

# **Australian Unity Healthcare Property Trust**

ARSN 092 755 318

## **Annual financial report for the year ended 30 June 2016**

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## **Directors' report**

The directors of Australian Unity Funds Management Limited (ABN 60 071 497 115), the Responsible Entity of Australian Unity Healthcare Property Trust ("the Scheme"), present their report together with the consolidated financial statements of the Scheme for the year ended 30 June 2016.

### **Directors**

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

Rohan Mead, Chairman and Group Managing Director (appointed Chairman 30 June 2016)  
David Bryant, Chief Executive Officer, Investments and Chief Investment Officer  
Kevin McCoy, Chief Financial Officer  
Glenn Barnes, Chairman (resigned 30 March 2016)  
Melinda Cilento, Non-Executive Director (resigned 30 June 2016)  
Stephen Maitland, Non-Executive Director (resigned 30 June 2016)  
Su McCluskey, Non-Executive Director (appointed 27 January 2016, resigned 30 June 2016)  
Peter Promnitz, Non-Executive Director and appointed Chairman from 30 March 2016 (resigned 30 June 2016)  
Greg Willcock, Non-Executive Director (resigned 30 June 2016)

### **Principal activities**

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

The Scheme primarily invests in a diversified portfolio of healthcare property and related assets. The Scheme may invest in Australian healthcare related direct property, managed funds or companies that predominantly hold healthcare property and related assets. The Scheme may also invest in international healthcare related direct property and managed funds that predominantly hold healthcare property and related assets, in countries with healthcare systems and property markets with attributes similar to Australia.

### **Review and results of operations**

#### **Property valuations**

The current year revaluations were in total above the revalued properties carrying values resulting in recording a net revaluation fair value increment of \$60,398,776 (2015: decrement of \$4,481,287).

#### **Consolidation of a new trust and property acquisitions**

The Scheme entered into a strategic partnership with an ASX-listed entity that is expected to provide the Scheme with access to a future pipeline of new asset and development properties. The first of these transactions, which settled on 23 December 2015, involved the acquisition of the following three properties:

- HIS Diagnostic Imaging Centre, 84-88 Bridge Road, Richmond, VIC for a purchase price of \$13,433,845 and acquisition costs of \$914,310;
- HIS Specialist Centre, 80-82 Bridge Road, Richmond, VIC for a purchase price of \$5,500,000 and acquisition costs of \$426,887; and
- 46-50 Underwood Street, Corrimal, NSW for a purchase price of \$3,350,000 and acquisition costs of \$272,643.

These properties formed the initial portfolio of the Primary Health Care Property Trust ("PHPT"), which was established by Trust Deed dated 21 December 2015. This new trust is wholly owned by the Scheme and accordingly the Scheme consolidated its financial statements from 21 December 2015.

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

**Property acquisitions**

In addition to the properties acquired to form the initial portfolio of PHPT, the Scheme also completed the purchase of the following properties:

On 1 April 2016, PHPT completed the purchase of 9-13 Flintoff Street, Greensborough, VIC for a purchase price of \$6,600,000 and acquisition costs of \$719,996.

On 11 April 2016, the Scheme completed the purchase of 15 Butterfield Street, Herston, QLD for a purchase price of \$81,470,000 and acquisition costs of \$5,761,361.

On 20 April 2016, PHPT completed the purchase of Lot 1, Campus Crescent, Robina, QLD for a purchase price of \$3,920,000 and acquisition costs of \$431,632.

On 20 June 2016, the Scheme completed the purchase of Sonic Collingwood, 103 Victoria Parade, Collingwood, VIC for a purchase price of \$45,000,000 and acquisition costs of \$2,899,053.

On 20 June 2016, the Scheme completed the purchase of Sonic Osborne Park, 1310 Selby Road North, Osborne Park, WA for a purchase price of \$36,000,000 and acquisition costs of \$2,266,569.

**Results**

For the year ended 30 June 2016, the Scheme's:

- Retail units posted a total return of 19.49%, (split between a distribution return of 6.72% and a growth return of 12.77%)\*.
- Wholesale units posted a total return of 20.01%, (split between a distribution return of 7.17% and a growth return of 12.84%)\*.
- Class A units posted a total return of 16.13%, (split between a distribution return of 5.99% and a growth return of 10.14%)\*.

Unit prices (ex distribution) as at 30 June 2016 (2015) are as follows:

Retail units \$1.5447 (\$1.3699)\*

Wholesale units \$1.5142 (\$1.3419)\*

Class A units \$1.0298 (\$0.9350)\*

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

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

	2016 \$'000	2015 \$'000
Profit before finance costs attributable to unitholders	<u>128,223</u>	<u>34,648</u>
<i>Distributions - Retail units</i>		
Distribution paid and payable	<u>8,268</u>	<u>9,028</u>
<i>Distributions - Wholesale units</i>		
Distribution paid and payable	<u>25,490</u>	<u>20,947</u>
<i>Distributions - Class A units</i>		
Distribution paid and payable	<u>11,307</u>	<u>8,456</u>

**Significant changes in 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 and as detailed below.

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

**Events occurring after end of the financial year**

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the operations of the Scheme, the result of operations, or the state of the Scheme's affairs in the future years.

On 22 July 2016, the bank loan facility was refinanced. The new \$420,000,000 facility comprise of two tranches:

- Tranche A is a \$270,000,000 facility expiring on 22 July 2021, and
- Tranche B is a \$150,000,000 facility expiring on 24 June 2019.

On 28 July 2016, the Scheme completed the purchase of 34 Investigator Drive, Robina, QLD and 2 Investigator Drive, Robina, QLD for purchase prices of \$3,665,100 and \$26,225,000, respectively.

Two of the Scheme's properties were independently valued in August 2016, with a net increase from their previous book value of \$2,321,545.

**Likely developments and expected results of operations**

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

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

**Indemnification and insurance of officers and auditors**

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

**Fees paid to and interests held in the Scheme by the Responsible Entity or its associates**

Fees paid to the Responsible Entity and its associates out of Scheme property during the year are disclosed in note 19 of the consolidated financial statements.

