Directors’ report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Australian Unity Limited (Parent entity or Company) and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Directors

The following persons were directors of Australian Unity Limited during the whole of the financial year and up to the date of this report (unless otherwise stated):

- Peter Promnitz, Chair (appointed Chair 30 March 2016)
- Rohan Mead, Group Managing Director & CEO
- Melinda Cilento, Non-executive Director
- Paul Kirk, Non-executive Director (appointed 1 February 2016)
- Su McCluskey, Non-executive Director (appointed 1 September 2015)
- Stephen Maitland, Non-executive Director
- Greg Willcock, Non-executive Director
- Glenn Barnes, (Chair, retired 30 March 2016)
- Eve Crestani, (Non-executive Director, retired 29 February 2016)

Company secretaries

Melinda Honig and Catherine Visentin were company secretaries of Australian Unity Limited at 30 June 2016.

Principal activities

The principal continuing activities of the Group during the year were the provision of a range of products and services to serve members and customers with their savings, financial security, healthcare and retirement living needs. These products and services included investments and loan facilities, health and life insurance, financial and estate planning, allied health and dental services, care services, aged care and retirement living facilities.

Dividends

Australian Unity Limited is a mutual company governed by, and for the benefit of, its members. It does not pay dividends but reinvests profits for future growth initiatives for the benefit of members.

Operating and financial review

During the year ended 30 June 2016, the Group progressed its ambition of creating community value with a sound commercial approach, by delivering a profit after income tax of $35.6 million, an increase of $1.0 million over last year’s $34.6 million. This was a solid outcome considering the integration and additional funding costs associated with the transfer to the Group in February 2016 of the home care operations of the New South Wales Government (Home Care NSW).

Total revenue and other income increased by $141.7 million or 11.1 percent to $1,420.7 million. Once again, this positive result flowed largely from operating revenue growth generated by the Group’s business segments, particularly in Independent & Assisted Living as a result of the Home Care NSW acquisition. The increase in revenue and other income was achieved despite the impact of low interest rates throughout the year, investment market volatility and reduced benefit fund revenue.

Total expenses, excluding financing costs, increased to $1,343.4 million (2015: $1,196.3 million). This increase resulted from higher remuneration costs, again reflecting the scale of the Home Care NSW acquisition, and higher health insurance claims, but was somewhat offset by lower benefit fund expenses.

Overall, the outcome for the Group represented a sound improvement in operating earnings, up 19.9 percent from last year to $48.3 million (2015: $40.3 million).

The Group made key acquisitions in the areas of home care services, trust and estate administration services and healthcare services during the year, as detailed in note 21 to the consolidated financial statements. In particular, the Home Care NSW transfer added approximately 50,000 clients and 4,300 employees to the Group. These acquisitions supplement the Group’s ongoing focus on organic growth and support its broad strategy of providing a diverse, sustainable and commercially viable suite of health, wealth and living products and services that create community value.

Community value involves providing value to individual members and customers, along with a broader social impact.

The Group’s operations are conducted through four business segments: Healthcare; Independent & Assisted Living; Investments; and Personal Financial Services. Healthcare provides private health insurance, dental and other healthcare services, such as preventative health and chronic disease management services. Independent & Assisted Living is a provider of retirement communities, aged care facilities, home care and disability services. The Investments segment manages investment funds in property, Australian and international equities, fixed interest and bonds. Through Big Sky Building Society it also provides banking products. Australian Unity Personal Financial Services provides financial planning, finance broking and insurance services and, as a result of an acquisition in the 2016 year, trust and estate administration services.

Key aspects of the operating, financial and strategic performance of each Group business during the 2016 year are set out below.

In assessing the performance of its operating business segments the Group uses a measure of Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (adjusted EBITDA). As the name indicates, this measure excludes the effects of tax, depreciation and amortisation, interest on external borrowings and investment income. It also excludes other non-recurring expenditure.

A reconciliation between adjusted EBITDA and profit after income tax is disclosed in note 1 to the consolidated financial statements.

Healthcare

Overview

Australian Unity’s healthcare platform combines the provision of health insurance with the delivery of healthcare services.

Australian Unity Healthcare provides individuals and families with insurance against the costs of hospital accommodation, theatre fees, prostheses, and health services including dental, optical and physiotherapy. It also supports members to self-manage their health risk factors and better manage their long-term conditions through telephone-based and home-based programs. In addition to supporting members to improve their health, these services also aim to reduce hospitalisations through these evidence-based programs.

The Healthcare platform has 239,558 policyholders throughout Australia. It also provides corporate health insurance through GU Health and dental services across six clinics. Its wholly owned subsidiary, Remedy Healthcare, provides evidence-based, integrated telephonic chronic disease management, mental health and in-home healthcare services in the country.
Operating and financial review continued

Healthcare continued

Financial performance

The Healthcare platform had a successful year despite the ongoing economic, structural and political challenges that private health insurers have been facing in the past five years.

Healthcare generated total segment revenue of $863.8 million, which represents a $38.8 million or 4.7 percent increase compared to the previous year. The main drivers of this increase in revenue were a $34.0 million increase in health insurance premium income and $6.1 million in higher healthcare services revenues compared to the previous year.

Adjusted EBITDA for the Healthcare platform was $64.9 million, up $8.7 million or 15.5 percent compared to the prior year. This solid result was principally driven by an improved underwriting experience for retail and corporate health insurance. Healthcare’s adjusted EBITDA margin for the year was 7.5 percent (30 June 2015: 6.8 percent).

Total operating expenses were $798.9 million which was $30.1 million or 3.9 percent higher than the previous year. This increase was primarily due to a $25.7 million or 3.4 percent increase in health insurance operating expenses principally due to increased claims net of risk equalisation, policyholder acquisition costs and staff costs; and a $4.4 million increase in healthcare services expenses attributed to higher business volumes, expenses associated with acquired businesses and investment in growth initiatives in Remedy Healthcare.

Australian Unity Health Insurance (retail health insurance)

The number of retail health fund policyholders increased by 1.6 percent to 205,476 at 30 June 2016 (2015: 202,175), slightly higher than the industry growth rate. Maintaining and slightly improving policyholder numbers was a sound achievement in a challenging year in which health costs continued to rise at a substantially faster rate than the rest of the economy, which results in pressure on health insurance premiums. These additional costs continue to drive policyholders across the industry to downgrade or drop their insurance cover altogether. It is in that context that the year on year increase in policyholder numbers should be considered.

