Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as Australian Unity or the Group) consisting of Australian Unity Limited (Parent entity or Company) and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

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

Peter Promnitz, Chair

Rohan Mead, Group Managing Director & CEO

Lisa Chung, Non-executive Director

Melinda Cilento, Non-executive Director

Paul Kirk, Non-executive Director

Su McCluskey, Non-executive Director

Greg Willcock, Non-executive Director

Company secretaries

Melinda Honig and Catherine Visentin were company secretaries of Australian Unity Limited at 30 June 2019.

Principal activities

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

Dividends

Australian Unity Limited is a mutual company governed by, and for the benefit of, its members. It does not pay dividends but reinvests profits for future growth initiatives for the benefit of members.

Operating and financial review

In the year to 30 June 2019, Australian Unity continued to progress its strategy of developing a commercially sustainable portfolio of businesses that provide member, customer and community value and that are supportive of personal and community wellbeing.

Australian Unity made strong progress on its key strategic goals and achieved growth across the Group's main business segments. Notwithstanding heightened external uncertainty and volatility, the Group continued to advance its longstanding strategy of achieving a diversified portfolio, with extended participation in the higher-growth human services and social infrastructure sectors. To this end, the focus in the year under review remained on developing and delivering contemporary, evidence-based and person-centred services to market segments where our strategy identifies there is most scope to contribute to wellbeing and community value.

The Group achieved significant improvements in its Home & Disability Services (HDS) business, while successfully navigating an uncertain regulatory period for the health insurance business. Further, the Group's longstanding work in patient and outcome-focused healthcare services, such as those delivered through Remedy Healthcare, remained important in developing improved operating models to address the long term challenges confronting the sector.

Another priority for the Group was the maintenance of a strong balance sheet position and agility. During the 2019 financial year, Group returns were impacted by a deliberate trade-off to prioritise financial flexibility and resilience, with enhanced liquidity and capital buffers in key businesses. This included a focused increase in our cash reserves, the establishment of a new Liquidity Management Strategy for our aged care business and repayment of $30 million in subordinated debt held within Australian Unity Health Limited.

In the area of social infrastructure, the Herston Quarter project in Brisbane, Queensland was significantly progressed. During the year, Australian Unity also established an internal Social Infrastructure Development Group to review and guide decisions relating to the existing social infrastructure development portfolio and pipeline.

The Group delivered a net profit of $53.0 million for the year under review, compared to $51.5 million in the prior year. Last year's result included a $66.9 million profit from discontinued operations arising from the sale of the Group's corporate health insurance subsidiary, Grand United Corporate Health Limited.

Excluding this impact, Australian Unity's net profit after tax from continuing operations for the year to 30 June 2019 of $53.0 million was a $68.3 million increase on the prior year. Each of the business platforms contributed to this result, with year-on-year growth achieved across the operating business units, and within the more transactional property and social infrastructure portfolio. Two major factors in delivering this result were the realisation of benefits arising from the extensive business transformation program commenced in the prior year, and the above mentioned improvement in the HDS business.

Total revenue and other income from continuing operations increased to $1,608.7 million (2018: $1,486.7 million). Overall revenue growth generated by the Group's operating businesses, up $35.6 million on the prior corresponding period, and solid investment returns, up $19.9 million, were bolstered by a $66.5 million increase in benefit fund revenue. Within the benefit funds, growth in premiums and other revenue of $14.3 million was supported by $52.2 million in higher investment returns.

Total expenses, excluding financing costs, from continuing operations increased marginally to $1,493.6 million (2018: $1,484.1 million). A $45.0 million decrease in overall operating expenses, reflecting both current year beneficial impacts from the business transformation program and prior year costs of the program, was offset by $54.5 million higher expenses in benefit funds compared to the prior corresponding period.

The overall outcome represents a significant improvement in the aggregate trading position, with operating earnings from continuing operations for the year of $61.8 million, an increase of $80.3 million over the prior year.

At 30 June 2019, the Group is in a sound position to realise the opportunities and respond to challenges expected to arise from an external environment that presents considerable uncertainty and market disruption. It expects to see continuing, sustainable returns from its investments in its thematically linked but diversified portfolio and focus on its member, customer and employee value propositions together with community value.

The Group's operations are conducted through three business platforms: Independent & Assisted Living; Retail; and Wealth & Capital Markets. Key aspects of the operating, financial and strategic performance of each platform during the year to 30 June 2019 are set out below.

Operating and financial review *continued*

In assessing the performance of its operating business segments, the Group uses a measure of adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (adjusted EBITDA). As the name indicates, this measure excludes the effects of tax, depreciation and amortisation, interest on external borrowings and investment income. It also excludes other material non-recurring expenditure. A reconciliation between adjusted EBITDA and profit before income tax from continuing operations is set out in note 1 to the consolidated financial statements.

