

Australian Unity Property Income Fund

ARSN 094220498

Annual report for the year ended 30 June 2022

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Directors' report

The directors of Australian Unity Property Limited (ABN 58 079 538 499), the Responsible Entity of Australian Unity Property Income Fund ("the Scheme"), present their report together with the 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's objective is to provide relatively consistent income with some potential for capital growth over the medium to long-term.

The Scheme invests in direct property assets, listed and unlisted property trusts and cash type assets. The Scheme aims to maintain a sound level of liquidity, generally enabling unitholders to request withdrawals when they choose.

The Scheme seeks to enhance its existing properties through selective exposure to property development from time to time as required. There is an active redevelopment projects underway at Lot 11, 133 South Pine Road, Brendale QLD. Development works are in progress for the construction of a new c.2,200 sqm industrial premises at this property. Construction is progressing well with practical completion anticipated to occur in late 2022.

Additionally, the Scheme is currently exploring development opportunities at 134 King Street, Newcastle NSW.

Review and results of operations

Property valuations

The current year revaluations were in total above the revalued properties' carrying values resulting in recording a net revaluation fair value increment of \$5,612,000 (2021: \$10,433,000).

Property acquisitions

On 5 November 2021, the Scheme completed the purchase of 70 Light Square, Adelaide, SA, for a purchase price of \$18,250,000 and acquisition costs of \$417,000.

On 21 December 2021, the Scheme completed the purchase of 134 King Street, Newcastle, NSW, for a purchase price of \$7,550,000 and acquisition costs of \$525,000.

Property disposals

On 8 September 2021, the Scheme settled the sale of Lot 6, 133 South Pine Road, Brendale, QLD, for a sale price of \$8,850,000 excluding selling costs.

Results

For the year ended 30 June 2022, the Scheme's Wholesale units posted a total return of 1.76% (split between a distribution return of 5.10% and a growth return of -3.34%)*.

Unit prices (ex distribution) as at 30 June 2022 is \$0.9293 (30 June 2021: \$0.9613)*

*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 financial statements. Return calculations assume reinvestment of distributions.

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

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

| | 2022 | 2021 |
|---|---------------|--------|
| | \$'000 | \$'000 |
| Profit before finance costs attributable to unitholders | 4,226 | 52,696 |
| Distributions paid and payable | 17,667 | 15,259 |

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.

Events occurring after end of the year

Effective from 1 July 2022, the Scheme changed the frequency of distributions from quarterly to monthly. The first monthly distribution period will be from 1 July 2022 to 31 July 2022.

No other matter or circumstance has arisen since 30 June 2022 that has 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.

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 Property Limited or the auditors of the Scheme. So long as the officers of Australian Unity Property 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 16 to the 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 16 to the financial statements.

Units in the Scheme

The movement in units on issue in the Scheme during the year is disclosed in note 7 to the financial statements.

The value of the Scheme's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in note 2 to the 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 financial statements. Amounts in the directors' report and 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 5.

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



Rohan Mead
Director



Esther Kerr-Smith
Director

21 October 2022



Auditor's Independence Declaration

As lead auditor for the audit of Australian Unity Property Income Fund 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.

A handwritten signature in blue ink, appearing to read 'G. Sagonas', is written over a faint, light blue grid background.

George Sagonas
Partner
PricewaterhouseCoopers

Melbourne
21 October 2022

Australian Unity Property Income Fund
Statement of comprehensive income
For the year ended 30 June 2022

Statement of comprehensive income

| | Notes | 2022 \$'000 | 2021 \$'000 |
|---|-------|----------------|----------------|
| Income | | | |
| Rental income | 3 | 8,319 | 6,961 |
| Property expenses | 4 | <u>(1,694)</u> | <u>(1,692)</u> |
| Net property income | | 6,625 | 5,269 |
| | | | |
| Interest income | | 22 | 12 |
| Distribution income | 5 | 10,481 | 11,664 |
| Net (losses)/gains on financial instruments held at fair value through profit or loss | | (16,213) | 24,180 |
| Net fair value increment of investment properties | 12(b) | 5,612 | 10,433 |
| Realised (loss)/gain on disposal of investment property | 12(b) | (203) | 2,732 |
| Other income | | <u>1,224</u> | <u>1,041</u> |
| Total income net of property expenses | | 7,548 | 55,331 |
| | | | |
| Expenses | | | |
| Management fees | 16 | 3,260 | 2,621 |
| Other expenses | | <u>62</u> | <u>14</u> |
| Total expenses, excluding property expenses | | 3,322 | 2,635 |
| | | | |
| Profit for the year | | 4,226 | 52,696 |
| | | | |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| | | | |
| Total comprehensive income attributable to unitholders | | 4,226 | 52,696 |

