the lease if the lease term reflects the Scheme exercising that option; and,
- payments to be made under reasonably certain extension options.

Subsequent to the initial recognition, lease liabilities are adjusted by the interest charges, lease payments made and any re-measurement to reflect reassessment or lease modifications.

When the Scheme is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(t) Use of judgements and estimates

The preparation of the Scheme's consolidated financial statements requires it to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. However, estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements are made by the Scheme in respect of the fair values of investment properties. These investments are reviewed regularly by reference to external independent property valuations and market conditions, using generally accepted market practices.

The key weighted average assumptions used by the external independent property valuers in the latest valuations have been used by the Scheme for the investment properties and the weighted average total for all properties, including the weighted average lease expiry ("WALE"), have been disclosed in note 21.

2 Summary of significant accounting policies (continued)

(t) Use of judgements and estimates (continued)

The Scheme's financial instruments are valued primarily based on the prices provided by independent pricing services.

When the fair values of the reported financial instruments cannot be derived from active markets, they are determined using prices obtained from inactive or unquoted markets and/or other valuation techniques. The inputs to these valuation techniques (if applicable) are taken from observable markets to the extent practicable. Where observable inputs are not available, the inputs may be estimated based on a degree of judgements and assumptions in establishing fair values.

Where appropriate, the outcomes of the valuation techniques that are used in establishing fair values are validated using prices from observable current market transactions for similar instruments (without modification or repackaging) or based on relevant available observable market data.

The determination of what constitutes 'observable' requires significant judgement by the Scheme. The Scheme considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

In addition, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates and judgements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers, accounts payable and the carrying amounts approximate fair value due to the immediate or short term nature of these financial instruments.

(u) Rounding of amounts

The Scheme is an entity of the kind referred to in ASIC Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off to the nearest thousand dollars.

(v) Functional and presentation currency

Items included in the financial statements of each of the Scheme's operations are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Scheme's functional and presentation currency.

(w) Structured entities

The Scheme has assessed whether the funds in which it invests should be classified as structured entities. The Scheme has considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. The Scheme has also considered whether these rights are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds. The Scheme has concluded that the funds in which it invests in are not structured entities.

3 Interest income

	2022 $'000	2021 $'000
Cash and cash deposits	**11**	2
Loan receivables	**3,428**	5,738
	3,439	5,740

4 Rental income

	2022 $'000	2021 $'000
Rental income	**123,026**	109,200
Outgoings income	**18,669**	14,700
Amortisation of lease commissions & lease incentives	**(3,094)**	(2,923)
	138,601	120,977

Rental income includes movement for the straight lining of rental income of $8,155,000 (2021: $6,697,000).

During the year, the Scheme identified that amortisation of lease commissions & lease incentives had been incorrectly classified in the year ended 30 June 2021, resulting in an overstatement of rental income by $2,923,000 and an equivalent overstatement of property expenses. The Scheme has restated rental income and property expenses for the year ended 30 June 2021 accordingly. There is no impact to the Scheme's profit or net assets.

5 Property expenses

	2022 $'000	2021 $'000
Recoverable outgoings	**20,521**	16,526
Non-recoverable outgoings	**3,209**	3,913
Provision for/(reversal of) expected credit losses	**40**	(19)
	23,770	20,420

6 Distribution income

	2022 $'000	2021 $'000
Listed property trusts	**4,041**	3,738
Related unlisted managed investment schemes	**478**	271
	4,519	4,009

7 Net gains/(losses) on financial instruments held at fair value through profit or loss

	2022 **$'000**	2021 $'000
Net gain/(loss) on derivatives	**30,416**	450
Net gain/(loss) on Listed property trusts	**16,920**	35,609
Net gain/(loss) on Financing receivables	**22,321**	12,377
Net gain/(loss) on Related unlisted managed investment scheme	**(809)**	127
Net gains/(losses) on financial instruments held at fair value through profit or loss	**68,848**	48,563

8 Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Scheme:

	2022 **$**	2021 $
Audit services - PwC		
Audit and review of financial statements	**180,000**	165,000
Audit of compliance plan	**4,630**	3,157
Total auditors' remuneration	**184,630**	168,157

9 Other expenses

The following table details the other operating expenses by the Scheme during the year:

	2022 **$'000**	2021 $'000
Consultancy fees and other related costs	**11,184**	2,300
Sundry	**136**	408
Administration	**118**	231
	11,438	2,939

Consultancy fees and other related costs include costs associated with the external proposal to acquire all of the units in the Scheme and related matters. Refer to note 26 for further information.

10 Net assets attributable to unitholders

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme. There are three classes of units in the Scheme being Retail, Wholesale and Class A Units.

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

Contributed equity	**2022 No. '000**	2021 No. '000	**2022 $'000**	2021 $'000
Opening balance	**984,345**	926,227	**1,454,001**	1,288,841
Retail units				
Applications	**25**	101	**65**	208
Redemptions	**(1,451)**	(4,479)	**(3,859)**	(9,347)
Units issued upon reinvestment of distributions	**1,141**	1,296	**2,863**	2,540
	(285)	(3,082)	**(931)**	(6,599)
Wholesale units				
Applications (net of transaction costs)	**52,290**	77,050	**120,110**	196,762
Redemptions	**(5,460)**	(9,537)	**(14,308)**	(19,506)
Units issued upon reinvestment of distributions	**5,841**	4,414	**14,382**	8,388
	52,671	71,927	**120,184**	185,644
Class A units				
Applications	**3**	8	**5**	10
Redemptions	**(9,252)**	(11,034)	**(14,450)**	(14,260)
Units issued upon reinvestment of distributions	**383**	299	**578**	365
	(8,866)	(10,727)	**(13,867)**	(13,885)
Closing balance	**1,027,865**	984,345	**1,559,387**	1,454,001

	2022 $'000	2021 $'000
Undistributed income		
Opening balance	**619,202**	299,575
Increase in net assets attributable to unitholders	**411,922**	319,627
Closing balance	**1,031,124**	619,202
Total net assets attributable to unitholders	**2,590,511**	2,073,203

10 Net assets attributable to unitholders (continued)

Capital risk management

The Scheme considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications whilst redemptions occur quarterly for Retail and Wholesale units and monthly for Class A units, at the discretion of unitholders via withdrawal offers by the Responsible Entity.

Applications and redemptions are reviewed relative to the liquidity of the Scheme's underlying assets by the Responsible Entity. Under the terms of the Scheme's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

Consistent with the continued active capital management of the Scheme, a $120 million entitlement offer (Entitlement Offer), announced on 9 June 2021, for wholesale units was made to existing unitholders, with the offer open to existing unitholders until 12 July 2021. Any shortfall arising from the Entitlement Offer was then able to be offered to new unitholders. Proceeds from the capital raising was used to strengthen the Scheme’s balance sheet for growth, providing funding to accelerate the execution of its significant development pipeline and near-term acquisition opportunities. After the capital raising, applications for the Scheme’s Wholesale units were again suspended until further notice.

The Scheme temporarily suspended application of units whilst existing regular savings plans and distribution reinvestment plans continue to operate. The decision to temporarily suspend applications will be reviewed by the Responsible Entity on an ongoing basis as the Scheme progress its development and acquisition program.

