Australian Unity Healthcare Property Trust

ARSN 092 755 318

Annual report

for the year ended 30 June 2023

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Directors' report

The directors of Australian Unity Funds Management Limited (AUFM) (ABN 60 071 497 115), the Responsible Entity of Australian Unity Healthcare Property Trust ("the Scheme"), present their report together with the consolidated financial statements of the Scheme for the year ended 30 June 2023.

Directors
The following persons were directors of the Responsible Entity during the whole of the financial 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 Scheme aims to provide unitholders with regular income and the opportunity for long term capital growth.

The Scheme primarily invests in a diversified portfolio of healthcare property and related assets including direct property, unlisted managed funds and listed REITs.

The Scheme may also invest in property syndicates or companies that mainly hold healthcare property and similar international healthcare related assets in countries with healthcare systems and property markets with key attributes similar to Australia.

Review and results of operations
Capital management
In November 2022, the Scheme refinanced $250 million from its senior unsecured debt facility and increased the capacity by $300 million, resulting in a total limit of $1.3 billion. The new Tranche A1 $250 million replaced the prior Tranche A debt facility of $250 million. The other new Tranches added were Tranche B1 for $75 million, Tranche C1 for $75 million and Tranche D1 for $150 million. The increase in the weighted average tenor of the debt facilities reduces future refinancing risk and enhances the Scheme's ability to continue to deliver on its objective to provide investors consistent and sustainable income returns, together with the opportunity of long-term capital growth.

In line with continued active capital management of the Scheme, the temporary suspension of applications for the Scheme’s Wholesale units was lifted on 6 March 2023 when the Scheme announced that it was seeking to raise approximately $350 million in new equity. This was comprised of:
• $150 million non-renounceable rights issue for existing investors; and
• $200 million book build for new investors.
Any shortfall arising from the rights issue was offered to existing investors subject to taking up their full rights issue, electing to participate and not exceeding their existing percentage holding in the Scheme immediately prior to the equity raise (after taking account of the effect of the equity raising as a whole). Any remaining shortfall was offered through a book build to new investors.

Equity proceeds totalling approximately $334 million were used to strengthen the Scheme’s balance sheet by reducing debt in the first instance, resulting in gearing at the bottom end of the target gearing range and to ensure appropriate funding is in place for immediate capital needs and capacity for future opportunities. After the capital raising, applications for the Scheme’s Wholesale units were again suspended until further notice.

Property acquisitions
On 3 August 2022, the Scheme completed the purchase of 201 St Albans Rd, St Albans, NSW for a purchase price of $1,250,000 and acquisition costs of $118,000.

On 26 September 2022, the Scheme completed the purchase of 9-11, 13 and 15 Old Heidelberg Rd, Alphington, VIC for a purchase price of $14,750,000 and acquisition costs of $1,261,000.

On 6 October 2022, the Scheme completed the purchase of 133-139 Jannali Avenue, Sutherland, NSW for a purchase price of $10,500,000 and acquisition costs of $868,000.

On 28 October 2022, the Scheme completed the purchase of Suite 10, 10 Churchill Street, Ipswich, QLD for a purchase price of $1,100,000 and acquisition costs of $83,000.

On 11 November 2022, the Scheme completed the purchase of Medilink - 100 Angus Smith Drive, Townsville, QLD for a purchase price of $17,150,000 and acquisition costs of $1,232,000.

On 22 December 2022, the Scheme completed the purchase of Ashmore Retreat, 19 Allunga Avenue, Ashmore, QLD for a purchase price of $27,676,000 and acquisition costs of $1,800,000.

Review and results of operations (continued)

Property acquisitions (continued)

On 22 December 2022, the Scheme completed the purchase of Mandalay Retreat, 156-162 Bay Street, Cleveland, QLD for a purchase price of $20,286,500 and acquisition costs of $1,431,000.

On 22 December 2022, the Scheme completed the purchase of Bangalor Retreat, 27 Stott Street, Tweed Heads West, NSW for a purchase price of $25,472,000 and acquisition costs of $1,505,000.

On 16 January 2023, the Scheme completed the purchase of 155 Furlong Road, St Albans, VIC for a purchase price of $2,100,000 and acquisition costs of $161,000.

On 3 May 2023, the Scheme completed the purchase of Newmarket, 1 North Terrace, Adelaide, SA for a purchase price of $38,500,000 and acquisition costs of $686,000.

On 15 June 2023, the Scheme completed the purchase of 2 Coach St, Cobblebank, VIC for a purchase price of $15,000,000 and acquisition costs of $1,515,000.

On 19 June 2023, the Scheme completed the purchase of 16 Gillon Court, St Albans, VIC for a purchase price of $1,300,000 and acquisition costs of $132,000.

On 23 June 2023, the Scheme completed the purchase of 18 Nestor Drive, Meadowbrook, QLD for a purchase price of $11,550,000 and acquisition costs of $936,000.

During the year, the Scheme completed the purchase of the following properties under sale and leaseback arrangements:

- Charles Young Aged Care, 53-59 Austral Terrace Morphettville, SA for a purchase price of $43,100,000 and acquisition costs of $2,890,000 on 29 November 2022;
- Holly Aged Care, 16-24 Penneys Hill Road, Hackham, SA for a purchase price of $27,750,000 and acquisition costs of $1,959,000 on 29 November 2022;
- Little Para Aged Care, 24 - 28 Wayford Street, Elizabeth Vale, SA for a purchase price of $9,700,000 and acquisition costs of $849,000 on 29 November 2022;
- Marten Aged Care, 110 Strathfield Terrace, Largs North, SA for a purchase price of $21,620,000 and acquisition costs of $391,000 on 29 November 2022;
- Ridgehaven Aged Care, Lot 1, Hazel Grove, Ridgehaven, SA for a purchase price of $30,180,000 and acquisition costs of $2,110,000 on 29 November 2022;
- Ross Robertson Aged Care, 19-33 Cornhill Road, Victor Harbor, SA for a purchase price of $12,000,000 and acquisition costs of $993,000 on 29 November 2022;
- Smithfield Aged Care, 1 Warooka Drive, Smithfield, SA for a purchase price of $15,400,000 and acquisition costs of $1,202,000 on 29 November 2022;
- Somerton Park Aged Care, 44-46 Chopin Road, Somerton Park, SA for a purchase price of $25,500,000 and acquisition costs of $1,827,000 on 29 November 2022;
- Walkerville Aged Care, 160-176 Walkerville Terrace, Walkerville, SA for a purchase price of $34,750,000 and acquisition costs of $489,000 on 29 November 2022; and
- The Ormsby, 112 Burnett Street, Buderim, QLD for a purchase price of $37,385,000 and acquisition costs of $2,693,000 on 15 March 2023.

The acquisition of the aged care properties were under sale and leaseback arrangements with an option to repurchase. As a result, under AASB 15 *Revenue from Contracts with Customers* the transactions do not meet the requirements for a sale and under AASB 9 *Financial Instruments* and these properties should be recognised as financing receivables which is classified as a financial asset held at fair value through profit or loss in the consolidated statement of financial position. The financing receivables are valued using the discounted cash flow method and related rental income received are recorded as a reduction of the financing receivables.

Review and results of operations (continued)

Property disposals

On 1 July 2022, the Scheme settled the sale of Suites 3, 8 and 12/12 Jarrett St, North Gosford, NSW for $4,150,000 excluding selling costs.

On 27 July 2022, the Scheme settled the sale of Suite 13/12 Jarrett St, North Gosford, NSW for $930,000 excluding selling costs.

On 30 June 2023, the Scheme exchanged contracts to sell Herston Quarter Private Hospital, 40 Bowen Road, Herston, QLD. Settlement occurred on 17 July 2023 for $13,000,000 excluding selling costs.

Security disposals

During the current year, the Scheme settled the sale of 11,904,057 Arena REIT units for $44,319,704 excluding selling costs.

Property valuations

The revaluations for the year ending 30 June 2023 were in total above the revalued properties carrying values resulting in recording a net revaluation fair value increment of $45,047,000 (2022: $362,982,000).

Derivatives

In the current year, the Scheme recognised net gains on derivative instruments held at fair value through profit or loss of $1,350,000 (2022: gain of $32,171,000).

Results

For the year ended 30 June 2023, the Scheme's:

- Retail units posted a total return of 5.60% (split between a distribution return of 3.83% and a growth return of 1.77%)*
- Wholesale units posted a total return of 5.60% (split between a distribution return of 3.84% and a growth return of 1.76%)*
- Class A units posted a total return of 5.11% (split between a distribution return of 3.52% and a growth return of 1.59%)*

Unit prices (ex distribution) as at 30 June 2023 (2022) are as follows:
Retail units $2.7980 ($2.7493)*
Wholesale units $2.7294 ($2.6824)*
Class A units $1.6467 ($1.6209)*

*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 Responsible Entity'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 Scheme, as represented by the results of its operations, was as follows:

	2023 $'000	2022 $'000
Profit before finance costs attributable to unitholders	**119,558**	504,409
Distributions - Retail units		
Distributions paid and payable	**8,487**	8,416
Distributions - Wholesale units		
Distributions paid and payable	**83,477**	76,178
Distributions - Class A units		
Distributions paid and payable	**8,755**	7,893

Significant changes in the state of affairs

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

External proposal to acquire all of the units in the Scheme and related matters

During July 2023, proceedings issued by NorthWest Healthcare Australia RE Limited (NorthWest) against AUFM, as responsible entity of the Australian Unity Healthcare Property Trust (AUHPT), and other Australian Unity parties were settled. Australian Unity has agreed to work in good faith to assist NorthWest and its affiliates to divest their units in AUHPT.

Events occurring after end of the year
On 9 August 2023, the Scheme entered a new $100,000,000 debt facility.

During August and September 2023, the Scheme settled the sale of 7,820,666 Arena REIT units for $28,787,822 excluding selling costs.

Other than the above matters and those mentioned elsewhere in the report, no other matters or circumstance has arisen since 30 June 2023 that have significantly affected, or may significantly affect the operations of the Scheme, the result of operations, or the state of the Scheme's affairs for the year ended on that date.

Likely developments and expected results of operations
The Scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

The Scheme is in exclusive due diligence and negotiations on several acquisition and development opportunities and will continue to actively execute on its investment objectives and guidelines.

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

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

Fees paid to and interests held in the Scheme by the Responsible Entity or its associates
Fees paid to the Responsible Entity and its associates out of Scheme property during the year are disclosed in note 22 to the consolidated financial statements.

No fees were paid out of Scheme property to the directors of the Responsible Entity during the year.

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the year are disclosed in note 22 to the consolidated financial statements.

Units in the Scheme
The movement in units on issue in the Scheme during the year is disclosed in note 10 to the consolidated financial statements.

The value of the Scheme'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 property operations of the Scheme are subject to environmental regulations under Australian law. There have been no known reportable breaches of these regulations.

Roundings of amounts
The Scheme is an entity of a kind referred to in *ASIC Corporations Instrument 2016/191* issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and consolidated financial statements. Amounts in the directors' report and consolidated financial statements have been rounded to the nearest thousand dollars.