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

Australian Unity Property Income Fund
Statement of financial position
As at 30 June 2022

Statement of financial position

| | Notes | 2022 \$'000 | 2021 \$'000 |
|--|-------|----------------|----------------|
| Assets | | | |
| Cash and cash equivalents | 9 | 39,459 | 42,020 |
| Receivables | 10 | 6,364 | 8,294 |
| Financial assets held at fair value through profit or loss | 11 | 181,153 | 157,645 |
| Other assets | | 249 | 16 |
| Properties held for sale | 12(c) | - | 8,850 |
| Investment properties | 12 | <u>135,592</u> | <u>95,995</u> |
| Total assets | | <u>362,817</u> | <u>312,820</u> |
| Liabilities | | | |
| Distributions payable | 8 | 4,749 | 3,967 |
| Payables | 13 | <u>1,841</u> | <u>1,140</u> |
| Total liabilities | | <u>6,590</u> | <u>5,107</u> |
| Net assets attributable to unitholders - equity | | <u>356,227</u> | <u>307,715</u> |

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

Australian Unity Property Income Fund
Statement of changes in equity
For the year ended 30 June 2022

Statement of changes in equity

| | 2022 | 2021 |
|---|-----------------|----------------|
| | \$'000 | \$'000 |
| Balance at the beginning of the year | 307,713 | 251,105 |
| Comprehensive income for the year | | |
| Profit for the year | 4,226 | 52,696 |
| Other comprehensive income | - | - |
| Total comprehensive income attributable to unitholders | 4,226 | 52,696 |
| Transactions with unitholders | | |
| Applications | 117,324 | 56,259 |
| Redemptions | (56,988) | (39,596) |
| Units issued upon reinvestment of distributions | 1,618 | 2,508 |
| Distributions paid and payable | (17,667) | (15,259) |
| Total transactions with unitholders | 44,287 | 3,912 |
| Balance at the end of the year | 356,227 | 307,713 |

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

Australian Unity Property Income Fund
Statement of cash flows
For the year ended 30 June 2022

Statement of cash flows

| | Notes | 2022 \$'000 | 2021 \$'000 |
|---|-------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Interest received | | 22 | 12 |
| Distributions received | | 2,995 | 1,711 |
| Rental and other income received | | 8,696 | 5,769 |
| Payments to suppliers | | <u>(5,363)</u> | <u>(4,565)</u> |
| Net cash inflow from operating activities | 17 | <u>6,350</u> | <u>2,927</u> |
| Cash flows from investing activities | | | |
| Purchase of financial instruments held at fair value through profit or loss | | <u>(32,269)</u> | (19,101) |
| Proceeds from sale of financial instruments held at fair value through profit or loss | | 2,343 | 5,532 |
| Purchase of investment properties | | <u>(25,800)</u> | (7,680) |
| Acquisition costs on purchases of investment properties | | (941) | (423) |
| Payments for additions to owned investment properties | | <u>(5,697)</u> | (7,920) |
| Proceeds from sale of investment property | | 8,850 | 47,000 |
| Disposal costs paid from sale of investment property | | <u>(466)</u> | <u>(1,146)</u> |
| Net cash (outflow)/inflow from investing activities | | <u>(53,980)</u> | <u>16,262</u> |
| Cash flows from financing activities | | | |
| Proceeds from applications by unitholders | | 117,324 | 56,259 |
| Payments for redemptions by unitholders | | <u>(56,988)</u> | (39,596) |
| Distributions paid | | <u>(15,267)</u> | <u>(16,842)</u> |
| Net cash inflow/(outflow) from financing activities | | <u>45,069</u> | <u>(179)</u> |
| Net (decrease)/increase in cash and cash equivalents | | (2,561) | 19,010 |
| Cash and cash equivalents at the beginning of the year | | <u>42,020</u> | 23,010 |
| Cash and cash equivalents at the end of the year | 9 | <u>39,459</u> | <u>42,020</u> |
| Non-cash operating and financing activities | 17(b) | <u>11,413</u> | <u>6,168</u> |

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

Notes to the financial statements

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1 General information

These financial statements cover Australian Unity Property Income Fund ("the Scheme") as an individual entity. The Scheme was constituted on 1 December 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 Property Limited (ABN 58 079 538 499) ("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 financial statements are for the year 1 July 2021 to 30 June 2022.

The 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 financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these 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 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 financial statements.

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

The 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, financial assets/(liabilities) held at fair value through profit or loss 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 financial statements of the Scheme comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB) and also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(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.

(iii) New accounting standards, amendments and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for 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 financial statements of the Scheme.

2 Summary of significant accounting policies (continued)

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

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 capitalised and amortised over the lease periods to which they relate.

