

Australian Unity Future of Healthcare Fund

Annual report

For the year ended 30 June 2023

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Directors' report

The directors of Australian Unity Funds Management Limited (ABN 60 071 497 115), the Trustee of Australian Unity Future of Healthcare Fund ("FOHF"), present their report together with the consolidated financial statements of FOHF (the "Stapled Fund") consisting of the stapled entities, Australian Unity Future of Healthcare Fund No. 1 ("FOHF No.1") and Australian Unity Future of Healthcare Fund No. 2 ("FOHF No. 2") for the year ended 30 June 2023.

Directors

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

Rohan Mead, Chairman and Group Managing Director
 Esther Kerr-Smith, Chief Executive Officer, Wealth & Capital Markets
 Darren Mann, Group Executive Finance & Strategy and Chief Financial Officer

Principal activities

The Stapled Fund aims to generate long term capital growth from providing strategic capital investment to address key issues of an ageing population, rise of chronic disease, disability, mental health and wellbeing and shortage of social and medical infrastructure in Australia.

The Stapled Fund has three primary allocations that are aligned with the Stapled Fund's investment objective:

- Venture capital and private equity, predominantly growth investments in revenue generating Australian businesses;
- Social infrastructure and health related real estate, as well as retirement, independent living and aged care; and
- Listed equities, investments in domestic and international companies.

As at 30 June 2023, the Stapled Fund did not hold any direct real estate or social infrastructure.

Review and results of operations

For the year ended 30 June 2023 (2022), the Stapled Fund's:

- Ordinary units posted a total return of 19.87%, split between a distribution return of 1.99% and a growth return of 17.88% (2022: -15.65%)*
- Class A units posted a total return 19.57%, split between a distribution return of 1.99% and a growth return of 17.58% (2022: -15.72%)*
- Wholesale units posted a total return 19.39%, split between a distribution return of 1.98% and a growth return of 17.41% (2022: -15.18%)*

Unit prices (ex distribution) as at 30 June 2023 (2022) are as follows:

Ordinary units \$1.0472 (\$0.8884)*

Class A units \$1.0369 (\$0.8818)*

Wholesale units \$1.0349 (\$0.8815)*

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

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

	2023	2022
	\$'000	\$'000
Profit/(loss) before finance costs attributable to unitholders	<u>9,923</u>	<u>(8,873)</u>
<i>Distributions</i>		
Distributions paid and payable	<u>1,040</u>	<u>-</u>

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of the affairs of the Stapled Fund that occurred during the year, except those mentioned elsewhere in the report.

Events occurring after end of the year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the operations of the Stapled Fund, the results of operations, or the state of the Stapled Fund's affairs in future reporting periods, except those mentioned elsewhere in the report.

Directors' report (continued)

Likely developments and expected results of operations

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

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

Indemnification and insurance of officers and auditors

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

Fees paid to and interests held in the Stapled Fund by the Trustee or its associates

Fees paid to the Trustee and its associates out of Stapled Fund property during the year are disclosed in Note 14 to the consolidated financial statements.

No fees were paid out of Stapled Fund property to the directors of the Trustee during the year.

The number of interests in the Stapled Fund held by the Trustee or its associates as at the end of the year are disclosed in Note 14 to the consolidated financial statements.

Units in the Stapled Fund

The movement in units on issue in the Stapled Fund during the year are disclosed in Note 5 to the consolidated financial statements.

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

Environmental regulation

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

Rounding of amounts

Amounts in the directors' report have been rounded to the nearest thousand dollars, where indicated.

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



Rohan Mead
Director



Darren Mann
Director

22 September 2023

Consolidated statement of comprehensive income

	Notes	2023 \$'000	2022 \$'000
Investment income			
Interest income from financial assets at amortised cost		219	-
Dividend income		376	182
Net foreign exchange (loss)/gain		(3)	3
Net gains/(losses) on financial instruments at fair value through profit or loss		<u>10,190</u>	<u>(8,166)</u>
Total investment income/(loss)		<u>10,782</u>	<u>(7,981)</u>
Expenses			
Trustee's fees	14	525	698
Interest expense		-	117
Transaction and operating costs		<u>86</u>	<u>93</u>
Total expenses		<u>611</u>	<u>908</u>
Profit/(loss) before income tax		<u>10,171</u>	<u>(8,889)</u>
Income tax (expense)/benefit	3	<u>(248)</u>	<u>16</u>
Profit/(loss) before finance costs attributable to unitholders		<u>9,923</u>	<u>(8,873)</u>
Profit/(loss) before finance costs attributable to unitholders of			
FOHF No.1		9,396	(8,786)
FOHF No.2		527	(87)
Finance costs attributable to unitholders			
Distributions to unitholders	6	(1,040)	-
(Increase)/decrease in net assets attributable to unitholders	5	<u>(8,883)</u>	<u>8,873</u>
Total comprehensive income attributable to unitholders		<u>-</u>	<u>-</u>
Total comprehensive income attributable to unitholders of			
FOHF No.1		-	-
FOHF No.2		<u>-</u>	<u>-</u>

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

Consolidated statement of financial position

	Notes	2023 \$'000	2022 \$'000
Assets			
Cash and cash equivalents	7	5,846	10,437
Receivables	12	109	39
Financial assets at fair value through profit or loss	8	56,699	41,853
Deferred tax assets	3	-	31
Total assets		62,654	52,360
Liabilities			
Distributions payable	6	1,040	-
Payables	13	39	3,547
Financial liabilities at fair value through profit or loss	9	-	5
Provision for current income tax	3	5	-
Deferred tax liability	3	213	-
Total liabilities (excluding net assets attributable to unitholders)		1,297	3,552
Net assets attributable to unitholders - liability	5	61,357	48,808

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

Australian Unity Future of Healthcare Fund
Consolidated statement of changes in net assets attributable to unitholders - liability
For the year ended 30 June 2023

Consolidated statement of changes in net assets attributable to unitholders - liability

