Annual Report 2009
Standing together

Australian Unity

HEALTHCARE

Health insurance
Dental
Preventative healthcare
Chronic disease management

FINANCIAL SERVICES

Investments
Personal Financial Services

RETIREMENT LIVING

Retirement villages
Aged care
Community care
Respite care

Sources for the statistics used throughout this report are provided on page 40.

Australian Unity Limited is a national health, financial services and retirement living organisation. It is a public company and a mutual organisation with a heritage dating back almost 170 years. Australian Unity as an entity was formed by the merger of the Australian Natives' Association and Manchester Unity in 1993 and expanded further in 2005 through a merger with Grand United Friendly Society Limited. In August 2009, Lifeplan Australia Friendly Society joined Australian Unity Limited after its members voted 'yes' to a proposal to merge the two organisations. The merger with Lifeplan increased Australian Unity's member base to some 330,000 Australians.

It was a tough year, as you know. Prompted by a global credit crisis, the sharemarket fell, and confidence tumbled along with it. Major international companies collapsed and the Australian Government plunged the budget into deficit.

On a personal level, many of our members and customers have been directly affected by the global crisis. Some have experienced greater uncertainty in employment. For most, superannuation portfolios have shrunk. Some of our customers were affected by our decision to change the redemption facilities in our mortgage trusts. For a proportion of the population, the global crisis and the subsequent drop in interest rates eased pressure on household finances, whereas for others, the drop in interest rates adversely impacted on investment earnings and affected daily living capacity.

The Australian Unity Wellbeing Index (and common sense) shows us that the things that impact most positively on personal wellbeing are often the intangible ones. A sense of security about the future. Connection with community. Strong relationships. A reasonable standard of living.

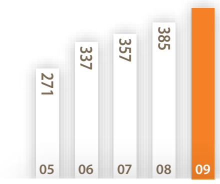
So while the world adjusted to economic shakedown, at Australian Unity we focused on making sure we could continue to deliver products and services to members that enhance wellbeing. Our operations were affected by the global financial crisis. Our profit was lower than in previous years and our earnings from investment income decreased dramatically. Details about these results are contained in the following pages of this report to members.

As a mutual, the company can take decisions that support a longer view. Our antecedent organisations, the Australian Natives' Association, Manchester Unity and Grand United Order of Odd Fellows, took this approach as they dealt with some of the toughest challenges of history: great depressions, dramatic social change and world wars.

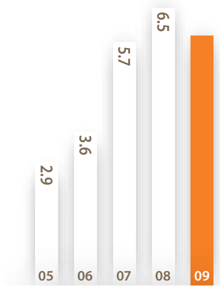
During the year under review we stayed focused on our strategy to build a leading, commercial and sustainable portfolio of businesses that foster customer wellbeing. We reduced our operating costs, but not our opportunities. We established new retirement facilities, new preventative health programs, and new investment structures. We did this with wellbeing, and our members and customers, in mind.

1840 Manchester Unity founded in Victoria.

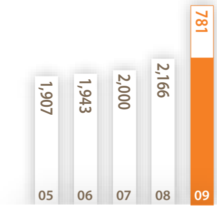
ANNUAL HIGHLIGHTS
AS AT 30 JUNE



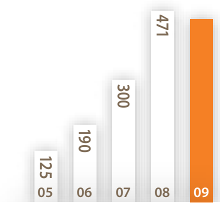
$421m
Health claims paid for members ($m)



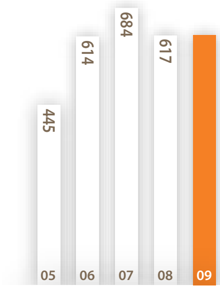
$5.8b
*Funds under management ($b)^*



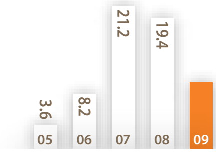
2,183
Retirement units and aged care beds+



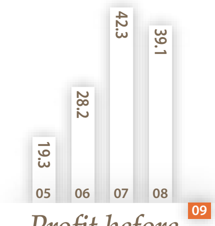
$451m
Funds under advice ($m)



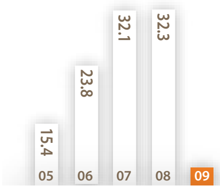
$617m
*Revenues ($m)**



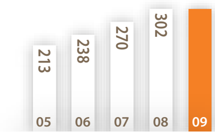
$9.9m
*Operating earnings ($m)**



$–2.9m
*Profit before tax ($m)**



$1.1m
*Profit after tax ($m)**



$303m
Members' funds ($m)

Definition of terms

Funds under management
Investors' funds managed by Australian Unity Investments and its joint venture partners.

Funds under advice
The total value of client funds invested through Australian Unity financial planners.

Members' funds
Net assets of the Group attributable to members.

Operating earnings
Profit before tax less investment income, borrowing costs and discontinued operations.

Notes to the annual highlights
Profits before tax and operating earnings exclude the impact of the Benefit Funds which are required to be included in the financial statements but which have a zero impact on profit after tax.

^ Following the merger with Lifeplan, on 31 August 2009, funds under management stood at $7.6b.

+ The 2009 bar also shows pipeline of 781 village units and aged care beds.

* The years 2005 to 2007 include the results of the general insurance business, which was sold in 2008, materially affecting the comparative results for the years up to and including 2008.

1846 Dr A F A Greeves (left) becomes Manchester Unity's first Grand Master. Subsequently becomes Mayor of Melbourne and a Minister of the Crown.

1848 Grand United Order of Odd Fellows founded in NSW (research suggests first Lodge was opened in 1844).

During the year, Australian Unity …

Launched preventative health and chronic disease management business, Remedy Healthcare

Negotiated a merger with Lifeplan Australia Friendly Society

Was awarded the Canstar Cannex Innovation Excellence Award for wellness benefits in health products

Achieved industry-leading same-day processing for ancillary claims

Moved to establish an Asia-focused fund manager

*Was one of only a few fund managers to achieve positive net flows**

Established a $368m Retail Property Fund by combining the assets of six property trusts

Tendered successfully to build the Wellbeing Precinct (aged care and retirement living) of the Victorian Government's Carlton Housing redevelopment project

Opened a major aged care facility and retirement village, Victoria Grange, in Vermont South, Melbourne

Increased transition care beds in aged care facilities in Melbourne for elderly people needing step-down care after hospitalisation

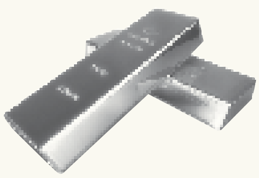
Piloted successfully a respite care facility at Constitution Hill, Sydney

Was awarded an additional 52 community care packages in Victoria and NSW, expanding the range of community integrated services in aged care

Reviewed procurement contracts and reduced operating costs

* According to independent financial services research group Plan for Life.

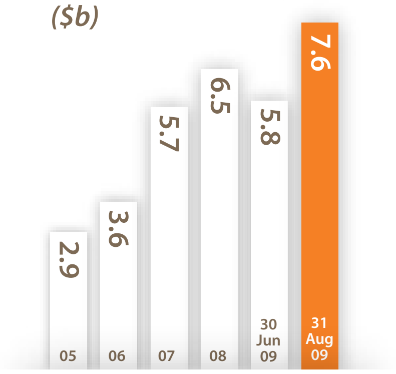
1851 Gold discovered in Ballarat.



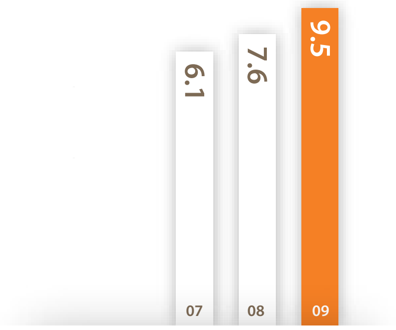
1867 Henry Lawson born.

FROM OUR CHAIRMAN

Funds under management ($b)



Year-on-year increase in health claims paid to members (%)



The year just ended has been one of the most extraordinary years in recent Australian economic history, presenting enormous challenges to economic stability and serious financial implications for those whose jobs or financial position were seriously harmed.

For Australian Unity the year had both good and bad features. The good features were that we weathered the storms relatively well compared with many others and demonstrated the value of our careful approach to all that we do. The bad news however was that we had to greatly slow down our developments and spend a lot more time dealing with unnecessary complications created by external circumstances, about which I will comment later.

Impact of the economy

The impact of the financial crisis hit us adversely in all our business areas. Our income was down from all of our activities resulting in a year in which we made the barest of overall profits, and consequently had to severely trim our expansionary activity. Our retail health fund suffered a drop in profitability as a result of softening membership and declining investment income, and with benefits paid on behalf of our members rising faster than revenue.

Our retirement living business suffered from a slowing of unit sales in the first half of the year, with take up of vacancies with fee income therefore falling. Our investments business experienced a fall in management fee income due to lower asset values, and this income fall being faster than we could reduce outlays.

Despite the restrictions, we have continued to develop our position in the respective industries. We launched a preventative health business, Remedy Healthcare, we progressed plans for the development of the Mornington retirement village, and we were successfully awarded the right to develop the retirement living precinct in the Victorian Government's Carlton redevelopment.

We were also pleased that our investments business held up so well. Our mortgage trust business was perhaps the most challenging area as the government decision to grant guarantees to banks left mortgage trusts in a very difficult position. The Australian Unity Mortgage Income Trust has now introduced monthly redemptions, ahead of other competitor trusts. Our other investment products have fared extraordinarily well, preserving their leadership positions in the industry.

1870 Manchester Unity granted Crown land to establish a home for aged and disadvantaged members.

1871 Victorian Natives' Association established and renamed Australian Natives' Association (ANA) shortly after.

Merger with Lifeplan

During the year we were approached by Lifeplan Friendly Society Limited with a proposal to merge. Mergers of mutuals are invariably complex arrangements, requiring considerable management and board time to secure all of the relevant member, regulatory and other legal approvals. I am glad to say that the proposal took effect from 31 August this year. Lifeplan is an Adelaide based funds management company, specialising in investment bonds, education savings plans and funeral bonds. Lifeplan brings a further $1.5 billion funds under management to the Australian Unity group, as well as a more significant South Australian presence. In consequence, Lifeplan's Chairman Mr John Butler joined our board from 31 August 2009, and a number of their directors have continued as directors on the Lifeplan board and its subsidiaries, now joined by a number of Australian Unity Directors.

Under the merger, all members of Lifeplan, approximately 150,000 members, became members of Australian Unity, and Lifeplan became a wholly owned subsidiary of Australian Unity. This merger brings together most of the remaining parts of the friendly society movement of earlier decades, in a form which contributes to Australian Unity today being one of Australia's most important mutual companies.

"I would like to extend a special welcome to the approximately 150,000 Lifeplan members who joined Australian Unity after the merger of our two organisations on 31 August 2009."

National Questions

From as far back as 1904, The Australian Natives' Association took a leading role in advocating action on major issues facing Australia. These questions, which were first referred to as Public Questions, and then later National Questions, covered a wide array of topics, ranging from increasing the number of lending libraries, nationalisation of public health to rabbit extermination, water conservation and national education standards.

The modern organisation has not forgotten these public advocacy traditions. We believe that members should be informed about and contribute to debate on policy matters that affect them.

In 2009, there are many issues of present focus. The economy and the environment rightly capture much public discussion.

But I believe there are other national questions that could arguably rate as the major challenges of our times. How can we ensure the continued affordability of healthcare? What can we do to help Australians retire with enough income to support their continued quality of life? How do we improve the health of a population heading towards a calamity of ageing and chronic disease?

1875 First ANA Conference held in Melbourne on Cup Day.

1880 Manchester Unity Greeves Scholarship established.

BUSHFIRE RELIEF

In response to the Victorian bushfires, more than 80 Australian Unity staff volunteered their personal time to assist Rotary with the relief effort near Marysville. In addition, village residents and employees across the Group raised more than $115,000 towards the work of Red Cross. Australian Unity's dollar matching policy doubled this donation to $230,000. The Group also announced it would waive health insurance premiums for the remainder of the 2008–09 financial year for its Victorian members who lost their homes as a result of the bushfires.

During the year, Australian Unity continued to present opinions, research and advice to policymakers on these issues. We presented submissions to many commissions and inquiries during the year, including the National Health and Hospital Reform Commission; the National Preventative Health Taskforce; the Maternity Services Review and the Federal Senate Enquiry into Obesity. We also took on a greater leadership role in the Retirement Village industry and on advocating for better integrated services for older people.

We continued to build a constructive presence and dialogue with the government, regulators and the media on key issues relating to the global financial crisis, on such topics as short selling; market liquidity and the impact of the bank guarantee on non-bank deposits; redemption arrangements and hardship relief cases for mortgage funds.

Australian Unity is a member of the Business Council of Australia and our Group Managing Director, Rohan Mead, currently chairs the BCA's Healthy Australia Task Force. During the year the task force issued two important papers urging a better-designed health system.

We can only make a small contribution to discourse on these issues. Along with continuing to provide products and services that support member wellbeing, we hope that our contribution can help create solutions, for both our members and the wider Australian population.

Directors

Bruce Siney has advised that he will not seek re-election at this year's Annual General Meeting (AGM) and therefore will retire. Bruce has been a director since 2000 and been a valuable colleague over this period. He has chaired our Marketing Committee since he joined us and has played an important role in the development of our marketing capability over this time. I want to thank Bruce for his service to the company over the last decade and wish him well in his continuing activities. I have previously mentioned that Mr John Butler has joined our Board as a result of the Lifeplan merger. Additionally, the board early this year commissioned a search firm to assist with the recruitment of suitably qualified and experienced directors to join our Board. This process is currently being finalised and we expect to be able to make an announcement in this respect prior to the AGM.

Our Group Managing Director reports in more detail on these matters later in this report.

Finally, I wish to thank our members, customers, our fraternal organisations and our employees for their support in all our activities.

Alan Castleman, Chairman

1888 ANA resolves to commemorate Foundation Day (26 January), a tradition that later becomes Australia Day.

First Grand United building completed at Castlereagh Street, Sydney.

1898 Leading ANA member Alfred Deakin delivers an address that is later credited as a turning point in the campaign for Federation.

GROUP MANAGING DIRECTOR'S REPORT

The 2009 financial year was a year of great challenge and great opportunity for Australian Unity. Our financial performance was adversely affected by the economic conditions and the collapse in investment markets. Our business development performance generated significant opportunities for the company, across our business operations.

While revenues remained in line with the prior year, at $617 million, those revenues earned directly by our financial services businesses, which are linked to the levels of financial markets, were down. Overall, the operating earnings of the company were $9.9 million, a 49 percent decline on the operating earnings of the prior year.

Our profits were also affected adversely by the unrealised positions attributable to financial market declines, which were recorded against investment income. Our profit after tax was $1.1 million, down from $32.3 million in 2008.

Challenges and opportunities

In this context, it was pleasing to see the progress that the company made against key goals. Over $420 million in benefits were paid out for health members (a 9.5 percent increase on the previous year), substantial investments were made in allied health programs including the launch of our Remedy Healthcare business; major retirement living expansion sites were secured and significant extensions to our community and transition care programs for ageing Australians were achieved. Our financial services operations continued to experience market support for our quality investment products and increased numbers of clients for our advisory business. Evidencing this support, our Investments business was one of only a few fund managers to achieve positive net flows for the financial year*.

During the year we faced many of the key issues confronting financial services operations in Australia. These included adjusting the operations of mortgage trusts and similar investment vehicles in the face of the effects of the Federal Government guarantee of bank deposits, along with refinancing credit lines for corporate operating and investment entities. We were very concerned that we had to change the redemption facilities on our mortgage trusts in October 2008 in order to protect the interests of investors as whole, but we were pleased that by December we were able to offer limited redemption facilities. We have since been progressively extending these facilities. Australian Unity's mortgage trusts are among Australia's leading mortgage trusts, and these investments have continued to pay interest and have suffered no capital decline. Subject to economic conditions, we look forward to moving these trusts to more traditional operating patterns

* According to independent financial services research group Plan for Life.

1901 Inauguration of the Commonwealth of Australia.

Leading ANA member Edmund Barton becomes Australia's first Prime Minister.

1902 Grand United Life Assurance Scheme introduced.

OUR APPROACH

As a mutual company, we were able to respond differently to the financial crisis than some companies whose principal focus is financial performance and who are listed on the stockmarket. While we responded to the conditions in part by adjusting our expenditures and cost structures, we were also able to continue to invest in key areas of development for the company. The company's mutual structure allows it to be relatively resilient to periodic reductions in financial performance. Our history, dating back almost 170 years has encompassed many economic downturns and, consistent with this history, we sought to react steadily to the recent crisis and to not generate erratic, adverse changes to customers' services or benefits.

during the current financial year. Also, we achieved appropriately renewed credit arrangements for all of the group's material borrowing arrangements, as relevant, during the year.

Although formally concluded after the close of the period, we gave significant attention during the year to the merger with Lifeplan. This merger will strengthen both companies and will enhance the merged operation's capacity in the area of savings and other bond type products. These products have increasing relevance to the financial needs of Australians, and the merged operation will be the leading provider of such products with some $2 billion in funds managed in this area. We look forward to the positive development of this business area in coming years and the opportunities for improved products and services for our members and customers.

To the Lifeplan members who joined the company as a result of the merger, I add my welcome to that of the Chairman, and thank those members for their overwhelming support in the votes that were involved in the merger processes.

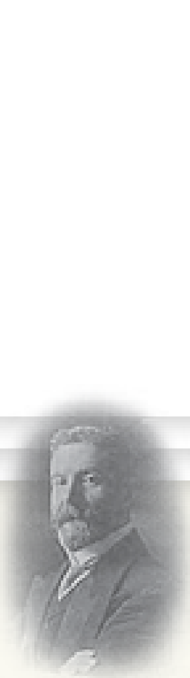
Changing community needs

In addition to valuable retirement savings and investment services, at Australian Unity we have long held the view that our ageing population will require a range of healthcare, personal care and accommodation services unlike those known to previous generations, and that all of these elements would need to be addressed to truly support wellbeing.

For many years we have been shaping the company's services in the light of this view. Chronic disease, including dementias, osteoporosis, diabetes and heart disease are growing in both proportionate and absolute terms at a rate and scale that will fundamentally challenge the capacity and configuration of our system of health and aged care.

Australians will require increasingly a broad array of services, provided in both care and community settings, along with support for themselves and their partners, as they experience the challenges of ageing and adapting to changing care and accommodation needs.

This report sets out some of the many initiatives that the company has been taking to address these growing needs. I look forward to continuing these, and other initiatives, in the year ahead and advancing Australian Unity's practical contribution to the wellbeing of Australians.



1903 Alfred Deakin becomes Australia's second Prime Minister – serving three terms in office.

1904 ANA begins a tradition of publishing 'Public Questions' to create debate on issues affecting Australia and Australians.

1909 Australian age pension introduced. A boy born at the time had a life expectancy of 55 years and a girl had one of 59 years.

Australians spend some $100 billion annually on health and related care services. This expenditure is growing at double the rate of inflation as measured by the Consumer Price Index, and currently represents close to 10 percent of Gross Domestic Product (GDP). It is the fastest growing area of government expenditure and is projected to eclipse other areas of government outlay as it grows to more than 20 percent of GDP in coming decades. The health and ageing sector is also a people and capital intensive area, with many hundreds of thousands of people employed across thousands of facilities (before adding the vital contribution of our informal workforce of carers). Increasingly, Australia's economy and population is going to be affected by the requirements and performance of this sector. And yet, it is a sector that is remarkably unsurveyed, in terms of its quality, effectiveness, productivity and accountability.

Sustaining an effective Australian health and aged care sector will require significant reform and reconfiguration. Australian Unity will continue to contribute to the policy agenda in support of positive and sustainable development.

* * *

As I have noted, it was a year of extraordinary operational challenge as the effects of the financial crisis swept the economy. In this context, we took the decision to make no performance payments under our remuneration policies and award no salary increases to higher-paid employees.

I would like to thank all of my executive and staff colleagues for their exceptional dedication and work in this past year. These efforts underpinned the achievement of many valuable business development goals despite the financial challenges and provided a strengthened set of business opportunities for the company to address in the current and future years.

In addition to the challenges arising from the economic world, Australia's sometimes harsh natural environment dealt the community sad blows during the year in the form of floods and the terrible Victorian bushfires. I commend the selfless response of many Australian Unity staff and retirement village residents who volunteered, raised and gave money, as well as providing other support to those affected.

Rohan Mead, Group Managing Director

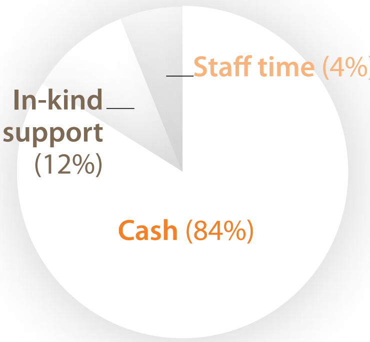
1914 World War I begins.

1919 Grand United War Memorial built in Hyde Park and donated to Sydney Council (3,010 Grand United members enlisted and 501 were killed in WWI).

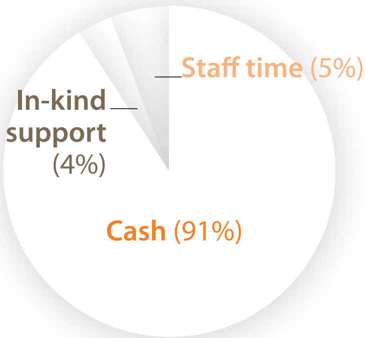
COMMUNITY, SUSTAINABILITY AND PEOPLE

*Our community contribution at a glance**

2009 total: $838,000

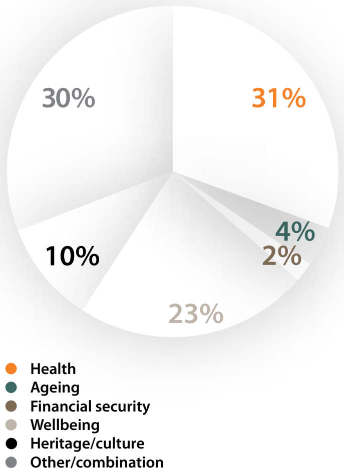


2008 total: $794,000



Areas we support (% of $)

2009



* Australian Unity uses the London Benchmarking Group model to evaluate and benchmark our community achievements.

Australian Unity, in keeping with its long history, is actively involved in supporting the community. Consistent with the Group's business focus, our community activities are geared towards advancing the wellbeing of Australians in the areas of health, ageing and financial security and celebrating Australian achievements, heritage and culture.

Australian Unity Foundation

A key element of the Group's community support program is the Australian Unity Foundation. Now in its fourth year, the Foundation has distributed nearly $400,000 to community groups across Australia. This year grants of $20,000 each were awarded to the Australian Theatre for Young People, Challenge, the Lighthouse Foundation, Wesley Mission and Youth Projects Inc.

Community partnerships

Australian Unity continues to partner with Tangentyere Council, an indigenous organisation, which is the major service delivery agency for 18 housing associations in Alice Springs. The partnership provides in-kind support to Tangentyere Council and gives Australian Unity employees an opportunity to contribute to the wellbeing of an indigenous community.

We continue to sponsor the Australian Unity Learn to Swim program. Together with its ambassador, Hayley Lewis, the program promotes the benefits of swimming and the importance of water safety and provides swim schools with teaching aids and professional development programs to nurture future talent.

The Group's long-term partnership with Bell Shakespeare continues to bring live performance into the community. This year Bell Shakespeare's Actors at Work performed at a number of Australian Unity villages and aged care facilities across Victoria and New South Wales.

Australian Unity continues to be a sponsor of Greatconnections, a community organisation that connects experienced, professional volunteers with not-for-profit organisations in need of help.

Assisting staff in supporting the community

To encourage community engagement, Australian Unity offers staff a day of paid leave to volunteer their time for a worthy initiative. During the year, 16 percent of eligible employees took up this option and undertook activities such as preparing meals for the homeless and planting trees as part of the endangered Helmeted Honeyeater recovery program. In addition, six percent of staff participated in workplace giving, donating almost $27,000 to organisations such as the Salvation Army, Surf Lifesaving

1926 Manchester Unity First Insurance Company of Victoria established.

1929 Wall Street crash in October – start of the Great Depression.

Unemployed Grand United members' contribution fund launched to mitigate the effects of the Depression.

Australia and the Cancer Council of Australia through regular salary deductions. Despite the financial year being a challenging one for many people, both the proportion of staff participation and the amount donated were greater than in the previous year. Under the program, contributions from staff are dollar-matched by Australian Unity.

Celebrating Australia

Australian Unity continues to proudly support the Australia Day People's March in Melbourne, an event that celebrates the people and communities that make up our nation.

For the second year running, we presented the Bryan Kelleher Literary Award. This national competition, which aims to honour and preserve bush poetry for the enjoyment of future generations, attracted almost 550 entries for the 2009 award.

Measuring wellbeing

The Australian Unity Wellbeing Index, a project undertaken in partnership with Deakin University, continues to be the leading barometer of wellbeing in the community. Now in its ninth year, the index provides government, community groups and academia with valuable insights about the lives of Australians.

The partnership produced a number of key reports throughout the year. One report found that the wellbeing of Australians had fallen significantly as a result of the rising cost of living, while another profiled the wellbeing of Australia according to geographic area and concluded that wellbeing is higher in smaller communities.

Supporting public policy

Australian Unity continues to support the Australian Centre for Health Research. During the year the Centre facilitated research papers, authored by experts, on topics including the measurement of quality in private hospitals, pharmacogenomics in Australia, the implementation of e-health, and alternatives for health funding in Australia.

CARERS VICTORIA

Over the year, Australian Unity forged closer links with Carers Victoria. Our retirement living staff volunteered at Carer 'Mingles', which provide carers with the opportunity to engage with one another and enjoy some time out. At a local level, each retirement village and aged care facility makes a meaningful contribution to the community in which it operates.

Some of our community partners

TANGENTYERE

1931 ANA member Sir Isaac Alfred Isaacs (left) becomes the first Australian-born Governor-General.

1932 Sydney Harbour Bridge opens.

Prominent Manchester Unity building in Swanston Street, Melbourne, completed. The project was designed to provide employment during the Depression.

DID YOU KNOW?

A slowly dripping tap can waste 20,000 litres per year

The majority of Australian adults (82%) are concerned about the environment

Each tonne of paper that is recycled saves almost 13 trees

During the year Australian Unity's head office recycled approximately 63 tonnes of paper.

A sustainable natural environment is fundamental to the health and wellbeing of the community. At Australian Unity we constantly seek new ways to reduce our impact on the environment for the benefit of current and future generations. Working in a sustainable way not only makes environmental sense, it has many financial, strategic and employee morale benefits as well.

Audit

In late 2008 the environmental performance of Australian Unity's head office was audited by Monash University's Sustainability Institute. The audit highlighted some positive results together with practical recommendations to inform future actions. A variety of activities and initiatives were implemented this year to further build upon our efforts in minimising the environmental footprint of our business operations.

Green Team and staff

Australian Unity's Green Team, a staff-led volunteer group, continued to champion the environment throughout the year. Initiatives during the year included participation in the global sustainability movement, Earth Hour, and support of National Ride to Work Day.

Paper and printing

Australian Unity continued to recycle printer toners through Planet Ark. In addition, approximately 60 printers that were removed from service as part of a scheduled upgrade were either donated to charity or recycled through Planet Ark.

The Group contracted a major print supplier in February 2009 to provide all printing services. Its sound environmental management credentials, a key factor in our procurement process, include using renewable paper sources, implementing environmental management certification across its network and using energy efficient technology.

Energy

A major source of greenhouse gas emissions is the fossil fuel that is used to create energy. In May 2009, Australian Unity implemented a more efficient air conditioning system at our head office. This initiative has contributed to the respective 18 percent and seven percent reductions in electricity and gas use observed by comparing the month of June in both 2009 and 2008.

Water

Water conservation measures continue to be implemented in concert with scheduled refurbishments undertaken at Australian Unity's head office. A comparison of the last three months of the 2009 financial year with the same period in 2008 shows a six percent reduction in water consumption.

1939 World War II begins.

1946 NSW comes into line with other states – 26 January now celebrated as Australia Day across the nation.

Grand United Building Society (No.1) established.

Dental centres

Our dental centre network continues to run an efficient and environmentally responsible waste management system. We continuously monitor all aspects of our operations to ensure compliance with the relevant Australian Standards. For example, our clinical waterlines are equipped with anti-retraction valves to ensure that the quality of the public water supply is not compromised. And to ensure that mercury waste escaping into the environment is minimised, Amalgam separators, which comply with ISO 11 143, will be installed in all our dental centres during 2009.

Retirement Living

Our new retirement village projects will feature a number of sustainability initiatives, including the installation of natural bio-filters designed to remove impurities from stormwater run-off at our proposed Mornington and Sienna Grange retirement villages. In addition, all units at Sienna Grange will feature solar hot water units and all future units have been designed to exceed the minimum energy star rating. At our upcoming development in Mornington, all 280 units have been designed to meet passive solar design requirements and all roof water will be captured for the purposes of irrigating the village community facilities.

