Australian Unity Healthcare Property Trust

ARSN 092755318

Annual report
for the year ended 30 June 2020

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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 2020.

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 (resigned 1 February 2020, re-appointed 17 July 2020)
David Bryant, Chief Executive Officer, Wealth & Capital Markets and Chief Investment Officer (resigned 12 June 2020)

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 raising
On 21 November 2019, the temporary suspension of applications for the Scheme’s Wholesale units was lifted and a subsequent capital raising was undertaken until 31 December 2019. The Scheme raised approximately $291,000,000 from new and existing investors to fund property acquisitions and its development pipeline. After the capital raising, application for the Scheme’s Wholesale units was again temporarily suspended until further notice.

Acquisition of an aged care portfolio
On 19 December 2019, the Scheme completed the purchase of the first three of six aged care property acquisitions:

- Caravonica Aged Care Facility, 15-17 Lake Placid Road, Caravonica, QLD for a purchase price of $21,869,000 and acquisition costs of $1,812,000;
- Edmonton Gardens Aged Care Facility, 1-15 Bruce Highway, Edmonton, QLD for a purchase price of $21,569,000 and acquisition costs of $1,795,000; and,
- Edge Hill Orchards, Aged Care Facility, 15 Oregon Street, Manoora, QLD for a purchase price of $29,086,000 and acquisition costs of $2,230,000

On 31 January 2020, the Scheme completed the purchase of the remaining three aged care property acquisitions:

- Mount Lofty Toowoomba Aged Care Facility, 69 Stuart Street, Harlaxton, QLD for a purchase price of $23,717,000 and acquisition costs of $2,406,000;
- Cornubia Aged Care Facility, 136-144 Beenleigh Redland Bay Road, Cornubia, QLD for a purchase price of $23,539,000 and acquisition costs of $2,392,000; and,
- Ipswich Aged Care Facility, 41-43 South Street, Ipswich, QLD for a purchase price of $15,000,000 and acquisition costs of $1,393,000.

Review and results of operations (continued)

Acquisition of an aged care portfolio (continued)

The six aged care properties were acquired from Infinite Care under sale and leaseback arrangements with option to repurchase. As a result, under AASB 15 *Revenue from Contracts with Customers* the transactions do not meet the requirements for a sale and under AASB 9 *Financial Instruments* the six properties are recognised as financing receivables which is classified as a financial asset held at fair value through profit or loss in the consolidated statement of financial position. The financing receivable is valued using the discounted cash flow method and the related net rental income received are recorded as a reduction of the financing receivables. Total financing receivables as at 30 June 2020 was $144,131,000.

The aged care acquisitions also comprised the advancement of loans to Infinite Care to finance lessee costs of fitting out of the properties. 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. The total loan receivable as at 30 June 2020 was $86,375,000.

Other property acquisitions

On 5 December 2019, the Scheme completed the purchase of 7 Vidler Avenue, Woy Woy, NSW for a purchase price of $2,400,000 and acquisition costs of $205,000.

On 31 January 2020, the Scheme completed the purchase of 99 Herbert Street, Mornington, VIC for a purchase price of $675,000 and acquisition costs of $43,000.

On 29 May 2020, the Scheme completed the purchase of Lot 907, Corner Eccles and Florey Boulevard, Birtinya QLD for a purchase price of $3,600,000 and acquisition costs of $405,000.

On 15 June 2020, the Scheme completed the purchase of 566 Olsen Avenue, Molendinar QLD for a purchase price of $8,000,000 and acquisition costs of $685,000.

COVID-19

The COVID-19 pandemic was declared a worldwide pandemic by the World Health Organisation in March 2020. The pandemic as well as measures to slow the spread of the virus, has significantly impacted the worldwide and local economies. Healthcare real estate has been more resilient than traditional real estate sectors, however has not been immune to the impacts of the pandemic.

As part of our active management approach and in response to recent property market uncertainty resulting from the COVID-19 pandemic, the Responsible Entity has independently valued 38 investment properties and the 6 aged care properties throughout the June 2020 quarter.

On 7 April 2020, the National Cabinet announced a Mandatory Code of Conduct ("the Code"). The Code was subsequently legislated by all states and territories and stipulates how landlords and tenants should cooperate during this period. Under the Code, small and medium sized commercial tenants that are suffering financial stress or hardship are eligible for rent relief in the form of a rent waiver and rent deferral.

In line with federal and state government guidelines and codes of conduct, the Scheme has agreed rent assistance packages to tenants to facilitate business viability during this period. Whilst approximately 80% of the portfolio are not eligible under the national code, the Scheme has taken a proactive approach to assist tenants during this period. Broadly, agreements have been reached that reflect each tenant's individual circumstances and take the form of a rental waiver and/or deferral or an extension of lease tenure in return for a capital incentive. The Scheme granted $35,000 rent waiver as at 30 June 2020 and has made a $279,000 doubtful debts provision on recognised rental income in the consolidated statement of comprehensive income to reflect the expected outcome of further rent waivers to be granted.

COVID-19 has also impacted aged care operators as aged care facilities were placed under increased restrictions. Infinite Care facilities are located in South Australian and Queensland which to date have been spared of the significant impacts compared to several facilities in New South Wales and Victoria. The six loans (and properties) with Infinite Care are all based in Queensland.

Review and results of operations (continued)

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 $75,160,000 (2019: $43,232,000).

Derivatives

In the current year, the Scheme recognised a net loss on derivative instruments held at fair value through profit or loss of $8,347,000 (2019: loss of $10,196,000).

Results

For the year ended 30 June 2020, the Scheme's:

- Retail units posted a total return of 7.50% (split between a distribution return of 4.23% and a growth return of 3.27%)*
- Wholesale units posted a total return of 7.94% (split between a distribution return of 4.74% and a growth return of 3.20%)*
- Class A units posted a total return of 6.51% (split between a distribution return of 3.94% and a growth return of 2.57%)*

Unit prices (ex distribution) as at 30 June 2020 (2019) are as follows:
Retail units $1.8863 ($1.8266)*
Wholesale units $1.8404 ($1.7833)*
Class A units $1.1933 ($1.1635)*

*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:

	2020 $'000	2019 $'000
Profit before finance costs attributable to unitholders	**96,017**	112,221
Distributions - Retail units		
Distributions paid and payable	**6,722**	7,432
Distributions - Wholesale units		
Distributions paid and payable	**51,857**	37,776
Distributions - Class A units		
Distributions paid and payable	**8,521**	10,038
Distributions - Funding units		
Distributions paid and payable	**-**	7,155

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
On 19 August 2020, the Scheme completed the purchase of 38 & 40 Orth Street, 26 Somerset Street and 1, 3 & 5 Hargrave Street, Kingswood NSW for a combined purchase price of $9,225,000, excluding acquisition costs of $635,000.

On 17 September 2020, Scheme completed the purchase of 734-752 Albany Highway, East Victoria Park WA for a purchase price of $12,530,000, excluding acquisition costs of $639,000.

Since balance date, the impact of COVID-19 pandemic continued to evolve and may have affected specific areas of judgement required for preparing these financial statements.

