ASX Announcement

28 February 2024

Australian Unity Limited – Interim Financial Report

Please find attached Australian Unity Limited's Interim Financial Report for the half-year ended 31 December 2023.

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This announcement has been authorised for release by:

The board of Australian Unity Limited

For further information:

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ASX code:
AYU

Securities on Issue:
AYUPA – 3,434,000
AYUHC – 321,157
AYUHD – 2,070,000
AYUHE – 2,558,050

Issuer:
Australian Unity Limited
ACN 087 648 888

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

Australian Unity Limited

ABN 23 087 648 888

Interim financial report and directors' report for the half-year ended 31 December 2023

Australian Unity Limited ABN 23 087 648 888
Interim financial report and directors' report - 31 December 2023

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by Australian Unity Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

271 Spring Street
Melbourne VIC 3000

The financial statements were authorised for issue by the directors on 28 February 2024.

Directors' report

The directors present their report on the consolidated entity (referred to hereafter as Australian Unity or the Group) consisting of Australian Unity Limited (Parent entity or Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2023 and the report of the auditor thereon.

Directors

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

Lisa Chung, Chair
Melinda Cilento, Deputy Chair
Rohan Mead, Group Managing Director & CEO
Lucinda Brogden, Non-executive Director
Paul Kirk, Non-executive Director
Su McCluskey, Non-executive Director
Helen Nott, Non-executive Director
Julien Playoust, Non-executive Director

Company secretaries

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

Dividends

During the first six months of the 2024 financial year, the Company paid a fully franked dividend of $2.5068 (2023: $2.5068) per Australian Unity Mutual Capital Instrument totalling $8,608,352 (2023: $8,608,352).

Operating and financial review

In the six months to 31 December 2023, the Australian Unity Group implemented initiatives to adjust its business activities consistent with the long-term strategy of developing its commercially sustainable business portfolio, in the area of wellbeing for members, customers and the community.

During the half-year under review, the Australian economy continued to experience residual instability coupled with global challenges. In this context, the Group delivered sound financial results, and it remains cautiously optimistic that the economy will remain resilient for the remainder of the 2024 financial year.

The Group's operations are conducted currently through four business platforms: Home Health; Retail; Specialist Care; and Wealth & Capital Markets (W&CM).

Activities of note for these platforms during the half-year included an investment in transforming business process and technology in the Home Health platform, and setting up the future business model to meet the growing needs and expectations of customers.The Retail platform saw solid lending growth, stabilisation of Private Health Insurance (PHI) policyholder numbers and the period under review saw the return of PHI claims to levels approaching the long-term pre-COVID-19 trends. During the reporting period, Australian Unity Health Limited also instituted an additional deferral of PHI premiums, effective from 1 November 2023 to 1 April 2024.

The Specialist Care platform recorded strong aged care occupancy levels across its mature facilities, and continued positive sales momentum for the two newest residential aged care facilities. The W&CM platform continued to advance its social infrastructure agenda, including with the launch of a Purpose-Built Student Accommodation Fund, which invested in a development approved site in Perth, Western Australia.

Profit after tax for the half-year under review was $1.4 million, compared to $15.0 million in the prior corresponding period. Included in the result was a profit from discontinued operations of $0.5 million, of which $1.4 million was a gain on sale from the divestment of the Advice business. Excluding this impact, the Group's result for the half-year from continuing operations was a profit of $0.9 million.

The Group has implemented AASB 17 *Insurance Contracts* from 1 July 2023. In accordance with the implementation requirements of the standard, all comparative period financial information has been restated to the same basis. One noticeable impact of AASB 17 is that benefit fund premium receipts and claim payments are no longer recorded through profit and loss.

The Group's revenue and other income excluding benefit funds increased to $831.4 million (31 December 2022: $750.9 million) during the half-year under review. Insurance revenue was $5.2 million lower, while other revenue and other income from operating businesses grew by $87.7 million and investment earnings were $2.0 million lower.

Expenses, excluding financing costs and benefit funds, were $800.8 million (31 December 2022: $706.2 million), with higher employee expenses (up $36.0 million) and banking operation interest expenses (up $10.5 million) while gross health insurance claims were $40.9 million higher.

Operating and financial review (continued)

During the period, the Group incurred $18.0m of transformation costs across its business units (31 December 2022: $6.6m), which arose as the Group has reshaped its portfolio and internal operating models. This follows changes in the portfolio in the period with the divestment of the Advice business, together with investments in new operations and transformation of existing operations.

The largest single operating business investment in the period was the purchase of IOOF Ltd (renamed Australian Unity Life Bonds Limited). The Group also supported the withdrawal of NorthWest interests in the Australian Unity Healthcare Property Trust.

The overall outcome represents a small decline in the aggregate financial position, with operating earnings for the half-year of $38.8 million—a decrease of $4.3 million or 10.0 percent on the prior corresponding period.

In assessing the performance of its operating business segments, the Group uses a measure of adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (adjusted EBITDA). As the name indicates, this measure excludes the effects of tax, depreciation and amortisation, interest on external borrowings and investment income. It also excludes Group overheads and other material non-recurring expenditure. A reconciliation between adjusted EBITDA and profit before income tax from continuing operations is set out in note 3 to the consolidated financial statements.

Home Health

The Home Health platform provides a range of in-home and clinical care services across both community and virtual settings that are designed to meet the ongoing health and wellbeing needs of our customers and support them in living in their preferred setting for longer.

Financial performance - Home Health

	Half-year to 31 December 2023 $million	Half-year to 31 December 2022 $million	Variance %
Total segment revenue	**240.1**	203.0	18.3
Operating expenses	**224.1**	184.6	(21.3)
Adjusted EBITDA	**16.0**	18.4	(12.7)

The Home Health platform recorded a solid financial result with segment revenue of $240.1 million for the half-year, representing an increase of 18.3 percent compared to the prior corresponding period (31 December 2022: $203.0 million).

In the six months to 31 December 2023, the Home Health business invested in transforming business processes and technology and setting up the future business model to meet the growing needs and expectations of customers. For example, the Group's multi-year investment in improved technology infrastructure yielded the successful deployment in January 2024 of a fully upgraded human resources technology platform, equipping the platform with the capacity to scale nationally its employee numbers and attend more efficiently to the complexity of Australia's employee entitlement arena.

Home Health's adjusted EBITDA of $16.0 million decreased 12.7 percent or $2.4 million on the prior corresponding period. This result included $8.7 million of transformation expenses (31 December 2022: $1.0 million), with underlying EBITDA growth of 27.6 percent prior to investment in transforming.

From 1 July 2023, the cost base of the Home Health business materially increased following the Fair Work Commission's decision to increase wages across the aged-care industry. The business has subsequently reviewed and amended pricing, effective from 1 September 2023, which together with an increase in government funding and a continued focus on growing efficiently the delivery of safe minutes of care should support this increase in costs.

More than 3,400 healthcare workers delivered approximately 96.8 million safe minutes of care to customers across community and virtual care services. This is a 10.0 percent increase on the safe minutes of care delivered during the prior corresponding period (31 December 2022: 88.0 million), reflecting an increase in service delivery hours across all Home Health services especially via the Commonwealth Home Support Program and Home Care Packages. Included in the total safe minutes of care above, the Aboriginal Home Care business provided approximately 7.2 million safe minutes of care to customers, an increase of 16.1 percent on the prior period (31 December 2022: 6.2 million). This increase is also predominantly related to higher Commonwealth Home Support Program outputs compared to the prior year.

Following a net increase of 256 healthcare workers in the prior year, 296 new healthcare workers (net) joined the business in the period under review. This increase reflects anticipated growth in revenue from both community and virtual health.

Operating and financial review (continued)

Home Health (continued)

Total home care packages under management reached 10,912 at 31 December 2023, an increase of 127 packages in the six months to December 2023 (30 June 2023: 10,785).

The platform delivered 3,602 'hospital substitution' programs, a decrease of 0.4 percent on the prior corresponding period (31 December 2022: 3,615).

Ramsay Connect, the joint venture with Ramsay Healthcare, enrolled 1,617 patients into community care 'hospital substitution' and rehabilitation programs, representing a 14.9 percent increase on patient numbers on the prior corresponding period (31 December 2022: 1,407).

Outlook

The Home Health business continues to invest strongly in strengthening system, process and operating model capabilities to deliver a customer-centred business that can leverage the competitive advantage of being a full range provider across clinical and non-clinical services. Core to this proposition will be strengthened care partnering capability that can proactively manage and support customers through their health and ageing needs. The business will continue to identify opportunities to innovate and expand product and service offerings to meet the rising health and wellbeing needs of Australians. The business has a strong ambition to extend its presence in hospital-substitution and hospital-avoidance programs to meet the growing community needs and societal issues facing access to healthcare. New models of care to virtually manage chronic diseases, as well as the expansion of mental health programs, will leverage already established clinical capability in these critical health domains.

More broadly, strengthening the platform's supply chain management capability, including workforce partnerships, will enable strong growth across all product types, including a leading self-management offering. This set of collective priorities and investment will ensure the business can continue to grow through a period of broader sector reform likely to accompany the planned introduction of Support at Home in July 2025.

Retail

The Retail platform brings together Australian Unity's private health insurance (PHI) and banking businesses. Focusing on the needs of members and customers and broader community value, the platform seeks to provide packages and solutions that contribute to meeting the contemporary financial and wellbeing needs of Australians.

Financial performance - Retail

	Half-year to 31 December 2023 $million	Half-year to 31 December 2022 $million	Variance %
Total segment revenue	**379.7**	373.0	1.8
Operating expenses	**346.1**	306.2	(13.0)
Adjusted EBITDA	**33.6**	66.8	(49.7)

The Retail platform saw PHI claims returning to long-term trend levels, after being depressed for a number of years due to COVID-19 related factors. The platform delivered a modest half-year result, with an adjusted EBITDA of $33.6 million—49.7 percent lower than the prior corresponding period largely driven by the release of the deferred claims liability (DCL) (31 December 2022: $66.8 million). The total segment revenue of $379.7 million was a 1.8 percent increase on the prior corresponding period (31 December 2023: $373.0 million). This revenue was driven by an increase in banking revenue of $37.1 million, a 47.9 percent increase on the prior corresponding period (31 December 2022: $25.1 million), and PHI revenue of $342.5 million, a 1.5 percent decrease on the prior corresponding period (31 December 2022: $347.9 million.

Claims net of risk equalisation of $269.2 million was a 7.0 percent increase on the prior corresponding period (31 December 2022: $243.0 million).

Total platform operating expenses of $346.1 million was 13.0 percent higher than the prior corresponding period (31 December 2022: $306.2 million). This reflected a $26.3 million increase in PHI claims net of risk equalisation, the DCL movement, and a $10.5 million increase in banking interest expense related to the margin pressures, which was partly offset by effective deposit management.

Operating and financial review (continued)

Retail (continued)

Private Health Insurance (PHI)

During the reporting period, the overall number of PHI policyholders increased from 166,209 to 166,381. Overseas visitors' cover policyholders increased from 3,915 to 4,410 in line with an increasing number of overseas visitors to Australia, and Australian resident PHI policyholders decreased slightly from 162,294 to 161,971 in highly competitive market conditions.

AUHL deferred its 1 April 2023 premium increase on two separate occasions during the 2023 calendar year—initially to 1 November 2023, and then to 1 April 2024. The total increase to apply on 1 April 2024 will be the 2023 deferred increase of 3.76 percent, plus the 2024 premium increase of 1.42 percent.

Banking

At 31 December 2023, Australian Unity Bank had more than 26,600 customers, with its total assets growing by $123.5 million to $1,517.9 million (30 June 2023: $1,394.4 million). The Expected Credit Loss provision on loans was $8.1 million (30 June 2023: $9.1 million).

Despite the challenges faced within a competitive loan environment, the bank experienced solid lending growth with the gross loan portfolio increasing by $98.9 million to $1,249.4 million (31 December 2022: $1,150.5 million).

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

Outlook

The outlook for the Retail environment remains cautiously positive, notwithstanding the continued uncertainties flowing from COVID-19 and a highly competitive banking landscape. It is anticipated that health insurance claims will return to historical levels of utilisation and bank credit growth is likely to be impacted over the coming year due to macro-economic factors such as the volatile geo-political environment and the unpredictable course of domestic economic positions.

The Retail platform will continue to focus on the delivery of customer growth and value. The platform continues to pursue opportunities arising from the health insurance and banking businesses, including packages of banking and insurance products, operating efficiencies, and customer-centred digital platforms that assist the co-ordination of essential financial and health insurance related services.

Specialist Care

The Specialist Care platform provides aged care services across 12 facilities in New South Wales (NSW), Victoria and Queensland.

Financial performance - Specialist Care

	Half-year to 31 December 2023 $million	Half-year to 31 December 2022 $million	Variance %
Total segment revenue	**101.3**	79.4	27.6
Operating expenses	**81.4**	76.0	(7.1)
Adjusted EBITDA	**19.9**	3.4	476.9

The Specialist Care platform recorded a strong financial result with total segment revenue of $101.3 million for the half-year, representing an increase of 27.6 percent compared to the prior corresponding period (31 December 2022: $79.4 million). Revenue increased across the residential aged care portfolio through strengthened occupancy, the ongoing positive sales movement, and increased government funding to subsidise wage increases and other operating costs.

Specialist Care's adjusted EBITDA of $19.9 million represents an increase of 476.9 percent or $16.5 million on the prior corresponding period. This was the direct result of strong revenue growth and effective cost management. The portfolio improved the previous challenges of workforce management through greater attraction and retention strategies, which reduced external agency staff expenditure to $0.7 million (31 December 2022: $4.9 million).

At 31 December 2023, the portfolio comprised 1,216 aged care beds, (30 June 2023: 1,215 aged care beds).

Operating and financial review (continued)

Specialist Care (continued)

Occupancy levels across the 10 mature facilities achieved an average of 97.2 percent during the reporting period (30 June 2023: 97.0 percent).

In June 2023, we confirmed that our involvement in this sector would continue with no changes planned for day-to-day operations.

Outlook

The Specialist Care platform remains focused on high-quality care and services, sustained high occupancy levels, and optimising outcomes in the performance of its operations through efficient cost management, while meeting the ongoing and changing regulatory landscape.

Wealth & Capital Markets (W&CM)

The W&CM platform comprises funds management, social infrastructure, life & super and trustee services businesses. The purpose of the platform is to lead Australian Unity's efforts in helping Australians achieve and sustain their financial wellbeing and expand the Group's social infrastructure reach and impact.