ROYAL PRINCE ALFRED HOSPITAL MEDICAL CENTRE

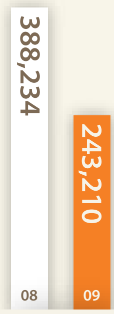
In 2008 Australian Unity embarked upon an energy and water savings program at the Royal Prince Alfred Hospital (RPAH) Medical Centre in Sydney, a key property in the Healthcare Property Trust.

As part of Sydney Water's Every Drop Counts program, common area toilets were fitted with a dual flush system and flow restriction taps. A comparison of the 2009 financial year with the previous period shows a 20.3 percent reduction in water consumption within the medical centre.

The program of energy reduction included the introduction of energy efficient lighting and the more efficient use of air conditioning. For the quarter comprising April, May and June 2009, we demonstrated savings of 145,024 kilowatts (37.4 percent) over the corresponding period in 2008, resulting in savings of over $38,000.

Over the year it is estimated that savings will be over 500,000 kWh, with carbon emissions of the centre to decrease by more than 500 tonnes.

Comparison of electricity usage (kWh)



1948 ANA General Insurance Company established.

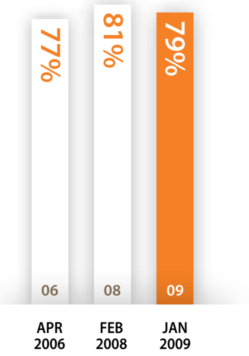
Grand United Centenary Centre – Homes for the Aged and War Memorial Nursing Home is opened.

1949 Construction of the Snowy Mountains Scheme begins.

1956 Melbourne Olympics.

Television broadcasting starts in Australia.

14 *Overall staff engagement at Australian Unity (engagement rating %)*



Australian Unity has a diverse workforce representing a variety of professions and skills. We are committed to fostering staff engagement and wellbeing across the Group and pleased to see this translate into service and value for our members, customers and residents.

Engagement

Australian Unity regularly conducts surveys to monitor the degree of engagement among our people to see how we are performing and the areas in which we can improve. This year Australian Unity scored an employee engagement factor of 79 percent – a strong performance relative to our peers, according to the research organisation, which works with some of the largest organisations in the Asia Pacific region.

Business simplification

A key initiative supporting staff engagement in a practical way is the Business Simplification Program. Launched in 2008, the program is a direct response to staff calls for better practices and processes across the business to support them to better serve members and each other. The program has already delivered real benefits across the Group. For example, the Health business has improved efficiency in processes and provided greater cross skilling and development opportunities for staff while the Retirement Living business has implemented processes to better manage development risks and improve collaboration with stakeholders and customers.

Wellbeing

We undertook a series of initiatives throughout the year to support staff to improve their wellbeing, including health risk assessments, finance seminars and cholesterol tests. We also provide an Employee Assistance Program which offers confidential counselling free of charge to any employee (and their immediate family) who may need help with problems which adversely impact their personal and work-related wellbeing. Throughout the year Australian Unity also ran wellbeing workshops for 555 employees, which encouraged them to create their own wellbeing plan.

1961 ANA Dental Clinic opened in Elizabeth Street, Melbourne.

1962 Manchester Unity Aged Members' Centre opens in Glen Waverley.

Staff development

The Australian Unity Business School, now in its second year, has conducted programs for more than 150 people at all leadership levels of the organisation.

Health and safety

Australian Unity adheres to a rigorous Occupational Health & Safety Policy. We provide a number of training, information, instruction and supervision programs that clearly communicate the different responsibilities of senior management, managers and supervisors, employees and the OH&S committee. The policy is monitored and reviewed on a regular basis.

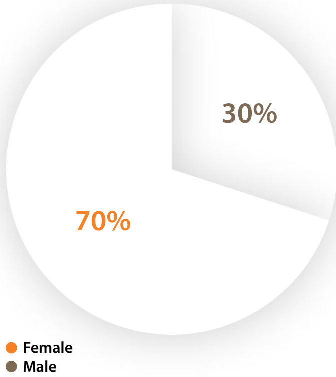
Industrial relations

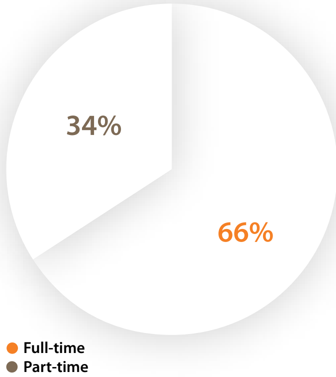
Over the past year we undertook a review of our internal policies and practices to help ensure that we meet the responsibilities and obligations of the Fair Work Act, which came into force in July 2009. We will continue to operate an inclusive workplace relations strategy based on performance, protection, regulation, growth and support.

FACTS ABOUT OUR PEOPLE

As at 30 June 2009

1,300 employees





1964 Manchester Unity (Victoria) Permanent Building Society established.

ANA Permanent Building Society established.

Last of the baby boomers born.

1966 Decimal currency introduced in Australia.

OUR OPERATIONS

RETIREMENT LIVING

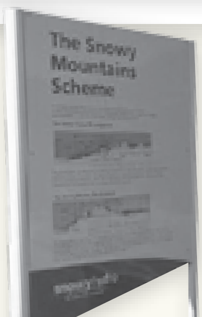
Australian Unity's Retirement Living business operates retirement villages, including residential aged care facilities and ambulatory and community services, across New South Wales and Victoria. These facilities include 1,732 independent living units and 451 aged care beds.

Australian Unity Retirement Living's approach is to provide a range of services – independent living units, residential aged care and community services – in an integrated location. This approach means residents can continue to stay in the home and community of their choosing with access to the necessary care and wellbeing services they require as they age. Australian Unity has also secured new opportunities to develop further integrated communities in this model.

1,732

home units for Australian retirees

1969 Neil Armstrong becomes the first person to walk on the Moon.



1974 Cyclone Tracy devastates Darwin.

Snowy Mountains Scheme completed.

6th *largest health fund in Australia*

HEALTHCARE

Australian Unity operates two health funds: Australian Unity Health, which provides cover to 288,000 people; and GU Health which provides tailored health plans to enable some of Australia's leading corporations to offer health insurance benefits to their employees.

Australian Unity also operates dental clinics and other allied health services, including Remedy Healthcare, a new preventative health business that offers specific chronic disease management programs and is starting to provide in-home rehabilitation services for members and customers recovering from injury or surgery.

Through these business operations, along with award winning wellness benefits, Australian Unity supports members and customers being as healthy as they can be in order to stay well and live longer.

FINANCIAL SERVICES

Investments

Australian Unity Investments provides specialist mortgage, property, fixed interest and equity products to investors. The business has built up extensive in-house property and mortgage fund manager expertise, and has expanded offerings to investors through joint ventures and strategic alliances with other organisations with specialist expertise.

This distinctive business model means investors can access a range of expert investment managers, each focused on managing a specific asset class, while benefiting from the support, resources, experience and expertise of a long-established, mutually owned organisation.

Personal Financial Services

Australian Unity's Personal Financial Services business offers financial planning advice and mortgage broking. The business philosophy is based on mutual understanding between clients and advisers, backed by Australian Unity's culture of assistance and knowledge developed over the past 170 years.

$7.6b *in funds under management (at 31 August 2009)*

$451m *in funds under advice*

1975 Federal government introduces taxpayer-funded universal health insurance scheme, Medibank, which includes free treatment of public patients in public hospitals.

1980 Manchester Unity opens Walmsley Friendship Village (retirement village) at Kilsyth, named after William L Walmsley (left), who was Grand Secretary from 1947 to 1971.

"The best advice ever given to us was to move into Walmsley Friendship Village. We have not had one day of regret."

The Carters

Len (83) and Nanette (81) Carter, long time residents at Walmsley Friendship Village, celebrated 56 years of marriage this year. Initially interested in the Village as a secure alternative to their house while they travelled, in 1987 they decided to "give it 12 months" to see how they liked it. Twenty-two years later they are still there.

Their home, surrounded by garden, is filled with treasures they have collected from their travels in places as far flung as Honduras, Russia and Egypt, as well as the Philippines, where Len was stationed during the war. Whether by hot air balloon, seaplane or cruise ship, chances are the Carters have done it (or are planning on doing it). In between their travels, Len spends his time conquering his computer while Nanette, with the Italian language already under her belt, is tackling the finer points of German. They can often be found staying fit on their exercise bike, walking around the Village or dining with friends at the wineries in the Yarra Valley.

RETIREMENT LIVING

Australian Unity's Retirement Living business recorded a profit before tax of $10,399,000 for the year ended 30 June 2009 (2008: $10,581,000). The Group is a major provider of retirement living services with 15 retirement villages and four aged care facilities across New South Wales and Victoria, offering a total of 1,732 independent living units (2008: 1,715), 451 aged care beds (2008: 451) and 99 ambulatory and community care places (2008: 75) as at 30 June 2009.

Despite challenging economic conditions and tighter credit markets slowing the pace of the development pipeline, Australian Unity continued to make sound progress as an integrated provider of accommodation and services for older Australians.

New aged and community care places

The business was awarded new aged and community care places in the Department of Health and Ageing's 2008–09 Aged Care Approval Round. The allocation, spanning 226 aged care places (162 low care places, 64 high care places) and 52 community aged care packages in five separate regions across New South Wales and Victoria, represents a significant potential expansion of Australian Unity's services in both states.

New and current developments

A highlight of the year was the Group's successful bid to own and develop a Wellbeing Precinct in Carlton, which will provide accommodation and services for Melbourne's ageing population. This Precinct forms a key element of the Victorian Government's Carlton Housing Redevelopment project. When complete, the $180 million investment by Australian Unity will create around 150 permanent jobs and accommodate 400 residents.

HIGHLIGHTS

Australian Unity was successful in its bid to develop a Wellbeing Precinct in Carlton, Victoria

Further allocation of aged and community care places in NSW and Victoria

Completion of Stage 1 retirement units at both Sienna Grange (NSW) and Victoria Grange (Victoria) villages

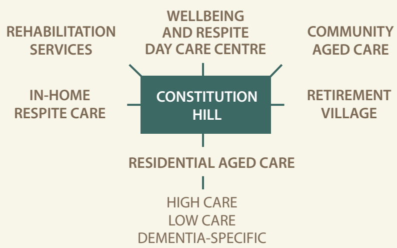
Victoria Grange Aged Care Facility and Constitution Hill Wellbeing and Respite Day Care Centre opened

1983 The Australian dollar is floated and exchange controls abolished.

1984 Federal Government revamps universal taxpayer-funded health scheme as Medicare.

IS CONSTITUTION HILL THE FUTURE OF RETIREMENT LIVING?

Constitution Hill, located in Northmead, Sydney, offers its residents a continuum of quality care, from independent living through to high level residential aged care services. If, due to ageing, the services offered within the retirement community are no longer adequate to meet an individual's care needs, residents may be supported to move into the co-located residential aged care facility. The broad mix of lifestyle, support and care services offered at Constitution Hill, including a range of pilot initiatives such as in-home and day respite, is an innovative approach to aged care.



Development activity continued in a number of areas. In September 2008, the Victoria Grange Aged Care Facility, a purpose-designed and built residential facility which provides over 100 low and high care places, was officially opened by the Hon. Justine Elliott, Minister for Ageing, and is filling well, with a 70 percent occupancy rate as at 30 June 2009. This facility is adjacent to the partly built Victoria Grange Retirement Village, continuing Australian Unity's integrated approach to retirement living services. Other development activities over the year included the completion of the first stage of the Sienna Grange Retirement Village in Port Macquarie, New South Wales. This facility, which will offer 67 independent living units constructed over four stages, had an 85 percent occupancy rate as at 30 June 2009. The second stage is now under way.

Construction of the Mornington Retirement Village is scheduled to begin during the 2010 financial year. With approximately 280 independent living units to be constructed on the site and an adjacent aged care facility, this community is the business' largest project to date in Victoria.

Expanded programs and services

Throughout the year Australian Unity progressed initiatives geared towards expanding the number and range of services offered to residents and the community. The business has been successful in obtaining day respite funding in the National Respite for Carers Program and established a Wellbeing and Respite Day Care Centre at the Constitution Hill village. This funding enables the Group to support around 22 clients a day and allows the provision of full day respite facilities as well as on-site rehabilitation programs.

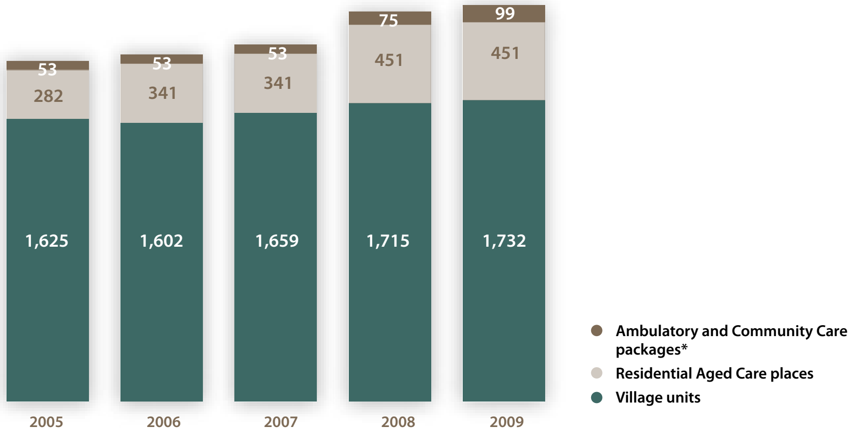
Australian Unity is also a recipient of National Respite for Carers Program funding for in-home respite care services in the Western Sydney region, which provides services for up to 15 clients a week. In Victoria, with the support of Eastern Health and the National Ageing Research Institute, the Group is piloting a psycho-geriatric Transition Care program in the Victoria Grange Residential Aged Care Facility. Australian Unity is also providing, with Eastern Health, residential-based Transition Care places at the Walmsley Residential Aged Care Facility.

During the period the business invested in two scalable operational systems to increase efficiencies in payroll and rostering and centralised billing and client management to support long term growth.

1985 Total Care Friendly Society merges with Manchester Unity (Victoria).

1986 Grand United (Victoria) merges with Manchester Unity (Victoria).

Our operations



* Including Community Aged Care packages, Extended Aged Care at Home packages, Day Respite services, In-Home Respite services and residential-based Transition Care.

Care standards

All four of Australian Unity's residential aged care facilities were re-accredited and found compliant in each standard and outcome. In addition, all of the Group's applications for retirement village accreditation through the Retirement Village Association were approved, providing reassurance to current and prospective residents that Australian Unity communities meet regulatory and industry standards.

Customer satisfaction

The annual customer satisfaction survey indicated a high rate of satisfaction within the aged care and retirement living communities.

Overall, 95 percent of independent living unit residents and 98 percent of aged care residents reported they were completely satisfied or satisfied.

Industry leadership

Australian Unity, independently and as a member of aged care and retirement peak bodies, continued to lobby for the ongoing viability of residential aged care – including the development of a better tailored resident focused funding model.

Derek McMillan, Group Executive for Retirement Living, was elected by his peers to the position of Vice President of the Retirement Village Association, Australia's peak body for the retirement village industry working for the ongoing growth and sustainability of the sector.

DID YOU KNOW?

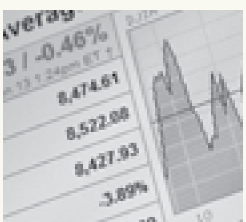
The average age at which employed people intend to retire is 64

Over one million people plan to retire in the next ten years

28% of residential aged care services are supplied by private providers

Australians' average life expectancy of 81.4 years is currently among the highest in the world and has increased by five years over the last two decades

For each older person in 2007, there were five working-age people, while it is predicted that in 2056 there will be less than three working-age people for every older person



1987 Black Monday – stock markets around the world crash.

Prime Minister Bob Hawke congratulates Manchester Unity for its retirement village at Kilsyth.

1989 The Higher Education Contributions Scheme (HECS) was introduced.

"One of our favourite things is going on holidays as a family."

The Brecko family

Basketball is a tradition in the Brecko family. Australian Unity members before they married, David (38) and Kelly (37) met while playing 19 years ago. As babies, their children could often be spotted courtside in their bassinettes watching their parents play. Nowadays, Ameika (13), Curtis (7) and Flynn (5) all play basketball as well as other sports such as karate, swimming, football and skiing. Leading such active lives has meant the Breckos have had their share of sprained ankles, twisted knees and injured noses and make good use of their healthcare policy with Australian Unity.

The family's menagerie, which includes golden retriever Zeke and kitten Tartuffe, welcomed some new additions recently. Inspired by lessons about sustainability at school, the kids now look after four chickens in the backyard which, on top of giving them a daily supply of fresh eggs, make good use of the family's food scraps and provide organic compost for the garden.

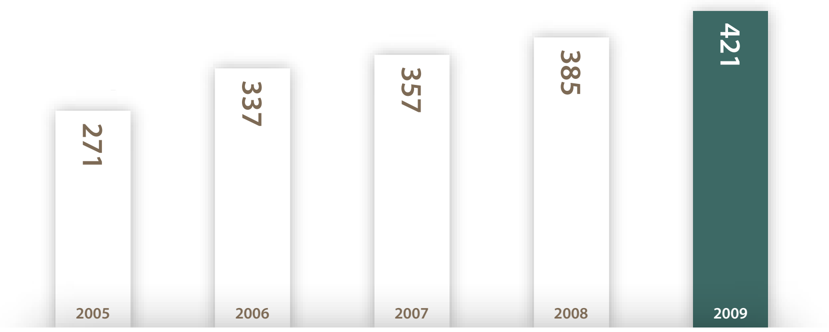
HEALTHCARE

Australian Unity Healthcare recorded a profit before tax of $15,887,000 for the year ended 30 June 2009 (2008: $40,706,000). The global financial crisis and its impact on the Australian financial markets and economy adversely affected the performance of the business. While the underwriting margins remained satisfactory, investment income returned a loss of $6,879,000 due to the downturn in the equities market in the financial year.

Total revenue for the combined healthcare business, which includes the Australian Unity and Grand United Corporate (GU Health) health insurance businesses and the Australian Unity dental and allied health business, was $500,920,000 for the year ended 30 June 2009 (2008: $486,291,000), with a small reduction in the retail membership offset partly by an increase in the corporate fund. Both the economy and increasing unemployment during the year dampened demand for private health insurance, while the legislative change in October 2008 that increased the Medicare Levy Surcharge threshold is expected to adversely affect future participation in the industry.

Total claims paid to members increased to $421,446,000 for the year ended 30 June 2009 (2008: $384,739,000). Importantly, some 82 percent of medical services consumed by members incurred no out-of-pocket expenses.

Total claims paid to members ($m)



A sound balance between the income and expenses of the health insurance businesses was maintained throughout the year, reflected by a Management Expense Ratio (MER) of 9.9 percent for Australian Unity Health (2008: 9.9 percent) and 12.5 percent for GU Health (2008: 11.6 percent) excluding the overseas visitors' cover business.

HIGHLIGHTS

Launch of Remedy – the first program of its kind for patients with chronic diseases

Australian Unity received Canstar Cannex Innovation Excellence Award for its market leading member wellness benefits designed to help members get healthy and stay healthy

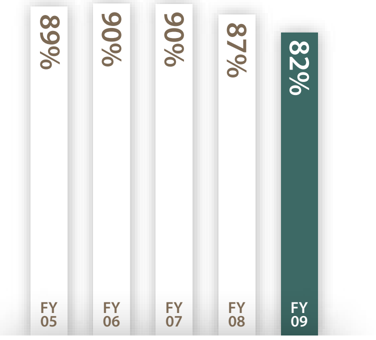
Achieved industry leading claim turnaround times

Retained 100% of corporate clients despite economic turndown

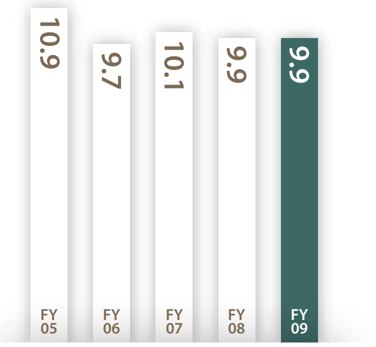
1992 Superannuation guarantee introduced by the Federal Government.

1993 **ANA and Manchester Unity (Victoria) merge to form Australian Unity.**

Medical services incurring no out-of-pocket expenses (%)



Australian Unity Healthcare Management Expense Ratio (%)



Preventative health programs

A highlight of the year was the launch of Remedy Healthcare Group Pty Ltd ('Remedy'), a wholly owned subsidiary of Australian Unity which provides programs for people diagnosed with chronic disease such as congestive heart failure and osteoporosis. These are in addition to the program Australian Unity has been running for more than two years for coronary artery disease. Remedy offers fully integrated chronic disease management programs, including in-home visits where clinically appropriate.

Australian Unity Healthcare was awarded a Canstar Cannex Innovation Excellence Award in recognition of its market leading member Wellness Benefits. Notably, Australian Unity was the only health insurer to receive this award.

Wellplan Online, an interactive tool developed by medical professionals to help members manage their health, continues to offer comprehensive health information to members.

Customer service excellence

The business continued to improve its member services during the year through a restructure of the Customer Service Centre. This led to significant operational efficiencies, resulting in Australian Unity members benefiting from one of the shortest claim processing times in the sector.

Australian Unity also received a gold award in the ICSP International Customer Service Awards 2008 in recognition of the business's commitment to customer service excellence within the call centre operations. The award was based on a review of a suite of factors including leadership and service culture, performance measurement, service standards, training and reward programs, continuous improvement, service resolution and responsiveness. Other service improvements included the upgrade and expansion of dental centres in South Melbourne and Box Hill.

New products

Another highlight of the year was the launch of a new retail health insurance product, Lifechoice with $500 Excess, and a suite of new products for the overseas visitors' market.

Leadership

Australian Unity made a number of submissions to a range of government and non-government organisations, such as the National Health and Hospital Reform Commission, the National Preventative Health Taskforce and the National Primary Health Care Strategy, in relation to matters

Claims processing turnaround times

Claim type	Pre restructure	Post restructure
Ancillary	5 days	1 day
Hospital	3 days	2 days
Medical	11 days	6 days

1994 Bushfires devastate large areas of NSW.

Aged Members' Centre in Glen Waverley is extended and renamed the Wahroonga Friendship Village.

1996 Australian Unity Funds Management Limited established.

affecting the health insurance and healthcare sectors. The Group also contributed to the Maternity Services Review and the Health Technology Assessment Review. Australian Unity submitted information to the Federal Senate Enquiry into Obesity and was the only health insurer invited to make a presentation.

Australian Unity participated in the 'Better Being' pilot, an exercise referral program funded by the Australian Government Department of Health and Ageing. The initiative, designed for adults aged 40–49 years with lifestyle-related health issues, is being undertaken in partnership with Aquatics & Recreation Victoria to increase access to local aquatic and recreation facilities.

Most common ailments experienced by members

Digestive System

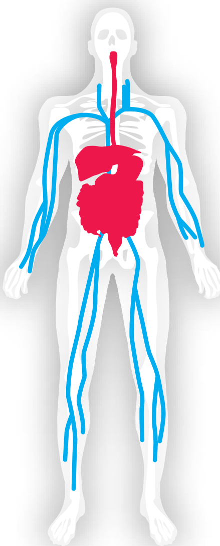
07	*08*	*09*
18,324 patients	18,758 patients	19,853 patients
$23.2m benefits paid	$29.3m benefits paid	$26m benefits paid
($1,267 av./patient)	($1,564 av./patient)	($1,309 av./patient)

Musculoskeletal

07	*08*	*09*
7,285 patients	7,725 patients	8,051 patients
$43.7m benefits paid	$52.8m benefits paid	$53.4m benefits paid
($5,996 av./patient)	($6,832 av./patient)	($6,634 av./patient)

Circulatory Disease

07	*08*	*09*
5,560 patients	5,720 patients	5,774 patients
$44.2m benefits paid	$46.4m benefits paid	$51.1m benefits paid
($7,945 av./patient)	($8,111 av./patient)	($8,857 av./patient)



Top 5 individual member claims

	06/07	*07/08*	*08/09*
1	Cancer ($158,483)	Heart ($173,353)	Digestive ($301,974)
2	Cancer ($148,410)	Hip ($158,630)	Heart ($91,800)
3	Infection ($109,114)	Heart ($120,019)	Heart ($87,641)
4	Cancer ($94,442)	Spine ($119,829)	Brain Injury ($86,100)
5	Cancer ($89,627)	Cancer ($99,590)	Heart ($83,171)

DID YOU KNOW?

54% of people with private health insurance cite security, protection or peace of mind as the reason for taking it out

16% of people aged 65 years and over have osteoporosis

44.6% of the population was covered by Hospital Treatment cover at 30 June 2009 (51.3% of the population had some form of General Treatment cover)

There will be an estimated 200% increase in the number of people with dementia over the next 30 years

1996 Stanford computer science graduate students begin collaborating on a search engine called BackRub (renamed Google the following year).

Australian Unity's website launched.

1997 Asian Financial Crisis.

Australian Unity becomes first building Society to offer Retirement Savings Accounts (superannuation for casual, itinerant or low income employees).

"I spoke to a number of financial planners but settled with Nicole at Australian Unity – she spoke to me as a person."

Robyn

Otherwise known as 'Smiley', Robyn has been a client of Australian Unity's financial planning business for two years. Her life revolves around her family, who live around the corner, and running her own business. On top of this, Robyn has a busy volunteering schedule. Every six weeks she makes up and sells small bags of lollies, using the profits to purchase items for the residents of Wahroonga Aged Care. Past purchases have included paintings, a plasma television and massage chair. She is also a fundraiser for spinal cord injury charity StepAhead Australia and the Alma Road Auxiliary.

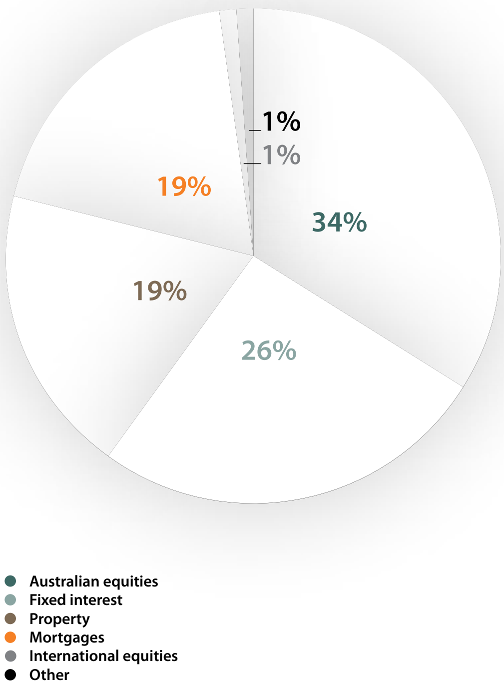
Robyn's husband, who arrived in Australia on the first DC9 from Europe in 1949, passed away in 2001. Originally from the Piedimonte region of Italy, he instilled in her an appreciation of good food and strong coffee. A constant in her life now is the talking budgerigar Beautiful – a loyal and chatty companion for Robyn during her recuperation from a stroke three years ago. One of Robyn's hopes for the future, besides dancing at her grandsons' weddings, is winning another 'hole-in-one' trophy to show to her avid-golfer, and somewhat envious, older brother.

FINANCIAL SERVICES

Investments

Australian Unity Investments recorded a profit before tax of $6,588,000 as at 30 June 2009 (2008: $8,063,000). Funds under management decreased by 11.6 percent to $5.8 billion (2008: $6.5 billion), which occurred in a year when the investment markets declined substantially. Australian Unity Investments was the number one manager for net flows for the March 2009 quarter in the category of unit trusts and investment funds, and was one of only a few fund managers to experience positive net flows for the financial year, according to data published by independent financial services research group Plan for Life.

A well diversified portfolio – funds managed by Australian Unity Investments and our joint venture partners at 30 June 2009



* Statistics from independent financial services research group Plan for Life.
** Mercer Australian Core Fixed Income Survey Report – 30 June 2009.

HIGHLIGHTS

*Australian Unity Investments was the number one manager for positive net flows in the unit trusts and investment funds category for the March 2009 quarter**

*Vianova Asset Management remained the best performing fixed interest manager over a two and three year period**, and won the Australian Fixed Interest Award at the Tenth Annual Australian Fund Manager Awards*

The Healthcare Property Trust (Wholesale) returned 6.51% for the year and earns a 'highly recommended' rating from leading research house Lonsec and 4½ stars by Adviser Edge – only the third time the latter has awarded this rating

With the Lifeplan merger Australian Unity's total funds under management stood at $7.6 billion at 31 August 2009

1998 Constitutional Convention held in Canberra.

Redevelopment of Grand United Centenary Centre – now known as Constitution Hill.

Cognisant of the public call for constitutional reform, Australian Unity sponsors the 'Centenary Series' of seminars under the patronage of the Committee for Economic Development of Australia.

OUR JOINT VENTURE PARTNERS

Australian Unity has developed joint venture partnerships with a number of asset managers who specialise in Australian equities, fixed interest, microcaps and international equities. Our latest joint venture is with Asia-focused Seres Asset Management.

