Australian Unity
Real Wellbeing

Annual Report
2022

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Established in 1840, we were Australia's first member-owned wellbeing company, delivering health, wealth and care services. We're committed to real wellbeing for all Australians. For us, real wellbeing means so much more than physical health. It's about your standard of living and feeling safe in your home. It's your personal relationships and being connected to your community. It's about what you want to achieve in life, while having the security to get out and do what makes you happy.

Being a member-governed company—also called a mutual—gives us the freedom to invest money back into the services and solutions that matter most to our members, customers and the Australian community.

Refer to our website for Australian Unity's reporting suite – australianunity.com.au/companyperformance

Australian Unity acknowledges the traditional owners of the lands and waters within Australia and recognises the important connection to Country that Aboriginal and Torres Strait Islander peoples have.

2022 highlights

380,000+
Members

~7,000
Employees

~650,000
Customers

10
Residential aged care facilities

~2.6m
Hours of Home Care Services delivered

14.8%
Revenue increase for Remedy Healthcare

~68%
Women in management roles

$28.50b
Assets under management and administration

2nd lowest
Average health insurance premium increase in 21 years

21.3%
Increase in banking Gross Loan Portfolio

~94%
Residential aged care occupancy rate[1]

23.7%
Return (wholesale units) in Healthcare Property Trust

23
Independent living communities[2]

1 In established communities.
2 Includes ten co-located aged care facilities.

As at 30 June 2022

Chair's report

In another year marked by challenging domestic conditions and international unrest, the combination of our mutual structure and the relevance of our business strategy has supported the delivery of sound and positive results for the Group.

$1.65b

in revenues

$1.25b[1]

in community and social value in FY2021

$350m

raised from two MCI issuances

A year ago, I began my report by highlighting the many and varied impacts of the COVID-19 pandemic on all facets of the Australian Unity Group—particularly across our human services businesses. As the pandemic continues on here and overseas, we now also grapple with growing and increasing uncertainty and volatility from other sources, including rising inflationary pressures that, at the time of writing, have reached a 30-year high.

However, despite the protracted impact of the pandemic and the economic uncertainty and political unrest from other parts of the world, the year under review delivered positive results for the Group. Results that should allow us to continue with customer support initiatives in the face of ongoing disruptions in the healthcare sector.

I can advise you that your board has been observing and assessing the limitations in accessing elective surgery and healthcare over the past few years, because of the pandemic, and the resulting decrease in claims on the private health insurance (PHI) fund. The financial results published in this report incorporate a continued reserve to ensure there is adequate capital to meet an anticipated catch-up in these claims in the future as hospitals and health service providers return to normal. The PHI fund has announced that it plans to defer implementing the 2023 premium increase from 1 April 2023 to 1 November 2023, recognising the impact that COVID-19 restrictions have had on our policyholders' ability to access some health services during the pandemic.

Our mutual corporate structure has meaningfully contributed to the Group's financial resilience and continued ability to balance the provision of health, wealth and care to our members and customers—while investing in long-term sustainable strategies to meet the needs of tomorrow. Many mutual organisations have disappeared over our 180-year journey—including larger entities that chose to demutualise to benefit one generation of members while leaving the business exposed to decay in the largely shareholder-owned, equity listed environment. In contrast, we have sought to augment our mutual structure and operating models—seeking to maintain and strengthen our member focus through sound growth strategies and adaptive ways of working.

It is with this mindset that the Group progressed its strategy to deliver wellbeing and positive impact to our members, customers and broader community. In October 2021, we released *Our Impact* report. By measuring and valuing our impact through a rigorous framework, developed in conjunction with external specialists Social Ventures Australia, and engaging PwC to provide independent limited assurance over our impact value, we sought to demonstrate the 'real life' value and benefits of our products and services to our members, customers and community, and as part of this, have identified opportunities to increase this impact. In the first year of using this framework, the Group reported $1.25 billion[1] in community and social value—an exceptional result which saw us recognised by the *Australian Financial Review* as one of their inaugural Sustainability Leaders and winner of the ESG Innovators Award. The Group will look to improve the quality and rigour of this analysis through successive annual iterations.

[1] Value from FY2021, reported in *Our Impact* report, released October 2021

Positioned for the future

Throughout the second half of the financial year, the Group progressed its 10-year vision and growth strategy. This strategy will support the Group to deliver on its purpose as a wellbeing company and to help us navigate rapidly changing market conditions. To support this vision, the Group undertook a number of structural changes at the end of the year in review. These included the realignment of Independent & Assisted Living into two new areas, Home Health and Specialist Care, to better respond to growth opportunities on the one hand, and to improve our capacity to respond to the rapidly growing impacts of demographic change and an ageing population on the other.

Our strategy is also reliant on being able to source funding to deliver on our ambitious growth agenda. Following our landmark issuance of Mutual Capital Instruments (MCIs) in December 2020—the first in the history of mutual companies in the country, raising $120 million—we completed a second MCI issuance in early November 2021. The $350 million in proceeds raised from these two issuances form part of the Group's ongoing capital strategy—which includes pursuing near-term growth opportunities; repayment of debt facilities used to fund a number of recent strategic investments in social infrastructure and supporting merger and acquisition opportunities, including to help support business consolidation in important mutual sectors, such as private health insurance, banking and friendly societies.

Board changes

As the Group implements a range of changes to support its ability to capture current and future growth opportunities, we are mindful of continuing to review the board, its composition and its succession needs to support our strategic direction. For over a decade now, your directors have adopted a structured renewal program to ensure the skills and experience of our board reflect our vision and ambitions.

I set out here a number of changes to the board that reflect the operation of this renewal program.

In late July 2022, the board announced the appointment of two new non-executive directors—Lucinda Brogden AM and Dr Helen Nott effective from 8 September 2022. Ms Brogden has over 30 years' commercial experience, holding a number of roles with Macquarie Group and Ernst & Young, and is currently Chair of the Diabetes Research Foundation. Dr Nott joins the board with extensive experience in the insurance industry, including senior roles with Insurance Australia Group and QBE Australia and New Zealand.

My fellow directors and I look forward to the meaningful contributions that Lucinda and Helen will bring to the board.

Greg Willcock, who served as a director for more than 14 years, retired from the board on 7 September 2022. Mr Willcock's contribution to the Group has been significant—as a director of a number of Australian Unity Limited subsidiaries, Chair and member of the Risk & Compliance Committee, member of the Audit Committee and as a director of Australian Unity Investments Real Estate Limited. Mr Willcock's depth of experience in banking and financial services, risk management, strategy and change management and his generosity in sharing this knowledge have played a key part in the Group's success over the past decade. I thank Mr Willcock for his service.

This report is my seventh as Chair, during which I have seen this organisation grow from strength-to-strength despite unprecedented external challenges. As the Group moves into a new chapter, guided by a renewed 10-year vision and operationalised through the aforementioned structural changes, I have the utmost confidence in the Group's ability to deliver on its important and ambitious strategic agenda. And it is with this optimism I have announced my intention to retire at the conclusion of the 2022 AGM in October.

Since I joined the board in 2013, I have seen the Group achieve significant milestones—the acquisition of the NSW Government's home care business; being awarded the contract as master developer of the $1.1 billion Herston Quarter health precinct in Queensland; the opening of numerous award-winning retirement living apartments and facilities; and raising more than $350 million through the first and second ever issuances of MCIs in Australia, following extensive lobbying efforts to government on behalf of the mutual sector. In addition, the Group has roughly doubled its revenue, profit after tax and funds under management and advice, and seen our employee numbers more than triple to the 7,000 people we have today.

My fellow directors have elected Lisa Chung as Chair-Designate and Melinda Cilento as Deputy Chair-Designate. Ms Chung has been a director of Australian Unity since June 2017 and been involved with each of the Group's committees, including as Chair of the People, Culture & Remuneration Committee. Her experience, leadership and strong background in commercial property will be integral, particularly as the Group progresses its important social infrastructure efforts. Ms Cilento, who has been a board director since May 2014, brings superb executive experience across business and public policy sectors in her appointment as Deputy Chair-Designate. It is pleasing and reassuring for me to be handing over to such strong successors.

I would like to take this opportunity to sincerely thank the Group Managing Director, Rohan Mead, my fellow directors, the executive leadership team and all Australian Unity employees for their hard work and efforts—not only during this financial year but also during my time as Chair and as a director on the board. The commitment and drive of the organisation and the people that deliver wellbeing products and services to our members, customers and the community in the face of significant change, challenge and disruption have been outstanding and should be a source of pride for all. I wish you all the best.

Peter Promnitz
Chair

Group Managing Director's report

We have demonstrated the resonance of our business strategy across our communities and revealed the dedication and commitment of our people in delivering products and services that support the real wellbeing of our customers and members.

$45.7m

profit after tax

38.8%

increase in adjusted EBITDA in IAL platform

21.3%

increase in Australian Unity Bank Gross Loan Portfolio

The reality of the impact of Australia's ageing population has started to force its way into community consciousness—putting increased pressure on governments, policy makers, businesses and our communities to appropriately and adequately respond.

The shift in our demography is already changing the shape and needs of the population. Australia has a large healthcare and aged care infrastructure and service gap looming, and we can only close this gap by, together, reducing demand, increasing affordable supply and increasing effectiveness and efficiency. Facing into these challenges is an urgent national priority, and addressing the problems sooner rather than later will avoid significant cost and difficulty.

It is against this backdrop that we report a sound set of financial and non-financial results for the year under review. We have demonstrated the resonance of our business strategy across our communities and also revealed the dedication and commitment of our people in delivering products and services that support the real wellbeing of our customers and members, despite adverse operating conditions.

During the period, we progressed our growth agenda as a member-owned mutual and made further substantial investment in our human services operations. We also grew our social infrastructure presence in hard assets that make a tangible difference to community wellbeing—including in specialist disability accommodation and childcare property. These initiatives, when combined with the sound operating performance of most of the Group's business units, resulted in the Group reporting a net profit after tax of $45.7 million, a 38.9 percent improvement on the prior year (2021: $32.9 million).

Managing the impact of the COVID-19 pandemic remains a key focus for the Group. By way of example, it requires the ongoing implementation of additional measures that seek to protect aged care residents, home care customers and the employees who support them; and the provision of hardship relief for health insurance and banking customers. This is now combined with responses to the effects of adjusted economic circumstances—stemming from escalating inflation, global supply chain disruptions and rising interest rates.

COVID-19 givebacks

Our health insurance operations performed well in a sector that continues to face ongoing and well-documented challenges. Despite the pressures of input costs and affordability issues, we sought to deliver products with higher relative value and benefits. As the Chair has noted, we have also accounted for an appropriate deferred claims liability pool.

Additionally, the health fund most recently delivered an average premium increase that was slightly above the industry average and its second lowest increase to private health insurance (PHI) policyholders in twenty-one years. Further to this, the PHI fund has announced that it plans to defer implementing the 2023 premium increase from 1 April 2023 to 1 November 2023, in the face of ongoing disruption arising from COVID-19.

Organisational changes

Australia's ageing population and the linked rise in chronic disease and complex health needs has made us further consider how we can best support the growing numbers of older Australians to age well. The community's expectations and preferences for aged care alongside sector reforms, resulting from the Royal Commission into Aged Care Quality and Safety, are transforming the way aged care is delivered in this country.

To position the Company to best respond to these unprecedented shifts in Australia's demography, we have divided our Independent & Assisted Living (IAL) platform into two new areas—Home Health and Specialist Care. These changes will support Australian Unity to evolve and optimise the way it delivers care and services to support our ageing population and the communities in which they reside.

As part of these changes, IAL's Chief Executive Officer, Kevin McCoy, decided to leave the Group after more than a decade of service. I am grateful to Kevin for his significant contribution to the Group in a range of senior roles, including as Chief Financial Officer and as the inaugural leader of IAL, where his achievements included the purchase and integration of the home care services of the NSW Government.

To best support the two newly defined areas and the balance of the Group's activities, we have also made changes to our product and service design, marketing, and business-specific technology functions, which move from the Customer, Digital & Technology function into the business platforms. A new Group technology enabling function has also been established to operate as a centre of excellence for the company's core technology and digital functions.

Mutual Capital Instruments

Also of significance in the year under review, the Group undertook a second Mutual Capital Instrument (MCI) issuance, raising $230.1 million from investors. This issuance built upon the $120 million raised in the prior year through the first issuance of MCIs in Australia.

The ability 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 to raise permanent capital without compromising their mutual status. These efforts and our MCI issuances support our commitment to the mutual form and provide an important alternative to the prevailing company structures in Australia, whose equity is all owned by shareholders. Our developing structure enables us to drive business activities that underpin our commitment to delivering community and social value while also driving us to achieve balanced and sustainable financial returns.

Board changes

As the Chair has recorded in his report, there are a number of changes to the board of Australian Unity. Peter Promnitz will retire as a non-executive director and Chair of Australian Unity at the conclusion of the 2022 Annual General Meeting. In addition, non-executive director Greg Willcock retired from the board on 7 September 2022.

Peter has brought thoughtfulness and the wisdom of broad commercial and professional experience to his role. On my own behalf and on behalf of other executives who have benefited from his guidance and mentoring, I sincerely thank Peter for his nine years as non-executive director, including the past six as Chair, where he has led our board of directors through times of both significant challenge and opportunity. I also thank Greg for his service as a non-executive director—particularly for his leadership and vigorous championing of our risk, compliance and audit functions and their development.

On behalf of the management team, I welcome, in anticipation, Lisa Chung to her new role as Chair and wish her well along with Melinda Cilento in her new role and the two new directors, Lucinda Brogden AM and Dr Helen Nott.

Strategic and financial performance of the three business platforms

In the year under review, the Group's operations were conducted through three business platforms: Independent & Assisted Living, Retail, and Wealth & Capital Markets.

Independent & Assisted Living (IAL)

Despite continuing challenges presented by the COVID-19 pandemic, the IAL platform recorded a solid financial result, with an adjusted EBITDA of $98.7 million—representing an increase of 38.8 percent and $27.6 million on the prior corresponding period.

IAL acquired Greengate Partnership on 7 July 2021, with three established, integrated retirement and aged care communities in Sydney and Brisbane—all of which have been successfully integrated into the Australian Unity portfolio.

Within the Health Services business, Remedy Healthcare increased revenue by 14.8 percent to $47.1 million, driven predominantly by the introduction of the Beyond Blue support service in February 2022.

Retail

The Retail platform delivered a sound result for the year, with an adjusted EBITDA of $94.9 million—16.0 percent higher than the prior year. While the provision of COVID-19, support measures to PHI policyholders reduced revenue by $9.1 million, overall revenue of $716.1 million represented a 1.6 percent increase on the prior year. As we navigate past the 2022 winter peak and the impact on hospitals of COVID-19 we will assess residual effects as best we can and make announcements on further customer support initiatives and/or givebacks during the course of the financial year.

At the time of publication, we have been able to announce a planned seven-month deferral of the 2023 premium increase, as noted above. We will continue to closely monitor developments in the healthcare arena in this regard.

Australian Unity Bank achieved strong lending growth, with $420.9 million of loans funded, a 138.6 percent increase on the prior year. The banking business' Gross Loan Portfolio increased by $195.8 million, or 21.3 percent, to $1.12 billion.

Wealth & Capital Markets
The Wealth & Capital Markets platform recorded a 7.1 percent reduction in total segment revenue, compared to the previous year, reflecting continuing impacts from the global pandemic and significant investment market downturns during the latter part of the financial year.

The Investments business delivered solid results, for the year under review, against the challenging economic backdrop, which continues to impact markets and distribution activity. While investment performance was challenged in the second half of the year, three-year performance remains above benchmark for the business' lead products.

The Australian Unity Future of Healthcare Fund continued to make impactful investments, aligned to its purpose, including in maternal healthcare and cancer research. During the period under review, the fund also published its inaugural Sustainability and Impact Report and deployed investor capital in both established and emerging companies, with the aim of delivering long-term capital growth and to support the future healthcare needs of Australians.

The Group's presence in social infrastructure continued to grow and broaden. In our landmark $1.1 billion Herston Quarter precinct, we completed one of the most significant recent heritage restorations, in Queensland, of the Lady Lamington Towers and the Edith Cavell Building—refurbishing both buildings into student accommodation and commercial offices and function spaces respectively. Following the establishment of the Childcare Property Fund, two equity raises were completed with $52.2 million raised including a $20.0 million cornerstone investment from the Group. The Specialist Disability Accommodation (SDA) Fund closed its second equity raise of $30.5 million, and this, along with valuation uplift, increased the fund's gross asset value to $77.3 million. During the year under review, 91 SDA dwellings were under development.

The Life & Super business continued as Australia's largest investment, education and funeral bonds provider, with $2.30 billion in funds under management and administration as at 30 June 2022 (2021: $2.51 billion). High levels of gross investment flows were achieved, including in new bond products such as *10Invest*.

~ ~ ~

Notwithstanding the ongoing impact of COVID-19 and the significant pressures on our individual businesses, the Group remains positive about its capacity to respond to these challenges and build on the considerable opportunities arising from an external environment of uncertainty and market disruption.

In the context of heightened market volatility, the Group will continue to maintain a resilient balance sheet that provides the Group with operational flexibility as it pursues the development of its business portfolio and accelerates towards its vision of becoming Australia's most trusted wellbeing company.

As we emerge from the pandemic, COVID-19 still presents our board, leadership team, businesses and employees with a range of challenges. We remain acutely aware of the impacts this virus can cause to our operations, our people and our communities.

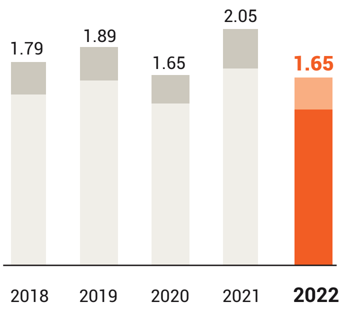
I am immensely proud—considering the risks associated with COVID-19 and also the impacts of natural disasters in this country—of our people's tremendous efforts and commitment in pursuing the company's initiatives, administering its effective operations, delivering on the Group's strategic ambitions and serving our members and customers.

Whether it is in human services, in private health insurance and financial services, or in the creation of built-form infrastructure—together we have sought to deliver community and social value, and I thank all of our employees for their hard work and resilience during another extraordinary and challenging year.

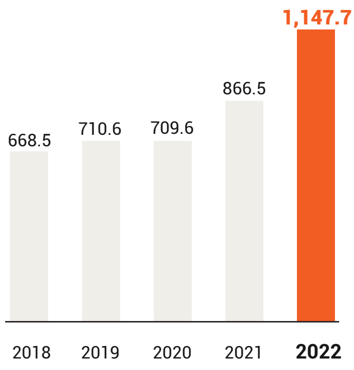
Rohan Mead
Group Managing Director
& CEO

2022 at a glance

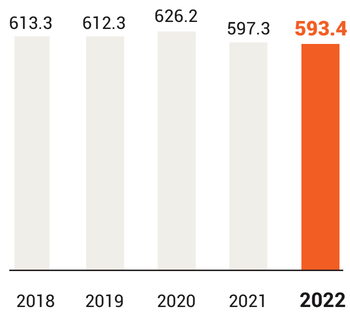
Revenues ($b)†
$1.65 billion



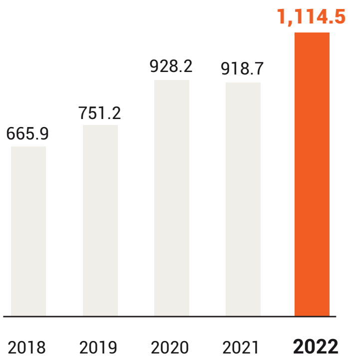
Members' funds ($m)‡
$1,147.7 million



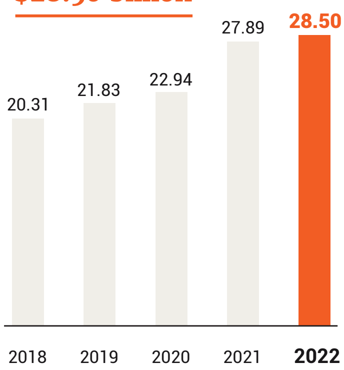
Private health insurance gross claims paid ($m)
$593.4 million



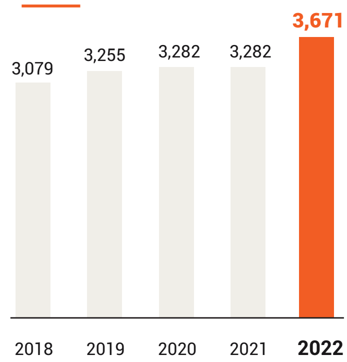
Australian Unity Bank gross loan portfolio ($m)¥
$1,114.5 million



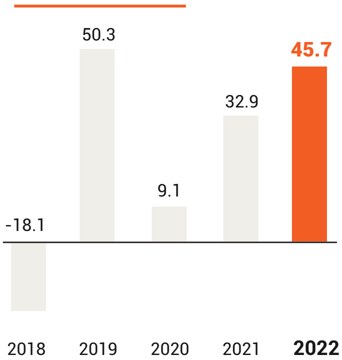
Assets & funds under management and advice ($b)*
$28.50 billion



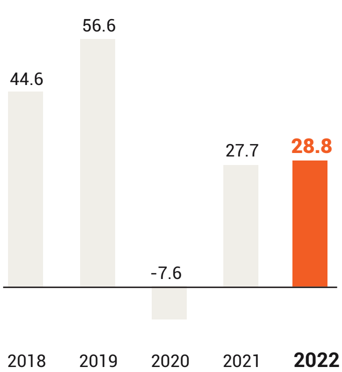
Retirement units and aged care beds
3,671



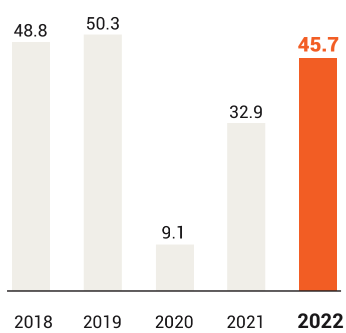
Profit from continuing operations ($m)¶
$32.9 million



Profit before income tax ($m)^
$28.8 million



Profit after income tax ($m)
$45.7 million



† Revenues: comprise revenue and other income receipts (shown as the bottom section of the bar chart) as shown in the Consolidated statement of comprehensive income in the Annual Report, excluding discontinued operations, plus life investment contract premium receipts (shown as the top section of the bar chart). The latter receipts are recorded as movements in benefit fund policy liabilities in the balance sheet and not through the statement of comprehensive income. FY2018 includes the sale of the Group's corporate health insurance business, Grand United Corporate Health Limited (GUCH).

‡ Members' funds: net assets of the Group attributable to members.

¥ Australian Unity Bank loan portfolio: gross loans before provision for doubtful debts.

* Assets & funds under management and advice, including developments and associated debt facilities.

¶ FY2018 excludes the sale of GUCH

^ Profit before income tax: attributable to members of Australian Unity Limited. Includes the before-tax profit from discontinued operations.

Business performance

Independent & Assisted Living

$609.1m

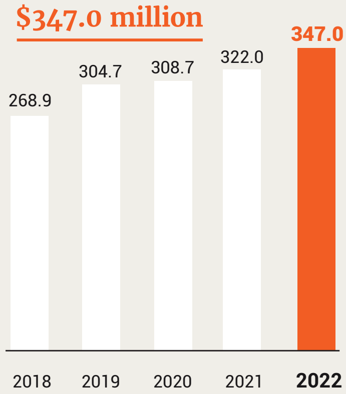
in total segment revenue
(2021: $520.6m[1])

$98.7m

in adjusted EBITDA^
(2021: $71.1m[1])

Home Care Services adjusted revenue ($m)

$347.0 million



Retail

$716.1m

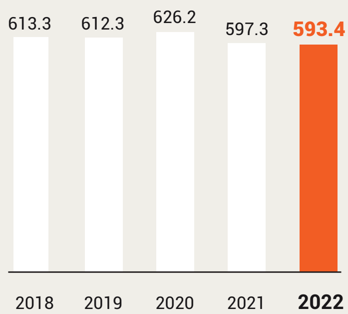
in total segment revenue
(2021: $704.6m)

$94.9m

in adjusted EBITDA^
(2021: $81.8m)

Private health insurance gross claims paid ($m)

$593.4 million



Wealth & Capital Markets

$205.4m

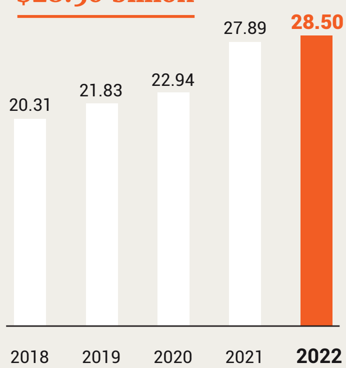
in total segment revenue
(2021: $221.1m)

$38.7m

in adjusted EBITDA^
(2021: $27.3m)

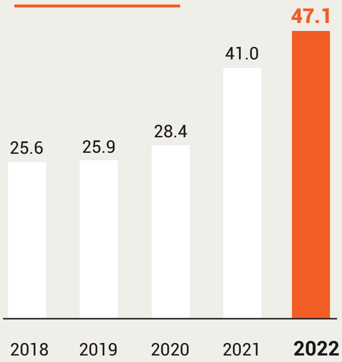
Assets & funds under management and advice ($b)*

$28.50 billion



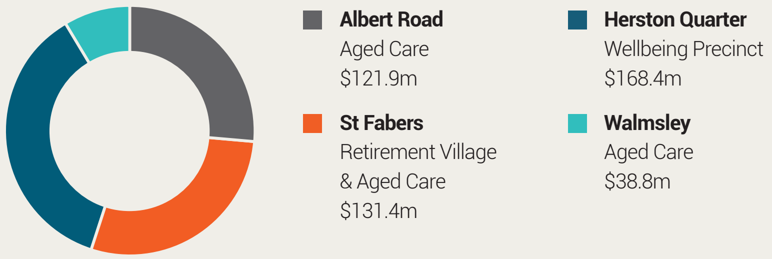
Remedy Healthcare revenue ($m)

$47.1 million



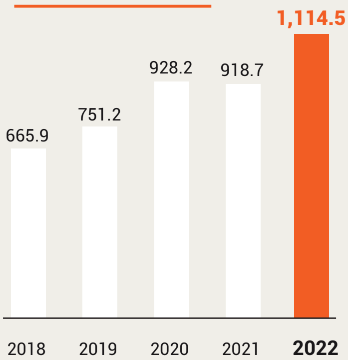
Independent & Assisted Living development pipeline ($m)

Total $460.5 million



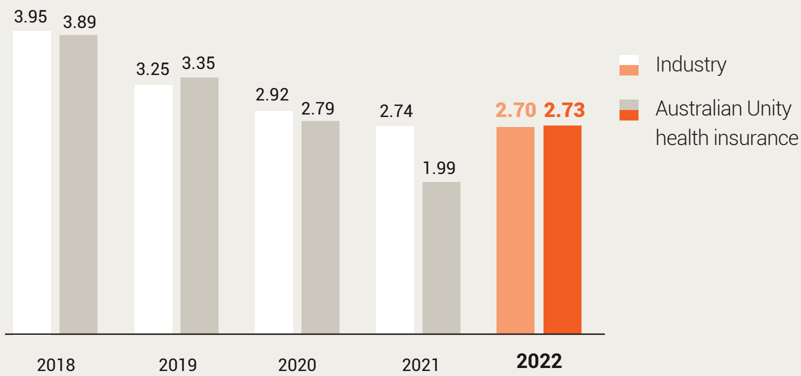
Australian Unity Bank gross loan portfolio¥ ($m)

$1,114.5 million



Average private health insurance premium rate increase (%)

Total 2.73 percent



Assets & funds under management and advice including developments and associated debt facilities ($b)¶

^ Adjusted EBITDA: adjusted earnings before tax, depreciation and amortisation, interest expense and investment income.

¥ Australian Unity Bank loan portfolio: gross loans before provision for doubtful debts.

* Assets & funds under management and advice, including developments and associated debt facilities.

¶ Includes cross-investments (investments by Australian Unity funds in other funds managed or operated by Australian Unity or its associates).

Our strategy

We are a mutual wellbeing company with a long history, delivering health, wealth and care services to the Australian community, and we plan to be here for even longer. Our strategic approach and priorities guide who we are, our decision-making and our ways of working.

Our purpose

To help people thrive

Our vision

To enable Real Wellbeing for our members, customers and community through our portfolio of commercial and sustainable businesses

Areas of operation

Health, Wealth & Care

Strategic priorities

In our efforts to create positive long-term impact for our members, customers and the community, we are directed by three strategic growth priorities.

Realising the modern mutual
Create deeper relationships with members and the community—based on data, member-centred initiatives and informed interactions with us—with a particular focus on innovating products and services that meet the health and financial wellbeing needs of our members.

Leveraging our position across the continuum of care
Deliver a continuum of integrated wellbeing care and supports—involving key social determinants such as housing, community and social interaction, employment and education alongside healthcare—at all life stages.

Accelerating our social infrastructure position
Continue our momentum as a leader in the creation of social infrastructure that supports Real Wellbeing in communities. We will activate significant private capital to support burgeoning community need, both in the health and ageing sector, as well as broader social infrastructure opportunities.

Community and social value

Our strategy guides how we deliver positive community and social value in what we do. Read more about our impact on our website **australianunity.com.au/impact**.

Our key objectives

Although we operate a diverse portfolio of businesses, all are guided by the same four key values in the way we work.

Create a great place to work

When we take care of our people, they will take care of our customers

Put customers & members front and centre

Customers & members have choices, and we want them to choose us

Deliver sustainable performance

We've been here for more than 180 years, and we want to be here for many more

Make a difference to our community

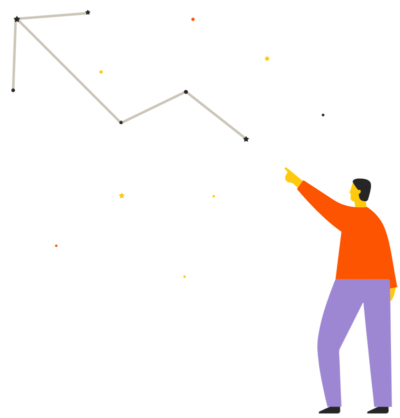
Community wellbeing is at the heart of what we do

Our portfolio

We have built a diverse and thematically linked portfolio, delivering health, wealth and care services, organised under four customer-focused platforms.

Home Health*	Home Health	Home Health is an integrated healthcare business, created to support Australians to age well, with solutions tailored for delivery of in-home and community care services. These services are delivered across a range of modalities from domestic assistance to clinical care as well as virtually. Across all these modalities, the business designs and delivers culturally appropriate care to Aboriginal and Torres Strait Islander customers.
Specialist Care*	Residential communities	We own and operate 10 integrated retirement villages and residential aged care precincts and 13 stand-alone retirement villages across New South Wales, Victoria and Queensland.
	Disability services	We provide specialist care services for people living with complex disabilities, such as spinal injuries, acquired brain injuries, cerebral palsy, autism and psychological, intellectual and other neurological disabilities.
	Dental	We operate five dental clinics across Victoria, delivering a wide range of dental services, including general and preventative dentistry.
Retail	Health insurance	Our policyholders are insured against a range of costs that (depending on cover held) include hospital accommodation, theatre fees, prostheses and more—with extras cover extending to treatments such as dental, optical and physio.
	Banking	Australian Unity Bank offers a wide range of personal banking services, such as owner-occupied and investor home loans, personal loans, credit cards, everyday transaction accounts, savings accounts and term deposits. Our Bank also offers general insurance broking services to individual and business customers.
Wealth & Capital Markets	Property	Sourcing and managing capital, our Property investment strategies provide much needed healthcare facilities, infrastructure for business, community amenities and homes to support and improve the quality of life for those needing additional care or assistance to live independently.
	Life & Super	Our Life & Super business offers a range of investment bonds, funeral bonds and education savings plans.
	Investments	We provide investment solutions through high-quality, differentiated and relevant investment management capabilities in asset classes including venture and private capital, equities, property, fixed interest and cash.
	Trustees	We provide traditional trustee services, including financial administration and estate and trust administration as well as estate planning and taxation services.
	Advice	Our Advice business provides personal financial advice on investments, superannuation and insurance.

* Independent & Assisted Living in the period under review



Governance

Australian Unity Board of Directors

Peter Promnitz

BSc (Hons), AIAA, FAICD
Chair

Rohan Mead

Group Managing Director &
Chief Executive Officer

Lisa Chung AM

LLB, FIML, FAICD
Chair-Designate
(From 1 August 2022)

Melinda Cilento

BA, BEc (Hons), MEc, GAICD
Deputy Chair-Designate
(From 1 August 2022)

Lucinda Brogden AM

BCom, MOrgPsych, MAICD
(From 8 September 2022)

Paul Kirk

BEc, ACA, RITA, MAICD

Su McCluskey

BCom, FCPA, MAICD

Helen Nott

BSc (Hons), PhD, FAICD
(From 8 September 2022)

Julien Playoust

BSc (Arch), BArch (Hons),
MBA, FAICD

Greg Willcock

BCom, FCPA, FAICD
(Until 7 September 2022)

Australian Unity Group Executives

Rohan Mead

Group Managing Director &
Chief Executive Officer

Prue Bowden

BA, MEmpLabRelLaw
Chief Executive Officer–Home Health

Dean Chesterman

BA
Acting Group Executive–
People & Culture

Mark Gay

MEI, AICD
Group Executive–Technology
(From 5 September 2022)

Melinda Honig

BEcon, LLB, GAICD
General Counsel, Company
Secretary, Chief Risk Officer
and Group Executive–
Governance

Esther Kerr-Smith

BEc, BAsian Studies, GAICD
Chief Executive Officer–
Wealth & Capital Markets

David Lumb

BEc, LLB, GAICD
Chief Executive Officer–
Specialist Care

Darren Mann

BCom, CA
Group Executive–
Finance & Strategy and
Chief Financial Officer

Christine Yates

BEc, MHRM, CA, GAICD, SF FIN
Chief Executive Officer–Retail

Kevin McCoy was Chief Executive Officer-Independent & Assisted Living, until 9 September 2022.

Prue Bowden was Group Executive-People & Culture until 12 September 2022.

Dean Chesterman was General Manager, Branch Operations, Home Care Services, until 12 September 2022.

David Lumb was Acting Group Executive-Customer, Digital & Technology, until 26 July 2022.

Governance statement

Australian Unity has been trusted to deliver wellbeing services since 1840 and continues to provide health, wealth and care services to more than 700,000 Australians.

Australian Unity Limited (Company), a mutual entity, is the head of the Australian Unity corporate group and is registered as a non-operating holding company, under section 28A of the *Life Insurance Act 1995* (Cth), and is regulated by the Australian Prudential Regulation Authority (APRA) under that designation.

Australian Unity is committed to the Real Wellbeing of all Australians, with its products and services designed to support real wellbeing. To help deliver on this objective, Australian Unity is committed to good corporate governance, with sound risk and conflict management practices a fundamental part of its fabric. Australian Unity's corporate governance framework is developed to reflect APRA Prudential Standards CPS 510: Governance (CPS 510), CPS 511: Remuneration, CPS 520: Fit and Proper and CPS 220: Risk Management (CPS 220) as well as key aspects of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition) (Principles). Australian Unity acknowledges that the Principles do not apply to the Company as it is debt-listed on the Australian Securities Exchange (ASX). Notwithstanding, Australian Unity considers the Principles to be a distinguished source of governance requirements and seeks to align itself with the Principles.

Governance structure

Australian Unity is governed by the Company's board. The board is supported by its committees, including the Risk & Compliance (R&C), Audit (AC), People, Culture & Remuneration (PC&R) and Investment Committees (IC). The Group Managing Director (GMD) reports to the board and, alongside the Group Leadership Team (GLT), is responsible for managing Australian Unity's day-to-day operations.

The board has structures and processes to help manage Australian Unity, including policies and procedures, risk and conflict management frameworks and internal controls, which are designed to promote effective, responsible and ethical conduct.

Australian Unity Limited Board

Risk & Compliance Committee
Supports the board and the Group to fulfil their risk management and compliance responsibilities.

Audit Committee
Oversees adherence to the Group's risk management policies and ensures true and accurate financial statements are produced.

People, Culture & Remuneration Committee
Monitors culture and ensures that we have the right programs to manage people and culture risks.

Investment Committee
Ensures appropriate programs are in place to manage risks and maintain regulatory compliance related to investment matters.

Group Managing Director

Group Leadership Team

Note: a very small percentage of businesses acquired by Australian Unity may have governance structures independent of Australian Unity (of which Australian Unity has oversight).

The board

Board roles and responsibilities

The board's responsibilities include approving Australian Unity's strategy, budget and operating plans, appointing and evaluating the performance of the GMD, setting and approving Australian Unity's Risk Appetite Statement (RAS) and Enterprise Risk Management Framework (ERMF) and monitoring the effectiveness of Australian Unity's governance arrangements. The Australian Unity Limited Board Charter (Board Charter) is available on Australian Unity's website (australianunity.com.au/policies) and provides an overview of all the board's roles and responsibilities, including the matters reserved for the board and delegated to management.

Board structure and composition

As at 30 June 2022 (Year End), the board comprised eight directors—seven non-executive directors (including the board's Chair) and the GMD (an executive director). Australian Unity has a written agreement with each non-executive director outlining the terms of their appointment.

The board's Chair leads the board and is responsible for the efficient conduct of the board's meetings. More information on the Chair's role can be found in paragraph 5 of the board Charter. As at the Year End, the Chair was Peter Promnitz. Mr Promnitz has been a director of the Company since 1 January 2013 and has served as Chair since 30 March 2016.

The table below outlines each director of the board as at the Year End, including their appointment date and tenure.

Director	Director type	Appointed	Tenure as at Year End
Peter Promnitz	Chair Independent and non-executive	1 January 2013 (Director) 28 July 2015 (Deputy Chair) 30 March 2016 (Chair)	9 years and 6 months
Rohan Mead	GMD Executive	1 July 2004	18 years
Gregory Willcock	Independent and non-executive	1 March 2012	10 years and 3 months
Melinda Cilento	Independent and non-executive	1 May 2014	8 years and 2 months
Su McCluskey	Independent and non-executive	1 September 2015	6 years and 9 months
Paul Kirk	Independent and non-executive	1 February 2016	6 years and 4 months
Lisa Chung	Independent and non-executive	30 June 2017	5 years
Julien Playoust	Independent and non-executive	1 February 2020	2 years and 4 months

Each director's biography is set out on pages 35 and 36 of this report and their attendance at board and committee meetings is outlined on page 36 of this report.

The following changes to the board were announced on the ASX Market Announcements Platform (MAP) on 27 July 2022:

- Peter Promnitz's intention to retire as the Chair and from the board, effective from the conclusion of the 2022 Annual General Meeting (AGM);
- appointment of Lisa Chung as Chair Designate, with effect from 1 August 2022, and successor as the board's Chair from Peter Promnitz's retirement;
- appointment of Melinda Cilento as Deputy Chair Designate, with effect from 1 August 2022, with Melinda Cilento becoming Deputy Chair of the board on Peter Promnitz's retirement;
- Greg Willcock's retirement, with effect from 7 September 2022; and
- appointment of Lucinda Brogden AM and Dr Helen Nott as non-executive directors of the board, with effect from 8 September 2022.

All of the Company's board and member meetings are conducted in English, with its key corporate documents written in English. As all of the Company's directors are proficient in English, it is not presently necessary for Australian Unity to have in place engagement processes for non-English-speaking directors.

Board and Committee meetings

The board met 18 times in the year under review, with the AC meeting five times, the R&C six times and each of the PC&R and IC meeting four times within the same period. Page 36 of this report outlines the board's attendance at board and board committee meetings during the year under review. Board meetings are generally conducted most months over two-to-three days, with directors regularly meeting without management present to encourage independent discussion.

Independence and re-election of directors

As at the Year End, each of the board's non-executive directors are considered to be independent. Directors are considered to be independent if they are free of any interest, position or relationship that might influence, or reasonably be perceived to influence in a material respect, their capacity to bring independent judgement to bear on issues before the board and to act in the best interests of the Company as a whole. Paragraph 4 of the board Charter provides further detail on the factors considered when assessing a director's independence.