The Victorian Government announced Stage 4 lockdown for Melbourne from 2 August 2020 and the Federal Government announced an extension to the JobKeeper Payment for a further six months until the end of March 2021.

The Scheme may be required to provide further rent waivers and rent deferrals, especially to those tenants that qualify under the relevant Code legislation.

Property transactions remain subdued with valuation uncertainty remaining.

The Scheme has continued to re-evaluate the significant inputs used to drive property valuations and recoverability of tenants' arrears on a regular basis. Based on these evaluations, the Scheme has determined there is are no material events which would give rise to an adjustment. Based on these evaluations, the Scheme has determined that as at the date of the report there have been no further material events which would give rise to an adjustment.

Other than the matters above, no other matters or circumstance has arisen since 30 June 2020 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.

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 21 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 21 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 9 to the consolidated financial statements.

Units in the Scheme (continued)
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 7.

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

Director

Director

28 September 2020

Auditor's Independence Declaration

As lead auditor for the audit of Australian Unity Healthcare Property Trust for the year ended 30 June 2020, 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
28 September 2020

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Consolidated statement of comprehensive income

	Notes	2020 $'000	2019 $'000
Income			
Rental income	4	**90,924**	93,332
Property expenses	5	**(14,909)**	(14,046)
Net property income		**76,015**	79,286
Interest income	3	**4,514**	758
Distribution income	6	**4,151**	6,492
Net (losses)/gains on financial instruments held at fair value through profit or loss	7	**(34,519)**	8,727
Realised loss on disposal of investment property		**-**	(516)
Net fair value increment of investment properties	15(b)	**74,978**	43,232
Other income		**138**	260
Total income net of property expenses		**125,277**	138,239
Expenses			
Responsible Entity's fees	21	**16,908**	13,732
Borrowing costs		**11,777**	11,777
Other expenses		**575**	509
Total expenses, excluding property expenses		**29,260**	26,018
Profit before finance costs attributable to unitholders		**96,017**	112,221
Finance costs attributable to unitholders			
Distributions to unitholders	10	**(67,100)**	(62,401)
Increase in net assets attributable to unitholders	9	**(28,917)**	(49,820)
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	2020 $'000	2019 $'000
Assets			
Cash and cash equivalents	11	**46,415**	67,935
Receivables	12	**13,913**	5,072
Financial assets held at fair value through profit or loss	13	**199,438**	64,390
Loans receivable	14	**124,021**	17,959
Other assets		**10,954**	3,198
Investment properties	15	**1,815,534**	1,468,513
Total assets		**2,210,275**	1,627,067
Liabilities			
Distributions payable	10	**18,405**	16,949
Payables	16	**19,394**	11,345
Financial liabilities held at fair value through profit or loss	13	**7,180**	9,589
Lease liabilities	15(e)	**3,591**	-
Borrowings	17	**573,289**	269,568
Total liabilities (excluding net assets attributable to unitholders)		**621,859**	307,451
Net assets attributable to unitholders - liability	9	**1,588,416**	1,319,616

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

	2020	2019
	$'000	$'000
Balance at the beginning of the year	**1,319,616**	1,309,504
Profit before finance costs attributable to unitholders	**96,017**	112,221
Distributions to unitholders	**(67,100)**	(62,401)
Applications	**291,993**	614
Units issued transaction cost	**(500)**	-
Redemptions	**(61,426)**	(46,431)
Units issued upon reinvestment of distributions	**9,816**	6,109
Balance at the end of the year	**1,588,416**	1,319,616

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	2020 $'000	2019 $'000
Cash flows from operating activities			
Interest received		**1,396**	84
Distributions and other income received		**3,263**	7,163
Collection of financing receivables		**4,591**	-
Rental income received		**84,865**	91,544
Payments to suppliers		**(34,054)**	(25,775)
Net cash inflow from operating activities	22	**60,061**	73,016
Cash flows from investing activities			
Purchase of investment properties		**(14,675)**	(45,185)
Acquisition costs on purchases of investment properties		**(1,324)**	(2,114)
Payments for additions to owned investment properties		**(236,577)**	(145,610)
Purchase of financial assets held at fair value through profit or loss		**(165,097)**	-
Net funds advanced to tenants for loans		**(86,375)**	-
Loans advanced to related party		**(17,981)**	(10,431)
Payments for potential acquisitions		**(8,603)**	(877)
Proceeds from sale of financial instruments held at fair value through profit or loss		**-**	25,632
Proceeds from sale of investment properties		**-**	27,375
Disposal costs paid from sale of investment properties		**-**	(456)
Net cash outflow from investing activities		**(530,632)**	(151,666)
Cash flows from financing activities			
Proceeds from applications by unitholders		**291,493**	614
Payments for redemptions by unitholders		**(61,426)**	(46,431)
Distributions paid		**(55,828)**	(55,484)
Proceeds from borrowings		**506,000**	174,300
Repayment of borrowings		**(203,800)**	(79,800)
Borrowing costs paid		**(16,450)**	(14,741)
Payment of lease liabilities		**(182)**	-
Interest rate derivative break costs paid		**(10,756)**	-
Net cash inflow/(outflow) from financing activities		**449,051**	(21,542)
Net decrease in cash and cash equivalents		**(21,520)**	(100,192)
Cash and cash equivalents at the beginning of the year		**67,935**	168,127
Cash and cash equivalents at the end of the year	11	**46,415**	67,935

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

Notes to the financial statements

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:

- Primary Health Care Property Trust ("PHPT") which was established by Trust Deed dated 21 December 2015; and,
- Herston SRACC Trust which was established by Constitution dated 20 February 2017.

The consolidated financial statements are for the year 1 July 2019 to 30 June 2020.

The consolidated financial statements were authorised for issue by the directors of the Responsible Entity on 28 September 2020. 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.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New accounting standards and amendments adopted by the Scheme
The Scheme applied the following accounting standard amendment that became mandatory for the first time during the year:

AASB 16 *Leases* sets out the principles for the recognition, measurement, presentation and disclosure of leases. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 and requires enhanced disclosures to be provided by the lessor that will improve information disclosed about the lessor's risk exposure, particularly to residual value risk. As a lessor, the application of AASB 16 does not have a material impact on the Scheme's consolidated financial statements.

As a lessee, AASB 16 requires the recognition of right-of-use assets and lease liabilities on the consolidated financial position with the amortisation of the assets and finance costs of the liabilities to be charged to profit or loss. The Scheme has implemented AASB 16 from 1 July 2019 and the relevant accounting policies have been amended to comply with the new requirements as described in note 2(s).

On 1 July 2019, the Scheme recognised $3,773,000 right-of-use asset (and related lease liabilities of the same amount) on the ground lease at RPAH Medical Centre which is held under long-term leasehold arrangement. The right-of-use asset meet the definition of investment property in AASB 140 *Investment Property* therefore presented in the consolidated statement of financial position as investment properties. Under the modified retrospective approach, the Scheme has not restated prior period comparatives. The carrying value of the lease liability as at 30 June 2020 was $3,591,000. Refer to note 15 for further details.