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 12. 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 statement of comprehensive income in the year in which they arise.

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 statement of comprehensive income in the year of derecognition.

(c) 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 statements 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.

Financial assets and financial liabilities 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.

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Classification (continued)

- *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.

(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 statement of comprehensive income in the year the financial asset or liability is derecognised as realised gains or losses on financial instruments.

(iii) Measurement

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 statement of comprehensive income.

For further details on how the fair values of financial instruments are determined please see Note 15 to the financial statements.

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

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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.

2 Summary of significant accounting policies (continued)

(d) Net assets attributable to unitholders

Units are redeemable at the unitholders' option. 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 reporting period 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.

The Scheme classifies the net assets attributable to unitholders as equity as they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Scheme's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial instruments, or to exchange financial instruments with another entity under potentially unfavorable conditions to the Scheme, and it is not a contract settled in the Scheme's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

(e) Cash and cash equivalents

For the purpose of presentation in the 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, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in the statement of financial position.

(f) Investment income

Interest income is recognised in the 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(c).

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 financial statements.

(g) Expenses

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

(h) 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.

(i) 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.

(j) 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 reporting period from the time of last payment in accordance with the policy set out in note 2(f) above. Amounts are generally received within 30 days of being recorded as receivables.

2 Summary of significant accounting policies (continued)

(j) Receivables (continued)

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.

(k) 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.

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 reporting period are included in payables.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the 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.

(l) 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.

2 Summary of significant accounting policies (continued)

(m) Goods and Services Tax (GST)

The 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 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 statement of financial position.

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

(n) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue brought to account but not received at the end of the year is recognised as a receivable. The following specific recognition criteria must also be met before revenue is recognised:

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 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 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.

Outgoings income

Outgoings income is recognised in the 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.

Interest revenue

Interest income is recognised in the statement of comprehensive income as it accrues.

(o) Leases

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.

2 Summary of significant accounting policies (continued)

(p) Use of judgements and estimates

The preparation of the Scheme's 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 15.

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.

(q) Rounding of amounts

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 financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars.

(r) 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 financial statements are presented in Australian dollars, which is the Scheme's functional and presentation currency.

(s) 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 Rental income

| | 2022 | 2021 |
|--|---------------|--------|
| | \$'000 | \$'000 |
| Rental income | 6,968 | 6,570 |
| Outgoings income | 1,612 | 616 |
| Amortisation of lease commissions & lease incentives | (261) | (225) |
| | 8,319 | 6,961 |

Rental income includes an adjustment for the straight lining of rental income of \$828,000 (2021: \$876,000).

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 \$225,000 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.

4 Property expenses

| | 2022 | 2021 |
|---------------------------|---------------|--------|
| | \$'000 | \$'000 |
| Recoverable outgoings | 1,249 | 1,293 |
| Non-recoverable outgoings | 445 | 399 |
| | 1,694 | 1,692 |

5 Distribution income

| | 2022 | 2021 |
|---|---------------|--------|
| | \$'000 | \$'000 |
| Related unlisted managed investment schemes | 7,950 | 9,845 |
| Unrelated listed property trusts | 1,095 | 630 |
| Unrelated unlisted property trusts | 856 | 622 |
| Related listed property trust | 580 | 567 |
| | 10,481 | 11,664 |

6 Auditors' remuneration

The auditor's remuneration is paid directly by the Responsible Entity.

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

| | 2022 | 2021 |
|--|---------------|---------------|
| | \$ | \$ |
| <i>Audit services - PwC</i> | | |
| Audit and review of financial statements | 45,000 | 33,000 |
| Audit of compliance plan | 4,630 | 3,310 |
| Total auditor's remuneration | <u>49,630</u> | <u>36,310</u> |

7 Net assets attributable to unitholders

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

| | 2022 | 2021 | 2022 | 2021 |
|---|----------------|----------------|-----------------|-----------------|
| | No. '000 | No. '000 | \$'000 | \$'000 |
| Contributed equity | | | | |
| Opening balance | 317,393 | 297,212 | 343,362 | 324,191 |
| <i>Wholesale units</i> | | | | |
| Applications | 119,426 | 62,087 | 117,324 | 56,259 |
| Redemptions | (58,564) | (44,813) | (56,988) | (39,596) |
| Units issued upon reinvestment of distributions | 1,657 | 2,907 | 1,618 | 2,508 |
| | <u>62,519</u> | <u>20,181</u> | <u>61,954</u> | <u>19,171</u> |
| Closing balance | <u>379,912</u> | <u>317,393</u> | <u>405,316</u> | <u>343,362</u> |
| Undistributed income | | | | |
| Opening balance | | | (35,649) | (73,086) |
| (Increase)/decrease in net assets attributable to unitholders | | | <u>(13,441)</u> | <u>37,437</u> |
| Closing balance | | | <u>(49,090)</u> | <u>(35,649)</u> |
| Total net assets attributable to unitholders | | | <u>356,227</u> | <u>307,713</u> |

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.