11 Distributions to unitholders

The distributions for the year were as follows:

	2022 $'000	**2022 CPU**	2021 $'000	2021 CPU
Distributions - Retail units				
30 September	**2,051**	**2.4270**	1,757	2.0250
31 December	**2,045**	**2.4270**	1,949	2.2720
31 March	**2,155**	**2.5610**	2,190	2.5670
30 June (payable)	**2,165**	**2.5760**	2,217	2.6290
	8,416		8,113	
Distributions - Wholesale units				
30 September	**18,528**	**2.3750**	13,960	2.1330
31 December	**18,538**	**2.3750**	15,775	2.4140
31 March	**19,503**	**2.5000**	16,315	2.5050
30 June (payable)	**19,609**	**2.5150**	18,642	2.5640
	76,178		64,692	
Distributions - Class A units				
30 September	**1,983**	**1.1610**	2,093	1.1560
31 December	**1,955**	**1.1610**	2,343	1.3110
31 March	**1,979**	**1.1890**	2,326	1.3220
30 June (payable)	**1,976**	**1.2040**	2,379	1.3750
	7,893		9,141	
Total distributions	**92,487**		81,946	

12 Cash and cash equivalents

	2022 $'000	2021 $'000
Cash at bank	**10,046**	26,546
Cash management trusts	**48,187**	44,523
	58,233	71,069

13 Receivables

	2022 $'000	2021 $'000
Trade receivables	**9,205**	14,209
GST receivables	**2,688**	2,780
Distributions receivables	**1,172**	970
Interest receivables	**641**	1,039
	13,706	18,998

14 Financial assets and liabilities held at fair value through profit or loss

	2022 $'000	2021 $'000
Financing receivables	**258,055**	147,578
Listed property trusts	**107,836**	90,916
Derivative assets	**33,029**	-
Total financial assets held at fair value through profit or loss	**398,920**	238,494
Derivative liabilities	**598**	3,617
Total financial liabilities held at fair value through profit or loss	**598**	3,617

14 Financial assets and liabilities held at fair value through profit or loss (continued)

Financing receivables represent the fair value of financial assets recognised on the Scheme's acquisition of aged care properties under sale and leaseback agreements with option to buy back in future periods. As a result, the transactions do not meet the requirements for a sale under AASB 15 *Revenue from Contracts with Customers* and the acquisitions are recorded as a financial asset under AASB 9 *Financial Instruments*.

The following table details the financing receivables held by the Scheme:

	30 June 2022 $'000	30 June 2021 $'000
The Terraces Aged Care Facility, 74 University Drive, Varsity Lakes, QLD	**35,422**	-
Edge Hill Orchards Aged Care Facility, 15 Oregon Street, Manoora, QLD	**33,700**	31,399
Capella Bay Aged Care Facility, 260 Old Cleveland Road East, QLD	**31,423**	-
Caravonica Aged Care Facility, 15-17 Lake Placid Road, Caravonica, QLD	**28,100**	24,951
Edmonton Gardens Aged Care Facility, 1-15 Bruce Highway, Edmonton, QLD	**28,100**	24,949
Seabrook Aged Care Facility, 15-29 Bonton Avenue, Deception Bay, QLD	**27,810**	-
Mount Lofty Toowoomba Aged Care Facility, 69 Stuart Street, Harlaxton, QLD	**27,300**	25,220
Cornubia Aged Care Facility, 136-144 Beenleigh Redland Bay Road, Cornubia, QLD	**27,000**	23,999
Ipswich Aged Care Facility, 41-43 South Street, Ipswich, QLD	**19,200**	17,060
Total financing receivables	**258,055**	147,578

Movements in carrying amount:
Reconciliations of the carrying amounts of financing receivables are set out below:

	2022 $'000
Opening Balance	**147,578**
Acquisitions	**128,207**
Additions	**1,071**
Collection of Financing receivable	**(13,331)**
Revaluation movements	**22,321**
Transfer to investment properties*	**(27,791)**
Total	**258,055**

**On 30 June 2022, the leaseback arrangement for Chamberlain Gardens was terminated, and as a result the sale criteria under AASB 15 were met on that date and the asset transferred to investment property. Refer to note 16.*

Financing receivables are valued using a discounted cash flow method. The financing receivables were independently valued using discounted cash flow method on 30 June 2022.

An overview of the risk exposures and fair value measurements relating to financial assets and liabilities at fair value through profit or loss is included in note 20.

15 Loan receivables

	2022 $'000	2021 $'000
Loans to tenants	**44,192**	63,139
	44,192	63,139

Gross impaired assets represent those assets that are contractually past due with security insufficient to cover the principal and arrears. The Scheme calculated provision for impairment based on the expected credit loss model (ECL). As at 30 June 2022, all loans were considered low risk of default under Stage 1 category and are considered not impaired. No loan loss provision made during the year ended 30 June 2022 (2021: $nil).

Loans to tenants comprises six loans to Infinite Care advanced when the aged care properties were acquired (refer to note 14). The loans were provided to finance lessee costs of fitting out of the aged care properties and are governed by a Fit Out Loan Agreement. The loans are repayable in four years and the interest is payable on a quarterly basis. The loans are secured by a fixed and floating charge over the assets of the applicable lessee and approved aged care provider entities, with cross guarantees provided between the holding companies. Total principal repayments of $19,434,000 were made during the year (2021: $23,236,000).

During the year, $487,000 was advanced to a tenant to assist with the fitout items. As at 30 June 2022 the commitment was $3,500,000. The loan is secured by a fixed and floating charge over the applicable assets of the lessee. The loan is repayable in five years and the interest is payable on a quarterly basis. No principal repayments were made during the year for this loan.

16 Investment properties

(a) Property details

	Type	Ownership	Independent valuation date	Independent valuation amount	Carrying value 2022	Carrying value 2021
		(%)		$'000	$'000	$'000
Herston Quarter - Surgical Treatment and Rehabilitation Service (STARS), Herston QLD	Hospital	100	31/12/2021	596,000	**596,178**	526,665
Peninsula Private Hospital, Langwarrin, VIC	Hospital	100	31/12/2021	283,000	**286,487**	243,520
Mulgrave Private Hospital, Dandenong North, VIC	Hospital	100	17/02/2022	179,500	**179,651**	155,329
Beleura Private Hospital, Mornington, VIC	Hospital	100	31/12/2021	179,400	**179,411**	145,042
RPAH Medical Centre, Newton, NSW	Medical Centre/Office	100	17/02/2022	133,500	**133,759**	108,279
Sunshine Private Hospital and Western Day Surgery, Sunshine, VIC	Hospital	100	17/02/2022	103,200	**133,673**	50,730
15 Butterfield Street, Herston, QLD	Medical Centre/Office	100	17/02/2022	120,000	**120,437**	105,764
8 Herbert Street, St Leonards, NSW	Medical Centre/Office	100	17/02/2022	82,500	**83,485**	77,540
Brisbane Waters Private Hospital, Woy Woy, NSW	Medical Centre/Office	100	17/02/2022	69,500	**69,639**	59,875
103 Victoria Parade, Collingwood VIC	Medical Centre/Office	100	17/02/2022	65,000	**65,004**	57,500
Brunswick Private Hospital, Brunswick, VIC	Hospital	100	17/02/2022	55,400	**55,588**	46,134
Robina Private Hospital, Robina, QLD	Hospital	100	17/02/2022	54,500	**55,152**	45,186
310 Selby Road North, Osborne Park, WA	Medical Centre/Office	100	17/02/2022	55,000	**55,000**	45,500
Western Hospital, Henley Beach, QLD	Hospital	100	17/02/2022	54,000	**54,193**	46,653
Manningham Medical Centre, Templestowe Lower, VIC	Medical Centre/Office	100	17/02/2022	51,850	**52,163**	42,927
Greensborough Medical Centre, Greensborough, VIC	Medical	100	24/05/2022	43,250	**43,264**	38,500
North Shore Specialist Day Hospital, Greenwich, NSW	Medical Centre/Office	100	17/02/2022	34,000	**34,709**	23,005
Tuggerah Lakes Private Hospital, Kanwal, NSW	Hospital	100	17/02/2022	34,000	**34,000**	29,008
Townsville Private Clinic, Townsville, QLD	Hospital	100	17/02/2022	33,000	**33,016**	28,078
Hunters Hill Private Hospital, Hunters Hill, NSW	Hospital	100	17/02/2022	31,500	**31,680**	25,976
Berkeley Vale Private Hospital, Berkeley Vale, NSW	Hospital	100	17/02/2022	31,500	**31,675**	21,018
39, 41 & 43 Orth Street, Kingswood NSW	Assets held pending development	100	24/05/2022	23,000	**28,164**	11,397
Campus Alpha, Robina, QLD	Hospital	100	17/02/2022	28,000	**28,071**	26,800
Constitution Hill Aged Care, Northmead, NSW	Aged Care	100	17/02/2022	26,750	**26,902**	23,975
HIS Diagnostic Imaging Centre, Richmond, VIC	Medical Centre/Office	100	24/05/2022	26,000	**26,010**	21,500
Figtree Private Hospital, Figtree, NSW	Hospital	100	17/02/2022	24,500	**24,596**	18,006
Ipswich Medical Centre and Day Hospital, QLD	Medical Centre/Office	100	17/02/2022	22,250	**22,451**	17,612
Robina Medical Centre, Robina QLD	Medical Centre/Office	100	17/02/2022	20,750	**20,770**	17,811
Corrimal Medical Centre, Corrimal, NSW	Medical Centre/Office	100	17/02/2022	20,000	**20,002**	16,700
566 Olsen Avenue, Molendinar, QLD	Medical Centre/Office	100	17/02/2022	19,600	**19,600**	17,755
The Eye Centre, 2 Short St, Southport, QLD	Medical Centre/Office	100	26/08/2021	17,800	**18,538**	17,461
Gosford Private Medical Centre, Gosford, NSW	Medical Centre/Office	100	17/02/2022	17,000	**17,127**	15,500
14 Highfields Circuit, Port Macquarie, NSW	Medical Centre/Office	100	17/02/2022	15,800	**15,800**	13,108
Victoria House Medical Centre, East Victoria Park, WA	Medical Centre/Office	100	17/02/2022	13,500	**13,500**	12,885
Lot 77, Bunjil Way, Knoxfield, VIC	Assets held pending development	100	17/02/2022	12,260	**12,401**	-
1 and 3 Addison Road, Pennington, SA	Medical Centre/Office	100	26/08/2021	11,400	**11,424**	9,950
Eureka Medical Centre, Ballarat, VIC	Medical Centre/Office	100	17/02/2022	10,750	**10,769**	8,000
Corio Medical Clinic, Corio, VIC	Medical Centre/Office	100	07/03/2022	9,500	**10,262**	-
38 & 40 Orth Street; 26 Somerset Street; 1, 3 & 5 Hargrave Street, Kingswood, NSW	Assets held pending development	100	24/05/2022	9,600	**9,665**	9,234
Casa Mia, 28-36 Alma Road, Padstow, NSW	Aged Care	100	11/05/2022	6,800	**9,226**	-
Herston Quarter Private Hospital, Herston, QLD	Assets held pending development	100	24/05/2022	8,800	**8,808**	8,410
59 East Street, Ipswich, QLD	Assets held pending development	100	16/05/2022	6,850	**7,408**	-
80-82 Bridge Road, Richmond, VIC	Medical Centre/Office	100	24/05/2022	7,000	**7,031**	7,000
151-153 Furlong Road, St Albans, VIC	Medical Centre/Office	100	17/02/2022	6,000	**6,000**	-
34 Investigator Drive, Robina, QLD	Assets held pending development	100	17/02/2022	4,250	**4,256**	4,250
1, 1A, and 1B President Road, Kellyville, NSW	Assets held pending development	100	24/05/2022	4,250	**4,271**	4,085
Lot 907, Oceanside Health Hub, Birtinya QLD	Assets held pending development	100	24/05/2022	3,900	**3,933**	3,600
7 Vidler Avenue, Woy Woy, NSW	Assets held pending development	100	17/02/2022	2,600	**2,600**	2,400