(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 2020 reporting period and have not been early adopted by the Scheme. None of these are expected to have a material effect on the 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 2020 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.

2 Summary of significant accounting policies (continued)

(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. 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.

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.

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 15. 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.

Expenditure capitalised to properties includes the cost of acquisition, capital and refurbishment additions, lease commissions and incentives, related professional fees incurred and other directly attributable transaction costs.

(d) Financial instruments

(i) Classification

- *Financial assets and liabilities designated at fair value through profit or loss*

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.

2 Summary of significant accounting policies (continued)

(d) 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.

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 the asset (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 asset is derecognised as realised gains or losses on financial instruments.

(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 18 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.

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(iii) Measurement (continued)

- 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.

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 interest expense when the hedge transaction occurs.

2 Summary of significant accounting policies (continued)

(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, and bank overdrafts. 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.

(h) Investment income

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.

Receivables include such items as Reduced Input Tax Credits (RITC) and application monies receivable from unitholders.

2 Summary of significant accounting policies (continued)

(m) Receivables (continued)
The Scheme applies the simplified expected credit loss approach in replacement of the incurred credit loss method. Under the expected credit loss approach, the Scheme estimates the expected lifetime losses to be recognised from initial recognition of the receivables.

The amount of the impairment loss is recognised in the consolidated statement of comprehensive income within other expenses or property expenses, if related to rental income. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against property expenses in the consolidated statement of comprehensive income.

(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.

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.

2 Summary of significant accounting policies (continued)

(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.

(r) Leases as lessor

Rental income
Rental income is recognised on a straight line basis over the lease term.

Contingent rentals, such as turnover rent and market rent adjustments, are recognised as income in the financial year in which they are earned.

Fixed rental increases which do not represent direct compensation for underlying cost increases or capital expenditure are recognised on a straight line basis over the term of the lease.

The rental adjustments resulting from this policy are disclosed in the consolidated financial statements for financial reporting presentation purposes only.

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 on an accruals basis.

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)

(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:

- 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 20.

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.

3 Interest income

	2020 **$'000**	2019 $'000
Cash and cash deposits	**17**	84
Loan receivables	**4,497**	674
	4,514	758

4 Rental income

	2020 $'000	2019 $'000
Rental income	**81,671**	85,162
Outgoings income	**9,253**	8,170
	90,924	93,332

Rental income includes an adjustment for the straight lining of rental income of $(710,000) (2019: $3,430,000).

On 7 April 2020, the National Cabinet announced a Mandatory Code of Conduct (‘the Code’). The Code was subsequently legislated by all states and territories and stipulates how landlords and tenants should cooperate during this period. Under the Code, small and medium sized commercial tenants that are suffering financial stress or hardship are eligible for rent relief in the form of a rent waiver and rent deferral.

A number of the Scheme’s tenants have requested rent relief under the Code. The Scheme has held “good faith” discussions with those tenants and has made a doubtful debt provision (see note 5 and 12) on recognised rental income to reflect the expected outcome of rent waivers to be granted.

5 Property expenses

	2020 $'000	2019 $'000
Recoverable outgoings	**10,265**	9,639
Non-recoverable outgoings	**2,706**	3,609
Doubtful debts provision and bad debts expense	**314**	142
Amortisation of lease commissions & lease incentives	**1,624**	656
	14,909	14,046

The doubtful debts provision and bad debts expense of $314,000 includes doubtful debts provision of $279,000 in relation to expected rent waivers to be granted to tenants under the Code.

6 Distribution income

	2020 $'000	2019 $'000
Related unlisted managed investment schemes	**741**	2,345
Listed property trusts	**3,410**	4,147
	4,151	6,492

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

	2020 $'000	2019 $'000
Listed property trusts	**(13,083)**	13,865
Financing receivables	**(13,047)**	-
Derivatives	**2,409**	(10,196)
Related unlisted managed investment scheme	**(42)**	172
Net unrealised (losses)/gains on financial assets held at fair value through profit or loss	**(23,763)**	3,841
Net realised loss on derivatives - swap break costs	**(10,756)**	-
Listed property trust	**-**	4,930
Related unlisted managed investment scheme	**-**	(44)
Net realised (losses)/gains on financial assets held at fair value through profit or loss	**(10,756)**	4,886
Total net (losses)/gains on financial instruments held at fair value through profit or loss	**(34,519)**	8,727

8 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:

	2020 $	2019 $
Audit services - PricewaterhouseCoopers		
Audit and review of financial statements	**145,000**	115,000
Audit of compliance plan	**2,930**	2,423
	147,930	117,423

9 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. Effective 1 March 2019, the Scheme exchanged Funding units for Wholesale units.

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

Contributed equity	**2020 No. '000**	2019 No. '000	**2020 $'000**	2019 $'000
Opening balance	**806,907**	934,180	**1,048,958**	1,088,666
Retail units				
Applications	**76**	80	**156**	141
Redemptions	**(4,750)**	(3,871)	**(8,972)**	(7,014)
Units issued upon reinvestment of distributions	**1,240**	1,031	**2,250**	1,808
	(3,434)	(2,760)	**(6,566)**	(5,065)
Wholesale units				
Applications	**152,272**	254	**291,781**	459
Redemptions	**(18,329)**	(13,604)	**(33,863)**	(23,975)
Units issued upon reinvestment of distributions	**4,076**	2,363	**7,240**	4,047
Exchange from Funding Units	**-**	139,237	**-**	248,329
Units issued transaction costs	**-**	-	**(500)**	-
	138,019	128,250	**264,658**	228,860
Class A units				
Applications	**46**	12	**56**	14
Redemptions	**(15,594)**	(13,394)	**(18,591)**	(15,442)
Units issued upon reinvestment of distributions	**283**	227	**326**	254
	(15,265)	(13,155)	**(18,209)**	(15,174)
Funding units				
Exchange to Wholesale units	**-**	(239,608)	**-**	(248,329)
Closing balance	**926,227**	806,907	**1,288,841**	1,048,958

9 Net assets attributable to unitholders (continued)

	2020 $'000	2019 $'000
Undistributed income		
Opening balance	**270,658**	220,838
Increase in net assets attributable to unitholders	**28,917**	49,820
Closing balance	**299,575**	270,658
Total net assets attributable to unitholders	**1,588,416**	1,319,616

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.

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.

On 21 November 2019, the temporary suspension of applications for the Scheme’s Wholesale units was lifted and a subsequent capital raising was undertaken until 31 December 2019. The Scheme raised approximately $291,000,000 from new and existing investors to fund property acquisitions and its development pipeline. After the capital raising, application for the Scheme’s Wholesale units was again temporarily suspended until further notice.