7 Net assets attributable to unitholders (continued)

Capital risk management

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.

8 Distributions to unitholders

The distributions for the year were as follows:

| | 2022 \$'000 | 2022 CPU | 2021 \$'000 | 2021 CPU |
|---------------------|----------------|-------------|----------------|-------------|
| Retail units | | | | |
| 30 September | 4,131 | 1.2500 | 3,718 | 1.2500 |
| 31 December | 4,348 | 1.2500 | 3,798 | 1.2500 |
| 31 March | 4,439 | 1.2500 | 3,776 | 1.2500 |
| 30 June (payable) | 4,749 | 1.2500 | 3,967 | 1.2500 |
| | <u>17,667</u> | | <u>15,259</u> | |

9 Cash and cash equivalents

| | 2022 \$'000 | 2021 \$'000 |
|------------------------|----------------|----------------|
| Cash at bank | 37,561 | 27,588 |
| Cash management trusts | 1,898 | 14,432 |
| | <u>39,459</u> | <u>42,020</u> |

10 Receivables

| | 2022 \$'000 | 2021 \$'000 |
|-------------------------|----------------|----------------|
| Distribution receivable | 4,871 | 7,070 |
| Trade receivables | 1,158 | 1,049 |
| GST receivables | 335 | 175 |
| | <u>6,364</u> | <u>8,294</u> |

11 Financial assets held at fair value through profit or loss

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Related unlisted managed investment schemes | 131,648 | 125,142 |
| Unrelated unlisted property trusts | 24,154 | 14,400 |
| Unrelated listed property trusts | 17,001 | 8,152 |
| Related listed property trust | 8,350 | 9,951 |
| Total financial assets held at fair value through profit or loss | 181,153 | 157,645 |

12 Investment properties

(a) Property details

| | Type | Ownership (%) | Independent valuation date | Independent valuation amount \$'000 | Carrying value 2022 \$'000 | Carrying value 2021 \$'000 |
|--|------------|------------------|----------------------------------|--|----------------------------------|----------------------------------|
| 223-227 Governor Road, Braeside, VIC | Industrial | 100 | 31/08/2021 | 29,650 | 29,652 | 26,683 |
| 70 Light Square, Adelaide, SA | Office | 100 | 12/10/2021 | 18,250 | 18,780 | - |
| 2-10 Bliss Court, Derrimut, VIC | Industrial | 100 | 30/06/2022 | 14,500 | 14,500 | 12,600 |
| 296 St. Vincent Street, Port Adelaide, SA | Office | 100 | 30/06/2022 | 14,500 | 14,500 | 12,250 |
| 91-97 Woodlands Drive, Braeside VIC | Industrial | 100 | 31/08/2021 | 12,175 | 12,425 | 10,989 |
| 17 Byres Street, Newstead, QLD | Office | 100 | 30/06/2022 | 11,500 | 11,500 | 11,500 |
| Edith Cavell Building, Brisbane, QLD | Office | 100 | 01/02/2022 | 11,000 | 11,472 | 8,873 |
| 134 King Street, Newcastle, NSW | Office | 100 | 25/11/2021 | 7,550 | 8,404 | - |
| 10 International Square, Tullamarine, VIC | Industrial | 100 | 30/06/2022 | 7,500 | 7,500 | 7,300 |
| 11 International Square, Tullamarine, VIC | Industrial | 100 | 30/06/2022 | 4,300 | 4,300 | 4,300 |
| Lot 11, 133 South Pine Road, Brendale, QLD | Industrial | 100 | 30/06/2021 | 1,500 | 2,558 | 1,500 |
| Lot 6, 133 South Pine Road, Brendale, QLD | Industrial | 100 | SOLD | N/A | - | 6,304 |
| Total | | | | 132,425 | 135,591 | 102,299 |
| Less: Properties held for sale | | | | | - | (6,304) |
| Total investment properties | | | | | 135,591 | 95,995 |

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.

All independent valuations were undertaken by the either of the following external valuers: Savills, Knight Frank, Colliers or Player Property Group.