16 Investment properties (continued)

(a) Property details (continued)

	Type	Ownership %	Independent valuation date	Independent valuation amount $'000	Carrying value 2022 $'000	Carrying value 2021 $'000
19 Buttercup Close, Meadowbrook, QLD	Assets held pending development	100	31/01/2022	470	1,621	-
70 Moreland Road, Brunswick, VIC	Assets held pending development	100	17/02/2022	1,435	1,485	1,560
22 Buttercup Close, Meadowbrook, QLD	Assets held pending development	100	08/09/2021	440	1,342	-
7 Westwood Avenue, Belmore, NSW	Assets held pending development	100	17/02/2022	1,200	1,205	1,163
101 Herbert Street, Mornington, VIC	Assets held pending development	100	17/02/2022	1,200	**1,200**	775
9 Westwood Avenue, Belmore, NSW	Assets held pending development	100	17/02/2022	1,200	**1,200**	-
17 Buttercup Close, Meadowbrook, QLD	Assets held pending development	100	10/03/2022	530	**1,156**	-
93 Davies Street, Brunswick, VIC	Assets held pending development	100	24/06/2021	1,070	**1,122**	1,070
7 Wiowera Road, Kanwal, NSW	Assets held pending development	100	17/02/2022	1,100	**1,100**	859
24 Gillon Court, St Albans, VIC	Assets held pending development	100	17/02/2022	1,200	**1,000**	650
22 Gillon Court, St Albans, VIC	Assets held pending development	100	17/02/2022	950	**950**	733
15 Dwyer Avenue, Woy Woy, NSW	Assets held pending development	100	17/02/2022	850	**850**	600
20 Gillon Court, St Albans, VIC	Assets held pending development	100	17/02/2022	800	**812**	-
99 Herbert Street, Mornington, VIC	Assets held pending development	100	17/02/2022	770	**770**	675
103 Herbert Street, Mornington, VIC	Assets held pending development	100	17/02/2022	730	**730**	675
105 Herbert Street, Mornington, VIC	Assets held pending development	100	17/02/2022	730	**730**	675
11 Gillon Court, St Albans, VIC	Assets held pending development	100	17/02/2022	700	**700**	671
651 Pacific Highway, Kanwal, NSW	Assets held pending development	100	17/02/2022	700	**700**	590
Wyvern, 4A Larool Road, Terrey Hills, NSW	Assets held pending development	100	10/09/2021	8,000	**14,295**	-
199 St Albans Road, St Albans, VIC	Assets held pending development	100	24/05/2022	690	**690**	-
203 St Albans Road, St Albans, VIC	Assets held pending development	100	24/05/2022	690	**690**	-
9 Gillon Court, St Albans, VIC	Assets held pending development	100	17/02/2022	620	**620**	590
205 St Albans Rd, St Albans, VIC	Assets held pending development	100	17/02/2022	620	**620**	530
Chamberlain Gardens, 53-67 Chamberlain Road, Wyoming, NSW	Aged Care	100	05/05/2022	27,300	**28,825**	-
Southhaven, 7, 9 & 11 Queensbury Road and 18 Lorraine Avenue, Padstow Heights, NSW	Aged Care	100	11/05/2022	24,100	**26,167**	-
3 Wiowera Street, Kanwal, NSW	Assets held pending development	100	17/02/2022	460	**460**	380
1 Wiowera Street, Kanwal, NSW	Assets held pending development	100	17/02/2022	420	**420**	350
Mackay Medical Centre and Day Hospital, Mackay, QLD	Medical Centre/Office		SOLD			16,850
Total				**2,747,485**	**2,809,209**	2,239,064
Add: Investment property leaseholds *					**3,438**	3,447
Less: Properties held for sale					**(5,080)**	(16,850)
Total investment properties					**2,807,567**	2,225,661

** Upon adoption of AASB 16, the Scheme recognised a right-of-use asset on the ground lease at RPAH Medical Centre which resulted in an increase in the carrying value of the investment property leasehold and related liabilities of $3,773,000 on 1 July 2019. Refer to note 16(e) for further details.*

The carrying value of an investment property may vary from the independent valuation of the property due to acquisition costs, capital expenditure and the accounting treatment of leasing commissions and lease incentives.

16 Investment properties (continued)

(a) Property details (continued)

All independent valuations were undertaken by the either of the following external valuers: JLL, Valued Care, CBRE, Colliers or m3property.The investment properties valuation policy is included in note 21.

(b) Movements in carrying amount

Reconciliations of the carrying amounts of investment properties are set out below:

	2022 **$'000**	2021 $'000
Opening balance	**2,225,661**	1,815,534
Acquisitions	**89,145**	43,462
Additions	**101,184**	100,703
Capitalised borrowing costs	**831**	2,646
Lease commissions and incentives amortisation	**(3,094)**	(2,923)
Revaluation movements	**362,982**	278,047
Straight-lining of rental income	**8,156**	6,697
Transfer from Financing receivable	**27,791**	-
Payment of lease liabilities	**(9)**	(144)
Reclassified as properties held for sale	**(5,080)**	(16,850)
Disposal	**-**	(1,511)
Closing balance	**2,807,567**	2,225,661

The Scheme completed the purchase of the following properties during the year:

On 4 August 2021, the Scheme completed the purchase of Park Lot 77, Bunjil Way, Knoxfield, VIC for a purchase price of $10,750,000 and acquisition costs of $1,132,000.