In response to growing consumer demand for more affordable products, the fund also developed a basic product range and indications are that this product type will remain in demand for the foreseeable future.

The retail health insurance business continues to support the Members Own Health Funds venture, a collaboration between 15 not-for-profit and mutual health funds including Australian Unity to raise awareness of the difference in value proposition between member-based funds and the larger shareholder and overseas owned funds operating in Australia.

GU Health (corporate health insurance)

GU Health, Australian Unity’s corporate health insurance provider, is the only fund in Australia that caters exclusively to the corporate market. GU Health increased its policyholders by 7.4 percent to 34,082 at 30 June 2016 (2015: 31,748).

During the year GU Health executed a strategy based on innovating and diversifying into communities beyond the corporate sector. While still maintaining its niche status, GU Health is exploring new markets and continues to work with its corporate and prospective community stakeholders to support long-term sustainability as a specialist fund.

Remedy Healthcare

Remedy Healthcare is a business that delivers on Australian Unity’s social purpose to provide community value. During 2016 it passed the milestone of delivering more than one million episodes of care across its services.

Among its suite of preventative healthcare and hospital discharge support programs that help people more effectively self-manage emerging and existing conditions are its Hospital at Home and Rehabilitation At Home programs. These two programs are now utilised by almost all private health insurers in the country and have, over the past two years, reduced hospital claims by more than $20 million. These programs result in positive quality of life outcomes for the individual, as they are supported to recover in their home environment. But the programs also help to reduce pressure on health inflation by reducing unnecessary hospitalisations or length of stay in hospital.

During the year under review, Remedy Healthcare undertook two key acquisitions: Adelaide-based physiotherapy company Mobile Physio, and Queensland-based nursing services provider Lincs Healthcare.

Remedy Healthcare’s customer portfolio has diversified considerably over the year under review. The business was previously prominently serving the private health insurance market, however, this now constitutes less than half of total business revenue, with the remainder being made up of publicly-funded programs, corporate health employee programs, aged care services, and programs delivered to other private organisations.

Remedy Healthcare successfully launched its mental health program ‘MindStep’ in November 2015, at which time eight private health insurers had signed up as customers. MindStep is an evidence-based program for people suffering from anxiety and depression that is delivered in a non-traditional, yet demonstrably effective way. It was developed in collaboration with Flinders University in South Australia, having been adapted from a successful program operating in the United Kingdom.

Remedy Healthcare aims to provide this program to corporates, the public sector and other health insurers as well as Australian Unity members. By 30 June 2016 the program was being delivered on behalf of six private health insurers and was achieving recovery rates for clinical depression and anxiety of 59 percent. Recovery rates are measured using the PHQ-9 and GAD-7 clinical assessment scores.

The business launched its first clinic-based hydrotherapy Wellness Centre as part of Australian Unity’s Rathdowne Place aged care facility in Carlton, Victoria. This was a joint initiative between Remedy Healthcare and the Independent & Assisted Living platform and was a first for Remedy in offering clinic-based allied health services within an existing care facility.

Remedy Healthcare was also successful during this year in securing a contract to provide public aged care services in Ballarat. This was a significant addition to the business and expanded its reputation in the public health system.

Dental

During the year under review, Australian Unity operated five dental clinics located in the Melbourne CBD, South Melbourne, Box Hill, Rowville and Hughesdale in Victoria. A sixth clinic in Moonee Ponds, Victoria opened in August 2016.

The number of patient visits to Australian Unity dental clinics during the year was 61,092 (2015: 61,638).
Challenges and Risk Management in Healthcare

General conditions for private health insurance across the industry continued to be challenging. Customers are experiencing increasing difficulty in paying for insurance costs since means testing on the private health insurance rebate was put in place in 2012. This policy change has led to an escalating and ongoing tendency for customers to downgrade their cover or abandon private health insurance altogether.

The underlying problem of health inflation—the number of times people are treated in hospital combined with the costs of the care they receive—is a challenge that needs to be tackled across the industry. So too is the level of waste in the healthcare system.

Remedy Healthcare was challenged by ongoing changes to funding models and regulations for health and aged care, and by the continuous rising cost of care, combined with escalating demand. Remedy has mitigated the risk inherent in changes to the funding of health and aged care and the rising costs of healthcare across the board by changing its business models and diversifying its offering.

Outlook

Industry-wide customer churn continues to rise, as it has for the past several years, and consumers are moving from one health insurer to another as they attempt to address affordability issues.

The pressure on premium affordability is being exacerbated by a substantial rise in utilisation of health products and services, that is, more care at a greater cost per care episode, much of which is unrelated to population ageing.

The business anticipates that consumers will continue to reconsider or downgrade their products as a flow-on effect of these environmental factors. Healthcare has commercial strategies in place to deal with these headwinds, including product design, however, it is also advocating for system-wide healthcare reform to deliver best community value and value for both public and private health spending.

Independent & Assisted Living

Overview

Australian Unity Independent & Assisted Living (previously Retirement Living) platform operates retirement communities and aged care facilities, as well as providing home care and disability services. These businesses are interconnected, delivering a continuum of care and service to meet the daily needs of clients.

During the year in review the business continued to invest significantly in its Home Services operations with the successful bid for NSW State Government’s home care operations. The agreement was executed on 28 August 2015 and completion was, as scheduled, on 19 February 2016. As a result, 50,000 new clients and 4,300 staff joined Australian Unity.

The Independent & Assisted Living platform recorded strong growth during the year ending 30 June 2016. Total segment revenue increased to $223.0 million (30 June 2015: $106.8 million), representing growth of 108.8 percent compared to the previous year.

Australian Unity Independent & Assisted Living’s adjusted EBITDA of $24.8 million (2015: $23.9 million) represents a growth of 3.6 percent compared to the previous year.

Home Services (Incorporating Home Care & Disability Services)

As previously discussed, the Home Services business grew significantly during the year due to the transfer of Home Care NSW. The combined business now has more than 53,000 clients across New South Wales, Victoria and Queensland. More than 100 office locations were also added to the business as a result of the transfer.