Equities

Platypus Asset Management's funds under management as at 30 June 2009 was $1.2 billion (2008: $1.6 billion), a decrease reflective of the overall fall in equity market values. Platypus Asset Management remained the best performing Australian equities manager over a five and seven year period as at 30 June 2009, according to the Intech Investment Consultants Australian Share Manager Survey. The Australian Unity Investments Platypus Australian Equities Trust (Wholesale) returned –20.06 percent for the year to 30 June 2009, marginally outperforming the industry benchmark (S&P/ASX 300 Index) of –20.34 percent.

The microcap equities sector (shares outside the ASX top 250) was significantly impacted by the global financial crisis, ending the year down 26.30 percent. Market conditions in the second half of the year created investment opportunities for Acorn Capital. The Australian Unity Investments Acorn Microcap Trust (Wholesale) returned –28.62 percent for the year, but has returned an average of 13.03 percent per annum since its inception in February 2001, demonstrating the fundamental strength of the microcap equities sector over the longer term.

Wingate Asset Management was a top quartile performer in the international equity sector for the six months to 30 June 2009. The Australian Unity Wingate Global Equity Income Fund (Wholesale) commenced operation in August 2008 and returned 1.36 percent for the six months to 30 June 2009, well above its industry benchmark (MSCI World Index) of –8.79 percent.

Fixed interest

Vianova Asset Management increased its funds under management over the period to $1.2 billion (2008: $1.1 billion), and remained the best performing fixed interest manager over a two and three year period as at 30 June 2009, according to the Mercer Australian Core Fixed Income Survey Report. The Australian Unity Investments Vianova Strategic Fixed Interest Trust (Wholesale) continued to perform solidly, returning 9.70 percent for the year ended 30 June 2009.

Vianova was the winner of the Australian Fixed Interest Award at the Tenth Annual Australian Fund Manager Awards.

During the year Australian Unity Investments also released its third series of Australian Unity Retirement Village Investment Notes. The notes are designed to provide investors with regular returns based on revenues from three retirement villages in New South Wales (Constitution Hill, Karagi Court and Kiah Lodge) managed by Australian Unity. The capital raised will be used to further expand Australian Unity's portfolio of retirement village properties.

Asia-focused asset manager

During the year, Australian Unity Investments made significant progress in the formation of a new joint venture to establish its first Asia-focused asset manager, which was formally incorporated on 8 June 2009.

1999 Federal Government introduces 30% rebate on private health insurance.

2000 Twelve river systems in NSW burst their banks.

Australian Unity becomes one of only a few general insurers at the time to offer full flood cover as an inclusive benefit.

Seres Asset Management is a Hong Kong registered investment management company and specialises in Asian equities.

The new 50/50 joint venture is Australian Unity Investments' fifth joint venture partner and offers investors access to a region that we see as a key growth area and is increasingly appealing to investors.

Property

The total value of the property portfolio decreased to $1.1 billion for the year ended 30 June 2009 (2008: $1.2 billion), reflecting the general deterioration in Australian commercial property values.

Healthcare Property Trust

The Australian Unity Healthcare Property Trust (Wholesale) returned 6.51 percent for the year, outperforming the benchmark (–12.36 percent) by 18.87 percent (Mercer Unlisted Property Fund Index).

The Trust purchased a number of properties, including the headquarters of IVF Australia at St Leonards on Sydney's lower north shore. The acquisition brings the total assets of the Trust to over $400 million and increases its geographic diversity.

During the year, the Trust was rated 'highly recommended' by research house Lonsec. It was awarded 4½ stars by research house Adviser Edge – only the third time it has awarded this rating. It was also the winner of the Australian Property Institute (NSW) 2008 Industry Innovation Award.

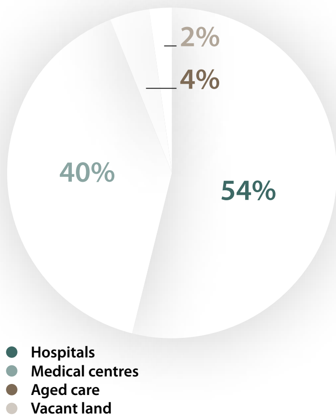
Retail property

Investors in Australian Unity's retail property trusts and syndicates voted in favour of a proposal to convert them into a single, open-ended trust – the $368 million Australian Unity Retail Property Fund. The Fund, one of Australia's largest unlisted retail property funds, holds seven properties including shopping and service centres in New South Wales, Queensland, Western Australia and Victoria.

Australian Unity's Retail Property Trust was awarded the Ernst & Young Joe Curlewis Property Trust Industry Award by the Australian Property Institute (Vic) Excellence in Property Awards. The award recognised innovation, financial performance and professionalism in the property trust industry.

Australian Unity's Waurn Ponds Shopping Centre was the recipient of the gold award in the Design and Development category in the International Council of Shopping Centres' Asia Shopping Centre Awards.

Healthcare Property Trust – sector allocation



2000 Sydney Olympics.

The Australian Unity Wellbeing Index

2001 Centenary of Federation.

Australian Unity Wellbeing Index developed in partnership with Deakin University.

Australian Unity's direct property funds management business established.

Collapse of Australian insurer HIH.

MERGER WITH LIFEPLAN

Lifeplan FUNDS MANAGEMENT

The 2010 financial year began with a proposed merger with Lifeplan, a leading provider of investment, funeral and education savings bonds, to create another specialist boutique manager at Australian Unity. Lifeplan members voted in favour of the proposal in August 2009. The merger combines Lifeplan's specialist product skills with Australian Unity Investments' expertise in funds management and increased Australian Unity's total funds under management to $7.6 billion, including a $2 billion bonds business managed by Lifeplan.

Lifeplan's business has ...

- A South Australia base with national distribution networks,
- Approximately 157,000 customers,
- Specialised technical expertise in developing modern, tax-intelligent solutions in investment bonds, education savings plans and funeral bonds,
- A proud heritage dating back almost 170 years,
- Antecedent organisations that include, in South Australia, Manchester Unity Friendly Society and the Australian Natives' Association, along with many others.

Property securities

The global financial crisis created unprecedented difficulties for the real estate investment trust sector, where the Australian Unity Property Securities Fund mainly invests. The sector experienced a range of issues, including high levels of borrowing, loss of investor confidence and the inability to refinance or rollover corporate debt facilities. At the year's end, the Fund performed better than most of its competitors, although investor returns were still sharply lower during the year. The performance of the Fund improved markedly in the last quarter of the year, and a better investment result is expected in the current financial year as the sector works through its difficulties.

The Australian Unity Property Income Fund was one of the only funds in its category that continued to accept redemptions and pay withdrawals within five days. It delivered strong and consistent income, reflecting the sound underlying assets and prudent management of the Fund.

Mortgages

The mortgage trust sector was impacted by the introduction of the Federal Government's guarantee on bank deposits in October 2008. Australian Unity made the decision to change its withdrawal policy at this time and introduced a quarterly, capped redemption facility in November 2008 for its mortgage funds to ensure equal treatment of all investors. Following the conclusion of its second quarterly withdrawal facility in March 2009, the redemption process was improved again in May 2009 with the introduction of a regular monthly facility for investors in the Australian Unity Mortgage Income Trust that allowed investors to withdraw up to one percent of their total investment each month. The Australian Unity Mortgage Income Trust and Australian Unity High Yield Mortgage Trust continued to provide monthly income with both funds' unit price remaining at $1.00.

Infrastructure

During the year, Australian Unity Investments launched a new website for investors, building on the successful introduction of an adviser website in the previous year. Advisers and investors can now access their investment account information online as well as read the latest market commentaries and articles and watch a selection of videos at the Market News Centre.

2002 Australian Unity Financial Planning launched.

Government increases superannuation guarantee to 9%.

2004 Significant expansion of Australian Unity's retirement living services with purchase of substantial operations in NSW.

The Australian Unity Wellbeing Index receives 2004 Public Health Award for Excellence and Innovation.

Personal Financial Services

Australian Unity's financial advisory business recorded a loss before tax of $8,529,000, almost unchanged from the previous year (2008: $8,280,000). This return is consistent with factors associated with the business's infancy, including significant start-up costs and lead-time in building new revenues, which are expected to impact profitability in the medium term.

The downturn in financial markets during the year impacted funds under advice, which fell by 4.2 percent to $451 million (2008: $471 million). Annual revenue for the year ended 30 June 2009 was $5,540,000, a 13.8 percent increase compared to the previous year (2008: $4,869,000).

During the year, the business implemented a number of cost-saving measures that saw expenses reduced by more than $1 million relative to budget. Other initiatives implemented in the past year are forecast to deliver savings in the next financial period.

A highlight of the year was the continued success in recruiting high quality investment advisers. The financial advisory business continued to grow, with the number of authorised representatives increasing to 59 for the year ended 30 June 2009 (2008: 47). The advisory network also includes ten mortgage brokers.

DID YOU KNOW?

In late 2008, 6.7 million people, or 41% of the adult Australian population, participated in the Australian share market

The decrease in the All Ordinaries Price Index between June 2007 and June 2009 was 37.4%

The number of working Australians extremely or very worried about the impact of share market volatility on their superannuation rose from 11% to 21% in the last six months of 2008

When looking for advice about their superannuation, most people expect to contact their super fund (53%) or financial adviser (49%)

2005 **Grand United Friendly Society Limited merges with Australian Unity Limited.**

2009 **Lifeplan Australia Friendly Society Limited merges with Australian Unity Limited.**

Australian Unity waives health insurance premiums for the remainder of the 2008-09 financial year for its Victorian members who lost their homes in the Black Saturday bushfires.

BOARD OF DIRECTORS

Alan Castleman
BComm, Dip Elec Eng, FIE (Aust), FAICD

Mr Castleman is Chairman of Australian Unity Limited. He is also chairman of a number of Australian Unity Limited subsidiaries and chairs the Human Resources, Remuneration and Nominations Committee and is an ex-officio member of all other board committees. He chairs the Australian Centre for Health Research Limited, a company of which Australian Unity is a member.

Mr Castleman is also a director and principal of the ProNed organisation involved in board advisory activities. Over the last 16 years he has been chairman of over 15 public or private companies outside the Australian Unity Group. Before 1993, his executive career was at BHP, where he held a number of senior executive positions.

Eve Crestani
Dip Law (BAB), FAICD

Ms Crestani was appointed to the board of Australian Unity Limited in 1996 and is chair of the Risk Committee. She is also chairman of Mercer Investment Nominees Limited. Other directorships include Pillar Australia, Booking.com Limited and a number of Australian Unity Limited subsidiaries. Ms Crestani is a professional director who is qualified in law and management, and is a member of the ASX Disciplinary Tribunal and chairman of several compliance committees. She consults in finance, strategic planning, marketing and management. She is a founding fellow of the Australian Institute of Company Directors, and an emeritus trustee of the Committee for the Economic Development of Australia.

Rohan Mead
Group Managing Director

Mr Mead was appointed Group Managing Director of Australian Unity Limited in 2004. He is a director of Australian Unity subsidiaries. Mr Mead is also a director of the Australian Health Insurance Association (the peak representative body for the health insurance industry). He is chair of Platypus Asset Management, deputy chair of Acorn Capital and a director of the Australian Centre for Health Research. He is chairman of the Business Council of Australia's Healthy Australia Task Force. Prior to joining Australian Unity, Mr Mead was employed by Perpetual Trustees Australia Limited (1996–2003) in a range of senior roles, most recently as group executive – personal financial services. In other leadership roles at Perpetual, Mr Mead was involved in marketing services, corporate affairs and strategic development. Prior to his work at Perpetual, Mr Mead was employed by Blake Dawson as head of marketing and communications.

Ian Ferres
FIAA, FAICD

Mr Ferres was appointed to the board of Australian Unity Limited in 1999, and was Group Managing Director and CEO from 2002 to 2004. He is chair of the Investment Committee, a member of the Audit and Compliance Committee and a director of a number of subsidiaries. An actuary by profession, Mr Ferres worked with the National Mutual Group for 34 years, including as executive manager of all worldwide investment, property, unit trust, and banking and finance operations from 1975 to 1988 (which was at that time the second largest investment group in Australia), and as an executive director from 1983 to 1990.

Mr Ferres is currently a consultant with TressCox Lawyers, chairman of Treasury Corporation of Victoria, and a director of the Committee for the Economic Development of Australia, St Vincent's Hospital Melbourne and several other organisations.

Warren French
FAICD (Dip), AIMM

Mr French was appointed to the board of Australian Unity Limited in 2005 following the merger with Grand United Friendly Society Limited, of which he was chairman. Other directorships include a number of Australian Unity Limited subsidiaries. Mr French has also served as a director of other mutual and charitable organisations. Since 1984, he has been the Grand Secretary of the Grand United Order of Odd Fellows.

Warren Stretton
FAICD, FCPA, FCIS, FTIA, FAMI CPM

Mr Stretton was appointed to the board of Australian Unity Limited following the merger with Grand United Friendly Society Limited, of which he was Managing Director. He is a director of a number of Australian Unity Limited subsidiaries and holds a Federal Government appointment to the board of Australian Hearing. Mr Stretton is a professional director and has wide commercial experience gained in the motor, computer and entertainment industries.

Stephen Maitland
OAM, RFD, BEc, MBus (App Fin), FCPA, FAICD, FCIS, FAIM, FFin

Mr Maitland was appointed to the board of Australian Unity Limited in 2005 following the merger with Grand United Friendly Society Limited. Mr Maitland is the chair of the Audit and Compliance Committee. Other directorships include Buderim Ginger Limited, the Royal Automobile Club of Queensland Limited, and a number of Australian Unity Limited subsidiaries and private companies. Mr Maitland is the principal of Delphin Associates, a business consultancy specialising in strategic planning, risk management, corporate governance and business transition. He has over 35 years' experience in the banking and finance industries and was chief executive officer of the Queensland Office of Financial Supervision between 1992 and 1999. Mr Maitland is the honorary treasurer of the Surf Life Saving Foundation Inc.

Bruce Siney
FAMI, CPM, MAICD

Mr Siney was appointed to the board of Australian Unity Limited in 2000 and is chair of the Marketing Committee. Other directorships include Australia Char Pty Ltd, Premium Beverages Pty Ltd, American Beverage Distributors Pty Ltd and a number of Australian Unity Limited subsidiaries. Mr Siney is a professional director. His executive career was predominantly with the Fosters Brewing Group, where he held a number of general management positions. Mr Siney was a member of the Victorian Government Centenary of Federation Committee and is a former chair of the Victorian Olympic 2000 Committee.

John Butler
FAICD, FCPA, FIFS

Mr Butler was appointed to the board of Australian Unity Limited on 31 August 2009, following the merger with Lifeplan Australia Friendly Society Limited, of which he was chairman of the board of directors. He is a director of a number of Australian Unity Limited subsidiaries and Beach Petroleum Ltd. Mr Butler is a professional director and has wide commercial experience gained in the friendly society, oil and gas and community pharmacy industries.

EXECUTIVE TEAM

Rohan Mead
Group Managing Director
Biography on page 32.

Sharon Beaumont
BSc (physiotherapy), Grad Dip OHS, MBA
Group Executive – Human Resources

Ms Beaumont joined Australian Unity in 2007. As Group Executive – Human Resources, she is responsible for the management of the Group's people and culture strategies and processes. She is also a director of a number of Australian Unity Limited subsidiaries, including Remedy Healthcare Group, Australian Unity Financial Planning Limited, Australian Unity Group Services Pty Ltd and Australian Unity Retirement Living Services Limited. Ms Beaumont has over 15 years' experience in health, risk management and human resource management and before joining Australian Unity, she worked in various roles in these areas for state governments, ColesMyer and BHP.

David Bryant
GAICD
Group Executive – Investments & Chief Investment Officer

Mr Bryant joined Australian Unity in 2004. As Group Executive – Investments & Chief Investment Officer, he is responsible for all of the investment management activities across Australian Unity's financial and property assets. He is also a director of a number of Australian Unity subsidiaries, including Australian Unity Funds Management Limited, Australian Unity Property Limited and Australian Unity Finance Limited. Mr Bryant is a member of the Investment and Financial Services Association Investment Board Committee, and has 25 years' experience in investment and financial services with high profile organisations such as Westpac, State Street and Intech. Before joining Australian Unity, Mr Bryant was chief operating officer – personal financial services at Perpetual Trustees Australia Limited.

Anthony Connon
BA (Oxon), FCA, FAICD
Chief Financial Officer

Mr Connon joined Australian Unity in 1995. As Chief Financial Officer, he is responsible for the total finance function with special emphasis on reporting, capital management, taxation and the development of corporate structures for prudential and regulatory purposes. He is also a director of most Australian Unity subsidiaries. Mr Connon has over 30 years' experience in senior finance and administrative roles within various organisations, including PriceWaterhouse Coopers, Grindlays Bank and Elders Finance Group. Before joining Australian Unity, Mr Connon was financial controller of the Australian Wheat Board. Mr Connon is a non-executive director of Calliden Group Limited, the honorary treasurer of Friendly Societies Australia Inc. and the chairman of the Lord Mayor's Charitable Foundation.

Amanda Hagan

BSc (BIT), SIA
Group Executive – Healthcare

Ms Hagan joined Australian Unity in May 2006. As Group Executive – Healthcare and Chief Executive Officer of Australian Unity Health Limited and Grand United Corporate Health Limited, Ms Hagan is responsible for all elements of Australian Unity's healthcare operations and the strategic development of the business. She is also a director of a number of Australian Unity subsidiaries, including Australian Unity Health Limited, Grand United Corporate Health Limited, Remedy Healthcare Group and Australian Unity Retirement Living Services Limited. Ms Hagan is also a director of the Australian Health Service Alliance (a cooperative hospital contracting company formed by 24 health insurance funds). Ms Hagan has over 10 years' experience in senior roles consulting on strategic projects for a range of companies including AGL, American Express and Energy Australia. Before joining Australian Unity, Ms Hagan held various executive roles with Perpetual Limited.

Derek McMillan

BSc (Hons), Dip Ed
Group Executive – Retirement Living

Mr McMillan joined Australian Unity in 1999 and held a number of executive positions before being appointed as Group Executive – Retirement Living in 2005. Mr McMillan is responsible for the operations and development of the Group's retirement living business, spanning retirement villages, residential aged care and community care. He is also a director of a number of Australian Unity subsidiaries, including Australian Unity Retirement Living Services Limited, Australian Unity Health Limited and Australian Unity Financial Planning Limited. Mr McMillan was elected to the board of the Retirement Villages Association in 2007 and currently holds the position of Vice President. Mr McMillan has over 20 years' commercial experience in leading organisations in the health and ageing, financial services and agricultural industries.

Kimina Lyall

Group Executive – Corporate Development

Ms Lyall joined Australian Unity in 2007 and was appointed Group Executive – Corporate Development in August 2008. In this role she is responsible for business innovation and development, corporate communications, member relations and the development of the corporate brand. Ms Lyall is also a director of Australian Unity Retirement Living Services Limited. Prior to joining Australian Unity, Ms Lyall worked as a journalist for 15 years. She worked for *Time* Australia and *The Australian* newspaper, where she held senior reporting, foreign correspondent and management positions. She is a board member of not-for-profit organisations the Dart Centre for Journalism and Trauma and Greatconnections.

Travers Stow

BAppSc, MBA
Group Executive – Personal Financial Services & Corporate Services

Mr Stow joined Australian Unity in 2004. As Group Executive – Personal Financial Services & Corporate Services, he is responsible for managing Australian Unity's financial planning, insurance and mortgage broking, and information technology operations. He is also a director of a number of Australian Unity subsidiaries, including Australian Unity Financial Planning Limited, Remedy Healthcare Group, Australian Unity Health Limited and Australian Unity Retirement Living Services Limited. Mr Stow has more than 15 years of general management experience across the health, IT and financial services sectors. Prior to joining Australian Unity, he headed up the Wilson Dilworth dealer group, a financial services business wholly owned by Perpetual Trustees Australia Limited.

Kirsten Mander

LLM, ACIS, GAICD, MRMIA
General Counsel and Company Secretary

Ms Mander was appointed General Counsel and Company Secretary of Australian Unity Limited on 2 June 2009 and is responsible for Group Governance Services, including legal and company secretarial affairs, risk management and compliance. Ms Mander has had extensive experience as a senior executive, general counsel and company secretary of a number of Australia's top companies, including Sigma Pharmaceuticals, TRUenergy, Smorgon Steel Group and WMC Resources. She is a member of the Consultative Council for Human Research Ethics and a director on several boards, including MEGT Australia and the Women's Circus.

GOVERNANCE STATEMENT

The personal qualities required of our directors are: honesty and integrity; strategic insight; capacity to relevantly question, probe and challenge; and a commitment to both the values of the Group and the highest standards of corporate governance.

Australian Unity Limited is a public company with a number of wholly owned and closely-held subsidiaries carrying out the major operational business activities of the Australian Unity Group. Australian Unity Limited is not a listed shareholding company; it is a mutual company comprising some 183,000 members as at 30 June 2009.

Our approach to corporate governance

ASX Listing Rules

Although not a listed company, Australian Unity Limited is a major public company and the Australian Unity board supports the Australian Securities Exchange (ASX) Principles of Good Corporate Governance and Good Practice Recommendations. The board has adopted a governance charter that reflects many of these principles, as relevant to a mutual company.

Our regulators

Australian Unity's business operations are extensively regulated by the Private Health Insurance Administration Council (health), Australian Prudential Regulation Authority (APRA) (friendly society benefit funds and life insurance) and Australian Securities and Investments Commission (corporate and financial services), in addition to State regulation (retirement living services) and Commonwealth regulation (aged care) and the regulation of trade practices by the Australian Competition and Consumer Commission. Australian Unity Investment Bonds Limited is covered by and complies with the APRA Governance Prudential Standard APS 510.

Australian Unity Limited board of directors

Board composition and expertise

As at 30 June 2009, there were eight directors on the Australian Unity Limited board, each with specific expertise and experience relevant to the Group's activities. The board is comprised of a majority of directors who are non-executive and judged by the board to be independent and free of material relationships that might influence their ability to act in the interests of the Group and its members.

The personal qualities required of our directors are: honesty and integrity; strategic insight; capacity to relevantly question, probe and challenge; and a commitment to both the values of the Group and the highest standards of corporate governance.

Each director must also possess particular skills or experience relevant to the business operations of the Group. These may include specific skills, knowledge and experience in insurance, healthcare, retirement living services, investment management and/or financial services, as well as general skills, knowledge and experience in management, legal, financial, accounting, actuarial, regulatory, human resources, marketing and commercial disciplines.

Board role and responsibilities

The role of the Australian Unity Limited board is to promote and protect the interests of the Company and its members. It does so by strategically directing and soundly governing the Group's activities and by seeking the highest standards of ethical conduct and service from employees.

The role and responsibilities of the board are formalised in the board charter. Some of the key matters the board has reserved for itself include:

- Appointment and terms of appointment of the Group Managing Director;
- Approval of Group and business unit strategies;
- Approval of Group and business unit annual operating plans, including capital and operating budgets and the overall salaries and benefits budget;
- Approval of delegated authorities;
- Approval of financial expenditures and allocations and changes to the Group's capital structure above the Group Managing Director's delegated limits;
- Approval and adoption of annual group accounts;
- Approval of new subsidiaries and subsidiary board members;
- Approval of Group policies;
- Approval of matters reserved to the board committees by their terms of reference; and
- Approval of any other matters that, in the opinion of the board, are necessary from time to time to maintain a high standard of corporate governance.

Role of Chairman

The board annually elects the Chairman after the annual general meeting. The Chairman must be an independent non-executive director.

The Chairman is responsible for the efficient conduct of the board's meetings, setting the agenda, facilitating the work of the board at its meetings and ensuring that the procedures and standards of the board are observed.

Meetings of the board

The Australian Unity Limited board has up to 10 scheduled meetings each year, each usually scheduled over two days, and where necessary will meet between scheduled meetings to deal with matters as and when appropriate. Once a year the board meets to approve the strategic plan and its application to the year ahead.

Avoidance of conflicts of interests

In addition to their standing notices, directors must declare any specific conflicts of interest arising from the business of a particular meeting.

Review of board performance

The board regularly conducts performance assessments of the board as a whole, its committees, the Chairman, individual directors and its governance process. The board, led by the Chairman, reviews the skills represented by the directors on the board from time to time to ensure that the mix of skills remains appropriate to achieve Australian Unity Limited's objectives.

Succession planning

The board periodically considers and identifies suitable candidates for board appointment as successors to current directors or to supplement and renew the skills and experience of the board. The board is responsible for the Group Managing Director's succession planning.

Retirement and re-election of directors

Directors (other than the Group Managing Director) serve for a term of three years from the conclusion of the annual general meeting at which they are elected. Directors are subject to retirement in rotation. At each annual general meeting one third of the directors, or if their number is not three or a multiple of three, then the number nearest to one third, must retire. No director shall retain office past the third annual general meeting following the director's appointment or three years, whichever is the longest, although they may offer themselves for re-election at that time.

Committees

The board has established committees that are necessary to assist it in monitoring, and where relevant advising, the management of the Group and maintaining appropriate standards. Each committee is composed of the individual directors determined by the board to be best suited to fulfil the committee's terms of reference.

The Chairman of Australian Unity is either a member or an ex-officio member of each committee.

Each committee is chaired by a non-executive director appointed by the board. The Chairman of each committee provides regular reports to the board about the activities of the committee. The minutes of the committee are tabled at the following board meeting. The Chairman reviews the composition of the board's committees annually, taking into account the skills and interests of directors. The current committees established by the board to assist it in the performance of its duties are:

Audit and Compliance Committee

The audit and compliance committee (A&C committee) approves the annual internal audit plan and monitors the Group Audit department's performance against this plan. The main objective of the A&C committee is to oversee the credibility and objectivity of financial reporting and the compliance with Group obligations.

The A&C committee assists the board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices of the Group. Other goals are:

- To oversee and appraise the quality of the audits conducted by both the Group's internal and external auditors;
- To determine the adequacy of the Group's controls and evaluate adherence;
- To ascertain the adequacy of management financial reports;
- To serve as an independent and objective party to review the financial information presented to members, regulators and the general public; and
- To maintain open lines of communication with the external auditor.

Risk Committee

In recognition of the important role that effective risk management plays in sustaining and enhancing Australian Unity's performance, the board has established a risk committee dedicated to overseeing the strategic management of risk and the continuing development of sound internal policies and controls.

Investment Committee

The investment committee reviews and monitors the performance of Australian Unity Investments and any investment managers utilised by it. It also approves the investment policies, strategies and other guidelines for the Group's own investable assets. The investment committee plays a critical role in assessing and reviewing our investment approach and outlook to support their appropriateness and our compliance with relevant covenants.

Marketing Committee

The marketing committee's role is to review the strategic direction of the Group's overall marketing activities, review the annual marketing plans of the business units and the progress against these plans and assist management in the identification and resolution of key business risks relating to the Group's overall marketing strategies.

Human Resources, Remuneration and Nominations Committee

The human resources, remuneration and nominations committee (HR committee) is responsible for evaluating the performance of the Group Managing Director and monitoring the performance of Group Executives (who generally also serve as executive directors of subsidiary boards). The HR committee also recommends the remuneration of the Group Managing Director to the full board and also reviews and recommends the remuneration for Group Executives.

The HR committee works to ensure that Australian Unity has remuneration policies and practices that fairly, responsibly and competitively reward executives and staff. The HR committee's considerations on reward structures are based on business performance, external competitiveness, compliance with legal obligations, and high standards of corporate governance.

Apart from the Group Managing Director, all members of the HR committee are independent non-executive directors. Independent remuneration consultants are engaged to assist the HR committee as necessary, providing specialist market information and technical advice.

Compensation paid to key management personnel of Australian Unity, including the Group Managing Director and Group Executives, is therefore determined within the remuneration policy developed by the HR committee and approved by the board.

Remuneration

The total aggregate remuneration paid by the Company to non-executive directors as fees for their services as directors cannot exceed the maximum approved at its annual general meeting.

Non-executive director remuneration

The board's focus is on long-term strategic direction and overall corporate performance. As a consequence, non-executive director remuneration is not directly related to short-term results. Non-executive directors do not participate in any incentive plans. Superannuation contributions are made for directors in accordance with the superannuation guarantee legislation.

Non-executive directors' remuneration will generally comprise a base annual fee and a substantial involvement fee, based on the chairmanship of board committees and subsidiary boards and participation on subsidiary boards and board committees.

When reviewing non-executive directors' fees, the board may seek the advice of independent remuneration consultants to ensure market alignment. The board also aims to achieve parity between directors.

Executive remuneration principles

Australian Unity's executive remuneration policy sets the framework for rewarding Australian Unity's Group Managing Director and Group Executives.

The main principles underlying Australian Unity's executive remuneration policy are:

- The design of reward programs recognises member interests by aligning performance to business and strategic plans;
- Measures of total reward (fixed plus variable reward) are externally focused, being competitive against companies and sectors in which Australian Unity competes for talent, in recognition of the need to attract, retain and motivate talented and experienced senior staff;
- Rewards recognise adherence to cultural values and ethical behaviour; and
- Incentives are performance focused and explicitly linked to rigorous financial and non-financial performance targets. The setting of the performance targets supports the creation of member service and value, with the proportion of 'at risk' performance-based remuneration generally increasing with seniority.

