

Australian Unity Specialist Disability Accommodation Fund

ARSN 651 885 415

**Annual report
for the year ended 30 June 2023**

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Contents	Page
Directors' report	2
Auditor's independence declaration	5
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Directors' declaration	34
Independent auditor's report to the unitholders of Australian Unity Specialist Disability Accommodation Fund	35

Directors' report

The directors of Australian Unity Funds Management Limited (ABN 60 071 497 115), the Responsible Entity of Australian Unity Specialist Disability Accommodation Fund ("the Scheme"), present their report together with the financial statements of the Scheme for the year ended 30 June 2023.

Directors

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

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

Principal activities

The Scheme aims to deliver stable distributions to investors with the potential for capital growth by investing in residential properties which are suitable for people with disabilities.

The Scheme's primary source of income is derived from registered Specialist Disability Accommodation ("SDA") Providers ("the Property Operators"). The Property Operators generally receive rental revenue from the National Disability Insurance Agency and Reasonable Rent Contribution out of funds received through other Government programs. These payments are made either by, or on behalf of, people with disabilities who qualify for National Disability Insurance Scheme SDA funding and/or other support payments. The Property Operators pass through these rental payments to the Fund after deducting their fees and other expenses.

Review and results of operations

Property acquisitions

On 18 July 2022, the Scheme completed the purchase of 25 Rogers St, Pakenham, VIC for a purchase price of \$875,000 and acquisition costs of \$243,000.

On 28 July 2022, the Scheme completed the purchase of the following:

- 38 Clark Street, Williams Landing, VIC for a purchase price of \$4,636,000 and acquisition costs of \$721,000;
- 90 Norwood Road, Rivervale, WA for a purchase price of \$800,000 and acquisition costs of \$108,000; and ,
- 13 Leichardt Street, St James, WA for a purchase price of \$830,000 and acquisition costs of \$109,000.

On 12 August 2022, the Scheme completed the purchase of 4 Henshall Way, Macquarie, ACT for a purchase price of \$7,150,000 and acquisition costs of \$1,745,000.

On 15 August 2022, the Scheme completed the purchase of 10 Bruce Drive Sebastopol, VIC for a purchase price of \$400,000 and acquisition costs of \$120,000.

On 16 August 2022 , the Scheme completed the purchase of 54 Nelson St, California Gully, VIC for a purchase price of \$380,000 and acquisition costs of \$129,000.

On 17 August 2022, the Scheme completed the purchase of 132 Grant St, Sebastopol, VIC for a purchase price of \$390,000 and acquisition costs of \$107,000, and 24 Birchington Street, Beckenham, WA for a purchase price of \$480,000 and acquisition costs of \$31,000.

On 15 September 2022, the Scheme completed the purchase of 97 Kitchener St, Broadmeadows, VIC for a purchase price of \$710,000 and acquisition costs of \$188,000.

On 07 October 2022, the Scheme completed the purchase of 8-10 Bond St, Ringwood, VIC which comprises of seven lots for a total purchase price of \$6,415,000 and acquisition costs of \$463,000.

On 14 December 2022, the Scheme completed the purchase of Lot 1, 1084-1085 Eureka Street, Warrenheip, VIC for a purchase price of \$750,000 and acquisition costs of \$168,000.

Review and results of operations (continued)

Property acquisitions (continued)

On 23 May 2023, the Scheme completed the purchase of 82 La Scala Avenue, Maribyrnong, VIC which comprises of nine lots for a total purchase price of \$4,996,750 and acquisition costs of \$528,000.

On 1 June 2023, the Scheme completed the purchase of 6 Masters Drive, Winter Valley, VIC for a purchase price of \$1,000,000 and acquisition costs of \$99,000.

Property held for sale

On 4 May 2023, the Scheme entered into a conditional contract to sell 156-160 Bloomfield St, Cleveland, QLD for \$1,750,000, excluding selling costs of \$9,881. The sale will be completed on 15 December 2023.

Property valuations

The current year revaluation was above the revalued properties' carrying value resulting in recording a net revaluation fair value increment of \$6,452,216 (2022: decrement of \$226,951).

Results

For the year, the Scheme's units posted a total return of 9.78% (split between a distribution return of 3.32% and a growth return of 6.46%)*.

Unit price (ex distribution) as at 30 June 2023 was \$1.1509 (2022: \$1.0811)*.

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

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

	2023	2022
	\$'000	\$'000
Profit for the year	8,395	1,326
Distribution paid and payable	2,679	1,825

Significant changes in the state of affairs

In the opinion of the directors, there were no 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

The National Disability Insurance Agency (NDIA) has released the Specialist Disability Accommodation (SDA) Pricing Review 2022-2023. There are different SDA benchmark prices for SDA Enrolled pre and post 1 July 2023. The increase to SDA Pricing for the Scheme's contracted and development properties which were not yet Enrolled at 1 July 2023 is considered material.