The transfer of Home Care NSW also included a specialist Aboriginal Home Care service which provides culturally appropriate care for the Aboriginal community. Australian Unity is committed to maintaining the unique and important identity of Aboriginal Home Care and is proud to be one of the larger employers of Aboriginal and Torres Strait Islander peoples in NSW.

The business expects to deliver in excess of 3.5 million instances of home and disability care services in the 2017 financial year.

The roll out of the National Disability Insurance Scheme (NDIS) presents significant opportunities for both clients and the business. This is a natural extension of the business’ philosophy, which revolves around client-directed care in its aged care and its other operations.

Multi-million dollar investments were made into client management and staff rostering software systems, including planned mobility solutions for all care staff and portal access for clients and their families. The business also established a 24/7 customer service hub in Parramatta, NSW. The new systems are designed to maximise care workers’ time with clients and enable the business to continue to grow in scale and service provision. The roll out of such tools to support the business, its growth, service quality and future scale will continue in the 2017 financial year.

With the rapid growth of its workforce and an increasing number of people working remotely, often alone and in uncontrolled domestic situations, the business is placing an increasingly strong focus on health and safety, including the introduction of new support tools for managers and staff.

Retirement Communities

The Independent & Assisted Living platform owns and operates 19 retirement communities in Victoria and New South Wales. Its portfolio consists of 2,110 (2015: 2,074) independent living units.

Retirement community occupancy was greater than 97 percent across the 12 month period to 30 June 2016. Fewer than 30 independent living units remained uncontracted across the portfolio as at 30 June 2016.

Development continued during the year at Sienna Grange and The Governors in Port Macquarie, NSW; The Residences at Rathdowne Place in Carlton, Victoria; Campbell Place in Glen Waverley, Victoria; and Lifestyle Manor in Bondi, NSW. Completion of these projects is planned to occur during 2017 with a total of 223 independent units to be added to the business’ portfolio. The Peninsula Grange retirement community development will also continue throughout the 2017 financial year.

The Victoria Grange retirement community in Vermont South, Victoria, where construction was completed in June 2015, became fully occupied during the year under review, with settlement of the final units completed in December 2015.
Directors’ report continued

Operating and financial review continued

Independent & Assisted Living continued

Retirement Communities continued

The aged care business continues to be an important area of growth for Independent & Assisted Living and is a key component of the business’ strategy to provide services that offer continuum of care. During the year its newest facility, Peninsula Grange in Mornington, Victoria, achieved 100 percent occupancy more than six months ahead of forecast. The business maintained 609 operational aged care beds throughout the year.

The business also commenced construction of Campbell Place Aged Care facility in Glen Waverley, Victoria, on land where the previously decommissioned Wahroonga Aged Care facility had stood.

Occupancy levels at Australian Unity’s aged care facilities remained very high at approximately 98 percent across the portfolio.

Overall price growth in retirement village units was approximately 3 percent which exceeded expectations and was largely due to strong property price growth experienced in the Sydney and Melbourne residential markets which flowed through to the businesses retirement communities. The business’ expertise in property management combined with the value delivered through its day to day operations and the careful selection of the location of communities are significant factors in the achievement of consistently strong price growth.

Development

Construction was either substantially progressed or commenced in the following communities:

Rathdowne Place – The Residences, Carlton, Victoria

Construction of the next component of the Rathdowne Place Wellbeing Precinct, to be known as The Residences, commenced in 2015. The Residences at Rathdowne Place in Carlton will offer a combination of 91 architecturally designed independent living apartments with premium facilities, allied health, home services and lifestyle services supported by the award-winning Better Together model of care.

Peninsula Grange, Mornington, Victoria

In March 2016 Peninsula Grange’s community centre was officially opened. Sitting alongside a new pool, gym and library, the new community centre extension will provide residents of Peninsula Grange with a resort-style living experience in one of Australia’s fastest growing coastal regions. A total of 36 new units were delivered at Peninsula Grange during the year in review and a further 50 units are planned for early in the 2017 financial year. Of the 36 units delivered, 33 of these were contracted as at 30 June 2016.

Lifestyle Manor, Bondi, New South Wales

The second and final construction stage of this premium retirement community in Bondi, NSW, progressed significantly during the year despite delays as a result of bad weather. The final 42 units are 100 percent contracted and will commence settlement in August 2016. Once complete, Lifestyle Manor will consist of 85 independent living apartments and penthouses.

Campbell Place, Glen Waverley, Victoria (formerly Wahroonga Aged Care)
The Campbell Place redevelopment commenced in September 2015. Completion of the 102-bed aged care facility and 58 independent accommodation apartments is scheduled for the second half of the 2017 financial year.

Development Funding

Collaboration with Australian Unity’s Investments platform continued during the year with further development of alternative channels for development funding.

In September 2015, the business closed its second Development Fund, which invests in the Campbell Place Wellbeing Precinct. This Development Fund utilised third party capital in conjunction with support from financiers to fund the development. In June 2016, applications to invest in the third Development Fund, being the Sienna Grange Aged Care Facility in Port Macquarie, NSW, were closed, with applications to invest exceeding the funding required from external investors.

Given the increasing demand for quality retirement accommodation and the success of the Development Fund model, further investment opportunities are planned for the 2017 financial year.

Outlook

With the ongoing support of investor partners, the Independent & Assisted Living platform plans to increase the pace of its developments in the 2017 financial year, with six new developments under initial planning. The aforementioned development fund structure will be central to achieving these ambitions.

In addition, anticipated growth over the coming year is expected to be driven by further growth in Home Care & Disability Services through geographic and service expansion and the rollout of the National Disability Insurance Scheme.

Investments

Overview

Australian Unity’s Investments platform plays a key role in helping people and their communities thrive by strengthening their financial wellbeing and developing key aspects of social infrastructure to meet community needs. It offers a range of financial products and services that meet the diverse investment needs and objectives of its customers.

The business also invests money raised from its customers into commercial and social infrastructure assets. It operates in Funds Management, Real Estate and Mortgages, Banking (Big Sky), investment bonds, funeral bonds, and education savings plans.