Executive remuneration structure

Australian Unity follows a process of 'two-up' approval for all individual senior remuneration decisions. The board and HR committee, on the recommendation of the Group Managing Director, approves plans and outcomes for Group Executives. The HR committee is also responsible for approving any significant remuneration arrangements outside of general policy guidelines.

Australian Unity recognises that its ability to provide quality products and services to its members depends largely on the quality and performance of its people. The executive remuneration policy is designed to motivate high performance and ethical behaviour and is linked to individual, business and company results. Our executive remuneration structure comprises two components.

1. ***Fixed reward:*** A total employment cost (TEC) approach is used which is the total salary package value and includes:
   - Base salary;
   - The dollar value of any salary packaged benefits;
   - Fringe Benefits Tax (FBT);
   - Pre-tax voluntary contributions to superannuation; and
   - Mandatory employer Superannuation Guarantee contributions.

   Executives are paid fixed remuneration on a total employment cost basis. Fixed remuneration is reviewed annually, taking into account the nature of the role, external data on pay position relative to comparable roles in similar industries, individual and business performance, and contribution to the Group's strategic plans.
2. ***Variable rewards:*** A short-term incentive program provides performance-related bonuses. A long-term incentive plan was also implemented with effect from 1 July 2006, in order to more explicitly balance the focus of executive efforts on sustainable longer-term development of Australian Unity. The plan provides for the payment of bonuses related to the performance of the Group over multi-year periods, subject to achievement of performance criteria.

   The Group Managing Director receives a long-term incentive based on a framework developed by the board and reviewed annually. The framework results in part payment of granted entitlements over multi-year periods. The terms of these arrangements allow for review of future payments against the criteria established at the time of grant.

   In order to receive full bonus potential, an individual executive must perform against their financial, strategic development, operational management and compliance objectives. As the performance outcome for executives includes a weighting on financial achievement, the cost to the Company of overall incentive payments is linked to the financial performance of the Group.

Audit, risk and compliance

External auditor

Ernst & Young 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 *Corporations Act 2001*. Their audit report is provided at the end of this Report.

A representative from Ernst & Young attends the annual general meeting and is available to answer 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 Ernst & Young's independence in relation to the conduct of the audit of the Group's financial statements.

Internal audit

The Group's audit department aims to provide independent, objective assurance and consulting services designed to add integrity and value to improve the Group's operations. By bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes, it can help the Group accomplish its objectives.

The Group audit team assesses whether the Group's network of risk management, control and governance processes is 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 that employees actions are in compliance with policies, standards, procedures and applicable laws and regulations.

Risk management

Our risk management framework is periodically revised to facilitate a continued proactive and consistent approach to risk management across all areas of activity. During 2008 we successfully commissioned our new disaster recovery facility at Clayton in Victoria and since then we have conducted a staged testing of our business continuity plan.

Compliance

Australian Unity has a Group Compliance Manager and Compliance Officers in specific business units where appropriate. The focus of this function is to ensure ongoing compliance with all laws and regulatory requirements, with particular focus on industry-specific requirements. The Group Compliance Manager is also responsible for the administration of the Group compliance training system and the computer-based compliance tracking system.

FINANCIAL REPORT

This financial report covers both the separate financial statements of Australian Unity Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Australian Unity Limited and its subsidiaries. The financial report is 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:

114 Albert Road
South Melbourne
VIC 3205

The financial report was authorised for issue by the directors on 31 August 2009.

Data sources for industry statistics

Sustainability

- At www.makeyourhomegreen.vic.gov.au.
- Australian Bureau of Statistics (2009). Environmental views and behaviour, 2007–2008 (cat no. 4626.0.55.001).
- ResourceSmart online, Sustainability Victoria (www.resourcesmart.vic.gov.au).

Retirement Living

- Australian Bureau of Statistics (2009). Australian Labour Market Statistics, Jan 2009 (cat no. 6105.0).
- Australian Institute of Health and Welfare (2009). Residential Aged Care in Australia 2007–08: a statistical overview. Aged care statistic series 28 (cat. no. AGE 58).
- Australian Bureau of Statistics (2007). Deaths, Australia 2007 (cat no. 3302.0) and Australian Institute of Health and Welfare (www.aihw.gov.au/mortality).
- Australian Bureau of Statistics (2009). Australian Social Trends, March 2009 (cat no. 4102.0).

Healthcare

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Contents

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Australian Unity Limited and the entities it controlled at the end of, or during, the year ended 30 June 2009.

Directors

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

Alan Castleman, Chairman
Rohan Mead, Group Managing Director
Eve Crestani, Director
Ian Ferres, Director
Warren French, Director
Stephen Maitland, Director
Bruce Siney, Director
Warren Stretton, Director

Company Secretaries

Kirsten Mander and Catherine Visentin were company secretaries of Australian Unity Limited at 30 June 2009.

Verran Fehlberg ceased as a company secretary on 27 February 2009. Catherine Visentin and Kirsten Mander were appointed as company secretaries on 28 January 2009 and 2 June 2009 respectively.

Principal activities

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

Review of operations

Australian Unity, along with its members and customers, has clearly been affected by the tightened economic circumstances and the severe downturn in equity markets. The Group has responded by attempting to maintain, and where possible improve, customer service and responsiveness to members' needs while at the same time pursuing efficiency measures to curtail expenditures. While husbanding resources as far as possible, the Group has this year continued with the development of retirement villages because of their significant place in the provision of long-term member value. There has also been investment in the steadily evolving financial planning business which can provide the sound guidance which is all the more vital when members are caught in an economic maelstrom.

The Group recorded a profit after income tax for the year ended 30 June 2009 of $1,051,000 (2008: $32,258,000).

The minimal after tax profit for the year is certainly disappointing in comparison with recent years but in the circumstances it represents a clear indicator of a creditable performance by the Australian Unity staff who have strived even harder in adapting to the exigencies of the constrained financial systems and outlook.

Significant factors in the reduction in profitability were the lower investment management fees resulting from market declines in the value of equities-related funds under management, increased utilisation rates leading to higher claims costs in the Health Insurance businesses, continuing investment in the development of the personal financial services business and write downs in the value of the Group's equity and property investments reflecting adverse market movements. In contrast to the reduced returns, the Group has made sound progress in the development of its funding profile, replacing $30,000,000 of short-term cash facilities by further issues of three to seven year term Retirement Village Investment Notes which are linked to the underlying security of the steadily developing portfolio of high quality retirement village assets.

Amidst the difficult times, and maybe even partly because of them, the members of Lifeplan Australia Friendly Society Limited ("Lifeplan") have taken the significant step of voting to merge with Australian Unity and become members of the enlarged group with effect from 31 August 2009. In doing so they have travelled down a growth path well trod by both organisations in the past in recognising that unity is strength. Lifeplan's expertise in benefit fund products will establish it as a key component of the Group's investment management services.

Key aspects of each of the Group's activities during the year are contained in our Review of Operations, which can be found on pages 19 to 31 of this report.

Significant changes in the state of affairs

Total Members' funds increased to $302,610,000 at 30 June 2009 (2008: $301,675,000), an increase of $935,000 during the financial year. This movement reflects the profit for the year, offset by movements in reserves.

Matters subsequent to the end of the financial year

On 16 July 2009, the Group acquired a 50 percent interest in Seres Asset Management, a Hong Kong registered investment management company for a consideration of $982,000. This acquisition represents the fifth joint venture partnership for the investment business.

On 31 August 2009, Australian Unity Limited merged with Lifeplan Australia Friendly Society Limited. All members of Lifeplan Australia Friendly Society Limited at the date of merger became members of the enlarged Australian Unity Limited Group and Lifeplan Australia Friendly Society Limited and its controlled entities became subsidiaries of Australian Unity Limited. As this transaction was a merger of two mutual entities, no cash consideration was paid. The principal activities of Lifeplan Australia Friendly Society Limited and its controlled entities is the provision of funds management services.

On 31 August 2009, the terms of the Cash Advance Facility from Westpac Banking Corporation were amended to include the relaxation of certain covenants and the provision of mortgage security over specific freehold land and buildings and investment properties.

On 31 August 2009, the directors of a number of wholly-owned subsidiary companies of the parent entity declared dividends totalling $14,342,560 and the parent entity subscribed for $10,172,999 of additional share capital in a number of wholly-owned subsidiaries.

The board is not aware of any other matter or circumstance arising since 30 June 2009 which has significantly affected or may significantly affect the financial status or results of the Group.

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.

International Financial Reporting Standards

As a result of the adoption of International Financial Reporting Standards in Australia, the assets, liabilities, revenues and expenses of the Benefit Funds managed by the Group are included in the consolidated financial statements in accordance with Australian Accounting Standard AASB 1038 *Life Insurance Contracts*.

Environmental regulation

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

Information on directors in office at the date of this report

ALAN CASTLEMAN, B Comm, Dip Elec. Eng, FIE (Aust.), FAICD

Mr Castleman is Chairman of Australian Unity Limited. He is also Chairman of a number of Australian Unity Limited subsidiaries and chairs the Human Resources, Remuneration and Nominations Committee and is an ex-officio member of all other board committees. He chairs the Australian Centre for Health Research Limited, a company of which Australian Unity Limited is a member. He is also a director and principal of the ProNed organisation involved in board advisory activities. Over the last 16 years he has been Chairman of over 15 public or private companies outside the Australian Unity Group. Before 1993, his executive career was at BHP where he held a number of senior executive positions.

ROHAN MEAD

Mr Mead was appointed Group Managing Director of Australian Unity Limited on 1 July 2004. Up until that time, Mr Mead held the position of Group Managing Director (Designate), from December 2003. Mr Mead is also a director of the Australian Health Insurance Association (the peak representative body for the health insurance industry). He is chair of Platypus Asset Management, deputy chair of Acorn Capital and a director of the Australian Centre for Health Research. He is Chairman of the Business Council of Australia's Healthy Australia task force. Prior to joining Australian Unity, Mr Mead was employed by Perpetual Trustees Australia Limited (1996 – 2003) in a range of senior roles, most recently as group executive – personal financial services. In other leadership roles at Perpetual, Mr Mead was involved in marketing services, corporate affairs and strategic development. Prior to his work at Perpetual, Mr Mead was employed by Blake Dawson as head of marketing and communications.

EVE CRESTANI, Dip. Law (B.A.B.), FAICD

Ms Crestani was appointed to the board of Australian Unity Limited in 1996 and is chair of the Risk Committee. She is also chairman of Mercer Investment Nominees Limited. Other directorships include Pillar Australia, Booking.com Limited and a number of Australian Unity Limited subsidiaries. Ms Crestani is a professional director who is qualified in law and management, and is a member of the ASX Disciplinary Tribunal and chairman of several compliance committees. She consults in finance, strategic planning, marketing and management. She is a founding fellow of the Australian Institute of Company Directors, and an emeritus trustee of the Committee for the Economic Development of Australia.

IAN FERRES, FIAA, FAICD

Mr Ferres was appointed to the board of Australian Unity Limited in 1999, and was Group Managing Director and CEO from 2002 to 2004. He is chair of the Investment Committee, a member of the Audit and Compliance Committee, and a director of a number of subsidiaries. An actuary by profession, Mr Ferres worked with the National Mutual Group for 34 years, including as executive manager of all worldwide investment, property, unit trust, and banking and finance operations from 1975 to 1988 (which was, at that time, the second largest investment group in Australia), and as an executive director from 1983 to 1990. Mr Ferres is currently a consultant with TressCox Lawyers, chairman of Treasury Corporation of Victoria, and a director of the Committee for the Economic Development of Australia, St Vincent's Hospital Melbourne and several other organisations. He was previously president of Monash Medical Centre. Over the past 40 years he has served as chair, director or member of almost 50 private and public sector boards.

WARREN FRENCH, FAICD (Dip), AIMM

Mr French was appointed to the board of Australian Unity Limited in 2005 following the merger with Grand United Friendly Society Limited, of which he was chairman. Other directorships include a number of Australian Unity Limited subsidiaries. Mr French has also served as a director of other mutual and charitable organisations. Since 1984, he has been the Grand Secretary of the Grand United Order of Odd Fellows.

STEPHEN MAITLAND, OAM, RFD, B Ec, M Bus (App Fin), FCPA, FAICD, FCIS, FAIM, FFin

Mr Maitland was appointed to the board of Australian Unity Limited in 2005 following the merger with Grand United Friendly Society Limited. Other directorships include Buderim Ginger Limited, the Royal Automobile Club of Queensland Limited, and a number of Australian Unity Limited subsidiaries and private companies. Mr Maitland is the principal of Delphin Associates, a business consultancy specialising in strategic planning, risk management, corporate governance and business transition. He has over 35 years experience in the banking and finance industries and was chief executive officer of the Queensland Office of Financial Supervision between 1992 and 1999. Mr Maitland is the honorary treasurer of the Surf Life Saving Foundation Inc.

BRUCE SINEY, FAMI, CPM, MAICD

Mr Siney was appointed to the board of Australian Unity Limited in 2000 and is chair of the Marketing Committee. Other directorships include Australia Char Pty Ltd, Premium Beverages Pty Ltd, American Beverage Distributors Pty Ltd and a number of Australian Unity Limited subsidiaries. Mr Siney is a professional director. His executive career was predominantly with the Fosters Brewing Group where he held a number of general management positions. Mr Siney was a member of the Victorian Government Centenary of Federation Committee and a former chair of the Victorian Olympic 2000 Committee.

WARREN STRETTON, FAICD, FCPA, FCIS, FTIA, FAMI, CPM

Mr Stretton was appointed to the board of Australian Unity Limited following the merger with Grand United Friendly Society Limited of which he was Managing Director. He is a director of a number of Australian Unity Limited subsidiaries and holds a Federal Government appointment to the board of Australian Hearing. Mr Stretton is a professional director and has wide commercial experience gained in the motor, computer and entertainment industries.

Company secretaries

KIRSTEN MANDER, LLM, ACIS, GAICD, MRMIA, General Counsel and Company Secretary

Ms Mander was appointed General Counsel and Company Secretary of Australian Unity Limited on 2 June 2009 and is responsible for Group Governance Services, including legal and company secretarial affairs, risk management and compliance. Ms Mander has had extensive experience as a senior executive, general counsel and company secretary of a number of Australia's top companies, including Sigma Pharmaceuticals, TRUenergy, Smorgon Steel Group and WMC Resources. Ms Mander holds a Masters of Laws from Melbourne University and is a graduate member of Chartered Secretaries Australia and the Australian Institute of Company Directors and a member of the Risk Management Institute of Australia.

CATHERINE VISENTIN, Assistant Company Secretary

Ms Visentin joined Australian Unity in 1988 and was appointed Assistant Company Secretary of various Australian Unity Group Companies in 2004. She has over 10 years of involvement with the company secretarial function of the Australian Unity Group.

44 *Meetings of directors*

The number of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2009, and the number of meetings attended by each director were:

	Board		*Audit and Compliance Committee*		*Risk Committee*		*Investment Committee*		*Marketing Committee*		*Human Resources, Remuneration and Nominations Committee*	
	A	*B*	*A*	*B*	*A*	*B*	*A*	*B*	*A*	*B*	*A*	*B*
Alan Castleman	14	14	–	–	–	–	–	–	–	–	6	6
Rohan Mead	14	14	–	–	5	5	6	6	2	2	5	6
Eve Crestani	14	14	–	–	5	5	–	–	2	2	6	6
Ian Ferres	12	14	4	6	–	–	6	6	–	–	–	–
Warren French	14	14	–	–	5	5	–	–	–	–	6	6
Stephen Maitland	12	14	4	6	4	5	5	6	2	2	–	–
Bruce Siney	11	14	–	–	–	–	–	–	2	2	–	–
Warren Stretton	14	14	6	6	–	–	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.

Alan Castleman is Chairman of the Company and of the Human Resources, Remuneration and Nominations Committee, and an ex-officio member of all other board committees; Stephen Maitland is Chairman of the Audit and Compliance Committee; Eve Crestani is Chairman of the Risk Committee; Ian Ferres is Chairman of the Investment Committee; and Bruce Siney is Chairman of the Marketing Committee.

Alan Castleman's attendances at board committees in an ex-officio capacity are not reported above.

Certain directors are also directors of the following subsidiaries as at the date of this report:

Australian Unity Capital Management Limited	Rohan Mead (Chairman), Alan Castleman, Ian Ferres and Warren Stretton
Australian Unity Finance Limited	Ian Ferres (Chairman), Rohan Mead and Warren Stretton
Australian Unity Funds Management Limited	Alan Castleman (Chairman), Ian Ferres, Stephen Maitland, Rohan Mead, Bruce Siney and Warren Stretton
Australian Unity Health Limited	Alan Castleman (Chairman), Eve Crestani, Warren French, Stephen Maitland, Rohan Mead
Australian Unity Investment Bonds Limited	Alan Castleman (Chairman), Ian Ferres, Stephen Maitland, Rohan Mead, Bruce Siney and Warren Stretton
Australian Unity Property Limited	Alan Castleman (Chairman), Ian Ferres, Stephen Maitland, Rohan Mead, Bruce Siney and Warren Stretton
Grand United Corporate Health Limited	Alan Castleman (Chairman), Eve Crestani, Warren French, Stephen Maitland, Rohan Mead

Rohan Mead is also a director of all other entities within the Group.

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 report) 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 disclosed in the details of related party transactions in note 35.

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.

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 46.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Alan Castleman
Chairman

Rohan Mead
Group Managing Director

South Melbourne
31 August 2009

AUDITOR'S INDEPENDENCE DECLARATION

ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

Auditor's Independence Declaration to the Directors of Australian Unity Limited

In relation to our audit of the financial report of Australian Unity Limited for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

A J (Tony) Johnson
Partner
31 August 2009

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	**Consolidated 2009 $'000**	Consolidated 2008 $'000	**Parent entity 2009 $'000**	Parent entity 2008 $'000
Revenue from continuing operations	5,43	**617,437**	609,107	**37,567**	43,116
Expenses, excluding finance costs	6,43	**(612,310)**	(583,051)	**(17,880)**	(29,277)
Finance costs	6,43	**(8,626)**	(8,917)	**(12,720)**	(11,093)
Share of net profits of associates	16	**2,023**	4,853	**–**	–
(Loss)/profit before income tax		**(1,476)**	21,992	**6,967**	2,746
Income tax benefit/(expense)	7,43	**2,527**	(4,763)	**8,698**	15,619
Profit from continuing operations		**1,051**	17,229	**15,665**	18,365
Profit from discontinued operation	8	**–**	15,029	**–**	25,665
Profit after income tax and discontinued operation		**1,051**	32,258	**15,665**	44,030
Profit attributable to members of Australian Unity		**1,051**	32,258	**15,665**	44,030

The above income statements 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 43.

BALANCE SHEETS
AS AT 30 JUNE 2009

	Notes	**Consolidated 2009 $'000**	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Assets					
Current assets					
Cash and cash equivalents	9	**273,993**	304,596	**658**	1,718
Trade and other receivables	10	**75,278**	87,642	**5,282**	72,031
Inventories	11	**535**	422	**–**	–
Other current assets	12	**2,149**	876	**1,299**	–
Financial assets at fair value through profit or loss	13	**198,000**	406,956	**1,165**	1,418
Derivative financial instruments	14	**–**	488	**–**	–
Total current assets		**549,955**	800,980	**8,404**	75,167
Non-current assets					
Financial assets at fair value through profit or loss	13	**182,063**	–	**222**	–
Loans and receivables	15	**28,171**	15,354	**–**	–
Investments in associates	16	**34,227**	34,541	**–**	–
Investments in subsidiaries	17	**–**	–	**422,919**	329,285
Other financial assets	18	**165**	229	**162**	186
Property, plant and equipment	19	**73,995**	90,486	**321**	566
Investment properties	20	**414,436**	352,281	**–**	–
Deferred tax assets	21	**34,349**	27,392	**10,389**	3,204
Intangible assets	22	**52,281**	44,821	**–**	–
Other non-current assets	23	**5,829**	1,471	**4,286**	–
Total non-current assets		**825,516**	566,575	**438,299**	333,241
Total assets		**1,375,471**	1,367,555	**446,703**	408,408
Liabilities					
Current liabilities					
Trade and other payables	24	**30,925**	39,393	**30,935**	25,672
Interest bearing liabilities	25	**63,042**	64,916	**115,404**	50,780
Derivative financial instruments	14	**–**	322	**–**	–
Provisions	26	**60,194**	60,327	**2,905**	3,100
Current tax liabilities	27	**1,197**	2,368	**758**	2,014
Other current liabilities	28	**324,870**	292,584	**–**	–
Benefit fund policy liabilities	41	**45,063**	49,903	**–**	–
Total current liabilities		**525,291**	509,813	**150,002**	81,566
Non-current liabilities					
Interest bearing liabilities	29	**92,599**	87,318	**–**	60,000
Non-interest bearing liabilities	30	**328**	82	**–**	–
Deferred tax liabilities	31	**40,680**	32,139	**14,286**	92
Provisions	32	**5,069**	5,670	**–**	–
Benefit fund policy liabilities	41	**408,894**	430,858	**–**	–
Total non-current liabilities		**547,570**	556,067	**14,286**	60,092
Total liabilities		**1,072,861**	1,065,880	**164,288**	141,658
Net assets		**302,610**	301,675	**282,415**	266,750
Members' funds					
Members' balances		**169,049**	169,049	**168,755**	168,755
Reserves	33(a)	**2,462**	2,578	**–**	–
Retained profits	33(b)	**131,099**	130,048	**113,660**	97,995
Total members' funds		**302,610**	301,675	**282,415**	266,750

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	**Consolidated 2009 $'000**	Consolidated 2008 $'000	**Parent entity 2009 $'000**	Parent entity 2008 $'000
Total equity at the beginning of the financial year		**301,675**	269,610	**266,750**	222,720
Hedging reserve – cash flow hedges	33	**(116)**	(277)	**–**	–
Tax effect of cash flow hedge reserve	33	**–**	84	**–**	–
Net income recognised directly in equity		**(116)**	(193)	**–**	–
Profit for the year	33	**1,051**	32,258	**15,665**	44,030
Total recognised income and expense for the year		**935**	32,065	**15,665**	44,030
Total equity at the end of the financial year		**302,610**	301,675	**282,415**	266,750
Total recognised income and expense for the year attributable to members of Australian Unity Limited		**935**	32,065	**15,665**	44,030

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Cash flows from operating activities					
Receipts from customers		**576,767**	646,926	**330**	2,516
Payments to suppliers and employees		**(213,972)**	(241,711)	**(7,418)**	(5,611)
		362,795	405,215	**(7,088)**	(3,095)
Premiums received – Life insurance		**505**	582	**–**	–
Policy claims – Life insurance		**(2,713)**	(2,853)	**–**	–
Life investment contracts – contribution receipts		**11,810**	26,664	**–**	–
Life investment contracts – withdrawals		**(30,885)**	(55,121)	**–**	–
Dividends and distributions received		**13,139**	12,867	**31,242**	29,496
Interest received		**6,792**	5,428	**3,875**	9,622
Claims and benefits paid		**(386,961)**	(361,086)	**–**	–
Borrowing costs		**(9,705)**	(9,523)	**(13,539)**	(11,093)
Other revenue		**13,497**	4,980	**2,543**	2,046
Income tax refunded/(paid)		**3,425**	(15,848)	**4,046**	(15,845)
Net cash (outflow)/inflow from operating activities	34	**(18,301)**	11,305	**21,079**	11,131
Cash flows from investing activities					
Payment for purchase of subsidiaries, net of cash acquired		**–**	–	**(93,634)**	(94,815)
Payments for property, plant and equipment		**(14,739)**	(37,081)	**–**	(2)
Payments for investments		**(165,845)**	(226,308)	**(38)**	(949)
Payments for intangible assets		**(12,643)**	(17,809)	**–**	–
Payments for investment properties		**(38,294)**	(87,237)	**–**	–
Loans to related entities		**(3,595)**	(16,735)	**–**	–
Proceeds from sale of business (net)	8	**–**	665	**–**	48,634
Proceeds from sale of property, plant and equipment		**728**	613	**459**	7
Proceeds from sale of investments		**172,772**	385,654	**–**	22,086
Proceeds from sale of intangible assets		**5**	14	**–**	–
Proceeds from sale of investment property		**14,947**	–	**–**	–
Net cash (outflow)/inflow from investing activities		**(46,664)**	1,776	**(93,213)**	(25,039)
Cash flows from financing activities					
Net increase/(decrease) in borrowings		**3,407**	49,989	**71,074**	(3,400)
Net increase in refundable lease deposits		**30,955**	5,323	**–**	–
Net cash inflow/(outflow) from financing activities		**34,362**	55,312	**71,074**	(3,400)
Net (decrease)/increase in cash and cash equivalents		**(30,603)**	68,393	**(1,060)**	(17,308)
Cash and cash equivalents at the beginning of the financial year		**304,596**	236,203	**1,718**	19,026
Cash and cash equivalents at the end of the financial year	9	**273,993**	304,596	**658**	1,718

The above cash flow statements should be read in conjunction with the accompanying notes.

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report 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 report includes separate financial statements for Australian Unity Limited as an individual entity ("the Company" or "parent entity") and the Group consisting of Australian Unity Limited and its subsidiaries, referred to in this financial report as the Group or the consolidated entity.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

Statement of Compliance

This financial report complies with Australian Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

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 its 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 in note 3.

Australian Accounting Standards issued but not yet effective

The Australian Accounting Standards Board has issued the following amendments to Australian Accounting Standards:

AASB	*Title*	*Operative Date*
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	1 January 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	1 January 2009
AASB 3 (Revised)	Business Combinations	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 and AASB 1038]	1 January 2009
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]	1 January 2010

The above are not yet effective for the annual reporting year ended 30 June 2009 and have not been applied in preparing the Group's financial statements. Where applicable, the Group will apply the amendments to the annual reporting periods beginning on or after the operative dates set out above. Apart from AASB 3 (Revised) application of these amendments is not expected to require any changes to accounting policies.

1. Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2009 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(e)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated except to the extent that the transaction reflects impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Investments in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill identified on acquisition (refer to note 16).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated except to the extent that the transaction reflects impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) 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 included within the consolidated financial statements. Revenue and expense transactions between the benefit funds and other entities within the Group are not eliminated. Balances outstanding between benefit funds and other entities within the Group are eliminated.

(c) Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received.

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method.

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 balance sheet date.

(d) 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.

(e) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(p(i)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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.

(f) Cash and cash equivalents

For cash flow statement presentation purposes, 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 on the balance sheet.

(g) Deferred acquisition costs

Acquisition costs incurred in obtaining general and health insurance contracts 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 income statement in subsequent reporting periods.

Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

(h) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 14. Movements in the hedging reserve in members' equity are shown in note 33.

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the ineffective portion is recognised immediately in the income statement and is within other income or other expenses.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement and is within other income or other expenses.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income or other expenses.

(i) Discontinued operations
A discontinued operation is a component of the Group's business representing a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period. Non-current assets classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

(j) Employee benefits
(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 of the reporting date are recognised in other payables 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 recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 reporting date on national government bonds 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 providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(iv) Superannuation
The Group contributes to the Australian Unity Staff Superannuation Plan (a sub plan of the Freedom of Choice 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 Group is required to contribute to the abovementioned plans in accordance with the Superannuation Guarantee Legislation.

(k) 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.

(l) Fire brigade and other charges
A liability, in relation to insurance, for fire brigade and other charges is recognised on business written to the balance date. Levies and charges collected by the Group are recorded as revenue in the income statement. Levies and charges payable by the Group are expensed in the income statement.

(m) Government grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all conditions attached to the grant.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

(n) 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.

1. Summary of significant accounting policies (continued)

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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

(o) Income tax and other taxes

Current 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 balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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 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 each balance sheet date and reduced to the extent that it is no longer probable 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 each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset 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 balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off 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.

Tax consolidation legislation

On 1 July 2002, the Company and its wholly-owned Australian controlled entities formed a tax consolidation group, as allowed under the tax consolidation legislation.

The Company, as head entity, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Company has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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. Details of the tax funding arrangement are disclosed in note 7.

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.

Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(p) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill 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 and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which goodwill is so allocated represents the lowest level within the Group 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

Bed licences for aged care facilities are recognised at cost of acquisition. No amortisation has been provided as these licences are perpetual and so the Group considers the useful life of these assets to be indefinite. Intangible assets are reviewed annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

(iii) Other intangibles

Other intangibles are initially recognised at cost and amortised over the period of expected benefit, less any adjustments for impairment losses.

Other intangibles with a finite life are tested for impairment if events or changes in circumstances indicate that the asset might be impaired.

Other intangibles with an indefinite life are not amortised. Instead, they are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired.

(q) Interests in wholly-owned subsidiaries

The parent entity has valued its investment in wholly-owned subsidiaries at cost.

(r) Investments and other financial assets

The Group classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (refer to notes 10 and 15).

(iii) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held to maturity investments are measured at amortised cost using the effective interest method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade date; which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs where they are not recognised as fair value through profit or loss financial assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and there has been a transfer of substantially all the risks and rewards of ownership. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities in the period in which they arise.

The fair values of quoted investments are based on closing bid prices. If market prices are not available (e.g. for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

(v) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(s) Investment property

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition investment properties are stated at fair value.