10 Distributions to unitholders

The distributions for the year were as follows:

	2020 $'000	2020 CPU	2019 $'000	2019 CPU
Distributions - Retail units				
30 September	**1,620**	**1.7970**	1,843	1.9840
31 December	**1,623**	**1.8180**	1,827	1.9770
28 February	**-**	**-**	1,083	1.1810
31 March	**1,661**	**1.8770**	670	0.7290
30 June (payable)	**1,818**	**2.0800**	2,009	2.2120
	6,722		7,432	
Distributions - Wholesale units				
30 September	**10,347**	**2.0050**	8,222	2.1380
31 December	**13,692**	**2.0550**	8,168	2.1410
28 February	**-**	**-**	4,906	1.2890
31 March	**13,458**	**2.0280**	4,095	0.7870
30 June (payable)	**14,360**	**2.1920**	12,385	2.3950
	51,857		37,776	
Distributions - Class A units				
30 September	**2,118**	**1.0860**	2,553	1.2150
31 December	**2,071**	**1.0800**	2,533	1.2280
28 February	**-**	**-**	1,505	0.7380
31 March	**2,105**	**1.1280**	892	0.4390
30 June (payable)	**2,227**	**1.2120**	2,555	1.2840
	8,521		10,038	
Distributions - Funding units				
30 September	**-**	**-**	2,607	1.0880
28 December	**-**	**-**	2,540	1.0600
31 March	**-**	**-**	2,008	0.8380
	-		7,155	
Total distributions	**67,100**		62,401	

11 Cash and cash equivalents

	2020 $'000	2019 $'000
Cash at bank	**5,596**	18,361
Cash management trusts	**40,819**	49,574
	46,415	67,935

12 Receivables

	2020 $'000	2019 $'000
Trade receivables	**8,441**	1,575
Distributions receivables	**1,762**	915
GST receivables	**2,578**	2,582
Interest receivables	**1,411**	-
Doubtful debts provision	**(279)**	-
	13,913	5,072

The Scheme has followed the Code as implemented by each state and territory. A number of the Scheme's tenants have requested rent relief under the Code. Whilst the Scheme has held "good faith' discussions with those tenants, as at 30 June 2020 only $35,000 rent relief had been granted. The Scheme made a doubtful debts provision of $279,000 on recognised rental income receivables to reflect the expected outcome of rent waivers to be granted (see notes 4 and 5).

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

	2020 $'000	2019 $'000
Listed property trusts	**55,307**	64,390
Financing receivables	**144,131**	-
Total financial assets held at fair value through profit or loss	**199,438**	64,390
Derivatives	**7,180**	9,589
Total financial liabilities held at fair value through profit or loss	**7,180**	9,589

Financing receivables represent the fair value of financial assets recognised on the Scheme's acquisition of the six aged care properties from Infinite Care. The properties were acquired 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*.

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

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

	Acquisition Date	Independent valuation date	Independent valuation amount $'000	Independent valuer	Carrying value 2020 $'000	Carrying value 2019 $'000
Edge Hill Orchards Aged Care Facility, 15 Oregon Street, Manoora, QLD	19/12/2019	30/06/2020	30,817	JLL	**30,817**	-
Caravonica Aged Care Facility, 15-17 Lake Placid Road, Caravonica, QLD	19/12/2019	30/06/2020	24,716	JLL	**24,716**	-
Edmonton Gardens Aged Care Facility, 1-15 Bruce Highway, Edmonton, QLD	19/12/2019	30/06/2020	24,677	JLL	**24,677**	-
Mount Lofty Toowoomba Aged Care Facility, 69 Stuart Street, Harlaxton QLD	31/01/2020	30/06/2020	23,733	JLL	**23,733**	-
Cornubia Aged Care Facility, 136-144 Beenleigh Redland Bay Road, Cornubia	31/01/2020	30/06/2020	23,569	JLL	**23,569**	-
Ipswich Aged Care Facility, 41-43 South Street, Ipswich QLD	31/01/2020	30/06/2020	16,619	JLL	**16,619**	-
Total			**144,131**		**144,131**	-

Financing receivables are independently valued using discounted cash flow method.

The Scheme also independently valued the above listed aged care facilities on 22 May 2020 using the valuation technique used for investment properties and the total valuation amount was $145,450,000.

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 19.

COVID-19 has also impacted aged care operators as aged care facilities were placed under increased restrictions. The six properties with Infinite Care are all based in Queensland which to date have been spared of the significant impacts compared to several facilities in New South Wales and Victoria. Infinite Care have not requested for rent relief under the Code.

14 Loan receivables

	2020 $'000	2019 $'000
Loans to related party	**37,646**	17,959
Loans to tenants	**86,375**	-
	124,021	17,959

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 2020, 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 2020 (2019: $nil)

Loans to tenants comprises six loans to Infinite Care advanced when the aged care properties were acquired (refer to note 13). 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. During the year, total principal repayment was $5,057,000.

15 Investment properties

(a) Property details

	Type	Ownership (%)	Acquisition date	Independent valuation date	Independent valuation amount $'000	Independent valuer	Carrying value 2020 $'000	Carrying value 2019 $'000
Herston Quarter - Surgical Treatment and Rehabilitaion Service (STARS), Herston QLD	Hospitals Under Development	100	22/02/2017	22/05/2020	371,000	JLL	**395,728**	189,000
Peninsula Private Hospital, Langwarrin, VIC	Hospital	100	14/07/2006	22/05/2020	206,000	JLL	**206,221**	157,870
Mulgrave Private Hospital, Dandenong North, VIC	Hospital	100	07/07/1999	23/06/2020	132,500	CBRE	**132,500**	121,005
Beleura Private Hospital and Clinic, Mornington, VIC *	Hospital	100	07/07/1999	27/04/2020	97,000	CBRE	**97,106**	91,035
RPAH Medical Centre, Newton, NSW	Medical Centre	100	01/07/2002	27/04/2020	94,000	Colliers	**94,615**	86,188
15 Butterfield Street, Herston, Brisbane, QLD	Medical Centre	100	11/04/2016	21/08/2019	81,500	Knight Frank	**81,551**	80,899
8 Herbert Street, St Leonards, NSW	Medical Centre	100	05/12/2013	22/05/2020	69,500	Colliers	**69,511**	62,042
103 Victoria Parade, Collingwood VIC	Medical Centre	100	20/06/2016	21/02/2020	52,750	CBRE	**52,760**	48,500
Brisbane Waters Private Hospital, Woy Woy, NSW	Hospital	100	21/07/2014	22/05/2020	52,300	Valued Care	**52,300**	47,755
Brunswick Private Hospital, Brunswick, VIC	Hospital	100	17/08/2009	22/05/2020	43,750	Valued Care	**43,897**	38,452
310 Selby Road North, Osborne Park, WA	Medical Centre	100	20/06/2016	21/02/2020	41,000	CBRE	**41,435**	40,000
Robina Private Hospital, Robina, QLD	Hospital	100	17/06/2015	23/06/2020	40,960	Valued Care	**40,960**	37,513
Manningham Medical Centre, Templestowe Lower, VIC	Medical Centre	100	29/07/2008	21/02/2020	39,650	m3property	**40,648**	38,345
Primary Greensborough Medical Centre, Greensborough, VIC	Medical Centre	100	01/04/2016	21/02/2020	33,300	JLL	**33,305**	31,600
Sunshine Private Hospital and Western Day Surgery **	Hospital	100	11/07/2017	22/05/2020	32,500	CBRE	**32,506**	36,417
Western Hospital, Henley Beach, QLD	Hospital	100	12/11/2018	22/05/2020	29,400	CBRE	**31,499**	23,335
Campus Alpha, Robina, QLD	Hospital	100	28/07/2016	21/02/2020	27,000	CBRE	**27,027**	27,434
Tuggerah Lakes Private Hospital, Kanwal, NSW	Hospital	100	31/01/2017	22/05/2020	26,400	Valued Care	**26,402**	25,323
Constitution Hill Aged Care, Northmead, NSW	Aged Care	100	22/12/2008	27/04/2020	23,000	JLL	**23,087**	17,318
North Shore Specialist Day Hospital, Greenwich, NSW	Medical Centre	100	21/08/2008	22/05/2020	22,750	Colliers	**22,907**	21,918
Hunters Hill Private Hospital, Hunters Hill, NSW	Hospital	100	31/10/2000	27/04/2020	22,500	JLL	**22,505**	20,875
Townsville Private Clinic, Townsville, QLD	Hospital	100	20/10/2014	21/02/2020	20,850	JLL	**21,894**	19,000
HIS Diagnostic Imaging Centre, Richmond, VIC	Medical Centre	100	23/12/2015	27/04/2020	21,000	CBRE	**21,010**	20,150
Berkeley Vale Private Hospital, Berkeley Vale, NSW	Hospital	100	31/10/2000	27/04/2020	20,200	Valued Care	**20,238**	19,724
The Eye Centre, 2 Short St, Southport, QLD	Medical Centre	100	17/05/2019	22/05/2020	17,300	m3property	**17,286**	17,820
Primary Robina Medical Centre, Robina QLD	Medical Centre	100	20/04/2016	23/06/2020	17,000	Valued Care	**17,000**	15,800
Figtree Private Hospital, Figtree, NSW	Hospital	100	31/10/2000	27/04/2020	16,850	JLL	**16,845**	20,645
Primary Corrimal Medical Centre, 46-50 Underwood Street, Corrimal, NSW	Medical Centre	100	23/12/2015	23/06/2020	15,900	CBRE	**15,900**	15,400
Gosford Private Medical Centre, NSW	Medical Centre	100	02/04/2015	22/05/2020	15,000	Colliers	**15,000**	14,450
Ipswich Medical Centre and Day Hospital, QLD	Medical Centre	100	31/05/2007	22/05/2020	14,500	CBRE	**14,505**	13,865