Financial performance - Wealth & Capital Markets

	Half-year to 31 December 2023 $million	Half-year to 31 December 2022 $million	Variance %
Total segment revenue	**115.5**	95.0	21.6
Operating expenses	**91.5**	76.6	(19.5)
Adjusted EBITDA	**24.0**	18.4	30.2

The W&CM platform recorded a 21.6 percent increase in total segment revenue compared to the prior corresponding period largely due to the recognition of development management fees relating to The Alba Albert Park Lake development, as well as significant improvement in settlement numbers in retirement communities.

Adjusted EBITDA increased by 30.2 percent compared to the prior corresponding period. Operating expenses increased by 19.5 percent.

The aggregate value of assets under management and administration (AUMA), excluding cross-investments (investments by Australian Unity funds in other funds managed or operated by Australian Unity or our associates) increased to $33.22 billion at 31 December 2023 (30 June 2023: $31.92 billion). This increase relates largely to the acquisition of IOOF Ltd (renamed Australian Unity Life Bonds Limited), contributing $1.08 billion of funds under management (FUM).

Funds Management

Funds under management, advice and administration (FUMAA) stood at $14.93 billion at 31 December 2023 (30 June 2023: $14.73 billion), resulting from positive aggregate net flows and strong investment performance from key product lines.

Australian Unity Healthcare Property Trust's (AUHPT) gross asset value at 31 December 2023 was $3.76 billion (30 June 2023: $3.97 billion). The reduction in gross assets was driven by revaluation declines of 4.5 percent and divestments, offset by development expenditure. AUHPT further diversified its debt funding sources with an inaugural Australian Dollar Medium Term Note issuance for $275.0 million in November 2023.

The Australian Unity Select Income Fund delivered steady growth for the year, reaching $498.5 million in FUM (30 June 2023: $458.1 million).

Platypus Asset Management's funds under management and advice declined to $4.03 billion (30 June 2023: $4.16 billion) despite benefitting from strong investment performance over the period, this was offset by some larger institutional outflows.

Operating and financial review (continued)

Wealth & Capital Markets (W&CM) (continued)

Australian Unity Property Limited (AUPL), as the responsible entity of the Australian Unity Diversified Property Fund (AUDPF) announced on 7 July 2023 it had entered a Merger Implementation Deed (MID) with Cromwell Funds Management Limited (CFML), as the responsible entity of Cromwell Direct Property Fund (CDPF), to merge AUDPF and CDPF via a trust scheme (Proposed Merger). After signing, market conditions impacting commercial property investment materially changed and consequently, the parties determined that proceeding with the Proposed Merger was no longer in the best interests of the respective funds' investors. AUPL and CFML agreed to terminate the MID effective 27 October 2023 meaning that the Proposed Merger would not proceed.

Assets under management (AUM) on behalf of the Australian Unity Group, including the Group's prudentially regulated entities and strategic assets, increased to $1.06 billion (30 June 2023: $0.99 billion).

Social infrastructure

AUM were $440.6 million at 31 December 2023 (30 June 2023: $407.0 million) resulting from the acquisition of development assets in the Specialist Disability Accommodation (SDA) fund, as well as asset growth across the entire portfolio, including SDA, Childcare and Future of Healthcare funds. Further capital of $249.5 million has been committed to the social infrastructure funds, while the multi-year development pipeline stood at $738.9 million (30 June 2023: $676.8 million).

The new Purpose-Built Student Accommodation (PBSA) Fund was launched during the period, with $53.5 million of equity capital committed. This investment strategy, a partnership between Australian Unity, MaxCap Group, and UniLodge, aims to develop a ~$1 billion portfolio of approximately 5,000 PBSA beds across Australia over coming years.

The Social Infrastructure business owns 12 (30 June 2023: 11) integrated retirement communities and residential aged care precincts, and a further 12 (30 June 2023: 12) standalone retirement villages across New South Wales, Victoria and Queensland, comprising 2,725 independent living units in total (30 June 2023: 2,724). Strong, steady sales growth has continued with over $121.3 million in resale settlements for the half-year ending 31 December 2023, exceeding the prior corresponding period by 30.9 percent. The half-year saw occupancy levels maintained across the portfolio's mature retirement communities at 94.0 percent (30 June 2023: 97.0 percent).

Delivery of the multi-year Herston Quarter health precinct, in Brisbane, Queensland, continued, with significant in-ground services work completed, allowing for the construction of the 1,164-bay Northern Car Park, commencement of works to deliver a new 78-place childcare facility for Metro North Health on site and planning for the refurbishment of the heritage-listed Lady Norman building.

Life & Super

The Life & Super business reached $3.62 billion in funds under management and administration at 31 December 2023 (30 June 2023: $2.44 billion).

In the direct-to-consumer market, the 10Invest Investment Bond achieved $113.7 million of FUM at 31 December 2023 (30 June 2023: $98.3 million), while the business also continued to occupy a leading position in the pre-paid funeral market via its specialised business Funeral Plan Management, with funeral FUM of $589.7 million (30 June 2023: $589.8 million) across more than 90,000 clients.

Trustees

The Trustees business experienced 3.5 percent growth in FUM to $506.4 million in the half-year to 31 December 2023. This was led by a 30.3 percent increase in new client inflows together with minimum fee increases across the Protected Person and Trusts services in the half-year, resulting in a 26.2 percent revenue increase to $2.2 million in these areas.

Outlook

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

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

Matters subsequent to the end of the half-year

MCI dividend

On 28 February 2024, the Board of Australian Unity Limited has determined an interim fully franked dividend of $2.5068 per Australian Unity Mutual Capital Instrument, totalling $8,608,521, to be paid on 15 April 2024. The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2023 and will be recognised in subsequent financial reports.

Acquisition of myHomecare

On 20 February 2024, the Company announced that it had entered into an agreement to purchase the myHomecare Group (MHC). MHC is a national provider of in-home care and home support services, employing over 1,000 people and serving approximately 20,000 customers. MHC operates in complementary as well as additional geographies to the Group's existing Home Health operations, to which MHC will become part, enabling Australian Unity to deepen its home care offering. The merged business will serve more than 50,000 customers, employ over 6,000 people and provide full continuum of care services.

Under the agreement, the Group has agreed to pay $285.0 million for MHC, on a debt and cash free basis, with an initial sum of $215.0 million to be paid on completion and the balance to be paid progressively over an 18 month period following completion. The Group intends to fund the acquisition through its current bank facilities and existing funds, which include proceeds from the recent issue of Australian Unity simple corporate bonds. Completion of the acquisition is subject to clearance from the ACCC and certain other conditions.

The board is not aware of any other matter or circumstance arising since 31 December 2023 which has significantly affected or may significantly affect the financial status or results of the Group and which has not been separately disclosed in this report.

Auditor's independence declaration

KPMG is the external auditor for the 2024 financial year (2023: PricewaterhouseCoopers Australia). A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Rounding of amounts

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

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

Lisa Chung
Chair

Rohan Mead
Group Managing Director & CEO

Melbourne
28 February 2024

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Australian Unity Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Australian Unity Limited for the half-year ended 31 December 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Chris Wooden

Partner

Melbourne

28 February 2024

	Notes	**Half-year 2023 $'000**	Half-year 2022 Restated * $'000
Insurance revenue			
Insurance revenue	4	**349,308**	354,461
Benefit funds insurance revenue	4	**7,588**	7,021
		356,896	361,482
Insurance expense			
Insurance service expenses	6	**(321,167)**	(322,029)
Insurance finance income/(expense) from insurance contracts issued	8	**(299)**	397
Benefit funds insurance service expenses	6	**(7,972)**	(6,963)
Benefit funds insurance finance income/(expense) from insurance contracts issued	8	**(19,656)**	4,162
Net insurance income		**7,802**	37,049
Other revenue and other income	5	**482,167**	396,469
Benefit funds other income	5	**176,098**	42,921
Other expenses, excluding finance costs	6	**(479,657)**	(384,215)
Benefit funds other expenses	6	**(111,358)**	(39,320)
Operating profit		**75,052**	52,904
Finance costs	7	**(34,134)**	(24,297)
Share of net loss of joint ventures		**(183)**	(734)
Profit before income tax		**40,735**	27,873
Income tax expense	9	**(39,863)**	(10,665)
Profit from continuing operations		**872**	17,208
Profit/(loss) from discontinued operation	21	**528**	(2,194)
Profit for the half-year		**1,400**	15,014
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges		**(10,049)**	267
Income tax relating to this item		**3,015**	(80)
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		**(8)**	205
Other comprehensive income for the half-year, net of tax		**(7,042)**	392
Total comprehensive income for the half-year		**(5,642)**	15,406
Profit for the half-year is attributable to:			
Members of Australian Unity Limited		**1,400**	15,014
Total comprehensive income for the half-year is attributable to:			
Members of Australian Unity Limited		**(5,642)**	15,406
Total comprehensive income for the half-year attributable to members of Australian Unity Limited arises from:			
Continuing operations		**(6,170)**	17,600
Discontinued operation		**528**	(2,194)
		(5,642)	15,406

* Refer to notes 1(c) and 2(d) for details regarding the restatement made to reflect the retrospective application of AASB 17 *Insurance Contracts*.

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

Two subsidiaries of the Company, Lifeplan Australia Friendly Society Limited (LAFS) and Australian Unity Life Bonds Limited (AULBL), are friendly societies in accordance with the Life Insurance Act 1995. The funds of LAFS and AULBL and any trusts consolidated by those funds, are treated as benefit funds. These are required to be consolidated for statutory purposes and have a net nil impact on profit and loss. The combined business had Revenue of $183,686,000, Expenses of $119,330,000, Insurance finance expenses of $19,656,000 and income tax of $44,700,000 for the half-year ended 31 December 2023 (for the half-year ended 31 December 2022: Revenue of $49,942,000, Expenses of $46,283,000, Insurance finance income of $4,162,000 and income tax of $7,821,000).

	Notes	**31 December 2023 $'000**	30 June 2023 Restated * $'000
ASSETS			
Current assets			
Cash and cash equivalents	10	**1,079,594**	1,004,257
Trade and other receivables		**84,379**	80,874
Current tax assets		**23,285**	37,291
Loans and advances	11	**24,937**	23,575
Financial assets at fair value through profit or loss	12	**3,500,053**	2,238,763
Other financial assets at amortised cost		**56,933**	52,858
Other current assets		**37,955**	33,625
Total current assets		**4,807,136**	3,471,243
Non-current assets			
Loans and advances	11	**1,262,597**	1,129,283
Financial assets at fair value through profit or loss	12	**174,872**	158,686
Investments in associates and joint ventures		**20,128**	20,311
Investment properties	17	**2,113,557**	2,024,336
Property, plant and equipment		**517,899**	503,686
Right-of-use assets		**92,446**	97,137
Intangible assets		**361,427**	353,100
Other non-current assets		**26,456**	36,506
Total non-current assets		**4,569,382**	4,323,045
Total assets		**9,376,518**	7,794,288
LIABILITIES			
Current liabilities			
Trade and other payables		**132,856**	143,756
Borrowings	13	**1,458,619**	1,291,353
Lease liabilities		**16,482**	15,979
Provisions	18	**72,368**	72,992
Other current liabilities	15	**2,025,491**	1,860,489
Health insurance contract policy liabilities	14(a)	**120,276**	137,168
Benefit fund insurance contract policy liabilities	14(b)	**102,342**	79,245
Benefit fund investment contract policy liabilities		**314,072**	178,507
Total current liabilities		**4,242,506**	3,779,489
Non-current liabilities			
Borrowings	13	**473,486**	388,209
Lease liabilities		**95,926**	99,999
Deferred tax liabilities		**134,478**	102,357
Provisions		**26,791**	24,814
Benefit fund insurance contract policy liabilities	14(b)	**796,186**	683,375
Benefit fund investment contract policy liabilities		**2,443,364**	1,539,367
Total non-current liabilities		**3,970,231**	2,838,121
Total liabilities		**8,212,737**	6,617,610
Net assets		**1,163,781**	1,176,678
EQUITY			
Members' balances		**255,919**	255,919
Mutual Capital Instruments	19	**342,127**	342,127
Reserves		**24,346**	30,035
Retained earnings		**541,389**	548,597
Equity attributable to members of Australian Unity Limited		**1,163,781**	1,176,678
Total equity		**1,163,781**	1,176,678

** Refer to notes 1(c) and 2(d) for details regarding the restatement made to reflect the retrospective application of AASB 17 Insurance Contracts.*

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

	Notes	Members' balances $'000	Mutual Capital Instruments $'000	Reserves $'000	Retained earnings* $'000	Total equity $'000
Balance at 1 July 2022		255,919	342,127	28,948	520,687	1,147,681
Adjustment on initial application of AASB 17, net of tax	2(c)	-	-	-	37,494	37,494
Restated balance as at 1 July 2022		255,919	342,127	28,948	558,181	1,185,175
Restated total comprehensive income for the half-year						
Restated profit for the half-year		-	-	-	15,014	15,014
Other comprehensive income						
- Cash flow hedges		-	-	187	-	187
- Post-employment benefits		-	-	205	-	205
Total restated comprehensive income		-	-	392	15,014	15,406
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	19	-	-	-	(8,608)	(8,608)
MCI-based payments		-	-	1,046	-	1,046
		-	-	1,046	(8,608)	(7,562)
Restated balance at 31 December 2022		255,919	342,127	30,386	564,587	1,193,019
Balance at 1 July 2023		**255,919**	**342,127**	**30,035**	**560,295**	**1,188,376**
Adjustment on initial application of AASB 17, net of tax	2(d)	**-**	**-**	**-**	**(11,698)**	**(11,698)**
Restated balance as at 1 July 2023		**255,919**	**342,127**	**30,035**	**548,597**	**1,176,678**
Total comprehensive income for the half-year						
Profit for the half-year		**-**	**-**	**-**	**1,400**	**1,400**
Other comprehensive income						
- Cash flow hedges		**-**	**-**	**(7,034)**	**-**	**(7,034)**
- Post-employment benefits		**-**	**-**	**(8)**	**-**	**(8)**
Total comprehensive income		**-**	**-**	**(7,042)**	**1,400**	**(5,642)**
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	19	**-**	**-**	**-**	**(8,608)**	**(8,608)**
MCI-based payments		**-**	**-**	**1,303**	**-**	**1,303**
Subsidiary share option payments		**-**	**-**	**50**	**-**	**50**
		-	**-**	**1,353**	**(8,608)**	**(7,255)**
Balance at 31 December 2023		**255,919**	**342,127**	**24,346**	**541,389**	**1,163,781**

* Refer to note 1(c) for details regarding the restatement made to reflect the retrospective application of AASB 17 Insurance Contracts.