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

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

1. Summary of significant accounting policies (continued)

Retirement village investment property disclosed relates to villa unit interests and aged care facilities where the aged care facilities are managed by operators which are not part of the consolidated entity. These investments are valued at fair value. For those facilities that are complete or substantially complete, 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, including average length of residence and expected changes in property prices.

Land held for development purposes is also classified as investment property.

(t) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the consolidated entity are capitalised at the present value of the minimum lease payments and included in property, plant and equipment. A lease liability of equal value is also recognised.

(u) 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 reporting date under general 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 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.

(v) Outwards reinsurance

Amounts paid to reinsurers under insurance contracts held by the Group are recorded as an outwards reinsurance expense and are recognised in the income statement from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk ceded.

Premium ceded to reinsurers is recognised as outwards reinsurance expense from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk.

(w) 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 aggregated within the consolidated financial statements but are governed 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 this financial report as life insurance contract liabilities. Non-participating life investment contract liabilities are classified and accounted for under the requirements of AASB 139 *Financial Instruments* and are referred to in this financial report 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. This involves estimates of policy cash flows projected into the future. The policy liability is calculated as the net present value of these projected cash flows (premiums, benefits, expenses and profit margins to be released in future periods) using best estimate assumptions about the future. A minority of life insurance contract liabilities are determined using a Margin on Services methodology.

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 unit-linked funds are classified as life investment contract liabilities and 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.

Further details of the actuarial assumptions used in the calculation of policy liabilities are set out in note 41.

(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 income statement but are instead deducted from investment contract liabilities.

(x) Property, plant and equipment

(i) Cost and valuation

Freehold land and buildings on freehold land are measured on a fair value basis. At each reporting date, the value of each asset in these classes is reviewed to ensure that it does not materially differ from the asset's fair value at that date. Where necessary, the asset is revalued to reflect its fair value.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to the asset revaluation reserve in members' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserve directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

All other classes of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

(ii) Depreciation

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the Group. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

Category	Useful life
Buildings	40 years
Plant and equipment	5 – 15 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 (note 1(n)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets 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 asset comes into operational service.

(y) Provisions

Provisions are recognised when the Group has a legal, equitable or constructive obligation to make future sacrifice of economic benefits as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the subsequent increase in the provision due solely to the passage of time is recognised as a borrowing cost.

(z) Refundable lease 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.

(aa) 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.

(ab) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the customer and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Interest income

Interest income is recognised using the effective interest method when the Group has control of the right to receive the interest payment.

(iii) Dividends

Dividend revenue is recognised when the Group's right to receive the dividend is established.

(iv) Rental income

Rental income from investment properties is accounted for on a straight line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

Rental income from the lease of aged care facilities to aged care facility operators is recognised on a straight line basis over the lease term.

(v) Life insurance premium revenue and fees

For life insurance contract liabilities and participating investment contract liabilities, premiums are 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 in the balance sheet (rather than being included in the income statement).

(vi) Share of profits of property development contracts – retirement village developments

Share of development profits is recognised based upon cumulative development sales revenue as a proportion of total expected development sales revenue. On completion of a property development, all of the previously unrecognised share of development profits is recognised in the income statement.

1. Summary of significant accounting policies (continued)

(vii) Deferred management fees

Deferred management fee income relating to managed retirement village assets is recognised on the turnover from one resident to another of independent living units in the retirement village and is linked to the resale value of a resident's unit and the resident's length of occupancy of the unit.

Deferred management fee income relating to retirement village assets under development is recognised on an accruals basis and is linked to the resale value of a resident's unit and the resident's length of occupancy of the unit. Deferred management fee income is accrued only when it can be reliably measured.

(viii) Retirement village and aged care facility management fees

Fees for the management of retirement villages and aged care facilities are recognised as management services are provided.

Other management fee revenue is recognised when the Group's right to receive the management fee is established.

(ix) Fair value increments

Fair value gains on investment properties are recognised when they arise.

(x) Aged care income

Income and government subsidies for the provision of aged care facilities and related services are recognised as the services are provided.

(xi) Resident levies

Income from the provision of services to retirement village residents is recognised as the services are provided.

(xii) Property, funds management and administration fee income

Fee income is recognised based upon the contractual obligations of the Responsible Entity/Trustee to perform certain tasks.

(xiii) Other revenue

Commissions from reinsurance are recognised when the Group's right to receive the commission is established.

(ac) Risk equalisation trust fund

Under the provisions of the Private Health Insurance Act 2007, stipulated in the Private Health Insurance (Risk Equalisation Administration) Rules 2007, which became effective from 1 April 2007, all health insurers must participate in the Risk Equalisation Trust Fund ("RETF"). 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 RETF 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.

(ad) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ae) Trade and other payables

Trade and other payables, which are generally settled on 30-90 day terms and are unsecured, are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(af) 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.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate at the date of recognition of the receivable. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

(ag) Unexpired risk liability

At each reporting date 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 income statement. 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.

2. 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 Committee, which is responsible for developing and monitoring risk management policies.

The Risk Committee reviews the adequacy of the risk management framework in relation to the risks faced by the Group and the parent entity and reports regularly to the board on its activities.

Risk management policies are established to identify and analyse the risks faced by the Group and the parent entity, 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 and the parent entity's activities. The Group and the parent entity, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

The Group Audit and Compliance Committee oversees how management monitors compliance with the Group and the parent entity risk management policies and procedures. The Group Audit and Compliance Committee is assisted in its role by Internal Audit, Group Compliance and Group Finance. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, Group Compliance oversees compliance with controls and procedures and Group Finance measures the quantitative aspects of the controls. The results of these reviews are reported to the Group Audit and Compliance Committee and the board.

The Group and the parent entity hold the following financial instruments:

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Financial assets				
Cash and cash equivalents	**273,993**	304,596	**658**	1,718
Trade and other receivables	**75,278**	87,642	**5,282**	72,031
Financial assets at fair value through profit or loss	**380,063**	406,956	**1,387**	1,418
Derivative financial instruments	**–**	488	**–**	–
Loans and receivables	**28,171**	15,354	**–**	–
Other financial assets	**1,015**	1,105	**162**	186
	758,520	816,141	**7,489**	75,353
Financial liabilities				
Trade and other payables	**30,925**	39,393	**30,935**	25,672
Borrowings	**155,969**	152,316	**115,404**	110,780
Derivative financial instruments	**–**	322	**–**	–
Refundable lease deposits	**46,653**	32,606	**–**	–
Resident loans	**194,782**	177,874	**–**	–
Other financial liabilities	**1,197**	2,368	**758**	2,014
	429,526	404,879	**147,097**	138,466

(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, foreign currency risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

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

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of an overseas financial instrument will fluctuate as a result of movements in international exchange rates. The Group and the parent entity do not operate internationally and are not directly exposed to any material foreign exchange risk, there are however small exposures through various International Share Fund Trust Investments which are also immaterial.

(ii) 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 and the parent entity are exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as fair value through profit or loss. Neither the Group nor the parent entity are directly exposed to commodity price risk.

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

2. Financial risk management (continued)

The majority of the Group's and the parent entity's equity investments are held via investments in trusts managed by related entities. The equity investments held by these trusts are publicly traded and are included within market indices such as the Standard & Poor's ASX 200 Index.

The table below summarises the possible impact of increases/decreases of the index on the Group's and the parent entity's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity index had increased/decreased by 10% at balance date (2008: 10%) with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

	Impact on post-tax profit		*Impact on equity*	
Index	***2009 $'000***	*2008 $'000*	***2009 $'000***	*2008 $'000*
Group				
ASX 200 +10%	**4,361**	4,393	**4,361**	4,393
ASX 200 –10%	**(4,464)**	(4,393)	**(4,464)**	(4,393)
Parent entity				
ASX 200 +10%	**20**	23	**20**	23
ASX 200 –10%	**(20)**	(23)	**(20)**	(23)

The price risk for unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity. It has therefore not been included in the sensitivity analysis.

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

(iii) 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 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 management view of potential benefit. During the years ended 30 June 2009 and 30 June 2008, the Group's borrowings at variable rate were denominated in Australian Dollars.

As at the reporting date, the Group and parent entity had the following variable rate borrowings outstanding:

	30 June 2009 Weighted average interest rate %	***30 June 2009 Balance $'000***	*30 June 2008 Weighted average interest rate %*	*30 June 2008 Balance $'000*
Group				
Cash advance facility	**6.25**	**60,000**	8.78	90,000
Subordinated capital notes	**10.28**	**25,000**	9.58	25,000
Amounts due to preferential unitholders	**4.61**	**10,000**	9.38	10,000
Mortgage loans	**5.94**	**3,042**	6.50	3,234
Development finance loan	**5.82**	**1,848**	–	–
Net exposure to cash flow interest rate risk		**99,890**		128,234
Parent entity				
Loans payable to controlled entities	**4.11**	**115,404**	8.74	110,780

The Group analyses its interest rate exposure on a dynamic 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 and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the interest bearing positions. 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; refer to note 14(a).

At 30 June 2009 and 30 June 2008, if interest rates moved as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

	Impact on post- tax profit		*Impact on equity*	
	2009 $'000	*2008 $'000*	***2009 $'000***	*2008 $'000*
Judgements of reasonably possible movements:				
Group				
+0.50% (50 basis points)	**(546)**	(119)	**(546)**	(119)
–0.50% (50 basis points)	**546**	119	**546**	119
Parent entity				
+0.50% (50 basis points)	**(354)**	(131)	**(354)**	(131)
–0.50% (50 basis points)	**354**	131	**354**	131

The movements in profit are due to higher/lower interest costs from variable rate debt and higher/lower interest income from cash equivalents and other interest bearing investments.

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

(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 "A" 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, mitigating credit risk.

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, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Mortgage and policy loans held by the benefit funds managed by the Group do not expose the Group to credit risk as these financial instruments are matched with policyholder liabilities in the benefit funds; any movement in the carrying value of financial instruments held by the benefit funds has an equal and opposite effect on policyholder liabilities.

Credit risk further arises in relation to financial guarantees given to certain parties. Such guarantees are only provided in exceptional circumstances and are subject to specific board approval.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. The credit risk on financial assets of the consolidated entity 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.

(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.

Maturities of financial liabilities

The tables below analyse the Group's and the parent entity's financial liabilities and net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2. Financial risk management (continued)

Group – At 30 June 2009	***Less than 6 months $'000***	***6 – 12 months $'000***	***Between 1 and 2 years $'000***	***Between 2 and 5 years $'000***	***Over 5 years $'000***	***Carrying Amount $'000***
Non-derivatives						
Non-interest bearing	**273,557**	**–**	**–**	**–**	**328**	**273,885**
Variable rate	**10,000**	**53,042**	**1,848**	**–**	**35,000**	**99,890**
Fixed rate	**–**	**–**	**5,094**	**49,622**	**1,035**	**55,751**
Total non-derivatives	**283,557**	**53,042**	**6,942**	**49,622**	**36,363**	**429,526**

Group – At 30 June 2008	*Less than 6 months $'000*	*6 – 12 months $'000*	*Between 1 and 2 years $'000*	*Between 2 and 5 years $'000*	*Over 5 years $'000*	*Carrying Amount $'000*
Non-derivatives						
Non-interest bearing	252,241	–	–	–	82	252,323
Variable rate	25,000	30,000	63,234	–	10,000	128,234
Fixed rate	9,916	–	–	14,084	–	24,000
Total non-derivatives	287,157	30,000	63,234	14,084	10,082	404,557
Derivatives						
Gross settled (interest rate swaps)						
– (inflow)	(488)	–	–	–	–	(488)
– outflow	322	–	–	–	–	322
Total derivatives	(166)	–	–	–	–	(166)

Parent entity – At 30 June 2009	***Less than 6 months $'000***	***6 – 12 months $'000***	***Between 1 and 2 years $'000***	***Between 2 and 5 years $'000***	***Over 5 years $'000***	***Carrying Amount $'000***
Non-derivatives						
Non-interest bearing	**31,693**	**–**	**–**	**–**	**–**	**31,693**
Variable rate	**65,404**	**50,000**	**–**	**–**	**–**	**115,404**
Total non-derivatives	**97,097**	**50,000**	**–**	**–**	**–**	**147,097**

Parent entity – At 30 June 2008	*Less than 6 months $'000*	*6 – 12 months $'000*	*Between 1 and 2 years $'000*	*Between 2 and 5 years $'000*	*Over 5 years $'000*	*Carrying Amount $'000*
Non-derivatives						
Non-interest bearing	27,686	–	–	–	–	27,686
Variable rate	20,780	30,000	60,000	–	–	110,780
Total non-derivatives	48,466	30,000	60,000	–	–	138,466

(d) Fair value estimation

The fair value of financial assets and financial liabilities is required to be estimated for recognition and measurement or for disclosure purposes by asset class, therefore information relating to the estimation of fair values is provided in the relevant note to the accounts.

Generally fair value estimation is made based upon:

- The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the closing bid price.
- Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such trusts.
- Derivative contracts classified as held for trading are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity.
- The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.
- The carrying value less impairment provision of all other financial assets and liabilities on the balance sheets including trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(e) 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 finances growth, capital expenditure and business plans and also provides support if adverse outcomes arise from the Group's 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 year ended 30 June 2009 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 abovementioned considerations and the economic and operational and capital needs of the business.

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

3. Critical accounting estimates and judgements

Estimates and judgements are continually re-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) 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 in accordance with the accounting policy stated in note 1(p). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

(ii) Insurance liabilities

The estimates, uncertainties and judgements arising as a result of the Group's health and life insurance operations are detailed in notes 40 and 41.

(iii) Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, attrition rates and pay increases as a result of projected inflation have been taken into account.

(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 incoming and outgoing residents and includes assumptions in respect of a number of factors, including average length of residence and expected changes in property prices.

(v) Financial guarantees

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. In order to estimate the fair value using this approach, the following assumptions were made:

Probability of default (PD): this represents the likelihood of the guaranteed party defaulting at any time during the period of the guarantee and is assessed based on expected surplus funds generated from investments during the guarantee period and made available to all guarantors to meet the exposure.

Exposure at default (EAD): this represents the maximum loss that the Group is exposed to if the guaranteed party was to default.

Loss given default (LGD): this represents the proportion of the EAD which the Group is exposed to if the guaranteed party was to default.

The value of the financial guarantee over each future year of the period of the guarantee is then equal to PD x EAD x LGD, which is discounted over the contractual term of the guarantee, to reporting date, to determine fair value at reporting date. The discount rate applied represents the weighted average interest rate applicable to the total exposure.

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

(i) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as the directors consider it probable that future taxable profits will be available to utilise these temporary differences.

(ii) 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*.

(iii) Leases

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

4. Segment information

2009	Corporate Functions $'000	Investments $'000
Revenue		
External revenue	2,078	44,483
Inter-segment revenue	46,033	14,941
Total segment revenue	48,111	59,424
Share of net profits of associates	992	1,049
Segment result before income tax	7,048	6,588
Income tax benefit/(expense)	8,597	(782)
Segment result after income tax	15,645	5,806
Segment assets	621,736	208,795
Segment liabilities	247,520	141,875

2008	Corporate Functions[2] $'000	Investments $'000
Revenue		
External revenue	4,787	50,007
Inter-segment revenue	47,981	12,999
Total segment revenue	52,768	63,006
Share of net profits of associates	813	4,040
Segment result before income tax	1,872	8,063
Income tax (expense)/benefit	13,074	(1,306)
Segment result after income tax	14,946	6,757
Segment assets	615,074	114,133
Segment liabilities	257,069	64,736

Business segments comprise the following:

Corporate Functions	Provision of shared services, fraternal activities and management of properties, other strategic investments and group liquidity.
Investments	Management of property trusts, investment unit trusts, superannuation funds, benefit funds and mortgage administration.
Healthcare	Provision of private health insurance, dental and other healthcare services and management of the customer service centre.
Personal Financial Services	Provision of financial planning and finance broking services.
Retirement Living	Provision of aged care facilities and support services for independent living units.
Benefit Funds	Provision of life insurance and investment bonds.
Discontinued Operation	General Insurance (underwriting and agency), principally home and contents, commercial and public liability insurance.

All of the above segments operate solely in Australia

1. In accordance with AASB 1038, *Life Insurance Contracts,* the assets, liabilities, revenues and expenses of the Benefit Funds managed by the consolidated entity are included in the consolidated financial statements.
2. The management of the Group's customer service centre was transferred to the Healthcare segment during the year ended 30 June 2009. To enhance comparability with current year disclosures the customer service centre operations have been reclassified from Corporate Functions to Healthcare in the comparatives.

Healthcare $'000	**Personal Financial Services $'000**	**Retirement Living $'000**	**Benefit Funds[1] $'000**	**Inter-Segment $'000**	**Total Continuing Operations $'000**	**Discontinued Operation $'000**	**Consolidated $'000**
484,258	**5,522**	**55,494**	**25,602**	**–**	**617,437**	**–**	**617,437**
16,662	**18**	**6,624**	**–**	**(84,278)**	**–**	**–**	**–**
500,920	**5,540**	**62,118**	**25,602**	**(84,278)**	**617,437**	**–**	**617,437**
(18)	**–**	**–**	**–**	**–**	**2,023**	**–**	**2,023**
15,887	**(8,529)**	**10,399**	**1,374**	**(34,243)**	**(1,476)**	**–**	**(1,476)**
(3,062)	**2,550**	**(3,552)**	**(1,374)**	**150**	**2,527**	**–**	**2,527**
12,825	**(5,979)**	**6,847**	**–**	**(34,093)**	**1,051**	**–**	**1,051**
276,795	**3,292**	**555,367**	**454,341**	**(744,855)**	**1,375,471**	**–**	**1,375,471**
172,395	**1,893**	**288,674**	**454,341**	**(233,837)**	**1,072,861**	**–**	**1,072,861**

Healthcare[2] $'000	*Personal Financial Services $'000*	*Retirement Living $'000*	*Benefit Funds[1] $'000*	*Inter-Segment $'000*	*Total Continuing Operations $'000*	*Discontinued Operation $'000*	*Consolidated $'000*
472,509	4,869	50,085	26,850	–	609,107	7,651	616,758
13,782	–	1,923	–	(76,685)	–	–	–
486,291	4,869	52,008	26,850	(76,685)	609,107	7,651	616,758
–	–	–	–	–	4,853	103	4,956
40,706	(8,280)	10,581	2,140	(33,090)	21,992	19,239	41,231
(13,744)	2,459	(4,125)	(2,140)	1,019	(4,763)	(4,210)	(8,973)
26,962	(5,821)	6,456	–	(32,071)	17,229	15,029	32,258
267,573	2,176	485,735	487,275	(604,411)	1,367,555	–	1,367,555
168,882	198	358,192	487,275	(270,472)	1,065,880	–	1,065,880

5. Revenue from continuing operations

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Contributions and premiums (note 40)	478,029	454,419	–	–
Commission received	5,597	4,534	–	–
Dental and optical sales	8,161	8,217	–	–
Dividends and distributions	11,086	12,000	31,242	29,496
Fair value gains on investment property	14,108	10,038	–	–
Interest income received from wholly-owned entities	–	–	3,818	8,873
Management fees	43,991	48,650	–	–
Other net investment (losses)/gains	(15,169)	(2,613)	1,459	2,380
Other revenue	7,029	6,859	1,045	2,367
Profit from property development contracts	472	2,033	–	–
Rental income	2,892	2,762	3	–
Retirement village fees and subsidies	35,639	35,358	–	–
Revenue from benefit funds (note 41)	25,602	26,850	–	–
	617,437	609,107	37,567	43,116

6. Expenses

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Expenses, excluding finance costs, included in the income statement classified by nature				
Advertising costs	**(11,539)**	(15,101)	**(1,831)**	(3,910)
Bank charges	**(1,939)**	(1,968)	**(16)**	(46)
Claims expense	**(419,378)**	(383,376)	**–**	–
Commission	**(13,330)**	(11,504)	**–**	(48)
Communication costs	**(4,256)**	(4,476)	**(12)**	(15)
Computer and equipment costs	**(7,003)**	(5,947)	**–**	(7)
Depreciation and amortisation expense	**(11,266)**	(8,135)	**(64)**	(70)
Employee benefits expense	**(99,910)**	(99,473)	**(2,035)**	(1,245)
Expenses in relation to benefit funds (note 41)	**(24,228)**	(24,710)	**–**	–
Financial and insurance costs	**(1,429)**	(1,188)	**–**	(11)
Fund manager fees	**(6,447)**	(8,170)	**–**	–
Impairment of investment in associate (note 16)	**(659)**	(3,600)	**–**	–
Legal and professional fees	**(9,251)**	(11,914)	**327**	(4,205)
Occupancy costs	**(8,459)**	(7,660)	**(144)**	(608)
Other direct expenses	**(19,398)**	(16,834)	**–**	–
Net gain/(loss) on disposal of assets	**286**	(354)	**278**	(381)
Net risk equalisation trust fund recoveries	**29,221**	25,587	**–**	–
Other expenses	**(3,325)**	(4,461)	**(585)**	(758)
Shared service costs paid to controlled entities	**–**	–	**(13,798)**	(17,973)
Shared service recoveries from discontinued operation	**–**	233	**–**	–
	(612,310)	(583,051)	**(17,880)**	(29,277)
Investment losses are included within revenue from continuing operations in note 5.				
Profit before income tax includes the following specific expenses:				
Depreciation				
Buildings	**971**	901	**–**	–
Leasehold improvements	**3,081**	2,392	**64**	62
Plant and equipment	**2,036**	1,623	**–**	1
Total depreciation	**6,088**	4,916	**64**	63
Amortisation				
Computer software	**5,107**	3,148	**–**	7
Goodwill/management rights	**71**	71	**–**	–
Total amortisation	**5,178**	3,219	**–**	7
Finance costs				
Interest and finance charges paid/payable	**12,009**	9,498	**12,720**	11,093
Amount capitalised (note (a))	**(3,383)**	(581)	**–**	–
Finance costs expensed	**8,626**	8,917	**12,720**	11,093

(a) Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 6.25% (2008: 8.30%).

7. Income tax (benefit)/expense

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
(a) Income tax (benefit)/expense				
Current tax	**(5,109)**	2,622	**(8,062)**	(10,053)
Current tax – benefit funds	**425**	6,036	**–**	–
Deferred tax	**6,737**	12,142	**192**	2,525
Deferred tax – benefit funds	**823**	(4,637)	**–**	–
Adjustments for current tax of prior periods	**(5,737)**	(7,906)	**(828)**	(3,398)
Adjustments for current tax of prior periods – benefit funds	**334**	716	**–**	–
	(2,527)	8,973	**(8,698)**	(10,926)
Income tax (benefit)/expense is attributable to:				
(Loss)/profit from continuing operations	**(2,527)**	4,763	**(8,698)**	(15,619)
Profit from discontinued operation	**–**	4,210	**–**	4,693
Total income tax (benefit)/expense	**(2,527)**	8,973	**(8,698)**	(10,926)
Deferred income tax expense included in income tax (benefit)/expense comprises:				
Decrease/(increase) in deferred tax assets (note 21)	**138**	(3,867)	**487**	1,236
Increase/(decrease) in deferred tax liabilities (note 31)	**7,422**	11,372	**(295)**	(100)
Total deferred income tax expense	**7,560**	7,505	**192**	1,136
(b) Reconciliation of income tax (benefit)/expense to prima facie tax payable				
(Loss)/profit from continuing operations before income tax expense	**(1,476)**	21,992	**6,967**	2,746
Add: profit from discontinued operation before income tax	**–**	19,240	**–**	30,358
Less: profit in benefit funds	**(1,374)**	(2,140)	**–**	–
	(2,850)	39,092	**6,967**	33,104
Tax at 30% (2008: 30%)	**(856)**	11,728	**2,090**	9,931
Non-assessable dividends/income	**(101)**	(4,864)	**(9,449)**	(19,467)
Other assessable amounts	**342**	3,937	**28**	3,426
Non-deductible expenditure	**599**	879	**52**	57
Other deductible expenditure	**–**	(106)	**–**	–
Other deferred tax adjustment	**(1,058)**	(3,164)	**(452)**	(1,776)
Tax in benefit funds	**1,374**	2,140	**–**	–
Tax offsets/credits	**(1,053)**	(1,200)	**(6)**	(6)
Over provision in prior years	**(1,774)**	(377)	**(961)**	(3,091)
Total income tax (benefit)/expense	**(2,527)**	8,973	**(8,698)**	(10,926)
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax debited – directly to equity (note 31)	**–**	83	**–**	–

During the year the Group changed the basis of how it accounts for the tax effect of intra-group dividends between members of the Australian Unity Limited tax consolidation group. For the financial year ended 30 June 2008 dividends were treated as taxable at the shareholder level. The dividends and the corresponding tax charge were then eliminated on consolidation. In the current financial year the tax calculation basis has been changed to treat these intra-group dividends as non-assessable at the shareholder level as no tax will be payable by virtue of the companies being members of the Australian Unity Limited tax consolidation group.

The impact of this change in accounting policy has been the restatement of the 30 June 2008 income tax benefit of the parent entity which has increased by $8,762,000. In addition, the 30 June 2008 parent entity's income tax benefit has increased by $2,864,000 due to the recognition of the release of excess tax provisions in the parent entity's separate financial statements which had previously been recognised on consolidation.

There has been no impact on the consolidated entity's tax expense as a result of the change.

(d) Tax consolidation legislation

The Company and its wholly-owned Australian controlled entities have formed a tax consolidated group with effect from 1 July 2002. Australian Unity Limited is the head entity of the tax consolidated group. The accounting policy in relation to this legislation is set out in note 1(o).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Australian Unity Limited. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Australian Unity Limited for any current tax payable assumed and are compensated by Australian Unity Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Australian Unity Limited 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 head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

8. Discontinued operation

(a) Description

On 31 July 2007, the Group disposed of its general insurance business, comprising wholly-owned subsidiaries Australian Unity General Insurance Limited ("AUGIL") and Mansions of Australia Limited ("MoA"), to Calliden Group Limited, an ASX listed insurance underwriter.

As part of the disposal of the general insurance operations, Calliden Group Limited acquired 100% of the issued share capital of both AUGIL and MoA.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(b) Financial performance and cash flow information

The 2008 financial performance and cash flow information presented are for the month ended 31 July 2007.

Details of the divestment of the general insurance operations are as follows:

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Revenue	–	7,754	–	–
Expenses	–	(8,385)	–	–
Loss before income tax	–	(631)	–	–
Income tax benefit	–	483	–	–
Loss after income tax of discontinued operation	–	(148)	–	–
Gain on sale of the division before income tax	–	19,870	–	30,358
Income tax expense	–	(4,693)	–	(4,693)
Gain on sale of the division after income tax	–	15,177	–	25,665
Profit from discontinued operation	–	15,029	–	25,665
Net cash inflow from operating activities	–	1,627	–	–
Net cash outflow from investing activities	–	(1,012)	–	–
Net increase in cash generated by the division	–	615	–	–

8. Discontinued operation (continued)

(c) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities as at 31 July 2007 were:

	Consolidated 30 June 2009 $'000	*Consolidated 31 July 2007 $'000*	**Parent entity 30 June 2009 $'000**	*Parent entity 31 July 2007 $'000*
Cash and cash equivalents	–	47,969	–	–
Trade and other receivables	–	91,900	–	–
Other financial assets at fair value through profit or loss	–	30,321	–	–
Investment in subsidiaries	–	–	–	32,746
Investment in associates	–	6,609	–	–
Deferred tax assets	–	1,309	–	–
Intangible assets	–	4,484	–	–
Total assets	–	182,592	–	32,746
Trade and other payables	–	(14,583)	–	–
Current provisions	–	(59,612)	–	–
Other current liabilities	–	(63,504)	–	–
Deferred tax liabilities	–	(1,363)	–	–
Non-current provisions	–	(296)	–	–
Total liabilities	–	(139,358)	–	–
Net assets	–	43,234	–	32,746

(d) Details of the sale of the division

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Sale of General Insurance Business				
Consideration received or receivable:				
Cash	–	48,634	–	48,634
Shares in Calliden Group Limited	–	18,086	–	18,086
Total disposal consideration	–	66,720	–	66,720
Net asset value as at 31 July 2007	–	(43,234)	–	(32,746)
Less: Expenses of sale	–	(3,616)	–	(3,616)
Gain on sale before income tax	–	19,870	–	30,358
Income tax expense	–	(4,693)	–	(4,693)
Gain on sale after income tax	–	15,177	–	25,665

The share sale deed, under which the sale of the Group's general insurance operations to Calliden Group Limited ("the purchaser") was effected, included provision, under certain circumstances, for post-completion adjustments to the sale consideration.

The purchaser contends that there should be a post-completion adjustment in its favour. The Company does not agree and is vigorously defending this position.

Provision has been made in the financial statements for the costs of this defence.

(e) Net cash inflow

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Consideration received, satisfied in cash	–	48,634	–	48,634
Cash included in balance sheets of entities sold	–	(47,969)	–	–
Net cash inflow	–	665	–	48,634

9. Current assets – Cash and cash equivalents

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Cash at bank and on hand	18	16	–	–
Bank balances	7,412	10,063	635	1,696
Deposits at call	266,563	294,517	23	22
	273,993	304,596	658	1,718

The consolidated 30 June 2008 cash and cash equivalents balance has been restated due to the inclusion of $1,643,000 of highly liquid investments reclassified from financial assets at fair value through profit or loss.