Auditor's independence declaration
A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

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

Rohan Mead
Director

Darren Mann
Director

22 September 2023

Auditor's Independence Declaration

As lead auditor for the audit of Australian Unity Healthcare Property Trust for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

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

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

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

George Sagonas
Partner
PricewaterhouseCoopers

Melbourne
22 September 2023

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Consolidated statement of comprehensive income

	Notes	2023 $'000	2022 $'000
Income			
Rental income	4	**155,084**	138,601
Property expenses	5	**(27,062)**	(23,770)
Net property income		**128,022**	114,831
Interest income	3	**4,262**	3,439
Distribution income	6	**4,623**	4,519
Net gains on financial instruments held at fair value through profit or loss	7	**10,267**	68,848
Realised loss on disposal of investment property		**(15)**	(126)
Net fair value increment of investment properties	16(b)	**45,047**	362,982
Other income		**101**	86
Total income net of property expenses		**192,307**	554,579
Expenses			
Management fees	22	**25,859**	23,472
Borrowing costs		**43,263**	15,260
Other expenses	9	**3,627**	11,438
Total expenses, excluding property expenses		**72,749**	50,170
Profit before finance costs attributable to unitholders		**119,558**	504,409
Finance costs attributable to unitholders			
Distributions to unitholders	11	**(100,719)**	(92,487)
Increase in net assets attributable to unitholders	10	**(18,839)**	(411,922)
Total comprehensive income attributable to unitholders		**-**	-

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	12	**60,176**	58,233
Receivables	13	**18,058**	13,706
Financial assets held at fair value through profit or loss	14	**617,528**	398,920
Loans receivable	15	**55,705**	44,192
Other assets		**6,429**	9,997
Properties held for sale	16(c)	**13,000**	5,080
Investment properties	16	**3,191,422**	2,807,567
Total assets		**3,962,318**	3,337,695
Liabilities			
Distributions payable	11	**26,960**	23,750
Payables	17	**23,611**	26,965
Financial liabilities held at fair value through profit or loss	14	**713**	598
Lease liabilities	16(e)	**4,313**	3,438
Borrowings	18	**1,030,267**	692,433
Total liabilities (excluding net assets attributable to unitholders)		**1,085,864**	747,184
Net assets attributable to unitholders - liability	10	**2,876,454**	2,590,511

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

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

	2023 $'000	2022 $'000
Balance at the beginning of the year	**2,590,511**	2,073,203
Profit before finance costs attributable to unitholders	**119,558**	504,409
Distributions to unitholders	**(100,719)**	(92,487)
Applications	**332,769**	120,180
Redemptions	**(80,213)**	(32,617)
Units issued upon reinvestment of distributions	**14,548**	17,823
Balance at the end of the year	**2,876,454**	2,590,511

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			
Interest received		**4,018**	3,837
Distributions and other income received		**5,440**	3,507
Collection of financing receivables		**22,679**	13,331
Rental income received		**148,479**	139,445
Payments to suppliers		**(54,082)**	(59,291)
Net cash inflow from operating activities	23	**126,534**	100,829
Cash flows from investing activities			
Purchase of investment properties		**(185,535)**	(80,765)
Acquisition costs on purchases of investment properties		**(6,327)**	(7,820)
Payments for additions to owned investment properties		**(159,779)**	(67,938)
Receipts from the repayment of loans advanced to tenants		**-**	19,434
Advanced to tenants for loans		**(11,513)**	(487)
Purchase of financial assets held at fair value through profit or loss		**(273,704)**	(155,445)
Payments for potential acquisitions		**(230)**	(9,125)
Proceeds from sale of investment properties		**5,080**	16,700
Disposal costs paid from sale of investment properties		**(14)**	(120)
Proceeds from sale of financial instruments held at fair value through profit or loss		**44,320**	-
Net cash outflow from investing activities		**(587,702)**	(285,566)
Cash flows from financing activities			
Proceeds from applications by unitholders		**332,769**	120,181
Payments for redemptions by unitholders		**(80,213)**	(32,617)
Proceeds from borrowings		**835,000**	838,200
Repayment of borrowings		**(497,000)**	(655,700)
Distributions paid		**(82,961)**	(74,151)
Payment of borrowing costs and other related costs		**(33,129)**	(14,621)
Finance establishment costs paid		**(1,650)**	(5,505)
Payment of lease liabilities		**(10)**	(9)
Payment of interest rate swap termination costs		**-**	(3,877)
Swap up-front payments		**(9,695)**	-
Net cash inflow from financing activities		**463,111**	171,901
Net increase/(decrease) in cash and cash equivalents		**1,943**	(12,836)
Cash and cash equivalents at the beginning of the year		**58,233**	71,069
Cash and cash equivalents at the end of the year	12	**60,176**	58,233
Non-cash operating and financing activities	23(b)	**14,548**	18,182

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

Notes to the financial statements

1 General information

These consolidated financial statements cover Australian Unity Healthcare Property Trust ("the Scheme") and its subsidiaries. The Scheme was constituted on 17 June 1998 and will terminate on the 80th anniversary or earlier in accordance with the provisions of the Scheme's Constitution.

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

The Responsible Entity is incorporated and domiciled in Australia.

The controlled entities of the Scheme are:
- Healthcare Property Trust Sub-trust No. 2 (formerly Primary Health Care Property Trust) which was established by Trust Deed dated 21 December 2015;
- Herston SRACC Trust which was established by Constitution dated 20 February 2017; and,
- Australian Unity Aged Care Property Trust which was established by Trust Deed dated 1 June 2021.

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

The consolidated financial statements were authorised for issue by the directors of the Responsible Entity on 22 September 2023. The directors of the Responsible Entity 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. Where appropriate, comparatives have been reclassified to enhance comparability with current year disclosures.

(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) and the *Corporations Act 2001*.

The Scheme 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, loan receivables, 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 year cannot be reliably determined.

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

The consolidated financial statements of the Scheme comply with Australian Accounting Standards as issued by AASB and also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated financial statements of the Scheme 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.

(ii) New accounting standards and amendments adopted by the Scheme

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

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for the 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 Scheme.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by the Scheme as at 30 June 2023 and their results for the year then ended. The Scheme and its subsidiaries together are referred to in this financial report as the consolidated entity.

2 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

Subsidiaries (continued)

Subsidiaries are all entities over which the Scheme is exposed, or has rights, to variable returns from its involvement with the subsidiary and the ability to affect those returns through its powers over the subsidiaries.

Consolidation of subsidiaries begins from the date the Scheme obtains control of the subsidiary and ceases when the Scheme loses control of the subsidiary.

The acquisition method of accounting is used to account for business combinations by the Scheme.

All transactions (including gains and losses) and balances between entities in the consolidated group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Scheme.

Investments in subsidiaries are accounted for at fair value through profit or loss in the individual financial statements of the parent entity.

(c) Investment properties

Initially, investment properties are measured at the cost of acquisition, being the purchase consideration determined at the date of acquisition plus costs incidental to the acquisition. Costs incidental to acquisition may include legal fees, stamp duty and other government charges, professional fees preceding acquisition and where applicable financing charges incurred during the construction or development of an asset.

Subsequent to initial recognition, investment properties are stated at fair value being the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

Redevelopment and refurbishment costs (other than repairs and maintenance) are capitalised to carrying value of the investment property where they result in an enhancement in the future economic benefits of the property. Leasing fees incurred and incentives provided (excluding rental abatements which are expensed) are capitalized and amortised over the lease periods to which they relate.

In accordance with the investment property valuations policy approved by the Board, independent valuations of investment properties are obtained from suitably qualified valuers generally at least once in every 18 months if the property is in a construction phase; otherwise once in any 12 month period from the date of the last valuation; or in exceptional circumstances once in a financial year or calendar year as determined necessary; or as soon as practicable, but not later than within two months after the directors of the Responsible Entity form a view that there is reason to believe that the fair value of the investment property is materially different from its current carrying value. Such valuations are reflected in note 16. Notwithstanding, the directors of the Responsible Entity determine the carrying value of each investment property at each reporting date to ensure that its carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, that asset is adjusted to its fair value.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount because the Scheme does not expect to be ultimately liable for capital gains tax in respect of the assets.

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

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

(d) Financial instruments

(i) Classification

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

- *Financial assets and liabilities*

The Scheme's investments are classified as held at fair value through profit or loss. These may include investments in listed property trusts, unlisted property trusts and other unlisted trusts.

Direct properties acquired under sale and leaseback arrangements with an option to repurchase are recognised as financing receivables which are classified as financial assets held at fair value through profit or loss in the consolidated statement of financial position. Under AASB 15 *Revenue from Contracts with Customers* the transactions do not meet the requirements for a sale and shall be accounted for as financing arrangements within the scope of AASB 9 *Financial Instruments*.

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(i) Classification (continued)

Financial instruments 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 Scheme's documented investment strategy. The Scheme's policy is for the Responsible Entity 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 Scheme'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.

- *Amortised cost*

A financial asset is measured at amortised cost only if both of the following conditions are met:

(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.

This category includes loans receivables and other receivables/payables.

(ii) Recognition/derecognition

The Scheme 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 Scheme 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 Scheme 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 expires.

Any gains or losses arising on derecognition of a financial asset or liability (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 financial asset or liability is derecognised as realised gains or losses on financial instruments.

(iii) Measurement

Except for financing receivables, financial assets and financial liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities held at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the consolidated statement of comprehensive income.

Financing receivables are measured initially at cost of acquisition, being the consideration on the date of acquisition plus transaction costs and subsequently are measured at fair value with changes in their fair value recognised in the consolidated statement of comprehensive income.

For further details on how the fair values of financial instruments are determined please see Note 21 to the consolidated financial statements.

Borrowings, loan receivables and other receivables/payables are measured initially at fair value plus transaction costs and subsequently are carried at amortised cost using the effective interest method.

The Scheme assesses on a forward looking basis the expected credit losses (ECL) associated with its financial assets carried at amortised cost. The recognition of impairment depends on whether there has been a significant increase in credit risk.

For loan receivables, the Scheme applies a three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(iii) Measurement (continued)

- Stage 1: 12-months ECL
  For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

- Stage 2: Lifetime ECL- not credit impaired
  For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

- Stage 3: Lifetime ECL - credit impaired
  Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

At each reporting date, the Scheme assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

The Scheme assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of significant increase in credit risk, loans are grouped on the basis of shared credit risk characteristics, taking into account the type of loans, days in arrears, loan collaterals, remaining term to maturity, geographical location of the borrower and other relevant factors. The Scheme considers its historical loss experience and adjusts this for current observable data.

The amount of ECL is measured as the probability-weighted amount of the present value of all reasonable cash shortfalls over the expected life of the loans discounted at the effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Scheme and all the cash flows that the Scheme expects to receive.

The amount of ECL is recognised using a loan loss provision account. If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loan loss provision reverts from lifetime ECL to 12-months ECL.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount 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.

(e) Derivatives

In order to minimise exposure to fluctuations in interest rates, the Scheme may use a combination of interest rate swaps and options to ensure that the rate of interest on debt is predominantly fixed. Derivative financial instruments are not held for speculative purposes and are carried on the consolidated statement of financial position at fair value. Changes in fair value are recognised in the consolidated statement of comprehensive income.

Interest payments and receipts under interest rate swap contracts are recognised on an accrual basis in the consolidated statement of comprehensive income, as an adjustment to borrowing costs and other related costs when the transaction occurs.