Each director is required to update their interests, positions, associations and conflicts on an annual basis, with such updates being used as a basis to assess a director's independence. Directors are also expected to abstain from participating in discussions or voting on decisions in which they may have an actual or perceived interest.

Board skills matrix

Experience within Australian Unity's operating sectors

Experience in the areas that Australian Unity operates, including insurance, retirement communities and aged care, home care services, healthcare, financial services, insurance and property development.

Financial management

Experience in financial reporting, capital management, actuarial services, funding, financial risk management and financial controls.

People and culture

Overseeing and leading organisational culture and drawing the links between culture, performance, strategy and risk management.

Risk management, governance, law and compliance

Setting and reviewing risk appetite and culture, overseeing risk management and governance frameworks and the management of legal and compliance obligations.

Regulatory and public policy

Involvement in public policy discussions and decisions and interaction with regulators.

Marketing, customer and member experience and technology

Understanding the needs of customers and members, developing strategies to ensure customers and members are appropriately served and overseeing the technology required to deliver such outcomes.

Directors (other than the GMD) generally serve three-year terms before having to seek re-election at the Company's AGM. Directors are only permitted to serve as directors, subject at all times to member re-election, for a maximum of 12 years unless they are appointed as Chair in their third or fourth terms or as otherwise authorised. All directors are required to be 'Fit and Proper' within the meaning of the regulatory regimes that apply to Australian Unity and are subject to re-election at the first AGM after their appointment.

Board experience, skills and diversity

The board, led by the Chair with support from the PC&R Committee, regularly considers directors' skills to ensure that the mix of skills remains appropriate to assist Australian Unity with meeting its strategic ambitions. The board comprises directors with a broad range of experience, expertise and diversity in background and gender. The board skills matrix outlines the board's current mix of skills, noting that the board as a whole possesses these skills and not each individual director.

Director induction, training and continuing education

Before formally joining the board, prospective directors undertake detailed due diligence, and then once appointed, an induction program is launched. The induction program includes inviting appointees to attend board meetings as an 'observer' before appointment, and the provision of broader and more detailed materials than those provided during due diligence and meetings with all GLT members and other senior officers of Australian Unity.

Australian Unity also has a 'Board Training Program', which provides the board with professional development opportunities in areas required to execute their roles. The program includes briefing sessions and workshops, conducted by a range of expert stakeholders on matters such as regulatory change, external risks facing the Company, compliance with key legislation and statutory reporting.

The board has full and free access to the GMD and relevant Australian Unity records, with directors entering into a deed of indemnity, insurance and access with the Company.

Board and committee performance

The PC&R Committee regularly assesses the board's and individual non-executive director's performance. In 2021, the board engaged an external consultant to conduct a comprehensive review of the board's performance, composition and operating rhythm (2021 Review). The 2021 Review was multifaceted and broadly involved a review of the board's processes and procedures and interviews with the board and members of management. The board has reflected on the outcomes of this review and conducted a further internal review in 2022 to monitor the implementation of the actions from the 2021 Review and to further reflect on its own performance. Each of the committees also regularly conduct reviews of their performance. The reviews are by way of self-assessment using a range of tools such as questionnaires as well as workshops and interviews of committee members.

Board committees

Each board committee, other than the IC, comprises a majority of independent and non-executive directors of the board and is chaired by an independent and non-executive director (other than the Chair of the board). The IC is chaired by an independent and non-executive director and comprises a mix of non-executive directors and members of management due to the specialised nature of this committee and its broad remit.

Each board committee has a charter, which can be located on Australian Unity's website (australianunity.com.au/policies).

Board Committee	Key responsibilities	Members as at Year End
Risk & Compliance Committee	Assisting with and, where necessary, making recommendations to the board on: • Australian Unity's ERMF, Enterprise Risk Management Policy (ERMP) and RAS, including their effectiveness; • Australian Unity's Compliance Management Framework and associated policies and procedures; • specific risk and compliance matters, such as health and safety, whistleblower protection and anti-money laundering and counter-terrorism financing; • Australian Unity's operational structure to ensure that it facilitates effective risk-management; and • Australian Unity's exposure to environmental and social risks, alongside recommendations to manage such risks.	Su McCluskey (Chair) Peter Promnitz Rohan Mead Greg Willcock Melinda Cilento Lisa Chung Julien Playoust
Audit Committee	Assisting with and, where necessary, making recommendations to the board on: • Australian Unity's accounting policies and statutory and financial reporting processes, including the assessment of financial information and risks; • Australian Unity's operational structure in relation to accountability measures and internal controls; • accounting policies and changes to such policies; and • Australian Unity's audit processes, including the review of the terms of engagement and performance and results of internal and external audits. The qualification and experience of the members of the Audit Committee is outlined under the 'Information on directors' heading on page 35 of this report.	Paul Kirk (Chair) Peter Promnitz Lisa Chung Su McCluskey Julien Playoust Greg Willcock Rohan Mead
People, Culture & Remuneration Committee	Assisting with and, where necessary, making recommendations to the board on: • Australian Unity's organisational culture strategies and programs, concerning leadership, employee engagement, diversity and ethical business practice; • Australian Unity's Remuneration Policy and its application, effectiveness and compliance with applicable legislative and regulatory standards; • nomination matters, including Australian Unity's strategy in relation to Board/senior management succession planning and the appointment process of non-executive directors or candidates for the Board election; • the remuneration of the GMD, direct reports of the GMD and other persons who, in the PC&R Committee and the board's opinion, may affect Australian Unity's financial soundness or as otherwise required by regulatory bodies; and • Australian Unity's performance measures and targets, including the assessment of individual and collective senior management performance.	Lisa Chung (Chair) Melinda Cilento Peter Promnitz Paul Kirk Su McCluskey Rohan Mead (ex-officio)
Investment Committee	Assisting with and, where necessary, making recommendations to the board on: • Australian Unity's investment management matters and investment performance, including the oversight of market and investment risk; • Australian Unity's policies, procedures and frameworks relating to investment matters; and • Australian Unity's use of derivatives, debt and compliance with relevant covenants.	Melinda Cilento (Chair) Peter Promnitz Lisa Chung Su McCluskey Rohan Mead Esther Kerr-Smith Darren Mann Christine Yates Alison Bright Joe Fernandes William Whitford*

*Note: Ms Melinda Cilento, Mr Peter Promnitz, Ms Lisa Chung and Ms Su McCluskey are non-executive directors of the board. Mr Rohan Mead, Ms Esther Kerr-Smith, Mr Darren Mann and Ms Christine Yates are members of the GLT. Ms Alison Bright leads Australian Unity's risk and compliance function. Mr Joe Fernandes is Australian Unity's Chief Investment Officer and Mr William Whitford is an external appointee.

Group Leadership Team

The GMD, with support from the GLT, manages Australian Unity's day-to-day operations. The profiles of GLT members are outlined on page 13 of this report, with an overview of the GLT's key management personnel's compensation program and remuneration until the Year End outlined respectively on pages 40 and 47 of this report. Australian Unity has a written agreement with each GLT member outlining the terms of their appointment, and appropriate checks are undertaken prior to and throughout appointment to ensure that the GLT member has the pertinent skills and expertise and is fit and proper for their relevant role.

The review and assessment of performance of the GMD's direct reports is undertaken each year by the GMD, with input by the board. The review and assessment of the GMD's performance is undertaken by the board. Each member of the GLT has had their performance reviewed in accordance with this process as at the Year End.

Similar to the board, the GLT are provided with ongoing training opportunities. By way of illustration, in the year under review, the GLT undertook a program on adaptive leadership facilitated by the Melbourne Business School.

Company Secretary

As at the Year End, Melinda Honig and Catherine Visentin were Company Secretaries of the Company. The Company Secretary is accountable to the board, through the Chair, for matters relating to the proper functioning of the board. The board has full access to the Company Secretary, with an overview of the roles and responsibilities of the Company Secretary provided in paragraph 6 of the Board Charter.

Remuneration

Australian Unity's Remuneration Policy, which is approved by the board on the advice of the PC&R Committee, sets the framework for rewarding Australian Unity's directors, officers and employees. The GLT's remuneration comprises both fixed and variable components, including short-term and long-term variable compensation. The structure seeks to ensure a balance between individual compensation and Australian Unity's long-term sustainability, while also meeting applicable regulatory expectations.

The short-term variable compensation program (provided as cash) operates on an annual basis, with each GLT member being eligible to receive a percentage of their fixed compensation as additional compensation where both individual and group financial and non-financial performance goals are met. Further information is provided on page 41 of this report.

The long-term variable compensation program (provided as rights to mutual capital instruments (MCI)) also operates on an annual basis, with eligible employees receiving an invitation to participate. The board determines the award quantum under the program, with participants receiving rights over MCIs which vest after four years, subject to the employee remaining employed with Australian Unity and other relevant conditions being met. Under the Remuneration Policy and to ensure consistency with CPS 510, employees are prohibited from hedging any rights to MCIs granted to them or limiting the exposure to the economic risk relating to unvested MCIs, ensuring alignment of the interests of nominated executives with the interests of our members and Australian Unity's sustainable performance. Due to the fact that long-term variable compensation participants cannot hedge the economic risk associated with their participation in the program (including rights to unvested MCIs), Australian Unity is of the view that its policy statement in this regard in the Remuneration Policy suffices. Further information is provided on page 42 of this report.

The board has the discretion to decide that an individual's variable compensation for current or prior years is reduced to zero or subject to malus or clawback, with such determinations being made if the individual has failed to comply with their accountabilities.

The Company's non-executive directors are paid a fee for their services, with the aggregate fees paid to the Company's non-executive directors remaining within the annual sum last approved by members at an AGM (i.e. as outlined in Rule 4.14 of the Company's constitution).

The remuneration paid to Australian Unity's 'Key Management Personnel' and the Company's non-executive directors is outlined in the 2022 Remuneration Report found on pages 39 to 48 of this report.

Key policies

Policy	Summary	Key provisions
Code of Conduct	The Code of Conduct sets out Australian Unity's moral and ethical standards and provides the core values that guide directors, employees, contractors, consultants and volunteers in their dealings with stakeholders. The R&C Committee are informed of any material breaches of the Code of Conduct.	Requires directors, employees, contractors, consultants, and volunteers to behave ethically and with integrity, in a manner that: • complies with legislative and regulatory directions, including internal policies; • aligns with Australian Unity's core values of bold, warm and honest; • promotes health, safety and wellbeing; • fosters a respectful culture which accords with professional standards; • protects confidential information and privacy; and • respects cultural, gender and religious differences.
Whistleblower Protection Policy	The Whistleblower Protection Policy represents Australian Unity's commitment to establishing a culture of honesty and openness. It establishes what is improper conduct, the protections available to whistleblowers and the process of disclosure that ensures fair, efficient, and independent resolutions. The R&C Committee receives high-level numbers and themes of whistleblower incidents and the AC receives reporting on the outcomes of whistleblower investigations.	Sets out the following key information: • eligible whistleblowers, including employees, directors, officers and suppliers; • reportable conduct, which a whistleblower suspects is fraudulent, illegal, dangerous, abusive or unethical; • protections available to whistleblowers, including anonymity, liability immunity, and compensation entitlements; and • processes for effecting disclosure, including key roles and responsibilities.
Anti-Bribery Fraud and Corruption Policy	The Anti-Bribery Fraud and Corruption Policy outlines Australian Unity's zero tolerance to bribery, fraud and corruption. It ensures that directors, employees and officers conduct business with high standards of honesty and integrity. The R&C Committee are informed of any material breaches of the Anti-Bribery Fraud and Corruption Policy.	Requires directors, officers, employees, consultants and contractors to: • not offer or accept payments, secret commissions or gifts which are improper and/or could lead to an actual or perceived conflict of interest; • not engage in corrupt business practices; • not obtain an advantage by way of dishonest or fraudulent conduct; and • ensure records of dealings with third parties and any expenditures are maintained.
Continuous Disclosure Policy	The Continuous Disclosure Policy ensures the Company's compliance with its continuous disclosure obligations as a debt-listed entity. This policy provides a mechanism for the Company to consider and announce matters that may have a material effect on the price of its securities (Price Sensitive Information).	Sets out the following key information: • Australian Unity's obligation to notify the ASX of any Price Sensitive Information; • the processes to determine if information is Price Sensitive Information; • exceptions to disclosure; • processes for effecting disclosure, including key roles and responsibilities; and • protocols on internal and external communications following a release on the ASX's MAP.
Welcoming Difference Policy	The Welcoming Difference Policy represents Australian Unity's commitment to supporting and celebrating a diverse and inclusive workplace. It ensures that directors, employees and officers engage in discrimination-free, equal opportunity and respectful dealings in the conduct of business, including candidate selection.	Sets out the following key information: • diversity areas; • key roles and responsibilities in effecting compliance; • employee diversity data monitoring and reporting methods; and • policy breach escalation procedures.

Financial reporting

The full-year and half-year statutory accounts are prepared by the relevant Australian Unity stakeholders, with oversight from the AC and ultimate approval from the board.

Pursuant to section 295A of the *Corporations Act 2001* (Cth) (Act), the board received a declaration from the GMD and Chief Financial Officer for the full-year 2022 financial reports, attesting to the matters described in section 295A(2) of the Act and as otherwise required by the Principles. The board received a declaration analogous to a section 295A declaration for the half-year 2022 financial reports.

Annual General Meeting, investor presentations and member engagement

Australian Unity holds an AGM in October each year, with the 2022 AGM scheduled for Wednesday 26 October 2022. The Chair generally calls a poll for items considered at the meeting. Australian Unity's notice of AGM clearly outlines how members can participate at the AGM, with options including attending the AGM in person, submitting questions to Australian Unity's Member Engagement Team (MET) prior to the event or appointing a proxy. Australian Unity's 2022 AGM will be held in-person and will be streamed online, with online participants being able to view but not participate in proceedings. The GMD and Chair's AGM presentations are released to the ASX's MAP before the start of the meeting. Australian Unity's members can nominate to receive communications, such as notices of meetings and annual reports, electronically.

Australian Unity delivers investor presentations after the release of its half-year and full-year results, with the presentation invites (with dial-in details) and materials being released to the ASX's MAP before the presentation.

Australian Unity's MET organises member events, such as the AGM, and are available to assist with member queries.

Impact report

On 10 November 2021, Australian Unity released its inaugural stand-alone impact report, *Our Impact*, (Impact Report), detailing its performance against environmental, social and governance (ESG) criteria. A copy of the Impact Report can be downloaded from: australianunity.com.au/companyperformance. Australian Unity expects to release ongoing reports regarding its performance against ESG criteria on an annual basis. PricewaterhouseCoopers (PwC) was engaged to provide an 'Independent Limited Assurance Report' in relation to the Impact Report, the details of which are outlined on page 58 of the Impact Report.

Audit

External audit

PwC has been appointed to conduct an audit of the financial report and to report to members in accordance with the requirements set out in the Act for the year under review. Its audit report is provided at the end of the financial report.

A representative from PwC attended the October 2021 AGM to answer any questions from members on the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted in the preparation of the financial statements and PwC's independence in relation to the conduct of the audit of Australian Unity's financial statements. A representative from PwC will attend Australian Unity's October 2022 AGM to fulfil a similar role.

Internal audit

Australian Unity has an internal audit team (IA Team), and the purpose of this team is to provide independent and objective assurance and consulting services to Australian Unity's operations. The IA Team assesses whether Australian Unity's network of risk management, control and governance processes are adequate and functioning in a manner that supports various aims, including: the appropriate identification, reporting and management of risks; the accuracy, reliability and relevance of financial, managerial and operating information; and the compliance of employees' actions with policies, standards, procedures and applicable laws and regulations.

The IA Team is led by the Chief of Audit, who is supported by a team of appropriately qualified internal auditors. The IA Team is governed by the Group Audit Charter, which outlines the team's mission and scope of work. To ensure independence, the IA Team is accountable to the AC and reports functionally to the Chair of the AC. The IA Team has unrestricted access to the board and all of Australian Unity's records, property and personnel.

Risk management

Australian Unity is committed to the identification, management and mitigation of risk throughout its business. Risk culture and the implementation and adherence to effective risk management frameworks and practices is a core area of focus for Australian Unity and the board.

The board is responsible for setting and monitoring Australian Unity's ERMF—the systems, structures, policies, processes and people that identify, assess, mitigate and monitor risks that could have a material impact on Australian Unity's operations. The board is responsible for setting the risk appetite within which management is expected to operate and for establishing Australian Unity's risk management strategy, which defines Australian Unity's key risk areas and how they are managed.

The underpinning processes of the ERMF are consistent with the principles of the relevant Australian Standard (AS/NZS ISO 31000) and CPS 220.

As part of the ERMF, Australian Unity's businesses regularly identify, assess and develop treatment plans to manage risks to within risk appetite. Risk profiles are reviewed and higher-rated risks are reported to the R&C Committee quarterly. The R&C Committee also receives reporting on emerging risks and risk mitigation strategies (including their implementation status).

Business-related proposals to be considered by the board require the identification and assessment of key risks and plans to treat these risks. Project risk registers are maintained and any potential risks delivered to business operations are tracked, treated or accepted in line with risk appetite.

Policies and processes are in place to manage specific areas of risk such as capital management, business continuity, information security, incidents, compliance obligations and regulatory change. Australian Unity's risks are also managed by the purchase of appropriate insurances.

Australian Unity's ERMF, ERMP and RAS are reviewed annually to reflect Australian Unity's maturing approach to risk, ensure that the risk appetite remains appropriately set, facilitate consistent management of risk across the business and allow the R&C Committee and the board to satisfy itself that the components remain effective. The ERMF and ERMP were last reviewed in February 2022 and the RAS in May 2022. Compliance with and effectiveness of the ERMF is also reviewed annually by the IA Team, and it is comprehensively reviewed every three years by qualified independent consultants.

A summary of Australian Unity's key risks are outlined on pages 32 to 34 of this report. Climate change and its impact on Australian Unity's portfolio of businesses is an example of an emerging risk that Australian Unity closely monitors. While we continue to assess the risks and develop plans to mitigate the physical and transition impacts associated with climate change, particularly for Australian Unity's property business, Australian Unity does not currently assess climate change risk as material for Australian Unity overall. Australian Unity also faces a broad social risk with the ongoing COVID-19 pandemic and the disruption to our strategy, operating environment and workforce, as well as the health and wellbeing impacts to our employees and customers in our health services businesses.

Tax transparency

The Company is the head of the Australian Unity Tax Consolidated Group (AUTCG) and is a signatory to the Board of Taxation's Register in respect of the Voluntary Tax Transparency Code (Tax Transparency Code). The Tax Transparency Code supports greater tax disclosure in Australia and reflects Australian Unity's commitment to compliance and governance.

At the end of each financial year, the Company publishes its approach to tax strategy and details of the tax contributions made during the year. A copy of Australian Unity's 2022 Tax Transparency Report can be located at australianunity.com.au/companyperformance.

Diversity and inclusion

Australian Unity is committed to building a diverse and inclusive workplace which reflects and is relevant to the communities in which we operate. We recognise the value of harnessing the unique capabilities and perspectives of all people, including those who represent Australia's First Nations, multicultural and diverse communities. Australian Unity's 'Welcoming Difference Policy' (WDP Policy) outlines Australian Unity's policy position on diversity and inclusion, with the Policy being supported by the 'Our Inclusive and Diverse Workplace Standard' (Workplace Standard).

From a gender perspective, the WDP Policy outlines Australian Unity's aim to achieve a meaningful balance of women across all levels of the organisation, with gender pay parity and compensation practices being consistently reviewed to screen for gender bias in decision-making. Additionally, the Workplace Standard outlines Australian Unity's focus on achieving a critical mass of women across all levels of management, with critical mass being defined as commencing at approximately 25 percent.

The board receives an annual report on gender balance, in March of each year, with the latest key statistics as follows:

- 37 percent of Australian Unity's senior leaders are women. Senior leaders include those who are Band 8 to 10 employees;
- 50 percent of the GLT are women; and
- 37.5 percent of the board are women.

As at the Year End, Australian Unity had 6,963 employees of which 80 percent are women.

Two of the Company's subsidiaries are 'relevant employers' under the *Workplace Gender Equality Act 2012* (Cth) (WGEA), being Australian Unity Group Services Pty Ltd (AUGS) and Australian Unity Care Services Pty Ltd (AUCS). AUGS' latest WGEA report can be located at: data.wgea.gov.au/organisations/908#summary_content and AUCS' latest WGEA report can be located at data.wgea.gov.au/organisations/5124.

Summary

As a modern mutual, Australian Unity is focused on its members, customers and the broader community and helping people thrive. Australian Unity is proud of its strong social focus and presence—built on the foundations of strong corporate governance and sound risk management practices which are a fundamental part of Australian Unity's organisational culture and fabric.

Financial overview

In FY2022, the Group progressed a number of its strategic objectives while managing continuing operational and workforce challenges across each of the business units.

$45.4m

increase in the Group's adjusted EBITDA

$1,147.7m

in members' funds

$1.54b

in total revenue attributable to members

I note and acknowledge the continued extraordinary efforts of our employees during these unprecedented times. Our front-line workers were—and continue to be—relentless in their efforts to provide services to our members and customers, while our office-based employees continue to remain adaptive in responding to new and increasingly interrupted ways of working.

For the third consecutive financial year, the Group navigated the operating conditions of the global pandemic as well as one of the nation's worst-recorded flood disasters, impacting New South Wales and Queensland, and the increasing uncertainty from escalating inflationary pressures. Like previous years, we have seen some businesses within the portfolio impacted more than others. Despite this, each platform contributed positively to the overall result.

The Group reported adjusted EBITDA of $144.3 million, which was $45.4 million higher than the previous corresponding period, and a profit after tax of $45.7 million—$12.8 million above the previous corresponding period. During the year, the Group successfully issued a further $230.1 million of Mutual Capital Instruments (MCIs), with a fixed dividend rate of 5.0 percent per annum, based on each MCI having a face value of $100 per MCI.[1]

As I have noted in my previous reports, due to the broad nature of the portfolio of businesses, an unpacking of the financial result is important to understand the performance of each business and the drivers for the performance movements year-on-year.

Notwithstanding the challenges that the external environment imposed on the Group, it continued to make sound progress across components of the portfolio, while advancing its social infrastructure and human services agenda. The Group acquired the Greengate Partnership, in July 2021, which brought an additional three co-located aged care and retirement villages into the portfolio. The Home Care Services business continued to refine and deliver operating efficiencies through the development of business insights and the second year of the self-insurance program.

The financial statements contained in this report were prepared in accordance with the *Corporations Act 2001* (Cth) and relevant accounting standards and provide numerical insight into how the Group performed financially over the year.

I encourage members to read the financial statements, the Operating and Financial Review that forms part of the Directors' report and this report, in detail, to gain further insight into how the Group has performed and to understand how we are executing our strategy.

Across the three business platforms, the Group progressed its strategic objectives—however, financial performance of some businesses was affected by regulatory and macro challenges.

The Retail platform had a positive year—driven by higher revenues and a consistent year-on-year net claims pattern for the private health insurance business. Within the Banking business, we saw a continuation of the strong lending growth experienced in recent years,

[1] The running yield for MCIs issued in 2020 at an Issue Price of $100 per MCI is 5.00 percent per annum or 7.14 percent per annum on a gross basis. The running yield for MCIs issued in 2021 at an Issue Price of $103 per MCI is 4.85 percent per annum or 6.93 percent per annum on a gross basis. These numbers assume that discretionary dividends are paid in full and is based upon Australian Unity's current corporate tax rate of 30 percent and assumes that investors are able to fully benefit from attaching imputation credits. This gross rate will change if Australian Unity's corporate tax rate changes in the future.

which offset the impact of lower net interest margins. Australian Unity Bank's Issuer Credit Rating by Standard & Poor's remained stable at BBB+ during the reporting period.

The Wealth & Capital Markets (W&CM) platform continued to make significant progress with the delivery of its social infrastructure agenda, including material progress on the Herston Quarter project, in Queensland, and procuring external investment in the Childcare Property Fund. During FY2022, the Group increased its stake in the Platypus Asset Management Pty Ltd (Platypus) business. The platform was negatively impacted by the COVID-19 operating environment, with the Advice and Trustees businesses suffering from ongoing restrictions with face-to-face engagement.

The Independent & Assisted Living (IAL) platform made positive progress in the Home Care Services business and reported a strong performance within the Retirement Communities business unit, with a record number of resales. Consistent with previous years, the Group continued to report occupancy levels well above market average in both its Residential Aged Care and Retirement Communities portfolios. The platform was negatively impacted by the COVID-19 operating environment, with the Dental business experiencing recurrent closures and material personal protective equipment costs in the Aged Care business.

Further information is provided in the Operating and Financial Review and the financial statements.

Financial results

The overall profit after income tax for the year was $45.7 million, which was $12.8 million, or 38.9 percent, higher than the previous corresponding period.

Total revenue and other income from continuing operations was $1.36 billion (2021: $1.71 billion). The Explanatory Notes (note 28) highlight that $1.54 billion of this revenue was attributable to members and ($0.18) billion was attributable to benefit fund policyholders—with revenue attributable to members up $99.9 million, or 6.9 percent, from the prior year. This comparative result was mainly driven by growth within IAL offset by lower current-year management and performance fees in our W&CM business and higher other income derived from a revaluation gain from a business combination and a gain on acquisition.

Expenses, excluding finance costs, of $1.36 billion were $230.0 million (14.5 percent) lower than the prior year. Gross claims paid by our retail health insurance business of $593.4 million were in line with the prior corresponding period. Expenses in relation to benefit funds of ($117.0) million were $322.1 million lower (157.1 percent) than the prior year.

As detailed in note 3, depreciation and amortisation costs of $55.4 million were $7.8 million, or 16.3 percent, higher than the prior year.

Finance costs were $4.3 million higher than the prior year due to higher notional interest on leases. Excluding the impact of AASB 16[2], finance costs were $1.4 million lower than the prior year.

The Group continued its focus on liquidity and balance sheet resilience

The consolidated balance sheet details the Group's assets and liabilities along with equity. The 2022 financial year closed with members' funds of $1.15 billion, up 32.5 percent. The material growth in members' funds for the year was driven by a second MCI issuance for $230.1 million.

At 30 June 2022, the Group gearing ratio was 25 percent (see note 9(a)), compared with 29 percent at 30 June 2021. This remains positive for the Group as it provides greater balance sheet capacity for future strategic initiatives. It also reflects significant headroom from the covenant gearing ratio of 50 percent on our issued debt.

Corporate interest-bearing debt at 30 June 2022 totalled $403.2 million, compared to $415.1 million in the prior year, which mainly reflected lower finance loans for the development of retirement and aged care facilities (see note 9). Interest cover, or the proportion of earnings before interest, tax, depreciation and amortisation needed to make interest payments, was 3.11 times, compared to 3.18 times the previous year. Interest cover ratio is not a covenant of the listed bonds.

Intangible assets (see note 15) in the current year of $362.4 million increased over the prior year's $313.8 million due to the acquisition of Platypus.

The Group continued to maintain strong liquidity and ended the year with $1.09 billion in cash and cash equivalents (see note 5). The balance of cash and cash equivalents as at 30 June 2022 included Australian Unity Limited's own accounts, totalling $136.5 million, and amounts held by benefit funds of $380.7 million.

I hope this report provides a greater understanding of the key financial activities the Group undertook during the year under review. While the year ahead will once again remain challenging due to the impacts of the pandemic, the Group will remain focused on the safety of its employees, members and customers, its liquidity and ensuring it remains well placed to continue to advance its strategic objectives and capitalise on future opportunities.

Darren Mann
Group Executive—Finance & Strategy
and Chief Financial Officer

[2] AASB 16: Leases

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 year ended 30 June 2022.

Directors

The following persons were directors of Australian Unity Limited during the financial year 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 (appointed Chair Designate on 1 August 2022)

Melinda Cilento, Non-executive Director (appointed Deputy Chair Designate on 1 August 2022)

Paul Kirk, Non-executive Director

Su McCluskey, Non-executive Director

Julien Playoust, Non-executive Director

Gregory Willcock, Non-executive Director (resigned as Director on 7 September 2022)

Company secretaries

Melinda Honig and Catherine Visentin were company secretaries of Australian Unity Limited at 30 June 2022.

Principal activities

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

Dividends

Dividends paid to the holders of Australian Unity Mutual Capital Instruments (MCI) during the financial year were as follows:

	2022 $'000	2021 $'000
Dividend for the 2022 financial year of $2.4932 per MCI paid on 19 April 2022	8,562	-
Dividend for the 2022 financial year of $2.5068 per MCI paid on 15 October 2021	3,008	-
Dividend for the 2021 financial year of $1.5342 per MCI paid on 15 April 2021	-	1,841
	11,570	1,841

Operating and financial review

In the year to 30 June 2022, 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.

The year under review was again significantly impacted by the COVID-19 pandemic. Additionally, the economy faced the impact of widespread floods across the eastern states, the significant investment market volatility and downturn during the second half of the year and the subsequent, rapid increase in interest rates. Despite these sidewinds, Australian Unity delivered a solid and improved financial result. Profit after tax for the year under review was $45.7 million, up 38.9 percent from the year prior of $32.9 million.

Highlights of the year included overall sound results across the Group's business platforms—despite many activities, particularly those of the Independent & Assisted Living (IAL) platform, being adversely affected by the pandemic. While these impacts were 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 launch and rapid growth of funds invested in critical social infrastructure, such as disability accommodation and childcare, and the acquisition in July 2021 of the aged care and retirement living owner-operator Greengate Partnership Pty Ltd (Greengate Partnership), delivering a business combination gain on acquisition of $19.1 million. 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 IAL portfolio.

During the year, 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 built on the $120.0 million raised in the prior year, 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 adjustment to their corporate constitutions, 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 *Our Impact* report, demonstrating the positive social and community impact and sustainability of our business. It also assesses our key risks and opportunities against the environmental, social and governance (ESG) criteria increasingly used to measure company impact beyond corporate financial performance. The ground-breaking quality of this inaugural report was widely recognised, including through receipt of the *Australian Financial Review's* (AFR) ESG Metrics Innovator Award, for best innovation focused on improving how ESG inputs are measured, and Australian Unity being recognised as one of the AFR's Sustainability Leaders for 2022.

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. It required the ongoing application of additional 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; adjusted development and property management operations; and innovative client engagement approaches 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 also focused on the welfare of its employees and the impact COVID-19 had on them.

During the year under review, Australian Unity delivered additional financial support for private health insurance (PHI) policyholders in recognition of the impact of cancelled, suspended and postponed healthcare services due to the pandemic. Premium relief was provided through the application of 'premium-free days', reducing premium income by $9.1 million, and a range of ancillary product benefit improvements was implemented. This adds to the package of relief measures already provided to support our PHI policyholders through the pandemic, including premium relief for those experiencing hardship;

a six-month deferral of the 2020 premium increase; cover for COVID-19 related hospital admissions; and a range of telehealth services.

Additionally, to further acknowledge the continuing impact of COVID-19 on health insurance members' access to some health services, Australian Unity announces that it plans to defer the implementation of the 2023 premium increase for PHI policyholders from 1 April 2023 to 1 November 2023.

During the year under review, the Group recognised positive uplift from two business combination events which are explained further below and saw a continued lower level of net claims from the PHI business. The pandemic negatively affected the Group's overall results, with impacts including the support measures to PHI policyholders as noted above; client cancellations and interruptions to regular home care, disability, dental and health care services; increased cost of additional personal protective equipment (PPE) and related consumables; and cost containment undertaken in response to the pandemic effects.

Despite this, and as noted above, the Group delivered an improved profit after tax of $45.7 million for the year under review, compared to $32.9 million in the prior year. It has done this while focussing on preserving the health and personal wellbeing of the members and customers we serve.

While revenues from operating businesses grew, the Group's total revenue and other income decreased to $1,361.3 million (2021: $1,706.1 million). Overall, revenues from operating businesses grew by $123.6 million, inclusive of revaluation and acquisition gains on business combinations totalling $39.4 million, offset by investment returns falling by $23.7 million. Revenues attaching to benefit funds decreased by $444.7 million due to reduced investment performance, $409.00 million of which was unrealised movement.

Total expenses, excluding financing costs, were $1,356.8 million (2021: $1,586.6 million). Aggregate expenses included a reduction of $322.1 million in benefit fund expenses due to the transfer of this year's adverse, investment-driven performance to policy liabilities. Expenses of operating businesses increased by 6.7 percent or $92.2 million, with higher client care costs (up $15.7 million) and employee expenses (up $55.7 million).

The overall outcome represents a softening in the aggregate trading position, with operating earnings for the year of $48.5 million—a decrease of $3.6 million or 6.9 percent on the prior year.

Despite the ongoing disruption of the COVID-19 pandemic 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 its business portfolio and the realisation of its 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 year to 30 June 2022 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 1 to the consolidated financial statements.

Independent & Assisted Living (IAL)

The IAL platform operates retirement communities and provides home 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.

Financial performance - Independent & Assisted Living

	Full year to 30 June 2022 $million	Full year to 30 June 2021 $million	Variance
Total segment revenue	$609.1	$520.6	17.0%
Other income	$19.1	$ -	n/a
Operating expenses	$529.5	$449.5	(17.8%)
Adjusted EBITDA	$98.7	$71.1	38.8%

Notwithstanding, continuing challenges presented by the COVID-19 pandemic, the IAL platform recorded a solid financial result with total segment revenue of $609.1 million for the year, representing an increase of 17.0 percent compared to the previous year (2021: $520.6 million).

Home Care Services experienced a 7.8 percent increase in revenue to $347.0 million, Residential Communities increased 49.0 percent to $198.3 million, Health Services increased 13.1 percent to $56.6 million, while Developments decreased 53.3 percent to $7.2 million.

The platform also recorded, as other income, a $19.1 million business combination gain on the acquisition of Greengate Partnership.

IAL's adjusted EBITDA of $98.7 million represented an increase of 38.8 percent and $27.6 million on the prior year.

Home Care Services (HCS)

HCS delivered an adjusted EBITDA of $38.1 million—a gain of $8.7 million on the prior year. This was achieved through home care packages customer growth and cost savings in several areas, notably salary and wages expense through improvements in safety performance, injury management and care worker utilisation.

Despite COVID-19 effects, approximately 2.6 million hours of care were delivered to more than 34,000 customers by 2,953 care workers.

HCS saw a 13.8 percent increase in its home care packages customer base and a 16.0 percent increase in additional service hours provided. Total home care packages under management reached 10,043 at 30 June 2022; an increase of 1,219 package clients on the prior year (2021: 8,824).

The business secured government funding for the ongoing COVID-19 emergency response, which partially offset the additional operational costs imposed by the COVID-19 operating environment, particularly those relating to PPE.

Within HCS, the Aboriginal Home Care business delivered approximately 170,000 hours of care to more than 2,400 clients by 208 care workers. There were 865 home care packages under management, which was an increase of 118 packages in the year to 30 June 2022 (2021: 747). Australian Unity's Indigenous Services business, which includes Aboriginal Home Care, is one of the largest employers of Aboriginal and Torres Strait Islander peoples in the aged and disability care sectors in Australia.

Disability Services commenced operations as a separate business within HCS from 1 July 2021. During the year approximately 160,000 hours of care were delivered to more than 400 customers by 157 care workers.

Residential Communities

IAL acquired Greengate Partnership Pty Ltd on 7 July 2021, with three established integrated retirement and aged care communities in Sydney (Kogarah & Maroubra) and Brisbane (Woolloongabba)—all of which have been successfully integrated into the Australian Unity portfolio.

Residential Communities now owns and operates 10 integrated retirement villages and residential aged care precincts (2021: 7) and 13 standalone retirement villages (2021: 14) across New South Wales (NSW), Victoria and Queensland, comprising 2,664 independent living units (ILUs) and 1,007 aged care beds (2021: 2,496 ILUs and 786 aged care beds).

The resurgent residential property market, particularly in NSW, supported sales growth of 51.9 percent over the prior year.

Occupancy levels across the portfolio's mature retirement villages remained high at 93 percent, while the mature residential aged care portfolio achieved occupancy at above 94 percent, despite the challenges of the pandemic.

Health Services including Remedy Healthcare and Dental

Within the Health Services business, Remedy Healthcare increased revenue by 14.8 percent to $47.1 million, driven predominantly by the introduction of the Beyond Blue support service in February 2022. More than 415,000 episodes of care were delivered across 15 treatment programs and over 56,000 hours of allied health services were delivered to HCS clients of Australian Unity, an increase of 29.2 percent on the prior year.

Remedy Healthcare also delivered approximately 6,000 'hospital substitution' programs, a decrease of 11.9 percent on the prior corresponding period (2021: approximately 6,900), reflecting the challenging operating conditions attributable to the ongoing impacts of the pandemic and disruption to elective surgeries.

The Beyond Blue national support service commenced operations in late February 2022, with over 40,000 calls handled in the period from late February to 30 June 2022.

During the year under review the Dental business amalgamated two Melbourne CBD locations with operations ceasing at the Collins Street location. Australian Unity operates five dental clinics, with clinics located in Melbourne CBD (Spring Street), Hughesdale, Moonee Ponds, Rowville and Box Hill.

Patient visits increased by 12.7 percent from 41,187 in the prior year to 46,426.

Development

Working closely with the Wealth & Capital Markets (W&CM) platform, the business continued to progress its development pipeline of its signature Better Together® small household aged care model. Please refer to the W&CM section of this report for further information on development activities.

Outlook

COVID-19 is expected to continue to present significant ongoing challenges and disruption throughout the next financial year. Notwithstanding, the business is well positioned and has demonstrated its ability to continue to deliver essential services to its customers.

From 1 October 2022, the Australian National Aged Care Classification (AN-ACC) will replace the Aged Care Funding Instrument (ACFI) and provide increased funding, transparency and accountability across the industry. Australian Unity has prepared for this transition across its 10 aged care sites.

Retail

The Retail platform brings together Australian Unity's private health insurance, banking and general insurance businesses. 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 meet the contemporary needs of Australians.

Financial performance - Retail

	Full year to 30 June 2022 $million	Full year to 30 June 2021 $million	Variance
Total segment revenue	**$716.1**	$704.6	1.6%
Operating expenses	**$621.1**	$622.8	0.3%
Adjusted EBITDA	**$94.9**	$81.8	16.0%

The Retail platform delivered a solid result for the year, with an adjusted EBITDA of $94.9 million—16.0 percent higher than the prior year. While the provision of COVID-19 support measures to PHI policyholders reduced revenue by $9.1 million, overall revenue of $716.1 million represented a 1.6 percent increase on the prior year.

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 and capacity issues for elective surgery, which resulted in the deferred claims liability increasing by $19.7 million to $71.0 million at 30 June 2022.

Total operating expenses were $621.1 million—$1.6 million or 0.3 percent lower than the prior year. This decrease reflected a $2.8 million decrease in health insurance claims net of risk equalisation and state levies and a $1.2 million increase 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 $968.6 million grew 5.4 percent compared to the prior year. An improvement in house price inflation and portfolio mix led the reduction in its Expected Credit Loss provision on loans by $4.9 million.

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 PHI policyholders decreased by 3.7 percent over the year to 168,317 at 30 June 2022. The number of overseas visitor cover policyholders increased 4.9 percent over the year to 3,238 at 30 June 2022.

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 effective from 1 April 2022. This was slightly above the announced sector average of 2.70 percent and the second lowest average AUHL increase in the past 21 years.

In recognition of the impact of cancelled, suspended and postponed healthcare services on PHI policyholders due to COVID-19, Australian Unity provided additional financial support through the application of 'premium-free days', reducing premium income by $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 health insurance 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; and a range of telehealth services.

To further acknowledge the continuing impact of COVID-19 on health insurance members' access to some health services, Australian Unity announces that it plans to defer the implementation of the 2023 premium increase for PHI policyholders from 1 April 2023 to 1 November 2023.

Australian Unity Bank Limited

As at 30 June 2022, Australian Unity Bank had approximately 26,000 customers, with its total assets growing by $182.9 million to $1,336.0 million (2021: $1,153.1 million) during the year under review. The Expected Credit Loss provision on loans was $8.4 million (2021: $13.3 million).