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

	Notes	Half-year 2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**930,851**	643,730
Payments to suppliers and employees (inclusive of goods and services tax)		**(737,879)**	(698,378)
Health insurance premiums received		**312,968**	312,280
Health insurance claims and insurance service expenses paid		**(276,674)**	(313,541)
Benefit fund investment contracts - contributions received		**135,053**	118,602
Benefit fund investment contracts - withdrawals		**(99,660)**	(20,327)
Benefit fund insurance contracts - premiums received		**21,304**	21,300
Benefit fund insurance contracts - claims and insurance service paid		**(39,282)**	(45,976)
Net payments of loan assets		**(133,747)**	(36,177)
Net receipts of deposits liability		**125,674**	69,192
Interest received		**43,041**	26,446
Dividends and distributions received		**10,943**	7,777
Interest and finance charges paid		**(37,463)**	(19,989)
Income tax refunds		**19,825**	154
Net cash inflow from operating activities		**274,954**	65,093
Cash flows from investing activities			
Payments for business acquisitions, net of cash receipts		**(30,618)**	(422)
Payments for investments		**(685,320)**	(570,212)
Payments for investment properties		**(108,129)**	(44,036)
Payments for property, plant and equipment		**(22,722)**	(11,673)
Payments for intangible assets		**(15,568)**	(11,743)
Receipts from investments		**394,645**	427,663
Receipts from sale of advice business component		**9,605**	-
Proceeds from sale of investment properties		**24,069**	-
Proceeds from disposal of property, plant and equipment		**27**	-
Net cash outflow from investing activities		**(434,011)**	(210,423)
Cash flows from financing activities			
Receipts from borrowings		**178,221**	9,992
Net receipts from refundable lease deposits and resident liabilities		**112,039**	60,602
Payments of borrowings		**(47,258)**	(9,200)
Payments of MCI dividend		**(8,608)**	(8,608)
Net cash inflow from financing activities		**234,394**	52,786
Net increase/(decrease) in cash and cash equivalents		**75,337**	(92,544)
Cash and cash equivalents at the beginning of the half-year		**1,004,257**	1,086,445
Cash and cash equivalents at the end of the half-year	10	**1,079,594**	993,901
Cash flows from discontinued operation	21	**6,896**	(279)

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

Notes to the consolidated financial statements

Basis of preparation of half-year report

The condensed interim financial statements (interim financial statements) for the half-year reporting period ended 31 December 2023 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by Australian Unity Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

1 Accounting policies

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

The accounting policies and financial risk management policies applied are the same as those applied for the year ended 30 June 2023. Where applicable, the Group has also adopted new and amended accounting standards which have become mandatory for the interim reporting period since its previous financial year as set out below. The application of these standards has no impact to the amounts reported in the Group's financial statements, except for AASB 17 *Insurance Contracts* as disclosed in notes 1(d) and 2.

AASB	Title
AASB 17	Insurance contracts
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
AASB 2021-5	Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
AASB 2021-6	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards
AASB 2022-7	Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards

(b) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations.

The results of discontinued operations are presented separately in the comparative statement of comprehensive income as if the operation had been discontinued from the start of the comparative year in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* (refer note 21 for further information).

(c) Comparative information

To enhance comparability with current year disclosures, certain comparative amounts in the financial statements have been reclassified. Such reclassifications have no impact on the Group's profit or net assets. In addition, comparative information in this interim financial report has been re-presented as a result of an operation discontinued during the current year and restated to reflect the retrospective application requirements of AASB 17 *Insurance Contracts*. (Refer to notes 2(c) and 2(d) for more details).

(d) Implementation of AASB 17 Insurance Contracts

AASB 17 is a new accounting standard for all types of insurance contracts, replacing AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life insurance Contracts*. AASB 17 applies to reporting periods beginning on or after 1 January 2023 and comparative information on the AASB 17 basis is required. The Group has implemented AASB 17 from 1 July 2023 and the transition date is 1 July 2022. Comparative financial information, being that for the 2023 financial year, has been restated in this interim financial report as required by AASB 17. The relevant accounting policies have been amended to comply with the new requirements under AASB 17 as described below:

1 Accounting policies (continued)

(d) Implementation of AASB 17 Insurance Contracts (continued)

(i) Key types of insurance contracts issued, and reinsurance contracts held

The Group issues the following types of contracts that are accounted for in accordance with AASB 17:

Life business - non-participating contracts, including:

- Funeral and ancillary funds, which are insurance contracts providing funeral and ancillary benefits in the form of fixed sum assured on death, in exchange for fixed contributions.
- Travel protection insurance, which provides transportation benefits from place of death to funeral homes, in exchange for upfront premiums.
- Personal risk insurance fund contracts, which are term life insurance or crisis based contracts that provide either level or decreasing sum assured coverage for a limited period of time in exchange for renewable fixed or fluctuating premiums.

The Group accounts for these policies applying the General Measurement Model (GMM).

Life business - direct participating contracts:

- Life insurance contracts, which provide whole of life and endowment benefits in the form of sum assured plus bonuses, in exchange for contributions on a fixed scale. The Group accounts for these policies applying the Variable Fee Approach (VFA).
- Central sick and funeral funds, providing funeral benefits, endowment benefits and supplementary sickness benefits in the form of fixed sum assured plus bonuses, in exchange for contributions. The Group accounts for these policies by applying the VFA.
- Endowment and funeral funds, which provide funeral benefits and endowment benefits in the form of fixed sum assured, in exchange for contributions on a fixed scale. The Group accounts for these policies applying the GMM. Although the fund rules allow for participation, in practice, with the Group applying its discretion, this has not occurred, and surpluses have been transferred to the management fund.
- Whole of life insurance policies, providing fixed coverage with bonuses until death in exchange for level premiums. The Group accounts for these contracts applying the VFA.

Investment contracts with discretionary participation features:

- Funeral and investment bonds, which provide the investor with the right to receive additional discretionary amounts contractually based on specified underlying items and which are expected to be a significant portion of the total contractual benefits. These contracts are accounted for applying the VFA.

Health insurance contracts:

- Private health insurance contracts which provide benefits to cover costs arising from a range of services, including hospital services, medical services, prostheses, and ancillary services. These benefits are provided under two types of contracts, health insurance contracts and health related contracts. The coverage period of these contracts is one year or less. The Group accounts for these contracts applying the Premium Allocation Approach (PAA).

The Group also holds reinsurance contracts to mitigate risk exposure. For term life, total and permanent disablement and crisis insurance policies, the Group holds quota share and surplus reinsurance treaties.

The amounts in relation to reinsurance contracts held are considered immaterial, hence, a net approach is taken in the AASB 17 valuation, with a net presentation (i.e., net of reinsurance) adopted in the financial statements.

(ii) Definitions and classifications

Products sold by the Group are classified as insurance contracts when the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.This assessment is made on a contract-by-contract basis at the contract issue date (or at transition).

1 Accounting policies (continued)

(d) Implementation of AASB 17 Insurance Contracts (continued)

(ii) Definitions and classifications (continued)

The Group issues certain insurance contracts to allow policyholders to participate in investment returns with the Group, sometimes in addition to compensation for losses from insured risk. This comprises of the Group's investment bonds and funeral bonds which consist of investment components. The investment components, which can be investment-linked accounts or investment accounts with discretionary participation features (being capital guaranteed participating benefits), are payable "under all circumstances". The investment-linked component if considered distinct is valued as a financial instrument under AASB 9. The investment account with discretionary participation features is valued under AASB 17 as the Group also issues insurance contracts.

The Group applies AASB 17 to account for non-distinct investment components as part of its insurance contracts. The Group's whole of life and endowment contracts have a surrender value, and therefore contain an investment component which is payable in all circumstances. The Group has assessed that all these contracts contain non-distinct investment components which will be combined and measured with the insurance risk elements, under AASB 17.

The subsidiaries of the Group pay dividends to Australian Unity Limited, which may be used to fund further member benefits, irrespective of the type of contract held by the Group member at the subsidiary level. The Group has determined that the funds received from all entities within the mutual Group are co-mingled, and the nature, quality and amount of any member benefits provided at the Group level are at the discretion of Australian Unity Limited. Based on this, these benefits to the Group's members are considered to be sufficiently far removed from the Group's obligations under its insurance and investment contracts with discretionary participation features held by its policyholders. The benefits are therefore not considered as an obligation by the Group arising from insurance contracts or investments contracts with Direct Participation Features (DPF), to deliver goods or services to policyholders. Rather the making services available to Group members is a means to return value to the Group members.

(iii) Level of aggregation

The Group identifies portfolios by aggregating insurance contracts that are subject to similar risks and managed together. In grouping insurance contracts into portfolios, the Group considers the similarity of risks rather than the specific labelling of the product lines.

<u>Benefit funds</u>

The Group has determined that contracts within each of its benefit funds are subject to similar risks. Benefit funds are each 'managed together' and this is evidenced through the legislative requirements, benefit fund rules, Financial Condition Report and bonus declarations. The Group has assessed that its AASB 17 portfolios are its benefit funds, except for the Accidental Death, Adult Accident, and Student Accident Funds being included in the Personal Risk Insurance Fund as these are not considered material to the Group.

Each portfolio is sub-divided into groups of contracts to which the recognition and measurement requirements of AASB 17 are applied.

At initial recognition, the Group segregates contracts based on when they were issued. A cohort contains all contracts that were issued within a 12-month period. With respect to the benefit fund portfolios, each cohort is then further disaggregated into three groups of contracts:

(a) Contracts that are onerous on initial recognition.

(b) Contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently.

(c) Any remaining contracts.

The determination of whether a contract or a group of contracts is onerous is based on the expectations as at the date of initial recognition (or transition), with fulfilment cash flow expectations determined on a probability-weighted basis. In determining the appropriate grouping, the Group measures a set of contracts together using reasonable and supportable information. The Group applies significant judgement in determining at what level of granularity the Group has sufficient information to conclude that all contracts within a set are in the same group. In the absence of such information the Group assesses each contract individually.

All groups include only contracts issued or renewed within a 12-month period. The composition of groups established at initial recognition is not subsequently reassessed. The groupings are reassessed on renewal where contract boundaries are determined to be short (i.e. shorter than the legal contractual term).

1 Accounting policies (continued)

(d) Implementation of AASB 17 Insurance Contracts (continued)

(iii) Level of aggregation (continued)

Health insurance

For health insurance contracts accounted for applying the PAA, the Group determines that contracts are not onerous on initial recognition, unless there are facts and circumstances indicating otherwise. The Group assesses the likelihood of changes in applicable facts and circumstances to determine whether contracts not onerous on initial recognition belong to a group with no significant possibility of becoming onerous in the future. The health insurance contracts issued are a single portfolio.

If facts and circumstances indicate that some contracts may be onerous at initial recognition or the group of contracts has become onerous; the Group performs a quantitative assessment to assess whether the carrying amount of the LRC determined applying the PAA is less than the fulfilment cash flows related to remaining coverage determined applying the GMM. If the fulfilment cash flows related to remaining coverage determined applying the GMM exceed the PAA carrying amount of the LRC, the difference is recognised in profit or loss and the LRC is increased by the same amount, as Liability for Loss Component.

(iv) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services.

A substantive obligation to provide services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and
- the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Specifically for investment contracts with DPF which does not include a transfer of significant insurance risk, the contract boundary is modified so that cash flows are within the contract boundary if they result from a substantive obligation of the entity to deliver cash at a present or future date. The entity has no substantive obligation to deliver cash if it has the practical ability to set a price or promise to deliver the cash that fully reflects the amount of cash promised and related risk.

The Group assesses the contract boundary at initial recognition and at each subsequent reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations.

(v) Initial Recognition

For insurance contracts issued, the Group recognises groups of insurance contracts issued from the earliest of the beginning of the coverage period, the date when the first payment from a policyholder is due or received, or when the group determines that a group of contracts becomes onerous.

Investment contracts with discretionary participation features are initially recognised at the date the Company becomes a party to the contract.

1 Accounting policies (continued)

(d) Implementation of AASB 17 Insurance Contracts (continued)

(v) Initial Recognition (continued)

Measurement of insurance contracts issued

Measurement approach	Liability for remaining coverage (LRC)	Liability for incurred claims (LIC)
Contracts measured other than the premium allocation approach (PAA) – general measurement method (GMM) and variable fee approach (VFA)	Comprises of the future cash flows that relate to services that will be provided under the contracts in future periods and any contractual service margin (CSM) at that date. The CSM represents the unearned profit in the contracts relating to services that will be provided under the contracts. Under VFA, the unearned profit represents fees charged to the policyholder less expenses incurred.	Under GMM, the LIC consists of the future cash flows related to servicing past claims and expenses incurred. Under VFA, the LIC consists of the account balance which represents the benefits payable.
Contracts measured under PAA	For health insurance, the Group measures the LRC at the amount of premiums received in cash, less the government private health insurance rebate receivables. As all issued insurance contracts to which the PAA is applied have a contract boundary of a year or less, the Group applies a policy of expensing all insurance acquisition cash flows as they are incurred.	For health insurance, the LIC consists of the future cash flows related to servicing past claims and expenses incurred.

Discount rates

The time value of money and financial risk is measured separately from expected future cash flows with changes in financial risks recognised in profit or loss at the end of each reporting period.

Discount rates that reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts may not be directly observable in the market. Estimation for discount rates is then required.

In determining discount rates for cash flows on portfolios measured using the GMM, the Group uses the 'bottom-up approach' to estimate discount rates, by considering key components such as, the risk-free yield curve and the liquidity risk premium.

The Group uses expected real rates of return to discount fulfilment cash flows (FCFs) for contracts measured using VFA.

The Group uses the discount rate applicable to each group of contracts on initial recognition, which is based on recognised contracts. The Group estimates the locked-in discount rate for new groups of insurance contracts issued and this is set as the discount rate derived immediately before the recognition of the group.

The Group has elected not to disaggregate and presents all changes in the discount rates as part of Insurance Finance Income and Expense (IFIE).

Risk adjustment for non-financial risk

The Group measures the compensation it would require for bearing the uncertainty about the amount and timing of cash flows arising from insurance contracts, other than financial risk, separately as an adjustment for non-financial risk. The Group uses the confidence level approach, based on the value at risk, to set the risk adjustment for the LRC at 80% confidence. The risk adjustment calculated using this approach is determined for each subsidiary and aggregated at a consolidated level without adjustment. The risk adjustment on the LIC is immaterial for investment contracts with DPF.

The confidence interval is set at each subsidiary level and incorporates the risk appetite at that level. This confidence interval is then cascaded across portfolios and other groupings of business within the subsidiary, using a systematic and rational method. The confidence interval is applied to determine the risk adjustment, by calibrating the non-financial risk elements of the regulatory capital.