Other than above, the directors of the Responsible Entity are not aware of any other matter or circumstance arising since 30 June 2023 which has significantly affected or may significantly affect the financial position of the Scheme disclosed in the statement of financial position as at 30 June 2023 or on the results and cash flows of the Scheme for the year ended on that date.

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 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 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 14 to the financial statements.

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

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the year are disclosed in note 14 to the financial statements.

Units in the Scheme

The movement in units on issue in the Scheme during the year is disclosed in note 5 to the financial statements.

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

Environmental regulation

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

Rounding of amounts

Amounts in the directors' report and financial statements have been rounded to the nearest thousand dollars.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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



Rohan Mead
Director



Darren Mann
Director

22 September 2023



Auditor's Independence Declaration

As lead auditor for the audit of Australian Unity Specialist Disability Accommodation Fund for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to read 'G. Sagonas', is written over a light blue horizontal line.

George Sagonas
Partner
PricewaterhouseCoopers

Melbourne
22 September 2023

Australian Unity Specialist Disability Accommodation Fund
Statement of comprehensive income
For the year ended 30 June 2023

Statement of comprehensive income

	Notes	2023 \$'000	2022 \$'000
Income			
Rental income		5,124	3,170
Property expenses		<u>(1,023)</u>	<u>(553)</u>
Net property income		4,101	2,617
Interest income		52	3
Other operating income		6	-
Net fair value increment/(decrement) of investment properties	9(b)	<u>6,452</u>	<u>(227)</u>
Total income net of property expenses		10,611	2,393
Expenses			
Management fees	14	850	473
Borrowing costs		705	73
Other expenses	4	<u>661</u>	<u>521</u>
Total expenses, excluding property expenses		2,216	1,067
Profit for the year		8,395	1,326
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income attributable to unitholders		8,395	1,326

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

Australian Unity Specialist Disability Accommodation Fund
Statement of financial position
As at 30 June 2023

Statement of financial position

	Notes	2023 \$'000	2022 \$'000
Assets			
Cash at bank		862	2,789
Receivables	7	1,410	288
Other assets	8	7,018	8,546
Property held for sale	9(c)	1,750	-
Investment properties	9	<u>113,646</u>	<u>65,695</u>
Total assets		<u>124,686</u>	<u>77,318</u>
Liabilities			
Distributions payable	6	649	483
Payables	10	763	784
Borrowings	11	<u>32,647</u>	<u>3,886</u>
Total liabilities		<u>34,059</u>	<u>5,153</u>
Net assets attributable to unitholders - equity	5	<u>90,627</u>	<u>72,165</u>

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

Australian Unity Specialist Disability Accommodation Fund
Statement of changes in equity
For the year ended 30 June 2023

Statement of changes in equity

	2023	2022
	\$'000	\$'000
Balance at the beginning of the year	72,165	42,180
Comprehensive income for the year		
Profit for the year	8,395	1,326
Other comprehensive income	-	-
Total comprehensive income attributable to unitholders	8,395	1,326
Transactions with unitholders		
Applications	12,746	30,484
Distributions paid and payable	(2,679)	(1,825)
Total transactions with unitholders	10,067	28,659
Balance at the end of the year	90,627	72,165

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

Australian Unity Specialist Disability Accommodation Fund
Statement of cash flows
For the year ended 30 June 2023

Statement of cash flows

	30 June 2023	30 June 2022
Note	\$'000	\$'000
<i>Cash flows from operating activities</i>		
Interest received	52	3
Rental income received	4,034	3,512
Payment to suppliers	<u>(2,754)</u>	<u>(1,446)</u>
Net cash inflow from operating activities	15 <u>1,332</u>	<u>2,069</u>
<i>Cash flows from investing activities</i>		
Purchase of investment properties	(23,904)	(22,494)
Acquisition costs on purchase on investment properties	(3,730)	(3,014)
Payments for additions to owned investment properties	(7,185)	(1,463)
Payments for other assets	<u>(6,186)</u>	<u>(2,938)</u>
Net cash outflow from investing activities	<u>(41,005)</u>	<u>(29,909)</u>
<i>Cash flows from financing activities</i>		
Proceeds from applications by unitholders	12,746	30,484
Proceeds from borrowings	29,865	9,273
Repayment of borrowings	(1,148)	(10,282)
Borrowings costs paid	(1,108)	(37)
Distributions paid	(2,513)	(1,809)
Capital raising costs paid	<u>(96)</u>	<u>(234)</u>
Net cash inflow from financing activities	<u>37,746</u>	<u>27,395</u>
Net decrease in cash and cash equivalents	(1,927)	(445)
Cash and cash equivalents at the beginning of the half-year	<u>2,789</u>	<u>3,234</u>
Cash and cash equivalents at the end of the year	<u>862</u>	<u>2,789</u>