12 Investment properties (continued)

(b) Movements in carrying amount

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

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Opening balance | 95,995 | 97,970 |
| Acquisitions | 26,742 | 8,103 |
| Additions | 6,676 | 8,072 |
| Revaluation movements | 5,612 | 7,843 |
| Straight-lining of rental income | 828 | 876 |
| Lease commissions and incentives amortisation | (261) | (180) |
| Disposal | - | (20,385) |
| Reclassified as properties held for sale | - | (6,304) |
| Closing balance | <u>135,592</u> | <u>95,995</u> |

On 5 November 2021, the Scheme completed the purchase of 70 Light Square, Adelaide, SA, for a purchase price of \$18,250,000 and acquisition costs of \$417,000.

On 21 December 2021, the Scheme completed the purchase of 134 King Street, Newcastle, NSW, for a purchase price of \$7,550,000 and acquisition costs of \$525,000.

(c) Movements in properties held for sale

| | 2022 \$'000 | 2021 \$'000 |
|-----------------------|----------------|----------------|
| Opening balance | 8,850 | 23,000 |
| Additions | - | 6,304 |
| Disposal | (8,850) | (23,000) |
| Revaluation movements | - | 2,546 |
| | <u>-</u> | <u>8,850</u> |

On 8 September 2021, the Scheme settled the sale of Lot 6, South Pine Road, Brendale, QLD for a sale price of \$8,850,000, excluding selling costs.

12 Investment properties (continued)

(d) Leasing arrangements

The Scheme leases out its investment properties to tenants under operating leases with rentals payable monthly. The future minimum lease payments receivable under non-cancellable lease are as follows:

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Within one year | 5,928 | 4,597 |
| Later than one year but not later than 5 years | 18,623 | 17,002 |
| Later than 5 years | 42,023 | 17,819 |
| | <u>66,574</u> | <u>39,418</u> |

13 Payables

| | 2022 \$'000 | 2021 \$'000 |
|--------------------------|----------------|----------------|
| Accrued expenses | 919 | 642 |
| Rent received in advance | 631 | 112 |
| Trade payables | 74 | 244 |
| GST payables | 217 | 142 |
| | <u>1,841</u> | <u>1,140</u> |

14 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.

14 Financial risk management (continued)

(b) Market risk (continued)

(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 listed and unlisted property securities. The investments are classified on the 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 | | |
| Related unlisted managed investment scheme | 131,648 | 125,142 |
| Unrelated unlisted property trusts | 24,154 | 14,400 |
| Unrelated listed property trusts | 17,001 | 8,152 |
| Related listed property trusts | 8,350 | 9,951 |
| Total exposure | 181,153 | 157,645 |
| | Impact on profit and net assets attributable to unitholders | |
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Securities prices +13.3% (2021: +13.6%) | 24,093 | 21,440 |
| Securities prices -13.3% (2021: -13.6%) | (24,093) | (21,440) |

14 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.

Interest rate risk is not considered to be significant to the Scheme, as the Scheme does not have any borrowings.

| | 2022 | 2021 |
|---------------------------|---------------|--------|
| | \$'000 | \$'000 |
| Floating rate | | |
| Cash and cash equivalents | 39,459 | 42,020 |
| Net exposure | 39,459 | 42,020 |

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.

| | Impact on profit and net assets attributable to unitholders | |
|-------------------------------------|--|--------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Sensitivity | | |
| Interest rate +0.60% (2021: +0.60%) | (236) | (252) |
| Interest rate -0.60% (2021: -0.60%) | 236 | 252 |

(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 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. 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.

14 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.

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.

| | Less than 1 year \$'000 | 1-2 years \$'000 | 2-3 years \$'000 | 3+ years \$'000 |
|-----------------------------|-------------------------------|------------------------|------------------------|-----------------------|
| 2022 | | | | |
| Distributions payable | 4,749 | - | - | - |
| Payables | 1,841 | - | - | - |
| Total financial liabilities | <u>6,590</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | Less than 1 year \$'000 | 1-6 years \$'000 | 2-3 years \$'000 | 3+ years \$'000 |
| 2021 | | | | |
| Distributions payable | 3,967 | - | - | - |
| Payables | 1,140 | - | - | - |
| Total financial liabilities | <u>5,107</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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, listed property trusts and unlisted managed schemes that invest primarily into listed property trusts. As at 30 June 2022, these assets amounted to \$151,239,000 (2021: \$149,859,000).

14 Financial risk management (continued)

(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 15.

15 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 that 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.