(f) Net assets attributable to unitholders

Units are redeemable at the unitholders' option via withdrawal facility offers by the Responsible Entity. The units can be put back to the Scheme for cash equal to a proportionate share of the Scheme'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 year if unitholders exercised their right to put the units back to the Scheme. Because the Scheme'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. Changes in the value of this financial liability are recognised in the consolidated statement of comprehensive income as they arise.

The Scheme classifies the net assets attributable to unitholders as liabilities as they do not satisfy the criteria under AASB 132 *Financial instruments: Presentation.*

2 Summary of significant accounting policies (continued)

(g) 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts, if any, are shown within borrowings in the consolidated statement of financial position.

Receipts relating to financing receivables are classified as cash flows from operating activities as this represents one of the Scheme's income generating activities.

(h) Investment income

Dividend income is recognised on the ex-dividend date.

Interest income is recognised in the consolidated statement of comprehensive income for all financial instruments using the effective interest method. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(d).

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

Net gains/(losses) on financial assets and liabilities held 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 or dividend/distribution income. Realised and unrealised gains/(losses) are shown in the notes to the consolidated financial statements.

(i) Expenses

All expenses, including property expenses,management fees and custodian fees, are recognised in consolidated statement of comprehensive income on an accruals basis.

(j) Income tax

Under current legislation, the Scheme is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

(k) Distributions

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

(l) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in consolidated statement of comprehensive income as finance costs.

(m) Receivables

Receivables may include amounts for dividends, interest, rental income arrears, trust distributions and securities sold where settlement has not yet occurred. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each year from the time of last payment in accordance with the policy set out in note 2(h) above. Amounts are generally received within 30 days of being recorded as receivables.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for expected credit losses. Trade receivables are required to be settled within 30 days and are assessed on an ongoing basis for impairment. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for expected credit losses is recognised for expected credit losses on trade and other receivables. The provision for expected credit losses is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted as the effect of discounting is immaterial.

The calculation of expected credit losses relating to rent and other receivables require significant judgement to assess the future uncertainty of tenants’ ability to pay their debts. Expected credit losses have been estimated with reference to the Scheme's historical credit loss experience, general economic conditions and forecasts, assumptions around rent relief that may be provided to tenants and tenant risk factors such as size, industry exposure and the Scheme's understanding of the ability of tenants to pay their debts. Accordingly, expected credit losses include both the part of the rent receivable that is likely to be waived and any additional amount relating to credit risk associated with the financial condition of the tenant.

(n) Payables

Payables include liabilities and accrued expenses owed by the Scheme which are unpaid as at the end of the reporting period. These payables, which are generally settled on 30-90 day terms and are unsecured, are carried at amortised cost.

Interest is taken up as an expense on an accrual basis.

2 Summary of significant accounting policies (continued)

(n) Payables (continued)

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 as 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 Scheme's Constitution.

Liabilities for trade creditors are carried at original invoice amount which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Scheme.

Payables to related parties are recognised and carried at the nominal amount due. They are carried at the nominal amount due to the short term nature of the payable. Interest is taken up as an expense on an accrual basis.

Provisions are recognised when the Scheme has a present obligation as a result of the past event and it is probable that the Scheme will be requested to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(o) Applications and redemptions

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

Unit redemption prices are determined in accordance with the Scheme’s Constitution by reference to the net assets of the Scheme divided by the number of units on issue.

(p) Borrowings and borrowing costs

All loans are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with borrowings.

After initial recognition, loans are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognised in the consolidated statement of comprehensive income when liabilities are derecognised or impaired.

(q) Goods and Services Tax (GST)

The consolidated statement of comprehensive income is shown exclusive of GST, unless the GST incurred (or part thereof) on expenses that are not recoverable. Expenses of various services provided to the Scheme by third parties, such as custodial services and investment management fees, may have non-recoverable GST components, as applicable. In these cases, the non-recoverable GST component is recognised as part of the particular expense in the consolidated statement of comprehensive income.

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

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

(r) Leases as lessor

Rental income
Rental income is recognised on a straight-line basis over the lease term for leases with fixed rent review clauses. The rental adjustments from straight-lining of rental income are disclosed in the consolidated financial statements for financial reporting presentation purposes only.

Contingent rentals, such as turnover rent and market rent adjustments, are recognised as income in the financial reporting period in which they are earned. Some leases contain variable payment terms that are linked to sales generated. Variable lease payments that depend on sales are recognised in the consolidated statement of comprehensive income in the period in which the condition that triggers those payments occurs.

Incidental income and costs derived from an investment property undergoing construction or development but not directly related to bringing the assets to the working condition, are recognised in profit for the year.

Rent not received at the end of the year is reflected in the consolidated statement of financial position as a receivable or if paid in advance, as a liability.

Outgoing income
Outgoing income is recognised in the consolidated statement of comprehensive income on an accruals basis.

Within its lease arrangements, the Scheme provides certain services to tenants (such as utilities, cleaning, maintenance and certain parking arrangements) which are accounted for within AASB 15 *Revenue from Contracts with Customers*. A portion of the consideration within the lease arrangements is therefore allocated to revenue for the provision of these services.

2 Summary of significant accounting policies (continued)

(r) Leases as lessor (continued)

Leasing costs
Lease costs are costs that are directly associated with negotiating and arranging an operating lease (including commissions, legal fees and costs of preparing and processing documentation for new leases). These costs are capitalised and are amortised on a straight-line basis over the term of the lease as property expenses. The carrying amount of the leasing cost is reflected in the carrying value of investment properties.

Lease incentives
Incentives such as cash, rent-free periods, lessee or lessor owned fitouts may be provided to lessees to enter into an operating lease. These incentives are capitalised and are amortised on a straight-line basis over the term of the lease as a reduction of rental income or as property expenses. The carrying amount of the lease incentives is reflected in the carrying value of investment properties.

(s) Leases as lessee

The right-of-use asset and a corresponding lease liability are recognised from the initial application of AASB 16 on 1 July 2019 or at the date at which the leased asset is available for use by the Scheme. The Scheme is not required to make any adjustments on transition for leases previously accounted for as investment property using the fair value model in AASB 140 *Investment Property*.

Right-of-use assets
Right-of-use assets are measured at cost comprising the following
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and,
- restoration costs.

As the Scheme states its investment property at fair value, subsequent to initial recognition the Scheme applies the fair value model to right-of-use assets that meet the definition of investment property in AASB 140.

Lease liabilities
Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Scheme under residual value guarantees;
- the exercise price of a purchase option if the Scheme is reasonably certain to exercise that option;
- payments of penalties for terminating the lease if the lease term reflects the Scheme exercising that option; and,
- payments to be made under reasonably certain extension options.

Subsequent to the initial recognition, lease liabilities are adjusted by the interest charges, lease payments made and any re-measurement to reflect reassessment or lease modifications.

When the Scheme is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(t) Use of judgements and estimates

The preparation of the Scheme'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.

Critical judgements are made by the Scheme in respect of the fair values of investment properties. These investments are reviewed regularly by reference to external independent property valuations and market conditions, using generally accepted market practices.

The key weighted average assumptions used by the external independent property valuers in the latest valuations have been used by the Scheme for the investment properties and the weighted average total for all properties, including the weighted average lease expiry ("WALE"), have been disclosed in note 21.

2 Summary of significant accounting policies (continued)

(t) Use of judgements and estimates (continued)

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

When the fair values of the reported financial instruments cannot be derived from active markets, they are determined using prices obtained from inactive or unquoted markets and/or other valuation techniques. The inputs to these valuation techniques (if applicable) are taken from observable markets to the extent practicable. Where observable inputs are not available, the inputs may be estimated based on a degree of judgements and assumptions in establishing fair values.

Where appropriate, the outcomes of the valuation techniques that are used in establishing fair values are validated using prices from observable current market transactions for similar instruments (without modification or repackaging) or based on relevant available observable market data.

The determination of what constitutes 'observable' requires significant judgement by the Scheme. The Scheme 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.

In addition, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates and judgements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers, accounts payable and the carrying amounts approximate fair value due to the immediate or short term nature of these financial instruments.

(u) Rounding of amounts

The Scheme is an entity of the kind referred to in ASIC Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off to the nearest thousand dollars.

(v) Functional and presentation currency

Items included in the financial statements of each of the Scheme's operations are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Scheme's functional and presentation currency.

(w) Structured entities

The Scheme has assessed whether the funds in which it invests should be classified as structured entities. The Scheme 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 Scheme 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 Scheme has concluded that the funds in which it invests in are not structured entities.

3 Interest income

	2023 **$'000**	2022 $'000
Cash and cash deposits	**707**	11
Loan receivables	**3,555**	3,428
	4,262	3,439

4 Rental income

	2023 **$'000**	2022 $'000
Rental income	**136,129**	123,026
Outgoings income	**20,788**	18,669
Amortisation of lease commissions & lease incentives	**(1,833)**	(3,094)
	155,084	138,601

Rental income includes movement for the straight lining of rental income of $6,035,000 (2022: $8,155,000).

5 Property expenses

	2023 **$'000**	2022 $'000
Recoverable outgoings	**23,341**	20,521
Non-recoverable outgoings	**3,299**	3,209
Provision for expected credit losses	**422**	40
	27,062	23,770

6 Distribution income

	2023 **$'000**	2022 $'000
Listed property trusts	**3,149**	4,041
Related unlisted managed investment schemes	**1,474**	478
	4,623	4,519

7 Net gains/(losses) on financial instruments held at fair value through profit or loss

	2023 $'000	2022 $'000
Net gain on derivatives	**6,480**	30,416
Net (loss)/gain on listed property trusts	**(13,320)**	16,920
Net gain on financing receivables	**16,763**	22,321
Net gain/(loss) on related unlisted managed investment scheme	**344**	(809)
Net gains/(losses) on financial instruments held at fair value through profit or loss	**10,267**	68,848

8 Auditor's remuneration

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

	2023 $	2022 $
Audit services - PwC		
Audit and review of financial statements	**194,400**	180,000
Audit of compliance plan	**4,917**	4,630
Total auditors' remuneration	**199,317**	184,630

9 Other expenses

The following table details the other operating incurred by the Scheme during the year:

	2023 $'000	2022 $'000
Consultancy fees and other related costs	**3,259**	11,184
Sundry	**-**	136
Administration	**368**	118
	3,627	11,438

Consultancy fees and other related costs include costs associated with the external proposal to acquire all of the units in the Scheme and related matters. Refer to note 26 for further information.

10 Net assets attributable to unitholders

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme. There are three classes of units in the Scheme being Retail, Wholesale and Class A Units.

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

Contributed equity	**2023 No. '000**	2022 No. '000	**2023 $'000**	2022 $'000
Opening balance	**1,027,865**	984,345	**1,559,387**	1,454,001
Retail units				
Applications	**21**	25	**61**	65
Redemptions	**(4,570)**	(1,451)	**(12,750)**	(3,859)
Units issued upon reinvestment of distributions	**949**	1,141	**2,584**	2,863
	(3,600)	(285)	**(10,105)**	(931)
Wholesale units				
Applications	**120,582**	52,290	**333,641**	120,110
Redemptions	**(16,111)**	(5,460)	**(43,853)**	(14,308)
Units issued upon reinvestment of distributions	**4,384**	5,841	**11,646**	14,382
Units issued transaction costs	**-**	-	**(937)**	-
	108,855	52,671	**300,497**	120,184
Class A units				
Applications	**3**	3	**4**	5
Redemptions	**(14,414)**	(9,252)	**(23,610)**	(14,450)
Units issued upon reinvestment of distributions	**198**	383	**318**	578
	(14,213)	(8,866)	**(23,288)**	(13,867)
Closing balance	**1,118,907**	1,027,865	**1,826,491**	1,559,387

	2023 $'000	2022 $'000
Undistributed income		
Opening balance	**1,031,124**	619,202
Increase in net assets attributable to unitholders	**18,839**	411,922
Closing balance	**1,049,963**	1,031,124
Total net assets attributable to unitholders	**2,876,454**	2,590,511

10 Net assets attributable to unitholders (continued)

Capital risk management

The Scheme considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications whilst redemptions occur quarterly for Retail and Wholesale units and monthly for Class A units, at the discretion of unitholders via withdrawal offers by the Responsible Entity.