1 Accounting policies (continued)

(d) Implementation of AASB 17 Insurance Contracts (continued)

(vi) Subsequent measurement under the GMM

In estimating the total future FCFs, the Group distinguishes between those relating to already incurred claims and those relating to future services. Cash flows (including experience adjustments) relating to current or past service is recognised immediately in profit or loss, while cashflows (including experience adjustments) relating to future services adjusts the CSM.

Recognition in profit or loss (current or past service)

An amount of the CSM is released to profit or loss in each period during which the insurance contract services are provided. This includes changes in FCFs for the effect of the time value of money and the effect of financial risk and changes thereof, changes in the FCFs relating to the LIC, and experience adjustments relating to insurance service expenses.

The Group determines coverage units to represent the insurance services that are delivered by these contracts. The coverage units are based on the sum of the sums insured, both current and future expected, over the expected life of the contract. The number of coverage units changes as insurance contract services are provided, contracts expire, lapse, or surrender and new contracts are added into the group. The total number of coverage units depends on the expected duration of the obligations that the Group has from its contracts, which can differ from the legal contract maturity because of the impact of policyholder behaviour and the uncertainty surrounding future insured events. In determining a number of coverage units, the Group exercises judgement in estimating the likelihood of insured events occurring and policyholder behaviour to the extent that they affect expected period of coverage in the group, the different levels of service offered across periods (e.g. policyholder exercising an option and adding an additional coverage for a previously guaranteed price) and the 'quantity of benefits' provided under a contract.

Adjustments to the CSM (future service)

For insurance contracts without direct participating features, the following changes in FCFs are considered to be related to future services and adjust (or 'unlock') the CSM:

- Experience adjustments relating to the premiums received in the period that relate to future services, and any related cash flows such as premium-based taxes measured at the 'locked in' discount rates applicable when the contracts in the group were initially recognised.
- The change in the estimate of the present value of expected future cash flows in the LRC measured at the 'locked in' discount rates applicable when the contracts in the group were initially recognised. All financial variables are locked in at initial recognition.
- Changes in the risk adjustment for non-financial risk relating to future services. The Group has elected not to disaggregate the change in the risk adjustment for non-financial risk between (i) a change related to non-financial risk and (ii) the effect of the time value of money and changes in the time value of money.
- Differences between the amount of investment components that were expected to be payable in the period and the amount of investment components that actually became payable. Both these amounts are measured at the discount rates applicable when the contracts in the group were initially recognised.

(vii) Subsequent measurement for contracts accounted under VFA

The carrying amount of the CSM for direct participating contracts at the end of the reporting period is the carrying amount at the beginning of reporting period adjusted for:

- The effect of any new contracts added to the group;
- The change in the amount of Company's share of the fair value of the underlying items except for:
  - Increases in FCFs that exceed the carrying amount of the CSM, giving rise to a loss that results in the group of contracts becoming onerous or more onerous; or
  - The decrease in the amount of Company's share of the fair value of the underlying items that exceeds the carrying amount of the CSM giving rise to a loss.
  - The increase in the amount of Company's share of the fair value of the underlying items that reverses a previously recognised loss on an onerous group of contracts.

1 Accounting policies (continued)

(d) Implementation of AASB 17 Insurance Contracts (continued)

(vii) Subsequent measurement for contracts accounted under VFA (continued)

- The changes in FCFs relating to future service, except to the extent that:
  - Such increases in the FCFs exceed the carrying amount of CSM, giving rise to a loss; or
  - Such decreases in the FCFs are allocated to the LC of the LRC; and
- The amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

In determining the number of coverage units for contracts accounted under VFA, the Group applies the following methods:

(i) For investment contracts with discretionary participating features, the quantity of coverage units is determined based on the expected period of the contracts and the level of benefits based on the expected expenses the Group will incur to render the investment-related service that produces the policyholder's benefits under the contract.

(ii) For insurance contracts with direct participation features, the Group determines coverage units to represent the investment-related and insurance services that are delivered by these contracts.

(iii) The coverage units are based on the sum of the sums insured and bonuses, both current and future expected or on the sums of the account balances including crediting rates, both current and future expected. The Group chooses to discount the coverage units using the rate applicable to the VFA for insurance contracts with direct participation features.

All CSM adjustments are measured considering a current measure of the time value of money with full allowance of its dependency on the financial variables affecting the fair value returns of the underlying items.

Applying the VFA, the changes in FCFs that adjust the CSM are changes in the amount of Company's share of the fair value of the underlying items and changes in FCFs that do not vary based on the returns of the underlying items. The changes in FCFs that do not vary based on the returns of the underlying items are:

- Changes in the effect of the time value of money and financial risks not arising from the underlying items, for example the impact of financial guarantees;
- Experience adjustments arising from premiums received in the period related to future service;
- Changes in the estimate of future expected cash flows of the LRC;
- Differences arising from timing of payment of investment components; and
- Changes in the risk adjustment for non-financial risk related to future service.

(viii) Onerous contracts for contracts other than PAA

The Group considers an insurance contract to be onerous if the expected FCFs allocated to the contract plus any previously recognised acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total result in a net cash outflow.

The onerous assessment is done on an individual contract level assessing future expected cash flows on a probability-weighted basis including a risk adjustment for non-financial risk. Contracts expected on initial recognition to be loss-making are grouped together and such groups are measured and presented separately. Once contracts are allocated to a group, they are not re-allocated to another group, unless they are substantively modified.

On initial recognition, the CSM of the group of onerous contracts is nil and the group's measurement consists entirely of FCFs. A net outflow expected from a group of contracts determined to be onerous is considered to be the group's loss component and is recognised in profit or loss. The amount of the group's loss component is tracked for the purposes of presentation and subsequent measurement.

After the loss component is recognised, the Group allocates any subsequent changes in FCFs of the LRC on a systematic basis.

For groups of onerous contracts, without direct participating features, the Group uses locked-in discount rates. These are determined at initial recognition to calculate the changes in the estimate of future cash flows relating to future service (both changes in a loss component and reversals of a loss component).

1 Accounting policies (continued)

(d) Implementation of AASB 17 Insurance Contracts (continued)

(ix) Subsequent measurement for insurance contracts measured under the PAA

On subsequent measurement, premiums due to the Group for insurance contract services already provided in the period but not yet received at the end of the reporting period are included in the LRC. The carrying amount of the LRC at the end of each subsequent reporting period represents the carrying amount at the start of the reporting period adjusted for the premiums received in the period and the amount recognised as insurance revenue for insurance contract services provided in that period.

The Group has determined that there is no significant financing component in insurance contracts with a coverage period of one year or less. Hence, the Group does not discount the LRC to reflect the time value of money and financial risk for such insurance contracts.

For insurance contracts issued and measured under the PAA, the risk adjustment on LRC is applicable only when performing onerous contract testing or to calculate the LC. The risk adjustment is determined using a confidence interval. The confidence interval is expressed as the minimum of the target net margin as set in the pricing philosophy.

The carrying amount of the LIC for insurance contracts issued is measured applying the GMM, except that:

- For claims that the Group expects to be paid within one year or less from the date of incurrence, the Group does not adjust future cash flows for the time value of money and the effects of financial risks.
- For claims expected to take more than one year to settle, at initial recognition, these are discounted applying the discount rate at the time the incurred claim is initially recognised. On subsequent measurement at the end of the reporting period, the LIC is discounted at the current discount rate.

For health insurance contracts, the risk equalisation payments to and from the Risk Equalisation Special Account are treated as part of the fulfillment cash flows i.e., the calculated deficit is included in the insurance service expense and the gross deficit payment receipts are considered as third-party recoveries and included in the insurance service expense as a negative amount. Any balances in the Risk Equalisation Special Account at the end of the reporting period are recorded as part of the LIC.

Applying the PAA, the insurance revenue is measured at the amount allocated from the expected premium receipts. This allocation is done on the basis of the passage of time, based on the number of days in the coverage period of the insurance contracts issued.

For insurance contracts measured using the PAA, the contracts are assumed to be profitable unless facts and circumstances indicate otherwise. For the health insurance contracts, the assessment of facts and circumstances is performed on a quarterly basis.

When facts and circumstances indicate that a group of contracts has become onerous, the Group performs an onerous test. If the amount of the FCFs exceed the carrying amount of the LRC, the Group recognises the amount of the difference as a loss in profit or loss and increases the LRC for the corresponding amount.

The risk adjustment for the Group's health insurance for the LRC and LIC is set at 80% confidence interval.

(x) Modification and derecognition

The Group derecognises a contract when it is extinguished i.e. when the specified obligations in the contract expire or are discharged or cancelled. This is usually at the end of the coverage period.

The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly. Had the new terms always existed, a new contract based on the modified terms is recognised. Contracts based on modified terms are accounted for by applying Note 1(d)(v).

If a contract modification does not result in derecognition, then the Group continues to apply Note 1(d)(vi) and Note 1(d)(vii) to the contract at subsequent measurement.

(xi) Presentation

The Group has presented separately in the balance sheet the carrying amount of portfolios of insurance contracts that are assets and those that are liabilities.

1 Accounting policies (continued)

(d) Implementation of AASB 17 Insurance Contracts (continued)

(xi) Presentation (continued)

The Group disaggregates the amounts recognised in the statement of comprehensive income into an 'operating profit' sub-total which also includes the net insurance income. The net insurance income comprises of the insurance service result (being insurance revenue and benefit funds insurance revenue net of insurance services expenses and benefit funds insurance services expenses) net of insurance finance income and expense and benefit funds insurance finance income and expense.

Insurance revenue
For the contracts measured under the GMM and the VFA, the Group recognises insurance revenue as it satisfies its performance obligations as it provides coverage or other services. The Group recognises the allocated amount as insurance revenue and an equal amount as insurance service expenses. The CSM is allocated equally to each coverage unit provided in the period and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the period.

For contracts which are all measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing coverage in the period. The Group allocates the expected premium receipts to each period based on the passage of time or based on the expected pattern of release of risk during the coverage period.

Insurance service expense
Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They comprise of incurred claims and other insurance service expenses, amortisation of acquisition cash flows, losses on onerous contracts and reversals of such losses, and adjustments to the liabilities for incurred claims for movements in the undiscounted claims experience.

For health insurance, the calculated deficit in the Risk Equalisation Special Account i.e. the payments, are included in the insurance service expense and the gross deficit payment receipts are considered as third-party recoveries and included in the insurance service expense as a negative amount.

Insurance finance income or expenses (IFIE)
The Group present all of the period's IFIE in profit or loss. IFIE present the effect of the time value of money and the change in the time value of money, together with the effect of financial risk and changes in financial risk.

For PAA contracts

When applying the PAA, the Group does not discount the LRC to reflect the time value of money and financial risk. For those claims that the Group expects to be paid within one year or less from the date of incurrence, the Group does not adjust future cash flows for the time value of money and the effects of financial risks.

For non-participating contracts

For non-participating contracts whose cash flows are not affected by underlying items, the Group has elected to present all IFIE in profit or loss.

For direct participating contracts where the underlying items are held

For direct participating contracts, for which the Group holds the underlying items, the Group presents all IFIE in profit or loss.

2 The impacts of adopting AASB 17

(a) Changes in accounting policy

As disclosed in note 1(d), the Group has adopted AASB 17 from 1 July 2023 and has restated comparatives for the previous reporting period as required under the transition provisions in the standard. The impacts of the adoption of AASB 17 and its recognition and measurement of assets and liabilities related to insurance policies are set out below.

(b) Transition

Health insurance contracts issued are measured under the full retrospective approach on transition consistent with the initial recognition and subsequent measurements outlined within note 1(d).

For investment contracts with DPF and life insurance contracts, the Group assessed the availability of information and concluded that the full retrospective approach cannot be applied in all circumstances due to impracticability. Where impracticable, the contracts are measured under the fair value approach.

Contracts measured under the fair value approach

The Group concluded that reasonable and supportable information for application of either the full retrospective or modified retrospective approaches was not available for the following contracts and therefore, applied the fair value approach:

- Earlier cohorts of Travel protection contracts
- Traditional products with direct participation features
- Non-participating contracts. Where groups or products were immaterial, reasonable approximations were made.

Reasons for the full retrospective approach being impracticable:

- Endowment and funeral fund, funeral and ancillary fund, personal risk insurance fund, accidental death, adult accident, and student accident products have not been sold for a number of years, with the data for these legacy products not being available.
- Non-availability of sufficient historic information to obtain the market related discount rates required for the VFA modelled products.
- For the Whole of Life portfolio, significant amount of hindsight would be required to acquire, calculate, or produce historic information to enable the measurement of contracts on a fully retrospective approach basis. AASB 17 does not allow the use of hindsight.

In applying the fair value approach at the transition date, the CSM or loss component of the LRC was estimated as the difference between the fair value and the FCFs of the group of contracts as of that date. In determining fair value, the Group followed the requirements of AASB 13 to the extent it does not contradict AASB 17 requirements and as follows:

- The fair value is based on market assumptions and uses a market view of contract boundary, rather than the AASB 17 contract boundary.
- In respect to the level of aggregation, the Group included all contracts in earlier cohorts prior to the comparative period as single transition groups in their portfolios, as there was no reasonable and supportable information available to make further division.
- The Group used discount rates as at the date of transition, instead of discount rates as at the date of initial recognition.
- The Group did not include an amount for insurance acquisition cash flows in the measurement of the groups of insurance contracts and investment contracts with DPF recognised at the transition date, as the acquisition costs relate to investment contracts and funeral bonds, in respect of which the Group will expense the acquisition costs as incurred.

The Group's net assets as at the transition date of 1 July 2022 were increased by $37.5 million net of tax. This was comprised of the following measurement adjustments:

- The impact of COVID-19 on the Group saw the recognition of a deferred claims liability in its health insurance business in prior periods. Under AASB 17, insurance liabilities are only able to include claims that have occurred prior to the end of the reporting period. Therefore, claims that are expected to arise in the future but have not yet been incurred, such as the deferred claims liability, are unable to be recognised under AASB 17.

2 The impacts of adopting AASB 17 (continued)

(b) Transition (continued)

- Onerous contracts were recognised on transition relating to some products within the Group's health insurance business.
- Policy election to expense deferred acquisition costs on transition for the Group's health insurance business.

The standard, also introduces changes to the presentation and disclosure of insurance line items in the statement of comprehensive income and balance sheet. These reclassification adjustments are also provided in the tables below.

(c) Reconciliation of accounts impacted by AASB 17 as at 1 July 2022

The following table is a reconciliation of the carrying amount of the accounts in the Group's balance sheet which were impacted by the application of AASB 17 as at 1 July 2022, the transition date.