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 | | | | |
| <i>Financial assets held at fair value through profit or loss</i> | | | | |
| Related listed property trusts | 8,350 | - | - | 8,350 |
| Unrelated listed property trusts | 17,001 | - | - | 17,001 |
| Related unlisted managed investment schemes | - | 131,648 | - | 131,648 |
| Unrelated unlisted property trusts | - | - | 24,154 | 24,154 |
| Total financial assets | 25,351 | 131,648 | 24,154 | 181,153 |
| Non-financial assets | | | | |
| Investment properties | - | - | 135,592 | 135,592 |
| Total non-financial assets | - | - | 135,592 | 135,592 |

15 Fair value hierarchy (continued)

| 2021 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| Financial assets | | | | |
| <i>Financial assets held at fair value through profit or loss</i> | | | | |
| Related listed property trusts | 9,951 | - | - | 9,951 |
| Unrelated listed property trusts | 8,152 | - | - | 8,152 |
| Related unlisted managed investment schemes | - | 125,142 | - | 125,142 |
| Unrelated unlisted property trusts | - | - | 14,400 | 14,400 |
| Total financial assets | 18,103 | 125,142 | 14,400 | 157,645 |
| Non-financial assets | | | | |
| Properties held for sale | - | - | 8,850 | 8,850 |
| Investment properties | - | - | 95,995 | 95,995 |
| Total non-financial assets | - | - | 104,845 | 104,845 |

The following table presents the movement in level 3 instruments by class of financial instrument.

| | Opening balance \$'000 | Purchases \$'000 | Sales \$'000 | Net transfers in/(out) \$'000 | Net changes recognised in profit or loss \$'000 | Closing balance \$'000 |
|------------------------------------|------------------------------|---------------------|-----------------|-------------------------------------|--|------------------------------|
| 2022 | | | | | | |
| Unrelated unlisted property trusts | 14,400 | 6,845 | - | - | 2,909 | 24,154 |
| Total | 14,400 | 6,845 | - | - | 2,909 | 24,154 |
| | Opening balance \$'000 | Purchases \$'000 | Sales \$'000 | Net transfers in/(out) \$'000 | Net changes recognised in profit or loss \$'000 | Closing balance \$'000 |
| 2021 | | | | | | |
| Unrelated unlisted property trusts | 12,783 | - | - | - | 1,617 | 14,400 |
| Total | 12,783 | - | - | - | 1,617 | 14,400 |

The Scheme's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the year.

There were 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.

15 Fair value hierarchy (continued)

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 is calculated using a discounted cash flow model as the present value of the estimated future cash flows based on observable yield curves.

(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 appropriate method of assessment is considered to be via reconciliation between the discounted cash flow and income capitalisation methods. Direct comparison may also be used as a secondary assessment method.

- 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 identifies comparable sales on a dollar per square metre of lettable area and compares the equivalent rates to the subject property to establish the property's market value. This approach is somewhat subjective given the fact that specific items of income and expenditure are difficult to directly reflect and compare when adopting a rate per metre.

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

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 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.

The change in fair value of investment properties for the year are set out in Note 12(b).

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

Investments in unrelated unlisted managed property trusts are measured based on the net asset value of the funds as provided by the relevant investment manager. The Scheme reviews the valuation methodology adopted by the relevant investment manager, particularly the valuation of investment properties as the net asset value movements are mainly due to fair value changes of the underlying investment properties.

The changes in fair value of investment properties for the year are set out in note 12(b).

15 Fair value hierarchy (continued)

(i) Valuation inputs and relationship to fair value

The following are the key valuation assumptions used in the determination of the investment properties fair value using the discounted cash flows and income capitalisation valuation methodologies:

- Current net market rental - the estimated amount for which a property or space within a property should be leased between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In the calculation of net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable);
- Adopted capitalisation rate - the rate at which net market income is capitalised to determine the value of the property. This rate is determined with regards to market evidence;
- Adopted terminal yield - the capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of a holding period when carrying out a discounted cash flow calculation. This rate is determined with regards to market evidence; and
- Adopted discount rate - the rate of return to convert a monetary sum, payable or receivable in the future, into present value. Theoretically, it should reflect the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. This rate is determined with regards to market evidence. The ranges of the key valuation inputs to measure the fair value of the Scheme's investment properties are shown in the table below:

| Valuation inputs | 2022 | 2021 |
|--|----------------------|---------------|
| Current net market rental (\$ per sqm) | \$82 - \$526 | \$78 - \$560 |
| Adopted capitalisation rate (%) | 4.25% - 7.00% | 4.50% - 6.50% |
| Adopted discount rate (%) | 5.75% - 7.25% | 6.00% - 7.00% |
| Adopted terminal yield (%) | 4.75% - 6.25% | 5.25% - 6.50% |

(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 12. 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 | Increase | Decrease |

15 Fair value hierarchy (continued)

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).

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% | (6,829) |
| Adopted capitalisation rate -0.25% | 6,913 |
| Adopted discount rate +0.25% | (3,072) |
| Adopted discount rate -0.25% | 1,331 |
| Adopted terminal yield +0.25% | (4,370) |
| Adopted terminal yield -0.25% | 2,914 |

(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.