Australian Unity Bank achieved strong lending growth with $420.9 million of loans funded, a 138.6 percent increase on the prior year. The banking business' Gross Loan Portfolio increased by $195.8 million or 21.3 percent to $1,114.5 million (2021: $918.7 million).

During the year Australian Unity Bank further enhanced its Kookaburra Securitisation Program from $150.0 million to $225.0 million. This is a self-securitisation structure acting as a contingent liquidity support capability for the bank with 94.9 percent of notes rated as 'AAA' and currently providing access to the RBA's Term Funding Facility.

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

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 will slow over the coming year with increasing inflation and higher interest rates.

With its solid foundation for the delivery of member value, the platform will continue to pursue several opportunities arising from the health insurance and banking adjacencies. These include 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 (W&CM)

The W&CM platform comprises the investments, property and social infrastructure, 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 and expand the Group's social infrastructure reach and impact, by delivering accessible services, investment, capital and social 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 partner with and raise funds from a wide array of stakeholders and sources within debt and equity markets, sees it 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 and sustainable investment and savings options for 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

	Full year to 30 June 2022 $million	Full year to 30 June 2021 $million	Variance
Total segment revenue	**$205.4**	$221.1	(7.1%)
Other income	**$20.3**	$-	n/a
Operating expenses	**$187.0**	$193.8	3.5%
Adjusted EBITDA	**$38.7**	$27.3	41.8%

The platform recorded a 7.1 percent reduction in total segment revenue compared to the previous year, reflecting continuing impacts from the global pandemic and investment market downturn during the second half of the financial year, particularly affecting the revenue performance of the Investments business. 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). Also of note, the previous year's revenue included $48.7 million related to the recovery of costs incurred on the redevelopment of the Herston Quarter heritage precinct, while the equivalent current year revenue amounted to $11.5 million. After adjusting for non-recurring revenue items during the current and prior periods, segment revenue increased by 1.8 percent.

Adjusted EBITDA increased by 41.8 percent compared to the prior corresponding period, with the one-off gain noted above from the revaluation of the platform's investment in the Platypus Asset Management business a significant contributor to the current year outcome. After adjusting for costs related to the redevelopment of the Herston Quarter heritage precinct which are recovered in revenue, operating expenses increased by 17.8 percent, reflecting direct costs associated with the underlying growth in platform revenue and increased operating costs arising from further investment in people, systems and processes supporting revenue growth. The additional operating expenses arising as a result of the acquisition of the controlling interest in the Platypus Asset Management business represented a 2.9 percent increase in underlying operating expenses.

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 $28.50 billion as at 30 June 2022 (2021: $27.89 billion).

Investments

The Investments business delivered solid results for the year under review, against a challenging economic backdrop which continued to impact markets and distribution activity. Funds under management and advice (FUMA) stood at $9.90 billion as at 30 June 2022 (2021: $10.46 billion), impacted by market movements. The business' financials were boosted by the realisation of a significant uplift in the value of its Platypus Asset Management holding. In excess of $0.7 billion was raised in new net flows over the period into Australian Unity and partner products. While investment performance was challenged in the second half of the year, these products continue to deliver true to label investment performance for investors and positive social impact to our community.

During the period the Investments business significantly progressed execution of its strategic plan to grow its focused portfolio of high quality, differentiated and relevant investment products, aligned with Australian Unity's Community and Social Value Framework, and expanded its distribution of these in existing and new channels. Within this, the business further rationalised its product set, continued to invest in product and channel development, launched its first exchange quoted funds on Cboe Australia and increased the availability of its products to new investors, including Significant Investor Visa holders. The business also continued integrating responsible investment principles into its key products, which gained momentum with the appointment of a dedicated Head of Responsible Investment and Stewardship role.

Acorn Capital continued to grow its business through the expansion of its distribution efforts and new product development. Throughout the period, the business secured significant new institutional mandates and raised $82.3 million into the Acorn Capital Expansion Platform II. Capital raising for the listed Acorn Capital Investment Fund (ASX: ACQ) was oversubscribed.

Altius Asset Management was recognised for its leadership in responsible fixed interest management with the award of Sustainability Fund Manager of the Year 2021 from KangaNews. During the period, the Altius Bond Fund merged with the Altius Sustainable Bond Fund, a key component in the alignment of the business to its core strength as a leader in ESG fixed interest management. Altius' funds were also made available to a wider range of prospective investors, including by appointment to the separately managed accounts of key platform providers. The business received its first institutional mandate in August 2021. Total funds under management stand at $1.89 billion (2021: $1.94 billion).

Platypus Asset Management's funds under management and advice of $4.33 billion (2021: $5.27 billion) were impacted by market movements but benefited from the strong continued support of its retail, sophisticated and institutional client base. In December 2021, Australian Unity increased its ownership stake in Platypus, acquiring the majority of the issued share capital from the founders, underscoring Australian Unity's long-term strategy and its partnership with the Platypus team. A significant program of expansion is underway to raise wholesale and retail capital into Platypus Asset Management products in order to manage business risk and lift margins on available investment capacity.

The Australian Unity Future of Healthcare Fund continued to make impactful investments into private opportunities aligned to its social and economic purpose. Market conditions challenged the healthcare sector, reflected in lower funds under management of $48.8 million (2021: $50.5 million). During the period under review the fund published its inaugural Sustainability and Impact Report and continued to deploy investor capital in both established and emerging companies with the aim of delivering long-term capital growth and to support the future healthcare needs of Australians.

The Australian Unity Property Income Fund raised $72.0 million net flows from external investors and increased its funds under management to $360.0 million (2021: $310.3 million) benefiting from both a redoubled and coherent effort in distribution and marketing. The fund posted a return of 1.8 percent for the year ended 30 June 2022—one of the few funds to deliver a positive performance in what was a tumultuous year in commercial property markets.

The Investments business also manages/invests Australian Unity Group's own $1.06 billion investment portfolio (2021: $0.94 billion). This investment portfolio includes assets of the Australian Unity Group's prudentially regulated entities, which support these companies' prudential capital positioning. In the year to 30 June 2022, against a backdrop of near-zero official cash rate, rising bond yields and falling share prices through the period January to June 2022, the portfolio's assets incurred a modest 0.54 percent investment loss. Longer term investment performance has been positive, delivering investment earnings of $21.0 million in total over the three years to 30 June 2022.

Property and social infrastructure

In a market impacted by escalating inflation due to rising energy costs, global supply chain disruption (in particular in construction inputs), climate change impacts and rising interest rates, the Property business delivered a strong result, with assets under management increasing to $4.92 billion as at 30 June 2022 (2021: $4.10 billion). Its multi-year development pipeline stood at $1.31 billion (2021: $1.25 billion), with lending and debt facilities on behalf of investors (through property funds and its commercial lending activities, inclusive of the mortgages business) of $2.05 billion (2021: $1.86 billion).

The landmark $1.1 billion Herston Quarter health precinct in Brisbane continued, with the restoration work of the Lady Lamington Towers 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 nearby campuses. 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.

Healthcare Property Trust (HPT) increased its assets under management to $3.33 billion as at 30 June 2022 (2021: $2.64 billion) and posted a total return of 23.7 percent (wholesale units) for the year to 30 June 2022. Significantly, HPT settled the purchase of three aged care properties in Queensland in a $93.7 million sale-and-leaseback deal with McKenzie Aged Care Group as well as a number of other transactions that further strengthened the future pipeline for the fund. 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 are ongoing.

The Group's presence in social infrastructure continued to grow and broaden. Following the establishment of the Childcare Property Fund, two equity raises were completed with $52.2 million raised, including a $20.0 million cornerstone investment from the group. The Specialist Disability Accommodation Fund closed its second equity raise of $30.5 million that, along with valuation uplift, increased the gross asset value (GAV) to $77.3 million as at 30 June 2022. During the year under review, 91 dwellings were under development.

The Select Income Fund delivered a strong performance for the year, reaching $305.8 million in funds under management (FUM) (2021: $293.9 million). During the year there were 52 active loans funding the development of a total of 1,051 units/dwellings, with 16 of these loans repaid during the financial year.

The Property business continued to work closely with the Group's IAL platform during the year, with 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, Victoria comprising 84 aged care beds and 71 assisted living apartments, both of which are programmed to be completed during the 2023 financial year.

Preconstruction work is also underway on a prime development site in Brisbane (Auchenflower) which has approval for a vertical retirement village and residential aged care precinct.

Life & Super

The Life & Super business continued as Australia's largest investment, education and funeral bonds provider, with $2.30 billion in funds under management and administration as at 30 June 2022 (2021: $2.51 billion).

During the year to 30 June 2022, sales across Life & Super products reached $234.8 million (2021: $207.4 million) with net inflows of $66.6 million (2021: $32.5 million)—a significant outcome given the prolonged low interest rate environment, recent market downturn and the 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 various industry superannuation funds to broaden access to its products through this large and growing network.

The business maintained its growth in the direct-to-consumer market, with the 10Invest Investment Bond adding over 1,600 additional investors through the year, helping more than 4,800 Australians invest in their long-term future since its launch.

Australian Unity also retained its leading position in the pre-paid funeral market via its specialised business Funeral Plan Management, with funeral funds under management of $624.5 million (2021: $714.2 million) across more than 90,000 clients.

Advice

During the year under review, the operations of the Advice business continued to experience some impacts from the COVID-19 pandemic, with interrupted opportunities to meet with prospective and new clients in a face-to-face setting.

During the period, 17 advisers joined our organisation, with the overall total number of advisers remaining stable at 170 (2021: 171). Funds under advice grew to $9.99 billion (2021: $9.36 billion), and personal life insurance premiums in-force increased to $77.0 million (2021: $74.6 million). Revenue increased 15.9 percent to $75.8 million for the full year compared to $65.4 million for the prior year. In addition, separately managed investment accounts (SMA), constructed and managed by the Advice business, grew in FUM to $798.7 million (2021: $716.5 million).

Trustees

The growth of the Trustees business continued to be affected by the pandemic during the year under review. Nevertheless, inflows of new clients resulted in an increase in revenue of 9.6 percent compared to the prior year.

In addition, the Trustees' will bank produced new business and increased in size nationally during the period. The First Nations Community Legal Centre Wills Clinic was established in partnership with YFS Legal for First Nations community members in Queensland focusing on culturally specific estate planning issues.

Funds under management grew by 9.3 percent in the year to 30 June 2022.

Outlook

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 expansion of funding to the childcare property and specialist disability accommodation sectors is an example of the value that Australian Unity can bring to supporting Australian families and communities. In addition, opportunities are being actively pursued to further the Group's ambitions in growing as a significant participant in health and wellbeing precincts, building on the experience at Herston Quarter.

The W&CM platform is 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 financial year

MCI dividend

On 7 September 2022, the board has determined an interim fully franked dividend of $2.5068 per Australian Unity Mutual Capital Instrument (MCI) to be paid on 17 October 2022.

The financial effects of the above board resolution in relation to the MCI dividend have not been brought to account in the financial statements for the year ended 30 June 2022 and will be recognised in subsequent financial reports.

The board is not aware of any other matter or circumstance arising since 30 June 2022 which has significantly affected or may significantly affect the financial status or results of the Group and which has not been separately disclosed in this report.

Likely developments and expected results of operations

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

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

The Group is subject to a wide variety of markets, particularly financial markets and property markets. Note 23 contains an explanation of the Group's approach to market risk management.

Environmental regulation

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

Key business risks

Australian Unity recognises that sound management of the Group's risks within an effective enterprise risk management framework and an established risk culture underpins the success of the business.

We achieve this by regularly reviewing our risk profiles, creating clear accountabilities for control improvements, encouraging open reporting of incidents from all staff and implementing a 'three lines of accountability' model across the Group. This continual review of our existing risks, scanning the horizon for new and emerging risks and seeking to improve the way in which our risks are managed contributes to a proactive and dynamic approach to management of our key risks.

An example of an emerging risk we closely monitor is the impact of climate change on our portfolio of businesses, particularly for our property business. While we don't currently assess climate risk as material for the Group, the risk is increasing, and we will continue to gather data to better understand potential impacts and plan to mitigate these. As part of our response, we support the goal of net zero emissions by 2050 and we are actively identifying opportunities and strategies for the Group to reach this target sooner, to improve our monitoring and reporting and reduce our overall environmental impact. The Australian Unity *Our Impact* report outlines other initiatives we are undertaking to understand and mitigate this risk.

The Group's current material risks and how they are managed are summarised below.

(i) Strategic risks

The risk that poor strategic planning, decision-making or execution adversely impacts the meeting of strategic objectives.

Risk	Risk Description	Managing the Risk
Over reliance on certain businesses or funding sources	A significant portion of our revenue and cashflow is from businesses supported by government funding, such as aged care and in-home care services. Adverse changes to the business conditions in these areas, such as changes to government policy, laws, regulations or regulatory expectations, could impact the Group's financial performance.	We seek opportunities to grow businesses within our portfolio that diversify our revenue and cashflow. We advocate for policies that sustain the sectors we are in. We actively manage costs against revenue expectations.
Strategic and operational disruption due to the COVID-19 pandemic	We continue to face a variety of impacts as a result of the COVID-19 pandemic, ranging from changed economic and workplace conditions which could impact the value of our property portfolio and investment income, to a potential reduction in demand for, and profitability of, our products and services. There are also ongoing workforce pressures and health and safety risks faced by our employees and customers, particularly in our Independent & Assisted Living businesses.	We manage this via ongoing Board and Management monitoring and realignment of our strategic objectives; close and continual management of revenues and costs; active management of our workforce rostering and attraction and retention strategies; and scenario modelling to proactively plan for potential changes to the strategic and operating landscape. We seek to ensure the health and safety of our employees and customers by taking all recommended precautions and strictly adhering to the latest government and medical advice.
Failure of strategic business decisions or impacts of significant external events	We implement a range of initiatives to help us achieve our strategic ambitions. Failure to successfully execute these decisions, or the impact of significant external events (such as a pandemic or market crash), may impact on the operating and financial performance of the Group.	We actively consider the risks and rewards associated with an initiative before it is implemented. Execution of strategy is closely monitored by our Board, Committees, Executives and Senior Management. We also regularly monitor and plan for external events that may have an impact on our strategic and/or business decisions.

(ii) Operational risks

Risk of inadequate or failed internal controls, sub-standard processes, the poor performance of people, service providers who do not perform in line with contracts/service standards, or business continuity threats.

Risk	Risk Description	Managing the Risk
Inability to respond to change in customer demands	We operate in markets where customer product and engagement demands are rapidly changing, and preferences have been shifting to digital channels. If we are not successful in adapting our products and services to meet changing customer preferences, we may lose customers to our competition which would adversely impact our financial performance.	We regularly assess the external environment and allocate business investment to understand our customers' preferences and develop our digital capability.
Poor and inconsistent member or customer experience may result in loss of customers to competitors	We operate in a competitive environment and it is becoming easier for customers to move to our competitors. If we are unable to deliver effective and efficient services or compete effectively in our businesses by ensuring a strong and consistent offer to our members and customers, we may lose market share to our competitors.	We maintain and enhance our customer and member value proposition and experience, implement our digital strategies, activate new channels and listen to our customers and members.
Private health insurance viability risks	There are inherent risks associated with operating a private health insurance business that can impact viability. These include rising medical costs, failure to have satisfactory agreements with hospitals and other relevant healthcare providers, adverse changes to government incentives, having an application for a change in premium rates rejected, mispricing premiums or under-estimating claims. These factors may adversely impact the attractiveness of private health insurance products offered and our operating and financial performance.	We advocate for policies and reforms regarding the rise of medical costs; invest in our Remedy Healthcare business that seeks to provide various health services outside of a hospital environment; and closely monitor product design and distribution to ensure that prices remain sustainable.
Investment in property and social infrastructure	A strategic priority of the Group is to invest in the development of social infrastructure. Property developments have a number of inherent risks, such as planning and development approvals, increases in development costs, non-performance of contractors or sub-contractors, project and construction delays, occupational health and safety issues, exposures to climate change risks and any changes in market conditions.	We conduct detailed site analysis for prospective development sites; conduct due diligence for property developments which includes a competitor and amenity analysis; conduct a competitive process when appointing contractors; work with specialist teams to engage contractors and manage projects and engage regularly with contractors to ensure that projects are being delivered in accordance with the required specifications and timetables, in a manner that minimises health and safety issues.
Errors arising from the failure of internal controls	We operate in a complex financial and regulatory environment across our diverse range of products and services. There is a risk that our internal controls may be inadequate or not operate as intended, exposing us to errors and financial loss.	We regularly train our employees and foster a strong risk culture, underpinned by a robust and comprehensive risk and compliance framework. The risk management framework requires the regular internal and external assessment and improvement of our control environment.

Risk	Risk Description	Managing the Risk
Reliance on Third Parties	Our business models increasingly rely on us partnering with third party providers. The failure of these third parties to deliver services in accordance with contractual arrangements may impact our services, damage our reputation, and compromise the achievement of our strategic objectives.	We undertake extensive due diligence of our third parties and implement a Vendor Management Framework, which includes the assessment, tiering of our vendors and the ongoing monitoring of our performance and compliance with contracts and regulatory and control assurance requirements.

(iii) Conduct risks

Risk of poor, unethical or illegal conduct occurring, or the failure to report or take action when such behaviour is detected.

Risk	Risk Description	Managing the Risk
Inappropriate or illegal conduct	Conduct risk could arise from the sale of our products or provision of services that do not meet the needs or expectations of our customers through poor sales practices or failing to provide the product or service as agreed.	We have a Code of Conduct that guides all employees; a Whistleblower Policy to support and protect employees to raise concerns; monitor and analyse customer complaints and operational incidents; and establish compliance monitoring and consequence management frameworks and ongoing training programs.

(iv) Information & system risks

Risk that our technology does not adequately enable the business or does not protect confidential or sensitive information.

Risk	Risk Description	Managing the Risk
Ineffective detection and prevention of cyber security threats	Our businesses are reliant on technology to deliver our products and services. Cyber security risk is on the rise due to increasing dependence on technology and the growing frequency, sophistication and severity of attacks. If the systems we have to detect and prevent cyber-attacks fail, we could experience unauthorised access or loss of confidential information or business disruption as a result of system unavailability.	We monitor the external environment for cyber threats and have frameworks, policies, procedures and technology solutions in place to reduce, monitor, detect and respond to cyber threats.
Systems are not fit for purpose	The useability and reliability of our systems is an important element of how our workforce perform their day-to-day activities and the level of service provided to our members and customers. If our systems fail to operate reliably, it may adversely affect our members or customers by way of inefficiencies and errors and potential reputational damage.	We consider our current and future technology needs on an ongoing basis and maintain and test our systems for service continuity and recoverability.

(v) Financial risks

Risk that capital and liquidity is inappropriately managed, debt covenants are breached, financial performance and cash flow is inadequate or poorly managed, or that financial results are not appropriately accounted for or disclosed.

Risk	Risk Description	Managing the Risk
Access to additional capital	Australian Unity is a mutual entity limited by shares and guarantee. We are unable to issue ordinary shares to raise new capital but can raise capital via the issuance of Mutual Capital Instruments (MCIs). We also rely on external debt markets for a portion of our funding. A change in the economic environment could result in reduced access to capital, difficulty in raising equity or increased costs of funding. This could negatively affect our capital position and our ability to fund business initiatives.	Group Treasury closely monitor funding available plans, incorporating conservative capital buffer settings to manage losses and cash flow constraints. We maintain ongoing access to capital through external debt markets and have policies and plans in place to monitor and review our capital and liquidity position.
Liquidity demands	There is a risk that liquidity and funding plans fail to operate effectively or are impacted by factors outside Australian Unity's control. The Group's investments may not be readily converted to cash, or levels of liquidity may not be sufficient to respond to a specific demand. For example, an event that leads to the refund of a large proportion of refundable accommodation deposits across the Group's aged care facilities may place significant demands on Australian Unity's liquidity and funding position.	We manage this risk via liquidity and funding plans which are designed to ensure that the Group's entities are able to meet their debts and other obligations as and when they fall due.
Investments may not yield returns as expected	Investments in new business ventures, projects or investment vehicles may generate uncertain returns and may not achieve the expected returns due to poor performance, economic impacts, market conditions and government policy risks.	With due diligence and thorough analysis of investment cases we manage this risk. This involves a consideration of a range of factors including financial viability, strategic alignment and member and community interests.
Increases in operational costs and capital investment requirements	We may be exposed to increases in operational costs and capital investment requirements, changes to funding models and increased regulation, particularly in the social infrastructure and disability service sectors.	We conduct ongoing budgeting and forecasting to maintain control of costs and investment. We engage in active leadership and lobbying in respect of regulatory impacts to funding models within the sectors we operate.

Risk	Risk Description	Managing the Risk
Occupancy levels in residential aged care	Occupancy levels in our aged care facilities may fluctuate which may impact our financial performance. For example, a downturn in the residential property market may affect the ability of potential incoming residents to sell their home at the costs required to enter a facility.	We have a strong customer-orientated focus through our Better Together® model and ongoing investment in our care services and physical infrastructure. We also offer a continuum of care whereby our aged care facilities are co-located with retirement communities whose residents provide a level of demand for our aged care facilities.

(vi) Credit risks

Risk of loss from defaults or where counterparties fail to make required repayments.

Risk	Risk Description	Managing the Risk
Credit defaults	We provide lending to customers in our retail bank, primarily in relation to residential home loans. We also hold securities and deposits with a number of other institutions. If Australian economic conditions were to worsen, a proportion of our customers and counterparties could experience financial stress resulting in higher levels of default across the lending portfolio.	We have lending policies and procedures, approval delegations, reporting and monitoring in place. We also maintain provisions and capital reserves.

(vii) People risks

Risks of not being able to attract and retain enough skilled employees, poor employee engagement and morale, and workplace injuries.

Risk	Risk Description	Managing the Risk
Workplace hazards and risks that could lead to a workplace injury or illness	We have a large workforce across the group that could be exposed to workplace injuries or illness. Given the variability of our workforce, business activities, locations, conditions and types of care delivered, there is a broad range of risks and hazards that may impact our employees, including manual tasks, ergonomics, slips, trips, falls, driving, mental health and occupational violence.	We promote a safe and inclusive workplace with the aim to prevent harm and manage workplace safety and employee wellbeing through supporting frameworks, policies, procedures and tools. We have plans, instructions, supervision, training and awareness. We actively work towards eliminating hazards, managing and investigating incidents and fostering sustainable return to work outcomes for any ill or injured employee.
Inability to attract and retain a skilled and experienced workforce	We are reliant on our valued employees and the skills and experience they possess to effectively service our members and customers. If we can't access appropriately skilled people or effectively retain our current employees, we may experience workforce constraints that adversely impact our business, intellectual property, growth plans and financial performance.	We manage the employee retention risk by providing a strong corporate culture and employee value proposition. We offer a supportive and fulfilling work environment and listen and respond to employee experience and feedback. We have programs and initiatives in place to support talent acquisition and retention including employee wellbeing and safety, reward and recognition, performance management, learning and development and competitive remuneration.

(viii) Regulatory & legal risks

Risk arising from legal, regulatory or contractual breaches or issues.

Risk	Risk Description	Managing the Risk
Increased regulatory complexity and scrutiny	We operate a wide range of business activities which are subject to different laws and regulatory requirements. As regulatory standards and expectations are constantly changing, increased regulation and supervision could adversely impact our business. This could require changes to our products or services or the incurrence of significant costs to implement change. We may also face regulatory action and reputational damage if we don't comply.	We proactively monitor changes to laws, regulations and regulatory guidance, participate in industry forums and bodies and consider the impact of potential regulatory change on our business operations.

(ix) Clinical risks

Risk to the safety and wellbeing of customers resulting from inappropriate delivery of clinical and care services.

Risk	Risk Description	Managing the Risk
Risk of harm to our customers resulting from the provision of inappropriate clinical and care services	The risk may occur either because of systemic or operational issues (for example, policy, procedure, education, training and supervision) or through situational factors. A severe event could result in mistreatment, injury or death to our customers, sanctions from regulators, reduced government funding, reputational damage and remediation costs.	We design and maintain ethically safe, high quality products and services for our customers and communities. We have frameworks, policies and procedures in place to prevent, monitor and manage the risk of harm. Our Clinical & Care Governance Framework provides the overarching structures for the delivery, review and continuous improvement of quality clinical and care services. Customer care plans are the foundation of clinical service delivery and minimising clinical risk.

Information on directors

PETER PROMNITZ, BSc (Hons), AIAA, FAICD

Mr Promnitz was appointed Chair of the board of Australian Unity Limited on 30 March 2016. He has announced his intention to retire as a non-executive director and Chair of Australian Unity with effect from the conclusion of the 2022 Australian Unity Limited Annual General Meeting to be held on 26 October 2022. He has been a Director since 1 January 2013 and was appointed Deputy Chair on 28 July 2015. He is Chair of Flinders Investment Partners Limited and a director of Warakirri Asset Management Limited and Warakirri Holdings Pty Ltd. Mr Promnitz was previously Chair of NULIS Nominees (Australia) Limited and ASX listed company SFG Australia Limited and a director of Warakirri Dairies Pty Ltd. Mr Promnitz is a qualified actuary. He was formerly Region Head for Mercer in Asia Pacific, a member of the global Mercer Executive Committee and Chair of Marsh & McLennan Companies Inc. in Australia, roles he retired from in December 2012. Prior to these senior executive roles his business experience includes a diverse career in financial services in Australia and New Zealand. He has led investment, superannuation, actuarial and human resource consulting businesses in both executive and non-executive capacities with a personal focus on clients, diversity and governance. Mr Promnitz has not held any directorships of listed entities in addition to those set out above during the last three years.

ROHAN MEAD, Group Managing Director & CEO

Mr Mead was appointed Group Managing Director of Australian Unity Limited on 1 July 2004. As Group Managing Director, he is a member of subsidiary boards and most committees. Mr Mead is chair of the Business Council of Australia's Healthy Australia task force and a member of its Indigenous Engagement task force. He is also a director of the Business Council of Co-Operatives and Mutuals Limited (BCCM), the Centre for Independent Studies, Platypus Asset Management Pty Ltd and Private Healthcare Australia Limited (PHA). Prior to joining Australian Unity, Mr Mead was employed by Perpetual Trustees Australia Limited (1996-2003) in a range of senior roles.

LISA CHUNG AM, LLB, FIML, FAICD

Ms Chung was appointed to the board of Australian Unity Limited on 30 June 2017 and appointed Chair-Designate on 1 August 2022. Ms Chung will assume the role of Chair at the close of the 2022 Annual General Meeting. She is a director of a number of Australian Unity Limited subsidiaries, Chair of the People, Culture & Remuneration Committee and a member of the Audit Committee, Investment Committee and Risk & Compliance Committee. Ms Chung is currently Chair of The Front Project, a director of AVJennings Limited, Warren and Mahoney Limited, Artspace/Visual Arts Centre, Sydney Community Foundation and the Committee for Sydney Limited and a Trustee of the Art Gallery of NSW Foundation. Prior to this, Ms Chung was a partner specialising in commercial property and infrastructure at Maddocks Lawyers and at Blake Dawson (now Ashurst) where she also held various senior management roles and was an elected member of the firm's board. Ms Chung completed the Advanced Management Program at INSEAD in France in 2004. She was previously the chair of The Benevolent Society and Urbis and a non-executive director of APN Outdoor Limited. Ms Chung has not held any directorships of listed entities in addition to those set out above during the last three years.

MELINDA CILENTO, BA, BEc (Hons), MEc, GAICD

Ms Cilento was appointed to the board of Australian Unity Limited on 1 May 2014 and appointed Deputy Chair-Designate on 1 August 2022. She is a director of a number of Australian Unity Limited subsidiaries, Chair of the Investment Committee and a member of the People, Culture & Remuneration Committee and the Risk & Compliance Committee. She is also Co-Chair of Reconciliation Australia and until 1 May 2019 was a director of Woodside Petroleum. In addition to her directorships, Ms Cilento is the Chief Executive Officer of the Committee for Economic Development of Australia and a member of Chief Executive Women. She has previously been a Commissioner with the Productivity Commission, worked for eight years with Australia's leading CEOs at the Business Council of Australia, including four years as Deputy Chief Executive. Prior to joining the Business Council of Australia, Ms Cilento was Head of Economics at Invesco Australia. Ms Cilento has also worked with the Federal Treasury and International Monetary Fund in Washington D.C. She was a director of Wesfarmers General Insurance until June 2014. Ms Cilento has not held any directorships of listed entities in addition to those set out above during the last three years.

PAUL KIRK, BEc, ACA, RITA, MAICD

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

SU McCLUSKEY, BCom, FCPA, MAICD

Ms McCluskey was appointed to the board of Australian Unity Limited on 1 September 2015. She is a director of a number of Australian Unity Limited subsidiaries, Chair of the Risk & Compliance Committee and a member of the Audit Committee, the Investment Committee and the People, Culture & Remuneration Committee. Ms McCluskey is a director of the Australasian Pork Research Institute, LiveCorp and Energy Renaissance. Ms McCluskey is also the Special Representative for Australian Agriculture and a Commissioner for the Australian Commission for International Agricultural Research. She was a member of the Charities Review, the Harper Review of Competition Policy, the Regional Telecommunications Review and a Commissioner for the National COVID-19 Commission Advisory Board. Ms McCluskey was previously the Chief Executive Officer of the Regional Australia Institute and the Executive Director of the Office of Best Practice Regulation. She has held senior positions with the Business Council of Australia, the National Farmers' Federation and the Australian Taxation Office. She is also a beef cattle farmer. Ms McCluskey has not held any directorships of listed entities in addition to those set out above during the last three years.

JULIEN PLAYOUST, BSc (Arch), BArch (Hons), MBA, FAICD
Mr Playoust was appointed to the board of Australian Unity Limited on 1 February 2020. He has more than 25 years' experience as a director in public and private companies, including ASX-100, SME and for-purpose organisations. He is passionate about sustainable business models for economic and social good and the arts, and is a proponent of design thinking, diversity and cross-disciplinary skills. Mr Playoust has worked across multiple sectors, including property, professional and financial services, media, agriculture, consumer discretionary, energy, technology and the arts – focusing on business transformation, mergers and acquisitions, capital funding and portfolio management. He is currently Director of AEH Group; Deputy Chair of the Art Gallery of NSW Foundation and Chair of the Finance Committee; Member of the Advisory Board and Chair of the Investment Committee of The Nature Conservancy, and a member of the Alumni Leaders Group of the UNSW Business School. Past appointments include: Non-Executive Director of ASX-listed Tatts Group Limited, MCM Entertainment Group Limited and Australian Renewable Fuels Limited; Director of TimeOut Group Australia and Venture Health; and Member of the UNSW Art & Advisory Board and the National Gallery of Australia Foundation Board. He has worked with AMP, NAB and Accenture. Mr Playoust is a Fellow of the Australian Institute of Company Directors. He holds a Master of Business Administration from UNSW (AGSM), Bachelor of Architecture (First Class Honours) and Bachelor of Science from Sydney University, and Company Director Course Diploma from the Australian Institute of Company Directors. Mr Playoust has not held any directorships of listed entities in addition to those set out above during the last three years.

GREGORY WILLCOCK, BCom, FCPA, FAICD
Mr Willcock was appointed to the board of Australian Unity Limited on 1 March 2012 and has announced his retirement as a director of Australian Unity with effect from 7 September 2022. He is a director of a number of Australian Unity Limited subsidiaries and a member of the Risk & Compliance Committee and the Audit Committee. Mr Willcock is also a director of Australian Unity Investments Real Estate Limited which is the responsible entity for the listed Australian Unity Office Fund. Mr Willcock has over 33 years' experience in banking and financial services in Australia, United States of America and the United Kingdom including seven years in general management roles at National Australia Bank in the areas of risk management, strategy and change management. Mr Willcock was previously a director of the Customer Owned Banking Association (COBA) and was a director and chair of Big Sky Credit Union. Mr Willcock has not held any directorships of listed entities in addition to those set out above during the last three years.

Company secretaries

MELINDA HONIG, BEc, LLB, GAICD, Group Executive, Governance
Ms Honig joined Australian Unity in February 2016. In her role as Group Executive, Governance, Ms Honig is responsible for managing the Group's Legal, Compliance, Risk, and Secretariat function. She is also secretary for all Group subsidiary boards. Prior to joining Australian Unity, Ms Honig worked for GE for 15 years, five of those years with GE Capital in the role of General Counsel, overseeing the provision of legal services to GE Capital's commercial finance, consumer finance and insurance businesses in Australia and New Zealand. Ms Honig brings to Australian Unity her executive experience in legal, compliance and company secretary functions and has worked abroad as Counsel for GE Indonesia, in operations which included transportation, energy and GE Capital. Prior to joining GE, Ms Honig was at KPMG for 5 years and undertook her legal training in Tax at KPMG.

CATHERINE VISENTIN, GIA (Affiliated), Assistant Company Secretary
Ms Visentin joined Australian Unity in 1988. She was appointed Assistant Company Secretary of various Australian Unity Limited Group companies in 2004. She has over 25 years of involvement with the Australian Unity Limited Company secretarial function.

Meetings of directors

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Board		Audit Committee		Risk & Compliance Committee		Investment Committee		People, Culture & Remuneration Committee	
	A	B	A	B	A	B	A	B	A	B
Peter Promnitz	18	18	5	5	5	6	4	4	3	4
Rohan Mead	18	18	5	5	6	6	4	4	4	4
Lisa Chung	17	18	5	5	6	6	4	4	4	4
Melinda Cilento	17	18	-	-	6	6	4	4	4	4
Paul Kirk	17	18	5	5	-	-	-	-	4	4
Su McCluskey	18	18	5	5	6	6	4	4	4	4
Julien Playoust	18	18	5	5	6	6	-	-	-	-
Gregory Willcock	17	18	5	5	6	6	-	-	-	-

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year. Leave of absence had been granted in all cases where the directors were unable to attend meetings.

Remuneration report

Details of the Group's remuneration policy in respect of the directors and other key management personnel are included in the Remuneration report on pages 39 to 49. Details of the Remuneration paid to directors and other key personnel are also detailed in the Remuneration report. The Remuneration report is incorporated in and forms a part of this Directors' report.

Directors' interests and benefits

Since the end of the previous financial year and to the date of signing this report, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors or related party transactions shown in the Group's financial statements) by reason of a contract made by the Company with the director or with a firm of which the director is a member, or with a company in which the director has a substantial interest, except as specified in the Key management personnel disclosures in note 34.

Insurance and indemnification of directors and officers

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

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

Parent entity

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

Provision of non-audit services by the auditor

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor, PricewaterhouseCoopers, for audit and non-audit services provided during the year are set out below.

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

- all non-audit services have been reviewed by the Audit & Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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

	2022 $	2021 $
PricewaterhouseCoopers Australia		
Audit of regulatory returns	**457,085**	372,571
Tax compliance services	**76,463**	18,948
Tax consulting services	**-**	96,375
Other services	**171,677**	330,555
Total remuneration for non-audit services	**705,225**	818,449

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 38.

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
7 September 2022

Auditor’s Independence Declaration

Auditor’s Independence Declaration

As lead auditor for the audit of Australian Unity Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
7 September 2022

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Remuneration report

This Remuneration report relates to the Company's performance for the year ending 30 June 2022 including all incentives payable in respect of that performance. The report is structured as follows:

- Key Management Personnel (KMP)
- Compensation Framework Overview
- Compensation Governance and Risk
- 2022 Senior Executive Compensation
- Non-executive Directors' Compensation

This Remuneration report sets out the remuneration information for Australian Unity Limited and the entities it controls (Australian Unity or Group) for the year ending 30 June 2022.

It has been prepared and audited as required by the *Corporations Act 2001* (the Act). The report covers all Key Management Personnel (KMP) of the Group.

Dear Member

On behalf of the board, I am pleased to present Australian Unity's Remuneration Report for the year ended 30 June 2022.

Performance and Compensation outcomes for the 2022 financial year

Despite the ongoing challenges of the COVID-19 pandemic, FY22 was a year in which we continued to make good progress in advancing our strategic objectives. We observed extraordinary efforts right across our business to protect the safety and wellbeing of our customers, members and employees while maintaining strong business performance. We strengthened our balance sheet resilience and our people have demonstrated tremendous personal resilience and teamwork in caring for each other and for our customers and members during these difficult times.

The board acknowledges these efforts and the resulting outcomes and has made awards of variable compensation for FY22. These are in accordance with the principles set out in our compensation framework and recognise both financial and non-financial outcomes. This decision reflects the value we place on the contributions and achievements of our people and acknowledges the important role they collectively played in confronting the many challenges over the period.

Changes to our executive compensation framework

In a dynamic and challenging employment market, we continue to review and refine Australian Unity's compensation frameworks to ensure we remain competitive and attractive as an employer. These compensation settings are critical to attract and retain the very best people to steward the performance of the Group and realise our ambition to be Australia's most trusted wellbeing organisation.

During the year we introduced the Mutual Capital Instrument (MCI) Long Term Variable Compensation (LTVC) program, to align the long-term value creation of the Group with the performance and compensation settings for senior executives. Under this program, select senior executives are invited to participate in a grant of MCI shares. Invitations are offered at the discretion of the board. Deferral obligations and the other terms of the new LTVC program comply with the Australian Prudential Regulatory Authority (APRA) draft CPS 511 standard and with the Banking Executive Accountability Regime.

Key management personnel changes

A key element of our growth strategy is accelerating our position in health and human services. This includes the delivery of products, services and infrastructure across the continuum of care—an integrated and long-term approach to supporting the growing health needs of the ageing Australian community.

To position the Company to assess and respond to these growth opportunities across the health and care sectors, the Independent & Assisted Living (IAL) platform will be divided into two areas:

1. Home Health: comprising the home care (including Indigenous services) and Remedy Healthcare businesses—creating an integrated platform to provide healthcare solutions for in-home, community and in virtual settings; and
2. Specialist Care: comprising residential communities and the dental and disability services businesses—which will continue to deliver specialist capabilities in tailored operational settings.

Several changes to key management personnel were announced during the performance year to be effective in FY23.

Prue Bowden, currently the Group Executive People & Culture, has been appointed to the position of Chief Executive Officer, Home Health and David Lumb, our Group Executive CD&T (Customer, Digital and Technology), has been appointed to the position of Chief Executive Officer, Specialist Care.

As part of this transformation, Kevin McCoy, current Group Executive – IAL, leaves the Group after more than 10 years of service in senior roles. We thank Kevin for his significant contributions to the Group in a range of senior roles, including as Chief Financial Officer and as the leader of the Independent & Assisted Living platform—where his tenure included the significant purchase and integration of the home care services of the New South Wales Government.

Future Focus

The board will continue to assess the effectiveness of its compensation arrangements in conjunction with broader initiatives aligned with the employee value proposition to ensure they are consistent with the long-term interests of Australian Unity and its members in providing market competitive reward to ensure we continue to attract, motivate and retain talent across our diverse businesses.

I offer my sincere thanks to all our people for their untiring efforts and ongoing commitment over the past year.

Yours faithfully,

Lisa Chung
Chair – People, Culture & Remuneration Committee

Section 1 - Key Management Personnel

This Remuneration Report outlines the compensation arrangements in place and outcomes achieved for Australian Unity's Key Management Personnel (KMP) during 2022.

Australian Unity's KMP are those people who have responsibility for planning, directing, and controlling the activities of Australian Unity Limited and the Group, either collectively (in the case of the board) or as individuals acting under delegated authorities (in the case of the Group Managing Director and certain Group Executives).

References to 'senior executive' in this report mean the Group Managing Director and all executives who report to the Group Managing Director. All KMP, other than non-executive directors, are also senior executives.

The following table includes names and positions of the individuals who were KMP during 2022.