On 23 September 2021, the Scheme completed the purchase of 151-153 Furlong Road, St Albans, VIC for a purchase price of $6,000,000 and acquisition costs of $455,000.

On 5 October 2021, the Scheme completed the purchase of 9 Westwood Avenue, Belmore, NSW for a purchase price of $1,900,000 and acquisition costs of $242,000.

On 4 November 2021, the Scheme completed the purchase of 20 Gillon Court, St Albans, VIC for a purchase price of $1,200,000 and acquisition costs of $109,000.

On 1 December 2021, the Scheme completed the purchase of 22 Buttercup Close, Meadowbrook, QLD for a purchase price of $1,250,000 and acquisition costs of $90,000.

On 23 December 2021, the Scheme completed the purchase of 28-23 Alma Road, Padstow, NSW for a purchase price of $6,200,000 and acquisition costs of $2,125,000.

On 10 February 2022, the Scheme completed the purchase of 4A Larool Road, Terrey Hills, NSW for a purchase price of $8,000,000 and acquisition costs of $1,181,000.

On 7 March 2022, the Scheme completed the purchase of 17 Buttercup Close, Meadowbrook, QLD for a purchase price of $1,080,000 and acquisition costs of $75,000.

16 Investment properties (continued)

(b) Movements in carrying amount (continued)

On 17 March 2022, the Scheme completed the purchase of the following:
• 199 St Albans Road, St Albans, VIC for a purchase price of $1,200,000 and acquisition costs of $97,000; and,
• 203 St Albans Road, St Albans, VIC for a purchase price of $1,200,000 and acquisition costs of $97,000;

On 8 April 2022, the Scheme completed the purchase of 19 Buttercup Close, Meadowbrook, QLD for a purchase price of $1,525,000 and acquisition costs of $97,000.

On 23 June 2022, the Scheme completed the purchase of Corio Medical Clinic, Corio, VIC for a purchase price of $9,500,000 and acquisition costs of $762,000.

On 27 June 2022, the Scheme completed the purchase of 59 East Street, Ipswich, QLD for a purchase price of $6,850,000 and acquisition costs of $558,000.

On 30 June 2022, the Scheme completed the purchase of South Haven Aged Care Facility, 7-11 Queensbury Road, Padstow Heights, NSW for a purchase price of $24,110,000 and acquisition costs of $1,361,000.

(c) Movements in properties held for sale

	30 June 2022 $'000	30 June 2021 $'000
Opening balance	**16,700**	-
Additions	**5,080**	16,850
Disposals	**(16,700)**	-
Revaluation movements	**-**	(150)
Lease commissions and incentives amortisations	**-**	-
Straight-lining of rental income	**-**	-
Closing balance	**5,080**	16,700

On 5 July 2021, the Scheme settled the sale of three of the four lots of Mackay Medical Centre and Day Surgery, Mackay, QLD for $16,100,000 excluding selling costs. The contract of sale for the remaining lot of vacant land was subject to conditions precedent that were met on 4 August 2021. Settlement occurred on 11 August 2021 for $600,000 excluding selling costs. The Scheme exchanged contracts to sell the properties on 28 June 2021.

On 14 June 2022, the Scheme exchanged contracts to sell Suite 13, Gosford Medical Centre, North Gosford, NSW. Settlement occurred on 27 July 2022 for $930,000, excluding selling costs.

On 21 June 2022, the Scheme exchanged contracts to sell Suites 3, 8 and 12 and various car parking lots, Gosford Medical Centre, North Gosford, NSW. Settlement occurred on 1 July 2022 for $4,150,000, excluding selling costs.

16 Investment properties (continued)

(d) Leasing arrangements as a lessor

Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

	2022 **$'000**	2021 $'000
Within one year	**111,486**	106,841
Later than one year but not later than 5 years	**417,759**	399,320
Later than 5 years	**1,302,918**	1,239,149
	1,832,163	1,745,310

(e) Leasing arrangements as a lessee

The ground lease at RPAH Medical Centre is held under long-term operating lease. The lease liabilities comprised minimum future lease payments including the two lease extension options. The Scheme is potentially exposed to variable lease payments which shall be reviewed every three years and not reflected in the measurement of lease liabilities.

Reconciliations of the carrying amounts of lease liabilities are set out below:

	30 June 2022 $'000	30 June 2021 $'000
Opening balance	**3,447**	3,591
Interest charge on lease liabilities	**151**	154
Lease payments	**(160)**	(298)
Closing balance	**3,438**	3,447

(f) Contractual obligations

Capital expenditure contracted for at the reporting date but not recognised as liabilities:

	2022 **$'000**	2021 $'000
Within one year	**166,703**	98,898
Later than one year but not later than 5 years	**53,505**	29,210
	220,208	128,108

The Scheme's share of capital commitments will be funded using the Scheme's cash and cash equivalents and debt facility. Refer to notes 12 and 18, respectively.

17 Payables

	2022	2021
	$'000	$'000
Accrued expenses	**18,112**	14,440
Trade payables	**4,569**	3,686
Rent received in advance	**2,372**	2,719
GST payables	**1,039**	1,079
Accrued borrowing costs and other related costs	**873**	1,588
	26,965	23,512

18 Borrowings

	2022	2021
	$'000	$'000
Bank loan	**697,000**	514,500
Unamortised borrowing costs	**(4,567)**	(3,005)
	692,433	511,495

The Scheme had access to:

	2022	2021
	$'000	$'000
Credit facilities		
Cash advance facilities	**1,000,000**	852,000
Drawn balance	**(697,000)**	(514,500)
Undrawn balance	**303,000**	337,500

On 16 December 2021, the Scheme's debt facility was refinanced. The new $1,000,000,000 facility comprises five tranches:
- Tranche A is a $250,000,000 facility expiring in June 2023;
- Tranche B is a $150,000,000 facility expiring in January 2025;
- Tranche C is a $250,000,000 facility expiring in December 2025;
- Tranche D is a $250,000,000 facility expiring in December 2026; and
- Term Facility Loan is a $100,000,000 facility expiring in January 2025.

The new debt facility is unsecured and is non-recourse to unitholders. The Scheme did not breach its debt covenants during the year ended 30 June 2022.

On 30 June 2021, the bank loan was comprised of five tranches:
- Tranche A was a $220,000,000 facility expiring in January 2023;
- Tranche A2 was a $150,000,000 facility expiring in January 2023;
- Tranche B was a $282,000,000 facility expiring in January 2023;
- Tranche C was a $100,000,000 facility expiring in January 2023; and
- Tranche D was a $100,000,000 facility expiring in January 2023.

18 Borrowings (continued)

Reconciliations of the net debt are set out below:

	2022	2021
	$'000	$'000
Analysis of changes in consolidated net debt		
Opening balance	**443,431**	530,885
Net proceeds from/(repayment of) borrowings	**182,500**	(62,800)
Other cash movements	**12,836**	(24,654)
Closing balance	**638,767**	443,431
Bank loan	**697,000**	514,500
Cash and cash equivalents	**(58,233)**	(71,069)
Consolidated net debt	**638,767**	443,431

19 Derivative financial instruments

		Fair values	
2022	**Contract/notional**	**Assets**	**Liabilities**
	$'000	**$'000**	**$'000**
Interest rate swaps	**460,000**	**33,029**	**-**
Interest rate cap	**25,000**	-	**598**
Total derivative financial instruments	**485,000**	33,029	598

		Fair values	
2021	Contract/notional	Assets	Liabilities
	$'000	$'000	$'000
Interest rate swaps	408,000	-	3,617

An interest rate swap is an agreement between two parties to exchange their interest obligations (payments) or receipts at set intervals on a notional principal amount over an agreed time period.

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The valuation policy is included in note 2.

The Scheme has entered into interest rate swap contracts to to manage future interest payments on the Schemes borrowings.

A net unrealised gain of $36,048,000 (2021: $3,564,000) relating to the change in the fair value of the Scheme's interest rate swap contracts and interest rate derivative break costs of $3,877,000 (2021: $nil) were recognised in the consolidated statement of comprehensive income during the year ended 30 June 2022.

20 Financial risk management

(a) Objectives, strategies, policies and processes

The Scheme's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

The Scheme's overall risk management program focuses on ensuring compliance with the Scheme's disclosure documents and seeks to maximise the returns derived for the level of risk to which the Scheme is exposed. Financial risk management is carried out by the Investment Manager ("the Investment Manager") under policies approved by the Board of Directors of the Responsible Entity ("the Board").