Accounts	Carrying amount 30 June 2022	Net assets Addition/(reduction)	Carrying amount 1 July 2022	Retained earnings Addition/(reduction) 1 July 2022
	$'000	$'000	$'000	$'000
Increase in assets				
Trade and other receivables	142,909	(45,012)	97,897	270
Other current assets	41,187	(11,470)	29,717	(11,470)
Other non-current assets	41,678	(3,144)	38,534	(3,144)
Total	225,774	(59,626)	166,148	(14,344)
Increase in liabilities				
Trade and other payables	(165,805)	20,185	(145,620)	0
Current provisions	(189,588)	193,371	3,783	70,965
Other current liabilities	(1,854,117)	100,083	(1,754,034)	0
Health insurance contract policy liabilities	0	(203,431)	(203,431)	(3,058)
Current benefit fund policy liabilities	(251,431)	251,431	0	0
Current benefit fund insurance contract policy liabilities	0	(251,113)	(251,113)	0
Current benefit fund investment contract policy liabilities	0	0	0	0
Deferred tax liabilities	(26,281)	(16,069)	(42,350)	(16,069)
Non-current benefit fund policy liabilities	(2,106,557)	2,106,557	0	
Non-current benefit fund insurance contract policy liabilities	0	(2,103,894)	(2,103,894)	
Non-current benefit fund investment contract policy liabilities	0	0	0	0
Total	(4,593,779)	97,120	(4,496,659)	51,838
Increase/(reduction) to Net assets and Retained earnings		**37,494**		**37,494**

2 The impacts of adopting AASB 17 (continued)

(d) Reconciliation of accounts impacted by AASB 17 as at 30 June 2023

The following table is a reconciliation of the carrying amount of the accounts in the Group's balance sheet which were impacted by the application of AASB 17 as at 30 June 2023.

Accounts	Original Carrying amount 30 June 2023	Net assets Addition/(reduction)	Restated Carrying amount 30 June 2023	Retained earnings Addition/(reduction) 30 June 2023
	$'000	$'000	$'000	$'000
Increase in assets				
Trade and other receivables	136,329	(55,455)	80,874	223
Other current assets	42,847	(9,222)	33,625	(9,222)
Other non-current assets	39,375	(2,869)	36,506	(2,869)
Total	218,551	(67,546)	151,005	(11,868)
Increase in liabilities				
Trade and other payables	(162,696)	18,940	(143,756)	0
Current provisions	(143,518)	70,526	(72,992)	0
Other current liabilities	(1,956,089)	95,600	(1,860,489)	
Health insurance contract policy liabilities	0	(137,168)	(137,168)	(4,843)
Current benefit fund policy liabilities	(258,057)	258,057	0	
Current benefit fund insurance contract policy liabilities	0	(79,245)	(79,245)	
Current benefit fund investment contract policy liabilities	0	(178,507)	(178,507)	
Deferred tax liabilities	(107,370)	5,013	(102,357)	5,013
Non-current benefit fund policy liabilities	(2,225,374)	2,225,374	0	
Non-current benefit fund insurance contract policy liabilities	0	(683,375)	(683,375)	
Non-current benefit fund investment contract policy liabilities	0	(1,539,367)	(1,539,367)	0
Total	(4,853,104)	55,848	(4,797,256)	170
Reduction to Net Assets and Retained earnings		**(11,698)**		**(11,698)**

Operating Results

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

3 Segment information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Group Executive Committee that are used to make strategic decisions including the allocation of resources and to assess the performance of an operating segment. For management reporting purposes, the Group is organised into four customer-facing business platforms which are Home Health, Retail, Specialist Care and Wealth & Capital Markets; and the Corporate functions.
The table below summarises the reportable operating segments.

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

3 Segment information (continued)

(b) Segment information

The segment information provided to the Group Executive Committee for the reportable segments for the half-year ended 31 December 2023 is as follows:

Half-year ended 31 December 2023	**Home Health $'000**	**Retail $'000**	**Specialist Care $'000**	**Wealth & Capital Markets $'000**	**Corporate functions $'000**	**Total $'000**
Continuing operations						
Total segment revenue	240,058	379,657	101,285	115,454	(13,892)	822,562
Inter-segment revenue	(972)	-	-	-	972	-
Revenue from external customers	239,086	379,657	101,285	115,454	(12,920)	822,562
Adjusted EBITDA from continuing operations	16,049	33,614	19,936	23,988	(47,277)	46,310
Depreciation and amortisation						(25,817)
Interest expense						(34,134)
Investment income						10,740
Other expenses						(1,064)
Income tax benefit						4,837
Profit from continuing operations						872
Share of loss after tax from joint ventures (included in adjusted EBITDA)						(183)
Total segment assets include:						
Income producing assets	131,333	1,884,361	39,176	123,001	263,619	2,441,490
Working capital assets	11,579	11,246	17,569	36,977	84,628	161,999
Non-interest bearing assets	235,552	10,517	325,535	1,124,210	222,529	1,918,343
Total segment assets	378,464	1,906,124	382,280	1,284,188	570,776	4,521,832
Total segment liabilities include:						
Borrowings and net inter-segment lending	79,439	1,414,798	342,649	329,027	432,521	2,598,434
Working capital liabilities	158,149	139,103	32,112	58,545	39,156	427,065
Non-interest bearing liabilities	2,051	17,194	34,904	245,297	33,106	332,552
Total segment liabilities	239,639	1,571,095	409,665	632,869	504,783	3,358,051

3 Segment information (continued)

(b) Segment information (continued)

The segment information provided to the Group Executive Committee for the reportable segments for the half-year ended 31 December 2022 is as follows:

Half-year ended 31 December 2022 (restated)	**Home Health** $'000	**Retail** $'000	**Specialist Care** $'000	**Wealth & Capital Markets** $'000	**Corporate functions** $'000	**Total** $'000
Continuing operations						
Total segment revenue	202,996	373,027	79,406	94,975	(5,722)	744,682
Inter-segment revenue	(944)	-	-	(1,560)	2,504	-
Revenue from external customers	202,052	373,027	79,406	93,415	(3,218)	744,682
Adjusted EBITDA from continuing operations	18,394	66,772	3,456	18,418	(43,599)	63,441
Depreciation and amortisation						(26,635)
Interest expense						(24,306)
Investment income						7,853
Other expenses						(301)
Income tax benefit						(2,844)
Profit from continuing operations						17,208
Share of loss after tax from joint ventures (included in adjusted EBITDA)						(734)
As at 30 June 2023 (restated)						
Total segment assets include:						
Income producing assets	67,329	1,806,308	51,638	77,007	215,118	2,217,400
Working capital assets	36,442	73,751	9,083	109,547	83,647	312,470
Non-interest bearing assets	280,575	10,502	300,984	1,034,217	192,126	1,818,404
Discontinued operation	-	-	-	-	32,747	32,747
Total segment assets	384,346	1,890,561	361,705	1,220,771	523,638	4,381,021
Total segment liabilities include:						
Borrowings and net inter-segment lending	79,501	1,289,125	339,419	327,349	275,759	2,311,153
Working capital liabilities	118,993	215,599	8,762	153,677	55,824	552,855
Non-interest bearing liabilities	17,617	17,016	35,464	224,152	32,717	326,966
Discontinued operation	-	-	-	-	13,369	13,369
Total segment liabilities	216,111	1,521,740	383,645	705,178	377,669	3,204,343

3 Segment information (continued)

(c) Other segment information

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

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

Adjusted EBITDA

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

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

	Half-year	
	2023 $'000	2022 $'000
Adjusted EBITDA from continuing operations	**46,310**	63,441
Depreciation and amortisation expense:		
Depreciation and amortisation expense (note 6)	**(25,362)**	(26,635)
Other	**(455)**	-
	(25,817)	(26,635)
Interest expense		
Finance costs (note 6)	**(34,134)**	(24,297)
Other	**-**	(9)
	(34,134)	(24,306)
Investment income:		
Dividend and distribution income (note 5)	**10,321**	7,444
Loss on investments in financial instruments (note 5)	**(7,748)**	(3,541)
Other interest income (note 5)	**7,923**	3,583
Other	**244**	367
	10,740	7,853
Other expenses:		
Merger and acquisition expenses	**(656)**	-
Other	**(408)**	(301)
	(1,064)	(301)
Profit/(loss) before income tax and benefit funds from continuing operations attributable to members of Australian Unity Limited	**(3,965)**	20,052
Profit before income tax of benefit funds	**44,700**	7,821
Profit before income tax from continuing operations	**40,735**	27,873

4 Insurance revenue

The following tables present an analysis of the insurance revenue recognised in the period:

	Health insurance contracts issued $'000	Benefit fund insurance contracts issued $'000	Total $'000
Half-year ended 31 December 2023			
Contracts not measured under the Premium Allocation Approach (PAA)			
Amounts relating to changes in Liability for Remaining Coverage (LRC)			
- Expected incurred claims and other insurance service expenses	**-**	**1,536**	**1,536**
- Change in risk adjustment for non-financial risk for risk expired	**-**	**6**	**6**
- Contractual Service Margin (CSM) recognised for services provided	**-**	**6,046**	**6,046**
- Others	**-**	**-**	**-**
Recovery of insurance acquisition cash flows	**-**	**-**	**-**
Sub-total	**-**	**7,588**	**7,588**
Contracts measured under the PAA	**342,515**	**-**	**342,515**
Management of benefit funds	**-**	**6,793**	**6,793**
Total insurance revenue	**342,515**	**14,381**	**356,896**

	Health insurance contracts issued $'000	Benefit fund insurance contracts issued $'000	Total $'000
Half-year ended 31 December 2022 (restated)			
Contracts not measured under the PAA			
Amounts relating to changes in LRC			
- Expected incurred claims and other insurance service expenses	-	1,371	1,371
- Change in risk adjustment for non-financial risk for risk expired	-	9	9
- CSM recognised for services provided	-	5,630	5,630
- Others	-	11	11
Recovery of insurance acquisition cash flows	-	-	-
Sub-total	-	7,021	7,021
Contracts measured under the PAA	347,906	-	347,906
Management of benefit funds	-	6,555	6,555
Total insurance revenue	347,906	13,576	361,482

5 Other revenue and other income

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

The following is other revenue and other income from continuing operations:

	Half-year	
	2023	2022 Restated
	$'000	$'000
Revenue from services		
Specialist care and home health services, and other fees	**209,993**	164,207
Government grants and subsidies funding aged care, home care services	**130,365**	103,320
Management and performance fees revenue	**47,295**	42,680
Brokerage and commission	**3,652**	3,053
Healthcare services revenue	**25,944**	31,122
	417,249	344,382
Interest income from banking business	**35,359**	23,570
Investment earnings		
Fair value gains, net of impairment loss, on investment property	**4,628**	9,629
Dividends and distributions	**10,321**	7,444
Other interest income	**7,923**	3,583
Loss on investments in financial instruments	**(7,748)**	(3,541)
	15,124	17,115
Other income	**14,435**	11,402
Total other revenue and other income	**482,167**	396,469
Benefit funds other income	**176,098**	42,921

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

5 Other revenue and other income (continued)

Disaggregation of revenue from services for each business segment for the half-year ended 31 December 2023 and reconciliation of other revenue and other income to other revenue from external customers in segment reporting are presented in the below table:

Half-year ended 31 December 2023	Home Health $'000	Retail $'000	Specialist Care $'000	Wealth & Capital Markets $'000	Corporate Functions $'000	Total $'000
Revenue from services						
Specialist care and home health services, and other fees	136,159	-	43,573	42,538	(12,277)	209,993
Government grants and subsidies funding aged care, home care services	74,002	-	56,363	-	-	130,365
Management and performance fees revenue	-	-	-	48,385	(1,090)	47,295
Brokerage and commission	-	1,469	-	2,183	-	3,652
Healthcare services revenue	25,944	-	-	-	-	25,944
	236,105	1,469	99,936	93,106	(13,367)	417,249
Interest income from banking business	-	35,359	-	-	-	35,359
Investment earnings						
Fair value gains, net of impairment loss, on investment property	-	-	-	4,628	-	4,628
Dividends and distributions	-	6,901	-	776	2,644	10,321
Other interest income	2,054	1,010	1,025	1,120	2,714	7,923
Loss on investments in financial instruments	-	(183)	-	(1,218)	(6,347)	(7,748)
	2,054	7,728	1,025	5,306	(989)	15,124
Benefit funds other income	-	-	-	176,098	-	176,098
Other income	2,868	459	1,350	9,325	433	14,435
Other revenue and other income from continuing operations	241,027	45,015	102,311	283,835	(13,923)	658,265
Reconciliation to other revenue from external customers in segment reporting						
Items added to/(excluded from) the segment other revenue						
Dividends and distributions	-	(6,901)	-	(776)	(2,644)	(10,321)
Insurance revenue (note 4)	-	342,515	-	6,793	-	349,308
Other investment income	(2,054)	(827)	(1,025)	98	3,633	(175)
Other	113	(145)	(1)	1,602	14	1,583
Benefit funds other income	-	-	-	(176,098)	-	(176,098)
	(1,941)	334,642	(1,026)	(168,381)	1,003	164,297
Other revenue from external customers in segment reporting	239,086	379,657	101,285	115,454	(12,920)	822,562

5 Other revenue and other income (continued)

Half-year ended 31 December 2022 (restated)	Home Health $'000	Retail $'000	Specialist Care $'000	Wealth & Capital Markets $'000	Corporate Functions $'000	Total $'000
Revenue from services						
Specialist care and home health services, and other fees	109,140	-	35,172	23,424	(3,529)	164,207
Government grants and subsidies funding aged care, home care services	64,726	-	38,594	-	-	103,320
Management and performance fees revenue	-	-	-	43,526	(846)	42,680
Brokerage and commission	-	1,418	-	1,635	-	3,053
Healthcare services revenue	26,764	-	5,401	(1,560)	517	31,122
	200,630	1,418	79,167	67,025	(3,858)	344,382
Interest income from banking business	-	23,570	-	-	-	23,570
Investment earnings						
Fair value gains, net of impairment loss, on investment property	-	-	-	9,629	-	9,629
Dividends and distributions	-	4,895	-	1,020	1,529	7,444
Other interest income	836	914	372	399	1,062	3,583
Gain/(loss) on investments in financial instruments	-	(1,867)	-	(1,994)	320	(3,541)
	836	3,942	372	9,054	2,911	17,115
Benefit funds other income	-	-	-	42,921	-	42,921
Other income	1,480	406	243	8,428	845	11,402
Other revenue and other income from continuing operations	202,946	29,336	79,782	127,428	(102)	439,390
Reconciliation to other revenue from external customers in segment reporting						
Items added to/(excluded from) the segment other revenue						
Dividends and distributions	-	(4,895)	-	(1,020)	(1,529)	(7,444)
Insurance revenue (note 4)	-	347,906	-	6,555	-	354,461
Other investment income	(836)	953	(372)	1,595	(1,382)	(42)
Other	(58)	(273)	(4)	1,778	(205)	1,238
Benefit funds other income	-	-	-	(42,921)	-	(42,921)
	(894)	343,691	(376)	(34,013)	(3,116)	305,292
Other revenue from external customers in segment reporting	202,052	373,027	79,406	93,415	(3,218)	744,682

6 Expenses, excluding finance costs

(a) Expenses and other expenses, excluding finance costs, from continuing operations classified by nature are as follows:

	Half-year	
	2023	2022 Restated
	$'000	$'000
Client care costs	**41,693**	36,085
Commission expense	**8,363**	8,214
Computer and equipment costs	**28,305**	24,894
Depreciation and amortisation expense	**25,362**	26,635
Employee benefits expense	**330,525**	294,488
Expenses of benefit funds	**119,330**	46,283
Fund manager and administration fees	**11,887**	6,897
Health insurance claims expense	**324,518**	283,639
Health insurance claims recoveries - Net Risk Equalisation Special Account	**(55,324)**	(40,665)
Interest expense of banking business	**21,707**	11,163
Legal and professional fees	**20,706**	14,856
Marketing expenses	**8,360**	7,057
Occupancy costs	**11,629**	11,692
Other expenses	**23,093**	21,289
	920,154	752,527
Depreciation and amortisation		
Depreciation of property, plant and equipment	**8,110**	8,118
Depreciation of right-of-use assets	**6,960**	7,431
Amortisation of intangible assets	**10,292**	11,086
	25,362	26,635

(b) Expenses and other expenses, excluding finance costs, from continuing operations identified between insurance service expenses and other expenses are as follows:

Insurance service expenses		
- Health insurance*	**319,845**	319,944
- Management of benefit funds	**1,322**	2,085
- Benefit funds	**7,972**	6,963
	329,139	328,992
Other expenses, excluding finance costs	**479,657**	384,215
Benefit funds other expenses	**111,358**	39,320
	591,015	423,535
	920,154	752,527

* The insurance service fee includes an allocation across expenses in note 6(a).