15 Investment properties (continued)

(a) Property details (continued)

	Type	Ownership	Acquisition Date	Independent valuation date	Independent valuation amount	Independent valuer	Carrying value 2020	Carrying value 2019
		(%)			$'000		$'000	$'000
Mackay Medical Centre and Day Hospital, Mackay, QLD	Medical Centre	100	08/05/2007	22/05/2020	13,150	CBRE	**13,158**	12,206
14 Highfields Circuit, Port Macquarie, NSW	Medical Centre	100	15/03/2018	22/05/2020	11,800	JLL	**11,800**	11,700
1 and 3 Addison Road, Pennington	Medical Centre	100	11/05/2018	21/02/2020	9,100	JLL	**9,100**	8,504
566 Olsen Avenue, Molendinar, QLD	Assets held pending development	100	15/06/2020	20/03/2020	8,000	CBRE	**8,685**	-
80-82 Bridge Road, Richmond, VIC	Medical Centre	100	23/12/2015	21/02/2020	8,300	CBRE	**8,327**	8,424
Eureka Medical Centre, Ballarat, VIC	Medical Centre	100	12/09/2005	27/04/2020	8,000	CBRE	**8,008**	7,880
Herston Private Hospital, Herston, QLD	Assets held pending development	100	24/05/2018	21/02/2020	6,565	Valued Care	**6,565**	8,218
34 Investigator Drive, Robina, QLD	Assets held pending development	100	28/07/2016	21/02/2020	4,240	CBRE	**4,246**	3,713
Lot 907, cnr Eccles and Florey Boulevard, Oceanside Health Club, Britinya, QLD	Assets held pending development	100	29/05/2020	30/09/2019	3,600	Knight Frank	**4,006**	-
7 Vidler Avenue, Woy Woy, NSW	Assets held pending development	100	05/12/2019	22/05/2020	2,400	Valued Care	**2,400**	-
70 Moreland Rd, Brunswick, VIC	Assets held pending development	100	12/11/2018	22/05/2020	1,200	Valued Care	**1,200**	1,913
93 Davies St, Brunswick, VIC	Assets held pending development	100	15/01/2019	22/05/2020	910	Valued Care	**910**	969
101 Herbert Street, Mornington, VIC	Assets held pending development	100	12/12/2014	27/04/2020	775	CBRE	**775**	860
24 Gillon Court, St Albans, VIC	Assets held pending development	100	26/06/2019	22/05/2020	750	CBRE	**750**	1,168
99 Herbert Street, Mornington, VIC	Assets held pending development	100	31/01/2020	27/04/2020	675	CBRE	**675**	-
103 Herbert Street, Mornington, VIC	Assets held pending development	100	15/01/2015	27/04/2020	675	CBRE	**675**	550
105 Herbert Street, Mornington, VIC	Assets held pending development	100	15/01/2015	27/04/2020	675	CBRE	**675**	550
15 Dwyer Avenue, Woy Woy, NSW	Assets held pending development	100	21/12/2017	22/05/2020	580	Valued Care	**580**	725
651 Pacific Highway, Kanwal, NSW	Assets held pending development	100	09/05/2018	22/05/2020	570	Valued Care	**570**	700

15 Investment properties (continued)

(a) Property details (continued)

	Type	Ownership %	Acquisition Date	Independent valuation date	Independent valuation amount $'000	Independent valuer	Carrying value 2020 $'000	Carrying value 2019 $'000
3 Wiowera Street, Kanwal, NSW	Assets held pending development	100	13/09/2017	22/05/2020	350	Valued Care	**350**	380
1 Wiowera Street, Kanwal, NSW	Assets held pending development	100	30/04/2018	22/05/2020	340	Valued Care	**340**	375
Total					**1,780,015**		**1,811,943**	1,468,513
Add: Investment property leaseholds ***							**3,591**	-
Total investment properties							**1,815,534**	1,468,513

** includes 95 Herbert Street, Mornington, VIC*
*** includes 2 and 4 Ginifer Court, St Albans, VIC, 13 and 15 Gillon Court, St Albans, VIC*
**** 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. Under the modified retrospective approach, the Scheme has not restated prior period comparatives. The carrying value of the lease liability as at 30 June 2020 was $3,591,000 refer to note 15(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.

The investment properties valuation policy is included in note 20.

(b) Movements in carrying amount

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

	2020 $'000	2019 $'000
Opening balance	**1,468,513**	1,251,269
Acquisitions	**16,013**	47,475
Additions	**248,402**	147,038
Capitalised borrowing costs	**6,189**	4,616
Lease commissions and incentives amortisation	**(1,624)**	(656)
Revaluation movements	**74,978**	43,232
Straight-lining of rental income	**(710)**	3,430
Initial recognition of right of use asset	**3,773**	-
Disposal	**-**	(27,375)
Realised loss on disposal	**-**	(516)
Closing balance	**1,815,534**	1,468,513

15 Investment properties (continued)

(b) Movements in carrying amount (continued)

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

On 5 December 2019, the Scheme completed the purchase of 7 Vidler Avenue, Woy Woy, NSW for a purchase price of $2,400,000 and acquisition costs of $205,000.