(a) Fair value

The carrying amount for cash and cash equivalents approximates their fair value.

(b) Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in note 2.

10. Current assets – Trade and other receivables

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Net trade receivables				
Trade receivables	22,482	20,554	–	–
Provision for impairment of trade receivables	(379)	(240)	–	–
	22,103	20,314	–	–
Related party receivables				
Loans to controlled entities	–	–	5,150	71,600
Loans to related entities	565	12,075	–	–
Loan to associate	136	–	–	–
	701	12,075	5,150	71,600
Other receivables				
Other debtors	25,931	18,378	94	431
Property syndicate loans	3,042	–	–	–
Risk equalisation trust fund receivable	10,000	9,850	–	–
Goods and services tax (GST) receivable	296	685	38	–
Interest receivable	300	539	–	–
	39,569	29,452	132	431
Prepayments				
Prepayments	2,628	2,861	–	–
Prepaid reinsurance	13	39	–	–
Management fees	5,578	7,646	–	–
Deferred acquisition costs	2,181	4,793	–	–
	10,400	15,339	–	–
Other property receivables				
Accrued property development profit	–	7,782	–	–
Property deposits	2,505	2,680	–	–
	2,505	10,462	–	–
	75,278	87,642	5,282	72,031

10. Current assets – Trade and other receivables (continued)

(a) Impaired trade receivables

Trade receivables are non-interest bearing and are generally on 30-90 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

At 30 June 2009, current trade receivables of the Group with a nominal value of $379,000 (2008: $240,000) were impaired. An impairment provision of $379,000 (2008: $240,000) has been recognised. There were no impaired trade receivables for the parent at 30 June 2009 (2008: $nil).

The ageing of these trade receivables is as follows:

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
1 to 3 months	**237**	218	**–**	–
Over 6 months	**142**	22	**–**	–
	379	240	**–**	–

Movements in the provision for impairment of trade receivables are as follows:

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Balance at the beginning of the financial year	**240**	607	**–**	–
Provision recognised/(reversed) during the year	**139**	(124)	**–**	–
Receivables written-off during the year as uncollectible	**–**	(20)	**–**	–
Unused amount reversed	**–**	(223)	**–**	–
Balance at the end of the financial year	**379**	240	**–**	–

(b) Past due but not impaired

At 30 June 2009, trade receivables of $2,705,000 (2008: $4,117,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing of these trade receivables is as follows:

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Up to 3 months	**2,437**	–	**–**	–
3 to 6 months	**194**	3,270	**–**	–
6 to 12 months	**74**	847	**–**	–
	2,705	4,117	**–**	–

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

(c) Loans to controlled entities

Loans to controlled entities are repayable on demand and accrue interest on a monthly basis at the 90 day bank bill rate plus a margin of 1%; at 30 June 2009 this rate amounted to 4.11% (2008: 8.74%).

(d) Loans to related entities

The loans to related entities were made for the purpose of the development of a retirement village under a joint development arrangement. These loans are secured by a second mortgage on the properties of the related entities and by personal guarantees from the directors of the related entities. Included in theses loans are fixed rate loans of $nil (2008: $11,563,000) which accrue interest on a monthly basis at a fixed rate of 12.00% per annum (2008: 12.00%) and fixed rate loans of $565,000 (2008: $512,000) which accrue interest on a monthly basis at 10.04% per annum (2008: 10.04%).

(e) Loan to associate

The loan to associate comprises a loan receivable from Health Providers Australia Pty Ltd (trading as "Rehability"). This loan is repayable on or before 11 December 2009 and accrues interest on a quarterly basis at the 90 day bank bill rate plus a margin of 1.5%; at 30 June 2009 this rate amounted to 4.61%.

(f) Property syndicate loans

The property syndicate loans are due from a class of investors in a property syndicate of which a controlled entity is the Responsible Entity. The loans are repayable on 30 June 2010. Interest on these loans was charged at an average rate of 5.94% per annum.

(g) Fair value and credit risk

Due to the short-term nature of these trade and other receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the Group's trade receivables.

11. Current assets – Inventories

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Inventories at cost – healthcare	**447**	324	**–**	–
Other inventories at cost	**88**	98	**–**	–
	535	422	**–**	–

12. Current assets – Other current assets

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Call option	**850**	876	**–**	–
Deferred expenditure	**1,299**	–	**1,299**	–
	2,149	876	**1,299**	–

(a) Call option

The call option relates to an option to acquire a development site in Bowral, New South Wales, for consideration of $10,500,000, to be funded by interest-free loans from the development joint venture partners. The option may be exercised during the period commencing 1 August 2008 and ending on 28 February 2009. Given current planning difficulties the option has not been exercised. All parties are working through planning considerations on the site and negotiating in good faith in order to establish suitable option arrangements.

(b) Fair value

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

13. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are all held for trading and include the following:

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Securities held by benefit funds	**269,637**	258,909	**–**	–
Securities held in funds managed by related entities	**109,533**	147,969	**1,387**	1,418
Discount securities	**893**	78	**–**	–
	380,063	406,956	**1,387**	1,418

The consolidated 30 June 2008 financial assets at fair value through profit or loss balance has been restated due to the exclusion of $1,643,000 of highly liquid investments reclassified to cash and cash equivalents.

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

Securities held by benefit funds comprise the following:

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Fixed interest securities	**53,619**	59,733	**–**	–
Equities	**40,287**	52,466	**–**	–
Mortgage trusts	**162,585**	141,411	**–**	–
Property syndicates and trusts	**13,135**	5,289	**–**	–
Other securities	**11**	10	**–**	–
	269,637	258,909	**–**	–

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

Securities held in funds that are managed by related entities comprise the following:

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Fixed interest securities	**17,414**	46,085	**–**	–
Equities	**26,122**	41,381	**319**	357
Mortgage trusts	**43,533**	38,295	**253**	238
Property syndicates and trusts	**22,464**	22,208	**815**	823
	109,533	147,969	**1,387**	1,418

The above analysis is the notional split of the underlying investments in funds that subsidiaries have invested in via units in the funds.

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

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Current	**198,000**	406,956	**1,165**	1,418
Non-current	**182,063**	–	**222**	–
	380,063	406,956	**1,387**	1,418

The redemption terms for investments in certain managed trusts have been varied during the year by their responsible entities in response to prevailing market conditions. Consequently those investments which it is not possible to redeem entirely within one year of balance date are 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 balance date.

(a) Risk exposure

Information about the Group's and the parent entity's exposure to credit risk, foreign exchange and price risk is provided in note 2.

14. Derivative financial instruments

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Current assets				
Interest rate swaps – cash flow hedges (a)	–	488	–	–
Current liabilities				
Interest rate swaps – cash flow hedges (a)	–	322	–	–
Total net derivative financial instruments	–	166	–	–

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposures to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to note 2).

As disclosed in note 25, up until 11 July 2008 the Group entered into interest rate swap contracts whereby the floating interest rate on subordinated capital notes were exchanged for fixed interest obligations. The contracts were settled on a net basis with the net amount receivable or payable at the reporting date included in other debtors or other creditors.

Under these interest rate swap contracts, the 90 day BBSW interest rate on $14 million of subordinated capital notes issued by a controlled entity was effectively replaced with a fixed interest rate of 4.99%, covering the period 11 July 2003 until 11 July 2008; similarly, the 90 day BBSW interest rate on the balance of $11 million of the subordinated capital notes was subject to a fixed interest rate of 5.42%, covering the period 26 September 2003 until 11 July 2008.

The hedging instruments were effective during the year ended 30 June 2008 and up to the date of their maturity on 11 July 2008.

The gain or loss from re-measuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit or loss when the hedged interest expense is recognised; refer to note 33. Any ineffective portion is recognised in income immediately, there was no ineffective hedge portion relating to cash flow hedges in the year ending 30 June 2009 and 30 June 2008.

The floating interest rate on the new $25 million subordinated capital notes issued on 11 July 2008 has not been hedged.

At the end of the financial year, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2009 $'000	2008 $'000
Interest rate swap contracts		
Less than one year	–	25,000

The contracts required settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

(b) Credit risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective interest rate swap contracts at maturity. This arises from amounts receivable from unrealised gains on derivative financial instruments.

At the reporting date the following amounts were receivable by the Company in respect of the interest rate swap contracts:

	2009 $'000	2008 $'000
Interest rate swaps	–	166

The parent entity has no derivative financial instruments outstanding at 30 June 2009 (2008: $nil).

(c) Interest rate risk exposures

Refer to note 2 for the Group's exposure to interest rate risk on interest rate swaps.

15. Non-current assets – Loans and receivables

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Loan to associate	894	794	–	–
Loans to related entities	19,529	4,660	–	–
Mortgage loans	3,682	6,314	–	–
Policy loans	227	304	–	–
Other receivables	3,839	48	–	–
Property syndicate loans	–	3,234	–	–
	28,171	15,354	–	–

(a) Loan to associate

The loan to associate comprises a loan receivable from Vianova Asset Management Pty Ltd. This loan is secured by a fixed and floating charge and is repayable on or before 16 February 2012. Vianova Asset Management Pty Ltd is a wholly-owned subsidiary of Vianova Unit Trust. The Group owns 50% of the issued units in Vianova Unit Trust (refer to note 16).

Interest on this loan facility is charged at a rate equal to the 90 day bank bill swap rate plus a margin of 0.75% per annum until 1 February 2010 at which time the interest charged will be on commercial terms, being an annual rate equal to the bank bill swap rate plus 2.0% per annum.

(b) Loans to related entities

The loans to related entities were made for the purpose of the development of a retirement village under a joint development arrangement. These loans are secured by a second mortgage on the properties of the related entities and by personal guarantees from the directors of the related entities. These loans accrue interest on a monthly basis at a fixed rate of 12.00% per annum (2008: 12.00%).

(c) Mortgage loans

The mortgage loans are receivable by benefit funds managed by a controlled entity and are secured on real property. These loans mature at various dates up to 13 November 2028 and earn interest at annual interest rates between 4.40% and 7.55% (2008: 7.00% and 9.65%).

(d) Policy loans

The policy loans are also secured on real property. These loans mature at various dates up to 1 April 2039 and earn interest at annual interest rates between 4.63% and 7.25% (2008: 3.98% and 10.95%).

(e) Property syndicate loans

The property syndicate loans are due from a class of investors in a property syndicate of which a controlled entity is the Responsible Entity. The loans are repayable on 30 June 2010. Interest on these loans was charged at an average rate of 5.94% per annum (2008: 6.60%).

(f) Impaired receivables

None of the non-current receivables are impaired or past due but not impaired (2008: $nil).

(g) Fair values

The fair values and carrying values of non-current receivables are as follows:

Consolidated	2009 Carrying amount $'000	2009 Fair value $'000	2008 Carrying amount $'000	2008 Fair value $'000
Loan to associate	894	894	794	794
Loans to related entities	19,529	19,529	4,660	4,660
Mortgage loans	3,682	3,682	6,314	6,314
Policy loans	227	227	304	304
Other receivables	3,839	3,839	48	48
Property syndicate loans	–	–	3,234	3,234
	28,171	28,171	15,354	15,354

(h) Risk exposure

Information about the Group's and the parent entity's exposure to credit risk and interest rate risk is provided in note 2.

16. Non-current assets – Investments in associates

(a) Carrying amounts

During December 2008, the Group acquired a 50% interest in Health Providers Australia Pty Ltd (trading as "Rehability"). Rehability operates as a provider of in-home allied health service delivery. Consideration for this acquisition amounted to $320,000.

Name of company	*Principal activity*	**Ownership interest 2009 %**	*Ownership interest 2008 %*	**Consolidated 2009 $'000**	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Listed							
Calliden Group Limited	General insurance underwriting	**13**	13	**15,086**	15,086	**–**	–
Unlisted							
Acorn Capital Limited	Investment management	**50**	50	**1,733**	1,756	**–**	–
Vianova Unit Trust	Investment management	**50**	50	**434**	151	**–**	–
Platypus Asset Management Pty Limited	Investment management	**50**	50	**1,316**	2,275	**–**	–
Wingate Asset Management Pty Limited	Investment management	**45**	45	**376**	248	**–**	–
HAL Property Trust	Property development	**50**	50	**13,981**	14,025	**–**	–
Lifestyle Manor Angelsea Pty Ltd	Property development	**51**	51	**1,000**	1,000	**–**	–
Health Providers Australia Pty Ltd	Rehabilitative health services	**50**	–	**301**	–	**–**	–
				34,227	34,541	**–**	–

Each of the above associates is incorporated in Australia.

	Consolidated 2009 $'000	*Consolidated 2008 $'000*
(b) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	**34,541**	16,772
Investments acquired during the year	**763**	32,019
Provision for impairment of investment	**(659)**	(3,600)
Share of net profits after income tax	**2,023**	4,853
Share of profits after income tax included in discontinued operations	**–**	103
Dividends received	**(2,441)**	(2,763)
Disposals	**–**	(12,843)
Carrying amount at the end of the financial year	**34,227**	34,541
(c) Fair value of listed investments in associates		
Calliden Group Limited	**9,646**	11,605
(d) Share of net profits of associates		
Profit before income tax	**1,957**	6,761
Income tax benefit/(expense)	**66**	(1,908)
Profit after income tax	**2,023**	4,853

16. Non-current assets – Investments in associates (continued)
(e) Summarised financial information of associates

	Group's share of:			
	Assets $'000	Liabilities $'000	Revenues $'000	Profit after tax $'000
2009				
Total	**83,695**	**52,488**	**53,676**	**2,023**
2008				
Total	73,539	42,830	38,873	4,853

17. Non-current assets – Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

Name of entity	*Country of incorporation*	*Holding*	***Equity holding 2009 %***	*Equity holding 2008 %*	***Value of investment 2009 $'000***	*Value of investment 2008 $'000*
Wholly-owned by the parent entity						
Australian Unity Capital Management Limited	Australia	Shares	**100**	100	**6,210**	6,210
Australian Unity Dispensaries Friendly Society Limited	Australia	Shares	**100**	100	**1**	1
Australian Unity Financial Planning Limited	Australia	Shares	**100**	100	**17,995**	12,595
Australian Unity Finance Limited	Australia	Shares	**100**	100	**6,000**	3,000
Australian Unity Funds Management Limited	Australia	Shares	**100**	100	**12,690**	12,690
Australian Unity Group Services Proprietary Limited	Australia	Shares	**100**	100	**28,566**	28,566
Australian Unity Health Limited	Australia	Shares	**100**	100	**28,798**	28,798
Australian Unity Health Care Limited	Australia	Shares	**100**	100	**1,500**	1,500
Australian Unity Nominees Pty Ltd (trustee company)	Australia	Shares	**100**	100	**–**	–
Australian Unity Property Limited	Australia	Shares	**100**	100	**7,900**	7,900
Australian Unity Property Management Proprietary Limited	Australia	Shares	**100**	100	**–**	–
Australian Unity Property Syndicate (Finance) Pty Limited	Australia	Shares	**100**	100	**–**	–
Australian Unity Retail Network Proprietary Limited	Australia	Shares	**100**	100	**17,051**	15,351
Australian Unity Retirement Living Investments Limited	Australia	Shares	**100**	100	**24,872**	8,215
Australian Unity Retirement Living Services Limited	Australia	Shares	**100**	100	**177,006**	112,129
Australian Unity Staff Superannuation Pty Ltd (trustee company)	Australia	Shares	**100**	100	**–**	–
Australian Unity Strategic Holdings Pty Limited	Australia	Shares	**100**	100	**66,500**	66,300
Grand United Corporate Health Limited	Australia	Shares	**100**	100	**15,296**	15,296
Grand United Health Fund Pty Limited	Australia	Shares	**100**	100	**1,831**	1,831
HealthSource Australia Pty Ltd	Australia	Shares	**100**	100	**2,878**	2,878
Remedy Healthcare Group Pty Ltd	Australia	Shares	**100**	–	**1,800**	–
Strode One Pty Limited (trustee company)	Australia	Shares	**100**	100	**–**	–
System Stanley Pty Ltd	Australia	Shares	**100**	100	**5**	5
Not wholly-owned by the parent entity						
Australian Unity Aged Care Trust #1	Australia	Units	**100**	100	**–**	–
Australian Unity Aged Care Trust #2	Australia	Units	**100**	100	**–**	–
Australian Unity Aged Care Trust #3	Australia	Units	**100**	100	**–**	–
Australian Unity Aged Care Trust #4	Australia	Units	**100**	100	**–**	–
Australian Unity Aged Care Trust #5	Australia	Units	**100**	100	**–**	–
Australian Unity Aged Care Trust #6	Australia	Units	**100**	100	**–**	–
Australian Unity Bondi Trust	Australia	Units	**100**	100	**–**	–

17. Non-current assets – Investments in subsidiaries (continued)

Name of entity	Country of incorporation	Holding	Equity holding 2009 %	Equity holding 2008 %	Value of investment 2009 $'000	Value of investment 2008 $'000
Australian Unity Bowral Development Pty Ltd	Australia	Shares	**100**	100	**–**	–
Australian Unity Care Services Pty Ltd (formerly Grand United Properties Pty Limited)	Australia	Shares	**100**	100	**–**	–
Australian Unity Cranbourne Development Pty Ltd	Australia	Shares	**100**	100	**–**	–
Australian Unity Cranbourne Development Trust	Australia	Units	**100**	100	**–**	–
Australian Unity Investment Bonds Limited	Australia	Shares	**100**	100	**6,020**	6,020
Australian Unity Investment Trust	Australia	Units	**100**	100	**–**	–
Australian Unity Lilydale Development Trust	Australia	Units	**100**	100	**–**	–
Australian Unity Retirement Development Management Pty Ltd	Australia	Shares	**100**	100	**–**	–
Australian Unity Retirement Development No. 1 Pty Ltd	Australia	Shares	**100**	100	**–**	–
Australian Unity Retirement Development No. 2 Pty Ltd	Australia	Shares	**100**	100	**–**	–
Australian Unity Retirement Development No. 3 Pty Ltd	Australia	Shares	**100**	100	**–**	–
Australian Unity Retirement Development No. 4 Pty Ltd	Australia	Shares	**100**	100	**–**	–
Australian Unity Retirement Development No. 5 Pty Ltd	Australia	Shares	**100**	100	**–**	–
Australian Unity Retirement Development No. 6 Pty Ltd	Australia	Shares	**100**	100	**–**	–
Australian Unity Retirement Development No. 7 Pty Ltd	Australia	Shares	**100**	100	**–**	–
Australian Unity Retirement Living Management Pty Ltd (formerly Australian Unity Retirement Living Services (NSW) Pty Ltd)	Australia	Shares	**100**	100	**–**	–
Australian Unity Retirement Village Trust #1	Australia	Units	**100**	100	**–**	–
Australian Unity Retirement Village Trust #2	Australia	Units	**100**	100	**–**	–
Australian Unity Retirement Village Trust #5	Australia	Units	**100**	100	**–**	–
Australian Unity Retirement Village Trust #6	Australia	Units	**100**	100	**–**	–
Australian Unity Retirement Village Trust #7	Australia	Units	**100**	100	**–**	–
Centennial Road Development Pty Ltd	Australia	Shares	**100**	100	**–**	–
Grand United NHO Pty Ltd	Australia	Shares	**100**	100	**–**	–
Grand United RVO Pty Ltd	Australia	Shares	**100**	100	**–**	–
Greglea Village Management Pty Limited	Australia	Shares	**100**	100	**–**	–
Retirement Management Services Pty Limited	Australia	Shares	**100**	100	**–**	–
The Australian Unity Mornington Development Trust	Australia	Units	**100**	100	**–**	–
The Australian Unity Sienna Grange Development Trust	Australia	Units	**100**	100	**–**	–
The Australian Unity Victoria Grange Development Trust	Australia	Units	**100**	100	**–**	–
The Governor's Retirement Resort Pty Ltd	Australia	Shares	**100**	100	**–**	–
Willandra Village Management Pty Ltd	Australia	Shares	**100**	100	**–**	–
National Friendly Society Limited*	Australia	–	**–**	–	**–**	–
					422,919	329,285

The parent entity investment in wholly-owned subsidiaries is at cost, in accordance with the accounting policy described in note 1(q).

Information on related party transactions is included in note 35.

* Australian Unity Limited controls the composition of the board of National Friendly Society Limited and so controls the company, although no equity interest is held.

18. Non-current assets – Other financial assets

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Unlisted investments	**165**	229	**162**	186

19. Non-current assets – Property, plant and equipment

Consolidated	*Freehold land $'000*	*Freehold buildings $'000*	*Plant and equipment $'000*	*Leasehold improvements $'000*	*Total $'000*
Year ended 30 June 2008					
Opening net book amount	10,472	30,877	10,901	6,556	58,806
Additions	1,182	27,083	2,285	6,531	37,081
Disposals	(46)	(41)	(92)	(307)	(486)
Depreciation charge	–	(901)	(1,622)	(2,392)	(4,915)
Closing net book amount	11,608	57,018	11,472	10,388	90,486
At 30 June 2008					
Cost	–	–	18,193	17,183	35,376
Valuation	11,608	62,023	–	–	73,631
Accumulated depreciation	–	(5,005)	(6,721)	(6,795)	(18,521)
Net book amount	11,608	57,018	11,472	10,388	90,486

Consolidated	***Freehold land $'000***	***Freehold buildings $'000***	***Plant and equipment $'000***	***Leasehold improvements $'000***	***Total $'000***
Year ended 30 June 2009					
Opening net book amount	**11,608**	**57,018**	**11,472**	**10,388**	**90,486**
Additions	**7,219**	**2,464**	**1,540**	**3,516**	**14,739**
Disposals	**(1)**	**(37)**	**(15)**	**(389)**	**(442)**
Transfer to investment property	**(1,182)**	**(23,518)**	**–**	**–**	**(24,700)**
Depreciation charge	**–**	**(971)**	**(2,036)**	**(3,081)**	**(6,088)**
Closing net book amount	**17,644**	**34,956**	**10,961**	**10,434**	**73,995**
At 30 June 2009					
Cost	**–**	**–**	**18,992**	**18,528**	**37,520**
Valuation	**17,644**	**40,946**	**–**	**–**	**58,590**
Accumulated depreciation	**–**	**(5,990)**	**(8,031)**	**(8,094)**	**(22,115)**
Net book amount	**17,644**	**34,956**	**10,961**	**10,434**	**73,995**

19. Non-current assets – Property, plant and equipment (continued)

Parent	Freehold land $'000	Freehold buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Year ended 30 June 2008					
Opening net book amount	343	76	1	–	420
Additions	–	–	2	280	282
Disposals	(46)	(27)	–	–	(73)
Depreciation charge	–	–	(1)	(62)	(63)
Closing net book amount	297	49	2	218	566
At 30 June 2008					
Cost	–	–	3	315	318
Valuation	297	49	–	–	346
Accumulated depreciation	–	–	(1)	(97)	(98)
Net book amount	297	49	2	218	566

Parent	**Freehold land $'000**	**Freehold buildings $'000**	**Plant and equipment $'000**	**Leasehold improvements $'000**	**Total $'000**
Year ended 30 June 2009					
Opening net book amount	**297**	**49**	**2**	**218**	**566**
Disposals	**(1)**	**(26)**	**–**	**–**	**(27)**
Transfers to related entities	**–**	**–**	**–**	**(154)**	**(154)**
Depreciation charge	**–**	**–**	**–**	**(64)**	**(64)**
Closing net book amount	**296**	**23**	**2**	**–**	**321**
At 30 June 2009					
Cost	**–**	**–**	**3**	**–**	**3**
Valuation	**296**	**23**	**–**	**–**	**319**
Accumulated depreciation	**–**	**–**	**(1)**	**–**	**(1)**
Net book amount	**296**	**23**	**2**	**–**	**321**

(a) Valuations of land and buildings

The Group engaged CB Richard Ellis (V) Pty Ltd, an accredited independent valuer to determine the fair value of its freehold land and buildings. Fair value is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the Group, and to market based yields for comparable properties. The independent valuations support the Group's carrying value.

(b) Carrying amounts that would have been recognised if land and buildings were stated at cost

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Freehold land				
Cost	**16,433**	10,397	**269**	297
Net book amount	**16,433**	10,397	**269**	297
Buildings				
Cost	**39,695**	60,772	**23**	49
Accumulated depreciation	**(5,990)**	(5,005)	**–**	–
Net book amount	**33,705**	55,767	**23**	49

20. Non-current assets – Investment properties

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
At fair value				
Balance at the beginning of the financial year*	352,281	255,006	–	–
Acquisitions	38,294	87,237	–	–
Disposals	(14,947)	–	–	–
Net fair value increments	14,108	10,038	–	–
Transfer from owner-occupied property	24,700	–	–	–
Balance at the end of the financial year	414,436	352,281	–	–

* The 2008 opening balance has been restated to reflect the transfer of $4,990,000 from investment property to intangible assets. The restatement was required as the opening balance of investment property included $4,990,000 in relation to aged care bed licences that had not been previously separately identified. In addition, the prior year balance has been increased by $11,540,000 to reflect the gross up of resident liabilities which is offset by an equivalent increase in the carrying value of resident liabilities, refer to note 28.

(a) Amounts recognised in profit and loss for investment properties

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Revenue	10,314	15,760	–	–
Expenses	(12,865)	(5,040)	–	–
Changes in fair value recognised in profit and loss	14,108	10,038	–	–
	11,557	20,758	–	–

(b) Valuation basis

Investment properties comprise the Group's interests in retirement village self-care units and the aged care facility at Victoria Grange in Victoria. The Victoria Grange aged care facility is managed by an operator which is not part of the consolidated entity. The Group's other aged care facilities are managed by operators within the consolidated entity and so are included in property, plant and equipment as owner-occupied property, refer to note 19.

Investment properties are valued at fair value, being the present value of future cash flows expected to be received. The valuation is based on the statistical modelling of incoming and outgoing residents and includes assumptions in respect of a number of factors, including average length of residence and expected changes in property prices.

21. Non-current assets – Deferred tax assets

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
The balance comprises temporary differences attributable to:				
Accrued expenses	**1,012**	3,829	**141**	199
Capitalised assets/expenditure	**5,919**	5,793	**924**	111
Provisions	**4,514**	5,037	**990**	930
Depreciable professional fees	**1,042**	1,028	**229**	409
Capitalised professional fees	**177**	241	**2**	2
Tax losses	**9,744**	2,387	**8,093**	1,462
Unrealised losses	**8,453**	6,887	**–**	–
Other assessable items	**3,488**	2,190	**10**	91
Net deferred tax assets	**34,349**	27,392	**10,389**	3,204
Movements:				
Balance at the beginning of the financial year	**27,392**	24,834	**3,204**	4,440
(Charged)/credited to the income statement (note 7)	**(138)**	3,867	**(487)**	(1,236)
Transfer of tax losses	**6,667**	–	**6,568**	–
Other transfers	**428**	–	**1,104**	–
Deferred tax asset transferred on sale of subsidiaries	**–**	(1,309)	**–**	–
Balance at the end of the financial year	**34,349**	27,392	**10,389**	3,204
Deferred tax assets to be recovered within 12 months	**25,561**	18,578	**10,238**	1,985
Deferred tax assets to be recovered after more than 12 months	**8,788**	8,814	**151**	1,219
	34,349	27,392	**10,389**	3,204

22. Non-current assets – Intangible assets

Consolidated	*Goodwill/ management rights $'000*	*Computer software $'000*	*Aged care bed licences* $'000*	*Total $'000*
Year ended 30 June 2008				
Opening net book amount*	15,693	14,049	4,990	34,732
Additions	–	15,809	2,000	17,809
Disposals	(4,484)	(17)	–	(4,501)
Amortisation charge	(71)	(3,148)	–	(3,219)
Closing net book amount	11,138	26,693	6,990	44,821
At 30 June 2008				
Cost	11,138	42,507	6,990	60,635
Accumulated amortisation	–	(15,814)	–	(15,814)
Net book amount	11,138	26,693	6,990	44,821

22. Non-current assets – Intangible assets (continued)

Consolidated	Goodwill/ management rights $'000	Computer software $'000	Aged care bed licences* $'000	Total $'000
Year ended 30 June 2009				
Opening net book amount	11,138	26,693	6,990	44,821
Additions	–	8,801	3,842	12,643
Disposals	–	(5)	–	(5)
Amortisation charge	(71)	(5,107)	–	(5,178)
Closing net book amount	11,067	30,382	10,832	52,281
At 30 June 2009				
Cost	11,067	51,262	10,832	73,161
Accumulated amortisation	–	(20,880)	–	(20,880)
Net book amount	11,067	30,382	10,832	52,281

* The 2008 opening balance has been restated to reflect the transfer of $4,990,000 from investment property to intangible assets. The restatement was required as the opening balance of investment property included $4,990,000 in relation to aged care bed licences that had not been previously separately identified.

Residential Care Places (high care and low care) under the Aged Care Act 1997 (bed licences) purchased from other approved providers are valued at cost which approximates to fair value but no value is ascribed to places granted to the Group ab initio by the Department of Health and Ageing. At 30 June 2009 the Group held 231 purchased licences and 220 granted licences (2008: 231 purchased licences and 220 granted licences).