Table 1 - KMP

Non-executive Director	Position	Term
Peter Promnitz	Chair	Full year
Lisa Chung	Non-executive Director	Full year
Melinda Cilento	Non-executive Director	Full year
Paul Kirk	Non-executive Director	Full year
Su McCluskey	Non-executive Director	Full year
Julien Playoust	Non-executive Director	Full year
Greg Willcock	Non-executive Director	Full year

Key Management Personnel	Position	Term
Rohan Mead	Group Managing Director & CEO	Full year
Esther Kerr-Smith	CEO Wealth & Capital Markets	Full year
Darren Mann	Group Executive Finance & Strategy	Full year
Kevin McCoy[1]	CEO Independent & Assisted Living	Full year
Christine Yates	CEO Retail	Full year

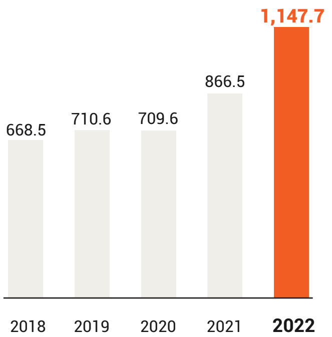
1 Kevin McCoy will cease employment as the CEO Independent & Assisted Living on 10 September 2022.

Table 2 - Five year Performance

The table below outlines Australian Unity's performance over the last five years against key metrics.

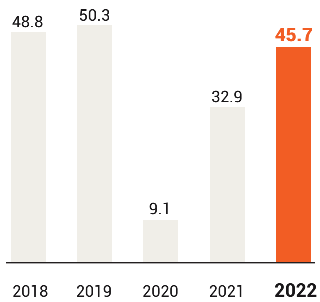
Members' funds ($m)‡

$1,147.7 million



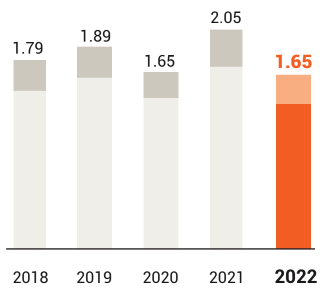
Profit after income tax ($m)

$45.7 million



Revenues ($b)†

$1.65 billion



† Revenues: comprise revenue and other income receipts (shown as the bottom section of the bar chart) as shown in the Consolidated statement of comprehensive income in the Annual Report, excluding discontinued operations, plus life insurance contract premium receipts (shown as the top section of the bar chart). The latter receipts are recorded as movements in benefit fund policy liabilities in the balance sheet and not through the Consolidated statement of comprehensive income. FY2018 includes the sale of the Group's corporate health insurance business, Grand United Corporate Health Limited (GUCH).

‡ Members' funds: net assets of the Group attributable to members.

Section 2 - Compensation Framework Overview

2.1 Guiding Principles

Our senior executive compensation framework is designed to:

Align with members and customers

Attract, motivate, and retain senior executive talent as a key component of our broader employee value proposition

Focus on the achievement of a balance of financial and non-financial outcomes aligned to our strategic direction

Support prudent risk management and conduct

2.2 Compensation Structure

Our senior executive compensation structure comprises both fixed and variable components, including short-and-long-term variable compensation. The structure seeks to ensure a balance between individual compensation and the long-term sustainability of the Group while also supporting applicable regulatory expectations.

Australian Unity also makes available certain other non-monetary benefits through salary packaging and wellbeing and community related benefits. All benefits are structured in accordance with the appropriate legislation, including taxation legislation. Details of any such benefits to KMP during the year under review are set out in section 4.3.

The following sections 2.3 to 2.5 set out additional information related to fixed and variable compensation.

2.3 Fixed Compensation

The following table outlines details relating to senior executive fixed compensation.

Feature	Description
Purpose	• Provides market competitive compensation to attract and retain talent while reflecting role scope and accountabilities
What	• Comprised of base salary and benefits including superannuation • Paid regularly during performance year
How	• Set on commencement in role at a market competitive level for role scope and accountabilities and individual experience • Reviewed annually

2.4 Short-Term Variable Compensation Key Features

The following table outlines key features of the 2022 financial year short term variable compensation award (referred to as the Senior Leader Variable Compensation Program) for senior executives.

Feature	Description
Purpose	• Recognise achievement of a balance of financial and non-financial performance goals on an annual basis.
Participants	• Group Managing Director and Senior Executives
Percentage Opportunity	• In the year under review, Senior Executive opportunity ranged from 56.5% to 75.0% of fixed compensation consistent with individual contracts of employment.
Performance Assessment	• Assessment of achievement of individual performance goals and given a rating of either 'not delivering', 'delivering', 'exceeding' or 'inspiring'.
Values Assessment	• Assessment of demonstration of behaviours aligned to Australian Unity's values.
Risk and Conduct Assessment	• Assessment of whether individual has 'met expectations,' 'partially met expectations' or 'not met expectations' of the risk and conduct requirements for their role. • A risk assessment outcome less than 'met expectations' results in variable compensation being reduced to zero.
Funding	• Each year the Australian Unity Board determines available short-term variable compensation funding for the financial year based on Group performance assessed equally on financial and non-financial indicators of performance set annually by the board. • Performance indicators are not formulaic in determination of Group performance and short-term variable compensation funding but inform the judgement of the board. • Financial affordability checks apply to ensure minimum financial performance requirements are met prior to any funding being made available to ensure Australian Unity's long term financial soundness and consistent with the attainment of risk appetite.
Calculation of Outcome	• Fixed Compensation X Percentage Opportunity X Individual Performance Multiple X Group Performance Multiple

Feature	Description
Deferral	• Short-term variable compensation deferral takes into consideration any long-term variable compensation awarded ensuring the total amount of variable compensation deferred meets applicable regulatory requirements (e.g., Banking Executive Accountability Regime). • Short-term variable compensation payable in any one year cannot exceed 1x a senior executive's fixed compensation. Any amount more than this limit is deferred and paid in future years.
Cessation of Employment	• In general, unless otherwise determined by the board, a senior executive who ceases employment due to: • Resignation or termination of employment for cause by Australian Unity, will forfeit eligibility to short-term variable compensation for the current financial year and forfeit any deferred variable compensation amounts from prior years. • Redundancy or retirement will remain eligible to receive short-term variable compensation for the current financial year. Any deferred variable compensation amounts from prior years, that have not yet met the applicable deferral end date will remain payable subject to those existing restrictions (including deferral dates timings).

2.5 Long-Term Variable Compensation Key Features

The following table outlines key features of the 2022 financial year long term variable compensation award for senior executives.

Feature	Description
Purpose	• Drives collective focus on achievement of long-term strategic objectives aligned with member and customer value creation.
Participants	• Group Managing Director and Senior Executives, as determined at each grant by the board.
Opportunity	• A Senior Executive's long-term variable compensation quantum is determined at the discretion of the board on an annual basis and does not form part of individual contractual arrangements.
Instrument	• Rights to Mutual Capital Instruments which convert to Mutual Capital Instruments upon satisfaction of the vesting conditions at the vesting date.
Vesting Period	• The vesting date is four years from the date the grant of the Right to an MCI as approved by the board (or such other period prescribed by law or regulatory authority).
Vesting Conditions	• Unless otherwise determined by the board at its discretion or forfeited in accordance with the terms and conditions of the program, a Right to an MCI will vest and convert into an MCI subject to the continued employment (or following redundancy or retirement) of the senior executive at the vesting date.
Dividend Entitlement	• Rights to Mutual Capital Instruments do not carry any rights to receive dividends prior to the vesting date. • Unless otherwise determined by the board, on the vesting date, the participant will be entitled to receive a dividend equivalent payment of cash for the relevant number of Rights to Mutual Capital Instruments that vest. • The payment will be calculated by reference to the actual dividends paid on Mutual Capital Instruments price from the date of the issue of the Right to relevant Mutual Capital Instruments to the participant.
Cessation of Employment	• In general, unless otherwise determined by the board, a senior executive who ceases employment due to: • Resignation or termination of employment for cause by Australian Unity, will forfeit eligibility to any Rights to Mutual Capital Instruments that have not met relevant vesting conditions. • Redundancy or retirement will remain eligible to receive any Rights to Mutual Capital Instruments that have not met relevant vesting conditions subject to the terms and conditions of the Program (including vesting dates and clawback / malus provisions).

Section 3 – Compensation Governance and Risk

3.1 Governance

The Australian Unity Board is responsible for our compensation framework and its effective application. The board is also responsible for making decisions on the compensation of senior executives and does so with the assistance and advice of the People, Culture & Remuneration Committee (PCR Committee).

The PCR Committee is a committee of the Board of Australian Unity Limited and oversees the performance management framework and overall compensation arrangements for Australian Unity in accordance with the Australian Unity Remuneration Policy and the PCR Committee Charter sets out the committee's responsibilities and processes.

3.2 External Advisors

The PCR Committee may engage with external advisors to assist when making compensation decisions.

Except for a review supporting the letter attached to this report from KPMG—confirming that compensation paid to KMP is appropriate—the board did not use compensation consultants during FY22.

3.3 Compensation and Risk

We seek to implement and govern effective compensation practices that compensate performance in a manner that is appropriate and consistent with member, customer, and regulatory expectations, including the requirements under Australian Prudential Regulation Authority (APRA) Prudential Standard CPS 510 Governance (CPS) and the Banking Executive Accountability Regime (BEAR).

We manage risks associated with delivering, assessing, and rewarding short-term and long-term performance by:

- Allowing the board to adjust variable compensation outcomes downwards, to zero if appropriate, if such adjustments are necessary to protect the financial soundness of Australian Unity, to respond to significant unexpected or unintended consequences that were not foreseen, or in response to instances of systemic risk and conduct failures leading to reputational or financial damage.
- The PCR Committee jointly meets with the Risk & Compliance Committee at least once per calendar year to discuss risk and compliance matters including, but not limited to, risk culture, consequence management issues, and effective management of financial and non-financial risks that could materially impact Australian Unity's risk profile, performance, and long-term soundness. The Board will make appropriate adjustment to variable compensation outcomes commensurate with the management of those risks.
- Ensuring that all senior executives have a stand-alone risk and conduct assessment included in their overall performance assessment. Assessment indicates whether the individual has 'met expectations,' 'partially met expectations' or 'not met expectations' of the risk and conduct requirements for their role. A risk assessment outcome less than 'met expectations' results in variable compensation being reduced to zero.
- The deferral of an appropriate portion of the variable compensation of individuals with senior executive responsibility for functions which may affect the financial soundness or reputation of the Group (including those prescribed under BEAR) and individuals who may receive a significant proportion of total compensation as variable compensation.
- Allowing the board to reduce (including to zero) senior executives' deferred variable compensation amounts not yet paid (malus) or recover variable compensation amounts already paid (clawback) subject to applicable legal limitations.

Section 4 – 2022 Senior Executive Compensation

4.1 Short-term variable compensation outcomes

The following table shows details of 2022 short-term variable compensation awarded, payable and deferred.

Name	Variable compensation opportunity $	Actual as a percent of opportunity %	2022 Actual Total $	Payable $	Deferred[1] $
Executive director					
Rohan Mead	938,466	80%	750,773	750,773	-
Other executive KMP					
Esther Kerr-Smith	521,033	80%	416,826	416,826	-
Darren Mann	392,559	80%	314,047	314,047	-
Kevin McCoy	535,308	70%	374,716	254,829	119,887
Christine Yates	428,247	75%	321,185	321,185	-

1 Maximum payable subject to ongoing performance.

4.2 Senior executive statutory compensation disclosures for the year ended 30 June 2022

		Fixed			Variable					
Name	**Year**	**Cash salary[1] $**	**Non-monetary benefits[1,4] $**	**Superannuation contributions[2] $**	**Cash payable (Current year) $**	**Cash payable (prior years deferred)[3] $**	**Rights to deferred MCI[5] $**	**Total compensation $**	**Total statutory compensation $**	**Increase/ (decrease) in long service leave provision[3] $**
Executive director										
Rohan Mead, Group Managing Director	**2022**	**1,224,554**	**1,000**	**23,568**	**750,773**	**-**	**51,596**	**-**	**2,051,491**	**(46,559)**
	2021	1,258,519	1,038	21,694	708,858	137,369	-	-	2,127,478	27,857
Other executive KMP										
Esther Kerr-Smith	**2022**	**718,057**	**1,000**	**23,568**	**416,826**	**-**	**30,683**	**-**	**1,190,134**	**4,152**
	2021	730,864	1,038	21,694	317,915	61,888	-	-	1,133,399	8,682
Darren Mann (appointed Group Executive - Finance & Strategy and CFO 13 July 2020	**2022**	**535,191**	**-**	**23,568**	**314,047**	**-**	**23,122**	**-**	**895,928**	**(6,417)**
	2021	519,791	-	20,443	277,427	30,660	-	-	848,321	9,912
Kevin McCoy	**2022**	**738,376**	**1,000**	**23,568**	**254,829**	**-**	**51,639**	**742,910**	**1,812,322**	**(40,069)**
	2021	757,152	1,038	21,694	350,250	81,307	-	-	1,211,441	14,807
Christine Yates (appointed CEO Retail 17 August 2020)	**2022**	**585,988**	**-**	**23,568**	**321,185**	**-**	**25,218**	**-**	**955,959**	**960**
	2021	540,214	-	18,774	176,250	-	-	-	735,238	2,014
Executive KMP whose employment ceased in 2021										
David Bryant (ceased 3 July 2020)	2021	31,416	38	834	-	-	-	155,501	187,789	(1)
Amanda Hagan (ceased 27 November 2020)	2021	322,453	462	10,847	-	-	-	132,435	466,197	(81,970)
Matthew Walsh (ceased 31 July 2020)	2021	69,990	199	2,503	-	-	-	325,149	397,841	(192,550)
Total	**2022**	**3,802,166**	**3,000**	**117,840**	**2,057,660**	**-**	**182,258**	**742,910**	**6,905,834**	**(87,933)**
	2021	4,230,399	3,813	118,483	1,830,700	311,224	-	613,085	7,107,704	(211,249)

1 Short-term benefits
2 Post-employment benefits
3 Long-term benefits
4 Non-monetary benefits refers to salary packaged benefits such as motor vehicles, and some health insurance and car parking deductions.
5 Rights to deferred MCI granted under the executive long-term variable compensation scheme are expensed over the performance period, which includes the year to which the grant relates and the subsequent vesting period of the rights.

From time-to-time KMP or their close family members may purchase or subscribe to the various products or securities offered by the Group. These transactions are on the same terms and conditions as those applying to other Group employees or customers and are trivial or domestic in nature.

4.3 Performance related compensation statutory table

The table below provides an analysis of the non-performance related fixed compensation and performance related variable compensation components of the compensation mix of executive KMP as detailed in the statutory remuneration table at section 4.2.

			Performance related			
Name	**Year**	**Fixed compensation %**	**Cash short-term variable %**	**Deferred short-term variable %**	**Deferred long-term variable %**	**Total performance related %**
Executive directors						
Rohan Mead	**2022**	**61**	**37**	**0**	**3**	**39**
	2021	60	33	6	0	40
Other executive KMP						
Esther Kerr-Smith	**2022**	**62**	**35**	**0**	**3**	**38**
	2021	66	28	5	0	34
Darren Mann	**2022**	**62**	**35**	**0**	**3**	**38**
	2021	64	33	4	0	36
Kevin McCoy	**2022**	**71**	**24**	**0**	**5**	**29**
	2021	64	29	7	0	36
Christine Yates	**2022**	**64**	**34**	**0**	**3**	**36**
	2021	76	24	0	0	24
Executive KMP whose employment ceased in 2021						
David Bryant	2021	100	0	0	0	0
Amanda Hagan	2021	100	0	0	0	0
Matthew Walsh	2021	100	0	0	0	0

4.4 Overview of deferred short-term variable compensation

The following table shows details of deferred variable compensation that has been awarded but which has yet to vest, including their maximum value on vesting.

Name	Deferred variable short-term compensation				
	Date when deferred variable compensation was awarded	Financial year for which the deferred variable compensation will be fully payable	Maximum total value of deferred variable compensation $	Proportion of deferred variable compensation payable %	Proportion of deferred variable compensation not earned %
Executive director					
Rohan Mead	1 September 2021	2025	215,739	-	-
Other executive KMP					
Esther Kerr-Smith	1 September 2021	2025	116,435	-	-
Darren Mann	1 September 2021	2025	93,500	-	-
Kevin McCoy	7 September 2022	2024	119,886	-	-
	1 September 2021	2025	122,250	-	-
Christine Yates	1 September 2021	2025	86,250	-	-

4.5 Overview of deferred long-term variable compensation – rights to deferred MCI

The following table shows details of rights to deferred MCI granted, vested, and forfeited during the year.

Name	Grant date	Granted rights No.	Granted value $	Vested No.	Vested $	Forfeited No.	Forfeited $
Executive director							
Rohan Mead	31 January 2022	3,644	375,332	-	-	-	-
Other executive KMP							
Esther Kerr-Smith	31 January 2022	2,167	223,201	-	-	-	-
Darren Mann	31 January 2022	1,633	168,199	-	-	-	-
Kevin McCoy	31 January 2022	742	76,426	-	-	-	-
Christine Yates	31 January 2022	1,781	183,433	-	-	-	-

There has been no alteration to the terms and conditions of the grant since the grant date.

4.6 Executive KMP MCI holdings

The following table provides details of the number of MCI held (directly and nominally) by each executive KMP of Australian Unity or their related parties (their close family members or any entity they, or their close family members, control or significantly influence).

Name	Balance at the beginning of the year No.	Received during the year on vesting of rights to deferred MCI No.	Other changes during the year No.	Balance at the end of the year No.
Executive director				
Rohan Mead, Group Managing Director	2,000	-	-	2,000
Other executive KMP				
Esther Kerr-Smith	-	-	-	-
Darren Mann	100	-	-	100
Kevin McCoy	-	-	-	-
Christine Yates	-	-	-	-

4.7 Employment arrangements

The following table provides the prescribed details in relation to the relevant executives' contract terms.

Name	Contract type[1]	Employee initiated notice period	Employer initiated notice period[2]	Termination benefits[3]
Rohan Mead, Group Managing Director	Permanent	6 months	12 months	none
Esther Kerr-Smith	Permanent	6 months	6 months	none
Darren Mann	Permanent	6 months	6 months	none
Kevin McCoy	Permanent	6 months	6 months	none
Christine Yates	Permanent	6 months	6 months	none

1 A permanent contract continues until notice is given by either party.
2 Payment in lieu of notice may be made and the Group's redundancy policies may also apply.
3 Entitlement to variable remuneration is set out in sections 2.4 and 2.5 above.

Section 5 - Non-executive Directors' Compensation

5.1 Fee policy and pool

Australian Unity's constitution and board charter require that directors meet a variety of standards to be eligible to remain directors of the board. These include meeting stringent 'fit and proper' standards under legislation and prudential standards. The constitution also provides that non-executive directors are to be paid fees (compensation) for their services as directors, subject to the aggregate fees not exceeding the annual sum last approved at a general meeting.

Non-executive director fees are reviewed annually by the board considering the duties, responsibilities and demands on directors, organisation performance, trends, industry standards and fees paid by comparable organisations. No variable compensation or options are payable to non-executive directors.

Members last approved an increase in the aggregate fees payable to non-executive directors at the 2021 annual general meeting on 27 October 2021. At that meeting members approved the sum of up to $1.9 million in aggregate fees per financial year. This increase in the sum approved took effect from 1 January 2022.

The total directors' fees for the year ended 30 June 2022 was $1.46 million.

Details of individual non-executive director allowances, payments and entitlements are set out in following tables.

5.2 Non-executive director compensation for the year ended 30 June 2022

		Fixed			
Name	Year	Cash fees[1] $	Non-monetary benefits[1,3] $	Superannuation contributions[2] $	Total compensation $
Chair					
Peter Promnitz	**2022**	**331,432**	**1,000**	**23,568**	**356,000**
	2021	304,263	1,038	21,694	326,995
Other non-executive directors					
Lisa Chung	**2022**	**161,364**	**-**	**16,136**	**177,500**
	2021	149,053	-	14,139	163,192
Melinda Cilento	**2022**	**161,364**	**-**	**16,136**	**177,500**
	2021	148,830	-	14,139	162,969
Paul Kirk	**2022**	**200,341**	**-**	**20,034**	**220,375**
	2021	183,783	-	17,459	201,242
Su McCluskey	**2022**	**162,545**	**-**	**13,655**	**176,200**
	2021	151,231	-	11,796	163,027
Julien Playoust	**2022**	**161,364**	**-**	**16,136**	**177,500**
	2021	149,313	-	14,139	163,452
Gregory Willcock	**2022**	**161,364**	**1,000**	**16,136**	**178,500**
	2021	149,053	1,038	14,139	164,230
Total	**2022**	**1,339,774**	**2,000**	**121,801**	**1,463,575**
	2021	1,235,526	2,076	107,505	1,345,107

1 Short-term benefits.
2 Post-employment benefits.
3 Non-monetary benefits refers to salary packaged benefits such as health insurance deductions.

In addition to the amounts above, Mr. Willcock received director fees from Australian Unity Investments Real Estate Limited (AUIREL), a related entity, during the relevant periods.

Mr. Willcock was specifically appointed as a director of AURIEL by reference to his capacity to facilitate AUIREL's fulfilment of its duties as a responsible entity of a listed investment scheme. As such, the fees paid to Mr. Willcock are for his skills and experience in his capacity as a director of AUIREL and are not referable to his role as a director of the Company.

Name	Year	Fixed		Total remuneration $
		Cash fees[1] $	Superannuation contributions[2] $	
Non-executive directors				
Greg Willcock	**2022**	**87,568**	**6,996**	**94,564**
	2021	86,094	7,555	93,649
Total	**2022**	**87,568**	**6,996**	**94,564**
	2021	86,094	7,555	93,649

1 Short-term benefits.
2 Post-employment benefits

5.3 Non-executive director MCI holdings

The following table provides details of the number of MCI held (directly and nominally) by each non-executive director of Australian Unity or their related parties (their close family members or any entity they, or their close family members, control or significantly influence).

Name	Balance at the beginning of the year No.	Changes during the year No.	Balance at the end of the year No.
Chair			
Peter Promnitz, Chair	-	-	-
Other non-executive directors			
Lisa Chung	750	-	750
Melinda Cilento	-	-	-
Paul Kirk	-	-	-
Su McCluskey	1,600	-	1,600
Julien Playoust	-	-	-
Gregory Willcock	-	-	-

Independent remuneration adviser's report

KPMG

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Ms Lisa Chung
Chair of the People, Culture and Remuneration Committee
Australian Unity Limited
271 Spring Street
Melbourne VIC 3000

Contact Ben Travers 03 9288 5279
Andrew Holland 03 9288 6612

7 September 2022

Dear Ms Chung

The Chair of the People, Culture and Remuneration Committee of Australian Unity's Board of Directors engaged KPMG to provide the following:

- high-level review of Australian Unity's remuneration arrangements in respect of key management personnel ("KMP"), including Non-Executive Directors (NED), having regard for any material changes that may have occurred during the year and movements in the market; and
- assessment of incentive plan structure against Australian Prudential Regulation Authority's guidelines.

NED fee increases made during FY22 were supported by a benchmarking exercise which KPMG was not involved in. Following this review, we confirm that NED fee increases during FY22 are positioned within the member-approved fee pool.

We confirm that executive fixed remuneration increases of 1.5% (plus 0.5% superannuation) are reasonable in the context of market conditions. The introduction of a long-term incentive (LTI) component of remuneration for key executives aligns with broader market practice. Given the service-based conditions of the LTI, the quantum is positioned conservatively against the broader market which is appropriate.

The advice provided by KPMG does not constitute a 'remuneration recommendation' as defined in Section 9B of the *Corporations Act 2001* as it relates to the provision of information and/or advice on the taxation, legal or accounting implications of specific elements of the remuneration framework. We confirm that all advice was provided directly to the Chair of the People, Culture and Remuneration Committee and provided free from undue influence of the members of the KMP that the advice related to.

Yours sincerely

Ben Travers

Ben Travers
Partner

Financial statements

The financial statements are consolidated financial statements of the Group consisting of Australian Unity Limited and its subsidiaries. The financial statements are presented in the Australian currency.

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on pages 26 to 37 which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 7 September 2022.

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Consolidated statement of comprehensive income

For the year ended 30 June 2022

	Notes	2022 $'000	2021 $'000
Revenue and other income	2	**1,361,327**	1,706,072
Expenses, excluding finance costs	3	**(1,356,753)**	(1,586,625)
Operating profit		**4,574**	119,447
Finance costs	3	**(41,429)**	(37,112)
Share of net profit of joint ventures		**955**	3,273
Profit/(loss) before income tax		**(35,900)**	85,608
Income tax benefit/(expense)	4	**81,619**	(52,701)
Profit after income tax		**45,719**	32,907
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges	20(a)	**34,225**	8,929
Income tax relating to this item	20(a)	**(10,268)**	(2,678)
Items that will not be reclassified to profit or loss			
MCI-based payments	20(a)	**422**	-
Remeasurements of post-employment benefit obligations	20(a)	**(2,571)**	2,632
Other comprehensive income for the year, net of tax		**21,808**	8,883
Total comprehensive income for the year		**67,527**	41,790
Profit for the year is attributable to:			
Members of Australian Unity Limited		**45,719**	32,907
Total comprehensive income for the year is attributable to:			
Members of Australian Unity Limited		**67,527**	41,790

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 28.

Consolidated balance sheet

As at 30 June 2022

	Notes	2022 $'000	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	1,086,445	1,008,647
Trade and other receivables		142,909	129,970
Current tax assets		6,949	-
Loans and advances	6	28,793	21,099
Financial assets at fair value through profit or loss	7	2,024,638	2,305,419
Other financial assets at amortised cost	8	70,505	47,278
Other current assets		41,187	45,830
Total current assets		3,401,426	3,558,243
Non-current assets			
Loans and advances	6	1,083,019	886,192
Financial assets at fair value through profit or loss	7	122,347	48,525
Investments in associates and joint ventures		18,655	21,382
Investment properties	12	1,910,376	1,652,704
Property, plant and equipment	13	496,028	323,834
Right-of-use assets	14	109,881	110,863
Intangible assets	15	362,439	313,790
Other non-current assets		41,678	11,836
Total non-current assets		4,144,423	3,369,126
Total assets		7,545,849	6,927,369
LIABILITIES			
Current liabilities			
Trade and other payables		177,805	187,451
Borrowings	9	1,156,166	1,018,999
Lease liabilities	14	17,306	16,039
Current tax liabilities		-	6,205
Provisions	16	189,588	166,973
Other current liabilities	10	1,854,117	1,526,639
Benefit fund policy liabilities	36	251,431	348,195
Total current liabilities		3,646,413	3,270,501
Non-current liabilities			
Borrowings	9	488,830	461,738
Lease liabilities	14	108,977	109,333
Deferred tax liabilities	17	26,281	96,204
Provisions		21,110	6,620
Other non-current liabilities		-	2,087
Benefit fund policy liabilities	36	2,106,557	2,114,392
Total non-current liabilities		2,751,755	2,790,374
Total liabilities		6,398,168	6,060,875
Net assets		1,147,681	866,494
EQUITY			
Members' balances		255,919	255,919
Mutual Capital Instruments	18	342,127	116,897
Reserves	20(a)	28,948	7,140
Retained earnings	20(a)	520,687	486,538
Equity attributable to members of Australian Unity Limited		1,147,681	866,494
Total equity		1,147,681	866,494

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

Consolidated statement of changes in equity

For the year ended 30 June 2022

	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)	455,472	709,648
Mutual Capital Instruments issued	18	-	116,897	-		116,897
Profit for the year		-	-		32,907	32,907
Other comprehensive income						
- Cash flow hedges	20(a)	-	-	6,251	-	6,251
- Post-employment benefits	20(a)	-		2,632	-	2,632
Total comprehensive income		-	-	8,883	32,907	41,790
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	18	-	-	-	(1,841)	(1,841)
Balance at 30 June 2021		255,919	116,897	7,140	486,538	866,494

	Notes	Members' balances $'000	Mutual Capital Instruments $'000	Reserves $'000	Retained earnings* $'000	Total equity $'000
Balance at 1 July 2021		**255,919**	**116,897**	**7,140**	**486,538**	**866,494**
Mutual Capital Instruments issued	18	**-**	**225,230**	**-**	**-**	**225,230**
Profit for the year		**-**	**-**	**-**	**45,719**	**45,719**
Other comprehensive income						
- Cash flow hedges	20(a)	**-**	**-**	**23,957**	**-**	**23,957**
- MCI-based payments	20(a)	**-**	**-**	**422**	**-**	**422**
- Post-employment benefits	20(a)	**-**	**-**	**(2,571)**	**-**	**(2,571)**
Total comprehensive income		**-**	**-**	**21,808**	**45,719**	**67,527**
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	18	**-**	**-**	**-**	**(11,570)**	**(11,570)**
Balance at 30 June 2022		**255,919**	**342,127**	**28,948**	**520,687**	**1,147,681**

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

Consolidated statement of cash flows

For the year ended 30 June 2022

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		1,500,640	1,386,261
Payments to suppliers and employees (inclusive of goods and services tax)		(972,862)	(838,326)
Health insurance claims and benefits paid		(502,329)	(512,360)
Life investment contracts - Contributions received		319,559	377,857
Life investment contracts - Withdrawals		(250,451)	(347,358)
Life insurance - Premiums received		199	212
Life insurance - Policy claims paid		(980)	(835)
Net receipts/(payments) of loan assets		(200,291)	11,595
Net receipts of deposits liability		176,136	299
Interest received		30,824	32,373
Dividends and distributions received		8,197	5,337
Interest and finance charges paid		(21,975)	(25,544)
Income tax payments		(11,646)	(8,488)
Net cash inflow from operating activities	21	75,021	81,023
Cash flows from investing activities			
Payments for business acquisitions, net of cash receipts		(79,648)	(4,750)
Payments for investments		(1,031,373)	(1,777,676)
Payments for investment properties		(114,638)	(160,509)
Payments for property, plant and equipment		(24,508)	(65,283)
Payments for intangible assets		(26,802)	(22,745)
Payments for investments in associates and joint ventures		(50)	(13,149)
Receipts from investments		932,963	1,704,799
Proceeds from sale of investment properties		114,253	-
Receipts from long-term rent of commercial property		-	41,415
Receipts from joint venture's capital returns		-	10,217
Dividends received from joint ventures		2,955	1,081
Proceeds from sale of a joint venture investment		-	2,520
Proceeds from disposal of property, plant and equipment		-	15,395
Proceeds from disposal of intangible assets		-	2,477
Net cash outflow from investing activities		(226,848)	(266,208)
Cash flows from financing activities			
Receipts from Mutual Capital Instruments (MCI) issued, net of issuance costs		223,234	115,602
Receipts of borrowings		18,601	81,041
Net receipts from refundable lease deposits and resident liabilities		30,820	80,042
Payments of borrowings		(31,460)	(117,715)
Payments of MCI dividend		(11,570)	(1,841)
Net cash inflow from financing activities		229,625	157,129
Net increase/(decrease) in cash and cash equivalents		77,798	(28,056)
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 year	5	1,086,445	1,008,647

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

Notes to the consolidated financial statements

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).

1 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.

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 year ended 30 June 2022 is as follows:

	Independent & Assisted Living $'000	Retail $'000	Wealth & Capital Markets $'000	Corporate functions $'000	Total $'000
2022					
Total segment revenue	609,105	716,061	205,425	(13,890)	1,516,701
Inter-segment revenue	(5,034)	-	-	5,034	-
Revenue from external customers	604,071	716,061	205,425	(8,856)	1,516,701
Other income*	19,107	-	20,329	-	39,436
Adjusted EBITDA*	98,713	94,938	38,713	(88,090)	144,274
Depreciation and amortisation					(55,437)
Interest expense					(41,425)
Investment income					(12,685)
Other expenses					(5,890)
Income tax benefit					16,882
Profit from operations					45,719
Share of profit after tax from joint ventures (included in adjusted EBITDA)					955
Total segment assets include:					
Income producing assets	158,224	1,739,747	74,423	222,896	2,195,290
Working capital assets	32,734	74,158	86,404	87,139	280,435
Non-interest bearing assets	854,585	30,225	306,445	190,443	1,381,698
Total segment assets	1,045,543	1,844,130	467,272	500,478	3,857,423
Total segment liabilities include:					
Borrowings and net inter-segment lending	219,185	1,241,788	87,672	225,957	1,774,602
Working capital liabilities	260,008	260,416	52,077	70,253	642,754
Non-interest bearing liabilities	218,592	17,947	24,796	31,051	292,386
Total segment liabilities	697,785	1,520,151	164,545	327,261	2,709,742

* 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, while those of Independent & Assisted Living included a gain on acquisition of $19,107,000 as set out in note 29.

The segment information provided to the Group Executive Committee for the reportable segments for the year ended 30 June 2021 is as follows:

	Independent & Assisted Living $'000	Retail $'000	Wealth & Capital Markets $'000	Corporate functions $'000	Total $'000
2021					
Total segment revenue	520,621	704,570	221,131	(15,340)	1,430,982
Inter-segment revenue	(8,868)	-	-	8,868	-
Revenue from external customers	511,753	704,570	221,131	(6,472)	1,430,982
Adjusted EBITDA	71,098	81,825	27,299	(81,344)	98,878
Depreciation and amortisation					(46,805)
Interest expense					(37,167)
Investment income					12,812
Other expenses					-
Income tax benefit					5,189
Profit from operations					32,907
Share of profit after tax from joint ventures (included in adjusted EBITDA)					3,273
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

(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.

(i) Segment revenue

Revenue transactions between segments are carried out at arm's length and eliminated on consolidation. The revenue from external parties reported to management is measured in a manner consistent with that in the profit or loss, except for dividends and distributions and other net investment gains/(losses) which are presented below the adjusted EBITDA line. Included in the Retail segment revenue from external customers is the Australian Unity Bank's interest income on external loans and advances.

Segment revenue reconciles to total revenue as follows:

	2022 $'000	2021 $'000
Total segment revenue	1,516,701	1,430,982
Dividends and distributions (note 2)	9,412	5,682
Gain/(loss) on investments in financial instruments (note 2)	(23,432)	4,651
Other interest income (note 2)	3,443	1,065
Impairment loss on investment property (note 12)	(5,523)	-
Revaluation gain from business combination achieved in stages (note 29(b))	20,329	-
Gain on business acquisition (note 29(a))	19,107	-
Other	3,061	763
Revenue and other income attributable to members of Australian Unity Limited (note 28)	1,543,098	1,443,143
Revenue from benefit funds (note 28)	(181,771)	262,929
Total revenue and other income	1,361,327	1,706,072

(ii) 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.

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

	2022 $'000	2021 $'000
Adjusted EBITDA	144,274	98,878
Depreciation and amortisation expense:		
Depreciation and amortisation expense (note 3)	(55,437)	(47,669)
Gain on disposal of assets	-	1,991
	(55,437)	(45,678)
Interest expense		
Finance costs (note 3)	(41,429)	(37,112)
Other	4	(55)
	(41,425)	(37,167)
Investment income:		
Dividends and distributions (note 2)	9,412	5,682
Gain/(loss) on investments in financial instruments (note 2)	(23,432)	4,651
Other interest income (note 2)	3,512	1,065
Impairment loss on investment property (note 12)	(5,523)	-
Other	3,346	1,414
	(12,685)	12,812
Other expenses:		
Merger and acquisition expenses	(5,269)	(859)
Other	(621)	(268)
	(5,890)	(1,127)
Profit before income tax attributable to members of Australian Unity Limited (note 28)	28,837	27,718
Profit/(loss) before income tax of benefit funds (note 28)	(64,737)	57,890
Profit/(loss) before income tax	(35,900)	85,608

(iii) Segment assets

Segment assets are split into three categories: income producing, working capital and non-interest bearing assets. Income producing assets include cash and investments including those held in funds managed by related entities. Working capital assets include trade debtors, inventory, reinsurance receivables, and inter entity trading. Non-interest bearing assets include property, plant and equipment, investment property, intangible assets, investments in associates and joint ventures, intercompany investments and other non-current assets.

The total assets reported to management are measured in a manner consistent with the amounts in these financial statements, except for investment property which is presented on a net basis of investment property, resident liabilities and refundable lease deposits. All assets are allocated based on the operations of the segment.

Reportable segments' assets are reconciled to total assets as follows:

	2022 $'000	2021 $'000
Segment assets	**3,857,423**	3,375,426
Resident liabilities and refundable lease deposits	**1,570,630**	1,230,225
Retirement Village Property Fund consolidation	**78,178**	74,717
Netting of eligible deferred tax balances	**(247,147)**	(142,646)
Netting of inter-segment loan balances	**(86,844)**	(111,817)
Other reclassifications between assets and liabilities	**(4,585)**	23,349
Total assets attributable to members of Australian Unity Limited	**5,167,655**	4,449,254
Benefit fund assets (note 37)	**2,380,347**	2,514,235
Netting of eligible deferred tax balances	**(2,152)**	(36,120)
Total assets	**7,545,850**	6,927,369

(iv) Segment liabilities

Segment liabilities are split into three categories: borrowings, working capital and non-interest bearing liabilities. Borrowings include those held externally and also inter entity lending. Working capital liabilities include trade creditors, claims and other payables, current provisions and other liabilities and unearned income. Non-interest bearing liabilities include non-current provisions and resident ingoing fees.

The total liabilities reported to management are measured in a manner consistent with the amounts in these financial statements, except for resident liabilities and refundable lease deposits which are managed on a net basis with investment property and included in segment assets. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2022 $'000	2021 $'000
Segment liabilities	**2,709,742**	2,508,932
Resident liabilities and refundable lease deposits	**1,570,630**	1,230,225
Retirement Village Property Fund consolidation	**78,178**	74,717
Netting of eligible deferred tax balances	**(247,147)**	(142,646)
Netting of inter-segment loan balances	**(86,844)**	(111,817)
Other reclassifications between assets and liabilities	**(4,585)**	23,349
Total liabilities attributable to members of Australian Unity Limited	**4,019,974**	3,582,760
Benefit fund policy liabilities (note 36)	**2,357,988**	2,462,587
Benefit fund other liabilities (note 37)	**22,359**	51,648
Netting of eligible deferred tax balances	**(2,152)**	(36,120)
Total liabilities	**6,398,169**	6,060,875

2 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:

	2022 $'000	2021 $'000
Health insurance net premium revenue	**688,330**	671,335
Revenue from services		
Government grants and subsidies funding aged care, home and disability services	**220,700**	208,402
Independent and assisted living services and other fees	**285,330**	224,387
Management and performance fees revenue	**101,552**	89,845
Brokerage and commission	**78,468**	67,818
Healthcare services revenue	**49,665**	39,797
	735,715	630,249
Interest income of bank	**27,451**	31,324
Investment earnings		
Other interest income	**3,512**	1,065
Dividends and distributions	**9,412**	5,682
Gain/(loss) on investments in financial instruments	**(23,432)**	4,651
Fair value gains, net of impairment loss, on investment property	**20,565**	22,268
	10,057	33,666
Benefit funds income (note 36(c))	**(181,771)**	262,929
Other income	**81,545**	76,569
	1,361,327	1,706,072

(a) Health insurance net premium revenue

Premium revenue increased during the financial year reflecting the April 2022 health insurance premium rate increase of 2.73% (April 2021: 1.99%) and included the reduction of $9.1 million revenue in relation to COVID-19 related premium relief to private health insurance policyholders over the year. The premium relief was a financial support implemented by the health insurance business of the Group during the year in addition to a range of measures to assist members with the health and economic consequences of the COVID-19 pandemic, including increasing benefits and allowing suspensions of membership.

(b) Other income

Other income for the year ended 30 June 2022 included a revaluation gain in relation to the business combination achieved in stages with Platypus Asset Management Pty Ltd, a joint venture entity, of $20,329,000 as a result of remeasuring to fair value its previously held equity interest in the entity. It also included gain on Greengate business acquisition of $19,107,000. Refer to note 29 for further detail.