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

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the year are disclosed in note 19 of the consolidated financial statements.

**Units in the Scheme**

The movement in units on issue in the Scheme during the year is disclosed in note 9 of the consolidated financial statements.

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

**Environmental regulation**

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

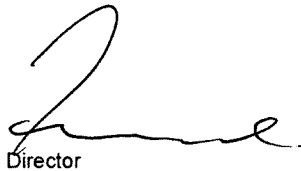
**Rounding of amounts to the nearest thousand dollars**

The Scheme is an entity of a kind referred to in Class Order 2016/191 (as amended) issued by Australian Securities and Investments Commissions relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, where indicated.

**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 6.

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



Director



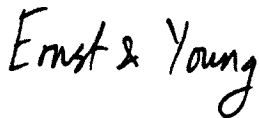
Director  
8 September 2016

## Auditor's Independence Declaration to the Directors of Australian Unity Funds Management Limited as responsible entity for Australian Unity Healthcare Property Trust

As lead auditor for the audit of Australian Unity Healthcare Property Trust for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



Luke Slater  
Partner  
Melbourne

8 September 2016

**Australian Unity Healthcare Property Trust**  
**Consolidated statement of comprehensive income**  
**For the year ended 30 June 2016**

**Consolidated statement of comprehensive income**

	Notes	2016 \$'000	2015 \$'000
<b>Income</b>			
Rental income	3	60,083	54,819
Property expenses	4	(8,319)	(7,255)
<b>Net property income</b>		<b>51,764</b>	<b>47,564</b>
Interest income		45	51
Distribution income	5	7,140	4,942
Net gain on financial instruments held at fair value through profit or loss	6	23,256	502
Net fair value increment/(decrement) of investment properties	14(b)	60,399	(4,481)
<b>Total income net of property expenses</b>		<b>142,604</b>	<b>48,578</b>
<b>Expenses</b>			
Responsible Entity's fees	19	8,785	7,171
Borrowing costs		4,598	5,980
Other expenses	8	998	779
<b>Total expenses</b>		<b>14,381</b>	<b>13,930</b>
<b>Profit before finance costs attributable to unitholders</b>		<b>128,223</b>	<b>34,648</b>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	10	(45,065)	(38,431)
(Increase)/decrease in net assets attributable to unitholders	9	(83,158)	3,783
<b>Total comprehensive income for the year attributable to unitholders</b>		<b>-</b>	<b>-</b>

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

Australian Unity Healthcare Property Trust  
Consolidated statement of financial position  
As at 30 June 2016

**Consolidated statement of financial position**

	Notes	2016 \$'000	2015 \$'000
<b>Assets</b>			
Cash and cash equivalents	11	60,034	86,444
Receivables	12	5,601	2,736
Financial assets held at fair value through profit or loss	13	107,122	56,294
Other assets		1,825	572
Investment properties	14	885,626	553,699
<b>Total assets</b>		<b>1,060,208</b>	<b>699,745</b>
<b>Liabilities</b>			
Distributions payable	10	11,514	10,362
Payables	15	3,597	4,717
Borrowings	16	209,701	33,670
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>224,812</b>	<b>48,749</b>
<b>Net assets attributable to unitholders</b>	9	<b>835,396</b>	<b>650,996</b>

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

Australian Unity Healthcare Property Trust  
Consolidated statement of changes in net assets attributable to unitholders  
For the year ended 30 June 2016

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**Consolidated statement of changes in net assets attributable to unitholders**

	2016 \$'000	2015 \$'000
<b>Balance at the beginning of the year</b>	<b>650,996</b>	<b>418,835</b>
Profit before finance costs attributable to unitholders	<b>128,223</b>	34,648
Distributions to unitholders	<b>(45,065)</b>	(38,431)
Applications for units	<b>123,628</b>	269,668
Redemptions of units	<b>(35,515)</b>	(41,032)
Units issued upon re-investment of distributions	<b>13,129</b>	7,308
<b>Balance at the end of the year</b>	<b>835,396</b>	<b>650,996</b>

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

Australian Unity Healthcare Property Trust  
Consolidated statement of cash flows  
For the year ended 30 June 2016

**Consolidated statement of cash flows**

	Notes	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Interest received		45	51
Distributions received		2,257	2,855
Rental income received		56,277	54,314
Payments to suppliers		(20,063)	(15,419)
<b>Net cash inflow from operating activities</b>	20(a)	<b>38,516</b>	<b>41,801</b>
<b>Cash flows from investing activities</b>			
Purchase of investment property		(195,274)	(56,223)
Acquisition costs on purchase		(12,943)	(3,976)
Lease commissions and incentives paid		(436)	(109)
Capital expenditure on owned investment properties		(61,758)	(14,078)
Purchase of financial instruments held at fair value through profit or loss		(23,278)	(47,358)
<b>Net cash outflow from investing activities</b>		<b>(293,689)</b>	<b>(121,744)</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		123,628	269,668
Payments for redemptions by unitholders		(35,515)	(41,032)
Distributions paid		(30,784)	(28,694)
Proceeds from borrowings		175,500	-
Repayment of borrowings		-	(82,056)
Borrowing costs paid		(4,066)	(5,477)
Swap termination costs paid		-	(4,168)
<b>Net cash inflow from financing activities</b>		<b>228,763</b>	<b>108,241</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(26,410)</b>	<b>28,298</b>
Cash and cash equivalents at the beginning of the year		86,444	58,146
Cash and cash equivalents at the end of the year	11	60,034	86,444

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

**Notes to the financial statements**

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## **1 General information**

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

The Responsible Entity of the Scheme is Australian Unity Funds Management Limited (ABN 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 14, 114 Albert Road, South Melbourne, VIC 3205.

The Responsible Entity is incorporated and domiciled in Australia.

The controlled entity of the Scheme is Primary Health Care Property Trust ("PHPT") which was established by Trust Deed dated 21 December 2015.