Applications and redemptions are reviewed relative to the liquidity of the Scheme's underlying assets by the Responsible Entity. Under the terms of the Scheme's Constitution, the Responsible Entity 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.

11 Distributions to unitholders

The distributions for the year were as follows:

	2023 $'000	**2023 CPU**	2022 $'000	2022 CPU
Distributions - Retail units				
31 December	**2,102**	**2.5160**	2,051	2.4270
30 September	**2,095**	**2.5160**	2,045	2.4270
31 March	**2,207**	**2.6820**	2,155	2.5610
30 June (payable)	**2,083**	**2.5900**	2,165	2.5760
	8,487		8,416	
Distributions - Wholesale units				
30 September	**19,095**	**2.4500**	18,528	2.3750
31 December	**19,058**	**2.4500**	18,538	2.3750
31 March	**22,665**	**2.6500**	19,503	2.5000
30 June (payable)	**22,659**	**2.5500**	19,609	2.5150
	83,477		76,178	
Distributions - Class A units				
30 September	**1,993**	**1.2340**	1,983	1.1610
31 December	**2,201**	**1.3810**	1,955	1.1610
31 March	**2,343**	**1.4990**	1,979	1.1890
30 June (payable)	**2,218**	**1.4800**	1,976	1.2040
	8,755		7,893	
Total distributions	**100,719**		92,487	

12 Cash and cash equivalents

	2023 $'000	2022 $'000
Cash at bank	**30,793**	10,046
Cash management trusts	**29,383**	48,187
	60,176	58,233

13 Receivables

	2023 $'000	2022 $'000
Trade receivables	**10,722**	9,205
GST receivables	**6,158**	2,688
Distributions receivables	**699**	1,172
Interest receivables	**885**	641
Doubtful debts provision	**(406)**	-
	18,058	13,706

14 Financial assets and liabilities held at fair value through profit or loss

	2023 $'000	2022 $'000
Financing receivables	**525,843**	258,055
Listed property trusts	**50,197**	107,836
Derivative assets	**41,488**	33,029
Total financial assets held at fair value through profit or loss	**617,528**	398,920
Derivative liabilities	**713**	598
Total financial liabilities held at fair value through profit or loss	**713**	598

14 Financial assets and liabilities held at fair value through profit or loss (continued)

Financing receivables represent the fair value of financial assets recognised on the Scheme's acquisition of aged care properties under sale and leaseback agreements with options to buy back in future periods. As a result, the transactions do not meet the requirements for a sale under AASB 15 *Revenue from Contracts with Customers* and the acquisitions are recorded as a financial asset under AASB 9 *Financial Instruments*.

The following table details the financing receivables held by the Scheme:

	30 June 2023 $'000	30 June 2022 $'000
The Terraces Aged Care Facility, 74 University Drive, Varsity Lakes, QLD	**37,574**	35,422
Edge Hill Orchards Aged Care Facility, 15 Oregon Street, Manoora, QLD	**35,400**	33,700
Capella Bay Aged Care Facility, 260 Old Cleveland Road East, QLD	**33,405**	31,423
Caravonica Aged Care Facility, 15-17 Lake Placid Road, Caravonica, QLD	**28,250**	28,100
Edmonton Gardens Aged Care Facility, 1-15 Bruce Highway, Edmonton, QLD	**28,200**	28,100
Seabrook Aged Care Facility, 15-29 Bonton Avenue, Deception Bay, QLD	**29,640**	27,810
Mount Lofty Toowoomba Aged Care Facility, 69 Stuart Street, Harlaxton, QLD	**27,300**	27,300
Cornubia Aged Care Facility, 136-144 Beenleigh Redland Bay Road, Cornubia, QLD	**27,100**	27,000
Charles Young Aged Care, 53-59 Austral Terrace, Morphettville, SA	**42,500**	-
Walkerville Aged Care, 160-176 Walkerville Terrace, Walkerville, SA	**36,850**	-
Ridgehaven Aged Care, Lot 1, Hazel Grove, Ridgehaven, SA	**31,150**	-
Holly Aged Care, 16-24 Penneys Hill Road, Hackham, SA	**28,000**	-
Somerton Park Aged Care, 44-46 Chopin Road, Somerton Park, SA	**26,900**	-
Marten Aged Care, 110 Strathfield Terrace, Largs North, SA	**20,850**	-
Smithfield Aged Care, 1 Warooka Drive, Smithfield, SA	**15,450**	-
Ross Robertson Aged Care, 19-33 Cornhill Road, Victor Harbor, SA	**11,800**	-
Little Para Aged Care, 24 - 28 Wayford Street, Elizabeth Vale, SA	**9,200**	-
The Ormsby, 112 Burnett Street, Buderim, QLD	**37,074**	-
Ipswich Aged Care Facility, 41-43 South Street, Ipswich, QLD	**19,200**	19,200
Total financing receivables	**525,843**	258,055

Movements in carrying amount:
Reconciliations of the carrying amounts of financing receivables are set out below:

	2023 $'000	2022 $'000
Opening balance	**258,055**	147,578
Acquisitions	**272,789**	128,207
Additions	**916**	1,071
Collection of financing receivables	**(22,679)**	(13,331)
Revaluation movements	**16,762**	22,321
Transfer to investment properties	**-**	(27,791)
Total	**525,843**	258,055

Financing receivables are valued using a discounted cash flow method. The financing receivables were valued using a discounted cash flow method on 30 June 2023.

An overview of the risk exposures and fair value measurements relating to financial assets and liabilities at fair value through profit or loss is included in note 20.

15 Loan receivables

	2023 $'000	2022 $'000
Loans to tenants	**55,705**	44,192
	55,705	44,192

Gross impaired assets represent those assets that are contractually past due with security insufficient to cover the principal and arrears. The Scheme calculated a provision for impairment based on the expected credit loss model (ECL). As at 30 June 2023, all loans were considered low risk of default under Stage 1 category and are considered not impaired. No loan loss provision has been made during the year ended 30 June 2023 (2022: nil).

Loans to tenants comprises six loans to Infinite Care advanced when the aged care properties were acquired. The loans were provided to finance lessee costs of fitting out of the aged care properties and are governed by a Fit Out Loan Agreement. The loans are repayable in four years from acquisition and the interest is payable on a quarterly basis. The loans are secured by a fixed and floating charge over the assets of the applicable lessee and approved aged care provider entities, with cross guarantees provided between the holding companies. Total principal repayments made during the year was $nil (2022: $19,434,000).

During the year, the Scheme has provided a $4,000,000 facility to a tenant to assist with fitout items. The loan is secured by a fixed and floating charge over the applicable assets of the lessee. The loan is repayable in five years and the interest is payable on a quarterly basis.

During the year, $8,000,000 was advanced to another tenant to assist with the fitout items. The loan is secured by a fixed and floating charge over the applicable assets of the lessee. The loan is repayable in five years and the interest is payable on a quarterly basis.

16 Investment properties

(a) Property details

	Type	Ownership	Independent valuation date	Independent valuation amount	Carrying value 2023	Carrying value 2022
		(%)		$'000	$'000	$'000
Herston Quarter - Surgical Treatment and Rehabilitation Service (STARS), Herston QLD	Hospital	100	23/11/2022	605,000	**605,964**	596,178
Peninsula Private Hospital, Langwarrin, VIC	Hospital	100	24/05/2023	301,250	**324,664**	286,487
Mulgrave Private Hospital, Dandenong North, VIC	Hospital	100	23/11/2022	182,500	**182,582**	179,651
Beleura Private Hospital, Mornington, VIC	Hospital	100	24/05/2023	179,100	**179,031**	179,411
RPAH Medical Centre, Newton, NSW	Medical Centre/Office	100	24/05/2023	133,500	**133,475**	133,759
Sunshine Private Hospital, VIC	Hospital	100	21/02/2023	184,000	**192,402**	133,673
15 Butterfield Street, Herston, QLD	Medical Centre/Office	100	23/08/2022	123,000	**123,304**	120,437
8 Herbert Street, St Leonards, NSW	Medical Centre/Office	100	23/08/2022	83,500	**83,430**	83,485
Brisbane Waters Private Hospital, Woy Woy, NSW	Hospital	100	24/05/2023	76,000	**77,431**	69,639
103 Victoria Parade, Collingwood VIC	Medical Centre/Office	100	24/05/2023	63,150	**63,159**	65,004
Brunswick Private Hospital, Brunswick, VIC	Hospital	100	23/08/2022	57,750	**57,717**	55,588
Robina Private Hospital, Robina, QLD	Hospital	100	23/08/2022	56,300	**58,972**	55,152
310 Selby Road North, Osborne Park, WA	Medical Centre/Office	100	24/05/2023	55,000	**55,009**	55,000
Western Hospital, Henley Beach, SA	Hospital	100	21/02/2023	55,000	**55,251**	54,193
Manningham Medical Centre, Templestowe Lower, VIC	Medical Centre/Office	100	21/02/2023	52,500	**52,534**	52,163
Greensborough Medical Centre, Greensborough, VIC	Medical	100	21/02/2023	44,500	**44,519**	43,264
North Shore Specialist Day Hospital, Greenwich, NSW	Hospital	100	23/08/2022	35,000	**39,647**	34,709
Tuggerah Lakes Private Hospital, Kanwal, NSW	Hospital	100	23/11/2022	35,000	**35,020**	34,000
Townsville Private Clinic, Townsville, QLD	Hospital	100	23/11/2022	33,000	**33,015**	33,016
Hunters Hill Private Hospital, Hunters Hill, NSW	Hospital	100	17/02/2022	31,500	**31,737**	31,680
Berkeley Vale Private Hospital, Berkeley Vale, NSW	Hospital	100	23/08/2022	31,500	**31,503**	31,675
Matilda Nepean Private Hospital, NSW	Hospital	100	21/02/2023	52,500	**52,737**	28,164
Campus Alpha, Robina, QLD	Medical Centre/Office	100	21/02/2023	28,000	**28,163**	28,071
Constitution Hill Aged Care, Northmead, NSW	Aged Care	100	21/02/2023	26,000	**26,001**	26,902
HIS Diagnostic Imaging Centre, Richmond, VIC	Medical Centre/Office	100	21/02/2023	26,000	**26,018**	26,010
Figtree Private Hospital, Figtree, NSW	Hospital	100	23/08/2022	30,500	**30,522**	24,596
Ipswich Medical Centre and Day Hospital, QLD	Medical Centre/Office	100	23/11/2022	23,300	**23,399**	22,451
Robina Medical Centre, Robina QLD	Medical Centre/Office	100	21/02/2023	20,750	**20,865**	20,770
Corrimal Medical Centre, Corrimal, NSW	Medical Centre/Office	100	23/11/2022	20,000	**20,014**	20,002
566 Olsen Avenue, Molendinar, QLD	Medical Centre/Office	100	23/11/2022	19,600	**19,624**	19,600
The Eye Centre, 2 Short St, Southport, QLD	Medical Centre/Office	100	24/05/2023	17,800	**18,727**	18,538
Gosford Private Medical Centre, Gosford, NSW	Medical Centre/Office	100	21/02/2023	13,000	**13,004**	17,127
14 Highfields Circuit, Port Macquarie, NSW	Medical Centre/Office	100	17/02/2022	15,800	**15,814**	15,800
Victoria House Medical Centre, East Victoria Park, WA	Medical Centre/Office	100	21/02/2023	14,400	**14,424**	13,500
Lot 77, Bunjil Way, Knoxfield, VIC	Assets held pending development	100	21/02/2023	12,430	**12,901**	12,401
1 and 3 Addison Road, Pennington, SA	Medical Centre/Office	100	23/08/2022	11,400	**11,404**	11,424
Eureka Medical Centre, Ballarat, VIC	Medical Centre/Office	100	23/08/2022	11,000	**11,012**	10,769
Corio Medical Clinic, Corio, VIC	Medical Centre/Office	100	24/05/2023	9,450	**9,380**	10,262
38 & 40 Orth Street; 26 Somerset Street; 1, 3 & 5 Hargrave Street, Kingswood, NSW	Assets held pending development	100	21/02/2023	9,600	**9,697**	9,665
Casa Mia, 28-36 Alma Road, Padstow, NSW	Aged Care	100	24/05/2023	7,550	**7,557**	9,226
Herston Quarter Private Hospital, Herston, QLD	Held for sale	100	24/05/2022	8,800	**13,000**	8,808
59 East Street, Ipswich, QLD	Assets held pending development	100	23/08/2022	6,850	**7,241**	7,408
80-82 Bridge Road, Richmond, VIC	Medical Centre/Office	100	21/02/2023	7,000	**7,004**	7,031
151-153 Furlong Road, St Albans, VIC	Medical Centre/Office	100	21/02/2023	6,000	**6,000**	6,000
34 Investigator Drive, Robina, QLD	Assets held pending development	100	21/02/2023	4,400	**4,400**	4,256
1, 1A, and 1B President Road, Kellyville, NSW	Assets held pending development	100	24/05/2022	4,250	**12,301**	4,271
Lot 907, Oceanside Health Hub, Birtinya QLD	Assets held pending development	100	21/02/2023	4,000	**4,128**	3,933
7 Vidler Avenue, Woy Woy, NSW	Medical Centre/Office	100	24/05/2023	2,580	**2,580**	2,600

