

ASX Announcement

23 February 2022

Australian Unity Limited – Interim Financial Report

Please find attached Australian Unity Limited’s Interim Financial Report for the half-year ended 31 December 2021.

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This announcement has been authorised for distribution to the ASX by:

The Board of Australian Unity Limited

T: + 61 3 8682 6819

If securityholders or other interested parties require further information please contact:

Michael Moore

General Manager – Public Affairs & Communications

T: 1300 408 776

E: media@australianunity.com.au

ASX code:
AYU

Securities on Issue:
AYUPA – 3,434,000
AYUHC – 1,150,192
AYUHD – 2,070,000

Issuer:
Australian Unity Limited
ACN 087 648 888

Enquiries:
Australian Unity Registry
1300 554 474

Contact details:
Australian Unity Limited
271 Spring Street
Melbourne VIC 3000
Tel: 13 29 39

The listing of Australian Unity Securities on the ASX does not affect Australian Unity Limited’s status as a mutual entity

Australian Unity Limited

ABN 23 087 648 888

Interim financial report and directors' report for the half-year ended 31 December 2021

Australian Unity Limited ABN 23 087 648 888
Interim financial report and directors' report - 31 December 2021

Directors' report	1
Interim financial statements	11
Consolidated statement of comprehensive income	11
Consolidated balance sheet	12
Consolidated statement of changes in equity	13
Consolidated statement of cash flows	14
Notes to the consolidated financial statements	15
Directors' declaration	43
Independent auditor's review report to the members	44

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Australian Unity Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Australian Unity Limited is a company limited by shares and guarantee, however no shares have been issued. The Company is incorporated and domiciled in Australia and its registered office and principal place of business is:

271 Spring Street
Melbourne VIC 3000

The financial statements were authorised for issue by the directors on 23 February 2022.

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as Australian Unity or the Group) consisting of Australian Unity Limited (Parent entity or Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

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

Peter Promnitz, Chair
Rohan Mead, Group Managing Director & CEO
Lisa Chung, Non-executive Director
Melinda Cilento, Non-executive Director
Paul Kirk, Non-executive Director
Su McCluskey, Non-executive Director
Julien Playoust, Non-executive Director
Gregory Willcock, Non-executive Director

Company secretaries

Melinda Honig and Catherine Visentin were company secretaries of Australian Unity Limited as at the date of this report.

Dividends

During the first six months of the 2022 financial year, the Company paid a fully franked dividend of \$2.5068 (2021: \$1.5342) per Australian Unity Mutual Capital Instrument totaling \$3,008,160 (2021: \$1,841,000).

Operating and financial review

In the six months to 31 December 2021, the Australian Unity Group continued advancing its strategy of building a commercially sustainable portfolio of businesses that provides member, customer and community value and is supportive of personal and community wellbeing.

While the half-year under review was similar in many ways to the equivalent period in the prior year, with both being significantly impacted by the COVID-19 pandemic, the Group delivered an improved and solid financial result.

Highlights of the half-year included sound results within the Private Health Insurance (PHI) business, and positive results in the Banking, Wealth & Capital Markets and Independent & Assisted Living (IAL) businesses, despite many of the IAL activities being adversely affected by the pandemic. While these impacts are notable there was also continued improvement in the Home Care Services business model and further progress in developing improved and sustainable patient and outcome-focused, healthcare services. The Group continued the advancement of its social infrastructure agenda, which included the acquisition in July 2021 of the aged care and retirement living owner-operator Greengate Partnership Pty Ltd. The acquisition added three recently built and fully operational, vertical co-located retirement village and aged care precincts (two in Sydney and one in Brisbane), as well as a prime development site in Brisbane with existing approval for a similar precinct. The three operational sites added 253 independent living units and 226 aged care beds to the Independent & Assisted Living portfolio.

In the period under review, the Group continued to prioritise its focus on the maintenance of a solid balance sheet position in support of operational resilience and agility. To this end, the Group undertook a second Mutual Capital Instrument (MCI) issuance, raising \$230.1 million from investors. This issuance built on the \$120.0 million raised in the prior corresponding period, through Australia's inaugural MCI issuance. The opportunity to issue these financial instruments has been the culmination of many years of sector-shaping advocacy for the Group, leading to legislative amendments that passed through the Australian Parliament in 2019, allowing mutual entities, subject to constitutional adjustment, to raise permanent capital without compromising their mutual status. At the 2019 Annual General Meeting, Australian Unity's members voted to extend the Group's strategic options for raising funds—through the issue of MCIs.

November 2021 saw the publication of the Group's inaugural standalone Impact Report, demonstrating the sustainability of our business and assessing our key risks and opportunities against the environmental, social and governance (ESG) criteria increasingly used to measure company impact beyond corporate financial performance.

The impact of the COVID-19 pandemic—first reported in the operating and financial review for the year to 30 June 2020—continued to be felt in many ways across the Group's businesses in the half-year under review. It required the ongoing implementation of extraordinary measures to seek to protect aged care residents, home care customers and the employees who support them; the provision of hardship relief for health insurance and banking customers; and responses to the effects of adjusted economic circumstances. Australian Unity has responded throughout the pandemic by maintaining, and where possible improving, levels of service and responsiveness to the needs and wellbeing of members and customers, while at the same time pursuing efficiency measures to mitigate risks and curtail expenditures. During this time, the Group has also focused on the welfare of its employees and the impact COVID-19 has had on them.

Operating and financial review (continued)

As noted in the annual report at 30 June 2021, in September 2021 the board of Australian Unity Health Limited approved additional COVID-19 support for PHI policyholders through premium relief with an estimated \$6 million to be delivered in the 2022 financial year. In recognition of the impact of cancelled, suspended and postponed healthcare services on PHI policyholders due to COVID-19, Australian Unity has provided that additional financial support through the application of premium 'free days', at a cost of \$9.1 million and implemented a range of ancillary product benefit improvements. This adds to the package of relief measures already provided to support our PHI policyholders, including premium relief for those experiencing hardship; a six-month deferral of the 2020 premium increase; cover for COVID-19 related hospital admissions; a range of telehealth services; and a low, relative to the sector, 2021 premium increase (1.99 percent).

The pandemic affected the Group's overall results, with impacts including the support measures to PHI policyholders; client cancellations and interruptions to regular home care, disability, dental and health care servicing; some additional government funding receipts; increased cost of additional personal protective equipment (PPE) and related consumables and cost containment undertaken in response to these pandemic effects. The Group currently incurs in excess of an additional \$100,000 per week in PPE costs within its Independent & Assisted Living business.

Despite this, the Group delivered a profit after tax of \$15.5 million for the half-year under review, compared to \$6.2 million in the prior corresponding period.

The Group's total revenue and other income increased to \$835.0 million (31 December 2020: \$818.0 million). Overall revenues from operating businesses and investment returns grew by \$81.4 million; however, benefit fund revenues decreased by \$64.4 million due to reduced investment performance.

Total expenses, excluding financing costs, were \$794.1 million (31 December 2020: \$767.2 million). Expenses of operating businesses increased by 11.5 percent or \$75.9 million, with higher client care costs (up \$8.5 million), net health insurance claims (up \$6.3 million) and employee expenses (up \$27.8 million). Benefit fund expenses were \$49.0 million lower.

The overall outcome represents a significant improvement in the aggregate trading position, with operating earnings for the half-year of \$13.8 million—an increase of \$1.9 million on the prior corresponding period.

Also as noted in the annual report at 30 June 2021, during the 2021 financial year the Group undertook a detailed review of the Home Care Services business within the IAL platform following the effective finalisation of outcomes from the remuneration review reported previously and regulatory changes relating to the timing of funding for Home Care Package (HCP) clients. This work identified payroll, superannuation contribution and revenue reconciliation errors, the net aggregate impact of which was determined to be sufficient to require a restatement of prior period results in the 2021 Annual report, thereby providing more meaningful comparability between the years. The comparative period in this interim report has also been adjusted as part of this process set out in the financial statements and detailed at note 15. Comparative information in this Operating and financial review has been restated accordingly.

Despite the ongoing impact of COVID-19 and the consequential pressures on its individual businesses, the Group continues to remain positive about its capacity to respond to these challenges and continue building on the considerable opportunities arising from an external environment of uncertainty and market disruption. In the context of this market volatility, the Group will persist in maintaining balance sheet resilience and operational flexibility as it continues to pursue the development of the business portfolio and the realisation of strategic ambitions.

The Group's operations are conducted through three business platforms: Independent & Assisted Living; Retail; and Wealth & Capital Markets. Key aspects of the operating, financial and strategic performance of each platform during the half-year to 31 December 2021 are set out below. In assessing the performance of its operating business segments, the Group uses a measure of adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (adjusted EBITDA). As the name indicates, this measure excludes the effects of tax, depreciation and amortisation, interest on external borrowings and investment income. It also excludes Group overheads and other material non-recurring expenditure. A reconciliation between adjusted EBITDA and profit before income tax from continuing operations is set out in note 2 to the consolidated financial statements.

Independent & Assisted Living

The IAL platform operates retirement communities and provides home care, aged care, retirement living, disability and allied health services. The platform offers preventative health and chronic disease management services through a wholly owned subsidiary, Remedy Healthcare, and direct healthcare services through dental clinics. These businesses are interconnected, seeking to deliver a continuum of care and service that addresses the daily needs of its customers.

Operating and financial review (continued)

Independent & Assisted Living (continued)

Financial performance - Independent & Assisted Living

	Half-year to 31/12/21 \$million	Half-year to 31/12/20 \$million	Variance
Total segment revenue	\$291.3	\$246.4	18.2%
Operating expenses	\$263.8	\$220.0	(19.9%)
Adjusted EBITDA	\$27.5	\$26.4	4.2%

The IAL platform recorded total segment revenue of \$291.3 million for the half-year, representing an increase of 18.2 percent compared to the prior corresponding period (31 December 2020: \$246.4 million). This positive result was achieved despite continued disruption across the IAL business due to the ongoing COVID-19 pandemic.

Home Care Services experienced a 7.0 percent increase in revenue to \$169.8 million, Residential Communities increased 54.6 percent to \$94.6 million, Health Services increased 7.8 percent to \$26.0 million, and Aboriginal Home Care decreased 4.7 percent to \$14.6 million.

IAL's adjusted EBITDA of \$27.5 million represented an increase of \$1.1 million, or 4.2 percent, on the prior corresponding period.

Home Care Services (HCS)

HCS delivered an adjusted EBITDA of \$11.6 million—in line with the prior year. This was achieved predominantly through continued efforts on cost savings in a number of areas, notably salary and wages through improvements in safety performance, injury management and care worker utilisation.

Approximately 1.5 million hours of care were delivered by 2,847 care workers. Care worker retention and recruitment remained an area of focus for the business, heightened by the impacts of the pandemic.

HCS saw a 12.9 percent increase in its Home Care Packages customer base and a 21.9 percent increase in additional service hours provided. Total Home Care Packages under management reached 9,960 at December 2021—an increase of 1,136 package clients in the six months to 31 December 2021 (30 June 2021: 8,824).

Within HCS, the Aboriginal Home Care business delivered an adjusted EBITDA of \$0.2 million in the half-year under review. Approximately 115,000 hours of care were delivered to 2,474 clients by 194 care workers. There were 815 Home Care Packages under management, which was an increase of 68 packages in the six months to 31 December 2021 (30 June 2021: 747).

Disability Services commenced operations as a separate business unit within HCS from 1 July 2021. During the half-year under review, it delivered approximately 88,000 hours of care to 337 customers through 172 care workers.

Residential Communities

On 7 July 2021, IAL acquired the Greengate Group retirement and aged care business, with its three established co-located communities in Sydney (Kogarah & Maroubra) and Brisbane (Woolloongabba) and a prime development site in Brisbane (Auchenflower) that has approval for a vertical retirement village and residential aged care precinct.