The consolidated financial statements are for the period from 1 July 2015 to 30 June 2016.

The consolidated financial statements were authorised for issue by the directors of the Responsible Entity on 8 September 2016. The directors of the Responsible Entity have the power to amend and reissue the consolidated financial statements.

## **2 Summary of significant accounting policies**

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

### **(a) Basis of preparation**

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

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

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

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

### **(i) Compliance with Australian Accounting Standards and International Financial Reporting Standards**

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

The consolidated financial statements are presented in the local reporting currency being Australian dollars.

### **(ii) Amended standards adopted by the Scheme**

There are no new standards or amendments to standards that became mandatory for the first time during the year.

## 2 Summary of significant accounting policies (continued)

### (b) Principles of consolidation

#### (i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by the Scheme as at 30 June 2016 and their results for the year then ended. The Scheme and its subsidiaries together are referred to in this financial report as the consolidated entity.

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

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

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

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

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

#### (c) Investment properties

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

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

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

Independent valuations of investment properties are obtained at intervals of generally one year from suitably qualified valuers. Less frequent valuations are permissible, however the intervals between such valuations are not to exceed three years. Such valuations are reflected in the consolidated financial statements of the Scheme. Notwithstanding, the directors of the Responsible Entity determine the carrying value of each investment property at each reporting date to ensure that its carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, that asset is adjusted to its fair value.

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

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

## 2 Summary of significant accounting policies (continued)

### (d) Financial instruments

#### (i) Classification

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

The Scheme's investments are classified as held at fair value through profit or loss. They comprise:

- *Financial instruments designated at fair value through profit or loss upon initial recognition*  
These include financial assets and liabilities that are not held for trading purposes and which may be sold. These may include investments in listed property trusts, unlisted property trusts and other unlisted trusts.

Financial instruments 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.

- *Loans and receivables/payables*

Loans and receivables/payables are non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market. This category includes short term receivables/payables.

#### (ii) Recognition/derecognition

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

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

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

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

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

#### (iii) Measurement

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

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

## 2 Summary of significant accounting policies (continued)

### (d) Financial instruments (continued)

#### (iii) Measurement (continued)

- *Fair value in an active market*

The fair value of financial assets and financial liabilities traded in active markets is based on their quoted market prices at the end of the year without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such trusts.

- *Borrowings and receivables/payables*

Borrowings and receivables/payables are measured initially at fair value plus transaction costs.

Subsequently, borrowings are carried at amortised cost using the effective interest method. Short term receivables/payables are carried at their initial fair values.

#### (iv) Offsetting financial instruments

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

#### (e) Derivatives

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

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

#### (f) Net assets attributable to unitholders

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

#### (g) Cash and cash equivalents

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

#### (h) Investment income

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

## 2 Summary of significant accounting policies (continued)

### (h) Investment income (continued)

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

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

### (i) Expenses

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

### (j) Income tax

Under current legislation, the Scheme is not subject to income tax as unitholders are presently entitled to the income of the Scheme.

Properties and financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Scheme to be offset against any future realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefit of imputation credits and foreign tax paid, if any, are passed on to unitholders.

### (k) Distributions

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

### (l) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in consolidated statement of comprehensive income as finance costs.

### (m) Receivables

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

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Scheme will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance 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 if the effect of discounting is immaterial.

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

## 2 Summary of significant accounting policies (continued)

### (n) Payables

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at the end of the year.

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

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

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

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

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

### (o) Applications and redemptions

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

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

### (p) Borrowings and borrowing costs

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

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

There were no gains or losses in relation to loans taken to profit for the current year.

### (q) Goods and Services Tax (GST)

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

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

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

### (r) 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:

## 2 Summary of significant accounting policies (continued)

### (r) Revenue (continued)

#### *Rental revenue*

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

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

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

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

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

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

#### *Interest revenue*

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

### (s) 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 a reduction of rental income or an increase in property outgoings. The carrying amount of the leasing cost is reflected in the fair 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 an increase in property outgoings. The carrying amount of the lease incentives is reflected in the fair value of investment properties.

### (t) Use of judgements and estimates

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

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

The key weighted average assumptions used by the external independent property valuers in the latest valuations have been used by the Scheme for the investment properties and the weighted average total for all properties, including the weighted average lease expiry (WALE), have been disclosed in note 18.

## 2 Summary of significant accounting policies (continued)

### (t) Use of judgements and estimates (continued)

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

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

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

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

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

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

### (u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting period and have not been early adopted by the Scheme. The directors' assessment of the impact of these new standards (to the extent relevant to the Scheme) and interpretations is set out below:

#### (i) AASB 9 *Financial Instruments* (and applicable amendments) (effective from 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. It has now also introduced revised rules for hedge accounting and impairment. The Standard is not applicable until 1 January 2018 but is available for early adoption. The Scheme does not expect this to have a significant impact on the recognition and measurement of the Scheme's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not been changed from the previous requirements, and the Scheme does not apply hedge accounting. AASB 9 introduces a new impairment model. The Scheme does not intend to early adopt AASB 9. The Scheme will apply AASB 9 in its financial statements for the reporting period commencing from 1 July 2018. The Scheme does not expect a material impact from the application of this standard.

#### (ii) AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

AASB 15 sets out the requirements for recognising revenue that apply to all contracts with customers, except for contracts that are within the scope of the accounting standards for leases, insurance contracts and financial instruments. AASB 15 outlines a single, principles based five-step model for entities to use in accounting for revenue arising from contracts with customers. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised only when the control of a good or service transfers to a customer. The standard requires enhanced disclosures about revenue and provides guidance for transactions that were not previously addressed comprehensively. AASB 15 applies to an annual reporting period beginning on or after 1 January 2018 with early adoption permitted. At this stage, the Scheme is determining the effect on the financial statements and will finalise its assessments of the effect over the next twelve months.