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

Notes to the financial statements

	Page
1 General information	11
2 Summary of significant accounting policies	11
3 Auditor's remuneration	18
4 Other expenses	18
5 Net assets attributable to unitholders	18
6 Distributions to unitholders	19
7 Receivables	19
8 Other assets	19
9 Investment properties	20
10 Payables	24
11 Borrowings	24
12 Financial risk management	25
13 Fair value hierarchy	28
14 Related party transactions	30
15 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	33
16 Events occurring after the end of the financial year	33
17 Contingent assets and liabilities and commitments	33

1 General information

These financial statements cover Australian Unity Specialist Disability Accommodation Fund ("the Scheme") as an individual entity. The Scheme was established on 30 July 2019 and the expected investment term is 10 years from the commencement of operations of the Scheme.

The Responsible Entity of the Scheme is Australian Unity Funds Management Limited (ABN 60 071 497 115) ("the Responsible Entity"), a wholly owned subsidiary of Australian Unity Limited (ABN 23 087 648 888). The Responsible Entity's registered office is Level 15, 271 Spring Street, Melbourne, VIC 3000.

The Responsible Entity is incorporated and domiciled in Australia.

The financial statements are for the year 1 July 2022 to 30 June 2023.

The financial statements were authorised for issue by the directors of the Responsible Entity on 21 September 2023. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

The statement of financial position is presented on liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within 12 months, except for investment properties, financial assets/(liabilities) held at fair value through profit or loss, 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 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.

(ii) *New accounting standards and amendments adopted by the Scheme*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in prior periods or will affect current or future periods.

(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 2023 reporting period and have not been applied in the financial statements. None of these are expected to have a material effect on the financial statements of the Scheme.

2 Summary of significant accounting policies (continued)

(b) Investment properties

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

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

In accordance with the investment property valuations policy approved by the Board, independent valuations of investment properties are obtained from suitably qualified valuers generally at least once in every 18 months if the property is in a construction phase; otherwise once in any 12 month period from the date of the last valuation; or in exceptional circumstances once in a financial year or calendar year as determined necessary; or as soon as practicable, but not later than within two months after the directors of the Responsible Entity form a view that there is reason to believe that the fair value of the investment property is materially different from its current carrying value. Such valuations are reflected in note 9. Notwithstanding, the directors of the Responsible Entity determine the carrying value of each investment property at each reporting date to ensure that its carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, that asset is adjusted to its fair value.

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

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

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

Expenditure capitalised to properties includes the cost of acquisition, capital and refurbishment additions, lease commissions and incentives (excluding abatements which are expensed), related professional fees incurred and other directly attributable transaction costs.

(c) Financial instruments

(i) Classification

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

- *Financial assets and liabilities*

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

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

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

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Classification (continued)

- *Amortised cost*

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

- (a) it is held within a business model which objective is to hold assets in order to collect contractual cash flows, and
- (b) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

(ii) Recognition/derecognition

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

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

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

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

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

(iii) Measurement

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

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

(iv) Offsetting financial instruments

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

2 Summary of significant accounting policies (continued)

(d) Net assets attributable to unitholders

The Scheme will not be liquid. The investment term is expected to be ten years from the commencement of operations.

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

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

(e) Cash and cash equivalents

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

(f) Investment income

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

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

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

(g) Expenses

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

(h) Income tax

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

(i) Distributions

In accordance with the Constitution, the Scheme distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment.

2 Summary of significant accounting policies (continued)

(j) Receivables

Receivables may include amounts for interest, rental income arrears, trust distributions and securities sold where settlement has not yet occurred. 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(f) above. Amounts are generally received within 30 days of being recorded as receivables.

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

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

(k) Payables

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at the end of the year. 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 statement of financial position when unitholders are presently entitled to the distributable income under the Constitution.

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

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

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

(l) Applications and redemptions

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

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

2 Summary of significant accounting policies (continued)

(m) Borrowings

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 statement of comprehensive income when liabilities are derecognised or impaired.

(n) Goods and Services Tax (GST)

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

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

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

(o) Revenue

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

Rental income

Rental income is derived from registered Specialist Disability Accommodation ("SDA") Providers (the "Property Operators"). The Property Operators generally receive rental revenue from the National Disability Insurance Agency and other sources such as a Reasonable Rent Contribution. These payments are made either by, or on behalf of, people with disabilities who qualify for National Disability Insurance Scheme SDA funding and/or other support payments. The Property Operators pass through these rental payments to the Fund after deducting their fees and other expenses.