16 Investment properties (continued)

(a) Property details (continued)

	Type	Ownership	Independent valuation date	Independent valuation amount	Carrying value 2023	Carrying value 2022
		%		$'000	$'000	$'000
19 Buttercup Close, Meadowbrook, QLD	Assets held pending development	100	21/02/2023	520	520	1,621
70 Moreland Road, Brunswick, VIC	Assets held pending development	100	23/08/2022	1,425	1,418	1,485
22 Buttercup Close, Meadowbrook, QLD	Assets held pending development	100	23/08/2022	510	513	1,342
7 Westwood Avenue, Belmore, NSW	Assets held pending development	100	21/02/2023	1,200	1,200	1,205
101 Herbert Street, Mornington, VIC	Assets held pending development	100	24/05/2023	1,025	**1,026**	1,200
9 Westwood Avenue, Belmore, NSW	Assets held pending development	100	21/02/2023	1,200	**1,200**	1,200
17 Buttercup Close, Meadowbrook, QLD	Assets held pending development	100	23/08/2022	530	**531**	1,156
93 Davies Street, Brunswick, VIC	Assets held pending development	100	23/08/2022	1,050	**1,050**	1,122
7 Wiowera Road, Kanwal, NSW	Assets held pending development	100	23/11/2022	1,100	**1,100**	1,100
24 Gillon Court, St Albans, VIC	Assets held pending development	100	21/02/2023	950	**950**	1,000
22 Gillon Court, St Albans, VIC	Assets held pending development	100	21/02/2023	850	**850**	950
15 Dwyer Avenue, Woy Woy, NSW	Assets held pending development	100	24/05/2023	820	**830**	850
20 Gillon Court, St Albans, VIC	Assets held pending development	100	21/02/2023	790	**790**	812
99 Herbert Street, Mornington, VIC	Assets held pending development	100	24/05/2023	880	**880**	770
103 Herbert Street, Mornington, VIC	Assets held pending development	100	24/05/2023	860	**860**	730
105 Herbert Street, Mornington, VIC	Assets held pending development	100	24/05/2023	870	**870**	730
11 Gillon Court, St Albans, VIC**	Assets held pending development	100	21/02/2023			700
651 Pacific Highway, Kanwal, NSW	Assets held pending development	100	23/11/2022	700	**700**	700
Wyvern, 4A Larool Road, Terrey Hills, NSW	Assets held pending development	100	23/11/2022	22,300	**41,213**	14,295
199 St Albans Road, St Albans, VIC	Assets held pending development	100	21/02/2023	690	**702**	690
203 St Albans Road, St Albans, VIC	Assets held pending development	100	21/02/2023	690	**702**	690
9 Gillon Court, St Albans, VIC**	Assets held pending development	100	21/02/2023			620
205 St Albans Rd, St Albans, VIC	Assets held pending development	100	21/02/2023	620	**620**	620
Chamberlain Gardens, 53-67 Chamberlain Road, Wyoming, NSW	Aged Care	100	24/05/2023	28,200	**28,260**	28,825
Southhaven, 7, 9 & 11 Queensbury Road and 18 Lorraine Avenue, Padstow Heights, NSW	Aged Care	100	24/05/2023	24,100	**24,143**	26,167
3 Wiowera Street, Kanwal, NSW	Assets held pending development	100	23/11/2022	460	**460**	460
1 Wiowera Street, Kanwal, NSW	Assets held pending development	100	23/11/2022	420	**420**	420
201 St Albans Rd, St Albans, NSW	Assets held pending development	100	21/02/2023	690	**703**	-
9-11, 13 and 15 Old Heidelberg Rd,	Assets held pending	100	24/05/2023	19,300	**21,199**	-
133-139 Jannali Avenue, Sutherland, NSW	Assets held pending	100	24/05/2023	10,500	**10,826**	-
100 Angus Smith Drive, Townsville Drive, QLD	Assets held pending	100	21/02/2023	17,150	**17,267**	-
Ashmore Retreat, 19 Allunga Avenue,	Aged Care	100	21/02/2023	28,400	**28,548**	-
Mandalay Retreat, 156-162 Bay Street,	Aged Care	100	21/02/2023	20,800	**20,958**	-
Bangalor Retreat, 3-27 Stott Street, Tweed	Aged Care	100	21/02/2023	26,100	**26,249**	-
155 Furlong Road, St Albans, VIC	Assets held pending development	100	15/09/2022	750	**2,264**	-
1 North Terrace, Adelaide, SA	Assets held pending development	100	24/04/2023	34,000	**39,272**	-
Cobblebank - 2 Coach St, Cobblebank, VIC	Assets held pending development	100	08/04/2022	15,000	**16,541**	

16 Investment properties (continued)

(a) Property details (continued)

	Type	Ownership	Independent valuation date	Independent valuation amount	Carrying value 2023	Carrying value 2022
		%		$'000	$'000	$'000
16 Gillon Court, St Albans, VIC	Assets held pending development	100	05/05/2023	670	**1,431**	-
18 Nestor Drive, Meadowbrook, QLD	Assets held pending development	100	24/05/2023	11,550	**14,760**	-
Total				**3,108,680**	**3,200,109**	2,809,209
Add: Investment property leaseholds *					**4,313**	3,438
Less: Properties held for sale					**(13,000)**	(5,080)
Total investment properties					**3,191,422**	2,807,567

** Upon adoption of AASB 16, the Scheme recognised a right-of-use asset on the ground lease at RPAH Medical Centre which resulted in an increase in the carrying value of the investment property leasehold and related liabilities of $3,773,000 on 1 July 2019. In addition the Scheme recognised another right-of-use asset on three head leases at Medilink - 100 Angus Smith Drive, Townsville, QLD, which resulted in an increase in the carrying value of the investment property leasehold and related liabilities of $887,000 on 11 November 2022.*

***At 30 June 2023, 9 Gillon Court, St Albans, VIC and 11 Gillon Court, St Albans, VIC were consolidated to Sunshine Private Hospital.*

The carrying value of an investment property may vary from the independent valuation of the property due to acquisition costs, capital expenditure and the accounting treatment of leasing commissions and lease incentives.

All independent valuations were undertaken by either of the following external valuers: JLL, Valued Care, CBRE, Colliers or m3property.

(b) Movements in carrying amount

Reconciliations of the carrying amounts of investment properties are set out below:

	2023 $'000	2022 $'000
Opening balance	**2,807,567**	2,225,661
Acquisitions	**200,670**	89,145
Additions	**141,435**	101,184
Capitalised borrowing costs	**2,902**	831
Lease commissions and incentives amortisation	**(1,833)**	(3,094)
Revaluation movements	**46,769**	362,982
Straight-lining of rental income	**6,035**	8,156
Transfer from financing receivable	**-**	27,791
Payment of lease liabilities	**(10)**	(9)
Reclassified as properties held for sale	**(13,000)**	(5,080)
Initial recognition of right of use asset	**887**	-
Closing balance	**3,191,422**	2,807,567

The Scheme completed the purchase of the following properties during the year:

On 3 August 2022, the Scheme completed the purchase of 201 St Albans Rd, St Albans, NSW for a purchase price of $1,250,000 and acquisition costs of $118,000.

On 26 September 2022, the Scheme completed the purchase of 9-11, 13 and 15 Old Heidelberg Rd, Alphington, VIC for a purchase price of $14,750,000 and acquisition costs of $1,261,000.

On 6 October 2022, the Scheme completed the purchase of 133-139 Jannali Avenue, Sutherland, NSW for a purchase price of $10,500,000 and acquisition costs of $868,000.

16 Investment properties (continued)

(b) Movements in carrying amount (continued)

On 28 October 2022, the Scheme completed the purchase of Suite 10, 10 Churchill Street, Ipswich, QLD for a purchase price of $1,100,000 and acquisition costs of $83,000.

On 11 November 2022, the Scheme completed the purchase of Medilink - 100 Angus Smith Drive, Townsville, QLD for a purchase price of $17,150,000 and acquisition costs of $1,232,000.

On 22 December 2022, the Scheme completed the purchase of Ashmore Retreat, 19 Allunga Avenue, Ashmore, QLD for a purchase price of $27,676,000 and acquisition costs of $1,800,000.

On 22 December 2022, the Scheme completed the purchase of Mandalay Retreat, 156-162 Bay Street, Cleveland, QLD for a purchase price of $20,286,500 and acquisition costs of $1,431,000.

On 22 December 2022, the Scheme completed the purchase of Bangalor Retreat, 27 Stott Street, Tweed Heads West, NSW for a purchase price of $25,472,000 and acquisition costs of $1,505,000.