Conditions during the year included an ongoing downturn in commodity prices, fuller prices in the residential property market and downward movement in interest rates. Given these market conditions, the platform focused on developing investment options for clients in specialised vehicles while also building up its office, commercial and retirement village offerings.

Total funds under management, administration and advice were at $9.59 billion at 30 June 2016 (2015: $8.65 billion). This measure includes funds under management, as well as funds under administration and funds under advice in each of the Platypus, Federation Alliance and Big Sky financial planning businesses.

The Investments platform recorded a 14.8 percent increase in total segment revenue to $123.1 million (2015: $107.2 million). This result reflects a strong performance in a competitive and challenging environment for the asset management and banking businesses.

Adjusted EBITDA increased by 36.8 percent to $20.3 million for the year ended 30 June 2016 (2015: $14.8 million).
Australian Unity Investments also manages the investment portfolio of the Australian Unity Group, which achieved an overall return of 3.6 percent (2015: 5.2 percent) on the Group’s investment assets, including its capital stable and highly liquid insurance reserves, for the year ended 30 June 2016. This result was ahead of its objective of 2.7 percent.

During the year the Investments platform continued to improve the efficiency of its operating platform following the successful completion of the transition of its investment administration to BNP Paribas Securities Services.

**Funds Management**

The Funds Management business provides Managed Accounts and investment management of equities and fixed interest, primarily through joint venture investment managers.

The Federation Managed Accounts platform reached $260 million in funds under administration during the year (2015: $226 million). As at 30 June 2016, Federation had 27 investment managers offering 96 managed fund options, six separately managed accounts, and full ASX and limited (developed countries) international direct shares for investors to choose from.

Importantly for this business, it received its superannuation licence in May 2016 which will allow it to operate fully in the superannuation market.

**Equities**

**Platypus Asset Management**

Platypus Asset Management is a true-to-label growth manager with a long history of outperforming the Australian equities market. Platypus offers two core funds: a high conviction Australian equity portfolio and a systematic growth fund. During the year Platypus achieved strong returns for its investors, with both funds successfully outperforming the broader stock market by a significant margin.

### Performance for the year ended 30 June 2016:

- Platypus Australian Equities Trust: 10.9 percent
- Platypus Systematic Growth Fund: 10.5 percent

**Acorn Capital**

Acorn Capital operates the largest and most experienced microcap/small cap investment team in Australia. Its experienced team offers two investment capabilities across listed and unlisted Australian microcaps. The performance of the listed Acorn Capital Microcap Fund over the past year was very positive for investors, returning 14.9 percent. A loss of some institutional mandates during the course of the year saw a reduction in Acorn Capital’s Funds under management.

### Performance for the year ended 30 June 2016:

- Acorn Microcap Trust (wholesale): 14.9 percent

**Wingate Asset Management**

Wingate Asset Management is a specialist international equity manager that employs a benchmark unaware and value-oriented approach with a bias toward quality. For the 12 months to 30 June 2016, the MSCI World (ex Aust) $A Net Dividends Reinvested Index achieved a 0.4 percent return. In a volatile global environment that saw short-term exuberance followed by periods of considerable pessimism, Wingate’s funds continued to focus on the long-term by retaining a preference for companies with USD denominated earnings and highly cash-generative businesses that are attractively priced.

<table>
<thead>
<tr>
<th>Funds under management</th>
<th>$241 million (2015: $251 million)</th>
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<tr>
<td>Performance for the year ended 30 June 2016:</td>
<td>Wingate Global Equity Fund (4.7) percent</td>
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**Seres Asset Management**

Seres Asset Management is Australian Unity’s Hong Kong based investment manager that focuses on equity opportunities in the Asia Pacific region. In difficult and volatile Asian markets, the Seres team continued to apply its unique bottom-up fundamental approach to identify long-term regional and global industry leaders in early stages of development.

### Performance for the year ended 30 June 2016:

- Seres Asian Equities Opportunities Fund (6.1) percent in AUD terms
- Seres Asian Equities Opportunities Fund (9.1) percent in USD terms

**Fixed Interest**

**Altius Asset Management**

Altius Asset Management is a specialist fixed interest manager that employs an active and diversified strategy that aims to take advantage of the mispricing of bonds in all market conditions.

### Performance for the year ended 30 June 2016:

- Altius Bond Fund: 4.7 percent
- Altius Sustainable Bond Fund: 4.6 percent

**Real Estate and Mortgages**

The Real Estate business raises money from retail and sophisticated investors, and deploys it on hospitals and infrastructure to support an ageing population, as well as commercial property, retirement village development, and mortgage lending.

Total funds under management in Australian Unity’s Real Estate Investment portfolio increased to $2.21 billion at 30 June 2016 (2015: $1.88 billion).

Australian Unity’s Healthcare Property Trust has grown to become the largest fund of its kind in Australia, increasing its funds under management to $1.06 billion (30 June 2015: $697 million). For investors, the combination of long-term leases, quality tenants, rising demand and quality assets has meant the healthcare property sector was a strong performer over the past year, returning 20.0 percent for the year to 30 June 2016. Its strong growth can be attributed to new property acquisition and the completion of significant developments at a number of existing properties. In April the Trust was temporarily suspended to new investors until further notice because it was receiving more capital than needed for its then asset pipeline.
Directors’ report continued

Operating and financial review continued

Investments continued

Real Estate and Mortgages continued

The Retail Property Fund achieved a 15.3 percent return for investors for the year ending 30 June 2016. Prominent activity during the financial year included the settlement of the Sunshine Homemaker Centre and, despite some mixed economic data across the sector, leasing success at both the Waurn Ponds Shopping Centre and the North Blackburn Shopping Centre. The fund finished the year with occupancy of 95.6 percent (by area) and a weighted average lease expiry (WALE) of 5.11 years (by income).

The Australian Unity Office Property Fund achieved a return of 19.6 percent for the 12 months to 30 June 2016. In June 2016, investors in the Australian Unity Office Property Fund voted overwhelmingly in favour of the proposal to list the fund on the Australian Securities Exchange (ASX). Of those who voted, more than 99 percent voted in favour of all the resolutions to give effect to the listing. The Australian Unity Office Fund began trading on the ASX on a conditional and deferred settlement basis from 20 June 2016. The Australian Unity Office Fund was the first A-REIT to list on the ASX in calendar year 2016 and trades under the ASX code ‘AOF’. The initial public offering, which was made at $2.00 per unit, was well oversubscribed and there was a high level of interest from both institutional and retail investors.