On 31 January 2020, the Scheme completed the purchase of 99 Herbert Street, Mornington, VIC for a purchase price of $675,000 and acquisition costs of $43,000.

On 29 May 2020, the Scheme completed the purchase of Lot 907, Corner Eccles and Florey Boulevard, Birtinya, QLD for a purchase price of $3,600,000 and acquisition costs of $405,000.

On 15 June 2020, the Scheme completed the purchase of 566 Olsen Ave, Molendinar, QLD for a purchase price of $8,000,000 and acquisition costs of $685,000.

(c) Contractual obligations

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

	2020 $'000	2019 $'000
Within one year	**83,161**	203,357
Later than one year but not later than 5 years	**12,366**	40,188
	95,527	243,545

The Scheme's share of capital commitments will be funded using the Scheme's cash and cash equivalents and debt facility. Refer to notes 11 and 17, respectively.

15 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:

	2020 $'000	2019 $'000
Within one year	**76,575**	79,689
Later than one year but not later than 5 years	**271,691**	261,727
Later than 5 years	**821,167**	739,580
	1,169,433	1,080,996

(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 2020 $'000	30 June 2019 $'000
Opening balance	**3,773**	-
Interest charge on lease liabilities	**162**	-
Lease payments	**(344)**	-
Closing balance	**3,591**	-

16 Payables

	2020 $'000	2019 $'000
Trade payables	**729**	1,558
Rent received in advance	**1,402**	1,399
Accrued expenses	**16,348**	7,560
GST payables	**915**	828
	19,394	11,345

17 Borrowings

	2020 $'000	2019 $'000
Bank loan	**577,300**	275,100
Unamortised borrowing costs	**(4,011)**	(5,532)
	573,289	269,568

The Scheme had access to:

	2020 $'000	2019 $'000
Credit facilities		
Cash advance facilities	**740,000**	740,000
Drawn balance	**(577,300)**	(275,100)
Undrawn balance	**162,700**	464,900

The bank loan comprises four tranches:

- Tranche A is a $220,000,000 (2019: $220,000,000) facility expiring on 22 January 2023;
- Tranche B is a $320,000,000 (2019: $320,000,000) facility expiring on 22 January 2023;
- Tranche C is a $100,000,000 (2019: $100,000,000) facility expiring on 22 January 2023; and
- Tranche D is a $100,000,000 (2019: $100,000,000) facility expiring on 22 January 2025.

The facility is secured by a first registered mortgage over most of the Scheme's properties, and is non-recourse to unitholders.

Reconciliations of the net debt are set out below:

	2020 $'000	2019 $'000
Analysis of changes in consolidated net debt		
Opening balance	**207,165**	12,473
Proceeds from borrowings	**302,200**	94,500
Other cash movements	**21,520**	100,192
Closing balance	**530,885**	207,165
Bank loan	**577,300**	275,100
Cash and cash equivalents	**(46,415)**	(67,935)
Consolidated net debt	**530,885**	207,165

18 Derivative financial instruments

2020	**Contract/notional $'000**	**Fair values Assets $'000**	**Fair values Liabilities $'000**
Interest rate swaps			
Maturing on 30 November 2021 at a fixed rate of 0.796%	**33,000**	-	**305**
Maturing on 30 November 2021 at a fixed rate of 0.796%	**33,000**	-	**297**
Maturing on 30 November 2021 at a fixed rate of 0.796%	**33,000**	-	**297**
Maturing on 24 February 2022 at a fixed rate of 0.786%	**33,000**	-	**335**
Maturing on 24 February 2022 at a fixed rate of 0.786%	**33,000**	-	**335**
Maturing on 24 February 2022 at a fixed rate of 0.786%	**33,000**	-	**335**
Maturing on 1 May 2023 at a fixed rate of 0.853%	**20,000**	-	**354**
Maturing on 1 May 2023 at a fixed rate of 0.853%	**20,000**	-	**354**
Maturing on 1 May 2023 at a fixed rate of 0.853%	**20,000**	-	**354**
Maturing on 29 November 2024 at a fixed rate of 0.975%	**50,000**	-	**1,411**
Maturing on 29 November 2024 at a fixed rate of 0.975%	**50,000**	-	**1,395**
Maturing on 29 November 2024 at a fixed rate of 0.980%	**50,000**	-	**1,408**
	408,000	-	**7,180**

2019	Contract/notional $'000	Fair values Assets $'000	Fair values Liabilities $'000
Interest rate swaps			
Maturing on 4 November 2021 at a fixed rate of 2.074%	50,000	-	1,211
Maturing on 4 November 2021 at a fixed rate of 2.085%	50,000	-	1,166
Maturing on 4 November 2021 at a fixed rate of 2.085%	50,000	-	1,223
Maturing on 15 January 2023 at a fixed rate of 2.250%	33,000	-	1,403
Maturing on 15 January 2023 at a fixed rate of 2.250%	33,000	-	605
Maturing on 15 January 2023 at a fixed rate of 2.250%	33,000	-	1,380
	249,000	-	6,988
Forward dated interest swap contracts			
Commencing 16 December 2019 maturing on 15 December 2022 at a fixed rate of 1.865%	25,000	-	616
Commencing 16 December 2019 maturing on 16 December 2022 at a fixed rate of 1.850%	25,000	-	1,380
Commencing 16 December 2019 maturing on 15 December 2022 at a fixed rate of 1.850%	25,000	-	605

18 Derivative financial instruments (continued)

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 hedge future interest payments on the Scheme's borrowings.

A net unrealised loss of $8,347,000 (2019: loss of $10,196,000) relating to the change in the fair value of the Scheme's interest rate swap contracts and interest rate derivative break costs of $10,756,000 (2019: $nil) were recognised in the consolidated statement of comprehensive income during the year ended 30 June 2020.

19 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.

19 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk (continued)

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.

	2020	2019
	$'000	$'000
Assets		
Listed property trusts	**55,307**	64,390
Total exposure	**55,307**	64,390

Sensitivity	**Impact on profit and net assets attributable to unitholders**	
	2020	2019
	$'000	$'000
Securities prices + 25% (2019: +10%)	**13,827**	6,439
Securities prices - 25% (2019: -10%)	**(13,827)**	(6,439)

(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 may apply hedging across its differing interest rate exposures and utilises interest rate swaps, to exchange floating interest rates to fixed interest rates, to manage its exposure. Compliance with policy is reviewed regularly by management and is reported to the Board each meeting.