7 Finance costs

	Half-year	
	2023	2022
	$'000	$'000
Interest and finance charges on borrowings	**11,237**	9,147
Interest on leases and related accounts	**22,897**	15,150
Other finance costs expensed	**34,134**	24,297

8 Total investment income and insurance finance income/(expenses) from insurance contracts issued

The tables below present analysis of the total investment income and insurance finance income/(expenses) recognised in profit and loss in the period:

	Health insurance contracts issued $'000	Benefit fund insurance contracts issued $'000	Total $'000
Half-year ended 31 December 2023			
Insurance finance income/(expenses) from insurance contracts issued recognised in P&L:			
Interest accreted	**-**	**(557)**	**(557)**
Effect of changes in interest rates and other financial assumptions	**-**	**37**	**37**
Effect of changes in fulfillment cash flows (FCFs) at current rate when CSM is unlocked at locked-in rate	**-**	**18**	**18**
Changes in FCFs and CSM of contracts measured applying the Variable Fee Approach (VFA) due to changes in fair value of underlying items	**-**	**(19,154)**	**(19,154)**
	-	**(19,656)**	**(19,656)**
Management of benefit funds	**-**	**(299)**	**(299)**
Total insurance finance income/(expenses) from insurance contracts issued (note 14)	**-**	**(19,955)**	**(19,955)**

	Health insurance contracts issued $'000	Benefit fund insurance contracts issued $'000	Total $'000
Half-year ended 31 December 2022 (restated)			
Insurance finance income/(expenses) from insurance contracts issued recognised in P&L			
Interest accreted	-	(402)	(402)
Effect of changes in interest rates and other financial assumptions	-	876	876
Effect of changes in fulfillment cash flows (FCFs) at current rate when CSM is unlocked at locked-in rate	-	-	-
Changes in FCFs and CSM of contracts measured applying the Variable Fee Approach (VFA) due to changes in fair value of underlying items	-	3,688	3,688
	-	4,162	4,162
Management of benefit funds	-	397	397
Total insurance finance income/(expenses) from insurance contracts issued	-	4,559	4,559

9 Income tax expense

(a) Income tax expense

	Half-year	
	2023	2022 Restated
	$'000	$'000
Current tax	**(19,436)**	(24,974)
Current tax - benefit funds	**(2,300)**	(2,556)
Deferred tax	**3,727**	27,905
Deferred tax - benefit funds	**58,418**	15,073
Adjustments for current tax of prior periods	**8,604**	(1,022)
Adjustments for current tax of prior periods - benefit funds	**(11,418)**	(4,697)
Income tax expense	**37,595**	9,729

	Half-year	
	2023	2022 Restated
	$'000	$'000
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Decrease in deferred tax assets	**38,030**	28,088
Increase in deferred tax liabilities	**24,115**	14,890
	62,145	42,978
Income tax expense/(benefit) is attributable to:		
Profit from continuing operations	**39,863**	10,665
Loss from discontinued operation	**(2,268)**	(936)
	37,595	9,729

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

	Half-year	
	2023	2022 Restated
	$'000	$'000
Profit before income tax from continuing operations	**40,735**	27,873
Less: Profit in benefit funds	**(44,700)**	(7,821)
Profit/(loss) before income tax and benefit funds	**(3,965)**	20,052
Loss before income tax from discontinued operation	**(1,740)**	(3,130)
Profit before income tax for the period	**(5,705)**	16,922
Tax at the Australian tax rate of 30% (2023: 30%)	**(1,712)**	5,076
Non-assessable income	**(9,795)**	(2,890)
Other assessable amounts	**2**	7
Non-deductible expenditures	**3,829**	392
Other deductible expenditures	**(765)**	(660)
Other deferred tax adjustments	**1,336**	(17)
Tax in benefit funds	**44,700**	7,821
Income tax expense	**37,595**	9,729

The income tax results for the six months to 31 December 2023 and the comparative period included favourable non-temporary differences arising from the Group's retirement community loans received from village residents which is non-assessable for tax purposes.

Financial assets and liabilities

10 Financial assets - Cash and cash equivalents

	31 December 2023 $'000	30 June 2023 $'000
Cash at bank and on hand	**25**	25
Bank balances	**166,660**	120,181
Deposits at call	**912,909**	884,051
	1,079,594	1,004,257

The balance of cash and cash equivalents as at 31 December 2023 included the Parent Entity's accounts totalling $168,220,000 (30 June 2023: $122,966,000) and amounts held by benefit funds totalling $366,713,000 (30 June 2023: $349,138,000).

11 Financial assets - Loans and advances

	31 December 2023 $'000	30 June 2023 $'000
Current		
Mortgage loans	**28,934**	28,283
Personal loans	**3,994**	4,317
Provision for impairment	**(7,991)**	(9,025)
Total - current	**24,937**	23,575
Non-current		
Mortgage loans	**1,215,905**	1,121,878
Personal loans	**45,671**	6,382
Advances	**1,143**	1,143
Provision for impairment	**(122)**	(120)
Total - non-current	**1,262,597**	1,129,283
Total loans and advances	**1,287,534**	1,152,858

(a) Mortgage loans

Mortgage loans are provided to customers by the Group's authorised deposit-taking institution, Australian Unity Bank Limited (AUBL). The mortgage loans are secured on real property. These loans mature at various dates up to 30 June 2053 and earn interest at annual interest rates between 1.88% and 9.75% (30 June 2023: between 1.84% and 9.50%).

(b) Personal loans

AUBL also provides personal loans to customers. The personal loans mature at various dates up to 23 June 2030 and earn interest at annual rates between 5.99% and 15.18% (30 June 2023: between 5.99% and 15.18%).

11 Financial assets - Loans and advances (continued)

(c) Provision for impairment

The provision for impairment is related to the mortgage and personal loans above. It is calculated based on an expected credit loss (ECL) model. The provision for impairment totalling to $8.1 million as at 31 December 2023 (30 June 2023: $9.1 million) consisted of $6.2 million on loans in the Stage 1 twelve-month ECL category (30 June 2023: $6.6 million), $1.1 million on loans in the Stage 2 lifetime ECL not credit impaired category (30 June 2023: $1.1 million), and $0.8 million on loans in the Stage 3 lifetime ECL credit impaired category (30 June 2023: $1.4 million).

(d) Past due but not impaired

At 31 December 2023, loans and advances that were past due but not impaired amounted to $32,433,000 (30 June 2023: $34,300,000). These relate to a number of borrowers with no recent history of default.

(e) Fair value

The fair value of current and non-current loans and advances are provided in note 16.

12 Financial assets at fair value through profit or loss

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

	31 December 2023 $'000	30 June 2023 $'000
Securities held by benefit funds	**3,218,489**	2,033,616
Securities held by subsidiaries	**456,436**	363,833
	3,674,925	2,397,449

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

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

	31 December 2023 $'000	30 June 2023 $'000
Equity trusts	**2,433,120**	1,507,999
Fixed interest and other debt security trusts	**675,742**	457,442
Mortgage trusts	**29,616**	27,514
Property syndicates and trusts	**80,011**	40,661
	3,218,489	2,033,616

(b) Securities held by subsidiaries comprise the following:

	31 December 2023 $'000	30 June 2023 $'000
Equity trusts	**25,062**	22,389
Fixed interest and other debt security trusts	**265,031**	225,695
Mortgage trusts	**-**	1
Property syndicates and trusts	**166,343**	115,748
	456,436	363,833

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

(c) Current and non-current split

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

	31 December 2023 $'000	30 June 2023 $'000
Current		
Securities held by benefit funds	**3,198,899**	2,024,518
Securities held by subsidiaries	**301,154**	214,245
	3,500,053	2,238,763
Non-current		
Securities held by benefit funds	**19,590**	9,098
Securities held by subsidiaries	**155,282**	149,588
	174,872	158,686
	3,674,925	2,397,449

13 Financial liabilities - Borrowings

	31 December 2023 $'000	30 June 2023 $'000
Current		
Secured interest bearing liabilities		
Retirement Village Investment Notes	**18,401**	33,210
RBA term funding facilities	**18,389**	18,389
Total secured interest bearing liabilities	**36,790**	51,599
Unsecured interest bearing liabilities		
Series C Australian Unity Bonds		
Face value	**32,116**	-
Unamortised borrowing costs	**(99)**	-
At amortised cost	**32,017**	-
Call deposits	**755,978**	588,289
Loan payable to related entity	**5,100**	5,100
Mortgage offset savings accounts	**170,013**	162,927
Negotiable certificates of deposit	**60,102**	41,521
Term deposits	**398,619**	441,917
Total unsecured interest bearing liabilities	**1,421,829**	1,239,754
Total current borrowings	**1,458,619**	1,291,353

13 Financial liabilities - Borrowings (continued)

	31 December 2023 $'000	30 June 2023 $'000
Non-current		
Secured interest bearing liabilities		
Development finance loan	-	14,048
Retirement Village Investment Notes	-	18,401
Total secured interest bearing liabilities	-	32,449
Unsecured interest bearing liabilities		
Series C Australian Unity Bonds		
Face value	-	115,019
Unamortised borrowing costs	-	(877)
At amortised cost	-	114,142
Series D Australian Unity Bonds		
Face value	**207,000**	207,000
Unamortised borrowing costs	**(1,491)**	(1,463)
At amortised cost	**205,509**	205,537
Series E Australian Unity Bonds		
Face value	**255,805**	-
Unamortised borrowing costs	**(4,844)**	-
At amortised cost	**250,961**	-
Bank loans	**5,319**	-
Term deposits	**11,697**	36,081
Total unsecured interest bearing liabilities	**473,486**	355,760
Total non-current borrowings	**473,486**	388,209
Total borrowings	**1,932,105**	1,679,562

(a) Series C and Series D Australian Unity Bonds

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

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

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

13 Financial liabilities - Borrowings (continued)

(a) Series C and Series D Australian Unity Bonds (continued)

Under the terms of the Series C and Series D Australian Unity Bonds, the Company is required to maintain a Covenant Gearing Ratio of less than 50% as at 30 June and 31 December each year. The Covenant Gearing Ratio represents the aggregate of interest bearing liabilities and guarantees divided by the aggregate of interest bearing liabilities and guarantees plus total equity. The ratio is calculated based on the financial position of the Group, excluding the Group's authorised deposit-taking institution and benefit funds. Interest bearing liabilities and guarantees are further reduced by lease liabilities and the Company's unencumbered cash and cash equivalents. Junior Ranking Obligations, if any, also reduce interest bearing liabilities and guarantees but increase total equity in the calculation. Junior Ranking Obligations represent equity or subordinated debt of the Company which would, in a winding up situation, rank behind the Company's obligations under the Series C and Series D Australian Unity Bonds. The Covenant Gearing Ratio is determined by reference to the accounts prepared on the basis of the Australian Accounting Standards in place as at the date of the Base Prospectus. As at 31 December 2023, the Covenant Gearing Ratio was 30% (30 June 2023: 25%).

In November 2023, a reinvestment offer was made to all eligible holders of Series C Australian Unity Bonds to subscribe for the Series E Australian Unity Bonds issued by the Company on 28 November 2023 (refer to the below note) and fund their subscriptions by selling their Series C Australian Unity Bonds to the Company. As a result of the reinvestment offer, 829,035 Series C Australian Unity Bonds were sold to the Company.

The remaining 321,157 Series C Australian Unity Bonds will be redeemed for cash on their maturity date of 15 December 2024.

(b) Series E Australian Unity Bonds

On 28 November 2023, the Company issued 2,558,050 Series E Australian Unity Bonds - Tranche 1 of $100 each pursuant to the prospectus dated 7 November 2023, raising $255,805,000 in total. Series E Australian Unity Bonds are unsubordinated and unsecured simple corporate bonds that are listed on the Australian Securities Exchange (code: AYUHE). Series E Australian Unity Bonds have a five-year term maturing on 15 December 2028 and bear interest at the three month BBSW rate plus a margin of 2.5% per annum. The interest of Series E Australian Unity Bonds is payable quarterly in arrears on 14 January, 14 April, 14 July and 14 October each year.

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

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

Under the terms of the Series E Australian Unity Bonds, the Company is required to maintain a Covenant Gearing Ratio of less than 50% as at 30 June and 31 December each year. The Covenant Gearing Ratio represents the aggregate of interest bearing liabilities and guarantees divided by the aggregate of interest bearing liabilities and guarantees plus total equity. The ratio is calculated based on the financial position of the Group, excluding the Group's authorised deposit-taking institution and benefit funds. Interest bearing liabilities and guarantees are further reduced by lease liabilities and the Company's unencumbered cash and cash equivalents. Junior Ranking Obligations, if any, also reduce interest bearing liabilities and guarantees but increase total equity in the calculation. Junior Ranking Obligations represent equity or subordinated debt of the Company which would, in a winding up situation, rank behind the Company's obligations under the Series E Australian Unity Bonds. The Covenant Gearing Ratio is determined by reference to the accounts prepared on the basis of the Australian Accounting Standards in place as at the date of the Base Prospectus. As at 31 December 2023, the Covenant Gearing Ratio was 30%.