The Australian Unity Diversified Property Fund achieved a return of 19.5 percent for the year. Unitholder approval was received for a capital-raising to improve liquidity within the fund.

Mortgages

Equity support for the Australian Unity Select Mortgage Income Fund continued to grow from financial planning groups, generating strong recurring monthly flows. The lending portfolio grew solidly over the period to $87 million at 30 June 2016.

Investors in Australian Unity’s mortgage trusts continue to receive regular payments in line with the decision to wind up the Trusts and return capital to investors, with repayments to investors totalling $75 million during the year.

Lifeplan

Lifeplan Australia Friendly Society (Lifeplan) continues to be Australia’s largest provider of investment bonds and funeral bonds, and a leading provider of education savings plans. Funds under management and administration increased to $1.99 billion (2015: $1.95 billion).

During the year sales of education solutions increased by 23 percent and surpassed $149 million in funds under management.

With over $679 million in funeral funds under management and 90,400 clients, Australian Unity has a leading position in the pre-paid funeral market via the specialised business Funeral Plan Management (FPM). During the year FPM broadened its business strategy to include a business-to-consumer proposition and further enhanced its online business management platform for funeral directors.

Big Sky

Big Sky Building Society continues to focus on providing a genuine alternative to the major banks, meeting Australians’ everyday banking needs.

Big Sky had a year of record growth and consistently outperformed its competitor groups, with loan growth at record levels ($93 million of net loans during the period and net loan book growth of 15 percent). Big Sky now also provides its customers with a number of new tools and services, including an upgraded mobile banking application and enhanced online banking capabilities.

Big Sky’s total on-balance sheet assets grew to $862 million as at 30 June 2016 (30 June 2015: $754 million).

Big Sky was again rated by S&P and maintained its BBB rating which is a very good result for an organisation of its size. Mobile and internet banking capability were upgraded and customers are now offered these services at the same standard as that of the four major banks. The introduction of fully online account opening and identification has removed the need for a physical 100 point check which was a first for Big Sky and Australian Unity.

Investments Strategy and Outlook

The strategy of Australian Unity Investments is to deliver a broad but specific range of financial solutions, directly or indirectly, to cater to the needs of clients over progressive life stages.

The platform aims to play a meaningful role in the design, development and future ownership of important health and related aged care assets. The announcement, in August 2016, by the Queensland Premier of Australian Unity as the preferred tenderer of the $1.1 billion Herston Quarter health precinct in inner-suburban Brisbane, is a key element of this strategic ambition.

Markets will most likely remain volatile into the next financial year. Resource stocks have suffered a downturn and will be likely to continue to be depressed. Investments in the major banks have likely peaked and interest rates are expected to remain low for the next twelve months. Combined, these factors mean specialist equities investment managers will need to find diversified investment opportunities in stocks other than the major banks and already well known large companies.

With these factors in mind, Australian Unity Investments’ Strategy and Outlook for 2017 and beyond will continue to build on delivering differentiated, higher value products and services, focusing on:

• Maintaining its concentration on seeking diversification, including considering off-shore investments in the much larger and more diverse markets to be found in, for instance, the United States and Asia in industries such as technology and telecommunications;

• In anticipation of the yield from commercial property investment remaining solid, continued strategic development in this area;

• Expanding into client segments which value specialist skills, such as the middle tier of ultra-high net worth clients, family offices, universities, and the like;

• Exploring new capital markets and assets in healthcare and social infrastructure;

• Clearly defining and testing its value proposition in banking, with an emphasis on digital delivery to customers;

• Continued execution of prevailing plans while tilting resource allocation towards product, marketing and front-end digital tools; and

• Further tightening the operating platform for the business.

The business will also continue to update its digital capacity to ensure it is able to communicate with, and provide services to, customers in a contemporary manner that aligns with the way consumers wish to research and purchase products and services.
**Personal Financial Services**

The Australian Unity Personal Financial Services platform works with advisers and industry partners to provide professional advice that supports its clients’ financial wellbeing, helping people and their communities thrive. With its partners and advisers, the business provides regular financial guidance and mentoring across most aspects of their clients’ financial affairs, giving clients the information they need to make informed choices about their financial arrangements.

While the business has been significantly strengthened by a number of recent strategic acquisitions during the year, it was adversely impacted—particularly in the second half of the year—by regulatory changes that affected revenue and a number of external factors that shook investor and adviser confidence. The business was also impacted by restructure costs associated with preparing the Flinders Australia Limited business for offering traditional trustee services.

Fragile market conditions experienced later in the year under review combined to undermine investor sentiment and constrain the business’ revenue outcomes for the year to 30 June 2016.

Total segment revenue was $65.6 million which represents a 15.3 percent increase from the previous year (2015: $56.9 million).

The Personal Financial Services platform’s adjusted EBITDA decreased to $2.2 million for the year ended 30 June 2015, compared to $4.0 million in 2015.

Funds under advice increased by 1.5 percent to $6.02 billion (2015: $5.93 billion). Funds under advice levels were impacted by some practices, as anticipated, leaving the recently acquired Premium Wealth Management business but the amount was strengthened by the acquisition of Flinders Australia.

**Trust and estate administration services**

Australian Unity Personal Financial Services completed a significant strategic acquisition in July 2015, purchasing estate planning and administration specialists Flinders Australia Limited. This acquisition has provided Australian Unity with a broader range of in-demand services for clients and members as well as the clients of their financial advisers and accountants.

A key focus for the business is to convert the Flinders Australia business to a fully licensed trustees business, which includes obtaining a trustee licence from the Australian Securities and Investments Commission, obtaining approval from the federal Treasury department, recruiting staff with the relevant skills and putting effective structures and business practices in place. This development work has required considerable effort, and resourcing and had a negative impact on overall businesses profitability in the year ended 30 June 2016.

This acquisition strongly reflects one of the Personal Financial Services platform’s principal business objectives: driving growth in complementary businesses that help improve financial wellbeing. Estate planning and trustee-type services are increasingly in demand as the population ages, with a growing number of Australians and their families requiring protection, support and certainty through what can be an extremely difficult time.