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

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

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

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

Interest revenue

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

2 Summary of significant accounting policies (continued)

(p) Leases

Leasing costs

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

Lease incentives

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

(q) Use of judgements and estimates

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

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

The key weighted average assumptions used by the external independent property valuers in the latest valuations have been used by the Scheme for the investment properties and the weighted average total for all properties, have been disclosed in note 13. Should the government funding through the NDIA NDIS change or cease, this could affect the reported fair value of investment properties.

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.

2 Summary of significant accounting policies (continued)

(r) Rounding of amounts

Amounts in the directors' report and financial statements have been rounded off to the nearest thousand dollars.

(s) Functional and presentation currency

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

3 Auditor's remuneration

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

	2023	2022
	\$	\$
<i>Audit services - PwC</i>		
Audit of financial statements	65,000	35,000
Audit of compliance plan	4,917	4,630
	<u>69,917</u>	<u>39,630</u>

4 Other expenses

	2023	2022
	\$'000	\$'000
Administration fees	626	214
Disposal costs	10	-
Capital raising fees	25	307
	<u>661</u>	<u>521</u>

5 Net assets attributable to unitholders

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

	2023	2022	2023	2022
	No. '000	No. '000	\$'000	\$'000
Opening balance	66,756	38,950	69,434	38,950
Applications	11,453	27,806	12,746	30,484
Closing balance	<u>78,209</u>	<u>66,756</u>	<u>82,180</u>	<u>69,434</u>

Undistributed income

Opening balance	2,731	3,230
Increase/(Decrease) in net assets attributable to unitholders	5,716	(499)
Closing balance	<u>8,447</u>	<u>2,731</u>

Total net assets attributable to unitholders	<u>90,627</u>	<u>72,165</u>
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5 Net assets attributable to unitholders (continued)

Capital risk management

At balance date, the Fund is illiquid and the Responsible Entity does not intend to offer a liquidity facility during the 10-year term.

6 Distributions to unitholders

The distributions for the year were as follows:

	30 June 2023		30 June 2022	
	\$'000	CPU	\$'000	CPU
Distributions				
30 September	518	0.6853	407	0.6192
31 December	611	0.8002	493	0.7383
31 March	901	1.1556	441	0.6619
30 June (payable)	649	0.8231	483	0.7241
	<u>2,679</u>		<u>1,824</u>	

7 Receivables

	2023	2022
	\$'000	\$'000
Trade receivables	1,352	273
Other receivables	57	15
GST receivables	1	-
	<u>1,410</u>	<u>288</u>

8 Other assets

	2023	2022
	\$'000	\$'000
Deposits paid for investment properties	7,018	8,546
	<u>7,018</u>	<u>8,546</u>

Australian Unity Specialist Disability Accommodation Fund
Notes to the financial statements
30 June 2023
(continued)

9 Investment properties

(a) Property details

	Type	Ownership (%)	Acquisition date	Independent valuation date	Independent valuation amount \$'000	Carrying value 2023 \$'000	Carrying value 2022 \$'000
15 Everage Street, Moonee Ponds, VIC	Residential apartment	100	03/12/2020	31/05/2023	10,675	10,675	10,275
69 Kittyhawk Dr, Chermside QLD	Residential apartment	100	17/05/2022	30/05/2023	9,870	9,870	9,508
4 Henshall Way, Macquarie, QLD	Residential apartment	100	12/08/2022	29/08/2022	9,200	9,605	-
15-17 Maude Street, Cheltenham, VIC	Residential apartment	100	09/04/2020	06/12/2022	8,550	8,550	7,900
9-15 David Street, Richmond, VIC	Residential apartment	100	09/04/2020	06/12/2022	8,350	8,350	8,000
25-33 Grimshaw Street, Greensborough, VIC	Residential apartment	100	09/04/2020	06/12/2022	7,950	7,950	7,700
82 La Scala Ave, Maribyrnong VIC	Residential apartment	100	23/05/2023	26/04/2023	7,250	7,373	-
8-10 Bond Street, Ringwood, VIC	Residential apartment	100	07/10/2022	29/07/2022	6,675	6,677	-
38 Clark Street, Williams Landing, VIC	Land held for development	100	28/07/2022	29/07/2022	6,575	6,628	-
12 Berry St, Wilsonton QLD	Land held for development	100	05/11/2021	28/06/2023	2,320	2,320	585
156-160 Bloomfield St, Cleveland, QLD	Land held for development	100	17/05/2021	10/05/2021	1,150	1,750	1,622
2a Roseneath St, Maryborough QLD	Land held for development	100	09/05/2022	26/05/2023	1,680	1,686	349
2 Fuchsia Court, Norman Gardens QLD	Residential house	100	09/05/2022	28/06/2023	1,800	1,800	392
12 Wallaby St, Nundah, QLD	Land held for development	100	14/05/2021	10/05/2021	935	1,490	1,323
144 Exeter Street, Torquay QLD	Group Home	100	16/08/2021	16/08/2022	1,470	1,470	1,347
58 Geoff Wilson Drive, Norman Gardens QLD	Residential house	100	16/08/2021	17/08/2022	1,400	1,400	1,292
23 McConaghy St, Mitchelton, QLD	Land held for development	100	24/05/2021	10/05/2021	910	1,297	1,187
25 Rogers Street, Pakenham, VIC	Land held for development	100	18/07/2022	-	Transaction	1,268	-
34a Woodlands Way Parkwood QLD	Land held for development	100	17/12/2021	-	Transaction	1,244	1,237
536 Gympie Rd, Strathpine, QLD	Land held for development	100	04/05/2021	10/05/2021	885	1,216	1,209
166 McCarthy Road, Avenell Heights QLD	Residential house	100	16/08/2021	16/08/2022	1,160	1,160	1,037
26-30 Olympic Ct, Eagleby, QLD	Land held for development	100	14/05/2021	10/05/2021	795	1,153	1,081
217 Albert St Osborne Park WA	Land held for development	100	24/06/2022	-	Transaction	1,148	935
6 Masters Drive, Winter Valley VIC	Land held for development	100	01/06/2023	-	Transaction	1,120	-
5 Fuchsia Court, Norman Gardens QLD	Residential house	100	09/05/2022	22/05/2023	1,100	1,105	321
90 Norwood Road, Rivervale, WA	Land held for development	100	28/07/2022	-	Transaction	1,060	-
7 Rita Court, Urangan QLD	Residential house	100	14/10/2021	16/08/2022	1,050	1,050	943