(c) Development finance loan

Development finance loan reported under current borrowings of $14,048,000 as at 30 June 2023 represented a loan facility for the development of retirement and aged care facilities in Victoria. This loan is secured by the first ranking securities over the respective properties and the refundable accommodation deposits relating to the aged care facilities. The loan bears interest at 5.00% per annum as at 30 June 2023. The amount was repaid during the financial period.

(d) RBA term funding facilities

In the previous financial year, the Reserve Bank of Australia (RBA) offered three-year term funding facilities to authorised deposit-taking institutions (ADI) to reinforce the benefits to the economy with lower cash rates and encourage ADI to support home loan customers during the COVID-19 pandemic. These facilities were provided during the period from April 2020 to June 2021. The total amount of funding the Group had received from the RBA as at 31 December 2023 was $18,389,000 (30 June 2023: $18,389,000) with average interest at 0.15% per annum (2023: 0.10% per annum). These facilities are secured by transfers of financial assets under repurchase agreements.

13 Financial liabilities - Borrowings (continued)

(d) RBA term funding facilities (continued)

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

	31 December 2023 $'000	30 June 2023 $'000
Carrying amount of transferred assets under repurchase agreement	**23,650**	23,650
Carrying amount of associated liabilities	**(18,389)**	(18,389)
Net position	**5,261**	5,261

(e) Retirement Village Investment Notes (RVIN)

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

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

As at 31 December 2023, the total amount of RVIN on issue reported as interest bearing liabilities was $18,401,000 (30 June 2023: $51,611,000).

The following table summarises the details of RVIN:

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

14 Insurance contract policy liabilities

(a) Health insurance contract policy liabilities

Health insurance contracts issued

The following table shows the reconciliation from the opening to the closing balances of the net Liability for Remaining Coverage (LRC) and the Liability for Incurred Claims (LIC):

31 December 2023	LRC		LIC		Total
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
	$'000	$'000	$'000	$'000	$'000
Opening policy liabilities	75,145	4,843	51,238	5,942	137,168
Net opening balance	**75,145**	**4,843**	**51,238**	**5,942**	**137,168**
Changes in the statement of comprehensive income					
Insurance revenue	(342,515)	-	-	-	(342,515)
Insurance service expenses					
Incurred claims and other expenses	-	-	305,759	-	305,759
Changes that relate to future service: losses and reversal of losses on onerous contracts	-	83	-	-	83
Changes that relate to past service: changes to liabilities for incurred claims	-	-	13,716	287	14,003
Insurance service result	**(342,515)**	**83**	**319,475**	**287**	**(22,670)**
Insurance finance income/(expense) from contracts issued	-	-	-	-	-
Sub-total	**(342,515)**	**83**	**319,475**	**287**	**(22,670)**
Cash flows					
Premiums received	312,968	-	-	-	312,968
Claims and other insurance service expenses paid	-	-	(300,465)	-	(300,465)
Total cash flows	**312,968**	**-**	**(300,465)**	**-**	**12,503**
Other movements in the net balance	-	-	(6,725)	-	(6,725)
Closing policy liabilities	45,598	4,926	63,523	6,229	120,276
Net closing balance	**45,598**	**4,926**	**63,523**	**6,229**	**120,276**

14 Insurance contract policy liabilities (continued)

(a) Health insurance contract policy liabilities (continued)

30 June 2023 (restated)	**LRC**		**LIC**		
	Excluding loss component	**Loss component**	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Opening policy liabilities	81,479	3,058	44,268	3,661	132,466
Net opening balance	**81,479**	**3,058**	**44,268**	**3,661**	**132,466**
Changes in the statement of comprehensive income					
Insurance revenue	(690,401)	-	-	-	(690,401)
Insurance service expenses					
Incurred claims and other expenses	-	-	629,081	-	629,081
Changes that relate to future service: losses and reversal of losses on onerous contracts	-	1,785	-	-	1,786
Changes that relate to past service: changes to liabilities for incurred claims	-	-	15,717	2,281	17,997
Insurance service result	**(690,401)**	**1,785**	**644,798**	**2,281**	**(41,537)**
Insurance finance income/(expense) from contracts issued	-	-	-	-	-
Sub-total	**(690,401)**	**1,785**	**644,798**	**2,281**	**(41,537)**
Cash flows					
Premiums received	684,067	-	-	-	684,067
Claims and other insurance service expenses paid	-	-	(639,828)	-	(639,828)
Total cash flows	**684,067**	**-**	**(639,828)**	**-**	**44,239**
Other movements in the net balance	-	-	2,000	-	2,000
Closing policy liabilities	75,145	4,843	51,238	5,942	137,168
Net closing balance	**75,145**	**4,843**	**51,238**	**5,942**	**137,168**

14 Insurance contract policy liabilities (continued)

(b) Benefit fund insurance contract policy liabilities

Insurance contracts issued

(i) The following table shows the reconciliation from the opening to the closing balances of the net Liability for Remaining Coverage (LRC) and the Liability for Incurred Claims (LIC):

	LRC		LIC	
31 December 2023	**Excluding loss component**	**Loss component**		**Total**
	$'000	**$'000**	**$'000**	**$'000**
Opening policy liabilities	753,324	0	9,296	762,620
Net opening balance	**753,324**	**-**	**9,296**	**762,620**
Policy liabilities acquired on business combination	**138,959**	**0**	**0**	**138,959**
Changes in the statement of comprehensive income				
Insurance revenue				
Contracts under the fair value transition approach	0	0	0	-
Other contracts	(7,526)	0	0	(7,526)
Insurance service expenses				
Incurred claims and other expenses	1,570	0	438	2,008
Adjustments to LIC	0	0	432	432
Losses and reversalsof losses on onerous contracts	0	0	0	-
Insurance service result	**(5,956)**	**-**	**870**	**(5,086)**
Insurance finance income/(expense) from contracts issued	19,955	0	0	19,955
Sub-total	**13,999**	**-**	**870**	**14,869**
Investment components excluded from insurance revenue and insurance service expenses	(37,216)	0	37,216	-
Cash flows				
Premiums received (including investment components)	21,304	0	0	21,304
Insurance acquisition cash flows paid	0	0	0	-
Claims and other insurance service expenses paid(excluding investment components)	(1,570)	0	(37,654)	(39,224)
Total cash flows	**19,734**	**-**	**(37,654)**	**(17,920)**
Closing policy liabilities	888,800	-	9,728	898,528
Net closing balance	**888,800**	**-**	**9,728**	**898,528**

14 Insurance contract policy liabilities (continued)

(b) Benefit fund insurance contract policy liabilities (continued)

30 June 2023 (restated)	LRC Excluding loss component	LRC Loss component	LIC	Total
	$'000	$'000	$'000	$'000
Opening policy liabilities	791,832	0	8,520	800,352
Net opening balance	**791,832**	**-**	**8,520**	**800,352**
Changes in the statement of comprehensive income				
Insurance revenue				
Contracts under the fair value transition approach	0	0	0	-
Other contracts	(14,471)	0	0	(14,471)
Insurance service expenses				
Incurred claims and other expenses	2,858	0	924	3,782
Adjustments to LIC	0	0	777	777
Losses and reversalsof losses on onerous contracts	0	0	0	-
Insurance service result	**(11,613)**	**-**	**1,701**	**(9,912)**
Insurance finance income/(expense) from contracts issued	12,478	0	0	12,478
Sub-total	**865**	**-**	**1,701**	**2,566**
Investment components excluded from insurance revenue and insurance service expenses	(75,510)	0	75,510	-
Cash flows				
Premiums received (including investment components)	38,995	0	0	38,995
Insurance acquisition cash flows paid	0	0	0	-
Claims and other insurance service expenses paid(excluding investment components)	(2,858)	0	(76,435)	(79,293)
Total cash flows	**36,137**	**-**	**(76,435)**	**(40,298)**
Closing policy liabilities	753,324	0	9,296	762,620
Net closing balance	**753,324**	**-**	**9,296**	**762,620**

14 Insurance contract policy liabilities (continued)

(b) Benefit fund insurance contract policy liabilities (continued)

(ii) The following table shows the reconciliation from the opening to the closing balances of the net insurance contract liability analysed by components:

31 December 2023	Estmate of present value of future cash flows	Risk adjustment for non-financial risk	Contract Service Margin (CSM) Contacts under fair value approach	Total
	$'000	$'000	$'000	$'000
Opening policy liabilities	758,671	310	3,639	762,620
Net opening balance	**758,671**	**310**	**3,639**	**762,620**
Policy liabilities acquired on business combination	**138,959**	**0**	**0**	**138,959**
Changes in the statement of comprehensive income				
Changes that relate to current service				
CSM recognised forservices provided	(4,417)	0	(6,099)	(10,516)
Adjustments to loss recovery component	0	(8)	0	(8)
Experience adjustments	(1,039)	0	6,045	5,006
	(5,456)	(8)	(54)	(5,518)
Changes that relate to future service				
Changes in estimates that adjust the CSM	467	11	(478)	-
Changes that relate to past services				
Adjustments to LIC	432	0	0	432
Insurance service result	**(4,557)**	**3**	**(532)**	**(5,086)**
Insurance finance income/(expense) from contracts issued	19,597	0	358	19,955
Sub-total	**15,040**	**3**	**(174)**	**14,869**
Cash flows				
Premiums received (including investment components)	21,304	0	0	21,304
Insurance acquisition cash flows	0	0	0	-
Claims and other insurance service expenses paid(excluding investment components)	(39,224)	0	0	(39,224)
Total cash flows	**(17,920)**	**-**	**-**	**(17,920)**
Closing policy liabilities	894,750	313	3,465	898,528
Net closing balance	**894,750**	**313**	**3,465**	**898,528**

14 Insurance contract policy liabilities (continued)

(b) Benefit fund insurance contract policy liabilities (continued)

30 June 2023 (restated)	Estmate of present value of future cash flows	Risk adjustment for non-financial risk	Contract Service Margin (CSM) Contacts under fair value approach	Total
	$'000	$'000	$'000	$'000
Opening policy liabilities	795,986	339	4,027	800,352
Net opening balance	**795,986**	**339**	**4,027**	**800,352**
Changes in the statement of comprehensive income				
Changes that relate to current service				
CSM recognised forservices provided	(8,761)	0	(11,756)	(20,517)
Adjustments to loss recovery component	0	(20)	0	(20)
Experience adjustments	(1,772)	0	11,620	9,848
	(10,533)	(20)	(136)	(10,689)
Changes that relate to future service				
Changes in estimates that adjust the CSM	220	(9)	(211)	-
Changes that relate to past services				
Adjustments to LIC	777	0	0	777
Insurance service result	**(9,536)**	**(29)**	**(347)**	**(9,912)**
Insurance finance income/(expense) from contracts issued	12,519	0	(41)	12,478
Sub-total	**2,983**	**(29)**	**(388)**	**2,566**
Cash flows				
Premiums received (including investment components)	38,995	0	0	38,995
Insurance acquisition cash flows	0	0	0	-
Claims and other insurance service expenses paid(excluding investment components)	(79,293)	0	0	(79,293)
Total cash flows	**(40,298)**	**-**	**-**	**(40,298)**
Closing policy liabilities	758,671	310	3,639	762,620
Net closing balance	**758,671**	**310**	**3,639**	**762,620**

15 Other current liabilities

	31 December 2023 $'000	30 June 2023 Restated $'000
Financial liabilities		
Refundable accommodation deposits	**510,573**	469,848
Resident loan liabilities	**1,392,012**	1,320,698
	1,902,585	1,790,546
Non-financial liabilities		
Unearned income	**107,822**	53,724
Other	**15,084**	16,219
	122,906	69,943
Total other current liabilities	**2,025,491**	1,860,489

(a) Unearned income

Unearned income represents government subsidies not yet recognised in the profit or loss.

(b) Refundable accommodation deposits

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

(c) Resident loan liabilities

Resident loan liabilities relate to residents who occupy the retirement villages (refer to investment properties in note 17). These liabilities represent the estimated amount owing to the residents, comprising the initial ingoing contribution plus residents' share of capital gains less accrued deferred management and other fees. Resident loan liabilities are repayable at the earlier of a subsequent resident leasing the unit or a maximum repayment date. The maximum repayment date can vary between agreements.

(d) Fair value

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

16 Fair value measurements

(a) Recognised fair value measurements

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

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

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2023.

(i) Fair value hierarchy

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

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,

16 Fair value measurements (continued)

(a) Recognised fair value measurements (continued)

(i) Fair value hierarchy (continued)

- level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly, and
- level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's financial assets and liabilities measured and recognised at fair value at 31 December 2023 and 30 June 2023 on a recurring basis:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2023				
Recurring fair value measurement				
Financial assets				
Financial assets at fair value through profit or loss				
Equity trusts	**3,287**	**2,454,896**	**-**	**2,458,183**
Fixed interest and other debt security trusts	**-**	**940,771**	**-**	**940,771**
Mortgage trusts	**-**	**29,616**	**-**	**29,616**
Property syndicates and trusts	**26,923**	**219,432**	**-**	**246,355**
Interest rate swaps	**-**	**19,353**	**-**	**19,353**
Other financial assets	**-**	**-**	**6,926**	**6,926**
Total financial assets	**30,210**	**3,664,068**	**6,926**	**3,701,204**
Non-financial assets				
Investment properties	**-**	**-**	**2,113,557**	**2,113,557**
Total non-financial assets	**-**	**-**	**2,113,557**	**2,113,557**
Financial liabilities				
Life investment contract policy liabilities	**-**	**2,757,436**	**-**	**2,757,436**
Resident loan liabilities	**-**	**-**	**1,392,012**	**1,392,012**
Total financial liabilities	**-**	**2,757,436**	**1,392,012**	**4,149,448**

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2023				
Recurring fair value measurement				
Financial assets				
Financial assets at fair value through profit or loss				
Equity trusts	7,983	1,522,405	-	1,530,388
Fixed interest and other debt security trusts	-	683,137	-	683,137
Mortgage trusts	-	27,515	-	27,515
Property syndicates and trusts	13,181	143,228	-	156,409
Interest rate swaps	-	29,402	-	29,402
Other financial assets	-	-	6,893	6,893
Total financial assets	21,164	2,405,687	6,893	2,433,744
Non-financial assets				
Investment properties	-	-	2,024,336	2,024,336
Total non-financial assets	-	-	2,024,336	2,024,336
Financial liabilities				
Life investment contract policy liabilities	-	1,718,396	-	1,718,396
Resident loan liabilities	-	-	1,320,698	1,320,698
Total financial liabilities	-	1,718,396	1,320,698	3,039,094

16 Fair value measurements (continued)

(a) Recognised fair value measurements (continued)

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

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

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

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent valuations. The directors determine a property's value using a reasonable fair value estimate as applicable to each type of investment property. Retirement village development sites are recognised at fair value, while other development sites are recognised at cost.