Expansion into this business is directed toward providing an opportunity for middle income Australians to access these vital services. The market is currently dominated by services and products designed for people with high levels of wealth.

**Financial Advice**

Financial advice revenue grew by 4.8 percent during the year to $53.2 million, largely due to the Premium Wealth Management acquisition and the growth of existing practices.

The number of financial advisers decreased marginally to 176 at 30 June 2016 (30 June 2015: 183), due to some practices, as anticipated, leaving the now wholly-owned Premium Wealth Management business after its acquisition in 2015. Offsetting this expected attrition arising from integration, the business recruited 10 new practices during the year. The adviser recruitment pipeline is encouraging and adviser numbers are expected to grow in the 2017 financial year.

The business continued to focus on the active level of support being provided by referring accountants, who are key partners in the delivery of high quality advice to clients. As a result of this focus, the number of accounting partnerships increased and at 30 June 2016 there were 354 accounting firms in the referral partner program (2015: 309).

The business positioned itself effectively in relation to legislative changes that now require accountants who provide advice in relation to the establishment of Self-Managed Superannuation Funds to either hold an Australian Financial Services Licence (AFSL), or be authorised by an AFSL holder; or work with a licensed or authorised financial adviser when providing SMSF advice. Australian Unity’s ability to offer such support resulted in the induction of 79 accountants during the year. Accountants commercially associated with the advice business now number 354.

**Finance broking and insurance services**

Loans under advice were $795 million at 30 June 2016, a 3.8 percent increase compared to $766 million at 30 June 2015. The business recorded a decrease in the number of mortgage brokers to 20, from 22 in 2015. Growth in loans under advice was affected by the changes to investment lending practices and concerns about the future of negative gearing leading up to the Federal election in July.

Finance broking continued to trend upwards during the year ended 30 June 2016 and loan settlements were $219 million compared to $214 million for the previous year representing a 2.3 percent increase on the previous year.

Finance broking revenue also grew during the year and was $2.53 million, marginally ahead of the previous year (2015: $2.48 million).

The business also focused on transitioning the personal lines insurance business from being underwritten by Steadfast and CGU to QBE. This has resulted in a consolidated insurance offering that delivers improved commercial terms, premium reductions, superior products and an improved business partnership. This transition is aimed to assist by making a wider range of insurance offerings, including commercial and business insurances, available.

Revenue from general insurance grew to $2.95 million representing an increase of 67 percent largely due to the acquisition of Waratah Insurance Brokers in March 2015 and a launch fund payment from QBE associated with the personal insurance lines transition.

**Strategies and outlook**

The business is taking a proactive approach to addressing the challenges presented by regulatory change and market volatility. It is diversifying its revenue streams and building capacity in streams that will be higher quality investment options over time, such as general and life insurance and trusteeships, which better withstand market sentiment volatility.
Operating and financial review continued

Personal Financial Services continued

Strategies and outlook continued

The Personal Financial Services platform will continue its development into a financial services business designed to serve the growing needs of the community and providing community value. The business is well placed as a result of the Flinders Australia Limited acquisition and the opportunity this provides to offer trust and estate administration services to the wider business network of advisers, accountants, members and customers.

Priorities for 2017 and beyond include:
- Growing the number of financial advisers slightly in order to maintain a balance between scale and service, while concentrating efforts on strengthening the quality of their qualifications and expertise;
- Authorising partner accountants to meet requirements relating to SMSF advice through the customised offering that was developed during the 2016 financial year. Accountants with upgraded qualifications will be valuable across all parts of the business and will provide a sound base for revenue and relationship growth in the new financial year;
- Significantly expanding the trust and estate administration services business through expansion of the breadth of services offered and extension of the business into NSW and Queensland;
- Investing significantly in both embedding the newly acquired general insurance capability as well as in further general insurance product development; and
- Achieving a high level of staff retention over the year, ensuring a focus on recruiting highly qualified people and investing considerably in professional development. This will allow the business to continue to provide a consistently high level of service to members and customers.

Significant changes in the state of affairs

Total members’ funds increased to $579,523,000 at 30 June 2016 (2015: $542,879,000), an increase of $36,644,000. This movement reflects profit for the year offset by movements in reserves.

Matters subsequent to the end of the financial year

In August 2016, Australian Unity Limited was selected by the Queensland Government as the preferred tenderer for the $1.1 billion Herston Quarter project in Brisbane. The Company plans to develop and then take an ongoing role in an integrated health, hospital, residential aged care, retirement living and student education and training facilities. Over the next few months the Company will work with the Queensland Government to document and finalise the contracts and the masterplan. The board is not aware of any other matter or circumstance arising since 30 June 2016 which has significantly affected or may significantly affect the financial status or results of the Group and which has not been separately disclosed in this report.

Likely developments and expected results of operations

The board is not aware of any developments which may affect the Group’s operations and expected results of operations which can be disclosed without prejudicing unreasonably their likelihood of success or violating commercial confidences.

Many of the businesses in the Group operate in areas which are subject to substantial government regulation and/or participation. Australian Unity competes at times in areas where free market forces are not always the sole determinant of outcomes.

The Group is subject to a wide variety of markets, particularly financial markets and property markets. Note 20 contains an explanation of the Group’s approach to market risk management.

Environmental regulation

No significant environmental regulations apply to the Parent entity. The property operations within both the Independent & Assisted Living services business and investment syndicates and trusts for which a controlled entity acts as Responsible Entity or Manager are, however, subject to environmental regulations under Australian law. There have been no known reportable breaches of these regulations.

Information on directors

PETER PROMNITZ, BSc (Hons), AJAA, FAICD
Mr Promnitz was appointed Chair of the board of Australian Unity Limited on 30 March 2016. He has been a director since 1 January 2013 and appointed Deputy Chair and Chair-designate on 28 July 2015. He is a director of Warakirri Asset Management Pty Ltd and Elite Superannuation Services Pty Ltd and was previously chair of listed company SFG Australia Limited. Mr Promnitz is a qualified actuary. He was formerly Head of Mercer in Asia Pacific, a member of the global Mercer Executive Committee and chair of Marsh & McLennan Companies Inc. in Australia, a role he retired from in December 2012. Prior to his senior executive role in Asia Pacific with Mercer, his business experience includes a diverse career in financial services in Australia and New Zealand. He has led investment, superannuation, actuarial and human resource consulting businesses in both executive and non-executive capacities with a personal focus on clients, diversity and governance. He has not held any directorships of listed entities in addition to those set out above during the last three years.