With the purchase of Greengate, Australian Unity now owns and operates 10 co-located retirement villages and residential aged care precincts (30 June 2021: 7) and 14 standalone retirement villages (30 June 2021: 14) across NSW, Victoria and Queensland, comprising 2,749 independent living units (ILUs) and 1,012 aged care beds (30 June 2021: 2,496 ILUs and 786 aged care beds).

The resurgent property market supported strong retirement village sales volume, up more than 90 percent on the prior year. Occupancy levels across the portfolio's mature retirement villages remained high at more than 94 percent in the half-year under review.

The mature aged care portfolio continued to achieve top-quartile occupancy at above 96 percent for the half-year to 31 December 2021, despite the challenges of the pandemic.

Operating and financial review (continued)

Independent & Assisted Living (continued)

Remedy Healthcare

Remedy Healthcare increased revenue by 7.5 percent to \$21.3 million, driven predominantly by Allied and Mental Health Services (December 2020: \$19.8 million). Remedy continued its integration strategy, delivering more than 26,000 hours of allied services to NSW Home Care Services clients of Australian Unity, which was an increase of almost 24 percent on the prior corresponding period.

Increased elective surgery disruption presented by the COVID-19 pandemic during the period under review resulted in Remedy Healthcare delivering 3,175 'hospital substitution' programs—a decrease of 10.6 percent on the prior corresponding period (December 2020: 3,551).

Ramsay Connect—the joint venture with Ramsay Healthcare—earned revenue for the half-year of more than \$2.7 million and enrolled more than 1,175 patients into community care hospital substitution and rehabilitation programs, representing a revenue increase of some 30 percent on the prior corresponding period.

Following a competitive tender process in the period under review, Remedy Healthcare was selected to operate the Beyond Blue Support Service. Beyond Blue is one of Australia's most well-known mental health organisations, providing support, advice and connection for millions of Australians every year. The national 24-hour, seven-days-a-week Beyond Blue Support Service offers immediate, free brief intervention counselling, advice and referral to everyone in Australia.

Dental

Australian Unity continued to operate six dental clinics during the half-year under review. The clinics are located at two Melbourne CBD locations, Hughesdale, Moonee Ponds, Rowville and Box Hill.

The dental industry was significantly impacted by government restrictions associated with COVID-19 during the period under review; however, despite similar impacts to the prior corresponding period, patient visits increased by 12.9 percent from 20,252 in the prior half-year to 22,861.

Development

The business continued to progress the development pipeline of its signature Better Together® small household aged care model.

The redevelopment of the 120 bed Walmsley Residential Aged Care Facility in Kilsyth, Victoria, and a vertically integrated residential aged care and assisted living development in South Melbourne comprising 84 aged care beds and 71 assisted living apartments, are both scheduled to be completed in mid-late 2022.

In addition, planning has commenced for a co-located residential aged care and retirement living development in Brisbane (Auchenflower) following the acquisition of Greengate.

Outlook

IAL continues to orientate around the health and wellbeing needs of its customers and key stakeholders—families, primary carers, communities and government agencies.

COVID-19 is expected to continue to present significant ongoing challenges and disruption throughout the remainder of this financial year. These challenges will come in the form of access to workforce, existing workforce shortages due to staff either having COVID-19 or being unable to work having been deemed 'close contacts' and cancellation of services within the HCS and AHC businesses. Notwithstanding this, the business is well positioned and has continued to deliver essential services to its customers and keep them safe.

The acquisition of Greengate is part of IAL's strategy of pursuing accelerated growth opportunities in healthy ageing precincts and the business will continue to look for further organic and inorganic growth opportunities.

Retail

The Retail platform brings together Australian Unity's private health insurance, banking business and general insurance activities. Focusing on the needs of members and customers and broader community value, the Retail business seeks to provide packages and solutions that contribute to solving affordability challenges and that meet the contemporary needs of Australians.

Operating and financial review (continued)

Retail (continued)

Financial performance - Retail

	Half-year to 31/12/21 \$million	Half-year to 31/12/20 \$million	Variance
Total segment revenue	\$355.6	\$348.8	2.0%
Operating expenses	\$315.5	\$309.9	(1.8%)
Adjusted EBITDA	\$40.1	\$38.9	3.0%

The Retail platform delivered a sound result for the half year, with an adjusted EBITDA of \$40.1 million—3.0 percent higher than the prior corresponding period. While the provision of COVID-19 support measures to private health insurance (PHI) policyholders reduced revenue by \$9.1 million, overall revenue of \$355.6 million represented a 2.0 percent increase on the prior corresponding period. The average number of PHI policyholders was 1.2 percent higher than the prior corresponding period.

Estimation of the level of PHI claims catch-up from the deferral of procedures and benefits due to COVID-19 required significant actuarial judgement, including the impact of differing restrictions imposed by state governments on elective surgery, which resulted in the deferred claims liability increasing by \$16.0 million to \$67.3 million at 31 December 2021.

Total operating expenses were \$315.5 million—\$5.6 million or 1.8 percent higher than the prior corresponding period. This increase reflected a \$6.3 million increase in health insurance claims net of risk equalisation, and a \$0.7 million decrease in other operating expenses across the Retail platform.

In the banking business, strong new lending growth was unable to offset the impact of lower interest rates on banking revenue, while the average gross loan book size of \$924.4 million remained comparable to the previous half-year.

Australian Unity Health Limited (private health insurance)

Health insurance offers Australians a vital level of choice and certainty in managing their health as their needs change over time. Australian Unity's policyholders are insured against a range of costs that, depending on the cover held, includes hospital accommodation, theatre fees, prostheses and more, with extras cover extending to treatments such as dental, optical and physiotherapy.

The number of private health insurance (PHI) policyholders decreased slightly by 1.3 percent over the half-year to 172,468 at 31 December 2021. Overseas visitor cover continues to be affected by border closures, with policyholders decreasing 8.6 percent to 2,821 at 31 December 2021.

In recognition of the impact of cancelled, suspended and postponed healthcare services on PHI policyholders due to COVID-19, Australian Unity has provided additional financial support through the application of premium 'free days', at a cost of \$9.1 million, and implemented a range of ancillary product benefit improvements. This adds to the package of COVID-19 related relief measures provided to support our members' wellbeing, including premium relief for those experiencing hardship; a six-month deferral of the 2020 premium increase; cover for COVID-19 related hospital admissions; a range of telehealth services; and a low 2021 premium increase (1.99 percent).

During December 2021, the federal Minister for Health approved Australian Unity Health Limited's (AUHL) 2022 Premium Round submission, with an average increase of 2.73 percent. This was slightly above the announced sector average of 2.70 percent and the second lowest average AUHL increase in the past 21 years.

Australian Unity Bank Limited

As at 31 December 2021, Australian Unity Bank had 25,624 customers, with its total assets growing by \$20.1 million to \$1,170.9 million (30 June 2021: \$1,150.8 million) during the half-year under review. The Expected Credit Loss provision on loans decreased by \$1.4 million to \$11.9 million (30 June 2021: \$13.3 million).

Australian Unity Bank continued to focus on delivering quality products and services, with an emphasis on digital delivery. Despite significant challenges and disruption presented by the COVID-19 pandemic, the Gross Loan Portfolio increased by \$32.3 million to \$951.0 million (30 June 2021 \$918.7 million).

Australian Unity Bank Limited's Issuer Credit Rating by Standard & Poor's remained stable at 'BBB+' during the reporting period.

Operating and financial review (continued)

Retail (continued)

Outlook

The outlook for the Retail platform remains cautiously positive, notwithstanding the continued uncertainties flowing from COVID-19. It is anticipated most health insurance claims deferred due to restrictions on healthcare services during the pandemic will catch up and bank credit growth may slow over the coming year with increasing expectations of higher interest rates.

The Retail platform has established a solid foundation for the delivery of customer growth and member value. The platform remains focused on several opportunities arising from the health insurance and banking adjacencies, including packages of banking and insurance products; innovative solutions to tackling health and housing affordability; and customer-centered digital platforms that assist the co-ordination of essential financial and health insurance related services.

Wealth & Capital Markets

The W&CM platform comprises the investments, property, life & super, advice and trustee services business units.

The strategic purpose of the W&CM platform is to lead Australian Unity's efforts in helping Australians achieve and sustain their financial wellbeing, by delivering accessible investment, capital and infrastructure solutions that meet community needs.

W&CM's expertise in property, across established assets such as healthcare and aged care and increasingly through capabilities in childcare, purpose-built student accommodation and specialist disability accommodation, combined with its ability to raise funds from a wide array of sources within debt and equity markets, means it continues to be well placed to take a meaningful role in addressing Australia's social infrastructure challenge.

The platform has investment expertise in cash, fixed interest securities, listed property securities and Australian shares, along with market-leading products in investment bonds, funeral bonds, and education savings plans, that provide access to contemporary, responsible, sustainable investment and savings options for all Australians. In addition, the business works with advisers and industry partners to provide professional advice and trustee services that, together, seek to provide the right services at the right time in the right way, to support the financial and overall wellbeing of our customers.

Financial performance - Wealth & Capital Markets

	Half-year to 31/12/21 \$million	Half-year to 31/12/20 \$million	Variance
Total segment revenue	\$104.9	\$82.6	27.0%
Other income	\$20.3	\$0.0	n/a
Operating expenses	\$95.1	\$72.8	(30.6%)
Adjusted EBITDA	\$30.1	\$9.8	207.0%

The platform recorded a 27.0 percent increase in total segment revenue compared to the previous year, reflecting improved business volumes, particularly in the Property, Advice and Trustees businesses as the economy started to slowly emerge from the impact of the global pandemic. The segment also recorded, as other income, a \$20.3 million gain, which arose from the revaluation of the platform's investment in the Platypus Asset Management business on acquisition of a controlling interest during the period (see further on this below under *Investments*). After adjusting for one-off revenue items during the current and prior periods, segment revenue increased by 28.5 percent.

Adjusted EBITDA increased by 207.0 percent compared to the prior corresponding period, although after adjusting for one-off revenue through the controlling interest in the Platypus Asset Management business and costs during the current and prior periods, the increase was 8.0 percent. Increased revenue during the period was partly offset by increased operating expenses, reflecting investment in people and business development activities supporting revenue growth.

At a platform level, the aggregate value of assets under management and administration (AUMA), excluding cross-investments (investments by Australian Unity funds in other funds managed or operated by Australian Unity or our associates) was \$29.44 billion as at 31 December 2021 (30 June 2021: \$27.89 billion).

Operating and financial review (continued)

Wealth & Capital Markets (continued)

Property

The Property business delivered a strong result, with property assets under management increasing to \$4.25 billion as at 31 December 2021 (30 June 2021: \$4.10 billion). Its multi-year development pipeline stood at \$1.10 billion (30 June 2021: \$1.25 billion), with lending and debt facilities on behalf of investors (through property funds and its commercial lending activities) of \$2.01 billion (30 June 2021: \$1.86 billion).

The gross asset value (GAV) of the Healthcare Property Trust reached \$3.09 billion, with acquisitions during the period totalling \$131.9 million. The fund's debt facility was refinanced, securing an additional \$150.0 million and taking the debt facility limit to \$1.00 billion, which will support the acquisition and development pipeline. The new senior unsecured debt facility was further diversified with four new financiers, bringing the total number to seven. The proceedings issued by NorthWest Healthcare Australia RE Limited against Australian Unity parties including the fund, Australian Unity Limited and Australian Unity Strategic Holdings Pty Ltd in the Supreme Court of NSW were ongoing.

The Select Income Fund delivered a strong performance for the half-year, reaching \$312.9 million in FUM (30 June 2021: \$293.9 million). December 2021 was a record month for new lending in this area of the business, with settlements on six loans totalling \$51.1 million.