(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 year ended 30 June 2022 and reconciliation of Revenue and other income to Revenue from external customers in segment reporting are presented in the below table:

	Independent & Assisted Living $'000	Retail $'000	Wealth & Capital Markets $'000	Corporate functions $'000	Total $'000
2022					
Health insurance net premium revenue	-	688,330	-	-	688,330
Revenue from services					
Government grants and subsidies funding aged care, home and disability services	220,700	-	-	-	220,700
Independent & assisted living services and other fees	291,227	-	1,010	(6,907)	285,330
Management and performance fees revenue	(24)	-	103,975	(2,399)	101,552
Brokerage and commission	2,347	2,593	73,528	-	78,468
Healthcare services revenue	50,667	-	-	(1,002)	49,665
	564,917	2,593	178,513	(10,308)	735,715
Interest income of bank	-	27,451	-	-	27,451
Investment earnings					
Other interest income	21	25	9	3,457	3,512
Dividends and distributions	-	6,807	1,308	1,297	9,412
Gain/(loss) on investments in financial instruments	(2,644)	(17,318)	(1,799)	(1,671)	(23,432)
Fair value gains on investment property	21,631	-	(1,066)	-	20,565
	19,008	(10,486)	(1,548)	3,083	10,057
Benefit funds income	-	-	(181,771)	-	(181,771)
Other income	34,083	1,033	44,770	1,659	81,545
Revenue and other income	618,008	708,921	39,964	(5,566)	1,361,327
Reconciliation to revenue from external customers in segment reporting					
Items added to/(excluded from) the segment revenue					
Dividends and distributions	-	(6,807)	(1,308)	(1,297)	(9,412)
Other investment income	2,623	17,362	1,790	(1,786)	19,989
Other income - business combination revaluation gain	-	-	(20,329)	-	(20,329)
Other income - gain on business acquisition	(19,107)	-	-	-	(19,107)
Other	2,547	(3,415)	3,537	(207)	2,462
Revenue from benefit funds	-	-	181,771	-	181,771
	(13,937)	7,140	165,461	(3,290)	155,374
Revenue from external customers in segment reporting	604,071	716,061	205,425	(8,856)	1,516,701

2021	Independent & Assisted Living $'000	Retail $'000	Wealth & Capital Markets $'000	Corporate functions $'000	Total $'000
Health insurance net premium revenue	-	671,335	-	-	671,335
Revenue from services					
Government grants and subsidies funding aged care, home and disability services	208,402	-	-	-	208,402
Independent & assisted living services and other fees	229,691	-	-	(5,304)	224,387
Management and performance fees revenue	(22)	-	91,590	(1,723)	89,845
Brokerage and commission	1,614	2,412	63,792	-	67,818
Healthcare services revenue	40,538	-	-	(741)	39,797
	480,223	2,412	155,382	(7,768)	630,249
Interest income of bank	-	31,324	-	-	31,324
Investment earnings					
Other interest income	100	130	18	817	1,065
Dividends and distributions	-	4,859	813	10	5,682
Gain/(loss) on investments in financial instruments	(3,034)	4,233	2,741	711	4,651
Fair value gains, net of impairment loss, on investment property	22,268	-	-	-	22,268
	19,334	9,222	3,572	1,538	33,666
Benefit funds income	-	-	262,929	-	262,929
Other income	9,676	1,140	63,475	2,278	76,569
Revenue and other income	509,233	715,433	485,358	(3,952)	1,706,072
Reconciliation to revenue from external customers in segment reporting					
Items added to/(excluded from) the segment revenue					
Dividends and distributions	-	(4,859)	(813)	(10)	(5,682)
Other investment income	2,934	(4,363)	(2,759)	(1,528)	(5,716)
Other	(414)	(1,641)	2,274	(982)	(763)
Revenue from benefit funds	-	-	(262,929)	-	(262,929)
	(275,090)	2,520	(10,863)	(264,227)	(2,520)
Revenue from external customers in segment reporting	511,753	704,570	221,131	(6,472)	1,430,982

3 Expenses

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

	2022 $'000	2021 $'000
Client care costs	**66,928**	51,224
Commission expense	**77,646**	65,823
Computer and equipment costs	**44,560**	38,574
Depreciation and amortisation expense	**55,437**	47,669
Employee benefits expense	**563,365**	507,668
Expenses in relation to benefit funds (note 36(c))	**(117,034)**	205,039
Fund manager and administration fees	**16,002**	12,899
Health insurance claims expense	**591,498**	591,615
Health insurance claims recoveries - Net Risk Equalisation Special Account	**(68,689)**	(69,702)
Interest expense of bank	**5,080**	7,958
Legal and professional fees	**22,098**	17,567
Marketing expenses	**17,486**	14,236
Occupancy costs	**23,614**	18,013
Other expenses	**58,762**	78,042
	1,356,753	1,586,625

	2022 $'000	2021 $'000
Depreciation and amortisation		
Depreciation of property, plant and equipment	**16,192**	10,453
Depreciation of right-of-use assets	**14,622**	14,883
Amortisation of intangible assets	**24,623**	22,333
	55,437	47,669
Finance costs		
Interest and finance charges on borrowings	**17,877**	20,194
Notional interest on leases and related accounts	**23,552**	17,863
Total interest and finance charges	**41,429**	38,057
Capitalisation of borrowing interest	**-**	(945)
Finance costs expensed	**41,429**	37,112

4 Income tax expense/(benefit)

(a) Income tax expense/(benefit)

	2022 $'000	2021 $'000
Current tax	**(15,486)**	(10,785)
Current tax - benefit funds	**17,358**	23,185
Deferred tax	**8,456**	(4,731)
Deferred tax - benefit funds	**(86,093)**	32,917
Adjustments for current tax of prior periods	**(2,848)**	10,931
Adjustments for current tax of prior periods - benefit funds	**3,997**	1,788
Other	**(7,003)**	(604)
Income tax expense/(benefit)	**(81,619)**	52,701
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	**(68,781)**	(18,611)
Increase/(decrease) in deferred tax liabilities	**(8,855)**	46,797
	(77,636)	28,186

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

	2021 $'000	2020 $'000
Profit/(loss) before income tax	**(35,900)**	85,608
Less: Loss/(profit) in benefit funds	**64,737**	(57,890)
Profit before income tax for the year	**28,837**	27,718
Tax at the Australian tax rate of 30% (2021: 30%)	**8,651**	8,315
Non-assessable income	**(26,171)**	(7,938)
Other assessable amounts	**1,281**	296
Non-deductible expenditures	**5,919**	742
Other deductible expenditures	**(1,641)**	(2,141)
Other deferred tax adjustments	**77**	(1,879)
Under/(over) provision in prior years	**291**	(1,785)
Tax credits	**(1,313)**	(799)
Tax in benefit funds	**(64,737)**	57,890
Other	**(3,976)**	-
Income tax expense/(benefit)	**(81,619)**	52,701

Franking credits

As at 30 June 2022, the franking credits available for future years at 30% adjusted for debits and credits arising from the payment of income tax payable and from recognised dividends receivable or payable is $43.3 million.

Tax Transparency Code

In 2016 the Australian Taxation Office issued the Tax Transparency Code (TTC) which is a set of principles and minimum standards to guide medium and large businesses on public disclosure of tax information. Adoption of the TTC is voluntary and intended to complement Australia's existing tax transparency measures. The Group has implemented TTC and supports greater tax disclosure in Australia, reflecting the Group's commitment to compliance from a regulatory and financial perspective, and transparency with respect to the Group's strategy and corporate governance.

Financial assets and liabilities

5 Financial assets - Cash and cash equivalents

	2022 $'000	2021 $'000
Cash at bank and on hand	**27**	26
Bank balances	**92,101**	56,724
Deposits at call	**994,317**	951,897
	1,086,445	1,008,647

The balance of cash and cash equivalents as at 30 June 2022 included the Parent Entity's accounts totalling $136,451,000 (30 June 2021: $162,385,000) and amounts held by benefit funds totalling $380,741,000 (30 June 2021: $369,799,000).

Fair value and risk exposures

The carrying amount of cash and cash equivalents equals their fair value. Information about the Group's exposure to interest rate risk is provided in note 23.

6 Financial assets - Loans and advances

	2022 $'000	2021 $'000
Current		
Mortgage loans	**32,477**	27,506
Personal loans	**4,627**	4,734
Provision for impairment	**(8,311)**	(11,141)
Total — current	**28,793**	21,099
Non-current		
Mortgage loans	**1,077,644**	883,048
Personal loans	**4,184**	3,386
Provision for impairment	**(71)**	(2,174)
Advances	**1,262**	1,932
Total — non-current	**1,083,019**	886,192
Total loans and advances	**1,111,812**	907,291

(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 30 June 2052 and earn interest at annual rates between 1.84% and 6.83% (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 30 June 2022, the carrying amounts of the financial assets under repurchase agreements totalled to $50,360,000 (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 19 April 2029 and earn interest at annual rates between 5.99% and 15.18% (2021: between 4.57% and 15.18%).

(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 $8.4 million as at 30 June 2022 (2021: $13.3 million) consisted of $5.7 million on loans in the Stage 1 twelve-month ECL category (2021: $5.3 million), $0.6 million on loans in the Stage 2 lifetime ECL not credit impaired category (2021: $3.9 million), and $2.1 million on loans in the Stage 3 lifetime ECL credit impaired category (2021: $4.1 million).

(d) Past due but not impaired

At 30 June 2022, loans and advances that were past due but not impaired amounted to $38,118,000 (2021: $30,084,000). These relate to a number of borrowers with no recent history of default.

(e) Fair value and risk exposures

The fair value of current and non-current loans and advances are provided in note 11. Information about the Group's exposure to credit risk and interest rate risk is provided in note 23.

7 Financial assets at fair value through profit or loss

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

	2022 $'000	2021 $'000
Securities held by benefit funds	**1,827,908**	2,062,482
Securities held by subsidiaries	**319,077**	291,462
	2,146,985	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:

	2022 $'000	2021 $'000
Equity trusts	**1,305,628**	1,387,627
Fixed interest and other debt security trusts	**449,785**	596,333
Mortgage trusts	**16,664**	16,525
Property syndicates and trusts	**55,831**	61,997
	1,827,908	2,062,482

(b) Securities held by subsidiaries comprise the following:

	2022 $'000	2021 $'000
Equity trusts	**25,019**	27,420
Fixed interest and other debt security trusts	**176,962**	231,566
Mortgage trusts	**1,380**	1,380
Property syndicates and trusts	**115,716**	31,096
	319,077	291,462

(c) Current and non-current split

The redemption terms for investments in certain managed trusts can be varied by their responsible entities in response to market conditions. For those investments which cannot be redeemed entirely within one year from reporting date, the amounts have been allocated between current and non-current in accordance with the maximum percentage redeemable within one year as per the most recent advice from the manager at the end of the reporting period.

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

	2022 $'000	2021 $'000
Current	**2,024,638**	2,305,419
Non-current	**122,347**	48,525
	2,146,985	2,353,944

(d) Fair value and risk exposures

Information on the fair value measurement basis is provided in note 11 while information about the Group's exposure to market risk is provided in note 23.

8 Financial assets - Other financial assets at amortised cost

	2022 $'000	2021 $'000
Other financial assets at amortised cost - Bank bills and term deposits	70,505	47,278

Fair value and risk exposures

Due to the short term nature of these investments, their carrying amount is assumed to approximate their fair value. Information about the Group's exposure to credit risk and the credit quality in relation to these investments is provided in note 23.

9 Financial liabilities - Borrowings

	2022 $'000	2021 $'000
Current		
Secured interest bearing liabilities		
RBA term funding facilities	25,193	-
Total secured interest bearing liabilities	25,193	-
Unsecured interest bearing liabilities		
Call deposits	645,492	686,469
Term deposits	311,835	190,128
Mortgage offset savings accounts	168,546	137,302
Loan payable to related entity	5,100	5,100
Total unsecured interest bearing liabilities	1,130,973	1,018,999
Total current borrowings	1,156,166	1,018,999
Non-current		
Secured interest bearing liabilities		
Retirement Village Investment Notes	51,611	51,611
RBA term funding facilities	18,389	43,582
Development finance loan	18,601	-
Total secured interest bearing liabilities	88,601	95,193
Unsecured interest bearing liabilities		
Series C Australian Unity Bonds		
Face value	115,019	115,019
Valuation at amortised cost	(1,245)	(1,613)
At amortised cost	113,774	113,406
Series D Australian Unity Bonds Face value	207,000	207,000
Valuation at amortised cost	(2,078)	(2,692)
At amortised cost	204,922	204,308
Bank Loans	9,200	40,660
Term deposits	72,333	8,171
Total unsecured interest bearing liabilities	400,229	366,545
Total non-current borrowings	488,830	461,738
Total borrowings	1,644,996	1,480,737

(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 30 June 2022, the Covenant Gearing Ratio was 25% (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 30 June 2022, the total amount of RVIN on issue reported as interest bearing liabilities was $51,611,000 (30 June 2021: $51,611,000).

The following table summarises the details of RVIN:

Name	Prospectus	Maturity date	Interest rate	30 June 2022 $'000	30 June 2021 $'000
RVIN - Series 5	1	30 November 2024	4.95%	**18,401**	18,401
RVIN - Series 6	1	31 July 2023	5.00%	**33,210**	33,210
Interest bearing RVIN - non-current				**51,611**	51,611
Total RVIN				**51,611**	51,611

(c) Development finance loans

Development finance loan reported under non-current borrowings of $18,601,000 (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 30 June 2022, the interest rate was 1.80% per annum.

(d) Bank loans

Bank loans reported as non-current liabilities of $9,200,000 as at 30 June 2022 (2021: $40,660,000) represented loan facility for general corporate purposes. These loans bear interest at BBSY bid rate plus margin. As at 30 June 2022, the interest rates was 1.83% per annum (2021: between 1.31% and 2.59%).

(e) RBA term funding facilities

In the previous financial year, 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. These facilities were provided during the period from April 2020 to June 2021. The total amount of funding the Group had received from the RBA as at 30 June 2022 was $43,582,000 (2021: $43,582,000) with average interest at 0.19% per annum (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:

	2022 $'000	2021 $'000
Carrying amount of transferred assets under repurchase agreement	50,360	50,360
Carrying amount of associated liabilities	43,582	43,582
Net position	**6,778**	6,778

(f) Call deposits

Call deposits are repayable on demand and accrue interest on a daily basis. At 30 June 2022, the interest rate ranged between 0.01% and 1.10% (2021: between 0.01% and 1.45%).

(g) Term deposits

Term deposits are repayable on maturity and accrue interest on a monthly basis with annual fixed interest rates at 30 June 2022 ranging between 0.15% and 4.35% (2021: between 0.15% and 3.25%).

(h) Mortgage offset savings accounts

The amounts represent customer savings accounts with the interest offsetting the interest of the respective mortgage loan accounts.

(i) Loan payable to related entity

The loan from related entity is repayable on demand and accrues interest on a monthly basis at the 90 day bank bill rate plus a margin of 2%. At 30 June 2022 this rate amounted to 3.14% (2021: 2.30%).

(j) Fair value and risk exposures

The fair values of borrowings are set out in note 11. Information about the Group's exposure to risk arising from borrowings is set out in note 23.

10 Other current liabilities

	2022 $'000	2021 $'000
Financial liabilities		
Refundable accommodation deposits	433,181	295,390
Resident loan liabilities	1,215,661	1,009,586
	1,648,842	1,304,976
Non-financial liabilities		
Unearned income	194,638	212,752
Other	10,637	8,911
	205,275	221,663
Total other current liabilities	1,854,117	1,526,639

(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 estimated amount owing to the residents, comprising the initial ingoing contribution plus residents' share of capital gains less accrued deferred management and other 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 and risk exposures

Due to the short-term nature of these other current liabilities, their carrying value is assumed to approximate their fair value. Details of the Group's exposure to risk arising from other current liabilities are set out in note 23.

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 30 June 2022.

(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 30 June 2022 and 2021 on a recurring basis.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2022				
Recurring fair value measurement				
Financial assets				
Financial assets at fair value through profit or loss				
Equity trusts	8,694	1,321,953	-	1,330,647
Fixed interest and other debt security trusts	-	626,747	-	626,747
Mortgage trusts	-	18,044	-	18,044
Property syndicates and trusts	22,111	149,436	-	171,547
Interest rate swaps	-	30,946	-	30,946
Other financial assets	-	-	6,964	6,964
Total financial assets	30,805	2,147,126	6,964	2,184,895
Non-financial assets				
Investment properties	-	-	1,909,226	1,909,226
Total non-financial assets	-	-	1,909,226	1,909,226
Financial liabilities				
Life investment contract policy liabilities	-	1,555,007	-	1,555,007
Resident loan liabilities	-	-	1,215,661	1,215,661
Total financial liabilities	-	1,555,007	1,215,661	2,770,668

	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	33,995	2,319,949	6,994	2,360,938
Non-financial assets				
Investment properties	-	-	1,652,704	1,652,704
Total non-financial assets	-	-	1,652,704	1,652,704
Financial liabilities				
Life investment contract policy liabilities	-	1,538,103	-	1,538,103
Interest rate swaps	-	3,279	-	3,279
Resident loan liabilities	-	-	1,009,586	1,009,586
Total financial liabilities	-	1,541,382	1,009,586	2,550,968

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 year. 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.

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. Retirement village development sites are recognised at fair value, while other development sites are recognised at cost.

Fair value for 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 instruments for the financial year ended 30 June 2022:

	Other financial assets $'000	Investment properties $'000	Total $'000
Opening balance 1 July 2020	6,997	1,489,160	1,496,157
Additions	-	160,509	160,509
Commercial property rent received in advance movements	-	(40,897)	(40,897)
Transfers	-	21,664	21,664
Gains/(losses) recognised in other income*	(3)	22,268	22,265
Closing balance 30 June 2021	6,994	1,652,704	1,659,698
Opening balance 1 July 2021	**6,994**	**1,652,704**	**1,659,698**
Acquisition of subsidiaries	**-**	**231,840**	**231,840**
Additions	**-**	**114,638**	**114,638**
Commercial property rent received in advance movements	**-**	**1,082**	**1,082**
Disposals	**-**	**(110,453)**	**(110,453)**
Gains/(losses) recognised in other income*	**(31)**	**20,565**	**20,534**
Closing balance 30 June 2022	**6,963**	**1,910,376**	**1,917,339**
* Included in the gain recognised in other income: Unrealised gain recognised in the profit or loss attributable to assets held at the end of the financial year			
2022	**(31)**	**20,565**	**20,534**
2021	(3)	22,268	22,265

Investment properties valuation inputs and relationships to fair value

The economic impacts of COVID-19 pandemic created a level of uncertainty in the inputs used in investment property valuation. While demand for retirement village properties may fluctuate in the short-term, the Group continues to expect long term demand to be strong commensurate with the growth in the aging population. The valuation has been determined based on the available information at 30 June 2022 and other relevant information arising since then. The Group has a recent independent assessment on the key assumptions used in the property valuation.

Given the current volatility in the market and uncertainty around economic recovery, it is possible that after the reporting date there will be movements in the key inputs and assumptions. A protracted economic recovery may cause a reduction in demand and market value. To assess the exposure of the carrying value to fair value movements as a result of changes in the economic environment, sensitivity analyses have been performed based on reasonably probable scenarios on the changes of key valuation inputs. While it is unlikely that these inputs would move in isolation, the sensitivities have been prepared to measure the impact of changes in each key valuation input independently.

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

Description	Fair value at 30 June 2022 $'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Investment properties, excluding non-retirement village development sites	$1,785,278	Discount rate	12.7% - 14.0%	Increase/decrease in discount rate by +/- 50 basis points changes the fair value by -$22.0 million/+$24.3 million (2021: -$18.7 million/+$20.6 million).
		Property growth rate	2.0% - 4.0%	Increase/decrease in property growth rate by +/- 50 basis points changes the fair value by +$39.4 million/ -$35.7 million (2021: +$32.0 million/ -$29.1 million).
		Average length of residents' stay	5-8 years for serviced apartments, 8-16 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.

(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:

	2022		2021	
	Amortised cost $'000	Fair value $'000	Amortised cost $'000	Fair value $'000
Current and non-current assets				
Mortgage loans	**1,101,740**	**1,102,696**	897,239	897,678
Advances	**1,262**	**1,170**	1,932	1,788
	1,103,002	**1,103,866**	899,171	899,466
Current and non-current liabilities				
Australian Unity Bonds	**318,696**	**306,782**	317,714	321,513
Bank loans	**27,801**	**27,193**	40,660	39,679
RBA funding facilities	**43,582**	**43,061**	43,582	43,549
Retirement Village Investment Notes	**51,611**	**52,655**	51,611	54,468
Term deposits	**384,168**	**382,119**	198,299	198,293
	825,858	**811,810**	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.

	2022 $'000	2021 $'000
Retirement village independent living units	**1,637,640**	1,029,310
Development sites - retirement village independent living units	**147,638**	527,086
Development sites - Herston Quarter	**124,016**	96,308
Commercial property	**40,897**	40,897
Commercial property rent received in advance*	**(39,815)**	(40,897)
	1,910,376	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.

(a) Movements of investment properties

	2022 $'000	2021 $'000
At fair value		
Balance at the beginning of the financial year	**1,652,704**	1,489,160
Acquisition of subsidiaries	**231,840**	-
Additions	**114,638**	160,509
Commercial property rent received in advance movements	**1,082**	(40,897)
Disposals	**(110,453)**	-
Transfers from property, plant and equipment	**-**	21,664
Net fair value movements	**26,088**	22,268
Impairment loss	**(5,523)**	-
Balance at the end of the financial year	**1,910,376**	1,652,704

During the year to 30 June 2022, 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

	2022 $'000	2021 $'000
Revenue	**56,256**	31,300
Expenses	**(33,597)**	(32,926)
Changes in fair value recognised in profit or loss	**20,565**	22,268
	43,224	20,642

13 Non-financial assets - Property, plant and equipment

	Land $'000	Buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
At 1 July 2021					
Cost	39,826	265,442	33,651	48,146	387,065
Accumulated depreciation	-	(29,578)	(22,336)	(29,543)	(81,457)
Net book amount	39,826	235,864	11,315	18,603	305,608
Year ended 30 June 2021					
Opening net book amount	39,826	235,864	11,315	18,603	305,608
Additions	3,380	58,581	2,820	162	64,943
Transfers	-	-	2,512	(2,512)	-
Transfers from/(to) investment properties	(3,650)	(18,014)	-	-	(21,664)
Transfers from/(to) intangibles	-	-	260	(238)	22
Disposals	(296)	(14,324)	(2)	-	(14,622)
Depreciation charge	-	(4,171)	(3,265)	(3,017)	(10,453)
Closing net book amount	39,260	257,936	13,640	12,998	323,834
At 30 June 2021					
Cost	39,260	279,477	39,019	44,872	402,628
Accumulated depreciation	-	(21,541)	(25,379)	(31,874)	(78,794)
Net book amount	39,260	257,936	13,640	12,998	323,834

	Land $'000	Buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Year ended 30 June 2022					
Opening net book amount	39,260	257,936	13,640	12,998	323,834
Acquisition of subsidiaries	-	152,204	6,252	5,363	163,819
Additions	-	21,012	1,915	1,656	24,583
Transfers from/(to) intangibles	-	-	402	(418)	(16)
Depreciation charge	-	(8,941)	(4,444)	(2,807)	(16,192)
Closing net book amount	39,260	422,211	17,765	16,792	496,028
At 30 June 2022					
Cost	39,260	452,694	47,647	51,473	591,074
Accumulated depreciation	-	(30,483)	(29,882)	(34,681)	(95,046)
Net book amount	39,260	422,211	17,765	16,792	496,028

14 Non-financial assets and liabilities - Leases

AASB 16 requires the recognition of lease assets and liabilities on balance sheet with the amortisation of the assets and finance costs of the liabilities to be charged to profit or loss. Short-term leases and low value leases are recognised on a straight-line basis as an expense in profit or loss.

The Group has non-cancellable lease contracts, as lessee, for commercial buildings, computer equipment and motor vehicles which are used as part of the Group's operations. Computer equipment leases are categorised as leases of low-value assets and therefore no assets and liabilities are recognised. The Group's lease contracts do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Group also has sub-lease contracts in relation to certain commercial buildings. Sublease transactions where the Group is an intermediate lessor are accounted for by reducing the right-of-use assets arising from the respective head leases and recognising sublease receivables. Other sublease contracts are accounted for as operating leases with income being recognised over the lease term. The value of sublease contracts as at 30 June 2022 was immaterial.

(a) Amounts recognised in the consolidated balance sheet

The following are assets and liabilities recognised under AASB 16:

	30 June 2022 $'000	30 June 2021 $'000
Right-of-use assets		
Buildings	105,557	107,359
Vehicles	4,324	3,504
Total assets	109,881	110,863
Lease liabilities		
Current	17,306	16,039
Non-current	108,977	109,333
Total liabilities	126,283	125,372

Additions to the right-of-use assets during the financial year ended 30 June 2022 were $13,274,000 (2021: $8,442,000) which included assets from the acquisition of subsidiaries of $4,778,000 (2021: $nil).

(b) Amounts recognised in the consolidated statement of comprehensive income

	2022 $'000	2021 $'000
Depreciation charge of right-of-use assets	14,622	14,883
Interest expense (included in Finance costs)	5,980	6,141
Interest income on sublease receivable	-	(13)
Expenses relating to short-term leases or leases of low value assets (included in Other expenses)	5,270	5,675
	25,872	26,686

Total cash outflow for leases in the financial year ended 30 June 2022 was $22,808,000 (2021: $23,579,000).

15 Non-financial assets - Intangible assets

	Goodwill $'000	Computer software $'000	Aged care bed and other licences $'000	Management rights and other intangible assets $'000	Total $'000
At 1 July 2020					
Cost	188,246	128,381	12,655	112,722	442,004
Accumulated amortisation and impairment	(6,000)	(75,620)	(1,915)	(45,003)	(128,538)
Net book amount	182,246	52,761	10,740	67,719	313,466
Year ended 30 June 2021					
Opening net book amount	182,246	52,761	10,740	67,719	313,466
Additions	-	22,154	-	1,784	23,938
Transfers to property plant and equipment	-	(22)	-	-	(22)
Disposals	(199)	-	-	(1,060)	(1,259)
Amortisation charge	-	(16,265)	-	(6,068)	(22,333)
Closing net book amount	182,047	58,628	10,740	62,375	313,790
At 30 June 2021					
Costs	188,047	150,513	12,655	112,376	463,591
Accumulated amortisation and impairment	(6,000)	(91,885)	(1,915)	(50,001)	(149,801)
Net book amount	182,047	58,628	10,740	62,375	313,790

	Goodwill $'000	Computer software $'000	Aged care bed and other licences* $'000	Management rights and other intangible assets $'000	Total $'000
Year ended 30 June 2022					
Opening net book amount	**182,047**	**58,628**	**10,740**	**62,375**	**313,790**
Acquisition of subsidiaries	**47,081**	**73**	**-**	**-**	**47,154**
Additions	**-**	**26,797**	**-**	**-**	**26,797**
Transfers from property plant and equipment	**-**	**16**	**-**	**-**	**16**
Disposals	**(427)**	**(110)**	**-**	**(158)**	**(695)**
Amortisation charge	**-**	**(15,801)**	**(2,913)**	**(5,909)**	**(24,623)**
Closing net book amount	**228,701**	**69,603**	**7,827**	**56,308**	**362,439**
At 30 June 2022					
Costs	**234,701**	**176,852**	**12,655**	**112,376**	**536,584**
Accumulated amortisation and impairment	**(6,000)**	**(107,249)**	**(4,828)**	**(56,068)**	**(174,145)**
Net book amount	**228,701**	**69,603**	**7,827**	**56,308**	**362,439**

* Prior to 1 October 2021, aged care bed licences were assessed as having an indefinite useful life and therefore were not amortised. Following on the government announcement that the aged care bed licences will be abolished from 1 July 2024, the carrying amount of the licences are amortised from 1 October 2021 until 30 June 2024.

The management rights and other intangible assets include those with an indefinite life of $24,757,000 as at 30 June 2022 and 2021. The management rights are related to the acquisitions of responsible entities of investment funds and trusts. The responsible entities are profitable and expected to continue their operations on a going concern basis.

(a) Impairment tests for goodwill and intangible assets with an indefinite useful life

Goodwill and intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication of impairment. The impairment test is conducted by comparing the asset's carrying amount with its recoverable amount. If the carrying amount exceeds the recoverable amount, the carrying amount should be reduced to the recoverable amount. This reduction is recognised as an impairment loss in the income statement.

For the purpose of impairment tests, the carrying amount of goodwill and intangible assets with an indefinite useful life is allocated to the Group's cash generating units (CGUs) identified within the relevant business platforms. A summary of the goodwill and intangible assets with an indefinite useful life of each CGU is as follows:

CGU	2022 $'000	2021 $'000
Home & Disability Services	**141,116**	141,116
Wealth Assets Management	**81,189**	34,108
Trustee Services	**8,399**	8,399
Wealth Advice Services	**9,163**	9,163
Residential Communities	**8,850**	20,017
Health Services	**4,741**	4,741
	253,458	217,544

The recoverable amount of a CGU is determined based on a value in use calculation using five-year cash flow projections. An indefinite terminal cash flow calculation is then applied for cash flows beyond year five. The Group normally prepares an annual strategic plan which includes financial forecasts with a four-year outlook with expectations of future events that are believed to be reasonable under the current circumstances. For the impairment test calculation, the Group sourced the four-year cash flow projections from these financial forecasts and extrapolated the cash flow for the fifth year using growth rates based on estimates of expected long-term operating conditions appropriate for each CGU.

Although certain economic indicators are showing positive signs of recovery from deterioration since pandemic, there is still uncertainty in the outlook with inflation risk mounting. The Group applies its best estimates in developing the financial projection; taking into consideration the macroeconomic outlook, the impacts of the rising inflation to each business platform and the business initiatives taken in response to the challenges. As reflected in the financial projections, the CGUs are projected to be restored to normal business value levels during FY 2023 to FY 2026. Consistent with prior years, it is assumed that there are reasonable grounds to believe that, despite the risk of volatility embedded in the current forecasts, the long-term values of the CGUs hold.

Key assumptions used for value-in-use calculations

Discount rates used in the value in use calculation represent the weighted average cost of capital determined by prevailing or benchmarked market inputs, risk adjusted where necessary. It takes into account the time value of money and inherent risks of the underlying assets.

Pre-tax discount rates of 9.1% to 12.1% were applied to cash flow projections of the relevant CGU (2021: 7.1% – 11.2%). The terminal value is determined based on an assumption of terminal growth rate of 2.5% – 3.0% which is within the target long term inflation rate of the Reserve Bank of Australia (2021: 2.5% to 3.0%).

Impact of possible changes in key assumptions

The value in use calculations are sensitive to changes in discount rates, terminal growth rates, and key earning drivers varying from the assumptions and forecast data used in impairment testing. As such, sensitivity analyses were undertaken to examine the effect of an unfavourable change in a variable on each CGU based on the reasonably probable scenarios.

Based on this analysis it is concluded that, assuming the growth rate is at the level of the long-term inflation rate, any possible change in the pre-tax discount rate of up to 12.1% (2021: 12.2%) would not cause the recoverable amount of goodwill and intangible assets with an indefinite life to fall below its carrying amount. The following section describes the Home & Disability Services, Trustee Services and Wealth Advice Services CGUs that are prone to the changes in key assumptions.

Home & Disability Services CGU

The value in use calculation for Home & Disability Services is more sensitive to the following assumptions:

(i) The growth in the number of customer contracts - the CGU is predominantly operating in NSW, with aspirations to grow, particularly within Victoria and Queensland. Projected growth of customer numbers and business efficiencies are based on experience to date, business plans and changing demographic opportunities.

In determining the growth in customer contracts, consideration has been given to the environmental context in which the business operates, including the current political climate and government policy relating to the Home Care Packages (HCP) and the Commonwealth Home Support Programme (CHSP). There is a degree of uncertainty whether the government will extend the CHSP funding beyond 30 June 2023. Ongoing Royal Commission submissions and recommendations are expected to consider potential alternative future models of government funding.

Revenue growth assumptions for the CGU average 5.4% per annum over the five-year projection period. The key assumptions that underpin the recoverable amount are revenue growth across HCP, continuity of CHSP and achievement of forecast operating margins. The business has implemented a number of initiatives to improve operating margins and leverage high performing parts of the branch network.

The forecasts reflect commercial opportunities faced by the Home & Disability Services CGU, however, the Group acknowledges that there remains uncertainty around the pace and nature of growth and the time this can be realised in view of the potential regulatory changes following the Royal Commission's recommendations.

(ii) Discount rates for the purpose of impairment testing - the pre-tax discount rate applied to cash flow projections is 9.8%. A one percentage point change in the discount rate would not alter the impact of the impairment assessment.

(iii) Terminal growth rate - the terminal value has been calculated for this CGU on the extrapolated five-year cash flows, with a terminal growth rate of 3.0% which reflects the impact of inflation and projected industry growth over the long term. A percentage point change in the terminal growth rate would not alter the impact of the impairment assessment.

In the impairment test, the value-in-use calculation shows the estimated recoverable amount of the CGU to be $84.7 million higher than its carrying amount.

Trustee Services CGU

The calculation of value in use for Trustee Services is most sensitive to the following assumptions:

(i) The Trustee Services business continued to expand its operations, invest in building capability and enhance its growth strategy and portfolio. These initiatives have supported revenue growth during the year and will support future business growth. The forecasts reflect commercial opportunities faced by the CGU, however, the Group acknowledges that there remains reasonable uncertainty around the pace and nature of growth and the time this can be realised.

(ii) Discount rates for the purpose of impairment testing - the pre-tax discount rate applied to the CGU's cash flow projections is 9.8%. A one percentage point change in the discount rate would not alter the impact of the impairment assessment.

(iii) Terminal growth rate - the terminal value has been calculated for this CGU on the extrapolated five-year cash flows, with a terminal growth rate of 2.5%. A one percentage point change in the terminal growth rate would not alter the impact of the impairment assessment.

In the impairment test, the value-in-use calculation shows the estimated recoverable amount of the CGU to be $5.6 million higher than its carrying amount.

Wealth Advice Services CGU

The calculation of value in use for Wealth Advice Services is most sensitive to the following assumptions:

(i) The Group has built its wealth advice business over a number of years, both organically and through acquisition. This includes growth in the number of new clients for employed advisers, recruitment of self-employed practices and growth in revenue derived from Separately Managed Accounts. The business derives its income primarily from license fees and fees for services. The CGU's net revenue growth assumptions (excluding self-employed practices' share of revenue) average 10.2% over the five-year projection period and are underpinned by achievement of forecast operating margins. Projected growth of client and adviser numbers and margin efficiencies are based on experience, business plans and the changing demographic opportunity. Any development that has unfavourable impacts to these assumptions over a sustained period has the potential to result in an impairment of the CGU.

(ii) Discount rates for the purpose of impairment testing - the pre-tax discount rate applied to the CGU's cash flow projections is 9.9%. A one percentage point change in the discount rate would not alter the impact of the impairment assessment.

(iii) Terminal growth rate - the terminal value has been calculated for this CGU on the extrapolated five-year cash flows, with a terminal growth rate of 2.5%. A one percentage point change in the terminal growth rate would not alter the impact of the impairment assessment.

In the impairment test, the value-in-use calculation shows the estimated recoverable amount of the CGU to be $11.4 million higher than its carrying amount.

16 Non-financial liabilities - Provisions

	2022 $'000	2021 $'000
Current provisions		
Employee benefits provision	**59,536**	59,389
Health insurance claims provision	**122,406**	103,067
Other provisions	**7,646**	4,517
	189,588	166,973

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 financial year, 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 30 June 2020, a specific claims liability has also been recorded for deferred claims that were a result of surgeries and other health services being restricted for policyholders as the impact of the COVID-19 pandemic. 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. As the restrictions continued until October 2020 followed by short restrictions imposed multiple times in Victoria and New South Wales, additional deferred claims provision totalling to $38,818,000 (2021: $27,471,000) were recorded during the 2022 financial year. During the year the Group also recorded the unwinding of deferred claims provision of $19,175,000 (2021: $13,762,000). Refer to note 26 for further details.

17 Non-financial liabilities - Deferred tax balances

The balance comprises temporary differences attributable to:

	2022 $'000	2021 $'000
Deferred tax assets		
Accrued expenses	**16,681**	12,845
Fixed assets	**12,616**	11,157
Capitalised expenditure	**4,630**	3,407
Leases	**6,342**	4,353
Policy bonus credits	**48,395**	41,837
Provisions	**53,624**	47,310
Risk Equalisation Special Account	**480**	480
Tax losses	**31,455**	3,272
Trust distribution	**9,796**	13,537
Unrealised losses	**60,415**	1,205
Other assessable items	**3,896**	3,243
Total deferred tax assets	**248,330**	142,646
Deferred tax liabilities		
Fixed assets and investment properties	**177,517**	120,518
Intangible assets	**13,094**	17,596
Risk Equalisation Special Account	**8,329**	8,707
Tax deferred	**4,473**	4,342
Unrealised gains	**48,108**	71,091
Other deductible items	**23,090**	16,596
Total deferred tax liabilities	**274,611**	238,850
Net deferred tax liabilities	**26,281**	96,204

Tax losses at 30 June 2022 includes $30,177,000 of unused losses from the acquisition of subsidiaries. These losses are available, subject to certain rules, to be used as an offset against the current and future taxable income of the Group.

18 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 year, the Company paid fully franked dividends totalling $11,570,000, which were paid on 19 October 2021 amounting to $3,008,000 ($2.5068 per MCI) and on 19 April 2022 amounting to $8,562,000 ($2.4932 per MCI). In previous financial year, after the initial MCI issue the Company paid a fully franked dividend on 19 April 2021 of $1.5342 per MCI totalling to $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.

19 Mutual Capital Instruments based payments

Under the Group's long term variable compensation award scheme, senior executives may be invited to receive a part of their compensation in the form of rights to deferred MCI of Australian Unity Limited. This scheme commenced in 2022, with an initial grant date of 31 January 2022. The rights vest on two dates: 75% of the rights vest on 1 December 2024 and the remaining 25% vest on 1 December 2025. Each right converts to one MCI on vesting subject to the continued employment of the senior executive at the vesting date. The rights to deferred MCI do not carry any rights to receive dividends prior to the vesting date. If the senior executive ceases to be employed by the Group within the vesting period the rights will be forfeited, except in limited circumstances that are approved by the board.

The fair value of the rights at the grant date was $103.00 per right which was the market price of the Company's MCIs on the grant date. No adjustment has been made for the present value of expected dividends that will not be received by the senior executives on their rights during the vesting period on the basis that the offer document indicates that participants may, at the discretion of the board, be entitled to receive a dividend equivalent payment at the vesting date.

The following table shows the rights to deferred MCI outstanding at the beginning and end of the reporting period and movements during the reporting period:

	2022 Number of rights
Balance at the beginning of the reporting period	-
Granted during the year	**29,816**
Vested during the year	-
Forfeited during the year	-
Balance at the end of the reporting period	**29,816**
Weighted average remaining contractual life of the deferred rights outstanding and the end of the reporting period	**2.67 years**

The expense for each tranche of rights to deferred MCI granted is recognised in the Consolidated statement of comprehensive income on a straight-line basis, adjusted for forfeitures, over the vesting period of the rights. Total expenses arising from the granting of rights to deferred MCI recognised during the reporting period as part of Employee benefits expense were $422,000.

20 Equity

(b) Reserves

	2022 $'000	2021 $'000
Asset revaluation reserve	**2,462**	2,462
Cash flow hedges reserve	**21,662**	(2,295)
MCI-based payment reserve	**422**	-
Post-employment benefit reserve	**4,402**	6,973
	28,948	7,140
Movements:		
Asset revaluation reserve		
Balance at the beginning of the year	**2,462**	2,462
Balance at the end of the year	**2,462**	2,462
Cash flow hedges reserve (i)		
Balance at the beginning of the year	**(2,295)**	(8,546)
Movements in hedging value during the year	**34,225**	8,929
Deferred tax	**(10,268)**	(2,678)
Balance at the end of the year	**21,662**	(2,295)
MCI-based payment reserve (ii)		
Balance at the beginning of the year	**-**	-
MCI-based payments expenses	**422**	-
Balance at the end of the year	**422**	-
Post-employment benefit reserve (iii)		
Balance at the beginning of the year	**6,973**	4,341
Remeasurement of net defined benefit obligations	**(2,571)**	2,632
Balance at the end of the year	**4,402**	6,973

(i) Cash flow hedges reserve

Cash flow hedges reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity. The amounts are recognised in the profit or loss as finance costs when the associated hedged transaction affects profit or loss. The hedge transaction costs are also recognised as finance costs in the profit or loss. There was no hedge ineffectiveness recognised in the profit or loss. The fair values of the respective derivative financial instruments used for cash flow hedge are reported as part of Other non-current assets as at 30 June 2022 (2021: Other non-current liabilities).