(a) Impairment tests for goodwill

The carrying amount of goodwill is allocated to the Group's cash-generating units (CGUs) identified according to entities within each business segment.

A segment-level summary of the goodwill allocation is presented below.

	2009 $'000	2008 $'000
Healthcare	1,355	1,355
Retirement living*	5,229	5,229
Investments	4,483	4,554
	11,067	11,138

* In addition the retirement living CGU holds $10,832,000 (2008: $6,990,000) of indefinite life aged care bed licences.

The recoverable amount of a CGU is determined based on a value-in-use calculation using cash flow projections based upon financial budgets approved by the directors, covering a four year period. Cash flows beyond the four year period commencing 1 July following balance date are extrapolated using estimated growth rates appropriate for the CGU.

(b) Key assumptions used for value-in-use calculations

The average discount rate applied of 7.06% (2008: 7.09%) to cash flow projections was equal to a five year government bond rate plus a risk margin appropriate to the operations of the CGU. A 3% growth rate was applied to cash flows beyond the four year period for which financial budgets were available.

(c) Impact of possible changes in key assumptions

It is recognised that actual time value of money may vary to what has been estimated. It is believed that no reasonably possible change in the discount rate would cause the recoverable amount of goodwill to fall below its carrying amount.

23. Non-current assets – Other non-current assets

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Borrowing arrangement costs	2,369	1,455	826	–
Capitalised merger costs	3,460	–	3,460	–
Other non-current assets	–	16	–	–
	5,829	1,471	4,286	–

(a) Borrowing arrangement costs

Borrowing arrangement costs represent the costs incurred in raising financing for the Group. These costs will be amortised over the term of the relevant borrowings. The carrying value of these borrowing arrangement costs approximate their fair value.

(b) Capitalised merger costs

The capitalised merger costs represent the costs incurred by Australian Unity Limited and Lifeplan Australia Friendly Society Limited in respect of the merger of the two entities.

24. Current liabilities – Trade and other payables

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Trade payables	4,442	7,124	–	–
Amounts due to controlled entities	–	–	27,894	23,089
Risk equalisation trust fund payable	2,532	2,133	–	–
Accrued expenses	23,951	30,136	3,041	2,574
Goods and services tax (GST) payable	–	–	–	9
	30,925	39,393	30,935	25,672

Trade payables are generally non-interest bearing and are on 30-90 day settlement terms.

(a) Fair value disclosures

Due to the short-term nature of these trade and other payables, their carrying value is assumed to approximate their fair value.

(b) Risk exposure

Details of the Group's and the parent entity's exposure to risk arising from current trade and other payables are set out in note 2.

25. Current liabilities – Interest bearing liabilities

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Secured				
Mortgage loans	3,042	–	–	–
Unsecured				
Payable to controlled entities	–	–	115,404	50,780
Cash advance facility	60,000	30,000	–	–
Subordinated capital notes	–	25,000	–	–
Retirement village investment notes	–	9,916	–	–
Total unsecured current borrowings	60,000	64,916	115,404	50,780
Total current borrowings	63,042	64,916	115,404	50,780

(a) Mortgage loans

The mortgage loan is secured by a first registered mortgage over the property of Australian Unity Property Syndicate – Footscray, and is repayable on 30 June 2010.

Interest on the loan is charged at a variable rate: the average annual interest rate for the year ended 30 June 2009 was 5.94%.

(b) Payable to controlled entities

The amounts payable to controlled entities include a $60,000,000 unsecured loan from a controlled entity from the proceeds of the cash advance facility. The loan is repayable in line with the repayment date of the cash advance facility. Interest is payable monthly at the 90 day bank bill rate plus the applicable margin on the borrowings together with a further margin of 1.5%; at 30 June 2009 this rate amounted to 7.01%. The 30 June 2008 payable to controlled entities balance includes a $30,000,000 loan which was repaid during the year ended 30 June 2009 in line with the repayment of the $30,000,000 cash advance facility which matured on 28 March 2009. Interest was payable monthly at the 90 day bank bill rate plus the applicable margin on the borrowings together with a further margin of 1.5%; at 30 June 2008 this rate amounted to 10.09%.

Other amounts payable to controlled entities are repayable on demand and accrue interest on a monthly basis at the 90 day bank bill rate plus a margin of 1%; at 30 June 2009 this rate amounted to 4.11% (2008: 8.74%).

(c) Cash advance facility

The Group sourced external financing from Westpac Banking Corporation ("Westpac") on 27 June 2007. At 30 June 2009, the borrowings comprised a revolving cash advance facility of $60,000,000 (2008: $60,000,000) for a term of three years ending 14 June 2010, of which $10,000,000 is repayable on or before 31 December 2009. An additional $30,000,000 facility was repaid on 28 March 2009. At 30 June 2009, the cash advance facility had a face value of $60,000,000 (2008: $90,000,000) with a floating interest rate between 5.56% and 5.78% (2008: between 8.69% and 8.88%). Repayment of amounts drawndown under this facility are guaranteed by certain controlled entities within the Group.

(d) Subordinated capital notes

On 11 July 2003, a wholly-owned subsidiary, Australian Unity Health Limited, issued $25,000,000 of subordinated capital notes. The subordinated capital notes have a maturity of 10 years with a non-call five year period. The floating interest rate is equal to the 90 day BBSW rate plus a margin of 2.5%. After the non-call period, this rate increases to the 90 day BBSW rate plus a margin of 4.5%. The subordinated capital notes were redeemed on 11 July 2008.

Interest rate swap contracts were entered into whereby the floating interest rate is exchanged for fixed rate obligations; for further information refer to note 14(a).

(e) Retirement village investment notes

The 30 June 2008 balance represents the portion of the Series 1 Retirement Village Investment Notes which matured on 30 November 2008 and incurred interest at an annual rate of 8.50%; for further information refer to note 29.

(f) Interest rate risk exposures

Details of the Group's and the parent entity's exposure to risk arising from current interest bearing liabilities are set out in note 2.

(g) Fair value disclosures

Details of the fair value of borrowings for the Group and parent entity are set out in note 29.

26. Current liabilities – Provisions

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Employee benefits	**5,653**	5,042	**–**	–
Claims	**50,591**	47,244	**–**	–
Other provisions	**3,950**	8,041	**2,905**	3,100
	60,194	60,327	**2,905**	3,100

(a) Claims

Provision is made for claims outstanding at the end of the financial year, being claims for services incurred but not yet reported, the economic cost of which will arise in a later period. Claims reported but not yet paid are included as provisions. Claims provisions are determined on an actuarial basis and amounts paid or payable are recognised as part of expenses in the income statement.

27. Current liabilities – Current tax liabilities

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Income tax	**1,197**	2,368	**758**	2,014

28. Current liabilities – Other current liabilities

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Unearned income	**81,012**	80,348	**–**	–
Refundable lease deposits	**46,653**	32,606	**–**	–
Resident loans	**194,782**	177,874	**–**	–
Other	**2,423**	1,756	**–**	–
	324,870	292,584	**–**	–

The prior year resident loan balance has been increased by $11,540,000 to reflect the gross up of resident liabilities which is offset by an equivalent increase in the carrying value of investment properties, refer to note 20.

(a) Unearned income

Unearned income represents health insurance premium revenue not yet recognised in the income statement.

(b) Fair value

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

(c) Risk exposures

Details of the Group's and the parent entity's exposure to risk arising from other current liabilities is set out in note 2.

29. Non-current liabilities – Interest bearing liabilities

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Secured				
Mortgage loans	–	3,234	–	–
Unsecured				
Loan payable to a controlled entity	–	–	–	60,000
Cash advance facility	–	60,000	–	–
Development finance loan	1,848	–	–	–
Subordinated capital notes	25,000	–	–	–
Retirement village investment notes	55,751	14,084	–	–
Preferential units	10,000	10,000	–	–
Total unsecured non-current borrowings	92,599	84,084	–	60,000
Total non-current borrowings	92,599	87,318	–	60,000

(a) Mortgage loans

The mortgage loan is secured by first registered mortgage over the property of Australian Unity Property Syndicate – Footscray, and is repayable on 30 June 2010.

Interest on the loan is charged at a variable rate: the average annual interest rate for the year ended 30 June 2008 was 6.60%.

(b) Loan payable to a controlled entity

The 30 June 2008 loan payable to a controlled entity comprises an unsecured loan from a controlled entity from the proceeds of the cash advance facility. The loan is repayable on or before 30 June 2010 in line with the repayment date of the cash advance facility. Interest was payable monthly at the 90 day bank bill rate plus the applicable margin on the Westpac borrowings together with a further margin of 1.50%; at 30 June 2008 this rate amounted to 9.94%.

(c) Cash advance facility

This amount relates to the non-current portion of the Westpac revolving cash advance facility. For more information refer to note 25.

(d) Development finance loan

The Group sourced external financing from Suncorp-Metway Ltd on 1 May 2009 to fund the development of a retirement village site in Port Macquarie, New South Wales. At 30 June 2009 the facility provided for finance of up to $2,300,000 expiring on 21 December 2010 at a current interest rate of 5.82% per annum.

(e) Retirement village investment notes

The retirement village investment notes ("RVINs") includes $23,983,000 Series 1 notes, $7,797,000 Series 2 notes and $23,971,000 Series 3 notes.

The Series 1 RVINs are payable to investors on three separate fixed maturity dates, being 30 November 2010, 2011 and 2012. Interest is payable at annual rates of 8.75% for the RVINs repayable in 2010, 8.50% for the RVINs repayable in 2011 and 9.00% for the RVINs repayable in 2012.

The Series 2 RVINs were issued pursuant to prospectuses dated 28 November 2008 and 2 January 2009. The Series 2 RVINs are for a term of three years, payable on two separate fixed maturity dates, being 31 December 2011 and 31 March 2012 with interest payable at an annual rate of 8.50%.

On 10 February 2009, a prospectus seeking to raise a maximum of $30,000,000 Series 3 RVINs was issued. At the close of the application period on 31 March 2009, applications of $7,460,000 had been received. A second prospectus was issued on 1 April 2009, which resulted in a further $16,511,000 being raised from external investors while the balance was underwritten by controlled entities of the parent entity.

The first issue of Series 3 RVINs are repayable to investors on three separate maturity dates being 31 March 2012, 2014 and 2016. Interest is payable at annual rates of 8.00% for the RVINs repayable in 2012, 8.25% for the RVINs repayable in 2014 and 8.50% for the RVINs repayable in 2016.

The second issue of Series 3 RVINs are also repayable to investors on three separate maturity dates being 30 June 2012, 2014 and 2016. Interest is payable at the same annual rates as for the first issue.

On 23 June 2009, a third prospectus was issued to facilitate the repurchase of Series 3 RVINs from various controlled and related underwriting parties. The third prospectus closes for applications on 31 December 2009.

(f) Subordinated capital notes

On 11 July 2008, a wholly-owned subsidiary, Australian Unity Health Limited, issued $25 million of subordinated capital notes. The subordinated capital notes have a maturity of 10 years with a non-call five year period and incur a floating interest rate equal to the 90 day BBSW rate plus a margin of 4.90%. After the non-call period, this rate increases to the 90 day BBSW rate plus a margin of 6.90%. As at 30 June 2009, the interest rate was 10.28%.

The floating interest rate on the $25 million subordinated capital notes issued on 11 July 2008 has not been hedged.

(g) Preferential units

The preferential units were issued on 20 December 2007 by controlled entities, Australian Unity Aged Care Trust #1, Australian Unity Aged Care Trust #2 and Australian Unity Aged Care Trust #3 in order to fund their operations. The preferential units are held by Grand United Centenary Centre Limited, a related entity. Interest on the preferential units is payable quarterly at an annual interest rate equal to the BBSY interest rate plus a margin of 1.5%. At 30 June 2009, this rate amounted to 4.61% (2008: 9.38%) per annum.

(h) Fair value

The carrying amounts and fair values of interest bearing borrowings (current and non-current) at balance date are:

	2009 Carrying amount $'000	**2009 Fair value $'000**	*2008 Carrying amount $'000*	*2008 Fair value $'000*
Consolidated				
Mortgage loans	**3,042**	**3,042**	3,234	3,234
Cash advance facility	**60,000**	**60,000**	90,000	90,000
Development finance	**1,848**	**1,848**	–	–
Subordinated capital notes	**25,000**	**25,000**	25,000	25,000
Retirement village investment notes	**55,751**	**55,751**	24,000	24,000
Preferential units	**10,000**	**10,000**	10,000	10,000
	155,641	**155,641**	152,234	152,234
Parent entity				
Loans payable to controlled entities	**115,404**	**115,404**	110,780	110,780

(i) Risk exposures

Information about the Group's and the parent entity's exposure to risk arising from borrowings is set out in note 2.

30. Non-current liabilities – Non-interest bearing liabilities

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Property development loan	**328**	82	**–**	–

(a) Property development loan

The property development loan represents the fair value of a loan with a face value of $425,000 (2008: $115,500) which was advanced from a third party property developer. This loan has been utilised by the Group to pay the first instalment under a call option to acquire land in Bowral, New South Wales. The loan is non-interest bearing and is repayable on or before 17 April 2018.

(b) Fair value of non-interest bearing liabilities

The carrying amounts and fair values of non-interest bearing liabilities at balance date are:

	2009 Carrying amount $'000	**2009 Fair value $'000**	*2008 Carrying amount $'000*	*2008 Fair value $'000*
Property development loan	**328**	**328**	82	82

(c) Risk exposure

Information about the Group's and the parent entity's exposure to risk arising from non-interest bearing liabilities is set out in note 2.

31. Non-current liabilities – Deferred tax liabilities

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
The balance comprises temporary differences attributable to:				
Prepayments	13	25	–	–
Interest receivable	82	106	–	–
Trust distributions	435	669	–	–
Fixed assets	27,128	18,474	9,865	(39)
Risk equalisation trust fund	4,524	3,314	–	–
Accrued property development contract income	–	2,335	–	–
Unrealised gains	5,061	4,004	3,148	88
Investments in associates	1,151	–	–	–
Allocable cost adjustment on consolidation	1,102	1,537	1,102	–
Research and development adjustment	541	1,149	–	–
Other deductible items	643	476	171	43
	40,680	32,089	14,286	92
Amounts recognised directly in equity				
Cash flow hedges	–	50	–	–
Net deferred tax liabilities	40,680	32,139	14,286	92
Movements:				
Balance at the beginning of the financial year	32,139	22,213	92	192
Charged/(credited) to the income statement (note 7)	7,422	11,372	(295)	(100)
Credited to equity (note 33)	–	(83)	–	–
Transfer from related entity	–	–	14,489	–
Other transfers	1,119	(1,363)	–	–
Balance at the end of the financial year	40,680	32,139	14,286	92
Deferred tax liabilities to be settled within 12 months	40,088	31,880	14,226	4
Deferred tax liabilities to be settled after more than 12 months	592	259	60	88
	40,680	32,139	14,286	92

32. Non-current liabilities – Provisions

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Employee benefits	4,084	4,455	–	–
Claims	985	1,215	–	–
	5,069	5,670	–	–

(a) Claims

Provision is made for claims outstanding at the end of the financial year, being claims for services incurred but not yet reported, the economic benefit of which will arise in a later period. Claims reported but not yet paid are included as provisions. Claims provisions are determined on an actuarial basis and amounts paid or payable are recognised as part of expenses in the income statement.

33. Reserves and retained profits

(a) Reserves

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Asset revaluation reserve	**2,462**	2,462	**–**	–
Hedging reserve	**–**	116	**–**	–
	2,462	2,578	**–**	–
Movements:				
Asset revaluation reserve				
Balance at the beginning of the financial year	**2,462**	2,462	**–**	–
Balance at the end of the financial year	**2,462**	2,462	**–**	–
Movements:				
Hedging reserve				
Balance at the beginning of the financial year	**116**	310	**–**	–
Revaluation – gross	**–**	(277)	**–**	–
Deferred tax (note 31)	**–**	83	**–**	–
Transfer to net profit – gross	**(116)**	–	**–**	–
Balance at the end of the financial year	**–**	116	**–**	–

(b) Retained profits

Movements in retained profits were as follows:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Balance at the beginning of the financial year	**130,048**	97,790	**97,995**	53,965
Net profit for the year	**1,051**	32,258	**15,665**	44,030
Balance at the end of the financial year	**131,099**	130,048	**113,660**	97,995

(c) Nature and purpose of reserves

(i) Asset revaluation reserve

The asset revaluation reserve in the consolidated entity is used to record increments and decrements on the revaluation of land and buildings used by the Group as owner-occupied property.

(ii) Hedging reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(h(ii)). The amounts are recognised in the income statement when the associated hedged transaction affects profit and loss.

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

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Profit after income tax for the year	1,051	32,258	15,665	44,030
Depreciation and amortisation	11,266	8,102	64	241
Impairment provision	659	3,600	–	–
Net market value movements	5,577	13,416	93	(162)
Net gain on sale of non-current assets	(286)	(24,177)	(278)	(30,040)
Change in operating assets and liabilities:				
Decrease in trade debtors	990	1,112	299	13,136
(Increase)/decrease in inventories	(113)	163	–	–
(Increase)/decrease in deferred tax asset	(6,957)	(2,615)	(7,185)	1,236
(Increase)/decrease in other operating assets	(2,991)	3,097	(5,585)	1,582
(Decrease)/increase in trade creditors	(8,468)	(2,544)	458	(5,189)
(Decrease)/increase in other operating liabilities	(25,665)	(17,099)	4,805	908
Decrease in current tax payable	(1,171)	(14,448)	(1,256)	(14,390)
Increase/(decrease) in deferred tax liabilities	8,541	10,681	14,194	(100)
Decrease in other provisions	(734)	(241)	(195)	(121)
Net cash (outflow)/inflow from operating activities	(18,301)	11,305	21,079	11,131

35. Related party transactions

(a) Directors

The names of persons who were directors of Australian Unity Limited at any time during the financial year are as follows:

Alan Castleman, Rohan Mead, Eve Crestani, Ian Ferres, Warren French, Stephen Maitland, Bruce Siney and Warren Stretton.

(b) Wholly-owned Group

The wholly-owned Group consists of Australian Unity Limited and its wholly-owned and controlled entities. Ownership interests in these controlled entities are set out in note 17.

Transactions between entities in the wholly-owned Group are entered into on normal commercial terms.

Transactions between Australian Unity Limited and other entities in the wholly-owned Group during the years ended 30 June 2009 and 30 June 2008 were as follows:

- Interest received/receivable from controlled entities, $3,818,006 (2008: $8,872,872).
- Dividends received from controlled entities, $31,160,400 (2008: $29,172,780).
- Amounts paid/payable to controlled entity for shared services, $13,798,080 (2008: $17,973,329).

Transactions between the parent entity and its controlled entities are settled through intercompany accounts. The intercompany balances at 30 June are included in the notes to the financial statements as amounts receivable by/payable to either the parent entity or related entity as applicable.

Balances outstanding between the parent entity and controlled entities are identified in notes 10, 24, 25 and 29.

Transactions between the consolidated entity and related parties were as follows:

- Dividends received from associates, $2,441,000 (2008: $2,763,000).

At 30 June 2009, loans of $1,030,817 (2008: $794,155) were receivable from associates.

At 30 June 2009, loans of $20,094,194 (2008: $16,734,822) were receivable from related entities.

35. Related party transactions (continued)

(c) Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2009 and 30 June 2008 is set out below. Key management personnel comprise all directors of the Company and those executives responsible for the strategic direction and management of the Company and Group.

	Short-term benefits $	Post-employment benefits $	Termination benefits $	Total $
Consolidated				
2009	**6,042,065**	**604,189**	**1,118,737**	**7,764,991**
2008	6,345,718	664,079	560,142	7,569,939
Parent				
2009	**692,183**	**136,099**	**150,924**	**979,206**
2008	779,583	112,213	86,708	978,504

(d) Other transactions with directors and director-related entities

Information on transactions with key management personnel or entities related to them, other than compensation, are set out below.

In accordance with rule 5.15.1 of the Company's constitution, the Company has determined at its Annual General Meeting that the maximum aggregate annual amount of remuneration payable by the Company to non-executive directors of the Company as fees for their services as directors is $1,200,000 per financial year. The actual amounts paid to non-executive directors for the financial year ended 30 June 2009 were $1,006,621, (2008: $1,039,071). Directors' remuneration includes superannuation contributions in accordance with the Superannuation Guarantee Legislation. Information relating to the consolidated entity's superannuation funds is set out in note 1(j).

The consolidated entity has also set aside a provision for directors' retirement allowances. At 30 June 2009, this provision amounted to $1,184,896 (2008: $1,034,896). No payments were made from the provision during the year ended 30 June 2009 (2008: $191,540). There is no liability for retirement allowances in respect of directors appointed after the 2004 Annual General Meeting. The provision for directors' retirement allowances is included in the provision for employee entitlements.

During the year ended 30 June 2009, Mr Warren French received an honorarium of $30,000 (2008: $30,000) in his capacity as Grand Secretary of the Grand United Order of Odd Fellows, which was funded by the parent entity.

From time to time the directors of the parent entity and its controlled entities may purchase or subscribe to the various products 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.

36. Commitments

(a) Capital commitments

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

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Payable within one year				
Property, plant and equipment	**2,833**	10,864	**–**	–
Investment property	**661**	6,300	**–**	–
Intangible assets	**810**	3,750	**–**	–
	4,304	20,914	**–**	–

(b) Lease commitments: Group as lessee

Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities:

	Consolidated 2009 $'000	*Consolidated 2008 $'000*	**Parent entity 2009 $'000**	*Parent entity 2008 $'000*
Within one year	**3,822**	4,394	**–**	–
Later than one year but not later than five years	**7,412**	7,771	**–**	–
Later than five years	**–**	1,139	**–**	–
	11,234	13,304	**–**	–

36. Commitments (continued)

(i) Operating leases

The Group leases various commercial premises under non-cancellable operating leases with an average outstanding lease term of three years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

(ii) Finance leases

Neither the Group nor the Company had outstanding finance lease commitments at 30 June 2009 (2008: $nil).

(c) Lease commitments: where a Group company is the lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Parent entity 2009 $'000**	Parent entity 2008 $'000
Within one year	**444**	376	**–**	–
Later than one year and not later than five years	**227**	329	**–**	–
	671	705	**–**	–

These leases relate to commercial property owned or leased by the consolidated entity.

37. Contingencies and guarantees

(a) Guarantees

The parent entity, jointly with 44 of its wholly-owned controlled entities, has guaranteed borrowings of a controlled entity. The borrowings guaranteed comprise a revolving cash advance facility of up to $60,000,000 for a term of three years ending 14 June 2010. The guarantors for this facility have joint and several liability for repayment of all outstanding amounts in the event of a default by the borrowing entity.

The fair value of the guarantee, which has been determined in accordance with the accounting policy set out in note 1(k), has not been recognised as the amount is not material.

38. Events occurring after the reporting period

On 16 July 2009, the Group acquired a 50 percent interest in Seres Asset Management, a Hong Kong-registered investment management company for a consideration of $982,000.

On 31 August 2009, Australian Unity Limited merged with Lifeplan Australia Friendly Society Limited. All members of Lifeplan Australia Friendly Society Limited at the date of merger became members of the enlarged Australian Unity Limited Group and Lifeplan Australia Friendly Society Limited and its controlled entities became subsidiaries of Australian Unity Limited. As this transaction was a merger of two mutual entities, no cash consideration was paid. The principal activities of Lifeplan Australia Friendly Society Limited and its controlled entities is the provision of funds management services.

On 31 August 2009, the terms of the Cash Advance Facility from Westpac Banking Corporation (refer note 25(c)) were amended to include the relaxation of certain covenants and the provision of mortgage security over specific freehold land and buildings and investment properties.

On 31 August 2009, the directors of a number of wholly-owned subsidiary companies of the parent entity declared dividends totalling $14,342,560 and the parent entity subscribed for $10,172,999 of additional share capital in a number of wholly-owned subsidiaries.

The board is not aware of any other matter or circumstance arising since 30 June 2009 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.

39. 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:

	Consolidated 2009 $	*Consolidated 2008 $*	**Parent entity 2009 $**	*Parent entity 2008 $*
(a) Audit services				
Ernst & Young Australian firm				
Audit of financial reports and other audit work under the Corporations Act 2001	**810,900**	794,023	**54,500**	37,500
Total remuneration for audit services	**810,900**	794,023	**54,500**	37,500
(b) Taxation and other services				
Ernst & Young Australian firm				
Tax compliance services, including review of company income tax returns	**246,595**	376,021	**110,880**	99,305
Other non-audit services	**1,123,447**	360,660	**733,282**	–
Total remuneration for taxation and other services	**1,370,042**	736,681	**844,162**	99,305
Total remuneration	**2,180,942**	1,530,704	**898,662**	136,805

It is Australian Unity Limited's policy to employ Ernst & Young on assignments additional to their statutory audit duties only where Ernst & Young's expertise and experience with Australian Unity Limited 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.

40. Health insurance

The parent entity has no health insurance related disclosures. The consolidated entity's disclosures are set out below.

The disclosures below relate only to the health insurance activities of the relevant controlled entities and do not therefore include the non-insurance activities of the healthcare businesses.

(a) Details of income and expenses

Consolidated	**2009 $'000**	*2008 $'000*
Premium revenue	**478,029**	454,419
Claims expense	**(421,446)**	(384,739)
Net risk equalisation trust fund recoveries	**29,221**	25,587
State levies	**(2,401)**	(2,267)
Net claims incurred	**(394,626)**	(361,419)
Acquisition costs	**(21,795)**	(20,387)
Other underwriting expenses	**(1,667)**	(1,697)
	(23,462)	(22,084)
Underwriting result	**59,941**	70,916
Net investment revenue	**(5,325)**	5,192
Other revenue	**–**	37
Employee benefits expense	**(13,886)**	(13,324)
Other expenses from ordinary activities	**(19,070)**	(15,999)
Finance costs	**(2,622)**	(2,016)
	(40,903)	(26,110)
Profit before income tax	**19,038**	44,806
Income tax expense	**(4,926)**	(14,665)
Profit after income tax	**14,112**	30,141

40. Health insurance (continued)

(b) Net Risk Equalisation Trust Fund ("RETF") receivable

Consolidated	2009 $'000	2008 $'000
Movement in net RETF receivable		
Balance at the beginning of the financial year	7,717	5,309
Net RETF raised during the year	29,221	25,587
Net RETF received during the year	(29,470)	(23,179)
Balance at the end of the financial year	7,468	7,717

(c) Outstanding claims provision

Consolidated	2009 $'000	2008 $'000
Outstanding claims – central estimate of the expected present value of future payments for claims incurred	37,101	35,534
Risk margin	3,211	2,758
Claims handling costs	946	966
Gross outstanding claims liability	41,258	39,258
Movement in the gross outstanding claims liability		
Balance at the beginning of the financial year	39,258	39,400
Claims incurred during the year	421,446	312,359
Claims paid during the year	(419,446)	(312,501)
Balance at the end of the financial year	41,258	39,258
Current	41,258	39,258

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

The risk margin of $3,211,000 (2008: $2,758,000) combined with the central estimate, is estimated to equate to a probability of adequacy of at least 95% (2008: 95%). The risk margin has been based on an analysis of the Group's past experience. This analysis modelled the volatility of past payments and the results are assumed to be indicative of future volatility.

The outstanding claims estimate for the retail health business is derived using all data combined in an aggregate model. As such, diversification benefits have been implicitly allowed for in this process. The outstanding claims liability has been estimated using both a stochastic model, based on historical experience, and the modified chain ladder method. For the corporate health business the outstanding claims liability is derived using separate calculations on the data for hospital claims and ancillary claims and the outstanding claims liability has been calculated by the fund's external actuary using a modified chain ladder method.

The weighted average expected term to settlement of claims from the balance sheet date is estimated to be 1.8 months (2008: 1.7 months).

Impact of changes in key variables

The following table shows the impact on amounts recognised in the financial statements of the Group's health insurance subsidiaries arising from movements in selected key variables.

	Movement in variable	Profit/(loss) after tax $'000	Net assets $'000
Central estimate	+5%	(1,855)	(1,855)
Central estimate	–5%	1,855	1,855
Claims handling	+10%	(96)	(96)
Claims handling	–10%	96	96

(i) 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 2009 (2008: $nil) at a 75% (2008: 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.