	2023 \$'000	2022 \$'000
Balance at the beginning of the year	48,808	50,521
Profit/(loss) before finance costs attributable to unitholders	9,923	(8,873)
Distributions to unitholders	(1,040)	-
Applications	<u>3,666</u>	<u>7,160</u>
Balance at the end of the year	<u>61,357</u>	<u>48,808</u>

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

Consolidated statement of cash flows

	Notes	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		21,204	15,659
Payments for purchase of financial instruments at fair value through profit or loss		(29,361)	(31,827)
Interest received from financial assets at amortised cost		198	-
Dividends received		335	167
Interest expense paid		-	(119)
GST received		27	-
Other income received		-	10
Trustee's fees paid		(563)	(836)
Transaction costs paid		(8)	8
Other expenses paid		(86)	(101)
Net cash outflows from operating activities	15(a)	<u>(8,254)</u>	<u>(17,039)</u>
Cash flows from financing activities			
Proceeds from applications by unitholders		<u>3,666</u>	<u>7,260</u>
Net cash inflows from financing activities		<u>3,666</u>	<u>7,260</u>
Net decrease in cash and cash equivalents		<u>(4,588)</u>	<u>(9,779)</u>
Cash and cash equivalents at the beginning of the year		10,437	20,213
Effect of foreign currency exchange rate changes on cash and cash equivalents		(3)	3
Cash and cash equivalents at the end of the year		<u>5,846</u>	<u>10,437</u>
Non-cash operating and financing activities	15(b)	<u>-</u>	<u>-</u>

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

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1 General information

These consolidated financial statements cover Australian Unity Future of Healthcare Fund (the "Stapled Fund") as the consolidated entity consisting of Australian Unity Future of Healthcare Fund No.1 ("FOHF No.1") and Australian Unity Future of Healthcare Fund No. 2 ("FOHF No.2"). The Stapled Fund was seeded on 16 November 2020.

FOHF No.1 was established by Trust Deed dated 07 October 2020. FOHF No.1 will terminate in accordance with the provisions of FOHF No.1's Trust Deed.

FOHF No.2 was established by Trust Deed dated 07 October 2020. FOHF No.2 will terminate in accordance with the provisions of FOHF No. 2's Trust Deed

The Trustee of the Stapled Fund is Australian Unity Funds Management Limited (ABN 60 071 497 115) (the "Trustee"), a wholly owned subsidiary of Australian Unity Limited (ABN 23 087 648 888). The Trustee's registered office is Level 15, 271 Spring Street, Melbourne, VIC 3000.

The Trustee is incorporated and domiciled in Australia.

The consolidated financial statements are for the financial year 1 July 2022 to 30 June 2023.

The consolidated financial statements were authorised for issue by the directors of the Trustee on 22 September 2023. The directors of the Trustee have the power to amend and reissue the consolidated financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) to satisfy the requirements of FOHF No.1 and FOHF No.2's Trust Deed.

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

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

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

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

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

These financial statements are presented in the local currency being Australian dollars.

(ii) New accounting standards and amendments adopted by the Stapled Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

(iii) New accounting standards, amendments and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for 30 June 2023 reporting period and have not yet been applied in the financial statements. None of these are expected to have a material effect on the consolidated financial statements of the Stapled Fund.

2 Summary of significant accounting policies (continued)

(b) Principles of consolidation

The Stapled Fund presents consolidated financial statements in accordance with *AASB 10 Consolidated Financial Statements* which allows issuers of stapled entities to present consolidated financial statements. The Stapled Fund comprises of FOHF No. 1 and FOHF No. 2. The units in FOHF No. 1 are stapled to the units in FOHF No. 2. The two entities comprising the Stapled Fund remain separate legal entities in accordance with the *Corporations Act 2001* and are each required to comply with the reporting and disclosure requirements of Accounting Standards and the *Corporations Act 2001*.

Stapling arrangements are treated as a business combination by contract alone since none of the stapled entities (as opposed to their unitholders) obtained an ownership interest in another stapled entity.

Under *AASB 3 Business Combinations* and *AASB 10 Consolidated Financial Statements*, one of the stapled entities of a stapled structure is to be identified as the parent entity for the purpose of preparing a consolidated annual financial report. In accordance with this requirement, FOHF No. 1 has been identified as the parent entity.

The results of FOHF No. 2 has been treated and disclosed as non-controlling interests in the consolidated financial statements of the Stapled Fund. Whilst the results of FOHF No. 2 is disclosed as non-controlling interests, the stapled unitholders of FOHF No. 1 are the same as the stapled unitholders of FOHF No. 2.

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by the Stapled Fund as at 30 June 2022 and their results for the year then ended. The Stapled Fund and its subsidiaries together are referred to in this financial report as the consolidated entity. Subsidiaries are those entities over which the Stapled Fund is exposed, or has rights, to variable returns from the involvement with the controlled entities and the ability to affect those returns through its powers over the entities. Subsidiaries are fully consolidated from the date on which control is transferred to the Stapled Fund. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains and transactions between the Stapled Fund entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of asset transferred. Accounting policies of the Stapled Fund entities have been changed where necessary to ensure consistency with the policies adopted by the Stapled Fund.

(c) Financial instruments

(i) Classification

The classification depends on the Stapled Fund's business model for managing the financial instruments and the contractual terms of the relevant cash flows. The Stapled Fund classifies its consolidated financial statements into the following measurement categories:

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

The Stapled Fund's investments are classified as held at fair value through profit or loss. These may include investments in listed equities, listed unit trusts, unlisted unit trusts and other unlisted trusts and private equity.

Financial assets and financial liabilities designated at fair value through profit or loss are those that are managed and their performance evaluated on a fair value basis in accordance with the Stapled Fund's documented investment strategy. The Stapled Fund's policy is for the Trustee to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

The information on the fair value basis is provided internally to the Stapled Fund's key management personnel. In addition, the designation of financial assets and financial liabilities at fair value through profit or loss will reduce any measurement or recognition inconsistencies and any accounting mismatch that would otherwise arise.

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Stapled Fund's business model's objective. Consequently, the debt securities are measured at fair value through profit or loss.

- *Amortised cost*

A financial asset is measured at amortised cost only if both of the following conditions are met. These may include cash and cash equivalents.