ROHAN MEAD, AMP (Harvard) Group Managing Director & CEO
Mr Mead was appointed Group Managing Director of Australian Unity Limited on 1 July 2004. As Group Managing Director, he is a member of subsidiary boards and most committees. Mr Mead is also deputy chair of Platypus Asset Management and a director of Seres Asset Management (Hong Kong). He is chair of the Business Council of Australia’s Healthy Australia task force and a member of its Indigenous Engagement task force. He is also a director of the Centre for Independent Studies, a director of the Business Council of Co-operatives and Mutuals Limited (BCCM) and the Australian Brandenburg Orchestra. Prior to joining Australian Unity, Mr Mead was employed by Perpetual Trustees Australia Limited (1996-2003) in a range of senior roles. Mr Mead has not held any directorships of listed entities in addition to those set out above during the last three years.

MELINDA CILENTO, BA, BEc (Hons), MEC
Ms Cilento was appointed to the board of Australian Unity Limited on 1 May 2014. She is a director of a number of Australian Unity Limited subsidiaries, Chair of the Human Resources, Remuneration and Nominations Committee and the Investment Committee, and a member of the Risk Committee. She is also a director of Woodside
a business consultancy specialising in strategic planning, risk
management, corporate governance and business transition. He has over 40 years’ experience in the banking and finance industries and was Chief Executive Officer of the Queensland Office of Financial Supervision between 1992 and 1999. He was previously a director of Centrepoint Alliance Limited. Mr Maitland has not held any directorships of listed entities in addition to those set out above during the last three years.

GREG WILLCOCK, BCom, FCPA, FAICD, MAIM, F Fin
Mr Willcock was appointed to the board of Australian Unity Limited on 1 March 2012. He is Chair of Big Sky Building Society Limited, a director of a number of Australian Unity Limited subsidiaries, Chair of the Risk Committee and a member of the Audit and Compliance Committee. Mr Willcock is also a director of the Customer Owned Banking Association (COBA), the industry advocate for Australia’s customer owned banking sector and is a director of Australian Unity Investments Real Estate Limited which is the Responsible Entity for the listed Australian Unity Office Fund. Mr Willcock has over 33 years’ experience in banking and financial services in Australia, United States of America and the United Kingdom including seven years in general management roles at National Australia Bank in the areas of risk management, strategy and change management. Mr Willcock has not held any directorships of listed entities in addition to those set out above during the last three years.

GLENN BARNES, B Ag Sc (Melb), CPM, FAMI, FAICD, SF Fin, FRSA
Mr Barnes retired as a director and Chair of the board of Australian Unity Limited on 30 March 2016. Mr Barnes was also chair of a number of Australian Unity Limited subsidiaries, a member of the Human Resources Remuneration and Nominations Committee and all other board committees. He is a professional director and consultant and is currently Chair of Ansell Limited and a director of a number of private interest companies. Mr Barnes has over 20 years of governance experience in banking and financial services, business information, consumer goods and the not-for profit sector. He was involved in the packaged goods, banking and financial services sectors for over 30 years, as an executive, business leader and director in Australia, New Zealand, the United Kingdom, United States of America, Republic of Ireland, Japan and China. He has also held a number of regional and global leadership roles. Mr Barnes has not held any directorships of listed entities in addition to those set out above during the last three years.

EVE CRESTANI, Dip Law (BAB), FAICD
Ms Crestani retired as a director of the board of Australian Unity Limited on 29 February 2016 after twenty years. During her tenure Ms Crestani has served as Chair of the Human Resources, Remuneration and Nominations Committee and the Risk Committee as well as a director of a number of Australian Unity subsidiary boards. Ms Crestani is a director of Australian Unity Investments Real Estate Limited, Seres Capital Management Limited (Caymans) and Seres Asset Management Limited (Hong Kong), Zurich Financial Services Australia Limited and Zurich Australia Limited, and booking.com Limited. She is a former chair of Mercer Superannuation Australia Limited, and Mercer Outsourcing (Australia) Pty Limited. Ms Crestani is a professional director and business consultant with a background in law and management. Her career spans over 35 years with her primary focus being financial services and professional services industries. Ms Crestani is a member of the ASX Appeal Tribunal, has a Diploma of Law and is a founding fellow of the Australian Institute of Company Directors. She consults on property and workplace transformation strategies and design. She has not held any directorships of listed entities in addition to those set out above during the last three years.

PETROSOIL and Co-Chair of Reconciliation Australia. In addition to her directorships, Melinda is a member of ASIC’s External Advisory Panel, the NAB Advisory Council of Corporate Responsibility, the advisory council of the Australian Scholarship Foundation, and is a part time commissioner with the Productivity Commission. Melinda worked for eight years with Australia’s leading CEOs at the Business Council of Australia, including four years as Deputy Chief Executive. Prior to joining the Business Council she was Head of Economics at Invesco Australia. Melinda has also worked with the Federal Treasury and International Monetary Fund in Washington DC.

Ms Cilento was a director of Westfarmers General Insurance until June 2014. Ms Cilento has not held any directorships of listed entities in addition to those set out above during the last three years.

PAUL KIRK, BCom, ACA, RITA, MAICD
Mr Kirk was appointed to the board of Australian Unity Limited on 1 February 2016. Mr Kirk is currently Managing Director and Founder of Collins Pitt Associates and is a director of the Victorian Registration and Qualifications Authority. He is also a director of Worksafe Victoria and the Transport Accident Commission. He is a member of the Audit and Risk Committee of Monash University. He is a director of the Melbourne Festival and the St Kilda Football Club. Prior to this, Mr Kirk held a number of senior positions both overseas and in Australia with the major accountancy firm, PricewaterhouseCoopers, specialising in the area of corporate advice, turnaround and restructuring, profit improvement, mergers and acquisitions, strategic advice, risk and governance, forensic accounting and insololvency management. Following this, Mr Kirk worked for two years as a Special Advisor for Lazard Australia. Mr Kirk has not held any directorships of listed entities in addition to those set out above during the last three years.