(ii) MCI-based payment reserve

The amount recognised in the MCI-based payment reserve is the grant date fair value of rights to deferred MCI granted to employees but not yet vested.

(iii) Post-employment benefit reserve

Post-employment benefit reserve represents the defined benefit reserve that is used to record actuarial gains or losses on defined benefit liabilities and actual returns on fund assets (excluding interest income) which are recognised in other comprehensive income.

(b) Retained earnings

Movements in retained earnings were as follows:

	2022 $'000	2021 $'000
Balance at the beginning of the financial year	486,538	455,472
Profit for the year	45,719	32,907
Dividends paid	(11,570)	(1,841)
Balance at the end of the financial year	520,687	486,538

21 Cash flow information

(a) Reconciliation of profit after income tax to net cash inflow/(outflow) from operating activities

	2022 $'000	2021 $'000
Profit after income tax for the year	45,719	32,907
Depreciation and amortisation expense	40,815	32,785
Gain on business acquisitions	(39,436)	-
Loss/(gain) on investments	23,432	(4,651)
Fair value gains on investment property	(21,647)	(22,268)
Gain on disposal of assets	(3,105)	(3,344)
Business acquisition expenses	4,973	-
Share of net profit or loss of joint ventures	(955)	(3,273)
Changes in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	28,024	(17,517)
Decrease/(increase) in loans and advances	(204,521)	8,502
Decrease/(increase) in current tax assets	(6,949)	8,594
Decrease/(increase) in other operating assets	8,899	(3,252)
Decrease in trade and other payables	(23,959)	(2,950)
Increase in deposits liability	176,136	299
Increase/(decrease) in current tax liabilities	(6,472)	6,205
Increase/(decrease) in deferred tax liabilities	(87,903)	23,749
Increase in provisions	36,855	18,200
Increase/(decrease) in benefit fund policy liabilities	133,064	(27,967)
Increase/(decrease) in other operating liabilities	(27,949)	35,004
Net cash inflow from operating activities	75,021	81,023

(b) Reconciliation of liabilities arising from financing activities

	Interest bearing liabilities $'000	Other liabilities $'000	Total $'000
Opening balance as at 1 July 2020	499,646	1,224,934	1,724,580
Cash flows			
- Proceeds from RVIN issue	21,992	-	21,992
- Repayments of RVIN	(8,743)	-	(8,743)
- Receipts from bank loans	40,660	-	40,660
- Repayments of Series B Australian Unity Bonds	(71,326)	-	(71,326)
- Repayments of development finance loans	(37,646)	-	(37,646)
- Receipts of RBA term funding facilities	18,389	-	18,389
- Receipts from resident loan liabilities	-	59,254	59,254
- Receipts of refundable lease deposits	-	20,788	20,788
	(36,674)	80,042	43,368
Closing balance as at 30 June 2021	462,972	1,304,976	1,767,948

	Interest bearing liabilities $'000	Other liabilities $'000	Total $'000
Opening balance as at 1 July 2021	**462,972**	**1,304,976**	**1,767,948**
Cash flows			
- Repayments of bank loans	**(31,460)**	**-**	**(31,460)**
- Repayments of development finance loans	**-**	**-**	**-**
- Receipts of development finance loans	**18,601**	**-**	**18,601**
- Payments of resident loan liabilities	**-**	**(106,971)**	**(106,971)**
- Receipts of refundable lease deposits	**-**	**137,791**	**137,791**
	(12,859)	**30,820**	**17,961**
- Acquisition of subsidiaries	**-**	**313,046**	**313,046**
Closing balance as at 30 June 2022	**450,113**	**1,648,842**	**2,098,955**

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.

22 Critical accounting estimates and judgements

The preparation of 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.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Fair value of financial instruments

In the measurement of financial instruments, the best evidence of fair value is a quoted price in an active market. In the event that there is no active market for the instrument, the fair value is measured based on present value estimates or other market accepted valuation techniques. The valuation models incorporate the impact of bid/ask spread, counterparty credit spreads and other factors that would influence the fair value determined by a market participant. The majority of valuation techniques employ only observable market data. However, in the case where market observable data for certain valuation component is not available, the fair value is determined using data derived and extrapolated from market data and tested against historic transactions and observed market trends. These valuations are based upon assumptions established by application of professional judgement to analyse the data available to support each assumption. Changing the assumptions may change the resulting estimate of fair value.

(ii) Estimated impairment of loans and advances

The accounting policy requires the Group to assess impairment at least at the end of each reporting period. The provisions raised (individual and collective) represent management's best estimate of the losses incurred in the loan portfolio at balance date based on experienced judgement. Individual provisioning is applied when the full collectability of a loan is identified as being doubtful. The collective provision is estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data and events and an assessment of the impact of model risk. The provision also takes into account the impact of large concentrated losses within the portfolio and the economic cycle. The use of such judgements and reasonable estimates is considered by management to be an essential part of the process and does not impact on reliability.

(iii) Impairment of goodwill and intangibles with indefinite useful lives

The Group tests annually whether goodwill or other intangibles have suffered any impairment. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The recoverable amounts of cash generating units have been determined based on value-in-use calculations using certain assumptions.

(iv) Retirement village investment property

The fair value of retirement village investment property is determined as the present value of future cash flows based upon statistical modelling of expected cash flows from incoming and outgoing residents and includes assumptions in respect of a number of factors, including average length of residency and expected changes in property prices.

(v) Recoverability assessment of Herston Quarter development costs

Herston Quarter is an approximately five-hectare site being developed to create a landmark Brisbane destination and a global benchmark for health precincts. The Group is the master developer for this $1.1 billion redevelopment project. The development work in progress is reported as part of Investment property (refer to note 12). At the end of each reporting period the Group makes an assessment on the recoverability of the development costs through a review of the future cash flows of the project. Assumptions and judgements are applied in estimating the future cash flows associated with the remaining stages of the development plan. While the Group is well advanced in development activities across the project and is able to utilise available resources, there is a degree of uncertainty associated with the development stages due to their dependency on achieving satisfactory commercial arrangements with third parties, meeting project milestones and market conditions, including inflationary pressures. The current forecast cash flows are based on reasonable and supportable assumptions, market evidence, and inputs from independent valuation experts which the Group believes are realistic and achievable.

(vi) Right-of-use assets and lease liabilities

The initial values of right-of-use assets and lease liabilities are estimated based on the present value of lease payments. The lease payments are discounted using the Group's incremental borrowing rate which is determined using a three-month bank bill swap curve plus a margin that reflects the credit risk.

(vii) Insurance liabilities

The estimates, assumptions and judgements arising as a result of the Group's health and life insurance operations are detailed in notes 26 and 36.

(viii) Income taxes

The Group is subject to income taxes in Australia. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Critical judgements in applying the Group's accounting policies

(i) Classification of life insurance liabilities

Life insurance liabilities held within benefit funds managed by the Group are classified for accounting purposes as either life insurance contract liabilities, participating life investment contract liabilities or non participating life investment contract liabilities in accordance with AASB 1038 Life Insurance Contracts. Judgements are applied in classifying a life insurance liability into the appropriate category in line with the requirements as set out in the accounting policy note.

(ii) Interest in subsidiaries, associates and joint ventures

The Group has investments in other entities and managed investment schemes where Group entities act as the responsible entity for the schemes. In applying the accounting policy, the Group exercises significant judgements to determine which entities and investment schemes are controlled and, therefore, are required to be consolidated. The Group has consolidated those entities determined as being controlled, with principal subsidiaries listed in note 24. For the interests in managed investment schemes, the Group considers its relationship with the majority of the schemes is that of an agent rather than a principal. Where the relationship is that of an agent, the Group does not have the power to control.

For interests in other entities where the Group does not have control, the Group exercises significant judgements to determine whether it has significant influence over the entity or joint control of an arrangement. Where there is a joint arrangement, the Group further determines whether it is structured as a joint operation or a joint venture. The Group has determined as investments in associates those relationships where significant influence over another entity exists. The Group has concluded that the joint arrangement investment in Acorn Capital Limited is a joint venture. The Group does not have power to control the entity.

23 Financial risk management

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. The board has established the Risk and Compliance Committee, which is responsible for developing and monitoring risk management policies.

The Group's Risk Management Framework (RMF) is based upon a top-down policy approach and a bottom-up process for identifying risks. It sets out the risk management principles, mandatory requirements and minimum standards that are to be applied to risk management practices across the Group. The RMF is consistent with AS/NZS ISO 31000 2009: Risk Management in identifying, assessing, controlling and treating its material risks. This analysis is recorded in business unit Risk Registers, which are fully reviewed annually by the Risk and Compliance Committee. Senior Management are required to keep their business unit Risk Register current and to report regularly, including against any treatment or action plans recorded in the Risk Register. Senior Management are also required to provide regular attestations of compliance with the RMF and other applicable Group policies.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

In addition, the board has established the Group Investment Committee to oversee the particular activities and risks associated with the Group's investment responsibilities.

The Audit Committee, in consultation with the Risk & Compliance Committee, oversees the internal controls, policies and procedures that the Group uses to identify and manage business risks. The Committees are assisted in their roles by Group Audit, Group Risk & Compliance and Finance & Strategy. Group Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, Group Risk & Compliance oversees risk management and compliance and Finance & Strategy measures the quantitative aspects of the controls. The results of these reviews are reported to the Risk and Compliance Committee, the Audit Committee and the Company's board.

The unprecedented economic challenges associated with the COVID-19 pandemic continue to have wide-ranging impacts upon the financial markets. In response to this, the Group continues to strengthen its prudency in managing the risks and improving financial risk management to build resilience to future economic problems. In light of the current volatility in the financial markets, the sensitivity analyses discussed below are based on possible movements in currencies, securities prices and interest rates.

(a) Market risk

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

Financial instruments held by the benefit funds managed by the Group do not expose the Group to market risk as any movement in the carrying value of financial instruments held by the benefit funds has an equal and opposite effect on policyholder liabilities.

(i) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument may fluctuate because of changes in market prices. The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as financial assets at fair value through profit or loss. The Group is not directly exposed to commodity price risk.

To manage its price risk arising from equity investments, the Group diversifies its portfolio in accordance with investment policies overseen by the Group Investment Committee, the objective of which is to manage risk within acceptable limits.

The majority of the Group's equity investments are held through investments in trusts managed by related entities. The equity investments held by these trusts are publicly traded.

The table below summarises the impact of changes in securities prices assuming the prices had increased or decreased by 14% (2021: 14%) at the end of the reporting period with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the security prices.

	Impact on post-tax profit		Impact on equity	
Judgements of reasonably possible movements	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**
Securities prices +14% (2021: +14%)	**5,804**	11,305	**5,804**	11,305
Securities prices -14% (2021: -14%)	**(5,804)**	(11,305)	**(5,804)**	(11,305)

The assumptions used in the sensitivity analysis are based on an analysis of published economic data.

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's main interest rate risk arises from cash and cash equivalents and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group analyses variable interest rate exposures on borrowings and will hedge at a fixed rate using interest rate swaps where this is in line with current risk management strategy. During the years ended 30 June 2022 and 2021, the Group's borrowings at variable rate were denominated in Australian Dollars.

As at the end of the reporting period, the Group had the following financial assets and liabilities exposed to variable interest rate risk:

	2022 $'000	**2021 $'000**
Financial assets		
Cash and cash equivalents	**705,704**	638,848
Financial assets at fair value through profit or loss	**265,644**	216,379
Loans and advances	**572,779**	609,238
	1,544,127	1,464,465
Financial liabilities		
Australian Unity Bonds	**322,019**	322,019
Call deposits	**636,778**	675,731
Development finance loans	**18,601**	-
Bank loans	**9,200**	40,660
Loan payable to related entity	**5,100**	5,100
Interest rate swap, at notional principal amounts	**(367,019)**	(322,019)
	624,679	721,491
Net position	**919,448**	742,974

The Group analyses its interest rate exposure on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. The scenarios are run only for interest bearing liabilities. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the board and monitored by management.

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

As at 30 June 2022, Australian Unity Bonds consisted of Series C at a face value of $115,019,000 maturing in December 2024 and Series D at a face value of $207,000,000 maturing in December 2026. The bonds bear interest at the three-month BBSW rate plus a fixed margin. Series C and Series D bonds carried a fixed margin of 2.00% and 2.15% respectively which resulted in total interest rates of 2.33% (2021: 2.04%) for Series C and 2.48% (2021: 2.19%) for Series D. The Group entered into interest rate swap transactions for a total notional amount of $322,109,000 to hedge the variable interest component of these bonds for the periods up to the maturity dates of the respective bonds, at rates ranging from 0.90% to 0.95% for Series C and 1.12% to 1.13% for Series D. The Group also hedged the variable rates of deposits via interest rate swaps for a total notional amount of $45,000,000 maturing on various dates in 2024.

As at the end of the reporting period, if interest rates had increased or decreased by 0.60% (2021: 0.60%), with all other variables held constant, the impact would have been as follows:

	Impact on post-tax profit		Impact on equity	
Judgements of reasonably possible movements	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**
Interest rates +0.60% (2021: +0.60%)	**1,598**	(1,967)	**1,598**	(1,967)
Interest rates -0.60% (2021: -0.60%)	**(1,598)**	1,967	**(1,598)**	1,967

(iii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of an overseas financial investment will fluctuate as a result of movements in international exchange rates. The Group operates in Australia and the exposure to foreign exchange risk through its holding in investment funds is not significant.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk is managed on a group basis to ensure that this risk is minimised. Credit risk arises from derivative financial assets, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'BBB-' are accepted. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, an internal assessment is made in relation to the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by wholesale customers is regularly monitored by line management. Sales to retail customers are required to be settled in cash or using major credit cards to mitigate credit risk.

Under the current credit risk modelling, the Group considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Regardless of the analysis, a significant increase in credit risk is presumed if a debtor or borrower is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within the prescribed days of when they fall due as determined by each business segment.

Trade and other receivables

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

There is generally no significant concentration of credit risks as the organisation transacts with a large number of individually immaterial debtors. This is further mitigated in relation to health insurance policy debtors where the credit risk will only continue during the grace period as specified by legislation and/or in the policy document, after this period the policy is either paid up or terminated.

In relation to any other individually material debtors, it is the Group's policy that any customers who are likely to have such material balances owing and wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored. In addition, debtor balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group applies the simplified expected credit loss (ECL) approach to estimate the amount of impairment loss as permitted by the standard. Under the simplified ECL approach, the Group estimates the expected lifetime losses to be recognised from initial recognition of the receivables. In estimating the lifetime ECL, the Group conducts an internal credit review that takes into account the historical loss experience, current observable data and reasonable forward-looking information as available, which include the significant changes in the performance and payment status of the debtors and anticipated significant adverse changes in business, financial or economic conditions that may impact the debtors' ability to meet its obligations. The movements in provision during the current financial year was immaterial.

Loans provided by the bank to customers

The Group's subsidiary, Australian Unity Bank Limited, provides mortgage and personal loans to customers. The mortgage loans consist of residential housing loans and commercial property loans. The Group is exposed to the risk of loss in relation to these loans due to the failure by customers to meet their obligations in accordance with the agreed terms. To mitigate the risk of potential losses that may arise from any default, the bank holds collateral, when required, as security for the loans and advances, on conservative Loan Value Ratio (LVR). A loan account is assumed to be in default once it reaches 90 days past due or when the debtor or borrower is in the event of bankruptcy. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of loans, net of any provisions for impairment. Loan mortgage insurance is generally taken out for any residential mortgages with an LVR in excess of 80%. Accordingly, the financial effect of these measures is that remaining credit risk on loans is very low. Some lending products will be mostly unsecured (e.g. personal loans). Loans impairment experience supports the assignment of a credit risk rating of satisfactory or better. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Group Board. The compliance with credit limits by wholesale customers is regularly monitored by management.

At each reporting date, the Group makes an assessment whether there is a significant increase in credit risk since origination. The Group considers historical loss experience and adjust this with the current observable data and reasonable forecast of future economic condition which includes macroeconomic factors to detect any indication of a significant increase in credit risk. An analysis to estimate the expected credit loss is performed on each portfolio of accounts with shared risk characteristics. As disclosed in the accounting policy note, the Group applies a three-stage approach to distinguish the categories of loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. The movements in credit loss provision were primarily driven by model assumptions on forward looking scenarios, including the trends of loans in arrears and management's view on macro-economic conditions in the foreseeable future.

Other loans and advances

The Group has loans and advances to other parties. To assess whether there is a significant increase in credit risk, the Group considers the financial or economic conditions that may cause a significant change to the borrower's ability to meet its obligations, the actual or anticipated significant adverse changes in the performance of the borrowers and significant changes in the value of the collateral supporting the obligation.

The following table represents the credit quality of financial assets:

	Neither past due nor impaired		Past due but	Past due and	
	High grade $'000	Other grade $'000	not impaired $'000	impaired $'000	Total $'000
At 30 June 2022					
Cash and cash equivalents	**1,086,445**	**-**	**-**	**-**	**1,086,445**
Trade and other receivables	**605**	**76,667**	**62,522**	**3,115**	**142,909**
Financial assets at fair value through profit or loss	**626,747**	**1,520,238**	**-**	**-**	**2,146,985**
Other financial assets at amortised cost	**70,505**	**-**	**-**	**-**	**70,505**
Loans and advances	**1,021,068**	**55,011**	**38,118**	**5,997**	**1,120,194**
Other financial assets	**-**	**50,132**	**-**	**-**	**50,132**
	2,805,370	**1,702,048**	**100,640**	**9,112**	**4,617,170**

	Neither past due nor impaired		Past due but	Past due and	
	High grade $'000	Other grade $'000	not impaired $'000	impaired $'000	Total $'000
At 30 June 2021					
Cash and cash equivalents	1,008,647	-	-	-	1,008,647
Trade and other receivables	499	66,578	61,043	1,850	129,970
Financial assets at fair value through profit or loss	827,899	1,521,045	-	-	2,348,944
Other financial assets at amortised cost	47,278	-	-	-	47,278
Loans and advances	798,694	78,037	30,083	13,792	920,606
Other financial assets	-	47,316	-	-	47,316
	2,683,017	1,712,976	91,126	15,642	4,502,761

The credit risk on the above financial assets of the Group which have been recognised in the balance sheet, other than investments in shares, is generally the carrying amount, net of any provisions for impairment. Credit risk for physical securities and derivative instruments are monitored by exposure limits to counterparties. These limits are determined by reference to third party credit ratings. The maximum credit risk exposure of the financial assets at the end of each reporting period is their carrying amount.

Credit risk further arises in relation to irrevocable loan commitments provided to the customers of the bank. The irrevocable loan commitments are binding contracts to extend credit to customers as long as no violation of any condition in the contracts occurs. The maximum credit risk exposure of the loan commitments is the full amount of irrevocable approved undrawn loans of $44,645,000 (2021: $34,930,000).

The Group provides financial guarantees to certain parties amounting to $77,244,000 (2021: $69,479,000). These financial guarantees are only provided in exceptional circumstances and are subject to specific board approval. The maximum credit risk exposure of the financial guarantees is the maximum amount that could be paid if the guarantee is called on.

Financial assets held by the benefit funds managed by the Group do not expose the Group to credit risk as any movement in the carrying value of these assets has an equal and opposite effect on policyholder liabilities.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

As at 30 June 2022, the Group's total current assets were lower than total current liabilities by $245 million. This is not an indication of a liquidity issue as current liabilities include $1,649 million of refundable accommodation deposits and resident loan liabilities (refer to note 10) which the Group classifies as current, reflecting contractual requirements for the Group to repay an exiting resident within 12 months. However, experience is that only a minority of residents will exit within the next 12 months and accordingly the majority of the liabilities will not be payable within that period. The Group regularly reviews business strategy and funding requirements and allocates capital as required to ensure that it has the ability to meet all financial obligations.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities based on the contractual maturities remaining at the end of each reporting period. The Group expects that certain liabilities will be settled at maturities which are different to their initial contractual maturities, including deposits where the Group expects (as part of the subsidiary's normal banking operations) that a large proportion of these balances will roll over.

The amounts disclosed in the table are the contractual undiscounted principal and interest cash flows and hence may differ to the amounts reported on the balance sheet. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

For the financial guarantee and bank credit commitments as at 30 June 2022 (refer to notes 30 and 31), as the probability and value of the obligation that may be called on is unpredictable, it is not practical to state the timing of any potential payment. However, there is a contractual obligation for the Group to provide the funds when they are called upon by the counterparties.

	Less than 6 months $'000	6 – 12 months $'000	1 – 5 years $'000	Over 5 years $'000	No specific maturity $'000	Total $'000
At 30 June 2022						
Trade and other payables	177,805	-	-	-	-	177,805
Interest bearing liabilities						
Australian Unity Bonds	5,066	5,066	350,769	-	-	360,901
Bank loan	252	252	28,458	-	-	28,962
Call deposits	645,726	-	-	-	-	645,726
Loan payable to related entity	97	5,197	-	-	-	5,294
Mortgage offset savings accounts	168,546	-	-	-	-	168,546
RBA term funding facilities	41	25,222	18,407	-	-	43,670
Retirement Village Investment Notes	1,286	1,286	53,039	-	-	55,611
Term deposits	217,037	122,034	94,211	-	-	433,282
	1,038,051	159,057	544,884	-	-	1,741,992
Lease liabilities	9,003	8,638	62,475	83,218	-	163,334
Benefit fund policy liabilities	116,180	135,251	-	-	2,106,557	2,357,988
Other liabilities	1,221	-	718	-	1,657,540	1,659,479
Total liabilities	1,342,260	302,946	608,077	83,218	3,764,097	6,100,598

	Less than 6 months $'000	6 – 12 months $'000	1 – 5 years $'000	Over 5 years $'000	No specific maturity $'000	Total $'000
At 30 June 2021						
Trade and other payables	187,451	-	-	-	-	187,451
Interest bearing liabilities						
Australian Unity Bonds	5,066	5,066	150,512	210,388	-	371,032
Bank loan	371	371	41,146	-	-	41,888
Call deposits	686,760	-	-	-	-	686,760
Loan payable to related entity	59	5,159	-	-	-	5,218
Mortgage offset savings accounts	137,302	-	-	-	-	137,302
RBA term funding facilities	41	41	43,671	-	-	43,753
Retirement Village Investment Notes	1,286	1,286	55,686	-	-	58,258
Term deposits	148,143	42,470	8,493	-	-	199,106
	979,028	54,393	299,508	210,388	-	1,543,317
Lease liabilities	8,300	8,060	55,534	95,288	-	167,182
Benefit fund policy liabilities	175,864	172,331	-	-	2,114,392	2,462,587
Other liabilities	1,480	-	3,993	-	1,311,693	1,317,166
Total liabilities	1,352,123	234,784	359,035	305,676	3,426,085	5,677,703

(d) Capital risk management

Capital is represented by members' funds and comprises earnings retained in relation to past activities of Australian Unity Limited. It is the board's policy to maintain a strong capital base so as to maintain member, stakeholder, creditor and market confidence and to sustain future development of the business.

Capital management plays a central role in managing risk to create member value whilst also ensuring that the interests of all stakeholders including investors, policyholders, lenders and regulators are met.

Capital is utilised to finance growth, non-current asset acquisitions and business plans and also provides support if adverse outcomes arise from health insurance, investment performance or other activities.

The appropriate level of capital is determined by the board based on both regulatory and economic considerations.

Legislation requires a number of the controlled entities to maintain certain levels of capital, the specific details of which are discussed in the relevant individual controlled entities' financial statements. Throughout the 2022 financial year and currently, these controlled entities have maintained capital in excess of prudential requirements at all times. For entities not subject to specific legislation, capital risk management is determined in conjunction with the above-mentioned considerations, and the economic, operational and capital needs of the business.

There were no changes in the Group's approach to capital management during the year.

(e) Insurance risk

The health insurance business of the Group provides private health insurance which provides benefits to cover costs arising from a range of services, including hospital services, medical services, prostheses and ancillary services. Some contracts cover all services, some cover only ancillary services and others cover all services excluding ancillary services. The benefits are provided under two types of contracts, health insurance contracts and health related insurance contracts. The latter provides cover for overseas visitors.

Insurance risk is managed through appropriate product design, claims management, close monitoring of insurance risk and experience, holding capital in excess of prudential requirements, risk equalisation, varying premiums and the operation of preventative health programs.

Product design
Robust product development and review processes including appropriate sign-off requirements are applied to mitigate the risk of the insurer's products attracting a disproportionally large number of high claimers.

Claims management
Comprehensive claims management procedures and controls are applied to ensure correct and timely settlement of claims in accordance with policy conditions and provider contracts. Claims are monitored on a monthly basis to track the experience of the portfolios.

Insurance risk and experience monitoring
The Group's Risk & Compliance Committee and the board review the monthly financial and operational results, including insurance operating measures and prudential capital requirements. The insurance risks and experience for the industry are also monitored by the Australian Prudential Regulation Authority (APRA).

Prudential capital requirements
Private health insurers must comply with prudential capital requirements providing a safeguard against certain adverse experience. The board has adopted a conservative approach by applying a target level of capital in excess of the prudential requirements.

Risk equalisation
The Private Health Insurance Act 2007 requires resident private health insurance contracts to meet community rating requirements, prohibiting health insurers from discriminating between people on the basis of their health status, gender, race, sexual orientation, religious belief, age, lifestyle, frequency of need for treatment or claims history. To support these restrictions, all private health insurers must participate in the Risk Equalisation Special Account under which the cost of proportions of the eligible claims of all persons aged 55 years and over and those claims meeting the high cost claim criteria are shared across all private health insurers.

Concentration of insurance risk
The health insurance contracts written cover a large number of members across Australia. The Group has no exposure to concentration of risk.

Ability to vary premium rates
The Group is able to vary premium rates annually under a process which requires the approval of the Minister for Health and Ageing for all premium changes.

Preventative health programs
The Group operates preventative health programs to contribute to members' health and reduce the risk of hospitalisation and thus claims.

(f) Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk, and the risk of reputational loss or damage arising from inadequate or failed internal processes, people and systems, but excludes strategic risk.

While the Group Risk & Compliance Committee has delegated responsibility for developing and monitoring risk management policies and reviewing the adequacy of the risk management framework, each business unit has a risk officer and risk management processes and practices which provide oversight of operational risk undertaken in each business. Each business unit works closely with the Group Risk Management team. There are documented risk procedures to manage and maintain oversight of operational risks. These procedures include thresholds for escalation and monitoring. Group Risk is responsible for exercising governance over operational risk through the management of the group risk management framework, policy development, risk analysis, fraud prevention and reporting of risk matters to the Group Risk & Compliance Committee.

The Group's risk framework is supported by specific policies and procedures with the effectiveness of the framework assessed through a series of independent assurance reviews conducted by Group Audit.

The Group has adopted an operational risk management process which consists of a staged approach involving establishing the context, identification, analysis, assessment, treatment and monitoring of current, emerging and potential future operational risks.

Business disruption is a critical risk to the ability to operate, so the Group has comprehensive business continuity, recovery and crisis management plans. These are intended to ensure critical business functions can be maintained, or restored in a timely fashion, in the event of material disruptions arising from internal or external events.

The Group obtains insurance cover from third party providers to cover those operational risks where cost effective premiums can be obtained, however, insurance is not treated as a guaranteed mitigation for operational risk.

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. In particular, there is information about:

- principal subsidiaries included in the consolidated financial statements,
- parent entity, health insurance and bank financial information, and
- reconciliation of profit attributable to members of Australian Unity Limited.

24 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the controlled entities. The table below lists the principal controlled entities. All these entities are wholly-owned by the Group and are incorporated in Australia.

Wholly-owned by the Parent entity	Wholly-owned by the controlled entities
Australian Unity Advice Pty Ltd	Albert Road Development Manager Pty Ltd
Australian Unity Bank Limited	Australian Unity Aged Care Investments Pty Ltd
Australian Unity Finance Limited	Australian Unity Aged Care Trust #1
Australian Unity Funds Management Limited	Australian Unity Aged Care Trust #2
Australian Unity Group Services Pty Ltd	Australian Unity Aged Care Trust #4
Australian Unity Health Care Pty Ltd	Australian Unity Aged Care Trust #5
Australian Unity Health Limited	Australian Unity Albert Road Retirement Village Land Trust
Australian Unity Investments Strategic Holdings Pty Ltd	Australian Unity Aurora Land Owner Trust
Australian Unity Personal Financial Services Limited	Australian Unity Aurora Operations Trust
Australian Unity Property Limited	Australian Unity Campbell Place Aged Care Land Trust
Australian Unity Retirement Living Holdings Pty Ltd	Australian Unity Campbell Place Retirement Village Land Trust
Australian Unity Retirement Living Investments Limited	Australian Unity Care Services Pty Ltd
Australian Unity Retirement Living Services Limited	Australian Unity Carlton Aged Care Trust
Australian Unity Strategic Holdings Pty Limited	Australian Unity Carlton Retirement Trust #1
Australian Unity Strategic Investments Pty Ltd	Australian Unity Carlton Retirement Trust #2
Herston Company Pty Ltd	Australian Unity Herston Quarter Aged Care Land Holdings Pty Ltd
Lifeplan Australia Friendly Society Limited	Australian Unity Herston Quarter Retirement Community Land Holdings Pty Ltd
Remedy Healthcare Group Pty Ltd	Australian Unity Home Care Service Pty Ltd
	Australian Unity Investment Trust
	Australian Unity Mornington Development Trust
	Australian Unity Peninsula Grange RACF Land Trust
	Australian Unity Retirement Living Management Pty Ltd
	Australian Unity Retirement Village Trust #1
	Australian Unity Retirement Village Trust #2
	Australian Unity Retirement Village Trust #5
	Australian Unity Sienna Grange Aged Care Land Trust
	Australian Unity Sienna Grange Development Trust
	Australian Unity Trustees Limited
	Greengate Care Pty Ltd
	Greengate Partnership Pty Ltd
	Herston Development Company Pty Ltd
	Herston Quarter Aged Care Developer Pty Ltd
	Herston Quarter Retirement Community Developer Pty Ltd
	Hunters Hill Sub-Trust
	Kookaburra Securitisation Trust 2021-1R
	Platypus Asset Management Pty Ltd
	St Brigid's Green Retirement Village Pty Ltd
	St Faber's Green Retirement Village Pty Ltd
	St Luke's Green Retirement Village Pty Ltd
	St Patrick's Green Retirement Village Pty Ltd
	The Governor's Retirement Resort Pty Ltd
	Victoria Grange Sub Trust

25 Parent entity financial information

(a) Summary financial information

The individual financial statements for the Parent entity show the following aggregate amounts:

	2022 $'000	2021 $'000
Balance sheet		
Cash and cash equivalents	136,451	162,385
Other current assets	282,288	172,820
Current assets	418,739	335,205
Non-current assets	1,089,543	965,403
Total assets	1,508,282	1,300,608
Current liabilities	51,461	59,739
Non-current liabilities	377,885	402,244
Total liabilities	429,346	461,983
Members' balances	255,625	255,625
Mutual Capital Instruments	342,127	116,897
Reserves	20,218	(2,295)
Retained earnings	460,966	468,398
Total equity	1,078,936	838,625
Profit for the year	4,139	(29,124)
Total comprehensive income for the year	4,139	(29,124)

(b) Contingent assets and liabilities of the Parent entity

The Parent entity has entered into bank guarantee arrangements totalling $69,475,000 (2021: $62,628,000) 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 Parent entity had no other contingent assets or liabilities as at 30 June 2022.

(c) Commitments entered into by the Parent entity

The Parent entity did not have any commitments as at 30 June 2022 and 2021.

26 Health insurance financial information

The disclosures below relate only to the continuing operations of the health insurance business of a controlled entity.

(a) Details of income and expenses

	2022 $'000	2021 $'000
Revenue		
Premium revenue	688,330	671,335
Net claims expense		
Claims expense	(593,365)	(597,346)
Risk equalisation and reinsurance recoveries	68,689	69,702
State levies	(3,611)	(3,437)
Total net claims expense	(528,287)	(531,081)
Gross underwriting result	160,043	140,254
Management expenses		
Commission	(17,546)	(15,077)
Employee benefits	(27,788)	(27,442)
Marketing	(4,785)	(5,054)
Technology	(11,314)	(10,681)
Other management expenses	(26,453)	(25,151)
Total management expenses	(87,886)	(83,405)
Net underwriting result	72,157	56,849
Investment income	(7,075)	10,638
Finance costs	(2,162)	(1,738)
Profit before income tax	62,920	65,749
Income tax expense	(18,931)	(19,520)
Profit after income tax	43,989	46,229

(b) Net Risk Equalisation Special Account (RESA) receivable

	2022 $'000	2021 $'000
Movement in net RESA receivable		
Balance at the beginning of the financial year	21,667	16,235
Net RESA raised during the year	68,689	69,702
Net RESA paid during the year	(69,876)	(64,270)
Balance at the end of the financial year	20,480	21,667

(c) Claims provision (current liabilities)

The amounts of outstanding claims and deferred claims are as follows:

	2022 $'000	2021 $'000
Outstanding claims - central estimate including risk equalisation	46,180	46,445
Risk margin	3,661	3,700
Claims handling costs	1,600	1,600
Outstanding claims provision	51,441	51,745
Deferred claims - central estimate including risk equalisation	60,200	43,583
Risk margin	8,660	6,263
Claims handling costs	2,105	1,476
Deferred claims provision	70,965	51,322
Total claims provision	122,406	103,067

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

	2022 $'000	2021 $'000
Balance at the beginning of the financial year	51,745	51,439
Claims incurred during the year	570,495	586,337
Claims paid during the year	(574,026)	(583,331)
Movement in other components	3,227	(2,700)
Balance at the end of the financial year	51,441	51,745

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

	2022 $'000	2021 $'000
Balance at the beginning of the financial year	51,322	37,613
Deferred claims provision incurred during the year	38,818	27,471
Unwinding of provision during the year	(17,871)	(14,248)
Movement in other components	(1,304)	486
Balance at the end of the financial year	70,965	51,322

(d) Outstanding claims liability

Provision is made for outstanding claims at the end of the financial year, 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. Claims processed but not yet paid are included as trade payables (and not in the outstanding claims provision). Claims provisions are determined using actuarial estimation methods and amounts paid or payable are recognised as part of expenses in the profit or loss.

The expected future payments for claims incurred are expected to be settled within one year and as such the undiscounted value approximates their present value.

The outstanding claims estimates are based on the hospital and ancillary valuation classes. Estimated outstanding claims for both hospital and ancillary classes are calculated using an adjusted chain ladder method, except for hospital claims incurred for the June 2022 service month, which is based on the Group's most recent central estimate claims forecast which was reduced by 10% to reflect payment experience to the end of the financial year. For hospital claims incurred in or prior to the service month of May 2022, adjustments are then applied to reflect changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including changes in the Group's processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with previous periods. The critical assumption in determining the outstanding claims liability is the extent to which claim incidence and development patterns are consistent with past experience.

The risk margin of 7.7% (2021: 7.7%) combined with the central estimate, is estimated to equate to a probability of adequacy of at least 95% (2021: at least 95%). The risk margin has been based on an analysis of the Group's past experience. This analysis modelled the volatility of past payments that is not explained by the model adopted to determine the central estimate and the results are assumed to be indicative of future volatility.

The weighted average expected term to settlement of claims from the balance date is estimated to be 1.8 months (2021: 1.8 months). The estimated costs of claims include allowances for Risk Equalisation Special Account (RESA) adjustments of $7.28 million (2021: $7.36 million).

Impact of changes in key variables

The central estimate is based on statistical analysis of historical experience which assumes an underlying pattern of claims development and payment. A 10% increase/decrease in the central estimate would result in a $3.23 million decrease/increase to profit after tax and equity (2021: $3.25 million). A 10% movement in other key outstanding claims variables, including risk margin and claims handling costs, would result in an insignificant decrease/increase to profit after tax and equity.

(e) Deferred claims liability

The deferred claims liability relates to claims deferred due to restrictions imposed on elective surgery in response to the COVID-19 pandemic. The Group experienced unusually low claims volumes due to the restrictions on health services that were imposed across various states, particularly in Victoria and New South Wales.

There is a general expectation that, as restrictions are lifted, there will be a catch up of procedures and benefits claimed in the future. As a result, a specific deferred claims liability is recorded representing management's estimate of claims that did not occur or have yet to catch up due to the impact of COVID-19.

Risks and uncertainties have been taken into account in the measurement of the liability and are reflected in the key inputs and judgements, which include the following factors

Judgement	Input
Estimated value of claims that did not occur due to restrictions imposed on elective surgery.	An analysis of the actual underlying claims data versus the expected level of claims projected in the Group's 2021 premium round forecast (for the period 1 July 2020 to 30 June 2021) and 2022 premium round forecast (for the period 1 July 2021 to 30 June 2022).
Estimated deferral rate applied to the difference between the expected and actual claims incurred.	Deferral rate of 82% (2021: 82%) applied to the difference between the expected and actual claims incurred for Hospital claims. The deferred percentage is based on expert actuarial and clinical review of underlying claims categories.
Estimated timeframe over which deferred insured surgeries and other procedures will be caught up.	The speed of catch up claim activity to date, for all states, post lifting of restrictions has been slower than expected. The Group is of the view that this is due to a combination of resource constraints in hospitals and voluntary deferral of services by policyholders after restrictions have been lifted. The expected time frame over which deferred insured surgeries and other procedures will be caught up is assessed at each reporting period based on expert actuarial opinion.
Estimated impact of risk equalisation.	The risk equalisation component of the deferred claims liability was estimated using the same methodology used for the risk equalisation component of the outstanding claims liability.

The expected future payments for claims incurred are expected to be settled within less than one year on average, and as such the undiscounted value approximates their present value. The estimated costs of claims include allowances for Risk Equalisation Special Account (RESA) adjustments of $9.96 million (2021: $5.63 million).

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

Impact of changes in key variables

The impacts of changes in key variables on the estimate of the deferred claims liability are as follows, noting that these were not applicable in the prior year:

- A 3 percentage point increase/decrease (2021: 3 percentage point) in the most recent claims forecast prior to the COVID-19 period would result in a $6.37 million decrease/increase (2021: $4.89 million) to profit after tax and equity.
- A 10 percentage point increase/decrease (2021: 10 percentage point) in the estimated deferral rate for hospital deferred claims would result in a $6.06 million decrease/increase (2021: $3.43 million) to profit after tax and equity.
- A 5 percentage point increase/decrease (2021: 5 percentage point) in the deferred claims liability risk margin would result in a $2.18 million decrease/increase (2021: $1.58 million) to profit after tax and equity.

(f) Unexpired risk liability

The calculation of the liability adequacy test has found that there is no need to provide for an unexpired risk liability at 30 June 2022 (2021: $nil) at a 75% (2021: 75%) and below probability of adequacy. The lower level of probability of adequacy used in the liability adequacy test compared to that used in the outstanding claims liability calculation is due to the Group accepting a lower level of certainty given that actions can be taken to reduce the impact of an adverse event should it occur in future periods.

27 Bank financial information

The disclosures below relate only to the bank activities of the wholly owned subsidiary, Australian Unity Bank Limited.