The Scheme uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates, other price risks, and ratings analysis for credit risk.

As part of its risk management strategy, the Scheme uses interest rate swaps to manage exposures resulting from changes in interest rates.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: price risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

The market risk disclosures are prepared on the basis of the Scheme's direct investments and not on a look through basis for investments held in the Scheme.

(i) Price risk

Price risk is the risk that the fair value or future cash flows of equities will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Price risk exposure arises from the Scheme's investment in unlisted property securities. The investments are classified on the consolidated statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital.

The Investment Manager mitigates this price risk through diversification and a careful selection of financial instruments within specified limits set by the Board.

The Scheme has exposures to price risk as shown in the table below. The table also demonstrates the sensitivity to reasonably possible changes in prices, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit and net assets attributable to unitholders, while a positive amount reflects a net potential increase. There is no impact on distributable earnings as they are net fair value movements only.

	2022	2021
	$'000	$'000
Assets		
Listed property trusts	**107,836**	90,916
Total exposure	**107,836**	90,916

20 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk (continued)

Sensitivity	Impact on profit and net assets attributable to unitholders	
	2022	2021
	$'000	$'000
Securities prices +10.00% (2021: +13.6%)	**10,784**	12,365
Securities prices -10.00% (2021: -13.6%)	**(10,784)**	(12,365)

20 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Scheme has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain entities in which the Scheme invests and impact on the valuation of certain assets that use interest rates as an input in their valuation model.

The Scheme is exposed to interest rate risk predominantly through borrowings. The Scheme uses interest rate swaps, which exchanges floating interest rates for fixed interest rates, and interest rate cap, which caps the Scheme's exposure up to a certain rate, to manage its exposure. Compliance with policy is reviewed and reported to the Board regularly.

The table below summaries the Scheme's exposure to interest rate risks on its monetary assets and liabilities. It includes the Scheme's assets and liabilities at fair values, categorised by maturity dates:

20 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

2022	**Floating interest rate $'000**	**Fixed interest rate: 3 months or less $'000**	**4 to 12 months $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
Assets							
Cash and cash equivalents	**58,233**	-	-	-	-	**-**	**58,233**
Receivables	-	-	-	**-**	-	**13,706**	**13,706**
Financial assets held at fair value through profit or loss	**460,000***	-	-	-	-	**365,891**	**825,891**
Loan receivables	-	-	-	**44,192**	-	**-**	**44,192**
Total financial assets	**518,233**	**-**	**-**	**44,192**	**-**	**379,597**	**942,022**
Liabilities							
Distribution payable	-	-	-	-	-	**23,750**	**23,750**
Payables	-	-	-	-	-	**26,965**	**26,965**
Financial liabilities held at fair value through profit or loss	**-**	-	-	**25,000***	-	-	**25,000**
Lease liabilities	-	**3**	**7**	**43**	**3,385**	-	**3,438**
Borrowings	**697,000**	-	-	-	-	-	**697,000**
Total financial liabilities	**697,000**	**3**	**7**	**25,043**	**3,385**	**50,715**	**776,153**
Net financial assets/(liabilities)	**(178,767)**	**(3)**	**(7)**	**19,149**	**(3,385)**	**328,882**	**165,869**

2021	Floating interest rate $'000	Fixed interest rate: 3 months or less $'000	4 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Assets							
Cash and cash equivalents	71,069	-	-	-	-	-	71,069
Receivables	-	-	-	-	-	18,998	18,998
Financial assets held at fair value through profit or loss	-	-	-	-	-	238,494	238,494
Loan receivables	-		19,433	43,706	-	-	63,139
Total financial assets	**71,069**	**-**	**19,433**	**43,706**	**-**	**257,492**	**391,700**
Liabilities							
Distribution payable	-	-	-	-	-	23,238	23,238
Payables	-	-	-	-	-	23,513	23,513
Financial liabilities held at fair value through profit or loss*	(408,000)	-	-	-	-	-	(408,000)
Lease liabilities	-	3	7	41	3,396	-	3,447
Borrowings	514,500	-	-	-	-	-	514,500
Total financial liabilities	106,500	3	7	41	3,396	46,751	156,698
Net financial assets/(liabilities)	(35,431)	(3)	19,426	43,665	(3,396)	210,741	235,002

Represents the face value principal amounts of the Scheme's interest rate swap arrangements. Classified as a liability for the year ended 30 June 2021 as the fair value of interest rate swaps was a liability, whilst classified as an asset for the year ended 30 June 2022 as the fair value of interest rate swaps was an asset.

The table below demonstrates the sensitivity to reasonably possible changes in year end interest rates, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or net assets attributable to unitholders, while a positive amount reflects a potential net increase.

Interest rate swaps with a contract/face value of $460,000,000, representing 66.00% of the drawn borrowings, were in place at 30 June 2022 (2021: 79.30%).

20 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

	Impact on profit and net assets attributable to unitholders	
	2022	2021
Sensitivity	**$'000**	$'000
Interest rate +1.00% (2021: +0.60%)	**(1,788)**	(213)
Interest rate -1.00% (2021: -0.60%)	**1,788**	213

The above calculation ignores the impact of any changes to the valuation of the interest rate swaps.

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause the Scheme to make a financial loss. The Scheme has exposure to credit risk on all of its financial assets included in the Scheme's consolidated statement of financial position.

The Scheme manages this risk by performing credit reviews of prospective tenants, obtaining tenant collateral where appropriate and performing detailed reviews on tenant arrears. The Scheme reviews the aggregate exposures of tenant debtors and tenancies across its portfolio.

The Scheme applies the simplified expected credit loss (ECL) approach to estimate the amount of impairment loss on rent receivables. Under the simplified ECL approach, the Scheme estimates the expected lifetime losses to be recognised from initial recognition of the receivables. In estimating the lifetime ECL, the Scheme conducts an internal credit review that takes into account the historical loss experience, current observable data and reasonable forward-looking information as available, which include the significant changes in the performance and payment status of the debtors and anticipated significant adverse changes in business, financial or economic conditions that may impact the debtors' ability to meet its obligations. The additional provision during the current financial year was immaterial.

The Scheme is exposed to credit risk on financial instruments and derivatives. There is only a credit risk where the contracting entity is liable to pay the Scheme in the event of a close out.

Loans receivable consist of fit-out and construction loans. The Scheme is exposed to the risk of loss in relation to these loans due to the failure by borrowers to meet their obligation in accordance with the agreed terms. To mitigate the risk of potential losses that may arise from any default, the Scheme holds collateral as security for the loans. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of loans, net of any provisions for impairment. The compliance with credit limits is regularly monitored by the Scheme.

Despite of the increased uncertainties due to COVID-19 pandemic, the Scheme believes the loans have not had a significant increase in the credit risk since initial recognition. The aged care facilities and the constructions related to the loans are all located in Queensland which have not been significantly impacted by the COVID-19 pandemic compared to Victoria and New South Wales. The borrowers have complied with the loan agreements.

The Scheme makes an assessment whether there is a significant increase in credit risk at each reporting date. As disclosed in the accounting policy note, the Scheme applies a three-stage approach to distinguish the categories of loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. No loan loss provision made during the current financial year.

20 Financial risk management (continued)

(d) Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. This risk is controlled through the Scheme's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Scheme is exposed to the applicable withdrawal offer put in place by the Responsible Entity.

The Scheme's investments may include listed securities that are considered readily realisable, as they are listed on recognised stock exchanges.

The Scheme may invest in investments in unlisted unit trusts that expose the Scheme to the risk that the Investment Manager of those trusts may be unwilling or unable to fulfil the redemption requests within the timeframe requested by the Scheme.

Under the terms of its Constitution, the Scheme has the ability to manage liquidity risk by delaying withdrawals to unitholders, if necessary, until the funds are available to pay them.

Units are redeemed on demand at the unitholders option via withdrawal facility offers by the Responsible Entity. However, the Responsible Entity does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term and withdrawal offers are subject to limits set by the Responsible Entity.

The Scheme's policy is to hold a proportion of their investments in liquid assets.