## 2 Summary of significant accounting policies (continued)

### (u) New accounting standards and interpretations (continued)

#### (iii) AASB 16 Leases (effective from 1 January 2019)

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. AASB 16 substantially carries forward the lessor accounting requirements in AASB 17 and require enhanced disclosures to be provided by the lessor that will improve information disclosed about the lessor's risk exposure, particularly to residual value risk. The standard will be effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted provided AASB 15 has been applied, or is applied at the same date as AASB 16. The Scheme intends to apply this standard on its operative date. Based on the existing recognition of leases, the Scheme does not expect a material impact from the application of this standard. The Scheme is currently assessing the effects of applying AASB 16 on the financial statement disclosures.

#### (v) Rounding of amounts

The Scheme is an entity of the kind referred to in Class Order 2016/191 (as amended), issued by Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, where indicated.

## 3 Rental income

	2016 \$'000	2015 \$'000
Rental Income	54,161	49,110
Outgoings income	5,922	5,709
	<u>60,083</u>	<u>54,819</u>

Rental income includes an adjustment for the straight lining of rental income of \$401,658 (2015: (\$345,478)).

## 4 Property expenses

	2016 \$'000	2015 \$'000
Recoverable outgoings	6,442	6,035
Non-recoverable outgoings	1,694	1,139
Amortisation of lease commissions & lease incentives	183	81
	<u>8,319</u>	<u>7,255</u>

## 5 Distribution income

	2016 \$'000	2015 \$'000
Related unlisted managed investment schemes	2,112	2,800
Listed property trusts	5,028	2,142
	<u>7,140</u>	<u>4,942</u>

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

	2016 \$'000	2015 \$'000
Listed property trusts	23,256	1,041
Net unrealised loss on derivatives	-	3,629
Net unrealised gain on financial assets held at fair value through profit or loss	23,256	4,670
Net realised loss on derivatives - swap break costs	-	(4,168)
Total net gain on financial instruments held at fair value through profit or loss	23,256	502

**7 Auditors' remuneration**

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

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

	2016 \$	2015 \$
<i>Audit services</i>		
Audit and review of financial statements	50,000	33,000
Total remuneration for audit services	50,000	33,000
<i>Taxation services</i>		
Tax compliance services	9,654	7,728
Total remuneration for taxation services	9,654	7,728

**8 Other expenses**

	2016 \$'000	2015 \$'000
Sundry	737	558
Valuation expense	261	221
	998	779

## 9 Net assets attributable to unitholders

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme.

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

	2016 No. '000	2015 No. '000	2016 \$'000	2015 \$'000
<b>Contributed equity</b>				
Opening balance	534,572	340,509	619,516	383,572
<b>Retail units</b>				
Applications	861	1,328	1,284	1,854
Redemptions	(6,462)	(14,331)	(9,491)	(19,779)
Units issued upon reinvestment of distributions	1,991	2,292	2,774	3,064
	<u>(3,610)</u>	<u>(10,711)</u>	<u>(5,433)</u>	<u>(14,861)</u>
<b>Wholesale units</b>				
Applications	26,623	133,420	38,777	183,821
Redemptions	(5,874)	(5,918)	(8,525)	(8,012)
Units issues upon reinvestment of distributions	6,820	2,662	9,319	3,497
	<u>27,569</u>	<u>130,164</u>	<u>39,571</u>	<u>179,306</u>
<b>Class A units</b>				
Applications	83,579	87,804	83,567	83,993
Redemptions	(17,675)	(14,010)	(17,499)	(13,241)
Units issues upon reinvestment of distributions	1,098	816	1,036	747
	<u>67,002</u>	<u>74,610</u>	<u>67,104</u>	<u>71,499</u>
Closing balance	<u>625,533</u>	<u>534,572</u>	<u>720,758</u>	<u>619,516</u>
<b>Undistributed income</b>				
Opening balance			31,480	35,263
Increase/(decrease) in net assets attributable to unitholders			<u>83,158</u>	<u>(3,783)</u>
Closing balance			<u>114,638</u>	<u>31,480</u>
<b>Total net assets attributable to unitholders</b>			<u>835,396</u>	<u>650,996</u>

## 9 Net assets attributable to unitholders (continued)

### Capital risk management

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

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

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

## 10 Distributions to unitholders

### Timing of distributions

The distributions for the year were as follows:

	2016 \$'000	2016 CPU	2015 \$'000	2015 CPU
<b>Distributions - Retail units</b>				
30 September	2,065	2.1200	2,442	2.2600
31 December	2,053	2.1200	2,261	2.2600
31 March	2,035	2.1200	2,237	2.2600
30 June (payable)	2,115	2.2280	2,088	2.1200
	<u>8,268</u>		<u>9,028</u>	
<b>Distributions - Wholesale units</b>				
30 September	6,128	2.2400	4,172	2.4400
31 December	6,272	2.2400	5,136	2.4100
31 March	6,509	2.2400	5,675	2.4100
30 June (payable)	6,581	2.2400	5,964	2.2400
	<u>25,490</u>		<u>20,947</u>	
<b>Distributions - Class A units</b>				
30 September	2,543	1.3600	1,759	1.5000
31 December	2,755	1.3600	2,086	1.5000
31 March	3,191	1.3600	2,301	1.5000
30 June (payable)	2,818	1.1900	2,310	1.3600
	<u>11,307</u>		<u>8,456</u>	
<b>Total distributions</b>	<u>45,065</u>		<u>38,431</u>	

As unitholders are presently entitled to the distributable income of the Scheme, no income tax is payable by the Responsible Entity.

**Australian Unity Healthcare Property Trust**  
**Notes to the consolidated financial statements**  
**30 June 2016**  
 (continued)

**11 Cash and cash equivalents**

	2016	2015
	\$'000	\$'000
Cash at bank	1,851	549
Cash management trusts	58,183	85,895
	<u>60,034</u>	<u>86,444</u>

**12 Receivables**

	2016	2015
	\$'000	\$'000
Trade receivables	1,737	180
Distributions receivables	1,910	1,322
GST receivables	1,954	1,234
	<u>5,601</u>	<u>2,736</u>

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

	2016	2015
	\$'000	\$'000
Listed property trusts	107,122	56,294
<b>Total financial assets held at fair value through profit or loss</b>	<u>107,122</u>	<u>56,294</u>

An overview of the risk exposures and fair value measurements relating to financial assets and liabilities at fair value through profit or loss is included in note 17.