On 16 January 2023, the Scheme completed the purchase of 155 Furlong Road, St Albans, VIC for a purchase price of $2,100,000 and acquisition costs of $161,000.

On 3 May 2023, the Scheme completed the purchase of Newmarket, 1 North Terrace, Adelaide, SA for a purchase price of $38,500,000 and acquisition costs of $686,000.

On 15 June 2023, the Scheme completed the purchase of 2 Coach St, Cobblebank, VIC for a purchase price of $15,000,000 and acquisition costs of $1,515,000.

On 19 June 2023, the Scheme completed the purchase of 16 Gillon Court, St Albans, VIC for a purchase price of $1,300,000 and acquisition costs of $132,000.

On 23 June 2023, the Scheme completed the purchase of 18 Nestor Drive, Meadowbrook, QLD for a purchase price of $11,550,000 and acquisition costs of $936,000.

(c) Movements in properties held for sale

	30 June 2023 $'000	30 June 2022 $'000
Opening balance	**5,080**	16,700
Additions	**13,000**	5,080
Disposals	**(5,080)**	(16,700)
Closing balance	**(2,240)**	(45,020)

On 1 July 2022, the Scheme settled the sale of Suites 3, 8 and 12/12 Jarrett St, North Gosford, NSW for $4,150,000 excluding selling costs.

On 27 July 2022, the Scheme settled the sale of Suite 13/12 Jarrett St, North Gosford, NSW for $930,000 excluding selling costs.

On 30 June 2023, the Scheme exchanged contracts to sell Herston Quarter Private Hospital, 40 Bowen Bridge Road, Herston, QLD. Settlement occurred on 17 July 2023 for $13,000,000, excluding selling costs.

16 Investment properties (continued)

(d) Leasing arrangements as a lessor

Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

	2023 **$'000**	2022 $'000
Within one year	**136,445**	111,486
Later than one year but not later than 5 years	**499,272**	417,759
Later than 5 years	**1,676,387**	1,302,918
	2,312,104	1,832,163

(e) Leasing arrangements as a lessee

The ground lease at RPAH Medical Centre & at Medilink are held under long-term operating lease. The lease liabilities comprised minimum future lease payments including the two lease extension options. The Scheme is potentially exposed to variable lease payments which shall be reviewed every three years and not reflected in the measurement of lease liabilities.

Reconciliations of the carrying amounts of lease liabilities are set out below:

	30 June 2023 $'000	30 June 2022 $'000
Opening balance	**3,438**	3,447
Medilink - Initial lease liability	**886**	-
Interest charge on lease liabilities	**154**	151
Lease payments	**(165)**	(160)
Closing balance	**4,313**	3,438

(f) Contractual obligations

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

	2023 **$'000**	2022 $'000
Within one year	**76,814**	166,703
Later than one year but not later than 5 years	**7,600**	53,505
	84,414	220,208

The Scheme's share of capital commitments will be funded using the Scheme's cash and cash equivalents and debt facility. Refer to notes 12 and 18, respectively.

17 Payables

	2023 $'000	2022 $'000
Accrued expenses	**10,813**	18,112
Trade payables	**2,125**	4,569
Rent received in advance	**4,840**	2,372
GST payables	**1,269**	1,039
Accrued borrowing costs and other related costs	**4,564**	873
	23,611	26,965

18 Borrowings

	2023 $'000	2022 $'000
Bank loan	**1,035,000**	697,000
Unamortised borrowing costs	**(4,733)**	(4,567)
	1,030,267	692,433

The Scheme had access to:

	2023 $'000	2022 $'000
Credit facilities		
Cash advance facilities	**1,300,000**	1,000,000
Drawn balance	**(1,035,000)**	(697,000)
Undrawn balance	**265,000**	303,000

18 Borrowings (continued)

In November 2022, $250 million of the Scheme's debt was refinanced and an additional $300 million in debt capacity was completed. The $1,300,000,000 facility comprises eight tranches, which includes four new Tranches: A1, B1, C1, & D1 and four existing Tranches.

• Tranche A1 is a $250,000,000 facility expiring in May 2024;
• Tranche B1 is a $75,000,000 facility expiring in November 2025;
• Tranche C1 is a $75,000,000 facility expiring in November 2026;
• Tranche D1 is a $150,000,000 facility expiring in November 2027;
• Tranche B is a $150,000,000 facility expiring in January 2025;
• Tranche C is a $250,000,000 facility expiring in December 2025;
• Tranche D is a $250,000,000 facility expiring in December 2026; and
• Term Facility Loan is a $100,000,000 facility expiring in January 2025.

The debt facility is unsecured and is non-recourse to unitholders. The Scheme did not breach its debt covenants during the year ended 30 June 2023.

On 30 June 2022, the bank loan was comprised of five tranches:

• Tranche A is a $250,000,000 facility expiring in June 2023;
• Tranche B is a $150,000,000 facility expiring in January 2025;
• Tranche C is a $250,000,000 facility expiring in December 2025;
• Tranche D is a $250,000,000 facility expiring in December 2026; and,
• Term Facility Loan is a $100,000,000 facility expiring in January 2025.

Reconciliations of the net debt are set out below:

	2023 $'000	2022 $'000
Analysis of changes in consolidated net debt		
Opening balance	**638,767**	443,431
Net proceeds from borrowings	**338,000**	182,500
Other cash movements	**(1,788)**	12,836
Closing balance	**974,979**	638,767
Bank loan	**1,035,000**	697,000
Cash and cash equivalents	**(60,021)**	(58,233)
Consolidated net debt	**974,979**	638,767

19 Derivative financial instruments

2023	**Contract/notional $'000**	**Fair values Assets $'000**	**Fair values Liabilities $'000**
Interest rate swaps	**840,000**	**39,502**	**-**
Forward dated interest swap contracts	**100,000**	**4,278**	**173**
Interest rate cap			
Maturing on 30 June 2026 floating interest rate above 4.000%	**25,000**	**-**	**414**
Maturing on 30 September 2025 floating interest rate above 4.25%	**25,000**	**-**	**299**
Interest rate cap	**50,000**	**-**	**713**
Total derivative financial instruments	**990,000**	43,780	886

2022	Contract/notional $'000	Fair values Assets $'000	Fair values Liabilities $'000
Interest rate swaps	460,000	33,029	-
Interest rate cap			
Maturing on 30 June 2026 floating interest rate above 4.000%	25,000	-	598
Total derivative liabilities	485,000	33,029	598

An interest rate swap is an agreement between two parties to exchange their interest obligations (payments) or receipts at set intervals on a notional principal amount over an agreed time period.

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The valuation policy is included in note 2.

The Scheme has entered into interest rate swap contracts to to manage future interest payments on the Schemes borrowings.

A net unrealised gain of $1,350,000 (2022: $36,048,000) relating to the change in the fair value of the Scheme's interest rate swap contracts and interest rate derivative break costs of $nil (2022: $3,877,000) were recognised in the consolidated statement of comprehensive income during the year ended 30 June 2023.

The Scheme paid swap up-front payments of $9,695,000 during the year ended 30 June 2023.

20 Financial risk management

(a) Objectives, strategies, policies and processes

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

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

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

As part of its risk management strategy, the Scheme uses interest rate swaps to manage exposures resulting from changes in interest rates.

(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 two types of risk: price 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 Scheme's direct investments and not on a look through basis for investments held in the Scheme.

(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 Scheme's investment in unlisted property securities. 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.

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

The Scheme has exposures to price risk as shown in the table below. The table also demonstrates the sensitivity to reasonably possible changes in prices, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit and net assets attributable to unitholders, while a positive amount reflects a net potential increase. There is no impact on distributable earnings as they are net fair value movements only.

20 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk (continued)

	2023 $'000	2022 $'000
Assets		
Listed property trusts	**50,197**	107,836
Total exposure	**50,197**	107,836

Sensitivity	Impact on profit and net assets attributable to unitholders 2023 $'000	2022 $'000
Securities prices +10% (2022: +10.00%)	**5,019**	10,784
Securities prices -10% (2022: -10.00%)	**(5,019)**	(10,784)

(ii) 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 Scheme 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 Scheme invests and impact on the valuation of certain assets that use interest rates as an input in their valuation model.

The Scheme is exposed to interest rate risk predominantly through borrowings. The Scheme uses interest rate swaps, which exchanges floating interest rates for fixed interest rates, and interest rate cap, which caps the Scheme's exposure up to a certain rate, to manage its exposure. Compliance with the policy is reviewed and reported to the Board regularly.

The table below summaries the Scheme's exposure to interest rate risks on its financial assets and liabilities. It includes the Scheme's assets and liabilities at fair values, categorised by maturity dates:

		Fixed interest rate					
2023	**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**
Assets							
Cash and cash equivalents	**60,176**	**-**	**-**	**-**	**-**	**-**	**60,176**
Receivables	**-**	**-**	**-**	**-**	**-**	**18,058**	**18,058**
Financial assets held at fair value through profit or loss*	**940,000**	**-**	**-**	**-**	**-**	**576,040**	**1,516,040**
Loan receivables	**-**		**43,705**	**12,000**	**-**	**-**	**55,705**
Total financial assets	**1,000,176**	**-**	**43,705**	**12,000**	**-**	**594,098**	**1,649,979**
Liabilities							
Distribution payable	**-**	**-**	**-**	**-**	**-**	**26,960**	**26,960**
Payables	**-**	**-**	**-**	**-**	**-**	**23,611**	**23,611**
Financial liabilities held at fair value through profit or loss*	**-**	**-**	**-**	**50,000**	**-**	**-**	**50,000**
Lease liabilities		**3**	**20**	**155**	**4,135**	**-**	**4,313**
Borrowings	**1,035,000**	**-**	**-**	**-**	**-**	**-**	**1,035,000**
Total financial liabilities	**1,035,000**	**3**	**20**	**50,155**	**4,135**	**50,571**	**1,139,884**
Net financial assets/(liabilities)	**(34,824)**	**(3)**	**43,685**	**(38,155)**	**(4,135)**	**543,527**	**510,095**

20 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

2022	Floating interest rate $'000	Fixed interest rate: 3 months or less $'000	Fixed interest rate: 4 to 12 months $'000	Fixed interest rate: 1 to 5 years $'000	Fixed interest rate: Over 5 years $'000	Non-interest bearing $'000	Total $'000
Assets							
Cash and cash equivalents	**58,233**	-	-	-	-	**-**	**58,233**
Receivables	-	-	-	**-**	-	**13,706**	**13,706**
Financial assets held at fair value through profit or loss*	**460,000**	-	-	-	-	**365,891**	**825,891**
Loan receivables	-	-	-	**44,192**	-	**-**	**44,192**
Total financial assets	**518,233**	**-**	**-**	**44,192**	**-**	**379,597**	**942,022**
Liabilities							
Distribution payable	**-**	-	-	-	-	**23,750**	**23,750**
Payables	-	-	-	-	-	**26,965**	**26,965**
Financial liabilities held at fair value through profit or loss*	**-**	-	-	**25,000**	-	-	**25,000**
Lease liabilities	-	**3**	**7**	**43**	**3,385**	-	**3,438**
Borrowings	**697,000**	-	-	-	-	-	**697,000**
Total financial liabilities	**697,000**	**3**	**7**	**25,043**	**3,385**	**50,715**	**776,153**
Net financial assets/(liabilities)	**(178,767)**	**(3)**	**(7)**	**19,149**	**(3,385)**	**328,882**	**165,869**

**Represents the face value principal amounts of the Scheme's interest rate swap arrangements. Classified as an asset for the year ended 30 June 2022 as the fair value of interest rate swaps was an asset. Whilst classified as a liability for the year ended 30 June 2023 as the fair value of interest rate swaps was a liability.*

The table below demonstrates the sensitivity to reasonably possible changes in year end interest rates, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or net assets attributable to unitholders, while a positive amount reflects a potential net increase.