9 Investment properties (continued)

(a) Property details (continued)

	Type	Ownership (%)	Acquisition date	Independent valuation date	Independent valuation amount \$'000	Carrying value 2023 \$'000	Carrying value 2022 \$'000
177b Torquay Rd, Hervey Bay QLD	Land held for development	100	09/05/2022	-	Transaction	1,048	325
1084 Eureka St, Warrenheip VIC	Land held for development	100	14/12/2022	-	Transaction	1,042	-
13 Leichardt St, St James WA	Land held for development	100	28/07/2022	-	Transaction	1,039	-
97 Kitchener Street, Broadmeadows, VIC	Land held for development	100	15/09/2022	-	Transaction	1,005	-
27 Bufflehead Road, Kirkwood QLD	Land held for development	100	09/05/2022	12/10/2022	940	970	465
74 Geoff Wilson Drive, Norman Gardens QLD	Residential house	100	16/08/2021	17/08/2022	950	950	862
26 Evelyne Ave, Cranbourne Vic	Land held for development	100	30/06/2022	-	Transaction	870	754
4 Berry Street, Wilsonton, QLD	Land held for development	100	18/02/2021	10/05/2021	475	844	721
164 McCarthy Road, Avenell Heights QLD	Residential house	100	09/04/2020	16/08/2022	820	820	717
475 Napier Street, White Hills VIC	Land held for development	100	10/02/2022	-	Transaction	799	779
134 Spencer St Sebastopol VIC	Land held for development	100	14/06/2022	-	Transaction	783	673
17 Dallington Crescent Balga WA	Land held for development	100	16/06/2022	-	Transaction	673	598
2 Wellwood Ave Norlane VIC	Land held for development	100	17/05/2022	-	Transaction	627	536
10 Bruce Drive, Sebastopol, VIC	Land held for development	100	01/08/2022	-	Transaction	623	-
132 Grant Street, Sebastopol, VIC	Land held for development	100	17/08/2022	-	Transaction	594	-
24 Birchington Street, Beckenham, WA	Land held for development	100	17/08/2022	-	Transaction	589	-
3 & 7 Bunya Close, Rainforest Rise QLD	Land held for development	100	24/02/2022	-	Transaction	582	534
54 Nelson Street, California Gully, VIC	Land held for development	100	16/08/2022	-	Transaction	567	-
6 Waratah Gve Wendouree VIC	Land held for development	100	14/06/2022	-	Transaction	556	488
Total						115,396	65,695
Less: Properties held for sale						(1,750)	-
Total investment properties						113,646	65,695

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 13. Initially investment properties are measured at the cost of acquisition.

9 Investment properties (continued)

(b) Movements in carrying amount

	2023 \$'000	2022 \$'000
Opening balance	65,695	39,214
Acquisitions	34,392	24,690
Additions	8,010	1,995
Reclassified as properties held for sale	(1,750)	-
Revaluation movements	6,452	(227)
Rent incentives amortisation	382	-
Capitalised borrowing costs	465	23
Closing balance	113,646	65,695

On 18 July 2022, the Scheme completed the purchase of 25 Rogers St, Pakenham, VIC for a purchase price of \$875,000 and acquisition costs of \$243,000.