**Australian Unity Healthcare Property Trust**  
**Notes to the consolidated financial statements**  
**30 June 2016**  
(continued)

## 14 Investment properties

### (a) Property details

	Type	Ownership (%)	Acquisition date	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Book value 2016 \$'000	Book value 2015 \$'000
15 Butterfield Street, Herston, Brisbane, QLD	Medical Centre	100	11/04/2016	01/03/2016	81,500	m3property	87,231	-
Peninsula Private Hospital, Langwarrin, VIC	Hospital	100	14/07/2006	30/04/2016	84,700	m3property	84,723	62,998
The Valley Private Hospital, Dandenong North, VIC	Hospital	100	07/07/1999	30/04/2016	80,300	m3property	80,747	58,676
Beleura Private Hospital and Clinic, Momington, VIC	Hospital	100	07/07/1999	30/04/2016	70,600	m3property	70,615	49,609
RPAH Medical Centre, Newton, NSW	Medical Centre	100	01/07/2002	15/05/2016	63,800	JLL	63,921	52,823
Calvary Wakefield Private Hospital and Medical Clinic, Adelaide, SA	Hospital	100	07/07/1999	15/05/2016	50,000	m3property	49,454	54,385
Sonic Collingwood, 103 Victoria Parade, Collingwood VIC	Medical Centre	100	20/06/2016	26/04/2016	45,000	CBRE	47,899	-
8 Herbert Street, St Leonards, NSW	Medical Centre	100	05/12/2013	15/11/2015	38,500	m3property	38,512	38,534
Sonic Osborne Park, 310 Selby Road, North, Osborne Park, WA	Medical Centre	100	20/06/2016	27/04/2016	36,000	CBRE	38,267	-
Manningham Medical Centre, Templestowe Lower, VIC	Medical Centre	100	29/07/2008	15/05/2016	33,300	m3property	33,305	30,627
Brunswick Private Hospital, Brunswick, VIC	Hospital	100	17/08/2009	15/05/2016	30,100	m3property	30,100	25,705
Brisbane Waters Private Hospital, Woy Woy, NSW	Hospital	100	21/07/2014	15/05/2016	27,500	JLL	27,526	19,412
Robina Private Hospital, 1 Bayberry Lane, Robina, QLD	Vacant lot	100	17/06/2015	15/02/2016	16,200	m3property	27,203	9,171
Constitution Hill Aged Care, Northmead, NSW	Aged Care	100	22/12/2008	30/06/2016	18,300	CBRE	18,300	18,050
Berkeley Vale Private Hospital, Berkeley Vale, NSW	Hospital	100	31/10/2000	15/05/2016	17,250	JLL	17,250	15,572
Hunters Hill Private Hospital, Hunters Hill, NSW	Hospital	100	31/10/2000	15/04/2016	17,250	JLL	17,250	14,872
Townsville Private Clinic, Townsville, QLD	Hospital	100	20/10/2014	15/05/2016	16,000	m3property	16,021	7,198
Calvary Rehabilitation Hospital, Walkerville, SA	Hospital	100	07/07/1999	15/08/2015	15,600	m3property	15,694	15,328
HIS Diagnostic Imaging, Richmond, VIC *	Medical Centre	100	23/12/2015	30/11/2015	13,430	m3property	14,348	-
Gosford Private Medical Centre, NSW	Medical Centre	100	02/04/2015	15/05/2016	13,800	m3property	13,800	14,096
Figtree Private Hospital, Figtree, NSW	Hospital	100	31/10/2000	15/04/2016	13,100	JLL	13,102	12,750
North Shore Specialist Day Hospital, Greenwich, NSW	Medical Centre	100	21/08/2008	15/02/2016	12,000	JLL	12,005	11,001
17-19 Fullarton Rd, Kent Town, SA	Medical Centre	100	14/11/2014	15/02/2016	11,350	m3property	11,350	11,974
Ipswich Medical Centre and Day Hospital, QLD	Medical Centre	100	31/05/2007	15/05/2016	10,850	JLL	10,850	10,972
Mackay Medical Centre and Day Hospital, Mackay, QLD	Medical Centre	100	08/05/2007	15/02/2016	10,000	JLL	10,005	9,500
9-13 Flintoff Street, Greensborough, VIC *	Vacant lot	100	01/04/2016	10/12/2015	6,600	Transaction**	7,320	-
Eureka Medical Centre, Ballarat, VIC	Medical Centre	100	12/09/2005	15/02/2016	6,600	m3property	6,600	4,700
46-50 Underwood Street, Cormill, NSW *	Vacant lot	100	23/12/2015	20/11/2015	3,350	Transaction**	6,350	-
80-82 Bridge Road, Richmond, VIC *	Medical Centre	100	23/12/2015	30/11/2015	5,500	Transaction**	5,928	-
Lot 1, Campus Crescent, Robina, QLD *	Vacant lot	100	20/04/2016	15/12/2015	3,920	Transaction**	4,353	-

## 14 Investment properties (continued)

### (a) Property details (continued)

	Type	Ownership (%)	Acquisition date	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Book value 2016 \$'000	Book value 2015 \$'000
95 Herbert Street, Mornington, VIC	Vacant lot	100	25/03/2015	30/04/2016	1,200	m3property	1,200	1,297
Figtree Consulting Suites, Figtree, NSW	Medical Centre	100	05/05/2008	15/04/2016	1,150	JLL	1,150	1,100
101 Herbert Street, Mornington, VIC	Vacant lot	100	12/12/2014	30/04/2016	800	m3property	800	861
12 View Road, Walkerville, SA	Vacant lot	100	14/07/2010	15/08/2015	790	m3property	791	780
10 North East Road, Walkerville, SA	Vacant lot	100	25/01/2013	15/08/2015	650	m3property	656	650
103 Herbert Street, Mornington, VIC	Vacant lot	100	15/01/2015	30/04/2016	500	m3property	500	529
105 Herbert Street, Mornington, VIC	Vacant lot	100	15/01/2015	30/04/2016	500	m3property	500	529
<b>Total</b>					<b>857,990</b>		<b>885,626</b>	<b>553,699</b>

\* Investment properties of PHPT

\*\*The Independent valuation amount is the purchase price.