20 Financial risk management (continued)

(d) Liquidity risk (continued)

Maturities analysis of financial liabilities
The table below analyses the Scheme's financial liabilities into relevant maturity groupings based on the remaining period at the end of the year to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Financial liabilities such as trade payables, where there are no specific contractual settlement dates, have been grouped into the 'less than 1 year' maturity grouping as such liabilities are typically settled within 30 days.

2022	**Less than 1 year $'000**	**1-2 years $'000**	**2-3 years $'000**	**3+ years $'000**
Distributions payable	**23,750**	**-**	**-**	**-**
Payables	**26,965**	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss*	**918**	**918**	**918**	**921**
Lease liabilities	**160**	**160**	**160**	**2,958**
Borrowings	**250,000**	**-**	**447,000**	**-**
Net assets attributable to unitholders	**2,590,511**	**-**	**-**	**-**
Total financial liabilities	**2,892,304**	**1,078**	**448,078**	**3,879**

** Undiscounted interest payment obligations using BBSW3M as at 30 June 2022.*

2021	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3+ years $'000
Distributions payable	23,238	-	-	-
Payables	23,512	-	-	-
Financial liabilities at fair value through profit or loss*	2,721	1,832	1,420	595
Lease liabilities	160	160	160	2,967
Borrowings	-	414,500	-	100,000
Net assets attributable to unitholders	2,073,203	-	-	-
Total financial liabilities	2,122,834	416,492	1,580	103,562

** Undiscounted interest payment obligations using BBSW3M as at 30 June 2021. Interest rate swaps were restructured on 23 July 2021.*

As disclosed above, the Scheme manages its liquidity risk by investing in liquid assets that it expects to be able to liquidate within seven days or less. Liquid assets include cash and cash equivalents and listed property trusts. As at 30 June 2022, these assets amounted to $166,070,000 (2021: $161,895,000).

Investment in Australian Unity Wholesale Cash Fund and Australian Unity Sustainable Short-Term Income Fund are included in the liquid assets of the Scheme above.

(e) Estimation of fair values of financial assets and financial liabilities
The carrying amounts of the Scheme's assets and liabilities at the end of each year approximate their fair values.

The Scheme values its investments in accordance with the accounting policies set out in note 21.

21 Fair value hierarchy

The Scheme measures and recognises the financial assets/(liabilities) held at fair value through profit or loss and investment properties at fair value on a recurring basis.

(a) Fair value hierarchy

The Scheme is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be the market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

All fair value measurements disclosed are recurring fair value measurements.

The table below sets out the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

2022	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets held at fair value through profit or loss				
Derivatives assets	**-**	**33,029**	**-**	**33,029**
Listed property trusts	**107,836**	**-**	**-**	**107,836**
Financing receivables	**-**	**-**	**258,055**	**258,055**
Total financial assets	**107,836**	**33,029**	**258,055**	**398,920**
Non-financial assets				
Properties held for sale	**-**	**-**	**5,080**	**5,080**
Investment properties	**-**	**-**	**2,807,567**	**2,807,567**
Total non-financial assets	**-**	**-**	**2,812,647**	**2,812,647**
Financial liabilities				
Financial liabilities held at fair value through profit or loss				
Derivatives liabilities	**-**	**598**	**-**	**598**
Total financial liabilities	**-**	**598**	**-**	**598**

21 Fair value hierarchy (continued)

2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held at fair value through profit or loss				
Listed property trusts	90,916	-	-	90,916
Financing receivables	-	-	147,578	147,578
Total financial assets	90,916	-	147,578	238,494
Non-financial assets				
Properties held for sale	-	-	16,700	16,700
Investment properties	-	-	2,225,661	2,225,661
Total non-financial assets	-	-	2,242,361	2,242,361
Financial liabilities				
Financial liabilities held at fair value through profit or loss				
Derivatives liabilities	-	3,617	-	3,617
Total financial liabilities	-	3,617	-	3,617

21 Fair value hierarchy (continued)

The Scheme's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the year. There are no transfers between levels 1, 2 and 3 for fair value measurements during the year. (2021: $nil)

(b) Valuation techniques

(i) Financial instruments
The pricing for the majority of the Scheme's investments is generally sourced from independent pricing sources, the relevant Investment Managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed property trusts and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices or alternative pricing sources supported by observable inputs are classified within level 2. These include unlisted property trusts and over-the-counter derivatives.

The fair value of interest rate swaps and interest rate cap are calculated using a discounted cash flow model as the present value of the estimated future cash flows based on observable yield curves. The model incorporate various inputs including both credit and debit valuation adjustments for counterparty and own credit risk, and interest rate curves.

The fair value of financing receivables is determined with reference to the discounted cash flows associated with the underlying properties and their lease agreements. Independent valuations of these properties are obtained regularly, typically annually, in line with the Scheme's policy for investment properties, as disclosed below. The fair value estimates for financing receivables are included in level 3.

The stated fair value of each financial instruments at the end of the year represents the Responsible Entity’s best estimate at the end of the year.

Specific valuation techniques used daily to value financial instruments include:

- for listed trust, disclosed in level 1, the use of quoted market prices or dealer for similar instruments;
- for unlisted trust, the use of the relevant Investment Managers’ quoted unit prices using the net asset value; and
- for derivatives, the fair value of interest rate swaps and interest rate cap are calculated using a discounted cash flow model as the present value of the estimated future cash flows based on observable yield curves.

The stated fair value of each financial instruments at the end of the year represents the Responsible Entity's best estimate at the end of the year.

21 Fair value hierarchy (continued)

(ii) Investment properties
The investment property valuation policy is to have independent valuations conducted regularly, typically annually, to aid with the determination of the assets fair value. In determining the fair value of an investment property, the primary method of assessment is considered to be via reconciliation between the discounted cash flow and income capitalisation methods. Direct comparison may also be used if appropriate.

- Discounted cash flow method - this methodology involves formulating a projection of net income over a specified time horizon, normally 10 years, and discounting this cash flow including the projected terminal value at the end of the projection period at an appropriate market-derived discount rate. The present value of this discounted cash flow provides a guide to the fair value of the property;
- Income capitalisation method - this methodology involves the assessment of a net market income for the various components of the subject property. The net market income is capitalised at a rate derived from the analysis of comparable sales evidence to derive a capital value. Appropriate capital adjustments are then made where necessary to reflect the adopted cash flow profile and the general risk characteristic of the property; and
- Direct comparison method - this methodology analyses comparable sales on a range of metrics and compares those metrics against those of the subject property to establish the property's market value.

At each reporting date the appropriateness of those valuations is assessed by the Responsible Entity.

Independent valuers use a number of assumptions when valuing a property. Whilst valuers have considered the impact of the COVID-19 pandemic on their assumptions in arriving at a valuation, less weight can be attached to previous market evidence for comparison purposes when forming an opinion of value.

The stated fair value of each investment property at the end of the year represents the Responsible Entity's best estimate as at the end of the year. However, if an investment property is sold in the future the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the consolidated financial statements if that differs from the valuation.

The fair value estimates for investment properties are included in level 3 as explained in section (c) below.

(c) Fair value measurements using significant unobservable input (level 3)

The changes in fair value of investment properties for the year are set out in note 16(b).

(i) Valuation inputs and relationship to fair value
The table below illustrates the key valuation assumptions used in the determination of the investment properties fair value:

Valuation inputs	**2022**	2021	**Relationship of inputs to fair value**
Weighted average capitalisation rate (%)	**4.55%***	5.16%*	The higher the capitalisation rate, the lower the fair value.
Weighted average lease expiry (years)	**16.0 years***	15.54 years*	The higher the lease expiry, the higher the fair value.

*Includes the properties classified as financial assets. These properties are treated as investment properties for unit pricing and management reporting purposes.

21 Fair value hierarchy (continued)

The table below illustrates the key valuation assumptions used in the determination of the fair value of financing receivables relating to the Infinite Care aged care and McKenzie aged care properties:

Valuation inputs	**2022**	2021	**Relationship of inputs to fair value**
Weighted average terminal capitalisation rate (%)	**6.46%**	7.34%	The higher the capitalisation rate, the lower the fair value.
Weighted average discount rate (%)	**6.94%**	7.34%	The higher the discount rate, the lower the fair value.