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

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

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

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

16 Fair value measurements (continued)

(a) Recognised fair value measurements (continued)

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

The following table presents the changes in level 3 assets for the half-year ended 31 December 2023:

	Other financial assets $'000	Investment properties $'000	Total $'000
Opening balance 1 July 2022	6,963	1,904,376	1,911,339
Additions	-	143,372	143,372
Commercial property rent received in advance movements	-	1,066	1,066
Retirement living properties sold	-	(49,813)	(49,813)
Transfers to property, plant and equipment	-	(11,722)	(11,722)
Gains/(losses) recognised in other income*	(70)	37,057	36,987
Closing balance 30 June 2023	6,893	2,024,336	2,031,229
Opening balance 1 July 2023	**6,893**	**2,024,336**	**2,031,229**
Additions	**-**	**108,129**	**108,129**
Commercial property rent received in advance movements	**-**	**533**	**533**
Retirement living properties sold	**-**	**(24,069)**	**(24,069)**
Gains/(losses) recognised in other income*	**-**	**4,628**	**4,628**
Closing balance 31 December 2023	**6,893**	**2,113,557**	**2,120,450**
*Included in the gains/(losses) recognised in other income:			
Unrealised gains/(losses) recognised in the profit or loss attributable to assets held at the end of the financial period	**-**	**4,628**	**4,628**

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

Description	Fair value at 31 December 2023 $'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Investment properties, excluding non-retirement village development sites	$1,933,210	Discount rate	12.75% - 14.0%	Increase/decrease in discount rate by +/- 50 basis points changes the fair value by -$26.2 million/+$28.9 million.
		Property growth rate	2.0% - 4.0%	Increase/decrease in property growth rate by +/- 50 basis points would change the fair value by +$48.3 million/ -$43.8 million.
		Average length of residents' stay	6-8 years for serviced apartments, 5-16 years for other independent living units	The higher the average length of stay, the lower the fair value.

16 Fair value measurements (continued)

(a) Recognised fair value measurements (continued)

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

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

(b) Disclosed fair values

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

	31 December 2023		30 June 2023	
	Amortised cost $'000	**Fair value $'000**	Amortised cost $'000	Fair value $'000
Current and non-current assets				
Mortgage loans	**1,236,726**	**1,236,596**	1,141,016	1,140,539
Advances	**1,143**	**889**	1,143	916
	1,237,869	**1,237,485**	1,142,159	1,141,455
Current and non-current liabilities				
Australian Unity Bonds	**488,487**	**500,989**	319,679	321,789
Bank loans	**5,319**	**5,116**	14,048	13,704
RBA funding facilities	**18,389**	**18,389**	18,389	18,389
Retirement Village Investment Notes	**18,401**	**18,062**	51,611	50,086
Term deposits	**410,316**	**409,914**	477,998	476,622
	940,912	**952,470**	881,725	880,590

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

Non-financial assets and liabilities

17 Non-financial assets - Investment properties

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

	31 December 2023 $'000	30 June 2023 $'000
Retirement village independent living units	**1,778,831**	1,734,892
Development sites - retirement village independent living units	**154,379**	143,848
Development sites - Herston Quarter	**177,666**	143,448
Commercial property	**40,897**	40,897
Commercial property rent received in advance*	**(38,216)**	(38,749)
	2,113,557	2,024,336

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

(a) Movements of investment properties

	31 December 2023 $'000	30 June 2023 $'000
At fair value		
Balance at the beginning of the period	**2,024,336**	1,904,376
Additions	**108,129**	143,372
Commercial property rent received in advance movements	**533**	1,066
Retirement living properties sold	**(24,069)**	(49,813)
Net fair value movements	**4,628**	37,057
Transfers to property, plant and equipment	**-**	(11,722)
Balance at the end of the period	**2,113,557**	2,024,336

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

	Half-year	
	2023 $'000	2022 $'000
Revenue	**46,500**	30,306
Expenses	**(33,427)**	(19,615)
Changes in fair value recognised in profit or loss	**4,628**	9,629
	17,701	20,320

18 Non-financial liabilities - Provisions

	31 December 2023 $'000	30 June 2023 $'000
Current provisions		
Employee benefits provision	**58,301**	58,757
Self insurance provision	**6,353**	6,160
Other provisions	**7,714**	8,075
	72,368	72,992

19 Mutual Capital Instruments

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

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

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

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

During the first six months of the 2024 financial year, the Company paid a fully franked dividend of $2.5068 (2023: $2.5068) per Australian Unity MCI totalling to $8,608,352 (2023: $8,608,352).

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

Group structure

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

20 Business combination

Acquisition of IOOF Limited

On 31 October 2023, the Group completed its acquisition of all the shares of friendly society IOOF Ltd and its approximately $1.1 billion investment bond business from the Insignia Financial group. The purchase price paid was $41 million in cash upon completion, with an additional contingent amount of up to $4 million payable 12 months after completion, subject to the transition of clients and funds under management.

The acquisition is in line with the Group's strategic priority to provide innovative products and services that meet the health and financial wellbeing needs of our members and customers and will further strengthen our position as the market leader in investment bonds, with a customer base of more than 175,000 and estimated funds under management of more than $3.5 billion.

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

	$'000
Purchase consideration	
Cash payments paid or payable	41,092
Contingent amount payable	4,000
Total	45,092
Net assets acquired based on the provisional fair value at the date of acquisition:	
Cash and cash equivalents	5,382
Trade and other receivables	3,728
Other assets	8,316
Trade and other payables	(252)
Other liabilities	(12)
	17,162
Identifiable intangible assets and goodwill on acquisition	27,930
	45,092

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

Cash flows in relation to the business acquisition consist of payments for the acquisition price of $45,092,000 consists of $5,092,000 paid subsequent to year end and costs directly related to the acquisition of $1,348,000, less cash acquired of $5,382,000. There are no cashflows that are not expected to be collected from acquired receivables. Acquisition-related costs totalling $610,000 were expensed in prior years and $739,000 was expensed in the half-year ended 31 December 2023. These acquisition-related costs are recognised in the other expenses, excluding finance costs caption on the consolidated statement of comprehensive income. The acquired business is in the process of integration to the Group's Wealth & Capital Markets business platform. It has contributed revenue of $1,293,000 and net profit of $814,000 for the half year ended 31 December 2023. If the acquisition had occurred on 1 July 2023, contributed revenue and net profit for the half-year ended 31 December 2023 would have been $4,456,000 and $2,212,000 respectively. At the date of this report, the measurement of the acquisition-date fair value of the acquired assets and liabilities, and the determination of identifiable intangible assets and goodwill arising from the acquisition, have not been finalised. The accounting for the business combination will be finalised within 12 months of the purchase.

21 Sale of Wealth Advice Services business

(a) Description

On 30 November 2023, the Group sold all of its shares in Australian Unity Personal Financial Services Limited and PFS Investment Management Pty Ltd, the wholly-owned subsidiaries operating the Group's Wealth Advice Services business, for $22,548,000. The sale is reported in the current period as a discontinued operation. 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 financial performance and cash flow information presented are for the five months ended 30 November 2023 and the half year ended 31 December 2022.

	2023 (five months) $'000	2022 (six months) $'000
Revenue and other income	**34,294**	40,459
Expenses, excluding finance costs	**(35,437)**	(43,367)
Finance costs	**(126)**	(222)
Loss before income tax	**(1,269)**	(3,130)
Income tax benefit	**381**	936
Loss after income tax of Wealth Advice Services business	**(888)**	(2,194)
Gain on sale of Wealth Advice Services business after income tax	**1,416**	-
Profit/(loss) from discontinued operation	**528**	(2,194)
Net cash outflow from operating activities	**(3,739)**	(4,529)
Net cash inflow from the sale of Wealth Advice Services business	**9,605**	-
Net cash inflow from financing activities	**1,030**	4,250
Net increase/(decrease) in cash generated by Wealth Advice Services business	**6,896**	(279)

(c) Detail of the sale of Wealth Advice Services business

	$'000
Cash consideration	**12,008**
Fair value of deferred consideration	**2,500**
Fair value of contingent consideration	**8,040**
Total consideration	**22,548**
Carrying amount of net assets sold and incremental costs directly related to the sale	**(23,019)**
Loss on sale before income tax	**(471)**
Income tax benefit	**1,887**
Gain on sale of Wealth Advice Services business after income tax	**1,416**

21 Sale of Wealth Advice Services business (continued)

(d) Carrying amount of net assets disposed of

	30 November 2023 $'000
Assets	
Cash and cash equivalents	**1,431**
Trade and other receivables	**6,292**
Intangible assets	**18,816**
Total assets	**26,539**
Liabilities	
Trade and other payables	**4,492**
Total liabilities	**4,492**
Net assets	**22,047**

Unrecognised items

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

22 Commitments

Capital commitments

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

	31 December 2023 $'000	30 June 2023 $'000
Financial assets at fair value through profit or loss		
Within one year	**4,068**	5,068
	4,068	5,068
Investment properties		
Within one year	**42,889**	58,951
Later than one year but not later than five years	**10,317**	6,149
	53,206	65,100
Total capital commitments	**57,274**	70,168

The Group is engaged in a social infrastructure development project in Brisbane, Queensland, being the Herston Quarter Redevelopment Project which is developed and operated by Herston Development Company Pty Ltd (HDC - a wholly-owned subsidiary of the Group).

In addition to the Group's capital commitments, HDC has also committed to deliver various contractual milestones for each stage of the project under the overarching Development Agreement between HDC and the Metro North Hospital and Health Service. The major milestones are anticipated to be completed within the next four years with capital expenditure in the range of $54 million.

23 Contingencies

Contingent liabilities

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

Guarantees

The Group has entered into bank guarantee arrangements totalling $111,277,000 as at 31 December 2023 (30 June 2023: $97,409,000) as part of its normal operations and under business transfer arrangements in order to secure the Group's performance under contracts. The bank guarantees only become payable upon the non-performance of the Group.

The Group had no other contingent assets or liabilities at 31 December 2023.

24 Events occurring after the reporting period

MCI dividend
On 28 February 2024, the Board of Australian Unity Limited has determined an interim fully franked dividend of $2.5068 per Australian Unity Mutual Capital Instrument, totalling $8,608,521, to be paid on 15 April 2024. The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2023 and will be recognised in subsequent financial reports.

Acquisition of myHomecare
On 20 February 2024, the Company announced that it had entered into an agreement to purchase the myHomecare Group (MHC). MHC is a national provider of in-home care and home support services, employing over 1,000 people and serving approximately 20,000 customers. MHC operates in complementary as well as additional geographies to the Group's existing Home Health operations, to which MHC will become part, enabling Australian Unity to deepen its home care offering. The merged business will serve more than 50,000 customers, employ over 6,000 people and provide full continuum of care services.

Under the agreement, the Group has agreed to pay $285.0 million for MHC, on a debt and cash free basis, with an initial sum of $215.0 million to be paid on completion and the balance to be paid progressively over an 18 month period following completion. The Group intends to fund the acquisition through its current bank facilities and existing funds, which include proceeds from the recent issue of Australian Unity simple corporate bonds. Completion of the acquisition is subject to clearance from the ACCC and certain other conditions.

The board is not aware of any other matter or circumstance arising since 31 December 2023 which has significantly affected or may significantly affect the financial status or results of the Group and which has not been separately disclosed in this report.

Other information

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

25 Related party transactions

(a) Transactions and balances with related parties

Transactions between the Group and related parties for the half-years ended 31 December 2023 and 2022 were as follows:

- Property development management fees charged to related entities, $7,298,737 (2022: $117,814).

25 Related party transactions (continued)

(a) Transactions and balances with related parties (continued)

- Fees charged by related entities for the construction of aged care and retirement village properties, $16,900,000 (2022: $nil).
- Investment management fees charged to joint ventures, $nil (2022: charged to joint ventures $1,554,745).
- Commission, director fees and other costs charged to joint ventures, $nil (2022: charged to joint ventures $163,956).
- Investment income from related entities, $175,473 (2022: investment income $84,444).

Balances with related parties as at 31 December 2023 with comparative amounts as at 30 June 2023 were as follows:

	31 December 2023 $	30 June 2023 $
Assets		
Cash and cash equivalents	**659,106,472**	646,859,572
Trade and other receivables	**340,907**	759,049
Financial assets at fair value through profit or loss	**447,920,977**	374,542,047
	1,107,368,356	1,022,160,668
Liabilities		
Trade and other payables	**-**	208,105
Loans payable to related entities	**5,100,000**	5,100,000
	5,100,000	5,308,105

(b) Terms and conditions

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

In the opinion of the directors of Australian Unity Limited (Parent entity or Company):

(a) The condensed interim financial statements and notes set out on pages 9 to 61, are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's financial position as at 31 December 2023 and of its performance for the six month period ended on that date.

  (ii) complying with Australian Accounting Standards as it relates to AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and

(b) There are reasonable grounds to believe that the Parent entity will be able to pay its debts as and when they become due and payable.

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

Lisa Chung
Chair

Rohan Mead
Group Managing Director & CEO

Melbourne
28 February 2024

Independent Auditor's Review Report

To the members of Australian Unity Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying ***Condensed Interim Financial Report*** of Australian Unity Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Interim Financial Report of Australian Unity Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2023 and of its performance for the Interim Period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Condensed Interim Financial Report*** comprises:

- Condensed Consolidated balance sheet as at 31 December 2023
- Condensed Consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Interim Period ended on that date
- Notes 1 to 25 including selected explanatory notes
- The Directors' Declaration.

The ***Group*** comprises Australian Unity Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The ***Interim Period*** is the six months ended on 31 December 2023.

Basis for Conclusion

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

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

Responsibilities of the Directors for the Condensed Interim Financial Report

The Directors of the Group are responsible for:

- The preparation of the Condensed Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- Such internal control as the Directors determine is necessary to enable the preparation of the Condensed Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Condensed Interim Financial Report

Our responsibility is to express a conclusion on the Condensed Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Condensed Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Chris Wooden

Partner

Melbourne

28 February 2024