- (a) it is held within a business model which objective is to hold assets in order to collect contractual cash flows; and
- (b) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Recognition/derecognition

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

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

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

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gains or losses arising from derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) are included in the consolidated statement of comprehensive income in the year the asset is derecognised as realised gains or losses on financial instruments.

(iii) Measurement

At initial recognition, the Stapled Fund measures its investments, which are classified as financial assets and liabilities at fair value through profit or loss, at its fair value. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise.

• *Fair value in an active market*

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

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

The Stapled Fund's financial instruments that are valued based on active markets generally include listed instruments, ranging from listed equities to listed unit trusts, where applicable.

• *Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is the market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period.

There may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Stapled Fund recognises the difference in the consolidated statement of comprehensive income to reflect a change in factors, including time, that market participants would consider in setting a price.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Stapled Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties.

The Stapled Fund's financial instruments that are valued based on inactive or unquoted markets generally include unlisted instruments, ranging from investments in unlisted unit trusts, unlisted equity and/or debt securities to over the counter derivatives, where applicable.

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Offsetting financial instruments

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

As at the end of the year, there are no financial assets or liabilities offset or with the right to offset in the consolidated statement of financial position.

(d) Net assets attributable to unitholders

Units are redeemable at the unitholders' option via withdrawal facility offers by the Trustee. The units can be put back to the Stapled Fund at any time for cash equal to a proportionate share of the Stapled Fund's net asset value. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to put the units back to the Stapled Fund. Because the Stapled Fund's redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists, which has been treated as a separate component of net assets attributable to unitholders.

The Stapled Fund does not satisfy the equity criteria under AASB 132 *Financial Instruments: Presentation*.

(e) Cash and cash equivalents

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

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Stapled Fund's main income generating activity.

(f) Investment income

Interest income and interest expenses are recognised in the consolidated statement of comprehensive income for all financial instruments on an accruals basis. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(c).

Dividend income is recognised on the ex-dividend date.

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

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

(g) Expenses

All expenses, including Trustee's fees, are recognised in the consolidated statement of comprehensive income on an accrual basis.

(h) Income tax

FOHF No. 1

Under current legislation, FOHF No.1 is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders. Accordingly, FOHF No.1 does not account for current and deferred tax amounts.

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

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

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

FOHF No.2

FOHF No.2 is subject to income tax as a deemed company. Accordingly, FOHF No.2 accounts for current and deferred tax amounts.

2 Summary of significant accounting policies (continued)

(h) Income tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where FOHF No.2 generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

Deferred income tax liabilities are recognised for all taxable temporary differences except when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carrying forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interest in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets, to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(i) Distributions

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

(j) Foreign currency translation

(i) Functional and presentation currency

Items included in the Stapled Fund's consolidated financial statements are measured using the currency of the primary economic environment in which it operates ("the functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Stapled Fund competes for funds and is regulated. The Australian dollar is also the Stapled Fund's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

(j) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

The Stapled Fund does not isolate that portion of gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

(k) Receivables

Receivables are recognised for amounts where settlement has not yet occurred. Receivables are measured at amortised cost and are generally received within 30 days of being recognised as receivables. Given the short-term nature of most receivables, their carrying amounts approximate their fair values.

Impairment

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss. Given the limited exposure of the Stapled Fund to credit risk, no material ECL has been recognised. The Stapled Fund only holds receivables with no financing component and that have maturities of less than 12 months.

(l) Payables

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

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

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

(m) Applications and redemptions

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

Applications have a two-year commitment period. After the two-year period unitholders may extend the commitment to the Stapled Fund. Otherwise the Trustee will return any unused portion of the application amount to the unitholder.

Redemptions have an initial lock up period of three years from the first closing date. No unitholder is allowed to redeem during this period. Following the lock up period, there will be semiannual liquidity windows offered in March and September each year. Liquidity is offered on a queued basis and limited, in aggregate, up to 25% of the Stapled Fund's Net Asset Value for each liquidity window. In the event that the Stapled Fund is not able to meet withdrawal requests in full, the Trustee will as soon as practicable communicate how it plans to meet withdrawal requests and will process the withdrawal request in tranches at the prevailing unit price.

(n) Goods and services tax (GST)

Expenses of various services provided to the Stapled Fund by third parties such as custodial services and investment management fees etc. are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case, it is recognised as part of the related expense or cost item. The Stapled Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% or 75%.

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

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

(o) Use of judgement and estimates

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

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

2 Summary of significant accounting policies (continued)

(o) Use of judgement and estimates (continued)

When the fair values of the reported financial instruments cannot be derived from active markets for example venture capital or private equity, the Stapled Fund uses an internal valuation matrix to determine whether an independent third party valuation is required. The valuation process has been formulated with regard to the International Private Equity and Venture Capital ("IPEV") valuation guidelines.

For all investments over \$5 million, an independent valuation is carried out. For investments between \$1 million and \$5 million and > 15% of total portfolio size, an independent valuation is carried out. For all other investments between \$1 million and \$5 million an internal valuation is performed. For investments <\$1 million and >15% of total portfolio size, an internal valuation is performed. For all other investments under \$1 million, the investment is held at the lower of cost and internal valuation.

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

Where an internal valuation is designated, this shall be reviewed and approved by the Venture Capital and Private Equity Valuation Committee.

Where required, external valuations or reviews of internal valuations of venture capital and private equity investments must be obtained:

- once in any 12 month period from the date of the last valuation (meaning the period between valuations cannot be greater than 12 months) unless exceptional circumstances apply;
- as soon as practicable, but no later than within two months, after either the Fund Manager or Chief Investment Officer form a view that there is reason to believe that the fair value of a private equity or venture capital investment is materially different from the current carrying value; and
- additional internal valuations of venture capital and private equity investments may be conducted quarterly. These internal valuations shall be reviewed and approved by the Venture Capital and Private Equity Valuation Committee. The initial price for these investments is the transaction price from the last successful funding round.

(p) Structured entities

The Stapled Fund has assessed whether the funds in which it invests should be classified as structured entities. The Stapled Fund has considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. The Stapled Fund has also considered whether these rights are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds. The Stapled Fund has concluded that the funds in which it invests in are not structured entities.