On 28 July 2022, the Scheme completed the purchase of the following:

- 38 Clark Street, Williams Landing, VIC for a purchase price of \$4,636,000 and acquisition costs of \$721,000;
- 90 Norwood Road, Rivervale, WA for a purchase price of \$800,000 and acquisition costs of \$108,000; and
- 13 Leichardt Street, St James, WA for a purchase price of \$830,000 and acquisition costs of \$109,000.

On 12 August 2022, the Scheme completed the purchase of 4 Henshall Way, Macquarie, ACT for a purchase price of \$7,150,000 and acquisition costs of \$1,745,000.

On 15 August 2022, the Scheme completed the purchase of 10 Bruce Drive Sebastopol, VIC for a purchase price of \$400,000 and acquisition costs of \$120,000.

On 16 August 2022, the Scheme completed the purchase of 54 Nelson St, California Gully, VIC for a purchase price of \$380,000 and acquisition costs of \$129,000.

On 17 August 2022, the Scheme completed the purchase of 132 Grant St, Sebastopol, VIC for a purchase price of \$390,000 and acquisition costs of \$107,000, and 24 Birchington Street, Beckenham, WA for a purchase price of \$480,000 and acquisition costs of \$31,000.

On 15 September 2022, the Scheme completed the purchase of 97 Kitchener St, Broadmeadows, VIC for a purchase price of \$710,000 and acquisition costs of \$188,000.

On 07 October 2022, the Scheme completed the purchase of 8-10 Bond St, Ringwood, VIC which comprises of seven lots for a total purchase price of \$6,415,000 and acquisition costs of \$463,000.

On 14 December 2022, the Scheme completed the purchase of Lot 1, 1084-1085 Eureka Street, Warrenheip, VIC for a purchase price of \$750,000 and acquisition costs of \$168,000.

On 23 May 2023, the Scheme completed the purchase of 82 La Scala Avenue, Maribyrnong, VIC which comprises of nine lots for a total purchase price of \$4,996,750 and acquisition costs of \$528,000.

On 1 June 2023, the Scheme completed the purchase of 6 Masters Drive, Winter Valley, VIC for a purchase price of \$1,000,000 and acquisition costs of \$99,000.

9 Investment properties (continued)

(c) Movements in properties held for sale

	2023 \$'000	2022 \$'000
Opening balance	-	-
Additions	1,750	-
Closing balance	1,750	-

On 1 March 2023, the Scheme entered into a conditional contract to sell 156-160 Bloomfield St, Cleveland, QLD for \$1,750,000, excluding selling costs of \$9,881. The sale will be completed on 15 December 2023.

(d) Leasing arrangements

The scheme leases properties to SDA Providers which sub let properties to NDIS SDA Participants. The NDIA pays the SDA Subsidy to the SDA Provider on condition that the property is occupied by a Participant. Participant occupancy is not contracted such that these amounts are not included as non cancellable leases. The Scheme also has arranged a lesser amount of fixed head leases with SDA Providers which are considered non cancellable leases.

Ignoring indexing and proposed future fixed head leases for property not yet owned or complete, the future minimum lease payments receivable under non cancellable lease commitments are:

	2023 \$'000
Within one year	1,959
Later than one year but not later than 5 years	8,770
Later than 5 years	3,837
	14,566

(e) Contractual obligations

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

	30 June 2023 \$'000	30 June 2022 \$'000
Within one year	7,829	-
Later than one year but not later than 5 years	25,589	-
	33,418	-

The Scheme's share of capital commitments will be funded using the Scheme's cash and cash equivalents and debt facility.

Australian Unity Specialist Disability Accommodation Fund
Notes to the financial statements
30 June 2023
(continued)

10 Payables

	2023	2022
	\$'000	\$'000
Trade payables	83	72
Accrued expenses	601	663
Management and performance fees payable	79	49
	763	784

11 Borrowings

	2023	2022
	\$'000	\$'000
Bank loan	32,720	4,003
Unamortised borrowing costs	(73)	(117)
	32,647	3,886

The \$50,000,000 loan facility is secured by a registered first mortgage over the Scheme's properties and a General Security Agreement over the Scheme and is non-recourse to unitholders. The facility is due to expire on 10 May 2024. As at June 2023 the Lender had conditionally approved an increase of \$25,000,000 to the facility (\$75,000,000 in total) which is yet to be contracted.

The Scheme had access to:

	2023	2022
	\$'000	\$'000
Credit facilities		
Cash advance facilities	75,000	30,000
Drawn balance	(32,720)	(4,003)
Undrawn balance	42,280	25,997

	2023	2022
	\$'000	\$'000
Analysis of changes in consolidated net debt		
Opening balance	1,214	1,778
Net proceeds/(repayments) from borrowings	28,717	(1,009)
Other cash movements	1,927	445
Closing balance	31,858	1,214
Bank loan	32,720	4,003
Cash and cash equivalents	(862)	(2,789)
Consolidated net debt	31,858	1,214

12 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 Fund 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 statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital.