SU McCluskey, BCom, FCPA, MAICD
Ms McCluskey was appointed to the board of Australian Unity Limited on 1 September 2015. She is a director of a number of Australian Unity Limited subsidiaries and a member of the Human Resources, Remuneration and Nominations Committee, Investment Committee and Audit and Compliance Committee. Ms McCluskey is the immediate past Chief Executive Officer of the Regional Australia Institute. She is a member of the Ministerial Advisory Council on Skilled Migration. Ms McCluskey was also a member of the Harper Review of Competition Policy and the Regional Telecommunications Independent Review Committee. Ms McCluskey was previously the CEO of the Council of Rural Research and Development Corporations and the Executive Director of the Office of Best Practice Regulation. Ms McCluskey has held senior positions with the Business Council of Australia, the National Farmers’ Federation and the Australian Taxation Office. She is also a beef cattle farmer. Ms McCluskey has not held any directorships of listed entities in addition to those set out above during the last three years.

STEPHEN MAITLAND, QAM, FCPA, B Com, B E (Melb), F Dip (Bus), LLM, F Fin
Mr Maitland was appointed to the board of Australian Unity Limited in 2005 following the merger with Grand United Friendly Society Limited. He is a director of a number of Australian Unity Limited subsidiaries, Chair of the Audit and Compliance Committee, and a member of the Investment Committee and Risk Committee. He is a director of the Royal Automobile Club of Queensland Limited, QInsure Ltd and of several private companies. He is also chair of the Audit and Risk Committee of the Public Trustee of Queensland, and is an independent member of several audit and compliance committees and past President of the Queensland Division of CPA Australia. Mr Maitland is the principal of Delphin Associates, a business consultancy specialising in strategic planning, risk
Meetings of directors

The numbers of meetings of the Company’s board of directors and of each board committee held during the year ended 30 June 2016, and the numbers of meetings attended by each director were:

<table>
<thead>
<tr>
<th>Name</th>
<th>Board</th>
<th>Audit and Compliance Committee</th>
<th>Risk Committee</th>
<th>Investment Committee</th>
<th>Human Resources, Remuneration and Nominations Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>B</td>
<td>A</td>
<td>B</td>
<td>A</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peter Promnitz</td>
<td>14</td>
<td>14</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Rohan Mead</td>
<td>14</td>
<td>14</td>
<td>8</td>
<td>–</td>
<td>4</td>
</tr>
<tr>
<td>Melinda Cilento</td>
<td>14</td>
<td>14</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Paul Kirk</td>
<td>6</td>
<td>6</td>
<td>2</td>
<td>3</td>
<td>–</td>
</tr>
<tr>
<td>Su McCluskey</td>
<td>11</td>
<td>11</td>
<td>4</td>
<td>4</td>
<td>–</td>
</tr>
<tr>
<td>Stephen Maitland</td>
<td>12</td>
<td>14</td>
<td>8</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Greg Willcock</td>
<td>13</td>
<td>14</td>
<td>7</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Glenn Barnes</td>
<td>10</td>
<td>11</td>
<td>6</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Eve Crestani</td>
<td>10</td>
<td>10</td>
<td>5</td>
<td>5</td>
<td>–</td>
</tr>
</tbody>
</table>

A = Number of meetings attended

B = Number of meetings held during the time the director held office and was a member of the board committee during the year

Leave of absence had been granted in all cases where the directors were unable to attend meetings. Mr Mead attended (in whole or part) the meetings of the Audit & Compliance Committee and Human Resources, Remuneration and Nominations Committee but is not a member of these committees.
Remuneration report
Details of the Group's remuneration policy in respect of the Directors and other key management personnel are included in the Remuneration report on pages 51 to 63. Details of the remuneration paid to Directors and other key management personnel are also detailed in the Remuneration report. The Remuneration report is incorporated in and forms part of this Directors’ report.

Directors' interests and benefits
Since the end of the previous financial year and to the date of signing this report, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors or related party transactions shown in the Group’s financial statements) by reason of a contract made by the Company with the director or with a firm of which the director is a member, or with a company in which the director has a substantial interest, except as specified in the key management personnel disclosures in note 31.

Insurance and indemnification of directors and officers
During the financial year, the Group paid a premium for a contract insuring the directors, company secretaries and executive officers of the Group to the extent permitted by the Corporations Act 2001. In accordance with common commercial practice the insurance policy prohibits disclosure of the nature of the liabilities covered and the amount of the premium.

In accordance with the constitution of the Company and under a separate deed, the directors and officers are indemnified to the extent permitted by law against any liability incurred by them in connection with the proper discharge of their duties, other than for conduct involving a lack of good faith.

Parent entity
Australian Unity Limited is a company limited by shares and guarantee, however no shares have been issued. The liability under the guarantee of the members in a winding up is limited to $1 per member while being a current member and within one year afterwards.

Provision of non-audit services by the auditor
The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor’s expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (Ernst & Young) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with advice received from the Audit and Compliance Committee, is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the general standard of auditor independence imposed by the Corporations Act 2001 for the following reasons:

• all non-audit services have been reviewed by the Audit and Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor; and

• none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the Parent entity, its related practices and non-related audit firms:

<table>
<thead>
<tr>
<th>Service</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit of regulatory returns</td>
<td>330,000</td>
<td>327,040</td>
</tr>
<tr>
<td>Tax compliance services</td>
<td>190,000</td>
<td>314,080</td>
</tr>
<tr>
<td>Tax consulting services</td>
<td>925,000</td>
<td>543,893</td>
</tr>
<tr>
<td>Other services</td>
<td>-</td>
<td>9,500</td>
</tr>
<tr>
<td>Total remuneration for non-audit services</td>
<td>1,445,000</td>
<td>1,194,513</td>
</tr>
</tbody>
</table>

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 50.

Rounding of amounts
The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission. Unless otherwise stated, amounts in the Directors’ report and Financial statements have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of directors.

Peter Promnitz
Chair

Rohan Mead
Group Managing Director & CEO
South Melbourne
31 August 2016