(q) Rounding of amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars, where indicated.

3 Income tax benefit

(a) Income tax benefit

	2023 \$'000	2022 \$'000
Deferred tax liability/(asset)	<u>213</u>	<u>(31)</u>
Provision for income tax	<u>5</u>	<u>-</u>
Income tax expense/(benefit)	<u>248</u>	<u>(16)</u>

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

Profit/(loss) before income tax	10,171	(8,889)
Less: (Loss)/profit from non taxable entities	<u>(9,396)</u>	<u>8,786</u>
Profit/(loss) before income tax of FOHF No.2	<u>775</u>	<u>(103)</u>
Tax at the applicable Australian tax rate of 30%	233	(31)
Adjustment in respect of prior year	<u>15</u>	<u>15</u>
Income tax expense/(benefit)	<u>248</u>	<u>(16)</u>

4 Auditor's remuneration

The auditor's remuneration is paid directly by the Trustee.

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

	2023 \$	2022 \$
Audit services - PwC		
Audit and review of financial statements	<u>37,800</u>	<u>35,000</u>
Total auditor's remuneration	<u>37,800</u>	<u>35,000</u>

5 Net assets attributable to unitholders - liability

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

	2023 No. '000	2022 No. '000	2023 \$'000	2022 \$'000
Opening balance	55,151	48,117	48,808	50,521
Wholesale Class				
Applications	<u>181</u>	<u>6,987</u>	<u>184</u>	<u>7,113</u>
	<u>181</u>	<u>6,987</u>	<u>184</u>	<u>7,113</u>
Ordinary Class				
Applications	<u>3,613</u>	<u>22</u>	<u>3,482</u>	<u>22</u>
	<u>3,613</u>	<u>22</u>	<u>3,482</u>	<u>22</u>
Class A				
Applications	<u>-</u>	<u>25</u>	<u>-</u>	<u>25</u>
	<u>-</u>	<u>25</u>	<u>-</u>	<u>25</u>
Increase/(decrease) in net assets attributable to unitholders			8,883	(8,873)
Closing Balance	58,945	55,151	61,357	48,808

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

Capital risk management

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

Applications have a two-year commitment period. After the two-year period unitholders may extend the commitment to the Stapled Fund. Otherwise the Trustee will return any unused portion of the application amount to the unitholder.

Redemptions have an initial lock up period of three years from the first closing date, which is in December 2023. No unitholder is allowed to redeem during this period. Following the lock up period, there will be semiannual liquidity windows offered in March and September each year. Liquidity is offered on a queued basis and limited, in aggregate, up to 25% of the Stapled Fund's Net Asset Value for each liquidity window. In the event that the Stapled Fund is not able to meet withdrawal requests in full, the Trustee will as soon as practicable communicate how it plans to meet withdrawal requests and will process the withdrawal request in tranches at the prevailing unit price.

6 Distributions to unitholders

The distributions for the year were as follows:

	2023 \$'000	2023 CPU	2022 \$'000	2022 CPU
Distributions - Wholesale Class				
30 June (payable)	<u>186</u>	<u>1,7470</u>	<u>-</u>	<u>-</u>
	<u>186</u>		<u>-</u>	
Distributions - Ordinary Class				
30 June (payable)	<u>657</u>	<u>1,7717</u>	<u>-</u>	<u>-</u>
	<u>657</u>		<u>-</u>	
Distributions - Class A				
30 June (payable)	<u>197</u>	<u>1,7524</u>	<u>-</u>	<u>-</u>
	<u>197</u>		<u>-</u>	
Total distributions	1,040		-	

7 Cash and cash equivalents

	2023 \$'000	2022 \$'000
Cash at bank	-	51
Cash management trusts	<u>5,846</u>	<u>10,386</u>
Total cash and cash equivalents	<u>5,846</u>	<u>10,437</u>

8 Financial assets at fair value through profit or loss

	2023 \$'000	2022 \$'000
Listed equities	40,177	30,965
Unlisted equities	15,022	9,323
Unlisted debt securities	<u>1,500</u>	<u>1,565</u>
Total financial assets at fair value through profit or loss	<u>56,699</u>	<u>41,853</u>

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in Note 11.

9 Financial liabilities at fair value through profit or loss

	2023 \$'000	2022 \$'000
Derivatives	<u>-</u>	<u>5</u>
Total financial liabilities at fair value through profit or loss	<u>-</u>	<u>5</u>

An overview of the risk exposures relating to financial liabilities at fair value through profit or loss is included in Note 11.

10 Derivative financial instruments

In the normal course of business the Stapled Fund may enter into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Stapled Fund's portfolio management.

Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Stapled Fund against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Stapled Fund.

The Stapled Fund holds the following derivative instruments:

10 Derivative financial instruments (continued)

(a) Forward currency contracts

Forward currency contracts are primarily used by the Stapled Fund to economically hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Stapled Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each year. The Stapled Fund recognises a gain or loss equal to the change in fair value at the end of each year.

The Stapled Fund's derivative financial instruments at year end are detailed below (2023: nil):

	Notional \$'000	Assets \$'000	Liabilities \$'000
2022			
Forward foreign exchange contracts	(5,240)	-	5
		-	5

11 Financial risk management

(a) Objectives, strategies, policies and processes

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

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

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

(b) Market risk

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

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

The sensitivity of the Stapled Fund's net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) to price risk, foreign exchange risk and interest rate risk is measured by the reasonably possible movements approach. This approach is determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Stapled Fund's investments with the relevant benchmarks and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Stapled Fund invests. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

The overall market exposures at year end were as follows:

	2023 \$'000	2022 \$'000
Derivatives liabilities	-	(5)
Securities at fair value through profit or loss	56,699	41,853

(i) Price risk

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

Price risk exposure arises from the Stapled Fund's investment portfolio. The investments are classified on the consolidated statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

11 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk (continued)

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

The Stapled Fund's overall market positions are monitored on a regular basis by the Stapled Fund's Investment Manager. The carrying values of the unlisted equities are regularly monitored against the current fair values of the investments and other available relevant information. This information and the compliance with the Stapled Fund's disclosure documents are reported to the relevant parties on a regular basis as deemed appropriate such as key management personnel, compliance committees and ultimately the Board.