16 Related party transactions

Responsible entity

The Responsible Entity of Australian Unity Property Income Fund is Australian Unity Property Limited (ABN 58 079 538 499) whose immediate and ultimate parent entity is Australian Unity Limited (ABN 23 087 648 888).

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of Australian Unity Property 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 Property 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.

16 Related party transactions (continued)

Management fees and other transactions

Under the terms of the Scheme's Constitution, the Responsible Entity is entitled to receive management fees monthly, calculated daily, by reference to the net assets of the Scheme.

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

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

| | 2022 \$ | 2021 \$ |
|---|------------------|------------------|
| Management fees for the year paid and payable by the Scheme to the Responsible Entity | <u>3,091,413</u> | <u>2,487,524</u> |
| Administration expenses incurred by the Responsible Entity which are reimbursed in accordance with the Scheme's Constitution | <u>168,154</u> | <u>133,875</u> |
| Fees rebated by the Responsible Entity in respect of investments by the Scheme in other schemes managed by the Responsible Entity and its related parties | <u>1,207,779</u> | <u>1,011,359</u> |
| Aggregate amounts payable to the Responsible Entity at the end of the reporting period | <u>126,260</u> | <u>140,680</u> |

(a) Other related party transactions

Australian Unity Property Management Pty Ltd (a related party of the Responsible Entity) 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 Australian Unity Property Management Pty Ltd for the year ended 30 June 2022 was \$562,834 (2021: \$632,255). Total accrued fees payable to Australian Unity Property Management Pty Ltd as at 30 June 2022 was \$nil (2021: \$165,000).

The Scheme charged Australian Unity Group Services Pty Ltd (ACN 006 803 069) ("AUGSPL"), a wholly owned subsidiary of Australian Unity Limited, total rent of \$133,721 (2021: \$nil) during the year, of which \$nil (2021: \$nil) remains receivable as at 30 June 2022. The leases were entered into under normal commercial terms and conditions and at market rates.

All related party transactions are under normal commercial terms and conditions and at market rates.

Related party unitholdings

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

16 Related party transactions (continued)

Related party unitholdings (continued)

| | | | | | | | |
|--|---------------|---------------|---------------|-------------|--------------|----------------|--------------|
| Lifeplan Australia Friendly Society | 11,605 | 7,793 | 7,324 | 2.05 | 1,270 | (5,082) | 451 |
| AUFM No. 2 | 3,519 | 3,130 | 2,941 | 0.82 | 377 | (766) | 174 |
| AUFM No. 3 | 2,174 | 2,168 | 2,037 | 0.57 | 255 | (261) | 116 |
| Australian Unity Balanced Growth Portfolio | 1,984 | 1,788 | 1,680 | 0.47 | - | (196) | 90 |
| AUFM No. 1 | 859 | 658 | 618 | 0.17 | 123 | (324) | 37 |
| Australian Unity Trustees Charitable Common Fund 3 | 796 | 534 | 501 | 0.14 | 1 | (262) | 27 |
| Australian Unity Trustees Ltd | 3,203 | 3,046 | 2,862 | 0.80 | - | (157) | 152 |
| Total | 24,140 | 19,117 | 17,963 | 5.02 | 2,026 | (7,048) | 1,047 |

16 Related party transactions (continued)

Related party unitholdings (continued)

2021

| Unitholder | 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 |
|--|--------------------------------|--------------------------------|----------------------------------|-------------------|----------------------------|----------------------------|---|
| Lifeplan Australia Friendly Society | 14,453 | 11,605 | 11,279 | 3.66 | 1,755 | (4,603) | 638 |
| Australian Unity Health Limited | 2,484 | - | - | 0.00 | - | (2,484) | 91 |
| AUFM No. 2 | 3,519 | 3,519 | 3,421 | 1.11 | - | - | 176 |
| AUFM No. 3 | 2,174 | 2,174 | 2,113 | 0.69 | - | - | 109 |
| Australian Unity Balanced Growth Portfolio | 1,704 | 1,984 | 1,928 | 0.63 | 448 | (168) | 94 |
| AUFM No. 1 | 655 | 859 | 835 | 0.27 | 204 | - | 39 |
| Australian Unity Trustees Charitable Common Fund 3 | 581 | 796 | 774 | 0.25 | 303 | (88) | 32 |
| Australian Unity Trustees Ltd | 2,950 | 3,203 | 3,113 | 1.01 | 867 | (614) | 140 |
| Total | 28,520 | 24,140 | 23,463 | 7.62 | 3,577 | (7,957) | 1,319 |