19 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

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:

		Fixed interest rate					
2020	**Floating interest rate $'000**	**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	**46,415**	**-**	**-**	**-**	**-**	**-**	**46,415**
Receivables	**-**	**-**	**-**	**-**	**-**	**13,913**	**13,913**
Financial assets held at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**199,438**	**199,438**
Loan receivables	**-**		**37,646**	**86,375**	**-**	**-**	**124,021**
Total financial assets	**46,415**	**-**	**37,646**	**86,375**	**-**	**213,351**	**383,787**
Liabilities							
Distribution payable	**-**	**-**	**-**	**-**	**-**	**18,405**	**18,405**
Payables	**-**	**-**	**-**	**-**	**-**	**19,394**	**19,394**
Financial liabilities held at fair value through profit or loss*	**(408,000)**	**-**	**-**	**-**	**-**	**-**	**(408,000)**
Lease liabilities		**47**	**97**	**39**	**3,408**	**-**	**3,591**
Borrowings	**577,300**	**-**	**-**	**-**	**-**	**-**	**577,300**
Total financial liabilities	**169,300**	**47**	**97**	**39**	**3,408**	**37,799**	**210,690**
Net financial assets/(liabilities)	**(122,885)**	**(47)**	**37,549**	**86,336**	**(3,408)**	**175,552**	**173,097**

		Fixed interest rate					
2019	Floating interest rate $'000	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	67,935	-	-	-	-	-	67,935
Receivables	-	-	-	-	-	23,031	23,031
Financial assets held at fair value through profit or loss	-	-	-		-	64,390	64,390
Loan receivables	-	-	-	17,959	-	-	17,959
Total financial assets	67,935	-	-	17,959	-	87,421	173,315
Liabilities							
Distribution payable	-	-	-	-	-	16,949	16,949
Payables	-	-	-	-	-	22,345	22,345
Financial liabilities held at fair value through profit or loss*	(249,000)	-	-	-	-	-	(249,000)
Borrowings	275,100	-	-	-	-	-	275,100
Total financial liabilities	26,100	-	-	-	-	39,294	65,394
Net financial assets/(liabilities)	41,835	-	-	17,959	-	48,127	107,921

**Represents the notional principal amounts.*

19 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

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	
	2020	2019
Sensitivity	**$'000**	$'000
Interest rate +1.00% (2019: +0.50%)	**(1,229)**	209
Interest rate -1.00% (2019: -0.50%)	**1,229**	(209)

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.

19 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.

2020	**Less than 1 year $'000**	**1-2 years $'000**	**2-3 years $'000**	**3+ years $'000**
Distributions payable	**18,405**	**-**	**-**	**-**
Payables	**19,394**	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss	**3,129**	**3,129**	**2,042**	**877**
Lease liabilities	**298**	**160**	**160**	**10,240**
Borrowings	**-**	**-**	**477,300**	**100,000**
Net assets attributable to unitholders	**1,588,416**	**-**	**-**	**-**
Total financial liabilities	**1,629,642**	**3,289**	**479,502**	**111,117**

19 Financial risk management (continued)

(d) Liquidity risk (continued)

Maturities analysis of financial liabilities (continued)

2019	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3+ years $'000
Distributions payable	16,949	-	-	-
Payables	11,345	-	-	-
Financial liabilities at fair value through profit or loss	2,613	2,838	1,984	793
Borrowings	-	-	-	275,100
Net assets attributable to unitholders	1,319,616	-	-	-
Total financial liabilities	1,350,523	2,838	1,984	275,893

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 2020, these assets amounted to $101,722,000 (2019: $132,325,000).

Investment in Australian Unity Wholesale Cash Fund and Australian Unity Sustainable Enhanced Cash 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 20.

20 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.

20 Fair value hierarchy (continued)

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.

2020	**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	**55,307**	**-**	**-**	**55,307**
Financing receivables	**-**	**-**	**141,131**	**141,131**
Total financial assets	**55,307**	**-**	**141,131**	**196,438**
Non-financial assets				
Investment properties	**-**	**-**	**1,815,534**	**1,815,534**
Total non-financial assets	**-**	**-**	**1,815,534**	**1,815,534**
Financial liabilities				
Financial liabilities held at fair value through profit or loss				
Derivatives	**-**	**7,180**	**-**	**7,180**
Total financial liabilities	**-**	**7,180**	**-**	**7,180**

2019	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	64,390	-	-	64,390
Total financial assets	64,390	-	-	64,390
Non-financial assets				
Investment properties	-	-	1,468,513	1,468,513
Total non-financial assets	-	-	1,468,513	1,468,513
Financial liabilities				
Financial liabilities held at fair value through profit or loss				
Derivatives	-	9,589	-	9,589
Total financial liabilities	-	9,589	-	9,589

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. (2019: $nil)

20 Fair value hierarchy (continued)

(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 is 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 is 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.

(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.

20 Fair value hierarchy (continued)

As part of our active management approach and in response to recent property market uncertainty resulting from the COVID-19 pandemic, the Responsible Entity have independently valued 38 investment properties and the 6 aged care facilities throughout the June 2020 quarter.

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 independent valuations were therefore stated on the basis of "material valuation uncertainty" as per VPS3 and VPGA10 of the Royal Institution of Chartered Surveyors Valuation - Global Standards (Red Book Global) and “Valuation Protocol - Significant Valuation Uncertainty” as per the Australian Property Institute.

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 15(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	**2020**	2019	**Relationship of inputs to fair value**
Weighted average capitalisation rate (%)	**5.82%***	6.18%	The higher the capitalisation rate, the lower the fair value.
Occupancy rate by income (%)	**98.20%***	98.52%	The higher the occupancy rate, the higher the fair value.
Weighted average lease expiry (years)	**14.48 years***	12.59 years	The higher the lease expiry, the higher the fair value.

*Includes the Infinite Care aged care properties classified as investment properties for unit pricing and management reporting purposes.

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 properties:

Valuation inputs	**2020**	2019	**Relationship of inputs to fair value**
Weighted average terminal capitalisation rate (%)	**7.39%**	-	The higher the capitalisation rate, the lower the fair value.
Weighted average discount rate (%)	**7.39%**	-	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 15. 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.

20 Fair value hierarchy (continued)

(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.

Borrowings and loan receivables are 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. The fair value of borrowings and loan receivables approximates the carrying amount.

21 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 (resigned 1 February 2020, re-appointed 17 July 2020)
David Bryant, Chief Executive Officer, Wealth & Capital Markets and Chief Investment Officer (resigned 12 June 2020)

(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.

Responsible Entity's fees and other transactions

The Responsible Entity is entitled to receive fees monthly calculated daily by reference to the gross 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 amounts payable at 30 June 2020 between the Scheme and the Responsible Entity were as follows:

	2020 **$**	2019 $
Management fees for the year paid/payable by the Scheme to the Responsible Entity	**13,114,112**	10,061,604
Administration expenses incurred by the Responsible Entity which are reimbursed in accordance with the Scheme's Constitution	**3,794,084**	3,670,206
Fees rebated by the Responsible Entity for the Scheme's investments in other schemes managed by the Responsible Entity	**138,202**	260,381
Aggregate amounts payable to the Responsible Entity at the end of the year	**919,711**	1,066,147

21 Related party transactions (continued)

Responsible Entity's fees and other transactions (continued)

(a) Other related party transactions
Australian Unity Property Management Pty Ltd
Australian Unity Property Management Pty Ltd ("AUPML") 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 2020 was $157,229 (2019: $2,647,899). Total accrued fees payable to AUPML as at 30 June 2020 was $5,600 (2019: $1,676,247).