The Group's presence in social infrastructure continued to grow and broaden. Following the establishment of the Childcare Property Fund, the first equity raise was finalised with \$35.7 million raised. The Specialist Disability Accommodation Fund closed its second equity raise of \$30.5 million that, along with valuation uplift, increased GAV to \$73.6 million as at 31 December 2021.

In relation to Herston Quarter, the restoration work of the Lady Lamington Towers was completed, adaptively reusing a century old state-listed heritage building from its original purpose as nurses' accommodation and refurbishing it for contemporary use as accommodation for students attending the adjacent University of Queensland. The heritage restoration works on the Edith Cavell building, originally constructed in 1922 to house nurses working at the former children's hospital, were also completed, repurposing the building to commercial office space.

During October 2021, the Australian Unity Office Fund (AOF) announced it had entered a merger implementation deed (MID) with the Australian Unity Diversified Property Fund (DPF) to create the Australian Unity Property Fund. The merger was to be implemented by way of a DPF trust scheme subject to various conditions, including obtaining necessary approvals. However, a small number of AOF's largest unitholders were not supportive of the merger and following a period of engagement, AOF's responsible entity determined it was not possible to make sufficient refinements to the merger in an appropriate timeframe to obtain the necessary support for the merger scheme to be implemented. Accordingly, AOF and DPF mutually terminated the MID during January 2022, and the merger is no longer being pursued.

Investments

Against a challenging backdrop of ongoing pandemic impacts to markets and distribution activity, the Investments business delivered robust results for the half-year under review. Funds under management and advice grew to \$11.06 billion as at 31 December 2021 (30 June 2021: \$10.46 billion). The business delivered positive net flows across all distribution channels and continued to produce strong investment performance for investors and positive social impact through its investment activities.

During the period, the Investments business made significant progress in executing its strategic plan to establish a focused portfolio of high quality, differentiated and relevant investment propositions aligned with Australian Unity's Community and Social Value Framework, and expand its distribution of these through existing and new channels. Within this, the business further rationalised its product matrix, continued to invest in new product development, launched its first exchange quoted funds on Chi-X, and increased the availability of its products to new investors, including Significant Investor Visa holders.

Acorn Capital secured new institutional mandates and launched the Acorn Capital Expansion Platform II, while capital raising for the listed Acorn Capital Investment Fund (ASX: ACQ) was oversubscribed. During the period, the Altius Bond Fund merged into the Altius Sustainable Bond Fund—a key component in the alignment of the business with its core strengths.

Platypus Asset Management's (PAM) funds under management and advice grew to \$5.33 billion (30 June 2021: \$5.27 billion), benefiting from the strong continued support of retail, sophisticated and institutional investors. On 20 December 2021, the Group completed a transaction to acquire the majority of the issued share capital from the PAM founders. Australian Unity has been a joint venture partner of the PAM business for more than 15 years.

Support for the Future of Healthcare Fund continued to grow during the period. The Property Income Fund increased its funds under management to \$351.2 million (30 June 2021: \$310.3 million). Benefiting from renewed efforts in distribution and marketing and superior investment outcomes over the period, the Fund posted a return of 17.16 percent for the year ended 31 December 2021.

Operating and financial review (continued)

Wealth & Capital Markets (continued)

The Investments business also manages the \$989.3 million investment portfolio of the Group (30 June 2021: \$937.0 million), including the Group's regulatory and strategic capital. In the year to 31 December 2021, the portfolio's weighted average investment return was 2.11 percent, reflecting resilient performance for funds requiring high levels of liquidity across the business's diverse array of investment activities against a backdrop of negative markets.

Life & Super

The Life & Super business continued as Australia's largest investment, education and funeral bonds provider, with \$2.58 billion in funds under management and administration as at 31 December 2021 (30 June 2021: \$2.51 billion). During the half-year, sales across Life & Super products reached \$125.7 million, representing a 29.5 percent increase compared to the prior corresponding period. This was a significant outcome given the prolonged low interest rate environment and the continuing challenging economic conditions presented by the pandemic.

Support for Life & Super's products increased, particularly in the independent financial adviser network, and the business continued to work with large industry superannuation funds to broaden access to its products through this large and growing network. In the direct-to-consumer market, the 10Invest Investment Bond achieved \$54.1 million of funds under management as at 31 December 2021. Since the product's launch in September 2019, more than 4,100 Australians have used this intuitive and accessible savings plan to invest in their long-term future. Australian Unity also continued to occupy a leading position in the pre-paid funeral market via its specialised business Funeral Plan Management, with funeral funds under management of \$704.8 million (30 June 2021: \$714.2 million) across more than 90,000 clients.

Advice

The Advice business continued to focus on its growth aspirations and made good progress during the period.

However, COVID-19 restrictions and higher rates of infection in the community did have an impact, with interrupted opportunities to meet with clients and prospective new clients in a face-to-face setting delaying some activity and revenue.

During the period, funds under advice (FUA) grew to \$10.18 billion (30 June 2021: \$9.36 billion), and personal life insurance premiums in-force up to \$75.5 million (30 June 2021: \$74.6 million). In addition, separately managed (SMA) investment accounts constructed by the Advice business grew in funds under management (FUM) to \$804.1 million (30 June 2021: \$716.5 million). The number of advisers (including limited authorised representatives) decreased slightly to 169 (30 June 2021: 171).

Trustees

The growth of the Trustees business continued to be affected by the pandemic during the half-year under review. Nevertheless, shifting focus to a direct-to-consumer digital marketing strategy and meeting market demand with enhanced services such as financial concierge services, enabled continued inflows of new clients and associated revenue. In addition, Trustees' will bank produced new business and increased size nationally during the period. A healthy number of estate plans written contained executor, trustee and enduring power of attorney appointments, contributing to an increase in the latent value of the business.

Outlook

The W&CM platform continues to seek to deliver differentiated products and services designed to support and improve the financial wellbeing and economic empowerment of customers, addressing a critical community need.

The platform offers a broad yet customer-focused range of services, and a material and growing presence in the funding, development and management of Australia's social infrastructure. The period ahead should continue to provide opportunities for the platform to offer customers valuable investment opportunities, and to deliver increased community and social value.

The W&CM platform remains well positioned to benefit from the collective impact of the rising need for better-planned wealth accumulation, the challenges and opportunities presented by Australia's ageing population, the changing regulatory landscape and increasing community expectations in these areas.

Matters subsequent to the end of the half-year

On 23 February 2022, the Board of Australian Unity Limited has determined an interim fully franked dividend of \$2.4932 per Australian Unity Mutual Capital Instrument to be paid on 19 April 2022. The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2021 and will be recognised in subsequent financial reports.

The board is not aware of any other matter or circumstance arising since 31 December 2021 which has significantly affected or may significantly affect the financial status or results of the Group and which has not been separately disclosed in this report.

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 10.

Rounding of amounts

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

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



Peter Promnitz
Chair



Rohan Mead
Group Managing Director & CEO

Melbourne
23 February 2022



Auditor's Independence Declaration

As lead auditor for the review of Australian Unity Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Australian Unity Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'Andrew Cronin', is positioned above the printed name.

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
23 February 2022

Australian Unity Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2021

	Notes	Half-year	
		2021 \$'000	2020 Restated * \$'000
Revenue and other income	3	835,044	818,007
Expenses, excluding finance costs	4	(794,102)	(767,232)
Operating profit		40,942	50,775
Finance costs	4	(20,360)	(19,577)
Share of net profit of joint ventures		1,101	1,196
Profit before income tax		21,683	32,394
Income tax expense	5	(6,215)	(26,183)
Profit for the half-year		15,468	6,211
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Cash flow hedges		9,234	1,256
Income tax relating to this item		(2,770)	17
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of post-employment benefit obligations		(2,029)	528
Other comprehensive income for the half-year, net of tax		4,435	1,801
Total comprehensive income for the half-year		19,903	8,012
Profit for the half-year is attributable to:			
Members of Australian Unity Limited	17	15,468	6,211
Total comprehensive income for the half-year is attributable to:			
Members of Australian Unity Limited		19,903	8,012

* Refer to note 15 for details regarding the restatement.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes, specifically the allocation of the consolidated income statement between Members' Funds and Benefit Funds outlined in note 17.

Australian Unity Limited
Consolidated balance sheet
As at 31 December 2021

		31 December 2021	30 June 2021
	Notes	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	1,146,379	1,008,647
Trade and other receivables		95,876	129,970
Loans and advances	7	23,429	21,099
Financial assets at fair value through profit or loss	8	2,333,138	2,305,419
Other financial assets at amortised cost		42,494	47,278
Other current assets		44,186	45,830
Total current assets		3,685,502	3,558,243
Non-current assets			
Loans and advances	7	916,966	886,192
Financial assets at fair value through profit or loss	8	105,693	48,525
Investments in associates and joint ventures		18,751	21,382
Investment properties	12	1,961,410	1,652,704
Property, plant and equipment		405,255	323,834
Right-of-use assets		113,808	110,863
Intangible assets		422,789	313,790
Other non-current assets		17,137	11,836
Total non-current assets		3,961,809	3,369,126
Total assets		7,647,311	6,927,369
LIABILITIES			
Current liabilities			
Trade and other payables		159,619	187,451
Borrowings	9	1,052,747	1,018,999
Lease liabilities		16,858	16,039
Current tax liabilities		2,937	6,205
Provisions	13	181,772	166,973
Other current liabilities	10	1,929,245	1,526,639
Benefit fund policy liabilities		292,044	348,195
Total current liabilities		3,635,222	3,270,501
Non-current liabilities			
Borrowings	9	441,155	461,738
Lease liabilities		111,912	109,333
Deferred tax liabilities		88,948	96,204
Provisions		6,683	6,620
Other non-current liabilities		-	2,087
Benefit fund policy liabilities		2,255,033	2,114,392
Total non-current liabilities		2,903,731	2,790,374
Total liabilities		6,538,953	6,060,875
Net assets		1,108,358	866,494
EQUITY			
Members' balances		255,919	255,919
Mutual Capital Instruments	14	341,866	116,897
Reserves		11,575	7,140
Retained earnings		498,998	486,538
Equity attributable to members of Australian Unity Limited		1,108,358	866,494
Total equity		1,108,358	866,494

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Australian Unity Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2021

Notes	Members' balances \$'000	Mutual Capital Instruments \$'000	Reserves \$'000	Retained earnings * \$'000	Total equity \$'000
Balance at 1 July 2020	255,919	-	(1,743)	469,103	723,279
Restatement adjustment (net of tax)	15	-	-	(13,631)	(13,631)
Restated total equity at the beginning of the financial period	255,919	-	(1,743)	455,472	709,648
Mutual Capital Instruments issued	14	116,979	-	-	116,979
Profit for the half-year	-	-	-	6,211	6,211
Other comprehensive income	-	-	-	-	-
- Cash flow hedges	-	-	1,273	-	1,273
- Post-employment benefits	-	-	528	-	528
Total comprehensive income	-	-	1,801	6,211	8,012
Balance at 31 December 2020	255,919	116,979	58	461,683	834,639
* Refer to note 15 for details regarding the restatement.					
Balance at 1 July 2021	255,919	116,897	7,140	486,538	866,494
Mutual Capital Instruments issued	14	224,969	-	-	224,969
Profit for the half-year	-	-	-	15,468	15,468
Other comprehensive income	-	-	-	-	-
- Cash flow hedges	-	-	6,464	-	6,464
- Post-employment benefits	-	-	(2,029)	-	(2,029)
Total comprehensive income	-	-	4,435	15,468	19,903
Transactions with owners in their capacity as owners:	-	-	-	-	-
Dividends provided for or paid	-	-	-	(3,008)	(3,008)
	-	-	-	(3,008)	(3,008)
Balance at 31 December 2021	255,919	341,866	11,575	498,998	1,108,358