The Scheme has no exposure to price risk.

(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 is exposed to interest rate risk predominantly through borrowings. The Fund does not currently use interest rate swaps to mitigate interest rate risk. Management regularly review this risk and should they see fit, will implement appropriate strategies to manage it.

	2023 \$'000	2022 \$'000
Floating rate		
Cash and cash equivalents	862	2,789
Borrowings*	<u>(32,720)</u>	<u>(4,003)</u>
	<u>(31,858)</u>	<u>(1,214)</u>
Net exposure	<u>(31,858)</u>	<u>(1,214)</u>

* Represents the notional principal amounts.

12 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 and net assets attributable to unitholders, while a positive amount reflects a potential net increase.

Sensitivity	Impact on profit and net assets attributable to unitholders	
	2023	2022
	\$'000	\$'000
Interest rate + 0.70% (2022: +0.60%)	(222)	(7)
Interest rate - 0.70% (2022: -0.60%)	222	7

(c) Credit risk

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

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

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

(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. 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. 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. Withdrawal from the Scheme is currently not made available.

12 Financial risk management (continued)

(d) Liquidity risk (continued)

Maturities analysis of financial liabilities

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

	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3+ years \$'000
2023				
Distributions payable	649	-	-	-
Payables	763	-	-	-
Borrowings	32,720	-	-	-
Total financial liabilities	<u>34,132</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3+ years \$'000
2022				
Distributions payable	483	-	-	-
Payables	784	-	-	-
Borrowings	-	4,003	-	-
Total financial liabilities	<u>1,267</u>	<u>4,003</u>	<u>-</u>	<u>-</u>

As disclosed above, the Scheme manages its liquidity risk by investing in liquid assets that it expects to be able to liquidate within seven days or less. Liquid assets include cash and cash equivalents. As at 30 June 2023, these assets amounted to \$862,000 (2022: \$2,789,000).

(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 13.

13 Fair value hierarchy

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

(a) Fair value hierarchy

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

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

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

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

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

2023	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Non-financial assets				
Investment properties	-	-	113,646	113,646
Properties held for sale	-	-	1,750	1,750
Total non-financial assets	-	-	115,396	115,396
2022	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Non-financial assets				
Investment properties	-	-	65,695	65,695
Total non-financial assets	-	-	65,695	65,695

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

13 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.

Specific valuation techniques used daily to value financial instruments include:

- for listed trusts, disclosed in level 1, the use of quoted market prices or dealer for similar instruments;
- for unlisted trusts, 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 instrument represents the Responsible Entity's best estimate at the end of the period. Currently the fund does not hold any financial instruments.

(ii) Investment properties

The investment property valuation policy is to have independent valuations conducted regularly, typically annually, to aid with the determination of the assets fair value. In determining the fair value of an investment property, the primary appropriate method of assessment is considered to be the discounted cash flow. This methodology involves formulating a projection of SDA cash flow for a term in length equal to that of the remaining secured funding 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.

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

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

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

(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 9(b).

(i) Valuation inputs and relationship to fair value

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

- Adopted discount cash flow rate - The rate of return to convert a monetary sum, payable or receivable in the future, into present value. Theoretically, it should reflect the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. This rate is determined with regards to market evidence.
- Vacancy Allowance - A 7.0% vacancy allowance has been applied to the gross income, factored into the cash flow projection upon completion of the adopted letting up period.

Valuation inputs	2023	2022
Adopted discount cash flow rate (%)	7.50%-8.50%	8.00%-9.25%
Adopted vacancy rate by income (%)	5.00%-7.00%	5.00%

13 Fair value hierarchy (continued)

(ii) Valuation processes

Independent valuations of investment properties are obtained from suitably qualified valuers generally at least 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 9. Notwithstanding, the directors of the Responsible Entity determine the carrying value of each investment property at each reporting date to ensure that its carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, that asset is adjusted to its fair value.

(iii) Sensitivity information

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

Significant inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Adopted discount cash flow rate	Decrease	Increase
Adopted vacancy rate by income	Decrease	Increase

(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.

14 Related party transactions

Responsible Entity

The Responsible Entity of Australian Unity Specialist Disability Accommodation Fund is Australian Unity Funds Management Limited (ABN 60 071 497 115) whose immediate and ultimate parent entity is Australian Unity Limited (ABN 23 087 648 888).

Key management personnel

(a) Directors

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

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

(b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Scheme, directly or indirectly during the period.

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.

14 Related party transactions (continued)

Management fees and other transactions

The Responsible Entity is entitled to receive management fees calculated monthly at 0.70% per annum of the gross asset value of the Scheme.