The book 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 18.

### (b) Movements in carrying amount

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

	2016 \$'000	2015 \$'000
Opening balance	553,699	480,304
Additions including capital expenditure	270,182	75,261
Lease commissions and incentives	1,127	2,351
Lease commissions and incentives amortisation	(183)	(81)
Revaluation movements	60,399	(4,481)
Straight-lining of rental income	402	345
Closing balance	<b>885,626</b>	<b>553,699</b>

The Scheme entered into a strategic partnership with an ASX-listed entity that is expected to provide the Scheme with access to a future pipeline of new asset and development properties. The first of these transactions, which settled on 23 December 2015, involved the acquisition of the following three properties:

- HIS Diagnostic Imaging Centre, 84-88 Bridge Road, Richmond, VIC for a purchase price of \$13,433,845 and acquisition costs of \$914,310;
- HIS Specialist Centre, 80-82 Bridge Road, Richmond, VIC for a purchase price of \$5,500,000 and acquisition costs of \$426,887; and
- 46-50 Underwood Street, Corrimall, NSW for a purchase price of \$3,350,000 and acquisition costs of \$272,643.

## 14 Investment properties (continued)

### (b) Movements in carrying amount (continued)

In addition to the properties acquired to form the initial portfolio of PHPT, the Scheme also completed the purchase of the following properties:

On 1 April 2016, PHPT completed the purchase of 9-13 Flintoff Street, Greensborough, VIC for a purchase price of \$6,600,000 and acquisition costs of \$719,996.

On 11 April 2016, the Scheme completed the purchase of 15 Butterfield Street, Herston, QLD for a purchase price of \$81,470,000 and acquisition costs of \$5,761,361.

On 20 April 2016, PHPT completed the purchase of Lot 1, Campus Crescent, Robina, QLD for a purchase price of \$3,920,000 and acquisition costs of \$431,632.

On 20 June 2016, the Scheme completed the purchase of Sonic Collingwood, 103 Victoria Parade, Collingwood, VIC for a purchase price of \$45,000,000 and acquisition costs of \$2,899,053.

On 20 June 2016, the Scheme completed the purchase of Sonic Osborne Park, 1310 Selby Road North, Osborne Park, WA for a purchase price of \$36,000,000 and acquisition costs of \$2,266,569.

### (c) Contractual obligations

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

	2016 \$'000	2015 \$'000
Within one year	50,500	78,760
Later than one year but not later than 5 years	-	22,000
	<u>50,500</u>	<u>100,760</u>

The Scheme share of capital commitments will be funded using the Scheme's cash and cash equivalents and debt facility. Refer to notes 11 and 16.

## 15 Payables

	2016 \$'000	2015 \$'000
Trade payables	497	842
Accrued expenses	2,617	3,376
GST payables	483	499
	<u>3,597</u>	<u>4,717</u>

## 16 Borrowings

	2016 \$'000	2015 \$'000
Bank loan	210,500	35,000
Unamortised borrowing costs	<u>(799)</u>	<u>(1,330)</u>
	<u>209,701</u>	<u>33,670</u>

The Scheme had access to:

	2016 \$'000	2015 \$'000
<b>Credit facilities</b>		
Cash advance facilities	300,000	300,000
Drawn balance	<u>(210,500)</u>	<u>(35,000)</u>
Undrawn balance	<u>89,500</u>	<u>265,000</u>

The bank loan facility comprised of two tranches:

- Tranche A is a \$150,000,000 facility expiring on 24 July 2016 (2015: \$150,000,000), and
- Tranche B is a \$150,000,000 facility expiring on 24 June 2019 (2015: \$150,000,000).

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

On 22 July 2016, the bank loan facility was refinanced. Refer to note 22.

## 17 Financial risk management

### (a) Objectives, strategies, policies and processes

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

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

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

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

### (b) Market risk

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

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

#### (i) Price risk

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

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

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

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

## 17 Financial risk management (continued)

### (b) Market risk (continued)

#### (i) Price risk (continued)

	2016 \$'000	2015 \$'000
<b>Assets</b>		
Listed property trusts	<u>107,122</u>	<u>56,294</u>
Net exposure	<u>107,122</u>	<u>56,294</u>

#### Sensitivity

##### Impact on profit

Securities prices + 10%	10,712	5,629
Securities prices - 10%	(10,712)	(5,629)

##### Impact on equity

Securities prices + 10%	10,712	5,629
Securities prices - 10%	(10,712)	(5,629)

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

The Scheme has exposure to interest rate risk on its monetary assets and liabilities.

	2016 \$'000	2015 \$'000
<b>Floating rate</b>		
Cash and cash equivalents	60,034	86,444
Borrowings*	<u>(210,500)</u>	<u>(35,000)</u>
<b>Net exposure</b>	<u>(150,466)</u>	<u>51,444</u>

\* Represents the notional principal amounts.