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

Australian Unity Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2021

	Half-year	
Notes	2021 \$'000	2020 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	1,218,527	1,125,834
Payments to suppliers and employees (inclusive of goods and services tax)	(900,597)	(771,599)
Health insurance claims and benefits paid	(257,340)	(246,098)
Net receipts/(payments) of loan assets	(31,738)	8,931
Net receipts of deposits liability	18,991	105,224
Interest received	15,687	17,062
Dividends and distributions received	3,805	3,037
Interest and finance charges paid	(10,716)	(14,621)
Income tax payments	(12,500)	(10,000)
Net cash inflow from operating activities	44,119	217,770
Cash flows from investing activities		
Payments for business combinations, net of cash receipts	(68,964)	-
Payments for investments	(703,145)	(961,309)
Payments for investment properties	(77,748)	(126,979)
Payments for property, plant and equipment	(10,696)	(18,503)
Payments for intangible assets	(13,178)	(8,221)
Payments for investments in associates and joint ventures	-	(73)
Receipts from investments	689,308	834,003
Receipt from long term rent of commercial property	-	41,415
Dividends received from joint ventures	2,955	540
Proceed from sale of a joint venture investment	-	9,828
Net cash outflow from investing activities	(181,468)	(229,299)
Cash flows from financing activities		
Receipts from Mutual Capital Instruments (MCI) issues, net of issuance costs	222,769	115,684
Receipts from borrowings	8,529	66,492
Net receipts from refundable lease deposits and resident liabilities	61,641	19,644
Payments of borrowings	(14,850)	(115,249)
Payments of MCI dividend	(3,008)	-
Net cash inflow from financing activities	275,081	86,571
Net increase in cash and cash equivalents	137,732	75,042
Cash and cash equivalents at the beginning of the year	1,008,647	1,036,703
Cash and cash equivalents at the end of the half-year	1,146,379	1,111,745

6

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

Notes to the consolidated financial statements

	Page
Basis of preparation of half-year report	16
1 Accounting policies	16
How numbers are calculated	16
2 Segment information	16
3 Revenue and other income	20
4 Expenses	23
5 Income tax	23
Financial assets and liabilities	25
6 Financial assets - Cash and cash equivalents	25
7 Financial assets - Loans and advances	25
8 Financial assets at fair value through profit or loss	26
9 Financial liabilities - Borrowings	27
10 Other current liabilities	29
11 Fair value measurements	30
Non-financial assets and liabilities	34
12 Non-financial assets - Investment properties	34
13 Non-financial liabilities - Provisions	35
14 Mutual Capital Instruments	37
Risk management	37
15 Critical accounting estimates, judgements and errors	37
Group structure	38
16 Business combination	38
17 Reconciliation of profit attributable to members of Australian Unity Limited	40
Unrecognised items	41
18 Commitments	41
19 Contingencies	41
20 Events occurring after the reporting period	41
Other information	42
21 Related party transactions	42

Basis of preparation of half-year report

The interim financial report for the half-year reporting period ended 31 December 2021 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Australian Unity Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

1 Accounting policies

(a) Implementation of new and amended accounting standards which are mandatory for the first time

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. Where applicable, the Group has also adopted new and amended accounting standards which have become mandatory for the interim reporting period since its previous financial year as set out below. The application of these standards has no impact to the amounts reported in the Group's financial statements.

AASB	Title
AASB 2020-2	Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities
AASB 2020-5	Amendments to Australian Accounting Standards – Insurance Contracts
AASB 2020-7	Amendments to Australian Accounting Standards – Covid-19- Related Rent Concessions: Tier 2 Disclosures
AASB 2020-8	Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2
AASB 2020-9	Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments
AASB 2021-3	Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021

(b) Comparative information

To enhance comparability with current year disclosures, certain comparative amounts in the financial statements are reclassified. These reclassifications have no impact on the Group's profit or net assets.

How numbers are calculated

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of Australian Unity Limited and the entities it controlled (the Group).

2 Segment information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Group Executive Committee that are used to make strategic decisions including the allocation of resources and to assess the performance of an operating segment. For management reporting purposes, the Group is organised into three customer-facing business platforms which are Independent & Assisted Living, Retail and Wealth & Capital Markets; and the Corporate functions.

2 Segment information (continued)

(a) Description of segments (continued)

The table below summarises the reportable operating segments.

Independent & Assisted Living	Provision of retirement communities, aged care facilities, home care and disability services and health services.
Retail	Provision of health insurance and operation of Approved Deposit-taking Institution.
Wealth & Capital Markets	Management of investment funds in property, mortgages, Australian equities, international equities, fixed interest and bonds. Provision of financial planning, estate planning and trustee services.
Corporate functions	Provision of shared services, fraternal activities, management of properties and other strategic investments and group liquidity.

(b) Segment information

The segment information provided to the Group Executive Committee for the reportable segments for the half-year ended 31 December 2021 is as follows:

Half-year ended 31 December 2021	Independent & Assisted Living \$'000	Retail \$'000	Wealth & Capital Markets \$'000	Corporate functions \$'000	Total \$'000
Total segment revenue	291,322	355,623	104,877	(7,446)	744,376
Inter-segment revenue	(2,723)	-	-	2,723	-
Revenue from external customers	288,599	355,623	104,877	(4,723)	744,376
Other income*	-	-	20,329	-	20,329
Adjusted EBITDA*	27,485	40,094	30,142	(37,338)	60,383
Depreciation and amortisation					(25,050)
Interest expense					(20,365)
Investment income					(3,848)
Other expenses					(6,219)
Income tax benefit					10,567
Profit from operations					15,468
Share of profit after tax from joint ventures (included in adjusted EBITDA)					1,101
Total segment assets include:					
Income producing assets	183,117	1,530,532	83,764	241,912	2,039,325
Working capital assets	25,429	60,373	80,374	90,240	256,416
Non-interest bearing assets	863,792	27,490	293,585	190,745	1,375,612
Total segment assets	1,072,338	1,618,395	457,723	522,897	3,671,353
Total segment liabilities include:					
Borrowings and net inter-segment lending	241,692	1,084,643	87,879	212,268	1,626,482
Working capital liabilities	324,919	216,464	58,274	94,155	693,812
Non-interest bearing liabilities	179,575	15,591	25,496	22,039	242,701
Total segment liabilities	746,186	1,316,698	171,649	328,462	2,562,995

* Based on the measures reported internally to directors, Other income and adjusted EBITDA of Wealth & Capital Markets included a revaluation gain of \$20,329,000 arising from a business combination as set out in note 16(b).

2 Segment information (continued)

(b) Segment information (continued)

The segment information provided to the Group Executive Committee for the reportable segments for the half-year ended 31 December 2020 is as follows:

Half-year ended 31 December 2020 (Restated *)	Independent & Assisted Living \$'000	Retail \$'000	Wealth & Capital Markets \$'000	Corporate functions \$'000	Total \$'000
Total segment revenue	246,369	348,765	82,592	(7,343)	670,383
Inter-segment revenue	(4,385)	-	-	4,385	-
Revenue from external customers	241,984	348,765	82,592	(2,958)	670,383
Adjusted EBITDA	26,379	38,914	9,817	(37,876)	37,234
Depreciation and amortisation					(25,365)
Interest expense					(19,609)
Investment income					8,017
Income tax benefit					5,934
Profit from operations					6,211
Share of profit after tax from joint ventures (included in adjusted EBITDA)					1,196
As at 30 June 2021					
Total segment assets include:					
Income producing assets	107,566	1,525,685	57,420	182,969	1,873,640
Working capital assets	36,282	66,629	95,618	87,102	285,631
Non-interest bearing assets	771,792	24,330	234,860	185,173	1,216,155
Total segment assets	915,640	1,616,644	387,898	455,244	3,375,426
Total segment liabilities include:					
Borrowings and net inter-segment lending	163,661	1,065,669	106,042	275,043	1,610,415
Working capital liabilities	275,859	239,569	51,230	123,699	690,357
Non-interest bearing liabilities	142,087	18,330	25,756	21,987	208,160
Total segment liabilities	581,607	1,323,568	183,028	420,729	2,508,932

* Refer to note 15 for details regarding the restatement.

(c) Other segment information

Management monthly reports exclude information relating to the benefit funds that are managed by the Group, as the revenues, expenses, assets and liabilities of benefit funds are not attributable to the members of the Group. In accordance with AASB 10 *Consolidated Financial Statements* the revenues, expenses, assets and liabilities of benefit funds managed by the Group are included in the consolidated financial statements.

Management monthly reports present investment property on a net basis with resident liabilities and refundable lease deposits of the retirement village residents. In accordance with AASB 101 *Presentation of Financial Statements*, these items are disclosed on a gross basis within the consolidated financial statements.

Adjusted EBITDA

Management assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of tax, depreciation and amortisation, interest expense and investment income. It also excludes material non-recurring expenditure and shared services costs.

2 Segment information (continued)

(c) Other segment information (continued)

A reconciliation of adjusted EBITDA to operating profit before income tax is provided as follows:

	Half-year	
	2021	2020
	\$'000	Restated *
		\$'000
Adjusted EBITDA	60,383	37,234
Depreciation and amortisation expense:		
Depreciation and amortisation expense (note 4)	(25,050)	(25,142)
Interest expense		
Finance costs (note 4)	(20,360)	(19,577)
Other	(5)	(32)
	(20,365)	(19,609)
Investment income:		
Dividends and distributions (note 3)	3,770	3,616
Gain/(loss) on investments in financial instruments (note 3)	(4,859)	3,073
Other interest income (note 3)	1,742	722
Impairment loss on investment property (note 12(a))	(5,523)	-
Other	1,022	606
	(3,848)	8,017
Other expenses:		
Merger and acquisition expenses	(5,224)	-
Other	(995)	(223)
	(6,219)	(223)
Profit before income tax attributable to members of Australian Unity Limited (note 17)	4,901	277
Profit before income tax of benefit funds (note 17)	16,782	32,117
Profit before income tax	21,683	32,394

* Refer to note 15 for details regarding the restatement.

3 Revenue and other income

The Group operates in Australia and generates revenue through its business platforms that operate private health insurance, banking services, retirement communities, aged care facilities, home care and disability services, health services, investment funds management, financial planning, estate planning and trustee services. As the Group operates diverse businesses, it adopts different accounting standards for revenue recognition as applicable to each category of revenue.

The following is revenue and other income from operations:

	Half-year	
	2021 \$'000	2020 Restated * \$'000
Health insurance net premium revenue	341,153	331,419
Revenue from services		
Government grants and subsidies funding aged care, home and disability services	109,270	99,372
Independent and assisted living services and other fees	139,313	110,641
Management and performance fees revenue	48,517	42,679
Brokerage and commission	39,061	33,469
Healthcare services revenue	22,180	19,209
	358,341	305,370
Interest income of bank	13,838	16,431
Investment earnings		
Other interest income	1,742	722
Dividends and distributions	3,770	3,616
Gain/(loss) on investments in financial instruments	(4,859)	3,073
Fair value gains, net of impairment loss, on investment property	4,370	7,397
	5,023	14,808
Benefit funds income	76,539	140,902
Other income	40,150	9,077
	835,044	818,007

* Refer to note 15 for details regarding the restatement.

(a) Health insurance net premium revenue

Since the start of the pandemic the health insurance business of the Group has implemented a range of measures to assist members with the health and economic consequences of COVID-19, including increasing benefits, deferring premium rate increases, and allowing suspensions of membership. In November 2021, additional financial support was provided to eligible health fund members in the form of a return of premium through the application of five premium 'free days'. The financial impact was a reduction in the health insurance premium revenue for the half year ended 31 December 2021 of \$9.1 million.

(b) Other income

Other income for the half year ended 31 December 2021 included a revaluation gain in relation to the business combination with a joint venture entity of \$20,329,000 as a result of remeasuring to fair value its previously held equity interest in the entity. Refer to note 16(b) for further detail.