Should the Scheme meet certain criteria, the Responsible Entity will be entitled to a performance fee. The performance fee will be equal to 20% of the portion of the outperformance of the Scheme over an internal rate of return (IRR) of 10.00% per annum. The IRR is the annualised, compound rate of return received by the unitholders taking into account all income and capital cash flows over the term of the investment.

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

The Responsible Entity is entitled to receive an acquisition fee of up to 0.75% of the value of any assets acquired by the Scheme, payable upon settlement of the acquisition.

The Responsible Entity is entitled to receive a fee of up to 0.75% of the value of any equity called, and 0.35% of any debt facilities established by the Scheme.

The transactions during the year and amount payable at 30 June 2023 between the Scheme and the Responsible Entity were as follows:

	2023 \$	2022 \$
Management fees for the period paid/payable by the Scheme to the Responsible Entity	850,348	535,190
Performance fees accrued during the year by the Scheme to the Responsible Entity	-	(62,255)
Administration expenses incurred by the Responsible Entity which are reimbursed in accordance with the Constitution	371,944	88,160
Capital raising fees for the year paid/payable by the Scheme to the Responsible Entity	25,418	306,910
Acquisition fees for the year paid/payable by the Scheme to the Responsible Entity	74,751	611,763
Aggregate amounts payable to the Responsible Entity at the end of the year	85,572	640,637

(a) Other related party transactions

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

- Leasing and Agency Services;
- Market Rent Reviews;
- Property Management Services;
- Project Management Services;
- Development Management Services; and
- Debt Arrangement Services

The total project management fees paid to Australian Unity Property Management Pty Ltd for the year ended 30 June 2023 was \$6,269 (2022: nil). Total accrued project management fees payable to Australian Unity Property Management Pty Ltd as at 30 June 2023 was \$120,341 (2022: nil).

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

14 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:

2023

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	7,368	7,368	8,480	9.34	-	-	255
Lifepan Australia Friendly Society Limited	2,000	2,000	2,302	2.54	-	-	69
Total	9,368	9,368	10,782	11.88	-	-	324

2022

Unitholders	No. of units held opening '000	No. of units held closing '000	Fair value of investment* \$'000	Interest held %	No. of units acquired '000	No. of units disposed '000	Distributions paid/payable by the Scheme \$'000
Australian Unity Property Income Fund	6,000	7,368	8,019	11.04	1,368	-	201
Lifepan Australia Friendly Society Limited	2,000	2,000	2,180	3.00	-	-	55
Total	8,000	9,368	10,199	14.04	1,368	-	256

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

15 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	2023 \$'000	2022 \$'000
Profit for the year	8,395	1,328
Change in fair value of the investment properties - revaluation (increment)/decrement	(6,452)	227
Add back interest expenses and debt establishment costs	705	73
Net change in receivables	(1,096)	342
Add back capital raising costs paid/payable	25	307
Net change in payables	162	(213)
Net change in other assets	(26)	5
Adjustments to net lease incentives and straight line rental	(381)	-
Net cash inflow from operating activities	1,332	2,069

16 Events occurring after the end of the financial year

The National Disability Insurance Agency (NDIA) has released the Specialist Disability Accommodation (SDA) Pricing Review 2022-2023. There are different SDA benchmark prices for SDA Enrolled pre and post 1 July 2023. The increase to SDA Pricing for the Scheme's contracted and development properties which were not yet Enrolled at 1 July 2023 is considered material.

Other than above, the directors of the Responsible Entity are not aware of any other matter or circumstance arising since 30 June 2023 which has significantly affected or may significantly affect the financial position of the Scheme disclosed in the statement of financial position as at 30 June 2023 or on the results and cash flows of the Scheme for the year ended on that date.

17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets or liabilities as at 30 June 2023 and 30 June 2022.

Commitments arising from contracts principally relating to acquisition of investment properties which are contracted for at reporting date but not recognised on the statement of financial position are \$33,417,836 as at 30 June 2023 (2022: \$51,222,437).

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 to 33 are:
 - (i) complying with Australian Accounting Standards and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2023 and of its performance, as represented by the results of its operations and cash flows for the year ended on that date.
- (b) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable,
- (c) The financial statements are in accordance with the Scheme's Constitution, and
- (d) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Rohan Mead
Director



Darren Mann
Director

22 September 2023



Independent auditor's report

To the unitholders of Australian Unity Specialist Disability Accommodation Fund

Our opinion

In our opinion:

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

- (a) giving a true and fair view of the Scheme's financial position as at 30 June 2023 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2023
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

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

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

Independence

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

Other information

The directors of Australian Unity 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 2023, but does not include the financial report and our auditor's report thereon.



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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

The PricewaterhouseCoopers logo is written in a cursive, handwritten-style font.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'George Sagonas'.

George Sagonas
Partner

Melbourne
22 September 2023