(a) Financial performance summary

	2022 $'000	2021 $'000
Interest income:		
Effective interest	22,980	26,322
Other	2,307	3,358
	25,287	29,680
Interest expense	(5,084)	(8,051)
Net interest income	20,203	21,629
Other banking income	280	1,910
Net operating income	20,483	23,539
Operating expenses	(23,208)	(20,025)
Reversal of loan impairment provision	4,230	3,093
Profit before income tax	1,505	6,607
Income tax expense	(457)	(1,988)
Profit after income tax	1,048	4,619

(b) Financial position summary

	2022 $'000	2021 $'000
Cash and cash equivalents	28,256	23,932
Financial assets at fair value through profit or loss	123,120	170,817
Other financial assets at amortised cost	64,513	43,218
Loans and advances	1,110,551	907,643
Other assets	9,537	7,480
Total assets	1,335,977	1,153,090
Interest bearing liabilities	1,241,788	1,065,669
Other liabilities	8,151	6,297
Total liabilities	1,249,939	1,071,966
Net assets (Equity)	86,038	81,124

(c) APRA Capital adequacy

	2022 $'000	2021 $'000
Reserves and retained earnings	92,438	86,924
Less regulatory prescribed adjustments	(5,369)	(4,863)
Regulatory capital base	87,069	82,061
Risk weighted exposures	578,822	528,226
APRA Capital adequacy ratio	15.0%	15.5%

28 Reconciliation of profit attributable to members of Australian Unity Limited

	Attributable to members of Australian Unity Limited $'000	Attributable to benefit fund policyholders $'000	Consolidated Profit or Loss $'000
For the year ended 30 June 2022			
Revenue and other income	1,543,098	-	1,543,098
Direct life insurance premium revenue	-	390	390
Outwards reinsurance expense	-	(191)	(191)
Deposits received - investment contracts with Discretionary Participating Feature (DPF)	-	30,776	30,776
Investment income	-	(212,688)	(212,688)
Other	-	(58)	(58)
Total revenue and other income	1,543,098	(181,771)	1,361,327
Life insurance claims expense	-	(980)	(980)
Benefits and withdrawals paid - investment contracts with DPF	-	(71,182)	(71,182)
Movement in policyholder liabilities	-	214,113	214,113
Expenses, excluding finance costs	(1,473,787)	(24,917)	(1,498,704)
Total expenses, excluding finance costs	(1,473,787)	117,034	(1,356,753)
Finance costs	(41,429)	-	(41,429)
Share of net profits of joint ventures	955	-	955
Profit before income tax	28,837	(64,737)	(35,900)
Income tax benefit/(expense)	16,882	64,737	81,619
Profit after income tax	45,719	-	45,719
For the year ended 30 June 2021			
Revenue and other income	1,443,143	-	1,443,143
Direct life insurance premium revenue	-	405	405
Outwards reinsurance expense	-	(193)	(193)
Deposits received - investment contracts with DPF	-	38,392	38,392
Investment income	-	224,381	224,381
Other	-	(56)	(56)
Total revenue and other income	1,443,143	262,929	1,706,072
Life insurance claims expense	-	(835)	(835)
Benefits and withdrawals paid - investment contracts with DPF	-	(81,481)	(81,481)
Movement in policyholder liabilities	-	(98,055)	(98,055)
Expenses, excluding finance costs	(1,381,586)	(24,668)	(1,406,254)
Total expenses, excluding finance costs	(1,381,586)	(205,039)	(1,586,625)
Finance costs	(37,112)	-	(37,112)
Share of net profits of joint ventures	3,273	-	3,273
Profit before income tax	27,718	57,890	85,608
Income tax benefit	5,189	(57,890)	(52,701)
Profit after income tax	32,907	-	32,907

29 Business combination

(a) Acquisition of Greengate Partnership Pty Ltd

On 7 July 2021, the Group acquired all of the shares of Greengate Partnership Pty Ltd (Greengate), an aged care and retirement living owner-operator, for $87 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.

In the accounting for the business combination, all assets acquired and liabilities assumed are identified and measured at fair value as of the acquisition date. As the amount of the net assets is in excess of the purchase consideration, the Group recognised a gain on acquisition. It is not possible to ascribe the gain on acquisition to a particular asset acquired or circumstance. The acquisition includes significant values attributable to aged care and retirement village assets, which are based on independent valuations obtained by the Group. The acquisition also included significant tax losses which are recognised at their historical value (in accordance with AASB 112) and will be utilised in future years in line with Australian taxation laws. Details of the purchase consideration, net assets acquired and gain on acquisition are as follows:

	$'000
Purchase consideration	
Cash payments	87,047
Net assets acquired based on the fair value at the date of acquisition:	
Cash and cash equivalents	27,346
Trade and other receivables	8,283
Property, plant and equipment	163,743
Investment properties	231,840
Intangible assets	73
Right-of-use assets	4,778
Trade and other payables	(3,399)
Resident liabilities	(313,046)
Net deferred tax liabilities	(8,441)
Other liabilities	(5,023)
	106,154
Gain on acquisition	19,107

Cash outflow to acquire the business, net of cash acquired are as follows:

	$'000
Cash consideration	87,047
Less: cash acquired	(27,346)
Direct costs related to the acquisition	(6,298)
Net cash outflow	53,403

The amount of net deferred tax liabilities included deferred tax asset on unused losses of $30,177,000 (refer to note 17). Acquisition-related costs totalling $1,325,000 were expensed in prior years and $4,973,000 was expensed in the 2022 financial year. The acquired business has contributed revenue of $35,427,000 and net profit of $1,210,000 for the period since the acquisition date up to 30 June 2022.

(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 initially up to 31 May 2022, but then extended to 30 September 2022.

Details of the purchase consideration, revaluation of initial investment, the net assets acquired and goodwill recognised in the preliminary accounting for the step acquisition are as follows:

	$'000
Purchase consideration and revaluation of initial investment	
Payments for acquiring 49% of the shares	20,684
Carrying amount of initial investment	777
Fair value adjustment to the carrying amount of initial investment	20,329
	41,790
The assets recognised and the liabilities assumed as a result of the acquisition:	
Cash and cash equivalents	1,215
Trade and other receivables	3,669
Right of use assets	1,624
Other assets	1,077
Goodwill	47,081
Trade and other payables	(1,627)
Employee benefit liability	(6,805)
Dividend payable	(1,875)
Lease liability	(1,630)
Other liabilities	(939)
	41,790

The acquired business has contributed revenue of $5,385,000 and net profit of $610,000 for period since the acquisition date up to 30 June 2022.

At the date of this report, the determination of goodwill arising from the acquisition has not been finalised. The accounting for the business combination will be finalised within 12 months of the purchase.

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.

30 Commitments

(a) Capital commitments

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

	2022 $'000	2021 $'000
Financial assets at fair value through profit or loss		
Within one year	3,200	-
Later than one year but not later than five years	3,200	-
	6,400	-
Investment property		
Within one year	88,188	135,102
Later than one year but not later than five years	32,900	98,007
	121,088	233,109
Total capital commitments	127,488	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 the design and construction of Stage 11 Childcare. These milestones are anticipated to be completed within the next two years with capital expenditure in the range of $15 million.

(b) Credit related commitments

The Group has binding commitments to extend credit which are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

	2022 $'000	2021 $'000
Irrevocable approved but undrawn loans	44,645	34,930
Revocable loans with balances available for redraw	51,371	49,465
Revocable undrawn lines of credit, credit cards and overdrafts	18,376	19,213
	114,392	103,608

31 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 $77,244,000 (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 30 June 2022.

32 Events occurring after the reporting period

MCI dividend

On 7 September 2022, the board has determined an interim fully franked dividend of $2.5068 per Australian Unity Mutual Capital Instrument (MCI) to be paid on 17 October 2022.

The financial effects of the above board resolution in relation to the MCI dividend have not been brought to account in the financial statements for the year ended 30 June 2022 and will be recognised in subsequent financial reports.

Other

The board is not aware of any other matter or circumstance arising since 30 June 2022 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.

33 Related party transactions

(a) Parent entity

Australian Unity Limited is the parent entity and the ultimate parent entity of the Australian Unity Group.

(b) Subsidiaries

Interests in subsidiaries are set out in note 24.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 34.

(d) Related party transactions

Transactions between the Group and related parties for the financial years ended 30 June 2022 and 2021 were as follows:

- Property development management fees charged to related entities, $702,826 (2021: $444,955).
- Fees charged by related entities for the construction of aged care and retirement village properties, $nil (2021: $53,103,221).
- Purchase of retirement village units from related entity, $nil (2021: $80,265,284).
- Dividends received from joint ventures, $2,955,304 (2021: $1,080,550).
- Investment management fees charged to joint ventures, $2,682,205 (2021: $3,118,233).
- Commission, director fees and other costs charged to joint ventures, $459,168 (2021: $477,271).
- Payments for investments in associates and joint ventures, $50,000 (2021: $13,149,000).
- Capital returns from joint venture entities, $nil (2021: $10,217,000).
- Proceeds from disposal of investments in joint ventures, $nil (2021: $2,520,000).
- Performance fees charged by joint ventures, $15,669 (2021: $231,715).
- Donations to a related charity organisation, $nil (2021: $225,632).
- Investment loss from related entities, $19,989,283 (2021: income from related entities $5,716,174).

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

(e) Balances with related parties

The following balances with related entities which are not part of the consolidated entity were outstanding at the end of each reporting period:

	2022 $	2021 $
Assets		
Cash and cash equivalents	**862,081,350**	817,196,856
Trade and other receivables	**661,614**	1,000,300
Financial assets at fair value through profit or loss	**353,684,358**	364,833,766
	1,216,427,322	1,183,030,922
Liabilities		
Trade and other payables	**256,419**	300,309
Loans payable to related entities	**5,100,000**	5,100,000
	5,356,419	5,400,309

34 Key management personnel disclosures

(a) Key management personnel compensation

	2022 $	2021 $
Short-term employee benefits	**7,204,600**	7,302,514
Post-employment benefits	**239,641**	225,988
Long-term benefits	**(87,933)**	99,975
Termination benefits	**742,910**	613,085
MCI-based benefits	**182,258**	-
	8,281,476	8,241,562

Detailed remuneration disclosures are provided in the Remuneration report in the Directors' report

(b) Other transactions with key management personnel

From time to time the directors of the Parent entity and its controlled entities may purchase or subscribe to the various products or securities offered by the Group. These transactions are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

35 Remuneration of auditors

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

(a) Audit and other assurance services

	2022 $	2021 $
PricewaterhouseCoopers Australia		
Audit and review of financial statements	**2,197,975**	1,783,668
Audit of regulatory returns	**457,085**	372,571
Total remuneration for audit and other assurance services	**2,655,060**	2,156,239

(b) Taxation and other services

	2022 $	2021 $
PricewaterhouseCoopers Australia		
Tax compliance services	**76,463**	18,948
Tax consulting services	**-**	96,375
Other services	**171,677**	330,555
Total remuneration for taxation and other services	**248,140**	445,878
Total auditor's remuneration	**2,903,200**	2,602,117

It is Australian Unity Limited's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties only where PricewaterhouseCoopers' expertise and experience with Australian Unity Limited's business are essential to the efficient completion of the assignment; these assignments are principally the completion of tax returns. It is Australian Unity Limited's policy to seek competitive tenders for all major consulting projects.

36 Benefit fund policy liabilities

The Group's life insurance disclosures are set out below and reflect the operations of the benefit funds managed by the Group.

(a) Analysis of policy liabilities

	2022 $'000	2021 $'000
Life investment contract liabilities	1,555,007	1,538,103
Life insurance contract liabilities - guaranteed element	717,751	831,416
Life insurance contract liabilities - other	701	650
Unvested policyholder liabilities	84,529	92,418
Total policy liabilities	2,357,988	2,462,587
Expected to be realised within 12 months	251,431	348,195
Expected to be realised in more than 12 months	2,106,557	2,114,392
	2,357,988	2,462,587

There are no investment linked contracts where policy liabilities are subject to investment performance guarantees. There are no other contracts except as already disclosed in this note with a fixed or guaranteed termination value.

(b) Reconciliation of changes in policy liabilities

	2022 $'000	2021 $'000
Life investment contract liabilities		
Balance at the beginning of the financial year	1,538,103	1,303,943
Increase/(decrease) recognised in the profit or loss	(92,610)	160,572
Premiums recognised as a change in contract liabilities	288,783	339,465
Claims recognised as a change in contract liabilities	(179,269)	(265,877)
Balance at the end of the financial year	1,555,007	1,538,103
Life insurance contract liabilities		
Balance at the beginning of the financial year	832,066	889,610
Increase/(decrease) recognised in the profit or loss	(113,614)	(57,544)
Balance at the end of the financial year	718,452	832,066
Unvested policyholder liabilities		
Balance at the beginning of the financial year	92,418	97,391
Decrease recognised in the profit or loss	(7,889)	(4,973)
Balance at the end of the financial year	84,529	92,418
Net policy liabilities at the end of the financial year	2,357,988	2,462,587

(c) Analysis of policy liability revenue and expenses

	2022 $'000	2021 $'000
Revenue and other income		
Total life insurance contract premium revenue	31,166	38,797
Reinsurance expense	(191)	(193)
Life insurance contract claims revenue	30,975	38,604
Interest income	9,280	7,321
Distribution income	128,257	128,244
Realised gains/(losses)	(23,350)	6,694
Unrealised gains/(losses)	(326,875)	82,122
Other income	(58)	(56)
Total revenue from life insurance business	(181,771)	262,929
Expenses		
Total life insurance and participating contract claims expense	72,162	82,316
Life insurance contract claims expense	72,162	82,316
Management fees	24,606	24,123
Other expenses	311	545
Net movements in:		
- life insurance contract liabilities	(113,614)	(57,544)
- unvested policyholder liabilities	(7,889)	(4,973)
- life investment contract liabilities	(92,610)	160,572
Total expenses from life insurance business	(117,034)	205,039

(d) Actuarial methods and assumptions

The effective date of the actuarial financial condition report on policy liabilities and solvency reserves is 30 June 2022. The actuarial report was prepared by the appointed actuary Mr Sean McGing FIA, FIAA, FAICD, Representative of Mercer Consulting (Australia) Pty Ltd, AFS Licence #411770. The appointed actuary is satisfied as to the accuracy of the data from which the amount of policy liabilities has been determined. The policy liabilities have been determined in accordance with the requirements of the *Life Insurance Act 1995* consistent with the relevant accounting standards.

Policy Liability Valuations for Defined Benefit Funds (Life insurance contracts)

The defined benefit funds comprise the following:

- Personal Risk Insurance Fund;
- Endowment and Funeral Fund (denoted as the Funeral Fund);
- Life Assurance Benefit Fund;
- Central Sick and Funeral Fund;
- Funeral and Ancillary Benefits Fund;
- Travel Protection Fund;
- Whole of Life Funeral Fund; and
- Accidental Death Benefits Fund, Adult Accident Fund and Student Accident Fund, collectively referred to as the "Accident Funds"

The policy liabilities for the defined benefit funds are determined in accordance with Prudential Standard LPS 340 issued by the Australian Prudential Regulation Authority ("APRA") under the *Life Insurance Act 1995*.

Policy liabilities are valued using the projection method (with the exception of the Personal Risk Insurance Fund and the Accident Funds). Under the projection method, estimates of future cash flows (i.e. premiums, expenses, interest and benefits) are projected into the future. The policy liability is then calculated as the net present value of these projected cash flows. Allowance has been made for tax and fees where appropriate. The balance of the benefit fund represents unvested policyholder liabilities, which will ultimately be distributed to members or transferred to the management fund (depending on the benefit fund rules).

The key assumptions for the policy liability calculations for the various defined benefit funds at 30 June 2022 were as follows:

Fund Name	Mean Guaranteed Liability Term (Yrs)	Discount Rate[1]	Fees (% of assets)	Investment Tax Rate	Discount Rate Net of Tax and Fees	Mortality Basis (% of ALT2018-20)[2]
Funeral Fund	**13.0**	**4.19%**	**1.55%**	**0%**	**2.64%**	**70%**
Life Assurance Benefit Fund	**6.5**	**3.51%**	**2.25%**	**30%**	**0.88%**	**75%**
Central Sick and Funeral Fund	**7.0**	**3.55%**	**2.00%**	**0%**	**1.55%**	**60%**
Funeral and Ancillary Benefit Fund	**12.0**	**3.75%**	**2.00%**	**0%**	**1.75%**	**100%**
Travel Protection Fund	**11.5**	**3.73%**	**2.00%**	**30%**	**1.21%**	**100%**
Whole of Life Funeral Fund	**9.0**	**3.66%**	**1.50%**	**0%**	**2.16%**	**100%**

The key assumptions for the policy liability calculations for these defined benefit funds at 30 June 2021 were as follows:

Fund Name	Mean Guaranteed Liability Term (Yrs)	Discount Rate[1]	Fees (% of assets)	Investment Tax Rate	Discount Rate Net of Tax and Fees	Mortality Basis (% of ALT2015-17)[2]
Funeral Fund	15.5	2.23%	0.84%	0%	1.39%	70%
Life Assurance Benefit Fund	8.5	1.35%	2.25%	30%	-0.63%	75%
Central Sick and Funeral Fund	9.5	1.51%	2.00%	0%	-0.49%	60%
Funeral and Ancillary Benefit Fund	13.5	1.83%	2.00%	0%	-0.17%	100%
Travel Protection Fund	13.5	1.83%	2.00%	30%	-0.12%	100%
Whole of Life Funeral Fund	11.0	1.60%	1.50%	0%	0.10%	100%

1 A single zero coupon Commonwealth Government Security rate corresponding to the mean guaranteed liability term has been used to discount cash flows, with the exception of the Funeral Fund.
2 ALT2018-20 refers to Australian Life Tables (Male and Female) 2018-2020. ALT 2015-17 refers to Australian Life Tables (Male and Female) 2015-2017.

The mortality assumptions were derived by analysis of the recent past experience of the funds, the experience of similar funds and actuarial judgment. The fee assumptions were based on the allowable fee transfers to the Management Fund in the fund rules.

The following additional assumptions apply:

- For the Funeral and Ancillary Fund, the proportion married varies by age as set out in the relevant valuation report;
- For the Funeral and Ancillary Fund, where benefits are indexed to inflation (as required by the benefit fund rules) the future inflation assumption is 2.5 percent (2021: 2.5 percent) per annum;
- Also for the Funeral and Ancillary Fund, an assumption for reinstatement of previously lapsed members has been adopted, based on past experience.
- For the Travel Protection Fund, the assumption is that 4.0 percent (2021: 4.0 percent) of deaths will result in claims and the average claim amount is $1,000 (2021: $1,000) inflating at 2.5 percent (2021: 2.5 percent) per annum.
- In addition, policy liabilities are held in the Management Fund in relation to non-contactable members of the Assurance Benefit Fund and the Funeral Fund for which insufficient data exists to accurately calculate a member level liability.

For the remaining defined benefit funds, policy liabilities are valued using the accumulation method. For the Personal Risk Insurance Fund the policy liability is equal to 100% of the annual premium. For the Accidental Death Benefits Fund the policy liability is equal to 50% of the annual premium. For the Adult Accident Fund and Student Accident Fund the policy liability is equal to the unearned premium plus the outstanding claim liability, determined by reference to the past delay pattern of claim payments.

Policy Liability Valuation for Defined Contribution Funds (Life investment contracts with DPF)

The defined contribution funds comprise the following:

- Capital Guaranteed Bond;
- Capital Guaranteed Mortgage Bond;
- Grand Bonds Assurance Fund;
- Capital Guaranteed Funeral Fund (Non Taxable);
- Capital Guaranteed Funeral Fund (Taxable);
- Capital Secure Funeral Fund;
- Bonus Accumulation Fund;
- Bonus Bond;
- Capital Guaranteed Deferred Annuity Fund;
- Community Bond Fund;
- Education Savings Plan;
- Flexishield Bond Fund;
- NextGen Capital Guaranteed Fund;
- Telecom Rollover Fund;
- Funeral Bond Fund;
- Prepaid Funeral Fund;
- Funeral Fund No. 2; and
- Tax Minimiser Funeral Fund.

The policy liabilities for defined contribution funds are determined in accordance with Prudential Standard LPS 340 issued by APRA under the *Life Insurance Act 1995*.

For the investment account funds other than the funeral funds, the policy liabilities are valued using the accumulation method and are equal to the contributions made by members, net of contribution fees, together with bonus additions to date. The balance of the fund represents unvested policyholder liabilities, which will ultimately be distributed to members by way of future bonus declarations.

The Grand Bonds Assurance Fund has an additional death benefit and bonus guarantee. The liability for bonus guarantees has been evaluated by inspecting individual policies that may give rise to bonus guarantees. The liability for death benefits was determined using the projection method in which estimates of future death benefit payouts are projected into the future. The liability is then calculated as the net present value of these projected death payouts. Allowance has been made for tax and fees where appropriate.

In addition to the above, for the Flexishield Bond Fund and the Community Bond Fund a small liability for early death risk is maintained. A deferred tax liability in respect of future termination bonuses is included in the policy liability for the Education Savings Plan.

For the seven funeral funds, the policy liability has been valued using the same discounted cash flow methods adopted for the defined benefit funds but using a yield curve rather than a risk-free rate for the average liability duration. The key assumptions for the policy liability calculations for the funeral funds at 30 June 2022 were as follows:

Fund Name	Mean Guaranteed Liability Term (Yrs)	Discount Rate[1]	Fees (% of assets)	Investment Tax Rate	Discount Rate Net of Tax and Fees	Mortality Basis (% of ALT2018-20)[2]
Capital Guaranteed Funeral Fund (Non Taxable)	6.5	0%	2.96%	0%	0%	105%
Capital Guaranteed Funeral Fund (Taxable)	8.5	0%	2.92%	30%	0%	110%
Capital Secured Funeral Fund	5.5	0%	2.98%	0%	0%	120%
Funeral Bond Fund	5.5	0%	1.50%	0%	0%	100%
Prepaid Funeral Fund	5.5	0%	1.50%	0%	0%	120%
Funeral Fund No 2 - Non Taxable	6.5	0%	2.50%	0%	0%	115%
Funeral Fund No 2 - Taxable	7.5	0%	2.50%	30%	0%	115%
Tax Minimiser Funeral Fund	9.0	0%	1.49%	30%	0%	130%

The key assumptions for the policy liability calculations for the funeral funds at 30 June 2021 were as follows:

Fund Name	Mean Guaranteed Liability Term (Yrs)	Discount Rate[1]	Fees (% of assets)	Investment Tax Rate	Discount Rate Net of Tax and Fees	Mortality Basis (% of ALT2015-17)[2]
Capital Guaranteed Funeral Fund (Non Taxable)	7.5	0%	2.96%	0%	0%	105%
Capital Guaranteed Funeral Fund (Taxable)	9.0	0%	2.92%	30%	0%	110%
Capital Secured Funeral Fund	6.5	0%	2.98%	0%	0%	120%
Funeral Bond Fund	6.0	0%	1.50%	0%	0%	100%
Prepaid Funeral Fund	6.5	0%	1.50%	0%	0%	110%
Funeral Fund No 2 - Non Taxable	7.0	0%	2.50%	0%	0%	115%
Funeral Fund No 2 - Taxable	8.5	0%	2.50%	30%	0%	115%
Tax Minimiser Funeral Fund	9.0	0%	1.49%	30%	0%	130%

1 The zero coupon Commonwealth Government Security yield curve plus illiquidity premium have been used to discount cash flows.
2 ALT2018-20 refers to Australian Life Tables (Male and Female) 2018-2020. ALT 2015-17 refers to Australian Life Tables (Male and Female) 2015-2017.

The assumptions were derived by analysis of the recent past experience of the funds, the experience of similar funds and actuarial judgment. The fee assumptions were based on the allowable fee transfers to the Management Fund in the fund rules.

For the Capital Guaranteed Funeral Bond (Taxable), Tax Minimiser Funeral Fund and Funeral Benefits Fund No. 2, a deferred tax benefit in respect of future termination bonuses is added to the policy liability.

Taxation
Rates of taxation in Australia are assumed to continue at current levels, in accordance with legislation known at the valuation date.

Surrender values
Where a surrender option exists, surrender values are based on the provisions specified within the policy contract. Surrender values assumed are those current at the end of each reporting period. Discontinuance rates are based on the fund's experience.

Profit carriers
Each benefit fund contributes to the management fund via any fee transfers authorised in the benefit fund rules and transfers of a part of surplus disclosed in authorised fund valuations. Profit is equivalent to the authorised surplus transfers to the management fund and therefore profit carriers are not applicable. For the investment account funds there is no provision in the funds' rules for any surplus to be transferred to the management fund. The management fund receives specified fee transfers from the funds to cover expenses. All remaining assets are to be used to provide benefits to members and hence there is no profit and consequently, no need for a profit carrier.

Restrictions on assets
Assets held in benefit funds for the benefit of policyholders can only be used in accordance with *Life Insurance Act 1995* regulations.

Assets backing policy liabilities
Assets backing benefit fund policy liabilities are measured at fair value through profit or loss. All of the assets backing life insurance and investment contract liabilities are included within the benefit funds and are separately identifiable.

Future participating benefits

The bonus rates assumed are those supported by policy liabilities. The bonus rates are based on investment returns net of ongoing expenses and taxation after allowing for a suitable safety margin.

The level of future bonus rates are not guaranteed. Given the nature of the underlying assets held by the various benefit funds, the level of any future bonuses declared will be subject to the performance of the investment markets and assets that the benefit funds are invested in.

Sensitivity analysis

The Group has no material sensitivity analysis to disclose. If experience varies from expectations then the member liabilities and the unvested policyholder liabilities will change by equal and opposite amounts, except for Personal Risk Insurance Fund (PRIF). As the Group maintains sufficient unallocated surplus to cover fluctuations in experience, there is no impact on equity.

Effects of changes in assumptions

There are no material changes in actuarial assumptions which affect the valuation of policy liabilities at 30 June 2022. Actuarial assumptions are derived by analysis of the experience of the funds, the experience of similar funds and actuarial judgement.

The expense assumptions are based on the allowable fee transfers to the management fund in the fund rules.

(e) Nature of risks arising from insurance contracts

The benefit funds are exposed to insurance risk and the principal risk arising under insurance contracts is that benefit payments exceed the carrying amount of insurance liabilities.

Life insurance contracts included within the benefit funds include endowments, contracts for lump sum risk and benefits paid for death or ill health. For endowment contracts the sum assured plus bonuses is paid automatically upon reaching required age. For whole of life endowment contracts the sum assured plus bonus is paid on death. For lump sum risk and benefits paid on death or ill health, benefits are payable upon death, disablement or defined trauma events.

Some benefit funds limit exposure to insurance risk by ceding part of the liabilities assumed through reinsurance. For the unit linked business the financial risks on these contracts are borne by the policyholder because there is a direct link between the investments and the liability obligations.

Bonuses declared are recommended and reviewed by the Group's Investment Committee. The Group also uses the appointed actuary's annual financial condition report to inform decisions on capital management issues.

Changes in economic conditions and demographics may alter the unallocated surplus. The Capital Requirements are designed to ensure there is sufficient unallocated surplus to cover the effect of these changes. The equity will not change. For all the defined benefit funds other than the PRIF, if experience varies from expectation, then the member liability and the unallocated benefit funds will change by equal and opposite amounts. As the management fund has sufficient unallocated benefit funds to cover fluctuations in experience, the equity will not change. Due to the simplifications employed in the valuation of the PRIF, reasonable changes in assumptions will not impact the liability. Due to the small size of the fund, any changes in equity will not be significant for the Group.

Concentrations

The Group is not exposed to large concentrations of insurance risk. Mortality risk is adequately reinsured with highly rated counterparties thereby reducing concentration risk.

Interest rate risk

The management of the risks associated with investments undertaken by benefit funds, including interest rate risk, is subject to the relevant regulatory requirements, which are governed by the *Life Insurance Act 1995.* This includes satisfying solvency requirements, which requires statutory reserves to be held specifically to address interest rate risk to the extent that assets are not matched against liabilities.

Credit risk

Credit risk arises in relation to investments in financial assets. Credit risk is monitored by exposure limits to counter parties. These limits are determined by reference to third party credit ratings. The Group does not have any significant concentrations of credit risk. The maximum exposure to credit risk at balance date in relation to financial assets is the carrying amount of those assets as indicated in the balance sheet.

(f) Solvency and capital adequacy information

The Group is required by APRA to hold a prudential capital requirement over and above their policy liabilities, as laid down by the *Life Insurance Act 1995* and the accompanying Prudential Standards. These standards are Prudential Standards LPS110, LPS112, LPS114, LPS115, LPS117 and LPS118. These standards have been met for all benefit funds as at 30 June 2022 and 2021.

For each benefit fund subject to a solvency requirement, the figures in note 37 below represent the ratio of the solvency reserve requirement to the assets available for solvency.

The Group has maintained adequate levels of capital in accordance with the prudential standards specified by the *Life Insurance Act 1995*.

(g) Disaggregated information - Benefit Funds

Note 37 details the income statement and balance sheet for the individual benefit funds aggregated within these financial statements.

37 Disaggregated information - Benefit funds

(a) Summarised information by investment type

	Revenue			Expenses		Profit/(loss) for the year	
	Net Premium/ Deposits $'000	Investment $'000	Other $'000	Claims $'000	Other $'000	Before Tax $'000	After Tax $'000
30 June 2022							
Non-investment linked benefit funds - Life insurance contracts	199	(7,996)	-	980	(8,096)	(681)	-
Investment linked benefit funds - Life investment contracts with Discretionary Participating Feature (DPF)	30,776	(80,872)	-	71,182	(99,223)	(22,055)	-
Investment contracts without DPF	-	(123,820)	(58)	-	(81,877)	(42,001)	-
Total	**30,975**	**(212,688)**	**(58)**	**72,162**	**(189,196)**	**(64,737)**	**-**
30 June 2021							
Non-investment linked benefit funds - Life insurance contracts	212	(2,217)	-	835	(2,557)	(283)	-
Investment linked benefit funds - Life investment contracts with DPF	38,392	(7,540)	-	81,481	(45,148)	(5,481)	-
Investment contracts without DPF	-	234,138	(56)	-	170,428	63,654	-
Total	38,604	224,381	(56)	82,316	122,723	57,890	-

	Assets		Liabilities		Equity
	Investments $'000	Other $'000	Life Insurance $'000	Other $'000	$'000
30 June 2022					
Non-investment linked benefit funds - Life insurance contracts	39,974	1,790	41,663	101	-
Investment linked benefit funds - Life investment contracts with DPF	715,173	48,022	761,318	1,877	-
Investment contracts without DPF	1,440,306	135,082	1,555,007	20,381	-
Total	**2,195,453**	**184,894**	**2,357,988**	**22,359**	**-**
30 June 2021					
Non-investment linked benefit funds - Life insurance contracts	51,578	415	51,527	466	-
Investment linked benefit funds - Life investment contracts with DPF	843,564	29,554	872,957	161	-
Investment contracts without DPF	1,524,728	64,396	1,538,103	51,021	-
Total	2,419,870	94,365	2,462,587	51,648	-

Benefit Fund investments assets include all their income producing assets, principally Cash and cash equivalents and Financial assets at fair value through profit or loss.

(b) Non-investment linked benefit funds - Life insurance contracts

	Revenue			Expenses		Profit/(loss) for the year	
	Net Premium $'000	Investment $'000	Other $'000	Claims $'000	Other $'000	Before Tax $'000	After Tax $'000
30 June 2022							
Central sick and funeral fund	-	(1,009)	-	94	(1,103)	-	-
Funeral and ancillary benefits fund	3	(2,307)	-	480	(2,784)	-	-
Funeral fund	-	(3,041)	-	154	(3,195)	-	-
Life assurance benefit fund	-	(1,434)	-	205	(1,124)	(515)	-
Travel protection funeral	38	(100)	-	5	(30)	(37)	-
Other	158	(105)	-	42	140	(129)	-
Total	199	(7,996)	-	980	(8,096)	(681)	-
30 June 2021							
Central sick and funeral fund	-	(325)	-	102	(427)	-	-
Funeral and ancillary benefits fund	3	(666)	-	402	(1,065)	-	-
Funeral fund	-	(775)	-	121	(896)	-	-
Life assurance benefit fund	-	(439)	-	174	(402)	(211)	-
Travel protection funeral	65	17	-	16	50	16	-
Other	144	(29)	-	20	183	(88)	-
Total	212	(2,217)	-	835	(2,557)	(283)	-

	Assets		Liabilities		Equity		
	Investments $'000	Other $'000	Life Insurance $'000	Other $'000	$'000	Capital in excess of prescribed capital amount $'000	Capital adequacy multiple
30 June 2022							
Central sick and funeral fund	5,671	33	5,675	29	-	-	1
Funeral and ancillary benefits fund	10,308	196	10,444	60	-	968	3
Funeral fund	11,674	321	11,994	1	-	-	-
Life assurance benefit fund	10,645	496	11,137	4	-	-	1
Travel protection fund	1,217	83	1,148	152	-	357	2
Other	459	661	1,265	(145)	-	441	-
Total	39,974	1,790	41,663	101	-	1,766	
30 June 2021							
Central sick and funeral fund	6,924	13	6,906	31	-	221	2
Funeral and ancillary benefits fund	13,969	43	13,969	43	-	1,001	4
Funeral fund	15,450	60	15,536	(26)	-	965	4
Life assurance benefit fund	12,550	139	12,522	167	-	-	1
Travel protection fund	1,503	2	1,236	269	-	261	2
Other	1,182	158	1,358	(18)	-	437	-
Total	51,578	415	51,527	466	-	2,885	

(c) Investment linked benefit funds - Life investment contracts with discretionary participating features (DPF)

	Revenue			Expenses		Profit/(loss) for the year	
	Deposits $'000	Investment $'000	Other $'000	Claims $'000	Other $'000	Before Tax $'000	After Tax $'000
30 June 2022							
Capital guaranteed bond	**54**	**(16)**	**-**	**5,001**	**(4,816)**	**(147)**	**-**
Capital guaranteed funeral bond (taxable)	**210**	**(6,037)**	**-**	**2,847**	**(6,442)**	**(2,232)**	**-**
Funeral fund no 2	**776**	**(24,965)**	**-**	**12,608**	**(31,224)**	**(5,573)**	**-**
NextGen investments capital guaranteed fund	**2,823**	**15**	**-**	**7,549**	**(4,694)**	**(17)**	**-**
Tax minimiser funeral fund	**25,393**	**(42,072)**	**-**	**24,349**	**(27,040)**	**(13,988)**	**-**
Other	**1,520**	**(7,797)**	**-**	**18,828**	**(25,007)**	**(98)**	**-**
Total	**30,776**	**(80,872)**	**-**	**71,182**	**(99,223)**	**(22,055)**	**-**
30 June 2021							
Capital guaranteed bond	62	367	-	5,773	(5,178)	(166)	-
Capital guaranteed funeral bond (taxable)	310	372	-	2,882	(1,876)	(324)	-
Funeral fund no 2	842	701	-	13,277	(11,042)	(692)	-
NextGen investments capital guaranteed fund	7,855	19	-	15,769	(7,798)	(97)	-
Tax minimiser funeral fund	26,867	(10,073)	-	22,649	(1,585)	(4,270)	-
Other	2,456	1,074	-	21,131	(17,669)	68	-
Total	38,392	(7,540)	-	81,481	(45,148)	(5,481)	-

	Assets		Liabilities		Equity
	Investments $'000	Other $'000	Life Insurance $'000	Other $'000	$'000
30 June 2022					
Capital guaranteed bond	**50,426**	**113**	**50,415**	**124**	**-**
Capital guaranteed funeral bond (taxable)	**44,850**	**5,368**	**49,942**	**276**	**-**
Funeral fund no 2	**136,181**	**11,729**	**148,590**	**(680)**	**-**
NextGen investments capital guaranteed fund	**36,483**	**734**	**36,550**	**667**	**-**
Tax minimiser funeral fund	**285,950**	**26,203**	**311,233**	**920**	**-**
Other	**161,283**	**3,875**	**164,588**	**570**	**-**
Total	**715,173**	**48,022**	**761,318**	**1,877**	**-**
30 June 2021					
Capital guaranteed bond	55,975	-	55,707	268	-
Capital guaranteed funeral bond (taxable)	54,841	3,828	57,747	922	-
Funeral fund no 2	173,707	8,752	183,736	(1,277)	-
NextGen investments capital guaranteed fund	41,233	31	41,315	(51)	-
Tax minimiser funeral fund	329,013	13,336	342,824	(475)	-
Other	188,795	3,607	191,628	774	-
Total	843,564	29,554	872,957	161	-

(d) Investment linked benefit funds - Investment contracts without discretionary participating features (DPF)

	Revenue		Expenses	Profit/(loss) for the year	
	Investment $'000	Other $'000	Other $'000	Before Tax $'000	After Tax $'000
30 June 2022					
Education savings plan	**(17,747)**	**-**	**(11,794)**	**(5,953)**	**-**
Funeral plan bond	**(2,815)**	**-**	**(1,880)**	**(935)**	**-**
Managed investment	**(3,073)**	**-**	**(2,027)**	**(1,046)**	**-**
NextGen investments	**(90,503)**	**-**	**(59,763)**	**(30,740)**	**-**
Select strategies	**(5,385)**	**-**	**(3,816)**	**(1,569)**	**-**
Other	**(4,297)**	**(58)**	**(2,597)**	**(1,758)**	**-**
Total	**(123,820)**	**(58)**	**(81,877)**	**(42,001)**	**-**
30 June 2021					
Education savin gs plan	43,735	-	31,872	11,863	-
Funeral plan bond	2,900	-	2,201	699	-
Managed investment	5,182	-	3,683	1,499	-
NextGen investments	156,254	-	113,614	42,640	-
Select strategies	13,254	-	9,665	3,589	-
Other	12,813	(56)	9,393	3,364	-
Total	234,138	(56)	170,428	63,654	-

	Assets		Liabilities		Equity
	Investments $'000	Other $'000	Life Insurance $'000	Other $'000	$'000
30 June 2022					
Education savings plan	**227,798**	**49,600**	**274,623**	**2,775**	**-**
Funeral plan bond	**41,471**	**2,303**	**43,666**	**108**	**-**
Managed investment	**31,885**	**1,971**	**33,337**	**519**	**-**
NextGen investments	**1,012,530**	**70,306**	**1,069,513**	**13,323**	**-**
Select strategies	**51,385**	**7,313**	**57,670**	**1,028**	**-**
Other	**75,237**	**3,589**	**76,198**	**2,628**	**-**
Total	**1,440,306**	**135,082**	**1,555,007**	**20,381**	**-**
30 June 2021					
Education savings plan	249,914	29,468	270,965	8,417	-
Funeral plan bond	37,480	1,103	37,983	600	-
Managed investment	39,850	327	39,086	1,091	-
NextGen investments	1,038,900	29,430	1,034,711	33,619	-
Select strategies	70,501	1,637	70,069	2,069	-
Other	88,083	2,431	85,289	5,225	-
Total	1,524,728	64,396	1,538,103	51,021	-

38 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Where appropriate, comparatives have been reclassified to enhance comparability with current year disclosures. The financial statements are for the consolidated entity consisting of Australian Unity Limited (Parent entity) and its subsidiaries, referred to in these financial statements as the Group.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

(i) Compliance with IFRS

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value (including derivative instruments and insurance liabilities at present value of expected future cash flows), certain classes of property, plant and equipment and investment property.

(iii) New and amended accounting standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2021:

AASB	Title
AASB 2021-3	Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021
AASB 2022-2	Amendments to Australian Accounting Standards – Extending Transition Relief under AASB 1

The adoption of accounting standards noted above did not have material impact to the Group's financial statements.

(b) Mutual Capital Instruments

Mutual Capital Instruments (MCI) are recognised at the amount of consideration received for securities issued by the Group and reported as equity instruments. Transaction costs, comprising incremental costs directly attributable to MCI transactions, are accounted for as a deduction from equity, net of any income tax benefit. Dividend payments on MCI are recognised directly in equity as a reduction in retained earnings, net of any income tax benefit.

(c) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, balance sheet and statement of changes in equity respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting (refer to (iv) below), after initially being recognised at cost.

(iii) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures, but not joint operations.

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

(iv) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees are changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 38(p).

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with members of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to members of Australian Unity Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(vi) Life insurance benefit funds

The Group's life insurance operations are conducted within separate benefit funds as required by the *Life Insurance Act 1995*. The assets, liabilities, revenue and expenses of the benefit funds are consolidated in the Group's financial statements.

(d) Benefit fund policy liabilities

(i) Classification

The Group's life insurance liabilities are held within separate benefit funds as required by the *Life Insurance Act 1995*. The activities of the benefit funds are included within the consolidated financial statements but are governed and managed separately. Life insurance liabilities are classified for accounting purposes as either life insurance contract liabilities, participating life investment contract liabilities or non-participating life investment contract liabilities in accordance with AASB 1038 *Life Insurance Contracts*.