If the equity prices had increased/(decreased) by the percentage indicated below, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

	Impact on net assets attributable to unitholders	
	2023	2022
	\$'000	\$'000
Securities prices 2023: +14.0% (2022: +13.3%)	7,728	5,358
Securities prices 2023: -14.0% (2022: -13.3%)	(7,728)	(5,358)

These changes are calculated on an undiscounted basis. The analysis is performed on the same basis for 2023 and 2022.

(ii) Foreign exchange risk

The foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Stapled Fund holds assets denominated in currencies other than the Australian dollar, the functional currency. It is therefore exposed to foreign exchange risk, as the value of the future cash flows of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

In accordance with the Stapled Fund's policy, the Investment Manager monitors the Stapled Fund's currency position on a regular basis. This information and the compliance with the Stapled Fund's policy are reported to the relevant parties on a regular basis as deemed appropriate such as key management personnel, compliance committees and ultimately the Board.

The foreign exchange risk disclosures have been prepared on the basis of the Stapled Fund's direct investment and not on a look through basis for investments held indirectly through unit trusts. Consequently the disclosure of currency risk in the note may not represent the true currency risk profile of the Stapled Fund where the Stapled Fund has significant investments in indirect trusts which also have exposure to the currency markets.

When the Investment Manager formulates a view on the future direction of foreign exchange rates and the potential impact on the Stapled Fund, the Investment Manager factors that into its portfolio allocation decisions. While the Stapled Fund has direct exposure to foreign exchange rate changes on the price of non-Australian dollar denominated securities, it may also be indirectly affected for example, by the impact of foreign exchange rate changes on the earnings of certain entities in which the Stapled Fund invests, even if those entities' securities are denominated in Australian dollars. For that reason, the sensitivity analysis may not necessarily indicate the total effect on the Stapled Fund's net assets attributable to unitholders of future movements in foreign exchange rates.

11 Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

The table below summarises the Stapled Fund's assets and liabilities which are denominated in non-Australian currencies:

	USD A\$'000	GBP A\$'000	DKK A\$'000	EUR A\$'000	CHF A\$'000
2023					
Assets					
Receivables	17	-	5	18	19
Financial assets at fair value through profit or loss					
Unlisted equities	-	1,463	-	-	-
Listed equities	<u>23,559</u>	<u>2,339</u>	<u>3,184</u>	<u>2,961</u>	<u>2,679</u>
Total assets	<u>23,576</u>	<u>3,802</u>	<u>3,189</u>	<u>2,979</u>	<u>2,698</u>
Net assets attributable to unitholders	<u>23,576</u>	<u>3,802</u>	<u>3,189</u>	<u>2,979</u>	<u>2,698</u>
2022					
Assets					
Cash and cash equivalents	(3)	-	-	-	5
Receivables	17	-	-	-	-
Financial assets at fair value through profit or loss					
Forward foreign exchange contracts	845	193	-	-	914
Unlisted equities	-	883	-	-	-
Listed equities	<u>18,208</u>	<u>2,415</u>	<u>1,315</u>	<u>2,045</u>	<u>2,202</u>
Total assets	<u>19,067</u>	<u>3,491</u>	<u>1,315</u>	<u>2,045</u>	<u>3,121</u>
Liabilities					
Payables	(2,278)	(193)	-	-	(920)
Financial liabilities at fair value through profit or loss					
Total liabilities	<u>(2,278)</u>	<u>(193)</u>	<u>-</u>	<u>-</u>	<u>(920)</u>
Net assets attributable to unitholders	<u>16,789</u>	<u>3,298</u>	<u>1,315</u>	<u>2,045</u>	<u>2,201</u>

Had the Australian dollar weakened/strengthened as illustrated below against the various currencies to which the Stapled Fund is exposed, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

	AUD Weakened		AUD Strengthened	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
AUD/USD 2023: 10.2% (2022: 10.1%)	2,405	1,696	(2,405)	(1,696)
AUD/GBP 2023: 10.2% (2022: 10.1%)	388	333	(388)	(333)
AUD/DKK 2023: 10.2% (2022: 10.1%)	325	133	(325)	(133)
AUD/EUR 2023: 10.2% (2022: 10.1%)	304	207	(304)	(207)
AUD/CHF 2023: 10.2% (2022: 10.1%)	275	222	(275)	(222)

The possible impact against other currencies is considered immaterial individually and therefore has not been included in the above table. The analysis is performed on the same basis for 2023 and 2022.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Stapled Fund's interest bearing financial assets and financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Stapled Fund has established limits on investments in interest bearing assets, which are monitored on a daily basis. The Stapled Fund may use derivatives to hedge against unexpected increases in interest rates and/or multiple rollover dates for debt instruments to manage repricing risk.

The Stapled Fund has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain entities in which the Stapled Fund invests and impact on the valuation of certain assets that use interest rates as an input in their valuation model.

11 Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

The table below summarises the Stapled Fund's exposure to interest rate risk. It includes the Stapled Fund's assets and liabilities at fair values, categorised by the maturity dates:

	Floating interest rate \$'000	3 months or less \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Non- interest bearing \$'000	Total \$'000	Check if not zero
2023								
Assets								
Cash and cash equivalents	5,846	-	-	-	-	-	5,846	-
Receivables	-	-	-	-	-	109	109	-
Financial assets at fair value through profit or loss								
Unlisted debt securities	-	-	-	1,500	-	-	1,500	-
Listed equities	-	-	-	-	-	40,177	40,177	-
Unlisted equities	-	-	-	-	-	15,022	15,022	-
Total assets	5,846	-	-	1,500	-	55,308	62,654	-
Liabilities								
Distributions payable	-	-	-	-	-	1,040	1,040	-
Payables	-	-	-	-	-	39	39	-
Provision for current income tax	-	-	-	-	-	5	5	-
Total liabilities	-	-	-	-	-	1,084	1,084	(213)
Net assets attributable to unitholders	5,846	-	-	1,500	-	54,224	61,570	
	Floating interest rate \$'000	3 months or less \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Non-interest bearing \$'000	Total \$'000	
2022								
Assets								
Cash and cash equivalents	10,437	-	-	-	-	-	10,437	
Receivables	-	-	-	-	-	39	39	
Deferred tax assets	-	-	-	-	-	31	31	
Financial assets at fair value through profit or loss								
Unlisted debt securities	-	-	-	1,565	-	-	1,565	
Listed equities	-	-	-	-	-	30,965	30,965	
Unlisted equities	-	-	-	-	-	9,323	9,323	
Total assets	10,437	-	-	1,565	-	40,358	52,360	
Liabilities								
Payables	-	-	-	-	-	3,547	3,547	
Financial liabilities at fair value through profit or loss								
Forward currency contracts	-	-	5	-	-	-	5	
Total liabilities	-	-	5	-	-	3,547	3,552	
Net assets attributable to unitholders	10,437	-	(5)	1,565	-	36,811	48,808	

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from cash and cash equivalents and deposits with banks and other financial institutions.

With respect to credit risk arising from the financial assets of the Stapled Fund, other than derivatives, the Stapled Fund's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these investments as disclosed in the consolidated statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the end of the year.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchase of the securities has been received by the broker. The trade will fail if either party fails to meet its obligations.

11 Financial risk management (continued)

(c) Credit risk (continued)

The Stapled Fund holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired.

Counterparty credit limits and the list of authorised brokers are reviewed by the relevant parties within the Trustee on a regular basis as deemed appropriate.

In accordance with the Stapled Fund's policy, the Investment Manager monitors the Stapled Fund's credit position on a regular basis. This information and the compliance with the Stapled Fund's policy are reported to the relevant parties on a regular basis as deemed appropriate such as key management personnel, compliance committees and ultimately the Board.

(d) Concentrations of risk

Concentrations of risk arise when a number of financial instruments are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic conditions. These similarities would cause the counterparties' liabilities to meet the contractual obligations to be similarly affected by certain changes in the risk variables.

The concentrations of risk are monitored by the Investment Manager to ensure they are within acceptable limits by reducing the exposures or by other means as deemed appropriate.

Concentrations of risk are managed by industry sector for equity instruments and by counterparty for debt instruments and selected derivatives.

The Stapled Fund has disclosed the most significant counterparties by concentration of risk.

Based on the concentrations of risk that are managed by industry sector and/or counterparty, the following investments can be analysed by the industry sector and/or counterparty as at 30 June 2023 and 30 June 2022:

	2023 \$'000	2022 \$'000
Healthcare	56,699	41,853
Total	56,699	41,853

(e) Liquidity risk

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

The Stapled Fund may be exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. It therefore primarily holds investments that are traded in active markets and can be readily disposed of.

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

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

The Stapled Fund may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Stapled Fund may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. No such investments were held at the end of the year.

The Stapled Fund's policy is to hold a significant proportion of its investments in liquid assets.

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

Redemptions have an initial lock up period of three years from the first closing date, which is in December 2023. No unitholder is allowed to redeem during this period. Following the lock up period, there will be semiannual liquidity windows offered in March and September each year.

In accordance with the Stapled Fund's policy, the Investment Manager monitors the Stapled Fund's liquidity position on a regular basis. This information and the compliance with the Stapled Fund's policy are reported to the relevant parties on a regular basis as deemed appropriate such as key management personnel, compliance committees and ultimately the Board.

11 Financial risk management (continued)

(e) Liquidity risk (continued)

Maturity analysis for financial liabilities

The table below summarises the maturity profile of the Stapled Fund's financial liabilities and redeemable units based on the remaining period at the end of the year to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Financial liabilities such as trade payables, where there are no specific contractual settlement dates, have been grouped into the 'less than 1 year' maturity grouping as such liabilities are typically settled within 30 days.

The table below summarises the maturity profile of the Stapled Fund's financial liabilities, redeemable units and derivative financial instruments on the remaining period at the end of the year to the contractual maturity date.

The Stapled Fund's non-derivative financial liabilities in the table are the contractual undiscounted cash flows and the Stapled Fund's derivative financial instruments in the table are net fair values, based on the amounts at which an orderly settlement of the transactions would take place between market participants at the reporting date.

	Under 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Over 12 months \$'000
2023				
Financial liabilities:				
Distributions payable	1,040	-	-	-
Payables	39	-	-	-
Provision for current income tax	-	-	5	-
Net assets attributable to unit holders	61,357	-	-	-
Total financial liabilities	62,436	-	-	-
	Under 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Over 12 months \$'000
2022				
Financial liabilities:				
Payables	3,547	-	-	-
Net assets attributable to unitholders	48,808	-	-	-
Total financial liabilities	52,355	-	-	-
Net settled derivatives				
Forward foreign exchange contracts	-	-	(5)	-
Total net settled derivatives inflow (outflow)	-	-	(5)	-

As disclosed above, the Investment Manager manages the Stapled Fund's liquidity risk by investing predominantly in liquid assets that it expects to be able to liquidate within seven days or less. Liquid assets include cash and cash equivalents and listed equities. As at 30 June 2023, these assets amounted to \$46,023,360 (2022: \$41,401,519).

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

(f) Estimation of fair values of financial assets and liabilities

The carrying amounts of all the Stapled Fund's financial assets and financial liabilities at the end of the year approximated their fair values.

The Stapled Fund values its investments in accordance with the accounting policies set out in Note 2.

(g) Fair value hierarchy

The Stapled Fund is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

11 Financial risk management (continued)

(g) Fair value hierarchy (continued)

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

The Stapled Fund uses both observable and unobservable inputs for the fair value measurement of its unlisted equities which are assessed as level 3 above. In line with the Stapled Fund's valuation policy, these investments are valued either using an independent valuation, an internal valuation or held at the lower of cost and internal valuation depending on the size of the investment and its investment percentage of the total investment portfolio.