Interest rate swaps with a contract/face value of $940,000,000 representing 91% of the drawn borrowings, were in place at 30 June 2023 (2022: 66.00%).

	Impact on profit and net assets attributable to unitholders	
	2023	2022
Sensitivity	**$'000**	$'000
Interest rate +1.00% (2022: +1.00%)	**(350)**	(1,788)
Interest rate -1.00% (2022: -1.00%)	**350**	1,788

The above calculation ignores the impact of any changes to the valuation of the interest rate swaps.

20 Financial risk management (continued)

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause the Scheme to make a financial loss. The Scheme has exposure to credit risk on all of its financial assets included in the Scheme's consolidated statement of financial position.

The Scheme manages this risk by performing credit reviews of prospective tenants, obtaining tenant collateral where appropriate and performing detailed reviews on tenant arrears. The Scheme reviews the aggregate exposures of tenant debtors and tenancies across its portfolio.

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

The Scheme is exposed to credit risk on financial instruments and derivatives. There is only a credit risk where the contracting entity is liable to pay the Scheme in the event of a close out.

Loans receivable consist of fit-out and construction loans. The Scheme is exposed to the risk of loss in relation to these loans due to the failure by borrowers to meet their obligation in accordance with the agreed terms. To mitigate the risk of potential losses that may arise from any default, the Scheme holds collateral as security for the loans. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of loans, net of any provisions for impairment. The compliance with credit limits is regularly monitored by the Scheme.

The Scheme makes an assessment whether there is a significant increase in credit risk at each reporting date. As disclosed in the accounting policy note, the Scheme applies a three-stage approach to distinguish the categories of loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. No loan loss provision made during the current financial year.

(d) 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 Scheme's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Scheme is exposed to the applicable withdrawal offer put in place by the Responsible Entity.

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

The Scheme may invest in investments in unlisted unit trusts that expose the Scheme 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 Scheme.

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

Units are redeemed on demand at the unitholders option via withdrawal facility offers by the Responsible Entity. However, the Responsible Entity does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term and withdrawal offers are subject to limits set by the Responsible Entity.

The Scheme's policy is to hold a proportion of their investments in liquid assets.

20 Financial risk management (continued)

(d) Liquidity risk (continued)

Maturities analysis of financial liabilities

The table below analyses the Scheme's financial liabilities into relevant maturity groupings 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.

2023	**Less than 1 year $'000**	**1-2 years $'000**	**2-3 years $'000**	**3+ years $'000**
Distributions payable	**26,960**	**-**	**-**	**-**
Payables	**23,611**	**-**	**-**	**-**
Lease liabilities	**200**	**273**	**278**	**3,554**
Borrowings	**250,000**	**250,000**	**285,000**	**250,000**
Net assets attributable to unitholders	**2,876,454**	**-**	**-**	**-**
Total financial liabilities	**3,177,225**	**250,273**	**285,278**	**253,554**

2022	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3+ years $'000
Distributions payable	23,750	-	-	-
Payables	26,965	-	-	-
Financial liabilities at fair value through profit or loss*	918	918	918	921
Lease liabilities	160	160	160	2,958
Borrowings	250,000	-	447,000	-
Net assets attributable to unitholders	2,590,511	-	-	-
Total financial liabilities	2,892,304	1,078	448,078	3,879

** Undiscounted interest payment obligations using BBSW3M as at 30 June 2022.*

As disclosed above, the Scheme manages its liquidity risk by investing 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 property trusts. As at 30 June 2023, these assets amounted to $110,218,000 (2022: $166,070,000).

Investment in Australian Unity Wholesale Cash Fund and Australian Unity Sustainable Short-Term Income Fund are included in the liquid assets of the Scheme above.

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

The carrying amounts of the Scheme's assets and liabilities at the end of each year approximate their fair values.

The Scheme values its investments in accordance with the accounting policies set out in note 21.

21 Fair value hierarchy

The Scheme measures and recognises the financial assets/(liabilities) held at fair value through profit or loss and investment properties at fair value on a recurring basis.

(a) Fair value hierarchy

The Scheme 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.

The determination of what constitutes "observable" requires significant judgement by the Responsible Entity. The Responsible Entity 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.

All fair value measurements disclosed are recurring fair value measurements.

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

2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held at fair value through profit or loss				
Derivatives assets	**-**	**41,488**	**-**	**41,488**
Listed property trusts	**50,197**	**-**	**-**	**50,197**
Financing receivables	**-**	**-**	**525,843**	**525,843**
Total financial assets	**50,197**	**41,488**	**525,843**	**617,528**
Non-financial assets				
Properties held for sale	**-**	**-**	**13,000**	**13,000**
Investment properties	**-**	**-**	**3,191,422**	**3,191,422**
Total non-financial assets	**-**	**-**	**3,204,422**	**3,204,422**
Financial liabilities				
Financial liabilities held at fair value through profit or loss				
Derivatives liabilities	**-**	**713**	**-**	**713**
Total financial liabilities	**-**	**713**	**-**	**713**

21 Fair value hierarchy (continued)

2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held at fair value through profit or loss				
Derivatives assets	-	33,029	-	33,029
Listed property trusts	107,836	-	-	107,836
Financing receivables	-	-	258,055	258,055
Total financial assets	107,836	33,029	258,055	398,920
Non-financial assets				
Properties held for sale	-	-	5,080	5,080
Investment properties	-	-	2,807,567	2,807,567
Total non-financial assets	-	-	2,812,647	2,812,647
Financial liabilities				
Financial liabilities held at fair value through profit or loss				
Derivatives liabilities	-	598	-	598
Total financial liabilities	-	598	-	598

The Scheme's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the year. There are no transfers between levels 1, 2 and 3 for fair value measurements during the year. (2022: nil)

(b) Valuation techniques

(i) Financial instruments
The pricing for the majority of the Scheme'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 property trusts and exchange traded derivatives.

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. These include unlisted property trusts and over-the-counter derivatives.

The fair value of interest rate swaps and interest rate cap are calculated using a discounted cash flow model as the present value of the estimated future cash flows based on observable yield curves. The model incorporate various inputs including both credit and debit valuation adjustments for counterparty and own credit risk, and interest rate curves.

The fair value of financing receivables is determined with reference to the discounted cash flows associated with the underlying properties and their lease agreements. Independent valuations of these properties are obtained regularly, typically annually, in line with the Scheme's policy for investment properties, as disclosed below. The fair value estimates for financing receivables are included in level 3.

The stated fair value of each financial instruments at the end of the year represents the Responsible Entity’s best estimate at the end of the year.

Specific valuation techniques used daily to value financial instruments include:

- for listed trust, disclosed in level 1, the use of quoted market prices or dealer for similar instruments;
- for unlisted trust, the use of the relevant Investment Managers’ quoted unit prices using the net asset value; and
- for derivatives, the fair value of interest rate swaps and interest rate cap are calculated using a discounted cash flow model as the present value of the estimated future cash flows based on observable yield curves.

The stated fair value of each financial instruments at the end of the year represents the Responsible Entity's best estimate at the end of the year.

21 Fair value hierarchy (continued)

(ii) Investment properties
The investment property valuation policy is to have independent valuations conducted regularly, typically annually (excluding assets under development which are subject to valuation every 18 months), to aid with the determination of the assets fair value. In determining the fair value of an investment property, the primary method of assessment is considered to be via reconciliation between the discounted cash flow and income capitalisation methods. Direct comparison may also be used if appropriate.

- Discounted cash flow method - this methodology involves formulating a projection of net income over a specified time horizon, normally 10 years, and discounting this cash flow including the projected terminal value at the end of the projection period at an appropriate market-derived discount rate. The present value of this discounted cash flow provides a guide to the fair value of the property;
- Income capitalisation method - this methodology involves the assessment of a net market income for the various components of the subject property. The net market income is capitalised at a rate derived from the analysis of comparable sales evidence to derive a capital value. Appropriate capital adjustments are then made where necessary to reflect the adopted cash flow profile and the general risk characteristic of the property; and
- Direct comparison method - this methodology analyses comparable sales on a range of metrics and compares those metrics against those of the subject property to establish the property's market value.

At each reporting date the appropriateness of those valuations is assessed by the Responsible Entity.

The stated fair value of each investment property at the end of the year represents the Responsible Entity's best estimate as at the end of the year. However, if an investment property is sold in the future the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the consolidated financial statements if that differs from the valuation.

The fair value estimates for investment properties are included in level 3 as explained in section (c) below.

(c) Fair value measurements using significant unobservable input (level 3)

The changes in fair value of investment properties for the year are set out in note 16(b).

(i) Valuation inputs and relationship to fair value
The table below illustrates the key valuation assumptions used in the determination of the investment properties fair value:

Valuation inputs	**2023**	2022
Weighted average capitalisation rate (%)	**4.74%***	4.55%*
Weighted average lease expiry (years)	**16.3 years***	16.0 years*

*Includes the properties classified as financial assets. These properties are treated as investment properties for unit pricing and management reporting purposes.

The table below illustrates the key valuation assumptions used in the determination of the fair value of financing receivables:

Valuation inputs	**2023**	2022
Weighted average terminal capitalisation rate (%)	**6.12%**	6.46%
Weighted average discount rate (%)	**6.90%**	6.94%

(ii) Valuation processes
Independent valuations of investment properties are obtained from suitably qualified valuers generally at least once in every 18 months if the property is in a construction phase; otherwise once in any 12 month period from the date of the last valuation; or in exceptional circumstances once in a financial year or calendar year as determined necessary; or as soon as practicable, but not later than within two months after the directors of the Responsible Entity form a view that there is reason to believe that the fair value of the investment property is materially different from its current carrying value. Such valuations are reflected in note 16. Notwithstanding, the directors of the Responsible Entity determine the carrying value of each investment property at each reporting date to ensure that its carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, that asset is adjusted to its fair value.

21 Fair value hierarchy (continued)

(iii) Sensitivity information

The table below details the movement in the fair value when each of the significant inputs either increase or decrease, with all other inputs remaining constant:

Significant inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Current market rental	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase
Adopted terminal yield	Decrease	Increase
Adopted discount rate	Decrease	Increase

It is often the case that multiple significant inputs change simultaneously, on these occasions the impact of the changes in the individual inputs can be reduced or vice versa can magnify the movement in the fair value.

When assessing the discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship because the discount rate will determine the rate at which the terminal value is discounted to the present value. In theory, an increase (softening) in the adopted discount rate and a decrease (tightening) in the adopted terminal yield could potentially offset the impact on fair value, and vice versa. The impact on fair value may be magnified if both the discount rate and terminal yield move in the same direction.

When calculating the income capitalisation, the net market rent has a strong interrelationship with the adopted capitalisation rate. This is because the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the net market rent and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the net market rent and a decrease (tightening) in the adopted capitalisation rate. The impact on fair value may be magnified if the net market rent is increasing while the capitalisation rate is decreasing (or vice versa).