3 Revenue and other income (continued)

(c) Disaggregation of revenue

Disaggregation of revenue from contracts with customers is prepared based on the customer type and contract type for each of the operating segments, as this is considered to depict how the nature, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors. The majority of the Group's revenue is fee for service and is recognised over the time when the services are rendered. Certain types of revenue, such as performance fees, commission and success fees, are recognised at a point in time, but the amount is immaterial.

Disaggregation of revenue from services for each business segment for the half-year ended 31 December 2021 and reconciliation of Revenue and other income to Revenue from external customers in segment reporting are presented in the below table:

Half-year ended 31 December 2021	Independent & Assisted Living \$'000	Retail \$'000	Wealth & Capital Markets \$'000	Corporate Functions \$'000	Total \$'000
Health insurance net premium revenue	-	341,153	-	-	341,153
Revenue from services					
Government grants and subsidies funding aged care, home and disability services	109,270	-	-	-	109,270
Independent & assisted living services and other fees	142,211	-	505	(3,403)	139,313
Management and performance fees revenue	(12)	-	49,782	(1,253)	48,517
Brokerage and commission	1,115	1,317	36,629	-	39,061
Healthcare services revenue	22,881	-	-	(701)	22,180
	275,465	1,317	86,916	(5,357)	358,341
Interest income of bank	-	13,838	-	-	13,838
Investment earnings					
Other interest income	31	-	2	1,709	1,742
Dividends and distributions	-	3,132	366	272	3,770
Gain/(loss) on investments in financial instruments	(201)	(3,625)	(827)	(206)	(4,859)
Fair value gains, net of impairment loss, on investment property	4,903	-	(533)	-	4,370
	4,733	(493)	(992)	1,775	5,023
Benefit funds income	-	-	76,539	-	76,539
Other income	2,296	339	36,766	749	40,150
Revenue and other income	282,494	356,154	199,229	(2,833)	835,044
Reconciliation to revenue from external customers in segment reporting					
<i>Items added to/(excluded from) the segment revenue</i>					
Dividends and distributions	-	(3,132)	(366)	(272)	(3,770)
Other investment income	170	3,625	825	(1,503)	3,117
Other income - business combination revaluation gain	-	-	(20,329)	-	(20,329)
Other	5,935	(1,024)	2,057	(115)	6,853
Revenue from benefit funds	-	-	(76,539)	-	(76,539)
	6,105	(531)	(94,352)	(1,890)	(90,668)
Revenue from external customers in segment reporting	288,599	355,623	104,877	(4,723)	744,376

3 Revenue and other income (continued)

Half-year ended 31 December 2020 (Restated *)	Independent & Assisted Living \$'000	Retail \$'000	Wealth & Capital Markets \$'000	Corporate Functions \$'000	Total \$'000
Health insurance net premium revenue	-	331,419	-	-	331,419
Revenue from services					
Government grants and subsidies funding aged care, home and disability services	99,372	-	-	-	99,372
Independent & assisted living services and other fees	113,170	-	-	(2,529)	110,641
Management and performance fees revenue	(11)	-	43,536	(846)	42,679
Brokerage and commission	733	1,104	31,632	-	33,469
Healthcare services revenue	19,415	-	-	(206)	19,209
	<u>232,679</u>	<u>1,104</u>	<u>75,168</u>	<u>(3,581)</u>	<u>305,370</u>
Interest income of bank	-	16,431	-	-	16,431
Investment earnings					
Other interest income	112	51	14	545	722
Dividends and distributions	-	2,998	419	199	3,616
Gain/(loss) on investments in financial instruments	(57)	2,423	209	498	3,073
Fair value gains, net of impairment loss, on investment property	7,397	-	-	-	7,397
	<u>7,452</u>	<u>5,472</u>	<u>642</u>	<u>1,242</u>	<u>14,808</u>
Benefit funds income	-	-	140,902	-	140,902
Other income	2,115	416	5,821	725	9,077
Revenue and other income	<u>242,246</u>	<u>354,842</u>	<u>222,533</u>	<u>(1,614)</u>	<u>818,007</u>
Reconciliation to revenue from external customers in segment reporting					
<i>Items added to/(excluded from) the segment revenue</i>					
Dividends and distributions	-	(2,998)	(419)	(199)	(3,616)
Other investment income	(55)	(2,474)	(223)	(1,043)	(3,795)
Other	(207)	(605)	1,603	(102)	689
Revenue from benefit funds	-	-	(140,902)	-	(140,902)
	<u>(262)</u>	<u>(6,077)</u>	<u>(139,941)</u>	<u>(1,344)</u>	<u>(147,624)</u>
Revenue from external customers in segment reporting	<u>241,984</u>	<u>348,765</u>	<u>82,592</u>	<u>(2,958)</u>	<u>670,383</u>

* Refer to note 15 for details regarding the restatement.

4 Expenses

Expenses, excluding finance costs, classified by nature are as follows:

	Half-year	
	2021 \$'000	2020 Restated * \$'000
Client care costs	32,370	23,881
Commission expense	38,216	31,342
Computer and equipment costs	21,373	19,157
Depreciation and amortisation expense	25,050	25,142
Employee benefits expense	273,314	245,479
Expenses in relation to benefit funds	59,757	108,785
Fund manager and administration fees	7,821	8,533
Health insurance claims expense	304,951	298,157
Health insurance claims recoveries - Net Risk Equalisation Special Account	(36,893)	(36,436)
Interest expense of bank	2,286	4,762
Legal and professional fees	11,201	6,974
Marketing expenses	7,103	5,034
Occupancy costs	10,426	9,207
Other expenses	37,127	17,215
	794,102	767,232
<i>Depreciation and amortisation</i>		
Depreciation of property, plant and equipment	6,269	6,350
Depreciation of right-of-use assets	7,227	7,503
Amortisation of intangible assets	11,554	11,289
	25,050	25,142
<i>Finance costs</i>		
Interest and finance charges on borrowings	8,924	11,596
Notional interest on leases and related accounts	11,436	8,868
Total interest and finance charges	20,360	20,464
Capitalisation of borrowing interest	-	(887)
Finance costs expensed	20,360	19,577

* Refer to note 15 for details regarding the restatement.

5 Income tax

(a) Income tax expense

	Half-year	
	2021 \$'000	2020 Restated * \$'000
Current tax	(3,466)	(4,134)
Current tax - benefit funds	3,044	6,261
Deferred tax	(7,101)	(13,299)
Deferred tax - benefit funds	9,887	24,992
Adjustments for current tax of prior periods	-	11,500
Adjustments for current tax of prior periods - benefit funds	3,851	863
	6,215	26,183

* Refer to note 15 for details regarding the restatement.

5 Income tax (continued)

(a) Income tax expense (continued)

	Half-year	
	2021	2020
	\$'000	Restated * \$'000
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	5,174	(1,645)
Increase/(decrease) in deferred tax liabilities	(2,388)	13,338
	2,786	11,693

* Refer to note 15 for details regarding the restatement.

(b) Reconciliation of income tax expense to prima facie tax payable

	Half-year	
	2021	2020
	\$'000	Restated * \$'000
Profit before income tax	21,683	32,394
Less: Profit in benefit funds	(16,782)	(32,117)
Profit before income tax for the period	4,901	277
Tax at the Australian tax rate of 30% (2021: 30%)	1,470	83
Non-assessable income	(7,278)	(2,456)
Other assessable amounts	499	486
Non-deductible expenditures	2,020	313
Other deductible expenditures	(771)	(1,267)
Other deferred tax adjustments	(6,562)	-
Over provision in prior years	-	(1,181)
Tax offsets/(credits)	55	(607)
Tax in benefit funds	16,782	32,117
Other	-	(1,305)
Income tax expense	6,215	26,183

* Refer to note 15 for details regarding the restatement.

The income tax results for the six months to 31 December 2021 and the comparative period included favourable non-temporary differences arising from the Group's retirement community loans received from village residents which is non-assessable for tax purposes.

Financial assets and liabilities

6 Financial assets - Cash and cash equivalents

	31 December 2021 \$'000	30 June 2021 \$'000
Cash at bank and on hand	27	26
Bank balances	132,263	56,724
Deposits at call	1,014,089	951,897
	<u>1,146,379</u>	<u>1,008,647</u>

The balance of cash and cash equivalents as at 31 December 2021 included the Parent Entity's accounts totalling \$152,095,000 (30 June 2021: \$162,385,000) and amounts held by benefit funds totalling \$401,719,000 (30 June 2021: \$369,799,000).

7 Financial assets - Loans and advances

	31 December 2021 \$'000	30 June 2021 \$'000
Current		
Mortgage loans	29,237	27,506
Personal loans	4,736	4,734
Provision for impairment	(10,544)	(11,141)
Total - current	<u>23,429</u>	<u>21,099</u>
Non-current		
Mortgage loans	914,036	883,048
Personal loans	3,001	3,386
Provision for impairment	(1,370)	(2,174)
Advances	1,299	1,932
Total - non-current	<u>916,966</u>	<u>886,192</u>
Total loans and advances	<u>940,395</u>	<u>907,291</u>

(a) Mortgage loans

Mortgage loans are provided to customers by the Group's authorised deposit-taking institution, Australian Unity Bank Limited (AUBL). The mortgage loans are secured on real property. These loans mature at various dates up to 31 December 2051 and earn interest at annual interest rates between 1.84% and 6.98% (30 June 2021: between 1.89% and 6.98%).

AUBL entered into transactions by which financial assets were transferred to the Reserve Bank of Australia (RBA) under repurchase agreements. These transactions were associated with the term funding facilities provided by the RBA. The transfers of financial assets under repurchase agreements do not qualify for derecognition. As at 31 December 2021, the carrying amounts of the financial assets under repurchase agreements totalled to \$52,760,000 (30 June 2021: \$50,360,000). Refer to note 9(e) for further information of the RBA term funding facilities.

(b) Personal loans

AUBL also provides personal loans to customers. The personal loans mature at various dates up to 18 January 2028 and earn interest at annual rates between 4.57% and 15.18% (30 June 2021: between 4.57% and 15.18%).

7 Financial assets - Loans and advances (continued)

(c) Provision for impairment

The provision for impairment is related to the mortgage and personal loans above. It is calculated based on an expected credit loss (ECL) model. The provision for impairment totalling to \$11.9 million as at 31 December 2021 (30 June 2021: \$13.3 million) consisted of \$5.6 million loans in the Stage 1 twelve-month ECL category (30 June 2021: \$5.3 million), \$3.0 million loans in the Stage 2 lifetime ECL not credit impaired category (30 June 2021: \$3.9 million), and \$3.3 million loans in the Stage 3 lifetime ECL credit impaired category (30 June 2021: \$4.1 million).

(d) Past due but not impaired

At 31 December 2021, loans and advances that were past due but not impaired amounted to \$29,938,000 (30 June 2021: \$30,084,000). These relate to a number of borrowers with no recent history of default.

(e) Fair value

The fair value of current and non-current loans and advances are provided in note 11.

8 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of the following:

	31 December 2021 \$'000	30 June 2021 \$'000
Securities held by benefit funds	2,111,473	2,062,482
Securities held by subsidiaries	327,358	291,462
	2,438,831	2,353,944

Changes in fair values of financial assets at fair value through profit or loss are recorded in investment income in the profit or loss.