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

## 17 Financial risk management (continued)

### (b) Market risk (continued)

#### (ii) Interest rate risk (continued)

	2016 \$'000	2015 \$'000
<b>Sensitivity</b>		
<b>Impact on profit</b>		
Interest rate + 0.50% (2015: +0.25%)	(752)	129
Interest rate - 0.50% (2015: -0.25%)	752	(129)
<b>Impact on equity</b>		
Interest rate + 0.50% (2015: +0.25%)	(752)	129
Interest rate - 0.50% (2015: -0.25%)	752	(129)

#### (c) Credit risk

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

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

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

#### (d) Liquidity risk

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

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

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

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

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

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

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

## 17 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
<b>2016</b>				
Distributions payables	11,514	-	-	-
Payables	3,597	-	-	-
Borrowings	150,000	-	-	60,500
Net assets attributable to unitholders	835,396	-	-	-
<b>Total financial liabilities</b>	<b>1,000,507</b>	<b>-</b>	<b>-</b>	<b>60,500</b>

	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3+ years \$'000
<b>2015</b>				
Distributions payables	10,362	-	-	-
Payables	4,717	-	-	-
Borrowings	35,000	-	-	-
Net assets attributable to unitholders	650,996	-	-	-
<b>Total financial liabilities</b>	<b>701,075</b>	<b>-</b>	<b>-</b>	<b>-</b>

As disclosed above, the Scheme manages its liquidity risk by investing in liquid assets that it expects to be able to liquidate within seven days or less. Liquid assets include cash and cash equivalents and listed property trusts. As at 30 June 2016, these assets amounted to \$167,156,720 (2015: 142,737,761).

Investment in Australian Unity Wholesale Cash Fund is included in the liquid assets of the Scheme above.

#### (e) Estimation of fair values of financial assets and financial liabilities

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

The Scheme values its investments in accordance with the accounting policies set out in note 18.

## 18 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.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2016</b>				
<b>Financial assets held at fair value through profit or loss</b>				
Listed property trust	107,122	-	-	107,122
<b>Total financial assets</b>	<b>107,122</b>	<b>-</b>	<b>-</b>	<b>107,122</b>
<b>Non-financial assets</b>				
Investment properties	-	-	885,626	885,626
<b>Total non-financial assets</b>	<b>-</b>	<b>-</b>	<b>885,626</b>	<b>885,626</b>
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2015</b>				
<b>Financial assets held at fair value through profit or loss</b>				
Listed property trust	56,294	-	-	56,294
<b>Total financial assets</b>	<b>56,294</b>	<b>-</b>	<b>-</b>	<b>56,294</b>
<b>Non-financial assets</b>				
Investment properties	-	-	553,699	553,699
<b>Total non-financial assets</b>	<b>-</b>	<b>-</b>	<b>553,699</b>	<b>553,699</b>

## 18 Fair value hierarchy (continued)

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

### (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 assets are priced at bid prices, while financial liabilities are priced at asking prices.

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

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

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

Specific valuation techniques used daily to value financial instruments include:

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

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

#### (ii) Investment properties

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

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

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

## 18 Fair value hierarchy (continued)

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

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

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

#### (i) Valuation inputs and relationship to fair value

The table below illustrates the key valuation assumptions used in the determination of the investment properties fair value:

Valuation inputs	2016	2015	Relationship of inputs to fair value
Weighted average capitalisation rate (%)	7.63%	8.69%	The higher the capitalisation rate, the lower the fair value.
Occupancy rate by area (%)	97.64%	97.88%	The higher the occupation rate, the higher the fair value.
Weighted average lease expiry (years)	10.58 years	11.59 years	The higher the lease expiry, the higher the fair value.

#### (ii) Valuation processes

Independent valuations of investment properties are obtained from suitably qualified valuers at least once in any 12-month period from the date of the last valuation. In exceptional circumstances, valuations once in a financial year are permissible. Such valuations are reflected in note 14. 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.

### (d) Fair value of other financial instruments

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

Borrowings are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. The fair value of borrowings approximates the carrying amount.

## 19 Related party transactions

### Responsible entity

The Responsible Entity of Australian Unity Healthcare Property Trust 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 (appointed Chairman 30 June 2016)  
David Bryant, Chief Executive Officer, Investments and Chief Investment Officer  
Kevin McCoy, Chief Financial Officer  
Glenn Barnes, Chairman (resigned 30 March 2016)  
Melinda Cilento, Non-Executive Director (resigned 30 June 2016)  
Stephen Maitland, Non-Executive Director (resigned 30 June 2016)  
Su McCluskey, Non-Executive Director (appointed 27 January 2016, resigned 30 June 2016)  
Peter Promnitz, Non-Executive Director and appointed Chairman from 30 March 2016 (resigned 30 June 2016)  
Greg Willcock, Non-Executive Director (resigned 30 June 2016)

#### (b) Other key management personnel

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

### Other transactions within the Scheme

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

### Responsible Entity's fees and other transactions

The Responsible Entity is entitled to receive fees monthly calculated daily by reference to the gross assets of the Scheme as follows. The Scheme's Constitution sets out maximum fees can be charged. Currently, the Scheme sets the fee structures for its units at a level below the maximum allowed for in the Constitution.

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

The transactions during the year and amounts payable at 30 June 2016 between the Scheme and the Responsible Entity were as follows:

	2016 \$	2015 \$
Management fees for the year paid/payable by the Scheme to the Responsible Entity	<u>5,875,971</u>	<u>4,677,206</u>
Administration expenses incurred by the Responsible Entity which are reimbursed in accordance with the Scheme's Constitution	<u>2,909,198</u>	<u>2,493,649</u>
Aggregate amounts payable to the Responsible Entity at the end of the year	<u>1,034,805</u>	<u>772,645</u>

#### (a) Other related party transactions

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

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

## 19 Related party transactions (continued)

### Responsible Entity's fees and other transactions (continued)

#### (a) Other related party transactions (continued)

The total fees paid/payable to Australian Unity Property Management Pty Ltd for the year ended 30 June 2016 was \$2,040,116 (2015: \$1,296,419). Total accrued fees payable to Australian Unity Property Management Pty Ltd as at 30 June 2016 was \$750,000 (2015: \$1,195,721).