A sensitivity analysis was undertaken to assess the impact of capitalisation rates, discount rates and terminal yields on the fair value of the investment properties. The estimated impact of a change in these significant unobservable inputs is illustrated in the table below:

	30 June 2023 $'000	30 June 2022 $'000
Adopted capitalisation rate +0.25%	**(152,393)**	(158,827)
Adopted capitalisation rate -0.25%	**169,917**	158,827
Adopted discount rate +0.25%	**(59,149)**	(53,034)
Adopted discount rate -0.25%	**61,023**	54,131
Adopted terminal yield +0.25%	**(102,398)**	(91,216)
Adopted terminal yield -0.25%	**112,710**	101,052

(d) Fair value of other financial instruments

Due to their short-term nature, the carrying amounts of the receivables and payables are assumed to approximate their fair values.

22 Related party transactions

Responsible entity

The Responsible Entity of Australian Unity Healthcare Property Trust is Australian Unity Funds Management Limited (ABN 60 071 497 115).

Key management personnel

(a) Directors

Key management personnel includes 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 Scheme, directly or indirectly during the year.

Other transactions within the Scheme

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

Management fees and other transactions

Under the Scheme's Constitution, the Responsible Entity is entitled to receive fees monthly calculated daily by reference to the gross assets of the Scheme.

Effective 12 April 2022, the Scheme expanded on the tiered base management fee structure with an additional fee tier for HPT Retail, Wholesale and Class A units. The base management fees paid by the unitholders was 0.65% per annum of the Scheme's gross asset value ("GAV") under $2 billion (previously 0.65% per annum), 0.50% per annum of the Scheme's GAV between $2 billion and $4 billion (previously 0.50% per annum) and 0.40% per annum of the Scheme's GAV over $4 billion.

Administration expenses incurred in the day to day running of the Scheme are reimbursed in accordance with the Scheme's Constitution.

The transactions during the year and amounts payable at 30 June 2023 between the Scheme and the Responsible Entity were as follows:

	2023 **$**	2022 $
Management fees for the year paid/payable by the Scheme to the Responsible Entity	**21,189,625**	18,144,907
Administration expenses incurred by the Responsible Entity which are reimbursed in accordance with the Scheme's Constitution	**4,669,575**	5,327,452
Fees rebated by the Responsible Entity for the Scheme's investments in other schemes managed by the Responsible Entity	**101,385**	86,353
Aggregate amounts payable to the Responsible Entity at the end of the year	**2,110,233**	2,024,243

22 Related party transactions (continued)

Management fees and other transactions (continued)

(a) Other related party transactions

Australian Unity Property Management Pty Ltd
Australian Unity Property Management Pty Ltd ("AUPML") (ABN 76 073 590 600) has been appointed to provide a number of property related services to the Scheme. These services include:

• Leasing and agency services;
• Market rent reviews;
• Property management services;
• Project management services;
• Development management services; and
• Debt arrangement services

The total fees paid/payable to AUPML for the year ended 30 June 2023 was $4,206,486 (2022: $6,748,607). Total accrued fees payable to AUPML as at 30 June 2023 was $386,896 (2022: $418,572).

Constitution Hill Aged Care
The Scheme charged Australian Unity Care Services Pty Limited (ACN 065 558 134) (“AUCSPL”) total rent of $2,055,947 (2022: $1,996,065) during the year, the receivable as at 30 June 2023 was $nil (2022: $166,339).

The Responsible Entity, AUPML, Herston Development Company Pty Ltd and AUCSPL are wholly owned subsidiaries of Australian Unity Limited (ABN 23 087 648 888) and members of the Australian Unity Group. All related party transactions are under normal commercial terms and conditions and at market rates.

22 Related party transactions (continued)

Related party unitholdings

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

2023

Unitholders	**No. of units held opening '000**	**No. of units held closing '000**	**Fair value of investment $'000**	**Interest held %**	**No. of units acquired '000**	**No. of units disposed '000**	**Distributions paid/payable by the Scheme $'000**
Australian Unity Property Income Fund	**4,784**	**888**	**2,434**	**0.08**	**164**	**(4,060)**	**337**
Lifeplan Australian Family Society Limited	**2,841**	**-**	**-**	**-**	**-**	**(2,841)**	**-**
AUFM Managed Fund No 2	**1,683**	**1,137**	**3,117**	**0.11**	**102**	**(648)**	**128**
AUFM Managed Fund No 3	**1,026**	**784**	**2,150**	**0.07**	**68**	**(310)**	**84**
AUFM Managed Fund No 1	**385**	**249**	**682**	**0.02**	**24**	**(160)**	**28**
Australia Unity Strategic Holdings Pty Limited	**35,455**	**34,290**	**93,030**	**3.20**	**5,355**	**(6,520)**	**3,322**
LP Lifeplan Management Fund	**-**	**96**	**265**	**0.01**	**370**	**(274)**	**30**
Total	**46,174**	**37,444**	**101,678**	**3.49**	**6,083**	**(14,813)**	**3,929**

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

2022

Unitholders	No. of units held opening '000	No. of units held closing '000	Fair value of investment $'000	Interest held %	No. of units acquired '000	No. of units disposed '000	Distributions paid/payable by the Scheme $'000
Australian Unity Property Income Fund	4,373	4,784	12,889	0.50	411	-	460
Lifeplan Australian Family Society Limited	2,700	2,841	7,665	0.29	141	-	277
AUFM Managed Fund No 2	1,538	1,683	4,534	0.17	145	-	162
AUFM Managed Fund No 3	937	1,026	2,765	0.11	89	-	99
AUFM Managed Fund No 1	351	385	1,037	0.04	34	-	37
Australia Unity Strategic Holdings Pty Limited	7,692	35,455	87,596	3.37	27,763	-	3,044
Total	17,591	46,174	116,486	4.48	28,583	-	4,079

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

22 Related party transactions (continued)

Investments

The Scheme 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 '000**	**No. of units held closing '000**	**Fair value of investment $'000**	**Interest held %**	**No. of units acquired '000**	**No. of units disposed '000**	**Distributions received/ receivable $'000**
Australian Unity Wholesale Cash Fund	**12,597**	**4,290**	**4,289**	**1.40**	**75,717**	**(84,025)**	**352**
Australian Unity Sustainable Short Term Income Fund	**36,098**	**25,175**	**25,049**	**5.09**	**1,166**	**(12,089)**	**1,127**
	48,695	**29,465**	**29,338**		**76,883**	**(96,114)**	**1,479**

2022	No. of units held opening '000	No. of units held closing '000	Fair value of investment $'000	Interest held %	No. of units acquired '000	No. of units disposed '000	Distributions received/ receivable $'000
Australian Unity Wholesale Cash Fund	8,474	12,597	12,598	2.74	47,631	(43,508)	8
Australian Unity Sustainable Short Term Income Fund	35,741	36,098	35,571	7.28	357	-	469
	44,215	48,695	48,169		47,988	(43,508)	477

Distributions received/receivable includes an amount of $133,173 (2022: $140,758) which remains unpaid at the end of the year.

23 Reconciliation of profit to net cash inflows from operating activities

(a) Reconciliation of profit to net cash inflows from operating activities

	2023 $'000	2022 $'000
Increase in net assets attributable to unitholders	**18,839**	411,922
Distribution to unitholders	**100,719**	92,487
Add back interest expenses and debt establishment costs	**35,433**	17,014
Add back interest rate derivatives break costs paid	**-**	3,877
Realised loss on sale of investment property	**15**	126
Net gains on financial instruments	**(2,437)**	(74,480)
Net change in fair value of the investment properties - revaluation increment	**(45,047)**	(362,982)
Net change in receivables	**(4,336)**	5,276
Net change in accounts payable/liabilities	**6,636**	(57)
Net change in other assets	**(2,110)**	298
Adjustment to net lease incentives and straight line rental	**(4,202)**	(5,173)
Effect of valuation changes in cash managed trusts	**345**	(810)
Collection of financing receivables	**22,679**	13,331
Net cash inflows from operating activities	**126,534**	100,829

(b) Non-cash financing activities

	2023 $'000	2022 $'000
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**14,548**	17,823
During the year, the following distribution receipts were satisfied by the issue of units under the distribution reinvestment plan	**-**	359
Total non-cash financing activities	**14,548**	18,182

24 Parent entity financial information

Statement of financial position	2023 $'000	2022 $'000
Cash and cash equivalents	**55,111**	56,318
Receivables	**9,772**	5,722
Loan receivables	**55,705**	44,192
Financial assets held at fair value through profit or loss	**91,690**	140,869
Other assets	**6,060**	9,293
Properties held for sale	**13,000**	5,080
Investment in subsidiaries	**1,813,456**	1,168,208
Investment properties	**1,914,693**	1,904,789
Total assets	**3,959,487**	3,334,471
Distributions payable	**26,960**	23,750
Payables	**20,780**	23,741
Financial liabilities held at fair value through profit or loss	**713**	598
Lease liabilities	**4,313**	3,438
Borrowings	**1,030,267**	692,433
Total liabilities (excluding net assets attributable to unitholders)	**1,083,033**	743,960
Net assets attributable to unitholders	**2,876,454**	2,590,511

Statement of comprehensive income	2023 $'000	2022 $'000
Profit before finance costs attributable to unitholders	**119,558**	504,409
Finance costs attributable to unitholders		
Distributions to unitholders	**(100,719)**	(92,487)
Increase in net assets attributable to unitholders	**(18,839)**	(411,922)
Total comprehensive income for the year	**-**	-

25 Events occurring after end of the financial year

On 9 August 2023, the Scheme entered a new $100,000,000 debt facility.

During August and September 2023, the Scheme settled the sale of 7,820,666 Arena REIT units for $28,787,822 excluding selling costs.

Other than the matters above, the directors of the Responsible Entity are not aware of any other matters or circumstances arising since 30 June 2023 that have significantly affected or may significantly affect the financial position of the Scheme disclosed in the consolidated statement of financial position as at 30 June 2023 or on the results and cash flows of the Scheme for the year ended on that date.

26 External proposal to acquire all of the units in the Scheme and related matters

During July 2023, proceedings issued by NorthWest Healthcare Australia RE Limited (NorthWest) against AUFM, as responsible entity of the Australian Unity Healthcare Property Trust (AUHPT), and other Australian Unity parties were settled. Australian Unity has agreed to work in good faith to assist NorthWest and its affiliates to divest their units in AUHPT.

27 Contingent assets and liabilities and commitments

The Scheme had no other contingent assets, liabilities as at 30 June 2023 and 30 June 2022.

Commitments arising from contracts principally relating to capital expenditure on investment properties which are contracted for at reporting date but not recognised on the consolidated statement of financial position are $84,414,000 (2022: $220,208,000).

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) The consolidated financial statements and notes set out on pages 8 to 51 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the Scheme'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 Scheme 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 Scheme's Constitution, and

(d) Note 2(a) confirms that the consolidated financial statements 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 unitholders of Australian Unity Healthcare Property Trust

Our opinion

In our opinion:

The accompanying financial report of Australian Unity Healthcare Property Trust (the Scheme) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

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

Other information

The directors of Australian Unity Funds Management Limited (the Responsible Entity) 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.

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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 Responsible Entity for the financial report

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

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

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