41. Benefit fund policy liabilities

The parent entity has no life insurance related disclosures. The consolidated entity'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

Consolidated	2009 $'000	2008 $'000
Life investment contract liabilities	60,144	69,098
Life insurance contract liabilities	370,837	385,947
Unvested policyholder liabilities	22,976	25,716
Total policy liabilities	453,957	480,761
Expected to be realised within 12 months	45,063	49,903
Expected to be realised in more than 12 months	408,894	430,858
	453,957	480,761

(b) Reconciliation of changes in policy liabilities

Consolidated	2009 $'000	2008 $'000
Life investment contract liabilities at the beginning of the financial year	69,098	75,000
Increase in life investment contract liabilities recognised in the income statement	(4,307)	(6,299)
Premiums recognised as a change in life investment contract liabilities	2,086	6,601
Claims recognised as a change in life investment contract liabilities	(6,733)	(6,204)
Life investment contract liabilities at the end of the financial year	60,144	69,098
Net life insurance contract liabilities at the beginning of the financial year	384,997	401,868
Movement in life insurance contract liabilities recognised in the income statement	(14,160)	(16,871)
Life insurance contract liabilities at the end of the financial year	370,837	384,997
Unvested policyholder benefits liability at the beginning of the financial year	26,666	27,631
Movement in unvested policyholder benefits liability recognised in the income statement	(3,690)	(965)
Unvested policyholder benefits liability at the end of the financial year	22,976	26,666
Net policy liabilities at the end of the financial year	453,957	480,761

41. Benefit fund policy liabilities (continued)

(c) Analysis of policy liability revenue and expenses

Consolidated	2009 $'000	2008 $'000
Revenue		
Total life insurance and participating contract premium revenue	**10,251**	11,984
Reinsurance recoveries	**(324)**	(286)
Total life insurance contract premium and related revenue	**9,927**	11,728
Financial assets held at fair value through profit and loss		
– Interest income	**241**	109
– Distribution income	**25,655**	28,806
– Realised (losses)/gains	**(5,143)**	3,044
– Unrealised losses	**(5,522)**	(17,455)
– Other investment income	**444**	618
Total revenue from life insurance business	**25,602**	26,850
Expenses		
Total life insurance and participating contract claims expense	**41,475**	42,923
Life insurance contract claims expense	**41,475**	42,923
Policy maintenance expenses – life insurance contracts	**9**	12
Other expenses	**4,901**	5,910
Movement in life insurance contracts	**(14,160)**	(16,871)
Movement in unvested policyholder liabilities	**(3,690)**	(965)
Movement in investment contract liabilities	**(4,307)**	(6,299)
Total expenses from life insurance business	**24,228**	24,710

(d) Actuarial methods and assumptions

The effective date of the actuarial report on policy liabilities and solvency reserves is 30 June 2009. The actuarial report was prepared by the appointed actuary Mr Carl Stevenson BSc, FIA, FIAA, Principal, Authorised Representative #267445 of Mercer Investment Nominees Limited AFS Licence #235906. 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.

The policy liabilities for Benefit Funds are determined in accordance with Actuarial Standard 1.04 issued by the Life Insurance Actuarial Standards Board under the Life Insurance Act 1995.

Under a projection method, estimates of future cash flows (i.e. premium, 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 benefit fund rules of all the defined benefit funds other than the Personal Risk Fund ("PRF") allow for surplus to be transferred to the management fund or to be used for the enhancement of member benefits. It is therefore appropriate to treat surplus as policyholder equity or unallocated benefit funds. No profit carrier will be established and surplus can be transferred as recommended in the actuarial report each year.

The benefit fund rules of the PRF allow for surplus to be transferred to the management fund. No surplus is to be used for augmenting benefits. It is therefore appropriate to treat surplus as equity. As a practical solution to the selection of the profit carrier for a small fund that is in wind down, the carrier was set equal to the excess of assets over the capital adequacy requirement. 100% of this will transfer to the management fund after the normal year end valuation.

The key assumptions for the policy liability calculations for the various defined benefit funds at 30 June 2009 were as follows:

Fund Name	**Discount Basis[1]**	**Mean Liability Term (Yrs)**	**Discount Rate**	**Fees (% of Assets)**	**Tax Rate**	**Discount Net of Tax and Fees**	**Mortality Basis[2]**
Assurance Benefit Fund	Swap Rate	**15**	**6.31%**	**1.80%**	**30.00%**	**3.16%**	**60% of ALT0002**
Endowment and Funeral Fund – Endowment Fund	Swap Rate	**6**	**5.86%**	**0.00%**	**30.00%**	**4.10%**	**50% of ALT0002**
Endowment and Funeral Fund – Funeral Fund	Swap Rate	**19**	**6.14%**	**0.00%**	**0.00%**	**6.14%**	**50% of ALT0002**
Life Assurance Fund	Swap Rate	**15**	**6.31%**	**1.35%**	**30.00%**	**3.47%**	**60% of ALT0002**
Central Sick and Funeral Fund	Swap Rate	**15**	**6.31%**	**1.20%**	**0.00%**	**5.11%**	**50% of ALT0002**
Personal Risk Fund	Swap Rate	**1**	**3.49%**	**0.00%**	**30.00%**	**2.44%**	**70% of ALT0002**

The key assumptions for the policy liability calculations for the various defined benefit funds at 30 June 2008 were as follows:

Fund Name	*Discount Basis[1]*	*Mean Liability Term (Yrs)*	*Discount Rate*	*Fees (% of Assets)*	*Tax Rate*	*Discount Net of Tax and Fees*	*Mortality Basis[2]*
Assurance Benefit Fund	Swap Rate	16	7.28%	2.00%	30.00%	3.69%	60% of ALT0002
Endowment and Funeral Fund – Endowment Fund	Swap Rate	7	7.65%	0.00%	30.00%	5.36%	50% of ALT0002
Endowment and Funeral Fund – Funeral Fund	Swap Rate	17	7.29%	0.00%	0.00%	7.29%	50% of ALT0002
Life Assurance Fund	Swap Rate	13	7.31%	2.00%	30.00%	3.72%	60% of ALT0002
Central Sick and Funeral Fund	Swap Rate	15	7.27%	*	0.00%	*	50% of ALT0002
Personal Risk Fund	Swap Rate	1	8.20%	0.00%	30.00%	5.74%	70% of ALT0002

Notes:
1. The mid swap rate corresponding to the mean liability term.
2. ALT0002: Australian Life Tables (Male and Female) 2000-2002.

* Fees are 1.5% of average assets for some benefits and 2.5% of average assets for other benefits. Therefore, the net discount rate is 5.77% for some liabilities and 4.77% for the other liabilities.

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

An additional reserve of $100,000 was included in the PRF liability to protect the Group against claims significantly more adverse than expected under the Australian Prudential Regulation Authority (“APRA”) Prudential Standard LPS 3.04 Capital Adequacy Standard assumptions. A larger reserve was deemed necessary because of the small number of policies and the potential for higher deviations from experience arising in small portfolios.

For all the defined benefit funds other than the PRF, if experience varies from expectation, then the member liability and the unallocated benefit funds will change by equal and opposite amounts. As the Group 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 PRF, 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.

41. Benefit fund policy liabilities (continued)

Policy Liability Valuation for Defined Contribution Funds

The policy liabilities for benefit funds are determined in accordance with Prudential Standard LPS 1.04 issued by APRA under the Life Insurance Act 1995.

For the investment account funds other than 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 is then described as unvested policyholder benefit liabilities or surplus. The current bonus declaration simply results in a movement from unvested policyholder benefit liabilities to vested policy liability subject to the amount vesting being no more than the distributable portion of unvested policyholder benefit liabilities.

The Grand Bonds Fund has an additional death benefit and bonus guarantee. The liability for these extra benefits is significantly less than the investment account liability. 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 calculated assuming 80% of Australian Life Tables 2000-2002 mortality and a gross discount rate of 5% which is 2.8% net of tax and 1% of assets for fees. The liability for death benefits was then subjected to a minimum equal to the largest exposure to a single member in the fund.

For the funeral funds, the policy liability has been taken to be the value of assets of the fund net of other liabilities less the value of the current period bonus. This liability represents the present value of guaranteed benefits (pre bonus) plus the present value of future bonuses. Following declaration of the bonus, there would then be no surplus under this arrangement. The funds currently expect to deduct between 1.53% and 2.05% of the funds' assets for expense allowances. It has been assumed that interest will be earned in future years at rates after tax sufficient to meet this level of expense.

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.

Changes in economic conditions and demographics will alter the unallocated surplus. The Capital Adequacy Standard is designed to ensure there is sufficient unallocated surplus to cover the effect of these changes. The equity will not change.

The expenses of the benefit funds are equal to the management allowances transferred to the management fund.

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 reporting date. 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 and 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 as noted above for PRF. 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 2009.
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.

The 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 PRF, 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 PRF, 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 requirements of 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

Under the Life Insurance Act 1995, the Group is required to hold prudential reserves over and above their policy liabilities, as a buffer against adverse experience and poor investment returns. The minimum level of reserves required to be held are specified by the Life Insurance Act 1995 and the accompanying Prudential Standards. These standards are Prudential Standards LPS 2.04 and LPS 3.04. These standards have been met for all benefit funds as at 30 June 2009.

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

Ratio of solvency requirements (SR) to gross assets	***SR ratio 2009 %***	*SR ratio 2008 %*
Capital Guaranteed Bond	**99.40**	99.47
Capital Guaranteed Mortgage Bond	**99.20**	99.21
Growth Fund	**95.30**	95.83
Capital Guaranteed Funeral Bond (Non-taxable)	**100.00**	100.00
Capital Secure Funeral Bond	**100.00**	100.00
Capital Guaranteed Funeral Bond (Taxable)	**100.00**	100.00
Central Sick and Funeral Fund	**100.00**	86.30
Endowment Fund	**80.20**	76.60
Funeral Fund	**88.50**	87.60
Personal Risk Fund	**78.10**	78.70
Assurance Benefit Fund	**87.40**	83.40
Grand Bonds Assurance Fund	**99.30**	97.98
Life Assurance Fund	**99.70**	86.80

(g) Capital adequacy

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

(h) Disaggregated information – Benefit Funds

Note 42 details the income statement and balance sheet for the individual benefit funds aggregated within these financial statements.

42. Disaggregated information for benefit funds
Income Statements

30 June 2009	*Total $'000*	*Endow-ment Fund $'000*	*Funeral Fund $'000*	*Personal Risk Fund $'000*	*Assurance Benefit Fund $'000*	*Income Protection Insurance Fund $'000*	*Life Assurance Fund $'000*	*Central Sick and Funeral Fund $'000*
	Non-investment-linked Insurance contracts							
Direct life insurance premium revenue	505	–	–	494	2	–	9	–
Outwards reinsurance expense	(324)	–	–	(324)	–	–	–	–
Net life insurance premium revenue	181	–	–	170	2	–	9	–
Deposits received – investment contracts with DPF[1]	9,746	–	–	–	–	–	–	–
Investment income	15,675	103	1,205	31	1,323	–	842	323
Other revenue	–	–	–	–	–	–	–	–
Total revenue	25,602	103	1,205	201	1,325	–	851	323
Life insurance claims expense	2,715	92	473	25	878	–	932	315
Reinsurance recoveries	–	–	–	–	–	–	–	–
Net life insurance contract claims expense	2,715	92	473	25	878	–	932	315
Benefits and withdrawals paid – investment contracts with DPF[1]	38,760	–	–	–	–	–	–	–
Decrease in policyholder liabilities – investment contracts with DPF[1]	(28,557)	–	–	–	–	–	–	–
Distribution to policyholders	6,400	(14)	753	4	(69)	–	(418)	(67)
Other expenses	4,910	(6)	(21)	172	193	–	173	80
Total expenses	24,228	72	1,205	201	1,002	–	687	328
Profit before tax	1,374	31	–	–	323	–	164	(5)
Income tax expense	(1,374)	(31)	–	–	(323)	–	(164)	5
Profit after tax	–	–	–	–	–	–	–	–

1. DPF = Discretionary Participating Feature

Capital Guaranteed Funeral Bond (Non-taxable) $'000	Capital Secure Funeral Bond $'000	Capital Guaranteed Funeral Bond (Taxable) $'000	Capital Guaranteed Bond $'000	Capital Guaranteed Mortgage Bond $'000	Grand Bonds Assurance Fund $'000	Growth Fund $'000	Education Bond – Short-Term Portfolio $'000	Education Bond – Medium-Term Portfolio $'000	Education Bond – Long-Term Portfolio $'000	Balanced Growth Bond $'000	Conservative Growth Bond $'000	High Growth Bond $'000
Investment-linked Life investment contracts with discretionary participating features							Investment-linked Investment contracts					
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
206	84	7,313	1,219	900	24	–	–	–	–	–	–	–
1,980	1,480	1,869	9,739	2,490	379	7	(3)	(214)	(848)	(4,220)	(27)	(784)
–	–	–	–	–	–	–	–	–	–	–	–	–
2,186	1,564	9,182	10,958	3,390	403	7	(3)	(214)	(848)	(4,220)	(27)	(784)
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
3,714	3,490	3,893	20,071	6,585	1,007	–	–	–	–	–	–	–
(3,508)	(3,407)	3,879	(18,853)	(5,685)	(983)	–	–	–	–	–	–	–
1,261	1,181	906	5,411	1,584	217	4	(3)	(148)	(585)	(3,009)	(57)	(551)
738	315	678	1,860	204	70	1	2	8	35	277	94	37
2,205	1,579	9,356	8,489	2,688	311	5	(1)	(140)	(550)	(2,732)	37	(514)
(19)	(15)	(174)	2,469	702	92	2	(2)	(74)	(298)	(1,488)	(64)	(270)
19	15	174	(2,469)	(702)	(92)	(2)	2	74	298	1,488	64	270
–	–	–	–	–	–	–	–	–	–	–	–	–

42. Disaggregated information for benefit funds (continued)
Balance Sheets

30 June 2009	Total $'000	Endow-ment Fund $'000	Funeral Fund $'000	Personal Risk Fund $'000	Assurance Benefit Fund $'000	Income Protection Insurance Fund $'000	Life Assurance Fund $'000	Central Sick and Funeral Fund $'000
	Non-investment-linked Insurance contracts							
Assets								
Current assets								
Cash and cash equivalents	173,545	920	10,290	161	11,261	–	8,204	2,077
Loans and receivables	2,682	–	2	14	4	–	4	3
Financial assets at FVTPL[1]	127,478	–	–	229	–	–	3,343	3,688
Total current assets	303,705	920	10,292	404	11,265	–	11,551	5,768
Non-current assets								
Financial assets at FVTPL[1]	143,519	–	–	–	–	–	–	–
Loans and receivables	3,909	–	–	–	31	–	–	–
Deferred tax	3,544	19	–	–	66	–	12	–
Total non-current assets	150,972	19	–	–	97	–	12	–
Total assets	454,677	939	10,292	404	11,362	–	11,563	5,768
Liabilities								
Current liabilities								
Payables	343	–	–	28	17	–	10	5
Intra-entity payables/(receivables)	18	(6)	(77)	43	80	–	127	3
Non-interest bearing liabilities	–	–	–	–	–	–	–	–
Benefit fund policy liabilities	45,063	88	491	23	855	–	900	310
Total current liabilities	45,424	82	414	94	952	–	1,037	318
Non-current liabilities								
Provisions	–	–	–	–	–	–	–	–
Deferred tax liabilities	359	8	–	2	54	–	6	–
Benefit fund policy liabilities	408,894	849	9,878	308	10,356	–	10,520	5,450
Total non-current liabilities	409,253	857	9,878	310	10,410	–	10,526	5,450
Total liabilities	454,677	939	10,292	404	11,362	–	11,563	5,768
Net assets	–	–	–	–	–	–	–	–

1. FVTPL = Fair Value Through Profit or Loss

Capital Guaranteed Funeral Bond (Non-taxable) $'000	Capital Secure Funeral Bond $'000	Capital Guaranteed Funeral Bond (Taxable) $'000	Capital Guaranteed Bond $'000	Capital Guaranteed Mortgage Bond $'000	Grand Bonds Assurance Fund $'000	Growth Fund $'000	Education Bond – Short-Term Portfolio $'000	Education Bond – Medium-Term Portfolio $'000	Education Bond – Long-Term Portfolio $'000	Balanced Growth Bond $'000	Conservative Growth Bond $'000	High Growth Bond $'000
Investment-linked Life investment contracts with discretionary participating features							***Investment-linked Investment contracts***					
11,616	**8,307**	**14,919**	**95,355**	**3,886**	**6,272**	**124**	**11**	**11**	**10**	**60**	**51**	**10**
166	**124**	**172**	**815**	**191**	**23**	**–**	**4**	**29**	**147**	**608**	**310**	**66**
22,484	**17,000**	**23,071**	**8,140**	**4,233**	**–**	**–**	**111**	**1,227**	**4,887**	**24,910**	**10,658**	**3,497**
34,266	**25,431**	**38,162**	**104,310**	**8,310**	**6,295**	**124**	**126**	**1,267**	**5,044**	**25,578**	**11,019**	**3,573**
15,896	**12,057**	**15,127**	**61,327**	**31,412**	**–**	**–**	**45**	**172**	**–**	**3,403**	**4,080**	**–**
–	**–**	**–**	**918**	**2,960**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**673**	**1**	**–**	**–**	**–**	**7**	**67**	**363**	**1,778**	**241**	**317**
15,896	**12,057**	**15,800**	**62,246**	**34,372**	**–**	**–**	**52**	**239**	**363**	**5,181**	**4,321**	**317**
50,162	**37,488**	**53,962**	**166,556**	**42,682**	**6,295**	**124**	**178**	**1,506**	**5,407**	**30,759**	**15,340**	**3,890**
48	**21**	**47**	**115**	**13**	**5**	**–**	**–**	**2**	**3**	**19**	**8**	**2**
11	**8**	**246**	**2,249**	**627**	**84**	**12**	**(1)**	**(129)**	**(561)**	**(2,087)**	**(226)**	**(385)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
3,564	**3,299**	**4,285**	**18,585**	**6,004**	**898**	**–**	**14**	**109**	**326**	**3,697**	**1,025**	**590**
3,623	**3,328**	**4,578**	**20,949**	**6,644**	**987**	**12**	**13**	**(18)**	**(232)**	**1,629**	**807**	**207**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**11**	**30**	**185**	**41**	**21**
46,539	**34,160**	**49,384**	**145,607**	**36,038**	**5,308**	**112**	**164**	**1,513**	**5,609**	**28,945**	**14,492**	**3,662**
46,539	**34,160**	**49,384**	**145,607**	**36,038**	**5,308**	**112**	**165**	**1,524**	**5,639**	**29,130**	**14,533**	**3,683**
50,162	**37,488**	**53,962**	**166,556**	**42,682**	**6,295**	**124**	**178**	**1,506**	**5,407**	**30,759**	**15,340**	**3,890**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

42. Disaggregated information for benefit funds (continued)
Income Statements

30 June 2008	*Total $'000*	*Endow-ment Fund $'000*	*Funeral Fund $'000*	*Personal Risk Fund $'000*	*Assurance Benefit Fund $'000*	*Income Protection Insurance Fund $'000*	*Life Assurance Fund $'000*	*Central Sick and Funeral Fund $'000*
					Non-investment-linked Insurance contracts			
Direct life insurance premium revenue	581	–	–	415	15	126	25	–
Outwards reinsurance expense	(257)	–	–	(257)	–	–	–	–
Net life insurance premium revenue	324	–	–	158	15	126	25	–
Deposits received – investment contracts with DPF[1]	11,404	–	–	–	–	–	–	–
Investment income	15,122	43	365	19	453	70	64	20
Total revenue	26,850	43	365	177	468	196	89	20
Life insurance claims expense	2,853	83	448	–	409	136	592	1,185
Reinsurance recoveries	–	–	–	–	–	–	–	–
Net life insurance contract claims expense	2,853	83	448	–	409	136	592	1,185
Benefits and withdrawals paid – investment contracts with DPF[1]	40,070	–	–	–	–	–	–	–
Decrease in policyholder liabilities – investment contracts with DPF[1]	(28,701)	–	–	–	–	–	–	–
Distribution to policyholders	5,518	(50)	(136)	24	(218)	(99)	(1,423)	(1,320)
Other expenses	4,970	(3)	53	146	205	234	321	161
Total expenses	24,710	30	365	170	396	271	(510)	26
Profit before tax	2,140	13	–	7	72	(75)	599	(6)
Income tax expense	(2,140)	(13)	–	(7)	(72)	75	(599)	6
Profit after tax	–	–	–	–	–	–	–	–

1. DPF = Discretionary Participating Feature

Capital Guaranteed Funeral Bond (Non-taxable) $'000	Capital Secure Funeral Bond $'000	Capital Guaranteed Funeral Bond (Taxable) $'000	Capital Guaranteed Bond $'000	Capital Guaranteed Mortgage Bond $'000	Grand Bonds Assurance Fund $'000	Growth Fund $'000	Education Bond – Short-Term Portfolio $'000	Education Bond – Medium-Term Portfolio $'000	Education Bond – Long-Term Portfolio $'000	Balanced Growth Bond $'000	Conservative Growth Bond $'000	High Growth Bond $'000
Investment-linked Life investment contracts with discretionary participating features							*Investment-linked Investment contracts*					
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
250	78	9,128	1,026	900	22	–	–	–	–	–	–	–
2,765	2,098	2,277	12,311	3,150	488	8	(6)	(258)	(1,304)	(5,740)	(538)	(1,163)
3,015	2,176	11,405	13,337	4,050	510	8	(6)	(258)	(1,304)	(5,740)	(538)	(1,163)
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
4,001	3,296	3,043	21,825	7,014	891	–	–	–	–	–	–	–
(3,751)	(3,219)	6,085	(20,823)	(6,124)	(869)	–	–	–	–	–	–	–
2,107	1,814	1,401	7,341	2,074	299	4	(5)	(180)	(906)	(3,989)	(409)	(811)
679	305	512	1,861	192	66	2	1	5	19	116	75	20
3,036	2,196	11,041	10,204	3,156	387	6	(4)	(175)	(887)	(3,873)	(334)	(791)
(21)	(20)	364	3,133	894	123	2	(2)	(83)	(417)	(1,867)	(204)	(372)
21	20	(364)	(3,133)	(894)	(123)	(2)	2	83	417	1,867	204	372
–	–	–	–	–	–	–	–	–	–	–	–	–

42. Disaggregated information for benefit funds (continued)
Balance Sheets

30 June 2008	*Total $'000*	*Endow-ment Fund $'000*	*Funeral Fund $'000*	*Personal Risk Fund $'000*	*Assurance Benefit Fund $'000*	*Income Protection Insurance Fund $'000*	*Life Assurance Fund $'000*	*Central Sick and Funeral Fund $'000*
				Non-investment-linked Insurance contracts				
Assets								
Current assets								
Cash and cash equivalents	214,140	960	9,985	43	11,418	1,007	8,340	2,071
Loans and receivables	3,373	1	2	40	5	6	23	8
Financial assets at FVTPL[1]	258,909	–	–	186	–	–	4,315	3,784
Total current assets	476,422	961	9,987	269	11,423	1,013	12,678	5,863
Non-current assets								
Financial assets at FVTPL[1]	–	–	–	–	–	–	–	–
Loans and receivables	6,618	–	–	–	29	–	–	–
Deferred tax	4,235	31	–	–	250	–	28	–
Total non-current assets	10,853	31	–	–	279	–	28	–
Total assets	487,275	992	9,987	269	11,702	1,013	12,706	5,863
Liabilites								
Current liabilities								
Payables	1,525	–	1	72	36	959	30	11
Intra-entity payables/(receivables)	4,763	33	(15)	(133)	96	(4)	832	11
Benefit fund policy liabilities	49,903	129	1,364	45	1,570	8	1,613	796
Total current liabilities	56,191	162	1,350	(16)	1,702	963	2,475	818
Non-current liabilities								
Provisions	–	–	–	–	–	–	–	–
Deferred tax liabilities	226	8	–	–	54	–	6	–
Benefit fund policy liabilities	430,858	822	8,637	285	9,946	50	10,225	5,045
Total non-current liabilities	431,084	830	8,637	285	10,000	50	10,231	5,045
Total liabilities	487,275	992	9,987	269	11,702	1,013	12,706	5,863
Net assets	–	–	–	–	–	–	–	–

1. FVTPL = Fair Value Through Profit or Loss

Capital Guaranteed Funeral Bond (Non-taxable) $'000	Capital Secure Funeral Bond $'000	Capital Guaranteed Funeral Bond (Taxable) $'000	Capital Guaranteed Bond $'000	Capital Guaranteed Mortgage Bond $'000	Grand Bonds Assurance Fund $'000	Growth Fund $'000	Education Bond – Short-Term Portfolio $'000	Education Bond – Medium-Term Portfolio $'000	Education Bond – Long-Term Portfolio $'000	Balanced Growth Bond $'000	Conservative Growth Bond $'000	High Growth Bond $'000
Investment-linked Life investment contracts with discretionary participating features							*Investment-linked Investment contracts*					
16,354	12,470	16,188	122,949	5,187	6,981	117	11	10	10	12	16	11
192	146	179	1,069	243	44	1	3	38	117	897	265	94
35,710	27,015	32,703	52,194	37,484	–	–	173	1,643	5,682	37,140	16,113	4,767
52,256	39,631	49,070	176,212	42,914	7,025	118	187	1,691	5,809	38,049	16,394	4,872
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	2,891	3,698	–	–	–	–	–	–	–	–
–	–	49	–	–	–	–	4	99	519	2,397	406	452
–	–	49	2,891	3,698	–	–	4	99	519	2,397	406	452
52,256	39,631	49,119	179,103	46,612	7,025	118	191	1,790	6,328	40,446	16,800	5,324
56	12	36	146	53	2	–	–	1	3	21	82	4
(25)	(13)	313	1,633	450	63	10	(1)	(14)	(76)	988	535	80
3,879	3,183	3,596	20,280	6,446	824	–	19	180	640	2,828	1,818	685
3,910	3,182	3,945	22,059	6,949	889	10	18	167	567	3,837	2,435	769
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	2	–	131	25	–
48,346	36,449	45,174	157,044	39,663	6,136	108	173	1,621	5,761	36,478	14,340	4,555
48,346	36,449	45,174	157,044	39,663	6,136	108	173	1,623	5,761	36,609	14,365	4,555
52,256	39,631	49,119	179,103	46,612	7,025	118	191	1,790	6,328	40,446	16,800	5,324
–	–	–	–	–	–	–	–	–	–	–	–	–

43. Reconciliation of profit attributable to members of Australian Unity Limited

	2009			2008		
	Attributable to members of Australian Unity Limited $'000	***Attributable to Benefit Fund policyholders $'000***	***Consolidated Income Statement $'000***	*Attributable to members of Australian Unity Limited $'000*	*Attributable to Benefit Fund policyholders $'000*	*Consolidated Income Statement $'000*
Revenue from continuing operations	**591,835**	**–**	**591,835**	582,257	–	582,257
Direct life insurance premium revenue	**–**	**505**	**505**	–	581	581
Outwards reinsurance expense	**–**	**(324)**	**(324)**	–	(257)	(257)
	591,835	**181**	**592,016**	582,257	324	582,581
Deposits received – investment contracts with DPF[1]	**–**	**9,746**	**9,746**	–	11,404	11,404
Investment income	**–**	**15,675**	**15,675**	–	15,122	15,122
Total revenue from continuing operations	**591,835**	**25,602**	**617,437**	582,257	26,850	609,107
Life insurance claims expense	**–**	**2,715**	**2,715**	–	2,853	2,853
Benefits and withdrawals paid – investment contracts with DPF[1]	**–**	**38,760**	**38,760**	–	40,070	40,070
Decrease in policyholder liabilities – investment contracts with DPF[1]	**–**	**(28,557)**	**(28,557)**	–	(28,701)	(28,701)
Distribution to policyholders	**–**	**6,400**	**6,400**	–	5,518	5,518
Expenses excluding finance costs	**588,082**	**4,910**	**592,992**	558,341	4,970	563,311
Total expenses, excluding finance costs	**588,082**	**24,228**	**612,310**	558,341	24,710	583,051
Finance costs	**(8,626)**	**–**	**(8,626)**	(8,917)	–	(8,917)
Share of net profits of associates	**2,023**	**–**	**2,023**	4,853	–	4,853
(Loss)/profit before income tax	**(2,850)**	**1,374**	**(1,476)**	19,852	2,140	21,992
Income tax benefit/(expense)	**3,901**	**(1,374)**	**2,527**	(2,623)	(2,140)	(4,763)
Profit from continuing operations after income tax	**1,051**	**–**	**1,051**	17,229	–	17,229
Profit from discontinued operation	**–**	**–**	**–**	19,239	–	19,239
Income tax expense	**–**	**–**	**–**	(4,210)	–	(4,210)
Profit from discontinued operation after income tax	**–**	**–**	**–**	15,029	–	15,029
Profit after income tax and discontinued operation	**1,051**	**–**	**1,051**	32,258	–	32,258

1. DPF = Discretionary Participating Feature

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2009

In the directors' opinion:

(a) the financial statements and notes set out on pages 47 to 110 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 Company's and the consolidated entity's financial position as at 30 June 2009 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Group will be able to meet any obligations or liabilities to which they are, or may become, subject.

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

Alan Castleman
Chairman

Rohan Mead
Group Managing Director

South Melbourne
31 August 2009

ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

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

We have audited the accompanying financial report of Australian Unity Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state that the financial report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

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

Independence

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

ERNST & YOUNG

Auditor's Opinion

In our opinion:

1. the financial report of Australian Unity Limited is in accordance with the *Corporations Act 2001*, including:

    i giving a true and fair view of the financial position of Australian Unity Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and

    ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

A J (Tony) Johnson
Partner
Melbourne
31 August 2009

13 29 39
Australian Unity Limited
ABN 23 087 648 888

114 Albert Road
South Melbourne VIC 3205
australianunity.com.au