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

#### Related party unitholdings

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

#### 2016

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	1,281	2,100	3,211	0.38	819	-	145
AUFM Managed Fund No 3 (AUFMF3)	197	454	695	0.08	257	-	24
AUFM Managed Fund No 2 (AUFMF2)	161	383	585	0.07	222	-	28
AUFM Managed Fund No 1 (AUFMF1)	50	134	204	0.02	84	-	8
Federation Managed Accounts	-	14	22	-	14	-	1
Australian Unity Assurance Benefit Fund	556	-	-	-	-	(556)	24
<b>Total</b>	<b>2,245</b>	<b>3,085</b>	<b>4,717</b>	<b>0.55</b>	<b>1,396</b>	<b>(556)</b>	<b>230</b>

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

## 19 Related party transactions (continued)

### Related party unitholdings (continued)

2015

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	-	1,281	1,739	0.26	1,281	-	107
AUFM Managed Fund No 3 (AUFMF3)	-	197	263	0.04	197	-	4
AUFM Managed Fund No 2 (AUFMF2)	-	161	219	0.03	161	-	4
AUFM Managed Fund No 1 (AUFMF1)	-	50	68	0.01	50	-	1
Australian Unity Assurance Benefit Fund	556	556	770	0.12	-	-	50
<b>Total</b>	<b>556</b>	<b>2,245</b>	<b>3,059</b>	<b>0.46</b>	<b>1,689</b>	<b>-</b>	<b>166</b>

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

#### (a) Investments

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

	Fair value of investment		Interest held		Distributions received/receivable	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$'000	\$'000	%	%	\$'000	\$'000
Australian Unity Wholesale Cash Fund	<b>58,183</b>	85,895	<b>7.48</b>	12.69	<b>2,112</b>	2,800
	<b>58,183</b>	<b>85,895</b>			<b>2,112</b>	<b>2,800</b>

Distributions received/receivable includes an amount of \$110,504 (2015: \$255,307) in respect of Australian Unity Wholesale Cash Fund which remains unpaid at the end of the year.

## 20 Reconciliation of profit to net cash inflows from operating activities

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

	2016 \$'000	2015 \$'000
Profit/(loss) for the year attributable to unitholders	-	-
(Decrease)/increase in net assets attributable to unitholders	83,158	(3,783)
Add back interest expenses and debt establishment costs	4,598	5,447
Add back swap break costs paid	-	4,168
Net gains on financial instruments	(23,256)	(3,543)
Change in fair value of the investment properties - revaluation (increment)/decrement	(60,399)	4,481
Decrease/(increase) in receivables	(2,865)	459
(Decrease)/increase in accounts payable/liabilities	(891)	(903)
(Increase)/decrease in other assets/prepayments	(1,253)	14
Adjustment to net lease incentives and straight line rental	(1,346)	(1,843)
Distribution to unitholders	45,065	38,431
Reinvestment of financial assets	(4,295)	(1,127)
<b>Net cash inflows from operating activities</b>	<b>38,516</b>	<b>41,801</b>

### (b) Components of cash and cash equivalents

Cash as at the end of the year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

Cash and cash equivalents	<u>60,034</u>	<u>86,444</u>
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## 21 Parent entity financial information

	2016 \$'000	2015 \$'000
<b>Statement of financial position</b>		
Cash and cash equivalents	58,853	86,444
Receivables	4,785	2,736
Financial assets held at fair value through profit or loss	107,122	56,294
Investment in subsidiary	40,700	-
Investment properties	847,327	553,699
Other Assets	1,386	572
<b>Total assets</b>	<b>1,060,173</b>	<b>699,745</b>
Distributions payable	11,514	10,362
Payables	3,562	4,717
Borrowings	209,701	33,670
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>224,777</b>	<b>48,749</b>
<b>Net assets attributable to unitholders</b>	<b>835,396</b>	<b>650,996</b>
	2016 \$'000	2015 \$'000
<b>Statement of comprehensive income</b>		
Profit before finance costs attributable to unitholders	128,223	34,648
<b>Finance costs attributable to unitholders</b>		
Distributions to unitholders	(45,065)	(38,431)
(Increase)/decrease in net assets attributable to unitholders	(83,158)	3,783
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>

## 22 Events occurring after end of the financial year

No significant events have occurred since the end of the year which would impact on the financial position of the Scheme disclosed in the consolidated statement of financial position as at 30 June 2016 or on the results and cash flows of the Scheme for the year ended on that date.

On 22 July 2016, the bank loan facility was refinanced. The new \$420,000,000 facility comprise of two tranches:

- Tranche A is a \$270,000,000 facility expiring on 22 July 2021, and
- Tranche B is a \$150,000,000 facility expiring on 24 June 2019.

On 28 July 2016, the Scheme completed the purchase of 34 Investigator Drive, Robina, QLD and 2 Investigator Drive, Robina, QLD for purchase prices of \$3,665,100 and \$26,225,000, respectively.

Two of the Scheme's properties were independently valued in August 2016, with a net increase from their previous book value of \$2,321,545.

## 23 Contingent assets and liabilities and commitments


There are no outstanding contingent assets, liabilities or commitments as at 30 June 2016 and 30 June 2015.

### Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The consolidated financial statements and notes set out on pages 7 to 40 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2016 and of its performance, as represented by the results of its operations and cash flows for the year ended on that date.
- (b) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable,
- (c) The consolidated financial statements are in accordance with the Scheme's Constitution, and
- (d) Note 2(a) confirms that the consolidated financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Director



Director  
8 September 2016

## Independent auditor's report to the unitholders of Australian Unity Healthcare Property Trust

We have audited the accompanying financial report of Australian Unity Healthcare Property Trust, which comprises the consolidated statement of financial position as at 30 June 2016 the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Australian Unity Healthcare Property Trust and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

The directors of Australian Unity Funds Management Limited (the Responsible Entity) 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

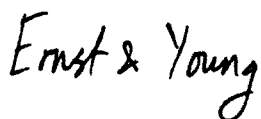
### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

## Opinion

In our opinion:

- a. the financial report of Australian Unity Healthcare Property Trust is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.



Ernst & Young



Luke Slater  
Partner  
Melbourne  
8 September 2016