(a) Securities held by benefit funds comprise the following:

	31 December 2021 \$'000	30 June 2021 \$'000
Equity trusts	1,498,689	1,387,627
Fixed interest and other debt security trusts	533,091	596,333
Mortgage trusts	21,350	16,525
Property syndicates and trusts	58,343	61,997
	2,111,473	2,062,482

(b) Securities held by subsidiaries comprise the following:

	31 December 2021 \$'000	30 June 2021 \$'000
Equity trusts	28,102	27,420
Fixed interest and other debt security trusts	180,389	231,566
Mortgage trusts	1,380	1,380
Property syndicates and trusts	117,487	31,096
	327,358	291,462

(c) Current and non-current split

The carrying amounts of the above financial assets have been designated at fair value on initial recognition and are classified as follows:

8 Financial assets at fair value through profit or loss (continued)

(c) Current and non-current split (continued)

	31 December 2021 \$'000	30 June 2021 \$'000
Current	2,333,138	2,305,419
Non-current	105,693	48,525
	<u>2,438,831</u>	<u>2,353,944</u>

9 Financial liabilities - Borrowings

	31 December 2021 \$'000	30 June 2021 \$'000
Current		
<u>Secured interest bearing liabilities</u>		
Mortgage offset savings accounts	153,316	137,302
Total secured interest bearing liabilities	<u>153,316</u>	<u>137,302</u>
<u>Unsecured interest bearing liabilities</u>		
Call deposits	680,839	686,469
Term deposits	203,082	190,128
Bank Loans	10,410	-
Loan payable to related entity	5,100	5,100
Total unsecured interest bearing liabilities	<u>899,431</u>	<u>881,697</u>
Total current borrowings	<u>1,052,747</u>	<u>1,018,999</u>
Non-current		
<u>Secured interest bearing liabilities</u>		
Retirement Village Investment Notes	51,611	51,611
RBA term funding facilities	43,582	43,582
Development finance loan	8,529	-
Total secured interest bearing liabilities	<u>103,722</u>	<u>95,193</u>
<u>Unsecured interest bearing liabilities</u>		
Series C Australian Unity Bonds		
Face value	115,019	115,019
Valuation at amortised cost	(1,428)	(1,613)
At amortised cost	<u>113,591</u>	<u>113,406</u>
Series D Australian Unity Bonds		
Face value	207,000	207,000
Valuation at amortised cost	(2,382)	(2,692)
At amortised cost	<u>204,618</u>	<u>204,308</u>
Bank Loans	15,400	40,660
Term deposits	<u>3,824</u>	<u>8,171</u>
Total unsecured interest bearing liabilities	<u>337,433</u>	<u>366,545</u>
Total non-current borrowings	<u>441,155</u>	<u>461,738</u>
Total borrowings	<u>1,493,902</u>	<u>1,480,737</u>

9 Financial liabilities - Borrowings (continued)

(a) Series C and Series D Australian Unity Bonds

On 15 October 2019, the Company issued 1,150,192 Series C and 2,070,000 Series D Australian Unity Bonds - Tranche 1 of \$100 each pursuant to the prospectus dated 9 September 2019, raising \$322,019,200 in total. Series C and Series D Australian Unity Bonds are unsubordinated and unsecured simple corporate bonds that are listed on the Australian Securities Exchange (code: AYUHC and AYUHD respectively). Series C Australian Unity Bonds have a five-year term maturing on 15 December 2024 and bear interest at the three month BBSW rate plus a margin of 2% per annum. Series D Australian Unity Bonds have a seven-year term maturing on 15 December 2026 and bear interest at the three month BBSW rate plus a margin of 2.15% per annum. The interest of both series of bonds is payable quarterly in arrears on 14 January, 14 April, 14 July and 14 October each year.

As specified in the prospectus, the net proceeds from the issue of the bonds (after deducting the bonds issuance costs) were used to refinance the Series B Australian Unity Bonds that participate in the reinvestment offer and for general corporate purposes.

The bonds are redeemable by the Company prior to their maturity date for certain reasons related to taxation, a change of control or when less than 10% of the bonds remain on issue. An early redemption payment is applied pursuant to the prospectus. Bond holders have the right to require early redemption through a resolution only on the occurrence of a change of control.

Under the terms of the Series C and Series D Australian Unity Bonds, the Company is required to maintain a Covenant Gearing Ratio of less than 50% as at 30 June and 31 December each year. The Covenant Gearing Ratio represents the aggregate of interest bearing liabilities and guarantees divided by the aggregate of interest bearing liabilities and guarantees plus total equity. The ratio is calculated based on the financial position of the Group, excluding the Group's authorised deposit-taking institution and benefit funds. Interest bearing liabilities and guarantees are further reduced by lease liabilities and the Company's unencumbered cash and cash equivalents. Junior Ranking Obligations, if any, also reduce interest bearing liabilities and guarantees but increase total equity in the calculation. Junior Ranking Obligations represent equity or subordinated debt of the Company which would, in a winding up situation, rank behind the Company's obligations under the Series C and Series D Australian Unity Bonds. The Covenant Gearing Ratio is determined by reference to the accounts prepared on the basis of the Australian Accounting Standards in place as at the date of the Base Prospectus. As at 31 December 2021, the Covenant Gearing Ratio was 24% (30 June 2021: 29%).

(b) Retirement Village Investment Notes (RVIN)

RVIN are debt instruments issued by a subsidiary of the Group. The proceeds from RVIN issues were utilised by the Group for expanding the Independent & Assisted Living business and general corporate purposes. The RVIN are secured by a registered first ranking security interest over intra-group loans in relation to the RVIN proceeds and the mortgages, granted as security for the loans, over allotments of units held in Australian Unity Retirement Village Trust #1.

Australian Unity Retirement Village Trust #1 (AURVT#1) comprises three retirement villages - Willandra Village and Willandra Bungalows in New South Wales and Walmsley Friendship Village in Victoria. The Group does not hold any security over these retirement village assets nor any other assets of AURVT#1 or other subsidiary entities of the Group.

As at 31 December 2021, the total amount of RVIN on issue reported as interest bearing liabilities was \$51,611,000 (30 June 2021: \$51,611,000).

(c) Bank loans

Bank loans reported under current and non-current borrowings totalling \$25,810,000 (30 June 2021: \$40,660,000) represents loan facilities for general corporate purposes. These loans bear interest at BBSY bid rate plus margin. As at 31 December 2021, these interest rates were 1.31% - 2.57% (30 June 2021: 1.31% - 2.59%) per annum.

(d) Development finance loan

Development finance loan reported under non-current borrowings of \$8,529,000 (30 June 2021: \$nil) represented a loan facility for the development of retirement and aged care facilities in Victoria. This loan is secured by the first ranking securities over the respective properties and the refundable accommodation deposits relating to the aged care facilities. The loan bears interest at BBSY rate plus margin. As at 31 December 2021, the interest rate was 1.80% per annum.

9 Financial liabilities - Borrowings (continued)

(e) RBA term funding facilities

During the period from April 2020 to June 2021, the Reserve Bank of Australia (RBA) offered three-year term funding facilities to authorised deposit-taking institutions (ADI) to reinforce the benefits to the economy with lower cash rates and encourage ADI to support home loan customers during a difficult period of COVID-19 pandemic. The total amount of funding the Group had received from the RBA as at 31 December 2021 was \$43,582,000 (30 June 2021: \$43,582,000) with average interest at 0.19% per annum (30 June 2021: 0.19% per annum). These facilities are secured by transfers of financial assets under repurchase agreements.

The carrying amounts of the financial assets transferred under repurchase agreements and the associated liabilities are set out below:

	31 December 2021 \$'000	30 June 2021 \$'000
Carrying amount of transferred assets under repurchase agreement	52,760	50,360
Carrying amount of associated liabilities	43,582	43,582
Net position	<u>9,178</u>	<u>6,778</u>

10 Other current liabilities

	31 December 2021 \$'000	30 June 2021 \$'000
Financial liabilities		
Refundable accommodation deposits	426,082	295,390
Resident loan liabilities	1,253,581	1,009,586
	<u>1,679,663</u>	<u>1,304,976</u>
Non-financial liabilities		
Unearned income	221,920	212,752
Other	27,662	8,911
	<u>249,582</u>	<u>221,663</u>
Total other current liabilities	<u>1,929,245</u>	<u>1,526,639</u>

(a) Unearned income

Unearned income represents mainly health insurance premium revenue and government subsidies not yet recognised in the profit or loss.

(b) Refundable accommodation deposits

Refundable accommodation deposits represent payments received from the residents of aged care facilities as upfront deposits for their aged care accommodation. Residents have the ability to pay the deposits up to six months after moving into an aged care facility. These deposits are non-interest bearing and are repayable within 14 days of a resident's departure from the facility or within 14 days of the granting of probate. Regulations restrict the permitted use of the accommodation deposits to repayment of accommodation deposit balances, capital expenditures of residential aged care facilities and investments in qualified financial products.

(c) Resident loan liabilities

Resident loan liabilities relate to residents who occupy the retirement villages (refer to investment properties in note 12). These liabilities represent the initial ingoing contribution less accrued deferred management fees. Resident loan liabilities are repayable at the earlier of a subsequent resident leasing the unit or a maximum repayment date. The maximum repayment date can vary between agreements however the typical repayment term is two years from vacation of the unit.

(d) Fair value

Due to the short term nature of these other current liabilities, their carrying value is assumed to approximate their fair value.

11 Fair value measurements

(a) Recognised fair value measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss
- Derivative financial instruments
- Investment properties
- Life investment contract policy liabilities

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2021.

(i) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements according to the following hierarchy:

- 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 or indirectly, and
- level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's financial assets and liabilities measured and recognised at fair value at 31 December 2021 and 30 June 2021 on a recurring basis:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2021				
Recurring fair value measurement				
Financial assets				
Financial assets at fair value through profit or loss				
Equity trusts	7,555	1,519,236	-	1,526,791
Fixed interest and other debt security trusts	20,000	693,480	-	713,480
Mortgage trusts	-	22,730	-	22,730
Property syndicates and trusts	13,100	162,730	-	175,830
Interest rate swaps	-	5,955	-	5,955
Other financial assets	-	-	6,750	6,750
Total financial assets	<u>40,655</u>	<u>2,404,131</u>	<u>6,750</u>	<u>2,451,536</u>
Non-financial assets				
Investment properties	-	-	1,961,410	1,961,410
Total non-financial assets	<u>-</u>	<u>-</u>	<u>1,961,410</u>	<u>1,961,410</u>
Financial liabilities				
Interest rate swaps	-	-	-	-
Life investment contract policy liabilities	-	1,648,326	-	1,648,326
Total financial liabilities	<u>-</u>	<u>1,648,326</u>	<u>-</u>	<u>1,648,326</u>

11 Fair value measurements (continued)

(a) Recognised fair value measurements (continued)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2021				
Recurring fair value measurement				
Financial assets				
Financial assets at fair value through profit or loss				
Equity trusts	7,559	1,407,488	-	1,415,047
Fixed interest and other debt security trusts	-	827,899	-	827,899
Mortgage trusts	-	17,905	-	17,905
Property syndicates and trusts	26,436	66,657	-	93,093
Other financial assets	-	-	6,994	6,994
Total financial assets	<u>33,995</u>	<u>2,319,949</u>	<u>6,994</u>	<u>2,360,938</u>
Non-financial assets				
Investment properties	-	-	1,652,704	1,652,704
Total non-financial assets	<u>-</u>	<u>-</u>	<u>1,652,704</u>	<u>1,652,704</u>
Financial liabilities				
Interest rate swaps	-	3,279	-	3,279
Life investment contract policy liabilities	-	1,538,103	-	1,538,103
Total financial liabilities	<u>-</u>	<u>1,541,382</u>	<u>-</u>	<u>1,541,382</u>

The majority of the financial assets at fair value through profit or loss are held through unlisted managed investment schemes operated by related entities. These unlisted managed investment schemes also hold investments from external investors.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for the recurring fair value measurements during the financial period. The transfers in and out of level 3 measurements are summarised in note (iii) below.

(ii) Valuation techniques used to derive level 2 and level 3 fair values

Financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities which are included in level 3 as disclosed in section (iii) below.

11 Fair value measurements (continued)

(a) Recognised fair value measurements (continued)

(ii) Valuation techniques used to derive level 2 and level 3 fair values (continued)

Investment properties

Investment properties comprise the Group's interests in retirement village independent living units, development sites and other non-owner occupied investment properties.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent valuations. The directors determine a property's value using a reasonable fair value estimate as applicable to each type of investment property. Where the fair value of the development sites cannot be reliably measured, they are recognised at cost.