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 $261,998 (2019: $303,292).

The Scheme provides loans to Herston Car Park Company Ltd ("HCPC") to provide funding for the development of the car park and a portion of the common area associated with the Herston Quarter redevelopment. The total loan receivable from HCPC as at 30 June 2020 was $37,645,747 (2019: $17,959,231), which includes total interest income capitalised during the year of $1,705,816 (2019: $673,759). The Scheme expects repayment of the loan following the completion of development works on specialist public health facility.

Constitution Hill Aged Care
The Scheme charged Australian Unity Care Services Pty Limited (ACN 065 558 134) (“AUCSPL”) total rent of $1,881,732 (2019: $1,848,333) during the year, of which $nil (2019: $nil) remains receivable as at 30 June 2020.

The Responsible Entity, AUPML, the Developer, HCPC 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.

21 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:

2020

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	**5,527**	**4,168**	**7,723**	**0.48**	**2,425**	**(3,784)**	**523**
Lifeplan Australian Family Society Limited	**-**	**2,700**	**5,003**	**0.31**	**2,700**	**-**	**59**
AUFM Managed Fund No 2	**1,928**	**1,465**	**2,715**	**0.17**	**79**	**(542)**	**152**
AUFM Managed Fund No 3	**1,791**	**893**	**1,655**	**0.10**	**55**	**(953)**	**109**
AUFM Managed Fund No 1	**444**	**334**	**620**	**0.04**	**16**	**(126)**	**34**
Total	**9,690**	**9,560**	**17,716**	**1.10**	**5,275**	**(5,405)**	**877**

2019

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	6,197	5,527	9,938	0.75	1,310	(1,980)	472
AUFM Managed Fund No 2	2,076	1,928	3,467	0.26	347	(495)	165
AUFM Managed Fund No 3	2,031	1,791	3,222	0.24	453	(693)	153
AUFM Managed Fund No 1	515	444	799	0.06	127	(198)	38
Total	10,819	9,690	17,426	1.31	2,237	(3,366)	828

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

21 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:

2020	**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	**23,297**	**14,158**	**14,158**	**2.57**	**334,353**	**(343,490)**	**335**
Australian Unity Sustainable Enhanced Cash Fund	**26,144**	**26,568**	**26,661**	**5.47**	**424**	**-**	**406**
	49,441	**40,726**	**40,819**		**334,777**	**(343,490)**	**741**

2019	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	123,474	23,297	23,297	4.36	251,395	(351,572)	1,453
Australian Unity Sustainable Enhanced Cash Fund	41,813	26,144	26,277	6.13	946	(16,615)	892
	165,287	49,441	49,574		252,341	(368,187)	2,345

Distributions received/receivable includes an amount of $31,954 (2019: $122,191) which remains unpaid at the end of the year.

22 Reconciliation of profit to net cash inflows from operating activities

	2020 $'000	2019 $'000
Increase in net assets attributable to unitholders	**28,917**	49,820
Distribution to unitholders	**67,100**	62,401
Add back interest expenses and debt establishment costs	**11,777**	11,777
Add back interest rate derivatives break costs paid	**10,756**	-
Change in fair value of the investment properties - revaluation increment	**(74,978)**	(43,232)
Net losses/(gains) on financial instruments	**23,763**	(8,727)
Realised loss on sale of investment property	**-**	516
(Increase)/decrease in receivables	**(8,841)**	1,001
(Decrease)/increase in accounts payable/liabilities	**(2,591)**	3,536
Increase in other assets	**(973)**	(281)
Effect of valuation changes on cash equivalent	**(41)**	127
Adjustment to net lease incentives and straight line rental	**2,287**	(3,248)
Capitalised interest income	**(1,706)**	(674)
Collection of financing receivables	**4,591**	-
Net cash inflows from operating activities	**60,061**	73,016

23 Parent entity financial information

Statement of financial position	2020 $'000	2019 $'000
Cash and cash equivalents	**45,653**	67,330
Receivables	**15,894**	322
Loan receivables	**86,375**	-
Financial assets held at fair value through profit or loss	**199,438**	64,390
Other assets	**10,702**	2,516
Investment in subsidiaries	**537,671**	323,976
Investment properties	**1,303,364**	1,167,934
Total assets	**2,199,097**	1,626,468
Distributions payable	**18,405**	16,949
Payables	**8,216**	10,751
Financial liabilities held at fair value through profit or loss	**7,180**	9,589
Lease liabilities	**3,591**	-
Borrowings	**573,289**	269,568
Total liabilities (excluding net assets attributable to unitholders)	**610,681**	306,857
Net assets attributable to unitholders	**1,588,416**	1,319,611

23 Parent entity financial information (continued)

Statement of comprehensive income	**2020 $'000**	2019 $'000
Profit before finance costs attributable to unitholders	**96,017**	112,221
Finance costs attributable to unitholders		
Distributions to unitholders	**(67,100)**	(62,401)
Increase in net assets attributable to unitholders	**(28,917)**	(49,820)
Total comprehensive income for the year	**-**	-

24 Events occurring after end of the financial year

On 19 August 2020, the Scheme completed the purchase of 38 & 40 Orth Street, 26 Somerset Street and 1, 3 & 5 Hargrave Street, Kingswood NSW for a combined purchase price of $9,225,000, excluding acquisition costs of $635,000.

On 17 September 2020, the Scheme completed the purchase of 734-752 Albany Highway, East Victoria Park WA for a purchase price of $12,530,000, excluding acquisition costs of $639,000.

Since balance date, the impact of COVID-19 pandemic continued to evolve and may have affected specific areas of judgement required for preparing these financial statements.

The Victorian Government announced Stage 4 lockdown for Melbourne from 2 August 2020 and the Federal Government announced an extension to the JobKeeper Payment for a further six months until the end of March 2021.

The Scheme may be required to provide further rent waivers and rent deferrals, especially to those tenants that qualify under the relevant Code legislation.

Property transactions remain subdued with increased valuation uncertainty remaining.

The Scheme has continued to re-evaluate the significant inputs used to drive property and financing receivables valuations and recoverability of tenants' arrears and loans on a regular basis. Based on these evaluations, the Scheme has determined that as at the date of the report there have been no further material events which would give rise to an adjustment.

Other than the matters above, the directors of the Responsible Entity are not aware of any other matters or circumstances arising since 30 June 2020 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 2020 or on the results and cash flows of the Scheme for the year ended on that date.

25 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities as at 30 June 2020 and 30 June 2019.

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 $95,527,000 (2019: $243,545,000).

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) The consolidated financial statements and notes set out on pages 8 to 51 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 2020 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.

Director

Director

28 September 2020

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 2020 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 2020
- 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 a summary of significant accounting policies
- 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 and 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 2020, 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 determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors 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
28 September 2020