The table below sets out the Stapled Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

All fair value measurements disclosed are recurring fair value measurements.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2023				
Financial assets				
Listed equities	40,177	-	-	40,177
Unlisted equities	-	-	15,022	15,022
Unlisted debt securities	-	-	1,500	1,500
Total financial assets	40,177	-	16,522	56,699
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2022				
Financial assets				
Listed equities	30,965	-	-	30,965
Unlisted equities	-	-	9,323	9,323
Unlisted debt securities	-	-	1,565	1,565
Total financial assets	30,965	-	10,888	41,853
Financial liabilities				
Forward foreign exchange contracts	-	(5)	-	(5)
Total financial liabilities	-	(5)	-	(5)

The following tables presents the movement in level 3 instruments for the years ended 30 June 2023 and 30 June 2022 by class of financial instrument.

	Opening balance \$'000	Purchases \$'000	Sales \$'000	Net transfers in/(out) \$'000	Net changes recognised in profit or loss \$'000	Closing balance \$'000
2023						
Unlisted equities	9,323	5,309	-	-	390	15,022
Unlisted debt securities	1,565	-	-	-	(65)	1,500
Total	10,888	5,309	-	-	325	16,522
	Opening balance \$'000	Purchases \$'000	Sales \$'000	Net transfers in/(out) \$'000	Net changes recognised in profit or loss \$'000	Closing balance \$'000
2022						
Unlisted equities	6,854	5,934	(2,923)	(17)	(525)	9,323
Unlisted debt securities	-	1,500	-	-	65	1,565
Total	6,854	7,434	(2,923)	(17)	(460)	10,888

The Stapled Fund's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the year.

There were no transfers between levels 1, 2 and 3 of the fair value hierarchy during the year (30 June 2022: Nil). Lumos Diagnostics Holding Limited ("Lumos") raised \$63 million in an Initial Public Offering ("IPO") and was admitted to the Australian Securities Exchange ("ASX") with trading to commence on 5 July 2021. Planet Innovation Pty Ltd was revalued during the reporting period as a result of its investment in Lumos.

11 Financial risk management (continued)

(g) Fair value hierarchy (continued)

Valuation techniques

(i) Financial instruments

The pricing for the majority of the Stapled Fund's investments is generally sourced from independent pricing sources, the relevant Investment Managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices or alternative pricing sources supported by observable inputs are classified within level 2, this includes unlisted unit trusts.

The stated fair value of each financial instruments at the end of the reporting period represents the Trustee's best estimate at the end of the reporting period.

Specific valuation techniques used daily to value financial instruments include:

- for listed equities, disclosed in level 1, the use of quoted market prices or dealer for similar instruments;
- for unlisted equities, the Stapled Scheme follows an internal valuation policy as disclosed in Note 2(o)

(ii) Unlisted equities

In the absence of an active market for unlisted equities, the Trustee selects and uses one or more valuation techniques below to measure the fair value of these assets. The valuation technique selected is appropriate for the circumstances and must have sufficient data available to measure fair value.

The following valuation techniques are used by the Trustee:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets including ongoing discussions with potential purchasers;
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value; and
- Replacement cost approach: valuation techniques that reflect the amount that would be required currently to replace the service capacity of an asset.

Whenever there are sufficient publicly available information, the market approach will be undertaken. Whereas when market data is unavailable, the valuation undertaken would be based on best available information that are considered unobservable. As at the end of the reporting period, the fair value estimates for unlisted equities are included in level 3. In the absence of suitable indicators of fair value, the Stapled Fund follows an internal valuation matrix to determine whether an independent third party valuation is required. In the absence of other market indicators, the Investment Manager has determined that the most appropriate indicator of fair value is the transacted price entered into by the Stapled Fund during the reporting period, unless a market event has occurred. At each reporting date, the appropriateness of those valuations is assessed by the Trustee.

12 Receivables

	2023 \$'000	2022 \$'000
Dividends receivable	13	18
Interest receivable from financial assets at amortised cost	23	2
GST receivable	27	19
Withholding tax reclaims receivable	46	-
Total receivables	109	39

13 Payables

	2023 \$'000	2022 \$'000
Trustee's fees payable	39	43
Transaction costs payable	-	8
Outstanding settlements payable	-	3,496
Total payables	39	3,547

14 Related party transactions

Trustee

The Trustee of Australian Unity Future of Healthcare Fund is Australian Unity Funds Management Limited (ABN 60 071 497 115) whose immediate and ultimate Parent Entity is Australian Unity Limited (ABN 23 087 648 888).

Key management personnel

(a) Directors

Key management personnel include persons who were directors of Australian Unity Funds Management Limited at any time during the year as follows:

Rohan Mead, Chairman and Group Managing Director
Esther Kerr-Smith, Chief Executive Officer, Wealth & Capital Markets
Darren Mann, Group Executive Finance & Strategy and Chief Financial Officer

(b) Other key management personnel

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

Other transactions within the Stapled Fund

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

Trustee's fees and other transactions

The Trustee is entitled to receive fees monthly, calculated daily by reference to the average gross assets value of the Stapled Fund.

The Trustee is also entitled to charge an annual performance management fee in the form of cash or by issue of the Stapled Fund's units. The Stapled Fund's benchmark is an internal rate of return ("IRR") of 9% on the Stapled Fund's net asset value. Performance fee will be equal to 15% of the portion of the outperformance of the Stapled Fund over the benchmark.