Fair value for completed retirement villages is determined using a financial model which calculates the net present value of future cash flows. The major inputs used in the financial models include:

- current prices in an active market for properties of a similar nature;
- resident turnover rates based on business experience, including the expected average length of residence based on mortality assumptions and voluntary turnover, average incoming ages and distributions;
- property growth rates based on analysis of property markets, historical experience and retirement village outlook; and
- discount rates appropriately set based on the view of risk and by reference to market transactions and conditions.

Fair value of other non-owner occupied property is based on periodic, but at least triennial, valuations by external accredited independent valuers.

All of the resulting fair value estimates of the investment properties are included in level 3 as explained in section (iii) below.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 assets for the half-year ended 31 December 2021:

	Other financial assets \$'000	Investment properties \$'000	Total \$'000
Opening balance 1 July 2021	6,994	1,652,704	1,659,698
Acquisition of subsidiaries	-	226,040	226,040
Additions	-	77,748	77,748
Commercial property rent received in advance	-	548	548
Fair value gains/(losses) recognised in other income*	(244)	4,370	4,126
Closing balance 31 December 2021	6,750	1,961,410	1,968,160

*Included in the gains/(losses) recognised in other income:

Unrealised gains/(losses) recognised in the profit or loss attributable to assets held at the end of the financial period

(244)	4,370	4,126
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11 Fair value measurements (continued)

(a) Recognised fair value measurements (continued)

(iii) Fair value measurements using significant unobservable inputs (level 3) (continued)

Valuation inputs and relationships to fair value

The following table summarises the key inputs used in fair value measurements and the impact of changes in each input:

Description	Fair value at 31 December 2021 \$'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Investment properties, excluding non-retirement village development sites	1,961,410	Discount rate	13% - 14%	Increase/decrease in discount rate by +/- 50 basis points changes the fair value by -\$17.0 million/+\$18.7 million (2021: -\$16.7 million/+\$18.4 million).
		Property growth rate	2% - 4%	Increase/decrease in property growth rate by +/- 50 basis points changes the fair value by +\$27.4 million/-\$27.3 million (2021: +\$28.7 million/-\$26.1 million).
		Average length of residents' stay	5-7 years for serviced apartments, 8-15 years for other independent living units	The higher the average length of stay, the lower the fair value.

Valuation processes

The Group's Independent & Assisted Living platform includes a team that performs the valuations of the retirement village independent living units required for financial reporting purposes, including level 3 fair values. This team reports valuation recommendations to the CEO Independent & Assisted Living, the Chief Financial Officer and the Audit Committee. Discussions of valuation processes and results are held between the valuation team, the Audit Committee, the Chief Financial Officer and the CEO Independent & Assisted Living every six months in line with the Group's half-yearly reporting timelines. The results of the valuations are subject to audit or review every six months. The valuation method used in determining the fair value of these investment properties is drawn upon an actuarial model for property valuation. The main level 3 inputs used in measuring the fair value of investment properties, which include resident turnover rates, property growth rates and discount rates, are estimated by management based on comparable transactions and industry data. The key assumptions used in the valuation are reviewed by an independent qualified valuer on a yearly basis. The results of the actuarial property valuation model are monitored via a regular cycle of periodic external valuations by independent accredited valuers.

11 Fair value measurements (continued)

(b) Disclosed fair values

The Group also has a number of financial instruments which are not measured at fair value on the balance sheet. As at the end of the reporting period, those which fair values differ from their amortised cost are as follows:

	31 December 2021		30 June 2021	
	Amortised cost \$'000	Fair value \$'000	Amortised cost \$'000	Fair value \$'000
Current and non-current assets				
Mortgage loans	931,359	932,002	897,239	897,678
Advances	1,299	1,207	1,932	1,788
	932,658	933,209	899,171	899,466
Current and non-current liabilities				
Australian Unity Bonds	318,209	325,354	317,714	321,513
Bank loans	34,339	33,831	40,660	39,679
RBA funding facilities	43,582	43,244	43,582	43,549
Retirement Village Investment Notes	51,611	54,308	51,611	54,468
Term deposits	206,906	206,875	198,299	198,293
	654,647	663,612	651,866	657,502

The fair values of loans, advances and borrowings disclosed above are estimated by discounting the future contractual cash flows at the current applicable market interest rate.

Non-financial assets and liabilities

12 Non-financial assets - Investment properties

Investment properties consist of the Group's interests in retirement village independent living units and development sites as specified below. The development sites are held within the development entities. Upon completion of the development and the required occupancy targets being met, a number of the development sites will be sold to retirement village operators.

	31 December 2021 \$'000	30 June 2021 \$'000
Retirement village independent living units	1,323,528	1,029,310
Development sites - retirement village independent living units	525,422	527,086
Development sites - other	111,912	96,308
Commercial property	40,897	40,897
Commercial property rent received in advance*	(40,349)	(40,897)
	1,961,410	1,652,704

* Commercial property rent received in advance relates to receipts in the 2021 financial year for the full term of a lease expiring in 2059. The unwinding of the balance is recorded over the term of the lease.

12 Non-financial assets - Investment properties (continued)

(a) Movements of investment properties

	31 December 2021 \$'000	30 June 2021 \$'000
At fair value		
Balance at the beginning of the financial period	1,652,704	1,489,160
Acquisition of subsidiaries	226,040	-
Additions	77,748	160,509
Commercial property rent received in advance movements	548	(40,897)
Transfers from property, plant and equipment	-	21,664
Net fair value movements	9,893	22,268
Impairment loss	(5,523)	-
Balance at the end of the financial period	<u>1,961,410</u>	<u>1,652,704</u>

During the half-year to 31 December 2021, a decision was made to not proceed with a development opportunity and consequently an impairment of \$5,523,000 in relation to the costs of the development has been recognised.

(b) Amounts recognised in profit or loss for investment properties

	Half-year	
	2021 \$'000	2020 \$'000
Revenue	54,400	13,413
Expenses	(39,023)	(11,403)
Changes in fair value recognised in profit or loss	4,370	7,397
	<u>19,747</u>	<u>9,407</u>

13 Non-financial liabilities - Provisions

	31 December 2021 \$'000	30 June 2021 \$'000
Current provisions		
Employee benefits provision	63,687	59,389
Health insurance claims provision	110,958	103,067
Other provisions	7,127	4,517
	<u>181,772</u>	<u>166,973</u>

Health insurance claims provision

Health insurance claims provision represents provision made for outstanding claims and deferred claims. Provision is made for claims outstanding at the end of the reporting period, being claims for services incurred but not yet reported or reported but not yet processed, the economic cost of which will arise in a later period. Since the 2020 financial year, a specific claims liability has also been recorded for deferred claims due to surgeries and other health services being restricted for policyholders during the COVID-19 pandemic. Over the six months to 31 December 2021, restrictions were imposed at various times in Victoria and New South Wales which has led to additional deferred claims provision being recognised for services that were cancelled or postponed. The percentage of services that did not occur that are assumed to be deferred is 82% and 73% for hospital and ancillary services respectively, unchanged from the deferral percentages assumed at 30 June 2021. There is a general expectation that as these restrictions are lifted there will be a catch up of procedures and benefits claimed in the future, which is projected to be the period of unwinding the deferred claims provision. In general, the unwinding period is expected to take 18 months from commencement. The Group has recorded the unwinding of deferred claims provision in each of the reporting period.

13 Non-financial liabilities - Provisions (continued)

The estimated cost of claims includes allowances for claims handling costs equal to 3.0% (30 June 2021: 3.0%) of the central estimate and Risk Equalisation Special Account (RESA) recovery equal to 14.2% (30 June 2021: 14.2%) of the central estimate.

The risk margin of 13.9% (30 June 2021: 13.9%) combined with the central estimate is estimated to equate to a probability of adequacy of at least 95% (30 June 2021: at least 95%) and was derived based on the historical outstanding claims uncertainty and information from APRA.

The Group will continue to assess its deferred claims provision valuation approach in light of changing environment and emergence of claims catch-up data as restrictions ease.

The amounts of outstanding claims and deferred claims as at the end of the reporting period are as follows:

	31 December 2021 \$'000	30 June 2021 \$'000
Outstanding claims - central estimate including risk equalisation	39,300	46,445
Risk margin	3,019	3,700
Claims handling costs	1,300	1,600
Outstanding claims provision	43,619	51,745
Deferred claims - central estimate including risk equalisation	57,170	43,583
Risk margin	8,218	6,263
Claims handling costs	1,951	1,476
Deferred claims provision	67,339	51,322
Total claims provision	110,958	103,067

Movements in the outstanding claims provision during the period are as follows:

	31 December 2021 \$'000	30 June 2021 \$'000
Balance at the beginning of the financial period	51,745	51,439
Claims incurred during the period	284,847	586,337
Claims paid during the period	(298,209)	(583,331)
Movements in other components	5,236	(2,700)
Balance at the end of the financial period	43,619	51,745

Movements in the deferred claims provision during the period are as follows:

	31 December 2021 \$'000	30 June 2021 \$'000
Balance at the beginning of the financial period	51,322	37,613
Deferred claims provision incurred during the period	25,925	27,471
Unwinding of provision during the period	(10,091)	(14,248)
Movements in other components	183	486
Balance at the end of the financial period	67,339	51,322

14 Mutual Capital Instruments

Mutual Capital Instruments (MCI) are financial instruments created exclusively for Australian mutual entities, such as Australian Unity Limited, to access permanent capital without compromising their mutual entity status and to decrease their sole reliance on retained profits as a source of new capital. The opportunity to issue mutual capital instruments was created by the Treasury Laws Amendment (Mutual Reforms) Act 2019 which came into effect in April 2019 with the intention of improving growth, innovation and competition in sectors where mutual entities operate. In accordance with the requirements of AASB 132 *Financial Instruments: Presentation*, MCIs are presented on the balance sheet at their carrying amount after deducting directly attributable transaction issuance costs, net of any income tax benefit.

On 24 December 2020, the Company issued 1,200,000 Australian Unity Mutual Capital Instruments (Australian Unity MCI) at an issue price equal to its face value of \$100 each pursuant to the prospectus dated 7 December 2020, raising \$120,000,000 in total. On 3 November 2021, the Company issued a further 2,234,000 MCIs with a face value of \$100 at an issue price of \$103 each pursuant to the prospectus dated 11 October 2021 (as supplemented by the supplementary prospectus dated 15 October 2021), raising \$230,102,000 in total.

The issue of the Australian Unity MCIs forms part of the Company's ongoing capital management strategy with the proceeds to be used for a range of opportunities across the Group. These opportunities include pursuing near-term growth opportunities within the individual businesses as well as investing capital across the Group where third-party funding has historically been utilised. A portion of the proceeds were also used to repay debt facilities that were utilised for a number of strategic investments in social infrastructure. The use of proceeds may also extend to merger and acquisition opportunities across the Group's operating platforms, including to increase investment in social infrastructure and to help support business consolidations in important mutual sectors such as private health insurance, banking and friendly societies.

Australian Unity MCIs are perpetual, fully paid mutual capital instruments that are listed on the Australian Securities Exchange (code: AYUPA). The holders of Australian Unity MCIs are expected to receive fixed rate dividend payments to be paid semi-annually in arrears. The dividends are discretionary and non-cumulative. The Company may determine to pay no dividend, a partial dividend or an optional dividend. Dividends that are not paid do not accrue and will not subsequently be paid. The dividend rate for Australian Unity MCIs is 5.00% per annum on their face value and are expected to be fully franked. Dividends are scheduled to be paid semi-annually in arrears on 15 April and 15 October each year.