(ii) Valuation processes
Independent valuations of investment properties are obtained from suitably qualified valuers generally at least once in every 18 months if the property is in a construction phase; otherwise once in any 12 month period from the date of the last valuation; or in exceptional circumstances once in a financial year or calendar year as determined necessary; or as soon as practicable, but not later than within two months after the directors of the Responsible Entity form a view that there is reason to believe that the fair value of the investment property is materially different from its current carrying value. Such valuations are reflected in note 16. Notwithstanding, the directors of the Responsible Entity determine the carrying value of each investment property at each reporting date to ensure that its carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, that asset is adjusted to its fair value.

(iii) Sensitivity information
The table below details the movement in the fair value when each of the significant inputs either increase or decrease, with all other inputs remaining constant:

Significant inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Current market rental	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase
Adopted terminal yield	Decrease	Increase
Adopted discount rate	Decrease	Increase

It is often the case that multiple significant inputs change simultaneously, on these occasions the impact of the changes in the individual inputs can be reduced or vice versa can magnify the movement in the fair value.

When assessing the discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship because the discount rate will determine the rate at which the terminal value is discounted to the present value. In theory, an increase (softening) in the adopted discount rate and a decrease (tightening) in the adopted terminal yield could potentially offset the impact on fair value, and vice versa. The impact on fair value may be magnified if both the discount rate and terminal yield move in the same direction.

When calculating the income capitalisation, the net market rent has a strong interrelationship with the adopted capitalisation rate. This is because the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the net market rent and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the net market rent and a decrease (tightening) in the adopted capitalisation rate. The impact on fair value may be magnified if the net market rent is increasing while the capitalisation rate is decreasing (or vice versa).

21 Fair value hierarchy (continued)

A sensitivity analysis was undertaken to assess the impact of capitalisation rates, discount rates and terminal yields on the fair value of the investment properties. The estimated impact of a change in these significant unobservable inputs is illustrated in the table below:

	30 June 2022 $'000
Adopted capitalisation rate +0.25%	**(158,827)**
Adopted capitalisation rate -0.25%	**158,827**
Adopted discount rate +0.25%	**(53,034)**
Adopted discount rate -0.25%	**54,131**
Adopted terminal yield +0.25%	**(91,216)**
Adopted terminal yield -0.25%	**101,052**

(d) Fair value of other financial instruments

Due to their short-term nature, the carrying amounts of the receivables and payables are assumed to approximate their fair values.

22 Related party transactions

Responsible entity
The Responsible Entity of Australian Unity Healthcare Property Trust is Australian Unity Funds Management Limited (ABN 60071497115).

Key management personnel
(a) Directors
Key management personnel includes persons who were directors of Australian Unity Funds Management Limited at any time during the year as follows:

Rohan Mead, Chairman and Group Managing Director
Esther Kerr-Smith, Chief Executive Officer, Wealth & Capital Markets
Darren Mann, Group Executive Finance & Strategy and Chief Financial Officer

(b) Other key management personnel
There were no other persons with responsibility for planning, directing and controlling the activities of the Scheme, directly or indirectly during the year.

Other transactions within the Scheme
From time to time directors of Australian Unity Funds Management Limited, or their director related entities, may invest in or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme unitholders and are trivial in nature.

Management fees and other transactions
Under the Scheme's Constitution, the Responsible Entity is entitled to receive fees monthly calculated daily by reference to the gross assets of the Scheme.

Effective 12 April 2022, the Scheme expanded on the tiered base management fee structure with an additional fee tier for HPT Retail, Wholesale and Class A units. The base management fees paid by the unitholders was 0.65% per annum of the Scheme's gross asset value ("GAV") under $2 billion (previously 0.65% per annum), 0.50% per annum of the Scheme's GAV between $2 billion and $4 billion (previously 0.50% per annum) and a new tier of 0.40% per annum of the Scheme's GAV over $4 billion.

Administration expenses incurred in the day to day running of the Scheme are reimbursed in accordance with the Scheme’s Constitution.

22 Related party transactions (continued)

Management fees and other transactions (continued)

The transactions during the year and amounts payable at 30 June 2022 between the Scheme and the Responsible Entity were as follows:

	2022 **$**	2021 $
Management fees for the year paid/payable by the Scheme to the Responsible Entity	**18,144,907**	15,277,684
Administration expenses incurred by the Responsible Entity which are reimbursed in accordance with the Scheme's Constitution	**5,327,452**	3,590,802
Fees rebated by the Responsible Entity for the Scheme's investments in other schemes managed by the Responsible Entity	**86,353**	87,585
Aggregate amounts payable to the Responsible Entity at the end of the year	**2,024,243**	1,680,404

(a) Other related party transactions
Australian Unity Property Management Pty Ltd
Australian Unity Property Management Pty Ltd ("AUPML") (ABN 76 073 590 600) has been appointed to provide a number of property related services to the Scheme. These services include:

• Leasing and agency services;
• Market rent reviews;
• Property management services;
• Project management services;
• Development management services; and
• Debt arrangement services

The total fees paid/payable to AUPML for the year ended 30 June 2022 was $6,748,607 (2021: $3,459,080). Total accrued fees payable to AUPML as at 30 June 2022 was $418,572 (2021: $1,269,302).

Herston Quarter Redevelopment
On 23 February 2017, the Scheme through its sub-trust Herston SRACC Trust, entered into an agreement to develop a specialist public health facility located in Herston, Queensland. This development is part of the Herston Quarter redevelopment in Brisbane undertaken by Herston Development Company Pty Ltd ("the Developer").

The Scheme reimbursed the Developer for costs associated with the development of Herston Quarter - STARS. The amount charged to the Scheme during the year was $nil (2021: $6,481,491).

Constitution Hill Aged Care
The Scheme charged Australian Unity Care Services Pty Limited (ACN 065 558 134) (“AUCSPL”) total rent of $1,996,065 (2021: $1,937,928) during the year, of which $166,339 (2021: $nil) remains receivable as at 30 June 2022.

The Responsible Entity, AUPML, the Developer and AUCSPL are wholly owned subsidiaries of Australian Unity Limited (ABN 23 087 648 888) and members of the Australian Unity Group. All related party transactions are under normal commercial terms and conditions and at market rates.

22 Related party transactions (continued)

Related party unitholdings
Parties related to the Scheme (including Australian Unity Funds Management Limited, its related parties and other schemes managed by Australian Unity Funds Management Limited), held units in the Scheme as follows:

2022

Unitholders	**No. of units held opening '000**	**No. of units held closing '000**	**Fair value of investment $'000**	**Interest held %**	**No. of units acquired '000**	**No. of units disposed '000**	**Distributions paid/payable by the Scheme $'000**
Australian Unity Property Income Fund	**4,373**	**4,784**	**12,889**	**0.50**	**411**	**-**	**460**
Lifeplan Australian Family Society Limited	**2,700**	**2,841**	**7,665**	**0.29**	**141**	**-**	**277**
AUFM Managed Fund No 2	**1,538**	**1,683**	**4,534**	**0.17**	**145**	**-**	**162**
AUFM Managed Fund No 3	**937**	**1,026**	**2,765**	**0.11**	**89**	**-**	**99**
AUFM Managed Fund No 1	**351**	**385**	**1,037**	**0.04**	**34**	**-**	**37**
Australia Unity Strategic Holdings Pty Limited	**7,692**	**35,455**	**87,596**	**3.37**	**27,763**	**-**	**3,044**
Total	**17,591**	**46,174**	**116,486**	**4.48**	**28,583**	**-**	**4,079**

*Fair value of investment includes accrued distribution at the end of the year.

2021

Unitholders	No. of units held opening '000	No. of units held closing '000	Fair value of investment $'000	Interest held %	No. of units acquired '000	No. of units disposed '000	Distributions paid/payable by the Scheme $'000
Australian Unity Property Income Fund	4,168	4,373	9,905	0.47	205	-	413
Lifeplan Australian Family Society Limited	2,700	2,700	6,116	0.29	-	-	260
AUFM Managed Fund No 2	1,465	1,538	3,483	0.17	73	-	145
AUFM Managed Fund No 3	893	937	2,123	0.10	44	-	89
AUFM Managed Fund No 1	334	351	795	0.04	17	-	33
Australia Unity Strategic Holdings Pty Limited	-	7,692	17,423	0.83	7,692	-	197
Total	9,560	17,591	39,845	1.90	8,031	-	1,137

*Fair value of investment includes accrued distribution at the end of the year.