Life insurance contracts are contracts which transfer significant insurance risk at the inception of the contract. Insurance risk is considered to be significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance.

Life investment contracts are contracts regulated under the *Life Insurance Act 1995* but that do not transfer significant insurance risk. Life investment contracts are further categorised into participating and non-participating contracts. Participating life investment contracts are contracts that contain a discretionary participation feature ('DPF'). A DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits: (i) that are likely to be a significant portion of the total benefits; (ii) whose amount or timing is contractually at the discretion of the issuer; and (iii) that are based on the performance of a specified pool of assets.

Participating life investment contract liabilities are classified and accounted for in the same manner as life insurance contract liabilities, that is, under the requirements of AASB 1038 *Life Insurance Contracts*, and are referred to in these financial statements as life insurance contract liabilities. Non-participating life investment contract liabilities are classified and accounted for under the requirements of AASB 9 *Financial Instruments* and are referred to in these financial statements as life investment contract liabilities.

Life investment contract liabilities include investment linked contracts in which the Group issues a contract where the benefit amount is directly linked to the market value of the investments held by the benefit fund. While the underlying assets are registered in the name of the benefit fund and the investment linked policyowner has no direct access to the specific assets, the contractual arrangements are such that the investment linked policyowner bears the risks and rewards of the benefit fund's investment performance. The Group derives fee income from the administration of the investment linked contracts.

Non-investment linked business is business in which the Group issues a policy contract where the insured benefit is not directly linked to the market value of the investments held. These benefits are payable on death, or on the occurrence of an insured event.

(ii) Valuation

The fair value of life insurance contract liabilities are determined using a projection method. The participating investment contract liabilities, which are classified as life insurance contracts, are valued under an accumulation method. Further details of the actuarial assumptions used in the calculation of these policy liabilities are set out in note 36.

The participating investment contract liabilities, which are classified as life insurance contracts, are valued under an accumulation method whereby policyholder liabilities are equal to the value of the assets backing the liabilities. The liability reported under this approach is equal to the account balance pre-bonus plus the current bonus plus the difference between the value of the assets and the preceding items. The exception is for funeral funds which are valued based on the net present value of the projected cash flows.

The non-participating investment contract liabilities, which are classified as live investment contracts, are measured at fair value. The contracts consist of a financial instrument and an investment management services element, both of which are measured at fair value. The liability to policyholders is linked to the performance and value of the assets that back the liabilities. The liabilities are therefore the same as the fair value of the assets.

(iii) Claims expense

For life insurance contract liabilities and participating investment contract liabilities, claims are recognised when the liability to the policyholder under the contract has been established (i.e. on notification of death, at time of admittance, or when payment is due).

For life investment contract liabilities there are no claims expenses. Surrenders and withdrawals are not included in the profit or loss but are instead deducted from investment contract liabilities.

(e) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(f) Borrowings

Borrowings are initially recognised at fair value, including transaction costs that are directly attributable to the acquisition or issue of the borrowings. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Securities sold under repurchase agreements are retained on the balance sheet where substantially all of the risks and rewards of ownership remain with the Group. A liability for the agreed repurchase amount is recognised within the borrowings when the cash consideration is received.

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the Group's share of the net identifiable assets of the subsidiary acquired, and the measurement of all amounts has been reviewed, the difference is recognised directly in the profit or loss as a gain on acquisition (bargain purchase).

The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying amount of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

(h) Cash and cash equivalents

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

(i) Deferred acquisition costs

Acquisition costs represent commission and other expenses incurred in relation to the acquisition of health insurance contracts. These costs are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the profit or loss in subsequent reporting periods.

Deferred acquisition costs are amortised on a straight line basis over a period in line with the average expected duration of the customer relationships to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue. The average expected duration of the customer relationships is reassessed annually.

(j) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedging relationship designated.

The Group designates its derivatives as hedges of interest rate risk associated with the cash flows of recognised liabilities (cash flow hedges).

The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

The fair values of derivative financial instruments used for hedging purposes are included in other assets or other liabilities as applicable. Movements in the hedging reserve are shown in the Consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in equity are reclassified to profit or loss as part of the Finance costs in the periods when the hedged item affects profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss as part of the Finance costs.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

(k) Employee benefits

Employees engaged in the Group's operations are employed by subsidiary entities, Australian Unity Group Services Proprietary Limited, Australian Unity Home Care Service Pty Ltd, Australian Unity Bank Limited (formerly Big Sky Building Society Limited) and Lifeplan Australia Friendly Society Limited.

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of each reporting period are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of each reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of each reporting period on high quality corporate bond rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) Superannuation

The employer contributes to the Australian Unity Staff Superannuation Plan (a sub plan of the MLC employer sponsored superannuation plan), the Hesta Superannuation Fund and other complying superannuation funds nominated by employees. The Australian Unity Staff Superannuation Plan is open to new members and is an accumulation fund, where the employer contributions are fully vested in the member. The Hesta Superannuation Fund is an industry based fund for employees working in the retirement village complexes and aged care facilities. The employer is required to contribute to the above mentioned plans in accordance with the Superannuation Guarantee Legislation.

One of the Group's subsidiaries makes contributions to three external defined benefit superannuation schemes that provide defined benefit amounts for employees on retirement. These schemes are closed to new members from the Group. The net obligation in respect of these defined benefit schemes is calculated separately for each of the relevant Group employees by estimating the amount of future benefits that they have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value and the fair value of any plan assets is deducted. All actuarial gains and losses are recognised directly in equity. The Group does not consider its net obligation in respect of these defined benefit schemes to be material as at the end of each reporting period.

(l) Financial guarantee contracts

A financial guarantee contract is a contract requiring the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due in accordance with terms of the debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(n) Government grants and subsidies

Grants and subsidies from the government are recognised at their fair value where there is a reasonable assurance that the grant and subsidies will be received and the Group will comply with all attached conditions.

Government grants and subsidies relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants and subsidies relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(o) Health insurance

(i) Classification

Health insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as a health insurance contract, it remains as a health insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

The Group has determined that all current contracts with health insurance policyholders are health insurance contracts.

(ii) Claims expense

Health insurance claims include all claim losses occurring during the year, whether reported or not, and any adjustments to claims outstanding from previous years.

(p) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(q) Income tax

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carrying forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interest in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax consolidation

Australian Unity Limited (Parent entity) and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

The Parent entity, as head entity, and the controlled entities in the tax consolidation group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. The Parent entity also recognises the current tax assets or liabilities, and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation group.

The entities under the tax consolidated group entered into a tax funding agreement under which the wholly-owned entities fully compensate the Parent entity for any current tax payable assumed and are compensated by the Parent entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Parent entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The Parent entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(r) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 38 (g). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains/(losses) on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount, based on value in use calculations, of the cash generating unit to which the goodwill relates. When the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed and of the portion of the cash generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(ii) Aged care bed licences

Prior to 1 October 2021, bed licences for aged care facilities were assessed as having an indefinite useful life as they were issued for an unlimited period and therefore were not amortised. Following on the government announcement in 2021 that the residential aged care bed licence and the Aged Care Approval Rounds will be abolished from 1 July 2024, the carrying amount of bed licences are amortised from 1 October 2021 until 30 June 2024.

(iii) Computer software

Costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised as computer software. Computer software is initially recognised at cost. Following initial recognition, computer software is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the cost of software and licences over their estimated useful lives, which vary from 4 to 7 years.

Costs incurred in configuring or customising cloud-based software under software as a service (SaaS) arrangements are recognised as intangible assets if the activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria. Those costs that do not result in creating an intangible asset are expensed as incurred, unless they are paid to the supplier of the SaaS arrangement to significantly customise the cloud-based software for the entity, in which case the costs are recorded as a prepayment for services and amortised over the expected term of the arrangement.

(iv) Management rights and other intangible assets

Management rights and other intangible assets acquired separately are initially recognised at cost. The cost of management rights and other intangible assets acquired in a business combination is their fair value as at the date of acquisition.

Management rights and other intangible assets with finite lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the cost of intangible assets over their estimated useful lives, which vary from 4 to 10 years. These intangible assets are assessed for impairment whenever there is an indication that they may be impaired. Management rights and other intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

(s) Inventories

Inventories are stated at the lower of cost and net realisable value on a first in and first out basis.

(t) Investment properties

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties other than the development sites are stated at fair value. Gains/(losses) arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise. Retirement village development sites are recognised at fair value, while other development sites are recognised at cost.

Retirement village investment property relates to interests in retirement village independent living units and aged care facilities where the aged care facilities are managed by operators which are not part of the Group. These investments are initially measured at cost and when the facilities are complete, or substantially complete, they are stated at fair value. The fair value represents the present value of future cash flows based upon statistical modelling of incoming and outgoing residents and includes assumptions in respect of a number of factors, such as average length of residence and expected changes in property prices.

Land held for development purposes of investment property is also classified as investment property.

Retirement village development sites are built in stages and usually take several years to complete. After each stage is built the developer operates it during the village's remaining construction phases and earns rentals and may earn capital appreciation from the completed stages during this period. Upon completion and initial occupancy of the entire village, the property will be reclassified as a held for sale asset (refer to note 38(w)) and sold to a retirement village operator.

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

(u) Investments and other financial assets

Classification

The Group classifies its financial assets into the following measurement categories:

- those to be measured at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the relevant cash flows.

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

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

Recognition and derecognition

A financial asset is recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument, which is generally at trade date. Loans and receivables are recognised when cash is advanced to the borrowers.

A financial asset is derecognised when the contractual cash flows from the asset expire or the rights to receive contractual cash flows are transferred in a transaction in which substantially all the risks and rewards of the ownership are transferred. Any interest in a transferred financial asset that is created or retained by the Group is recognised as a separate asset or liability.

Measurement

Financial assets at fair value through profit or loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs.

Subsequent to the initial recognition, for financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held as described below. The Group reclassifies debt investments when and only when its business model for managing those assets changes. For investments in equity instruments, the fair value will be recorded in profit or loss, unless the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Repurchase agreements

Securities sold under repurchase agreements are retained on the balance sheet where substantially all of the risks and rewards of ownership remain with the Group. A liability for the agreed repurchase amount is recognised within the borrowings when the cash consideration is received.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- ***Amortised cost***
  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in profit or loss using the effective interest rate method.

- ***Fair value through other comprehensive income (FVOCI)***
  Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses or reversal of impairment losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in profit or loss using the effective interest rate method.

- ***Fair value through profit or loss (FVPL)***
  Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented net within investment gains/(losses) in the period in which it arises. Interest income from these financial assets is included in the profit or loss using the effective interest rate method.

Equity instruments

The Group subsequently measures all investments in equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends and distributions from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in investment gains/(losses) in the statement of profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its financial assets carried at amortised cost and FVOCI. The recognition of impairment depends on whether there has been a significant increase in credit risk.

Debt investments at amortised cost are considered to be low credit risk, and thus the impairment provision is determined as 12 months ECL.

For loans to customers, the Group applies a three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

- ***Stage 1: 12-months ECL***
  For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

- ***Stage 2: Lifetime ECL- not credit impaired***
  For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

- ***Stage 3: Lifetime ECL - credit impaired***
  Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

The Group assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of significant increase in credit risk, loans are grouped on the basis of shared credit risk characteristics, taking into account the type of loans, days in arrears, loan collaterals, remaining term to maturity, geographical location of the borrower and other relevant factors.

The amount of ECL is measured as the probability-weighted amount of the present value of all reasonable cash shortfalls over the expected life of the loans discounted at the effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive.

The Group considers its historical loss experience and adjusts this for current observable data. In addition, the Group uses reasonable and supportable forecasts of future economic conditions including macroeconomic factors and how changes in these factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The amount of ECL is recognised using a provision for doubtful debts account. If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL.

(v) Leases

(i) Group as a lessee

The Group leases commercial buildings, computer equipment and motor vehicles under non-cancellable lease contracts. While lease contracts are typically made for fixed periods, they have varying terms and renewal rights. On renewal, the terms of the leases can be renegotiated.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Initial measurement

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and
- lease payments to be made under reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used. The incremental borrowing rate is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The Group considers any recent external borrowing received by the Group's entities, including any changes in financing conditions since the borrowing is received. The Group applies a three-month bank bill swap curve plus a margin that reflects the credit risk to determine the incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly consist of computer equipment.

Subsequent measurement

Subsequent to the initial recognition, lease liabilities are adjusted by the interest charges, lease payments made and any re-measurement to reflect reassessment or lease modifications.

When the Group is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Subsequent to the initial recognition, right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liability.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Extension and termination options

Extension and termination options are included in a number of leases. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term for accounting, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Factors to be considered include, but are not limited to, historical lease duration, costs and business disruption required to replace the leased assets, the amount of termination penalties and remaining value of any leasehold improvements. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The extension options in buildings and motor vehicles leases, if any, have not been included in the lease liability as the Group could replace the leases without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the lessee.

(ii) Group as a lessor

As lessor, leases are classified as either an operating lease or a finance lease. Income from operating leases is recognised on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

Assets held under a finance lease are initially recognised on the balance sheet at an amount equal to the net investment in the lease. Finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease.

Where the Group is an intermediate lessor in a sublease transaction, the sublease is accounted for by reference to the respective head lease. If the head lease is a short-term lease, the sublease income is recognised as operating lease income over the lease term. For an asset that is subleased, the head lease does not qualify to be a lease of a low-value asset.

(w) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Non-current assets classified as held for sale are presented separately from the other assets in the consolidated balance sheet.

(x) Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the end of each reporting period under insurance contracts issued by the Group, with an additional risk margin to allow for the inherent uncertainty in the central estimate.

The expected future payments include those in relation to claims reported but not yet paid, claims Incurred But Not Reported (IBNR), claims Incurred But Not Enough Reported (IBNER) and anticipated claims handling costs.

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs.

The expected future payments of claims expected to be settled within one year are not discounted as the undiscounted value approximates their present value. The expected future payments of other claims are discounted to present value using a risk free rate.

A risk margin is applied to the outstanding claims liability, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate of the outstanding claims liability.

(y) Property, plant and equipment

(i) Cost

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

(ii) Depreciation

Land is not depreciated. Depreciation on other property, plant and equipment is calculated on a straight line basis to write off the net cost or revalued amount of each asset over its expected useful life. Estimates of remaining useful lives are reassessed annually for major items.

The expected useful lives are as follows:

Category	Useful life
Buildings	40 years
Plant and equipment	5 - 20 years
Leasehold improvements	5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains/(losses) on disposals are determined by comparing proceeds with carrying amount and included in the profit or loss. When revalued assets are sold, any amounts included in other reserves in respect of those assets are transferred to retained earnings.

Non-property assets under construction are recorded at cost within plant and equipment. These assets are transferred to an appropriate asset category on completion and depreciation commences only when the assets come into operational service.

(z) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(aa) Refundable accommodation deposits

Retirement village residents, upon entering certain accommodation types, provide a deposit from which fees are deducted in respect of the provision of certain services and facilities. The actual amount refundable upon departure from the retirement village is determined by the terms of the existing tenancy contracts. As these amounts are payable on demand, they are treated as a current liability and are carried at amortised cost using the effective interest method even though they relate to occupancy of the investment properties which are non-current assets and on average only a small proportion is repaid in any one year.

(ab) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, IBNR, IBNER and unexpired risk liabilities are recognised as revenue.

Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

(ac) Reserve for credit losses

The reserve for credit losses is used by a bank subsidiary company to recognise an additional impairment allowance for credit losses required by the Australian Prudential Regulation Authority (APRA) when reporting financial results to this regulatory authority. It is recognised as an appropriation of retained earnings to non distributable reserves. This additional impairment allowance is not permitted by Australian Accounting Standards to be recognised as an impairment charge against loans and overdrafts or recognised as an expense in the Consolidated Statement of Comprehensive Income.

(ad) Resident loans

Retirement village residents, upon entering certain accommodation types, provide a loan to the village operator, from which deferred management fees are deducted in respect of the provision of certain services and facilities. The actual amount repayable upon departure from the accommodation is determined by the terms of the existing tenancy contracts. In certain cases, the amount repayable includes the resident's share of any increase in the value of the property occupied by the resident during the period of tenancy. As these amounts are payable on demand, they are treated as a current liability and are carried at amortised cost using the effective interest method even though they relate to occupancy of the investment properties which are non-current assets and on average only a small proportion is repaid in any one year.

(ae) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue/income can be reliably measured. As the Group operates diverse businesses, it applies a number of relevant accounting standards for the recognition of revenue: AASB 1023 *General Insurance Contracts*, AASB 9 *Financial Instruments*, AASB 15 *Revenue from Contracts with Customers*, AASB 17 *Leases*, AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*, and AASB 1038 *Life Insurance Contracts*. The following summarises specific recognition criteria in line with these standards:

(i) Health insurance premium revenue (AASB 1023)

Health insurance premium revenue is recognised in the profit or loss from the attachment date, as soon as there is a basis on which it can be reliably measured. Revenue is recognised in accordance with the pattern of the incidence of risk expected over the term of the contract. The proportion of premium received or receivable not earned in the profit or loss at the end of each reporting period is recognised in the balance sheet as unearned premium liability.

(ii) Government grants and subsidies (AASB 120)

Government grants and subsidies funding aged care and home care services are recognised as the services are provided.

(iii) Revenue from contracts with customers (AASB 15)

The Group's revenue governed by the requirements of AASB 15 is related to services provided under contracts with customers in the operation of retirement communities, aged care facilities, home care & disability services, health services, wealth assets management and administration, financial planning, estate planning, trustee services, and finance and general insurance broking services. The revenue recognition from these services is based on the delivery of performance obligations by the Group and an assessment of when the control is transferred to the customer. Revenue is recognised either at a point in time when the performance obligation in the contract has been completed by the Group or over time when the customer simultaneously receives the benefits from the services provided by the Group as the Group performs under the contract.

The transaction price is measured at contract inception, being the amount to which the Group expects to be entitled and to which it has rights under the contract. This includes an assessment of any variable consideration where the Group's performance may result in additional revenues based on certain achievements. Such amounts are only included based on the expected value or the most likely outcome, and only to the extent that it is highly probable that no revenue reversal will occur. The Group identifies the various performance obligations of the contract and allocates the transaction price to these performance obligations. The transaction price is adjusted for the time value of money where the period between the transfer of the promised services to the customers and payment made by the customers exceeds one year.

Independent and assisted living services fees

Independent and assisted living services fees are revenue generated from the provision of home and disability services and the management of retirement communities and aged care facilities. Revenue is recognised over time when the customer simultaneously receives the benefits from the services provided by the Group as the Group performs under the contract.

Management and performance fees

Management fees are earned from wealth management and trustee services provided over the life of the contracts and revenue is recognised periodically over time. Any associated performance fees are deemed to be a variable component of the management services that are constrained and recognised only if it is highly probable that the performance hurdles are met and reversal will not occur.

Brokerage and commission income

Brokerage and commission are earned from contracts with customers where the Group entities act as an agent to sell general and life insurance products. Commission is also earned from property sale services provided within trustee services and the operations of retirement villages. Revenue is recognised at a point in time when the transfer of the underlying asset has occurred.

Healthcare services revenue

Healthcare services revenue represents fees charged for dental, physiotherapy and other healthcare services provided to customers. Revenue is recognised after the delivery of services to the customers.

Assets and liabilities recognised from contracts with customers

As a result of the contracts with customers, the Group recognises Trade receivables and a number of contract assets and liabilities. Trade receivables are recognised when the Group has the right to consideration that is unconditional (no change in accounting policy). Contract assets are recognised when the Group has a conditional right to consideration for the services that have been provided to customers. Contract liabilities are recognised when the Group receives payments in advance for the services that will be provided to customers. The Group also capitalises incremental costs in obtaining contracts with customers.

Accrued and deferred income

Customer contracts generally include arrangements for payments dependent upon the nature and type of services being provided. Customer payments may be required at the inception of the contract (advance payment) or regular payments for ongoing service delivery or at the end of the contract (in arrears) or a combination of these with varied amounts. Accrued income is recognised as a contract asset for unbilled service revenue. Deferred income is recognised as a contract liability where a customer pays in advance or pays a deposit prior to the delivery of the contracted services. On the balance sheet, accrued income is presented as part of Trade and other receivables, while deferred income is presented as part of Trade and other payables.

Capitalised costs to obtain a contract

The incremental costs of obtaining a contract with a customer are capitalised as an asset to the extent to which the costs are expected to be recovered over a period of more than one year. The asset is amortised on a systematic basis that is consistent with the timing of recognition of the relevant revenue. The asset is subject to an impairment assessment through a review of the recoverability against the remaining future revenue, net of respective future expenses. The capitalised costs to obtain a contract are presented as part of Intangible assets on the balance sheet.

In determining the amount of capitalised costs to obtain a contract, management forms a number of key judgements and assumptions which include an assessment of the incremental costs, whether such costs should be expensed as incurred or capitalised, and the period of amortisation of the capitalised costs. These judgements may inherently be subjective, and cover future events such as the recoverability of the capitalised costs through future net income streams over a certain period.

Deferred management fee

Deferred management fee (DMF) is a contracted fee charged to a resident of a managed retirement village. The amount of DMF is linked either to the ingoing contribution the resident paid on entry to the retirement village or to the turnover value of a unit on exiting the village and is expressed as a percentage charge per annum over the period of occupancy. The number of years the DMF can be charged is usually capped to a specific period of time. DMF revenue is recognised at the time of unit turnover from one resident to another.

(iv) Interest income (AASB 9)

Interest income is recognised using the effective interest method when the Group has control of the right to receive the interest payment. The effective interest rate method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense over the expected life of the financial asset or financial liability so as to achieve a constant yield on the financial asset or liability.

(v) Dividends and distributions (AASB 9)

Dividends and distributions are recognised when the Group's right to receive the income is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(vi) Benefit funds - Life insurance premiums and fees (AASB 1038)

For life insurance contract liabilities and participating investment contract liabilities, premium revenue is recognised when the liabilities arising from them are created. For life investment contract liabilities, amounts collected as premiums are reported as deposits to investment contract liabilities on the balance sheet (rather than being included in the profit or loss).

(af) Risk Equalisation Special Account

Under the provisions of the *Private Health Insurance Act 2007*, stipulated in the *Private Health Insurance (Risk Equalisation Administration) Rules 2007*, all health insurers must participate in the Risk Equalisation Special Account (RESA). These rules charge a levy to all health insurers and share a proportion of the hospital claims on a sliding scale (by age) for all persons aged 55 years and over regardless of their length of stay in hospital. In certain circumstances, these rules also provide for a High Cost Claimants Pool.

The amounts receivable from the RESA are determined by the Private Health Insurance Administration Council after the end of each calendar quarter. Estimated provisions for amounts payable and income receivable are recognised on an accruals basis.

(ag) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided as part of the monthly management reporting document. The chief operating decision maker has been identified as the Group Executive Committee that has delegated responsibility from the board for the achievement of the business strategic and operational plans approved by the board.

(ah) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. These payables, which are generally settled on 30-90 day terms and are unsecured, are carried at amortised cost. They are presented as current liabilities unless payment is not due within 12 months after the end of each reporting period.

(ai) Trade and other receivables

Trade and other receivables, which are generally settled on 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

The Group applies the simplified expected credit loss approach in place of the incurred credit loss. Under the expected credit loss approach, the Group estimates the expected lifetime losses to be recognised from initial recognition of the receivables.

The amount of the impairment loss is recognised in the profit or loss. When a trade receivable for which an impairment provision had been recognised becomes uncollectible in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit or loss.

(aj) Unexpired risk liability

At the end of each reporting period the Group assesses whether the unearned premium liability is sufficient to cover all expected future cash flows relating to future claims against current insurance contracts. This assessment is referred to as the liability adequacy test and is performed separately for each group of contracts subject to broadly similar risks and managed together as a single portfolio.

If the present value of the expected future cash flows relating to future claims, plus the additional risk margin to reflect the inherent uncertainty in the central estimate, exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs, then the unearned premium liability is deemed to be deficient. The Group applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the outstanding claims liability.

The entire deficiency, net of reinsurance, is recognised immediately in the profit or loss. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the balance sheet as an unexpired risk liability.

(ak) New standards and interpretations not yet adopted

The following table sets out the new and amended accounting standards issued by the Australian Accounting Standards Board that are not mandatory for 30 June 2022 reporting period and have not been adopted by the Group.

AASB	Title	Operative Date*)
AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 January 2023
AASB 2020-3	Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments	1 January 2022
AASB 2020-6	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2022
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023
AASB 2021-5	Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
AASB 2021-7a	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022
AASB 2021-7b	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2023
AASB 2021-7c	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2025
AASB 2022-1	Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information	1 January 2023
AASB 17	Insurance contracts	1 January 2023

*) Operative date is for the annual reporting periods beginning on or after the date shown in the above table, unless otherwise stated.

The Group's assessment on the potential impact of AASB 17 is set out in the following paragraphs. The other accounting standards noted above are not expected to have a material impact to the amounts reported in the consolidated financial statements. Where applicable the Group will apply these standards to the annual reporting periods beginning on or after the operative dates set out above.

(i) AASB 17 Insurance contracts

AASB 17 will replace AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* and applies to reporting periods beginning on or after 1 January 2023. The Group's application date will be from 1 July 2023.

The standard will change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. It requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin (CSM) representing the unearned profit of the contract. A simplified premium allocation approach is permitted for liabilities with a period of one year or less. Claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows. Changes in cash flows related to future services should be recognised against the CSM. The CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognised in profit or loss. Interest is accreted on the CSM at rates locked in at initial recognition of a contract. To reflect the service provided, the CSM is released to profit or loss in each period on the basis of passage of time.

The application of this standard will affect the health insurance and life insurance businesses of the Group, impacting the operation of those businesses, the presentation of financial statements and introducing substantial changes to note disclosures. Accounting policies and accounting systems are being developed, and implementation of the standard is progressing. The Group plans to implement AASB 17 using the full retrospective approach on transition.

The Group's health insurance business plans to use the simplified premium allocation approach under AASB 17 for all health insurance contracts, which is broadly similar to the current measurement basis under AASB 1023. The health insurance business has performed assessments of the requirements of AASB 17, identification of the key decisions to be made on implementing the new standard, and the expected financial impacts of the new standard. Limited systems changes are expected to be required although a number of new processes and reports will be needed. It is expected that AASB 17 will reduce the balance sheet assets and liabilities of the health insurance business, with the impact on net assets, except for the Deferred claims liability, expected to be modest. This will be reviewed if there are significant changes in asset mix. AASB 17 is expected to cause variations in the timing of when revenue, expenses and profit are recognised, but, due to the short-tailed nature of health insurance liabilities, any changes in timing are anticipated to be small. AASB 17 does not change the underlying performance of the health insurance fund.

AASB 17 introduces a different definition of insurance contract to that under AASB 1023 and 1038. Preliminary unaudited analysis evidences that the AASB 17 definition of insurance contract will not apply to the majority of the Group's life insurance business, so from 1 July 2023 it is planned that these contracts will be reported under AASB 9 Financial Instruments. The business has identified those products offered to clients which include significant insurance risk and is reviewing opportunities to rationalise these products in order to conclude on whether the Group's life insurance business could be reported solely on an AASB 9 basis rather than under AASB 17, thus reducing potential financial and operational impacts.

(al) Parent entity financial information

The financial information for the Parent entity, Australian Unity Limited, disclosed in note 25 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost less any adjustments for impairment losses. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(am) Comparative information

To enhance comparability with current year disclosures, certain comparative amounts in the financial statements have been reclassified.

Directors' declaration

In the directors' opinion:

a. the financial statements and notes set out on pages 51 to 127 are in accordance with the *Corporations Act 2001*, including:

   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   ii. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 38; and

c. 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.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A of the *Corporations Act 2001*.

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

Peter Promnitz
Chair

Rohan Mead
Group Managing Director & CEO

Melbourne
7 September 2022

Independent auditor's report to members

Independent auditor's report

To the members of Australian Unity Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Australian Unity Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2022
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

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

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

Independence

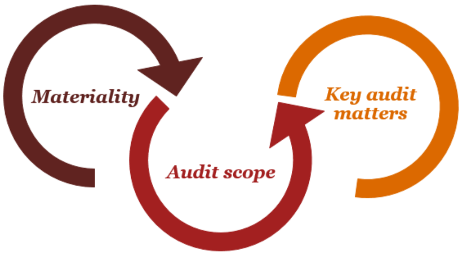
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the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

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope
• For the purpose of our audit we used overall Group materiality of $10.0 million, which represents approximately 1% of the Members' Funds of the Group (Total equity) adjusted downwards to take into account the impact of the issuance of Mutual Capital Instruments on Members' Funds part way through the year. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Members' Funds because, in our view, it is the key financial statement metric used by the primary users of the financial report. • We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focussed on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group is structured into four operating segments, being Retail, Wealth & Capital Markets, Independent & Assisted Living (IAL) and Corporate Functions. • We, as the group audit team, audited the most financially significant entities in the Retail, Wealth & Capital Markets and IAL segments. • We performed an audit of Australian Unity Group Services Proprietary Limited, a subsidiary within the Corporate Functions segment, which provides payroll, accounts payable and corporate treasury services to the Group. • We performed specific risk focussed audit procedures over certain account balances, and at a Group level this included the consolidation process and the preparation of the financial report.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit Committee.

Key audit matter	How our audit addressed the key audit matter
Valuation of retirement village independent living units *(Refer to notes 11 and 12) [$1,785.3 million]* The Group's investment properties include, amongst other assets, retirement village independent living units and development sites – retirement village independent living units (collectively, "retirement villages"). Retirement villages are carried at fair value, which is dependent on the terms of the residents' contracts and the inputs to the Group's valuation models ("the models"). Amongst others, the following assumptions are key in establishing fair value: ● resident turnover rates, including the expected average length of stay based on mortality assumptions and voluntary turnover assumptions ● property growth rates ● discount rates. At 30 June 2022, the Group engaged an external valuer to review the key assumptions used in the models. This was a key audit matter because of the: ● relative size of the retirement villages balance, and ● the level of judgement and estimation uncertainty associated with key assumptions underpinning the valuations.	Our audit procedures over the valuation of retirement villages included the following: ● We obtained an understanding of the methodology applied by the Group to determine the valuation of the retirement villages and assessed the appropriateness of this methodology against the requirements of Australian Accounting Standards ● For a sample of contracts with residents across the portfolio we compared the key data inputs used in the models to underlying contracts. ● In relation to the review of key valuation assumptions performed by the external valuer, we performed the following procedures amongst others: ● Assessed the expert's independence, experience, competency and the results of their procedures. ● Read the expert's terms of engagement to identify any terms that might affect their objectivity or impose limitations on their work relevant to their findings. ● Together with our PwC valuation experts, evaluated the appropriateness of the external valuer's methodology. ● Compared the key assumptions used in the expert's report to those used in the models. ● We considered the adequacy of disclosures made in relation to the key assumptions and estimation uncertainty in note 11 in light of the requirements of Australian Accounting Standards.

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Key audit matter	How our audit addressed the key audit matter
Revenue recognition - Independent and assisted living services and other fees *(Refer to note 2) [$285.3 million]* Revenue from services includes revenue from independent and assisted living services and other fees for aged care, home and disability services which are recognised as the relevant services are provided by the Group. The revenue relating to home and disability services is the largest component of these services and was a key audit matter due to the volume and complexity of processing these transactions and calculating revenue recognised during the period.	For revenues related to home and disability services, we performed the following procedures, amongst others: • Developed an understanding of relevant controls over recognition of revenue and assessed whether a sample of these controls were operating effectively throughout the relevant period. • Agreed a sample of subsidy and supplement funds received by the Group to bank statements. • For a sample of individual customers we agreed services delivered to client statements, customer agreements, rate cards and Medicare statements to assess whether the revenue recognition criteria had been met during the period. • On a sample basis we tested the completeness and accuracy of the calculation of the unspent funds liability at 30 June 2022.
Valuation of intangible assets *(Refer to note 15) [$362.4 million]* The Group recognised $362.4 million of intangible assets at 30 June 2022. $228.7 million of this related to goodwill and a further $24.8 million related to management rights and customer contracts which were assessed by the Group to have an indefinite useful life. The Group prepared value in use models, based on future cash flow forecasts discounted at a rate of return, to estimate the recoverable amount of the cash generating units (CGUs) and assess whether impairment of these intangible assets was required. The assessment of the valuation of intangible assets in the Home & Disability Services and Wealth Advice Services was a key audit matter due to the judgement required in determining the recoverable amount of these CGUs as outlined in Note 15.	We performed the following procedures, amongst others, to assess the valuation of intangible assets: • Assessed whether the level at which the impairment assessment was performed was consistent with our knowledge of the Group's operations and internal Group reporting. • Assessed whether the CGUs appropriately included all assets, liabilities and cash flows directly attributable to each CGU for the purposes of the impairment assessment. • Compared the forecast cash flows used in the impairment assessment to the latest business forecasts. • Compared the performance of the CGUs against historical forecasts to assess the historical accuracy of previous cash flow forecasts. • With the assistance of PwC valuation experts, assessed whether the discount rates used in the value in use models appropriately reflected the risks of the CGUs and the specific risk relating to the segments in which they operate. • Assessed the overall appropriateness of the assumptions when considered in the aggregate. • We considered the adequacy of the disclosures of the sensitivity of the value in use calculations

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Key audit matter	How our audit addressed the key audit matter
Valuation of actuarially determined health insurance liabilities *(Refer to notes 16 and 26) [$122.4 million]* Actuarially determined insurance liabilities include claims provisions relating to the Group's health insurance business ($122.4 million). The claims provisions relating to the Group's health insurance business consists of an outstanding claim liability of $51.4 million and a deferred claim liability of $71.0 million (collectively the 'Group's health insurance claim liability'). The outstanding claim liability relates to 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. The deferred claim liability relates to claims that did not occur during March 2020 to June 2022 (the COVID-19 period), as a result of restrictions imposed on elective surgery in response to the COVID-19 pandemic, and are expected to be settled in future periods. The Group's health insurance claim liability is estimated by the Group as a central estimate and assesses the extent to which claim incidence and development patterns are consistent with past experience. The deferred claim liability also considers the expected rate at which deferred insured surgeries and other procedures will be caught up. A risk margin is applied by the Group to reflect uncertainty in the estimate. The central estimate and risk margin combined, which are estimated based on judgements and actuarial expertise, are intended to achieve an actuarially defined probability of adequacy (POA) of at least 95% (2021: at least 95%). This was a key audit matter because of the significant judgement required by the Group in estimating the Group's health insurance claim liability, including continued uncertainty as to the economic impact of the COVID-19 pandemic, and because a small change in assumptions can result in a material change in the estimated liability and corresponding charge to profit for the year.	within the disclosures in light of the requirements of Australian Accounting Standards. To assess the assumptions used by the Group to determine the value of the Group's health insurance claim liability, we, together with PwC actuarial experts, performed the following procedures over the outstanding claims liability and the deferred claims liability, amongst others: • Evaluated the design of the Group's relevant key controls over the claims reserving process, (including data reconciliations and the Group's review of the estimate) and tested the operating effectiveness of a sample of these controls throughout the year. • Developed an understanding of the processes that the Group undertook to calculate the value of insurance liabilities, including the models used by the Group in calculating the actuarial liabilities. • Compared the methodologies used by the Group to those commonly applied in the industry and where relevant, used in the prior year. • Assessed the key actuarial assumptions used by the Group in estimating its health insurance liabilities. This included assessing the key actuarial assumptions against the requirements of Australian Accounting Standards and also comparing them to the Group's historical experience, observable market trends, and our industry knowledge. • Specifically for the deferred claims liability we have assessed the significant assumptions applied by the Group in determining the impact of COVID-19 restrictions. These include assumptions over accrual periods, deferral rates, amortisation; and adjustments applied for risk equalisation and management expenses. • Assessed the Group's approach to setting the risk margins in accordance with the requirements of Australian Accounting Standards, including an assessment of the appropriateness of the Group's actuarial calculation of the probability of adequacy. • Compared the level of claims received after the year end, which related to the current financial year, to the estimate of the Group's health insurance claims provision.

Key audit matter	How our audit addressed the key audit matter
	• Assessed the adequacy of the disclosure of the Group's health insurance claim liability against the requirements of the applicable Australian Accounting Standards.
Recoverability of Herston Quarter Development Costs *(Refer to notes 12 and 22) [$124.0 million]* The Group has recognised $124.0 million of capitalised costs in relation to the Herston Quarter development at 30 June 2022. The Group has assessed the recoverability of these costs relating to the Herston Quarter development work in progress, and in doing so is required to make significant estimates and judgements in relation to the Herston Quarter masterplan and future cash flows. Due to the level of judgement involved in estimating future cash flows from this development and the size of capitalised costs, this is considered to be a key audit matter.	Our audit procedures over the Group's assessment of the recoverability of Herston Quarter development costs included the following procedures, amongst others: • We obtained an understanding of the Group's latest Herston Quarter masterplan. • We assessed the Group's recoverability calculations for consistency with the current Board approved masterplan. • We agreed a sample of forecast cash flows to executed contracts or external valuation evidence where this was available. • We considered the reasonableness of judgements in relation to uncontracted cash flows based on available evidence. • We evaluated whether the disclosure of estimation uncertainty in Note 22 is consistent with our understanding of the project and the requirements of Australian Accounting Standards.
Acquisition of Greengate Partnership *(Refer to note 29)* On 7 July 2021, the Group acquired the aged care and retirement living owner-operator Greengate Partnership Pty Ltd (Greengate). The acquisition is accounted for as a business combination under *AASB3: Business Combinations* and includes a number of judgments in the determination of the fair value of the assets and liabilities acquired. The assets acquired included property, plant and equipment and investment properties. The business combination accounting resulted in a gain on acquisition of $19.1m. Due to the level of judgment included in the valuation of the assets acquired as well as the size of the business combination, this is considered to be a key audit matter.	Our audit procedures over accounting for the acquisition of Greengate included the following procedures, amongst others: • We obtained the acquisition agreements and agreed key details of the acquisition to the contracts, including amongst other things, the consideration paid and the date of acquisition. • We involved our internal real estate valuation experts to assist us in assessing the appropriateness of the methodology and reasonableness of assumptions applied in the fair value assessment of property, plant and equipment and investment properties. • We considered management's reassessment of the identification of all of the assets acquired and liabilities assumed after identifying a gain on acquisition, as required by AASB3. • We evaluated whether the disclosures are consistent with the requirements of Australian Accounting Standards.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' Report. We expect the remaining other information to be made available to us after the date of this auditor's report.

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

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

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

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Our opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 39-48 of the Annual Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Australian Unity Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Andrew Cronin
Partner

Melbourne
7 September 2022

Glossary of terms

the Group	Australian Unity Group
the Company	Australian Unity Limited

AC	Audit Committee
ACCC	Australian Competition and Consumer Commission
AHC	Aboriginal Home Care
AOF	Australian Unity Office Fund
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUCS	Australian Unity Care Services Pty Ltd
AUGS	Australian Unity Group Services Pty Ltd
AUIREL	Australian Unity Investments Real Estate Limited
AUSTRAC	Australian Transaction Reports and Analysis Centre
AUTCG	Australian Unity Tax Consolidated Group
CHSP	Commonwealth Home Support Program
Corporations Act	*Corporations Act 2001* (Cth)
CSV	Community & Social Value
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ERMF	Enterprise Risk Management Framework
ESG	Environmental, Social & Governance
FUM	Funds under management
GLT	Group Leadership Team
GMD	Group Managing Director
HCS	Home Care Services
IAL	Independent & Assisted Living
IC	Investment Committee
KMP	Key Management Personnel
MAP	Market Announcements Platform
MCI	Mutual Capital Instrument
OAIC	Office of the Australian Information Commissioner
PC&R Committee	People, Culture & Remuneration Committee
PHI	Private health insurance
R&C Committee	Risk & Compliance Committee
RAS	Risk Appetite Statement
S&P	Standard & Poor's
SDA	Specialist Disability Accommodation
SIDG	Social Infrastructure and Development Group
W&CM	Wealth & Capital Markets
WGEA	*Workplace Gender Equality Act 2012* (Cth)

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