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

Investments

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

| | 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 |
|--|--------------------------------|--------------------------------|---------------------------------|-----------------|----------------------------|----------------------------|--|
| 2022 | | | | | | | |
| Australian Unity A-REIT Fund | 95,120 | 110,489 | 86,590 | 93.43 | 15,369 | - | 6,634 |
| Australian Unity Wholesale Cash Fund | 14,432 | 1,898 | 1,898 | 0.38 | 14,394 | (26,928) | 1 |
| Australian Unity Diversified Property Fund | 6,739 | 6,893 | 8,106 | 2.41 | 590 | (437) | 560 |
| Australian Unity Healthcare Property Trust - Wholesale units | 4,373 | 4,784 | 12,834 | 0.61 | 411 | - | 461 |
| Australian Unity Office Fund | 3,813 | 3,813 | 8,350 | 2.32 | - | - | 580 |
| Australian Unity Specialist Disability Accommodation Fund | 6,000 | 7,368 | 7,966 | 11.04 | 1,369 | - | 201 |

16 Related party transactions (continued)

Investments (continued)

| 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 Student Accommodation Fund | 12,000 | 12,000 | 11,244 | 30.62 | - | - | - |
| Australian Unity Childcare Property Fund | - | 5,000 | 4,908 | 11.77 | 5,000 | - | 92 |
| | <u>142,477</u> | <u>152,245</u> | <u>141,895</u> | | <u>37,133</u> | <u>(27,365)</u> | <u>8,529</u> |
| 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 A-REIT Fund | 90,781 | 95,120 | 95,443 | 95.75 | 4,339 | - | 7,951 |
| Australian Unity Wholesale Cash Fund | 19,895 | 14,432 | 14,432 | 2.77 | 51,657 | (57,120) | 12 |
| Australian Unity Diversified Property Fund | 8,121 | 6,739 | 8,082 | 2.34 | 728 | (2,110) | 766 |
| Australian Unity Healthcare Property Trust - Wholesale units | 4,167 | 4,373 | 9,951 | 0.60 | 206 | - | 413 |
| Australian Unity Office Fund | 3,747 | 3,813 | 9,951 | 2.26 | 66 | - | 567 |
| Australian Unity Specialist Disability Accommodation Fund | 6,000 | 6,000 | 6,232 | 15.40 | - | - | 230 |
| Australian Unity Student Accommodation Fund | - | 12,000 | 12,000 | 30.62 | 12,000 | - | 472 |
| | <u>132,711</u> | <u>142,477</u> | <u>156,091</u> | | <u>68,996</u> | <u>(59,230)</u> | <u>10,411</u> |

Distributions received/receivable includes an amount of \$4,111,000 (2021: \$6,411,000) which remains unpaid at the end of the year.

17 Reconciliation of profit to net cash inflow from operating activities

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

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Profit for the year attributable to unitholders | 2,111 | 52,696 |
| Change in fair value of the investment properties - revaluation increment | (5,612) | (10,433) |
| Realised loss/(gain) on sale of investment property | 203 | (2,732) |
| Gains on financial instruments held at fair value through profit or loss | 18,328 | (24,180) |
| Reinvestments of financial instruments held at fair value through profit or loss | (9,795) | (3,660) |
| Net change in receivables | 1,931 | (7,456) |
| Net change in payables | 405 | (693) |
| Net change in other assets | (234) | 37 |
| Adjustments to net lease incentives and straight line rental | (987) | (652) |
| Net cash inflow from operating activities | 6,350 | 2,927 |

(b) Non-cash financing activities

| | | |
|--|---------------|--------------|
| During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan | 1,618 | 2,508 |
| During the year, the following distribution receipts were satisfied by the issue of units under the distribution reinvestment plan | 9,795 | 3,660 |
| | 11,413 | 6,168 |

18 Events occurring after end of the financial year

Effective from 1 July 2022, the Scheme changed the frequency of distributions from quarterly to monthly. The first monthly distribution period will be from 1 July 2022 to 31 July 2022.

No other significant events have occurred since the end of the year which would impact on the financial position of the Scheme disclosed in the 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.

19 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments 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 \$4,455,000 (2020: \$2,714,000).

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 36 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 financial statements are in accordance with the Scheme's Constitution, and
- (d) Note 2(a) confirms that the 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 Property Income Fund

Our opinion

In our opinion:

The accompanying financial report of Australian Unity Property Income Fund (the Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Scheme'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 financial report comprises:

- the statement of financial position as at 30 June 2022
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the 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 Scheme 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 Property 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.



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 Scheme 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 Scheme 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/ar4.pdf. This description forms part of our auditor's report.

A stylized, handwritten-style logo for PricewaterhouseCoopers, with the letters 'PricewaterhouseCoopers' written in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'George Sagonas', written over a light blue background.

George Sagonas
Partner

Melbourne
21 October 2022