22 Related party transactions (continued)

Investments
The Scheme held investments in the following schemes which are also managed by Australian Unity Funds Management Limited or its related parties:

2022	**No. of units held opening '000**	**No. of units held closing '000**	**Fair value of investment $'000**	**Interest held %**	**No. of units acquired '000**	**No. of units disposed '000**	**Distributions received/ receivable $'000**
Australian Unity Wholesale Cash Fund	**8,474**	**12,598**	**12,598**	**2.74**	**47,631**	**(43,508)**	**8**
Australian Unity Sustainable Short Term Income Fund	**35,741**	**36,098**	**35,571**	**7.28**	**357**	**-**	**469**
	44,215	**48,695**	**48,168**		**47,988**	**(43,508)**	**477**

2021	No. of units held opening '000	No. of units held closing '000	Fair value of investment $'000	Interest held %	No. of units acquired '000	No. of units disposed '000	Distributions received/ receivable $'000
Australian Unity Wholesale Cash Fund	14,158	8,474	8,474	1.62	46,277	(51,961)	9
Australian Unity Sustainable Short Term Income Fund	26,568	35,741	36,032	8.31	9,173	-	261
	40,726	44,215	44,506		55,450	(51,961)	270

Distributions received/receivable includes an amount of $140,758 (2021: $22,590) which remains unpaid at the end of the year.

23 Reconciliation of profit to net cash inflows from operating activities

(a) Reconciliation of profit to net cash inflows from operating activities

	2022 $'000	2021 $'000
Increase in net assets attributable to unitholders	**411,922**	319,627
Distribution to unitholders	**92,487**	81,946
Add back interest expenses and debt establishment costs	**17,014**	16,508
Add back interest rate derivatives break costs paid	**3,877**	-
Realised loss on sale of investment property	**126**	80
Net gains on financial instruments	**(74,480)**	(51,677)
Net change in fair value of the investment properties - revaluation increment	**(362,982)**	(277,897)
Net change in receivables	**5,276**	(5,084)
Net change in accounts payable/liabilities	**(57)**	7,764
Net change in other assets	**298**	750
Adjustment to net lease incentives and straight line rental	**(5,173)**	(4,134)
Effect of valuation changes in cash managed trusts	**(810)**	127
Collection of financing receivables	**13,331**	9,323
Capitalised interest income	**-**	(936)
Net cash inflows from operating activities	**100,829**	96,397

(b) Non-cash financing activities

During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**17,823**	11,292
During the year, the following distribution receipts were satisfied by the issue of units under the distribution reinvestment plan	**359**	280
Total non-cash financing activities	**18,182**	11,572

24 Parent entity financial information

Statement of financial position	**2022 $'000**	2021 $'000
Cash and cash equivalents	**56,318**	59,796
Receivables	**5,722**	9,365
Loan receivables	**44,192**	63,139
Financial assets held at fair value through profit or loss	**140,869**	238,494
Other assets	**9,293**	4,194
Properties held for sale	**5,080**	16,700
Investment in subsidiaries	**1,168,208**	682,129
Investment properties	**1,904,789**	1,574,427
Total assets	**3,334,471**	2,648,244
Distributions payable	**23,750**	23,238
Payables	**23,741**	33,244
Financial liabilities held at fair value through profit or loss	**598**	3,617
Lease liabilities	**3,438**	3,447
Borrowings	**692,433**	511,495
Total liabilities (excluding net assets attributable to unitholders)	**743,960**	575,041
Net assets attributable to unitholders	**2,590,511**	2,073,203

Statement of comprehensive income	**2022 $'000**	2021 $'000
Profit before finance costs attributable to unitholders	**504,409**	401,573
Finance costs attributable to unitholders		
Distributions to unitholders	**(92,487)**	(81,946)
Increase in net assets attributable to unitholders	**(411,922)**	(319,627)
Total comprehensive income for the year	**-**	-

25 Events occurring after end of the financial year

On 1 July 2022, the Scheme completed the sale of Suites 3, 8 and 12 and various car parking lots, 12 Jarrett Street, North Gosford, NSW for a sale price of $4,150,000 excluding selling costs.

On 27 July 2022, the Scheme completed the sale of Suite 13, 12 Jarrett Street, North Gosford, NSW for a sale price of $930,000 excluding selling costs.

On 3 August 2022, the Scheme completed the purchase of 201 St Albans Road, St Albans, VIC for a purchase price of $1,250,000 excluding acquisition costs.

On 26 September 2022, the Scheme completed the purchase of 9-15 Old Heidelberg Road, Alphington, VIC for a purchase price of $14,750,000 excluding acquisition costs.

On 6 October 2022, the Scheme completed the purchase of 133-139 Jannali Avenue, Sutherland, NSW for a purchase price of $10,500,000 excluding acquisition costs.

Other than the matters above, the directors of the Responsible Entity are not aware of any other matters or circumstances arising since 30 June 2022 that have significantly affected or may significantly affect the financial position of the Scheme disclosed in the consolidated statement of financial position as at 30 June 2022 or on the results and cash flows of the Scheme for the year ended on that date.

26 External proposal to acquire all of the units in the Scheme and related matters

In February 2021, the consortium comprising NorthWest Healthcare Properties Real Estate Investment Trust (NorthWest) and a Singaporean sovereign wealth fund GIC Private Limited (GIC) commenced a process to seek to acquire all the units in the Scheme, resulting in four unsolicited offers being made between February to June 2021 and ultimately, NorthWest convening a unitholder meeting to consider and vote on resolutions proposed by NorthWest which, if approved by the Scheme's unitholders, would have resulted in NorthWest's acquisition of 100% of the units on issue in the Scheme.

The Responsible Entity recommended that each offer be rejected on the basis they materially undervalued the Scheme. In mid-July 2021, NorthWest formed the view there was insufficient unitholder support for its proposal to acquire all the units in the Scheme to be successful and withdrew its proposal and cancelled the meeting of the Scheme's unitholders.

During this time, the Responsible Entity, along with Australian Unity Limited and other parties, was named as a defendant in a separate legal proceeding brought by NorthWest. The proceeding concerns NorthWest's claim that certain aspects of the equity raising activities undertaken by the Responsible Entity during the second half of the 2021 financial year and aspects of its response (in that capacity) to NorthWest's proposal to Scheme members to acquire 100% of the units in the Scheme, were in breach of its duties or breached provisions of the *Corporations Act 2001*. NorthWest is seeking declarations by the Court to this effect, as well as court orders invalidating certain transactions entered into by the Responsible Entity and the other defendants as part of the 2021 equity raising activities and orders which concern the ability of other defendants who were issued units in the Scheme to vote.

This litigation is ongoing and remains before the New South Wales Supreme Court. The Responsible Entity is defending these claims. No date for the trial has been fixed, however it is likely to be heard during 2023. Unitholders are encouraged to refer to the Scheme's website for any updates from the Responsible Entity on the progress and status of the proceeding.

27 Contingent assets and liabilities and commitments

There have been legal claims for damages lodged against the Responsible Entity, as detailed at note 26, for which no provision has been raised, due to the belief that it is not probable that these claims will succeed and that it is not practicable to estimate the potential effect of these claims.

The Scheme had no other contingent assets, liabilities as at 30 June 2022 and 30 June 2021.

Commitments arising from contracts principally relating to capital expenditure on investment properties which are contracted for at reporting date but not recognised on the consolidated statement of financial position are $220,208,000 (2021: $128,108,000).

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) The consolidated financial statements and notes set out on pages 9 to 57 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

   (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2022 and of its performance, as represented by the results of its operations and cash flows for the year ended on that date.

(b) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable,

(c) The consolidated financial statements are in accordance with the Scheme's Constitution, and

(d) Note 2(a) confirms that the consolidated financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

Rohan Mead
Director

Esther Kerr-Smith
Director

21 October 2022

Independent auditor's report

To the unitholders of Australian Unity Healthcare Property Trust

Our opinion

In our opinion:

The accompanying financial report of Australian Unity Healthcare Property Trust (the Scheme) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2022
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in net assets attributable to unitholders - liability for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors of Australian Unity Funds Management Limited (the Responsible Entity) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of the Responsible Entity of the Scheme are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

George Sagonas
Partner

Melbourne
21 October 2022