During the first six months of the 2022 financial year, the Company paid a fully franked dividend of \$2.5068 (2021: \$1.5342) per Australian Unity MCI totaling to \$3,008,160 (2021: \$1,841,000).

In accordance with the terms of Australian Unity MCIs, the Company has the right to repurchase Australian Unity MCIs for certain reasons related to the occurrence of a tax event, a regulatory event or a demutualisation event. If a demutualisation event occurs, the Company will be required to repurchase Australian Unity MCIs before the demutualisation takes effect. A holder has no right to request or require repurchase of Australian Unity MCIs. On a winding-up, Australian Unity MCIs rank for payment behind all creditors, including holders of Australian Unity Bonds, but ahead of non-shareholder Members of Australian Unity Limited. On winding-up, Australian Unity MCI holders will be entitled to a cash payment equal to face value and the amount of any dividend due and unpaid.

Risk management

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

15 Critical accounting estimates, judgements and errors

The preparation of interim financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

15 Critical accounting estimates, judgements and errors (continued)

Restatement of prior year results

During the year ended 30 June 2021, retrospective adjustments impacting the Group's prior years' financial statements were identified and reported at note 21(c) to the Australian Unity Limited annual report for the year ended 30 June 2021.

As a result, throughout this interim financial report the affected financial statement line items have been restated for the prior periods as set out below and changes have been footnoted. Balance sheet impacts are disclosed at note 21(c) to the Australian Unity Limited annual report for the year ended 30 June 2021 and include a reduction to Retained earnings as at 1 July 2020 of \$13,631,000 which is disclosed in the Consolidated statement of changes in equity in this interim financial report. A provision made in the half-year to 31 December 2020 which is now recognised in prior periods has resulted in an expense reduction in the comparative period.

	31 December 2020	Adjustments	31 December 2020
	As previously presented	\$'000	As restated
	\$'000	\$'000	\$'000
Consolidated statement of comprehensive income (extract)			
Revenue and other income	823,752	(5,745)	818,007
Expenses, excluding finance costs	(770,922)	3,690	(767,232)
Operating profit	<u>52,830</u>	<u>(2,055)</u>	<u>50,775</u>
Finance costs	(19,916)	339	(19,577)
Profit/(loss) before income tax	34,110	(1,716)	32,394
Income tax benefit/(expense)	(27,416)	1,233	(26,183)
Profit after income tax	<u>6,694</u>	<u>(483)</u>	<u>6,211</u>
Total comprehensive income for the half-year	<u>8,495</u>	<u>(483)</u>	<u>8,012</u>
Profit for the half-year is attributable to:			
Members of Australian Unity Limited	<u>6,694</u>	<u>(483)</u>	<u>6,211</u>
Total comprehensive income for the half-year is attributed to:			
Members of Australian Unity Limited	<u>8,495</u>	<u>(483)</u>	<u>8,012</u>

Group structure

This section provides information that will help users understand how the Group structure affects the financial position and performance of the Group as a whole.

16 Business combination

(a) Acquisition of Greengate Partnership Pty Ltd

On 7 July 2021, the Group acquired the aged care and retirement living owner-operator Greengate Partnership Pty Ltd (Greengate) for \$95 million. The acquisition includes three recently-built and fully operational vertical co-located retirement village and residential aged care precincts (two in Sydney and one in Brisbane) as well as a prime development site in Brisbane that has approval for a vertical retirement village and residential aged care precinct. The three operational sites have added 253 independent living units and 225 residential aged care beds to the Group's Independent and Assisted Living portfolio. The business combination is part of the Group's strategy of pursuing accelerated growth opportunities in healthy ageing precincts. It has added presence in favourable geographic locations and increased economic scale.

16 Business combination (continued)

(a) Acquisition of Greengate Partnership Pty Ltd (continued)

Details of the purchase consideration, net assets acquired and identifiable intangible assets and goodwill recognised in the preliminary accounting for the business combination are as follows:

	\$'000
Purchase consideration	
Cash payments	87,047
Net assets acquired based on the provisional fair value at the date of acquisition:	
Cash and cash equivalents	27,346
Property, plant and equipment	81,596
Investment properties	226,040
Other assets	8,283
Identifiable intangible assets and goodwill on acquisition	67,101
Resident loan liabilities	(177,938)
Refundable accommodation deposits	(135,109)
Other liabilities	(10,272)
	87,047

At the date of this report, the measurement of acquisition-date fair value of the acquired assets and liabilities, and the determination of identifiable intangible assets and goodwill arising from the acquisition have not been finalised. The goodwill component, once determined, will be related to the value of expected synergy benefits from the business combination, customer relationships, workforce and other items that do not qualify to be separately recognised. The accounting for the business combination will be finalised within 12 months of the purchase.

Cash flows in relation to the business acquisition consist of payments for the acquisition price of \$87,047,000 and costs directly related to the acquisition of \$6,298,000, less cash acquired of \$27,346,000. The acquisition-related costs totaling \$1,325,000 was expensed in prior years and \$4,973,000 was expensed in the half year ended 31 December 2021. The acquired business is in the process of integration to the Group's Independent and Assisted Living business platform. It has contributed revenue of \$19,002,000 and net profit of \$688,000 for the half year ended 31 December 2021.

(b) Acquisition of Platypus Asset Management Pty Ltd

On 20 December 2021, the Group obtained control over Platypus Asset Management Pty Ltd (PAM), a joint venture entity, through the purchase of an additional 49% of PAM shares for \$20,684,000 from the other PAM shareholder. Prior to the acquisition, the Group owned 50% of PAM shares and reported the investment in the joint venture at a carrying amount of \$777,000. The Group also entered into a put and call option agreement with the other shareholder in PAM whereby the Group has an option to buy and the other shareholder has an option to sell the remaining 1% of PAM shares currently held by that shareholder for a consideration of approximately \$422,000. The option is exercisable up to 31 May 2022.

Net assets acquired based on the provisional fair value at the date of acquisition included identifiable intangible assets and goodwill totaling \$40,267,000; other assets of \$7,634,000 and liabilities of \$6,120,000. The Group also recognised an investment revaluation gain of \$20,329,000 from remeasurement of its previously held equity interest in PAM which has been reported as Other income (Refer note 3). At the date of this report, the measurement of acquisition-date fair value of the acquired assets and liabilities, and the determination of identifiable intangible assets and goodwill arising from the acquisition have not been finalised. The accounting for the business combination will be finalised within 12 months of the purchase.

17 Reconciliation of profit attributable to members of Australian Unity Limited

Half-year ended 31 December 2021

	Attributable to members of Australian Unity Limited \$'000	Attributable to benefit fund policyholders \$'000	Consolidated Profit or Loss \$'000
Revenue and other income	758,505	76,539	835,044
Expenses, excluding finance costs	(734,345)	(59,757)	(794,102)
Finance costs	(20,360)	-	(20,360)
Share of net profits of associates and joint ventures	1,101	-	1,101
Profit before income tax	4,901	16,782	21,683
Income tax benefit/(expense)	10,567	(16,782)	(6,215)
Profit after income tax for the half-year	15,468	-	15,468

Half-year ended 31 December 2020 (Restated *)

	Attributable to members of Australian Unity Limited \$'000	Attributable to benefit fund policyholders \$'000	Consolidated Profit or Loss \$'000
Revenue and other income	677,105	140,902	818,007
Expenses, excluding finance costs	(658,447)	(108,785)	(767,232)
Finance costs	(19,577)	-	(19,577)
Share of net profits of associates and joint ventures	1,196	-	1,196
Profit before income tax	277	32,117	32,394
Income tax benefit/(expense)	5,934	(32,117)	(26,183)
Profit after income tax for the half-year	6,211	-	6,211

* Refer to note 15 for details regarding the restatement.

Unrecognised items

This section of the notes provides information about items that are not recognised in the financial statements as they do not satisfy the recognition criteria.

18 Commitments

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	31 December 2021 \$'000	30 June 2021 \$'000
Investment property		
Within one year	119,266	135,102
Later than one year but not later than five years	67,732	98,007
Total capital commitments	186,998	233,109

In addition, the Group is engaged in a social infrastructure development project in Brisbane, Queensland, being the Herston Quarter Redevelopment Project. Under the overarching Development Agreement between Herston Development Company Pty Ltd (HDC - a wholly-owned subsidiary of the Group) and the Metro North Hospital and Health Service, HDC has committed to deliver various contractual milestones for each Stage of the Project, including but not limited to site services isolation/relocation and rehabilitation of Stage 5 of the Project (Heritage Buildings). These milestones are anticipated to be completed within the next two years with capital expenditure in the range of \$10 million - \$12 million.

19 Contingencies

Contingent liabilities

There have been legal claims lodged for damages against the Group for which no provision has been raised, due to the belief it is not probable that these claims will succeed and that it is not practical to estimate the potential effect of these claims. The Directors are of the view that none of these claims are likely to result in material exposure. The Group also has contingent liabilities arising in the ordinary course of business, including costs which might arise from a customer remediation program, in relation to which any unprovided liabilities cannot yet be reliably estimated.

Guarantees

The Group has entered into bank guarantee arrangements totalling \$64,759,000 as at 31 December 2021 (30 June 2021: \$69,479,000) as part of its normal operations and under business transfer arrangements in order to secure the Group's performance under contracts. The bank guarantees only become payable upon the non-performance of the Group.

The Group had no other contingent assets or liabilities at 31 December 2021.

20 Events occurring after the reporting period

On 23 February 2022, the Board of Australian Unity Limited has determined an interim fully franked dividend of \$2.4932 per Australian Unity Mutual Capital Instrument to be paid on 19 April 2022. The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2021 and will be recognised in subsequent financial reports.

The board is not aware of any other matter or circumstance arising since 31 December 2021 which has significantly affected or may significantly affect the financial status or results of the Group and which has not been separately disclosed in this report.

Other information

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

21 Related party transactions

(a) Transactions and balances with related parties

Transactions between the Group and related parties for the half-years ended 31 December 2021 and 2020 were as follows:

- Property development management fees charged to related entities, \$351,413 (2020: \$210,679).
- Fees charged by related entities for the construction of aged care and retirement village properties, \$nil (2020 \$18,324,506).
- Purchase of retirement village units from related entity, \$nil (2020 \$79,152,752).
- Dividends received from joint ventures, \$2,955,304 (2020: \$540,275).
- Investment management fees charged to joint ventures, \$1,090,816 (2020: charged to joint ventures \$1,528,739).
- Commission, director fees and other costs charged to joint ventures, \$225,264 (2020: charged to joint ventures \$100,512).
- Proceeds from disposal of investments in joint ventures, \$nil (2020 \$8,661,441).
- Investment loss from related entities, \$3,245,536 (2020: investment income \$3,795,364).
- Performance fees charged by joint ventures, \$142,693 (2020: \$nil).

Balances with related parties as at 31 December 2021 with comparative amounts as at 30 June 2021 were as follows:

	31 December 2021 \$	30 June 2021 \$
<i>Assets</i>		
Cash and cash equivalents	848,749,403	817,196,856
Trade and other receivables	1,351,246	1,000,300
Financial assets at fair value through profit or loss	378,567,322	364,833,766
	1,228,667,971	1,183,030,922
<i>Liabilities</i>		
Trade and other payables	361,239	300,309
Loans payable to related entities	5,100,000	5,100,000
	5,461,239	5,400,309

(b) Terms and conditions

All transactions with related entities are entered into on normal commercial terms and conditions and at market rates as applicable.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 11 to 42 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Parent entity will be able to pay its debts as and when they become due and payable.

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



Peter Promnitz
Chair



Rohan Mead
Group Managing Director & CEO

Melbourne
23 February 2022



Independent auditor's review report to the members of Australian Unity Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Australian Unity Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Australian Unity Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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

Responsibilities of the directors for the half-year financial report

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

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the



half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Andrew Cronin'.

Andrew Cronin
Partner

Melbourne
23 February 2022