The transactions during the year and amounts payable at year end between the Stapled Fund and the Trustee were as follows:

	2023 \$	2022 \$
Trustee's fees for the year paid by the Stapled Fund to the Trustee	<u>525,387</u>	<u>698,040</u>
Aggregate amounts payable to the Trustee at the end of the year	<u>39,015</u>	<u>43,062</u>

Related party scheme's unitholdings

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

2023 Unitholders	No. of units held opening	No. of units held closing	Fair value of investment* \$	Interest held %	No. of units acquired	No. of units disposed	Distributions paid/payable \$
Australian Unity Strategic Investments Pty Ltd	3,000,000	-	-	-	-	(3,000,000)	-
Australian Unity Health Limited	5,001,000	8,001,000	8,520,209	13.57	3,000,000	-	141,758
Lifepan Management Limited	2,000,000	2,000,000	2,129,786	3.39	-	-	35,435
	<u>10,001,000</u>	<u>10,001,000</u>	<u>10,649,995</u>	<u>16.96</u>	<u>3,000,000</u>	<u>(3,000,000)</u>	<u>177,193</u>
2022 Unitholders	No. of units held opening	No. of units held closing	Fair value of investment* \$	Interest held %	No. of units acquired	No. of units disposed	Distributions paid/payable \$
Australian Unity Strategic Investments Pty Ltd	3,000,000	3,000,000	2,665,200	8.97	-	-	-
Australian Unity Health Limited	5,001,000	5,001,000	4,442,843	14.94	-	-	-
Lifepan Management Limited	2,000,000	2,000,000	1,776,782	5.98	-	-	-
	<u>10,001,000</u>	<u>10,001,000</u>	<u>8,884,825</u>	<u>29.89</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

14 Related party transactions (continued)

Investments

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

2023	No. of units held opening	No. of units held closing	Fair value of investment \$*	Interest held %	No. of units acquired	No. of units disposed	Distributions received or receivable \$
Australian Unity Wholesale Cash Fund	<u>10,383,834</u>	<u>5,846,422</u>	<u>5,846,422</u>	1.91	<u>22,806,888</u>	<u>(27,344,300)</u>	<u>189,753</u>
	<u>10,383,834</u>	<u>5,846,422</u>	<u>5,846,422</u>		<u>22,806,888</u>	<u>(27,344,300)</u>	<u>189,753</u>
2022	No. of units held opening	No. of units held closing	Fair value of investment \$*	Interest held %	No. of units acquired	No. of units disposed	Distributions received or receivable \$
Australian Unity Wholesale Cash Fund	<u>20,213,387</u>	<u>10,383,834</u>	<u>10,383,834</u>	2.09	<u>16,914,935</u>	<u>(26,744,488)</u>	<u>6,677</u>
	<u>20,213,387</u>	<u>10,383,834</u>	<u>10,383,834</u>		<u>16,914,935</u>	<u>(26,744,488)</u>	<u>6,677</u>

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

15 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	2023 \$'000	2022 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Increase/(decrease) in net assets attributable to unitholders	8,883	(8,873)
Distributions to unitholders	1,040	-
Proceeds from sale of financial instruments at fair value through profit or loss	21,204	15,659
Payments for purchase of financial instruments at fair value through profit or loss	(29,361)	(31,827)
Net (gains)/losses on financial instruments at fair value through profit or loss	(10,190)	8,166
Net foreign exchange (loss)/gain	3	(3)
Net change in receivables	(39)	(42)
Net change in payables	(12)	(119)
Increase in provision for current income tax	5	-
Increase in deferred tax liability	213	-
Net cash outflows from operating activities	<u>(8,254)</u>	<u>(17,039)</u>
(b) Non-cash operating and financing activities		
During the year, the following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan	-	-

16 Parent entity financial information

	2023 \$'000	2022 \$'000
Statement of financial position		
Cash and cash equivalents	4,430	6,741
Receivables	101	35
Financial assets at fair value through profit or loss	48,584	37,399
Total assets	<u>53,115</u>	<u>44,175</u>
Distribution payable	1,040	-
Payables	32	3,540
Financial liabilities at fair value through profit or loss	-	5
Total liabilities	<u>1,072</u>	<u>3,545</u>
Net assets attributable to unitholders - liability	<u>52,043</u>	<u>40,630</u>
Statement of comprehensive income		
Profit/(loss) for the reporting period	9,396	(8,786)
Other comprehensive income	-	-
Total comprehensive income attributable to unitholders	<u>9,396</u>	<u>(8,786)</u>

17 Events occurring after end of year

The directors of the Trustee are not aware of any matter or circumstance arising since the end of the year which would impact on the financial position of the Stapled Fund disclosed in the consolidated statement of financial position as at 30 June 2023 or on the results and cash flows of the Stapled Fund for the year ended on that date.

18 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2023 and 30 June 2022.

Directors' declaration

In the opinion of the directors of the Trustee:

- (a) The consolidated financial statements and notes set out on pages 4 to 29 are:
 - (i) complying with Australian Accounting Standards and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Stapled Fund's financial position as at 30 June 2023 and of its performance, as represented by the results of its operations and cash flows, for the year ended on that date.
- (b) There are reasonable grounds to believe that the Stapled Fund will be able to pay its debts as and when they become due and payable.
- (c) The consolidated financial statements are in accordance with the Stapled Fund's Constitution, and
- (d) Note 2(a) confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Rohan Mead
Director



Darren Mann
Director

22 September 2023



Independent auditor's report

To the stapled unitholders of Australian Unity Future of Healthcare Fund No.1

Our opinion

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of Australian Unity Future of Healthcare Fund No.1 (the Trust) and its controlled entities (together Australian Unity Future of Healthcare Fund, the Stapled Fund) as at 30 June 2023 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

What we have audited

For the purpose of consolidation accounting, the Trust is the deemed parent entity and acquirer of Australian Unity Future of Healthcare Fund No. 2. The financial report represents the consolidated financial results of the Trust and Future of Healthcare Fund No. 2.

The Stapled Fund financial report comprises:

- the consolidated statement of financial position as at 30 June 2023
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in net assets attributable to unitholders – liability for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

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

Emphasis of matter: basis of accounting and restriction on use

We draw attention to Note 2(a) in the financial report, which describes the basis of accounting. The financial report has been prepared to satisfy the requirements of the Stapled Fund's Constitution. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Stapled Fund and its stapled unitholders and should not be used by parties other than the Stapled Fund and its stapled unitholders. Our opinion is not modified in respect of this matter.

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Liability limited by a scheme approved under Professional Standards Legislation.

Other information

The directors of Australian Unity Funds Management Limited (the Trustee) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of the Trustee for the financial report

The directors of the Trustee of the Stapled Fund are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as the directors of the Trustee determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors of the Trustee are responsible for assessing the ability of the Stapled Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Trustee either intend to liquidate the Stapled Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.



PricewaterhouseCoopers



George Sagonas
Partner

Melbourne
22 September 2023