Independent & Assisted Living

The Independent & Assisted Living (IAL) platform operates retirement communities and provides aged care, allied health and disability services. The platform offers preventative health and chronic disease management services through a wholly-owned subsidiary Remedy Healthcare, and direct healthcare services through dental clinics. These businesses are interconnected, seeking to deliver a continuum of care and service that addresses the daily needs of its customers.

Financial performance – Independent & Assisted Living

	Full year to 30 June 2019 $million	Full year to 30 June 2018 $million	Variance
Total segment revenue	**$469.4**	$422.7	11.0%
Operating expenses	**$421.2**	$426.0	1.1%
Adjusted EBITDA	**$48.2**	($3.3)	n/a

The IAL platform recorded total segment revenue of $469.4 million for the full year representing an increase of 11.0 percent compared to the prior corresponding period (2018: $422.7 million).

Home & Disability Services (HDS) achieved a 13.3 percent increase in revenue to $305.7 million, Health Services was in line with the prior year at $37.2 million, Residential Communities decreased 8.9 percent to $100.4 million while Developments increased 359.4 percent to $26.2 million.

IAL's adjusted EBITDA of $48.2 million represented an increase of $51.5 million on the prior year. This increase reflected the continued focus on improving the sustainability of the HDS business.

Home & Disability Services

The HDS business grew revenue by 13.3 percent in the year under review, driven predominantly by 87.7 percent increase in home care packages revenue and a $5.4 million or 6.3 percent growth in Commonwealth Home Support Program (CHSP) revenue, including growth funding tendered for and won during the year. Approximately 3,700 care workers served more than 54,000 customers across NSW, Victoria and Queensland. In total, the HDS business delivered 3.8 million hours of care across 31 HDS branches, five Aboriginal Home Care (AHC) branches and 85 office locations.

The HDS business made considerable progress in its financial performance in the year under review, achieving a $39.8 million adjusted EBITDA improvement in comparison to the prior year. This was achieved through a variety of growth and operational efficiency initiatives undertaken throughout the year that built on foundations set in the 2018 financial year.

The business also continued to grow its aged care home care packages, increasing market share to approximately four percent (4,161 packages) from around three percent in the prior year (3,002 packages). Australian Unity continues as one of the top five providers in what is a highly fragmented market.

The HDS business also embarked on a debtor management initiative that was successful in both significantly lowering the working capital requirements of the operations (and consequently also the provision for doubtful debts to an overall adjusted EBITDA benefit of $4.1 million) and improving customer comprehension of, and feedback about, their account management experiences.

Indigenous Services was defined as a new and important business unit within HDS in the year under review. Its initial focus is on providing culturally appropriate care, developing improved and sustainable funding models and improved services to Indigenous communities. Through AHC, Indigenous Services will be expanded to include other culturally appropriate products and services as community needs arise. AHC delivered 300,000 hours of care to 3,461 clients by 262 predominantly Indigenous careworkers.

Remedy Healthcare

During the year, Remedy Healthcare (Remedy) delivered more than 390,000 episodes of care across 14 treatment programs.

Remedy continued its growth trajectory, increasing revenue by 1.2 percent to $25.9 million, driven predominantly by Allied Health Services (2018: $25.6 million).

Remedy embarked on a year of transition as it exited its major external aged care contracts to focus on integrating Health Services into IAL business units and further develop its continuum of care approach across the platform. Pressure on the private health insurance (PHI) industry resulted in a significant decline in Health Coaching services delivered and therefore materially changed the weighting of Remedy's services towards Allied Health services. The changed PHI market conditions led to a redesign of coaching services offered to this sector, with the 'Healthier Me' program launched in June 2019 to address declining volume and provide a more holistic approach to assessing and delivering individual healthcare needs.

Remedy delivered the Get Healthy Service on behalf of government health departments in New South Wales, Queensland and South Australia for the first full year. The service is available to assist residents of these states to achieve their weight loss and health-related goals. During the year, the service received more than 21,500 referrals and delivered more than 33,000 episodes of care.

Remedy Healthcare's joint replacement home rehabilitation program continued to build on the success of previous years, growing a further 19.5 percent to more than 3,000 programs delivered in the year under review.

Dental

Australian Unity continued to operate six dental clinics. During the year, the South Melbourne clinic was relocated to 271 Spring Street, Melbourne in conjunction with the overall Australian Unity corporate office move from South Melbourne. Clinics are now located at two Melbourne CBD locations, Hughesdale, Moonee Ponds, Rowville and Box Hill. Largely attributable to the disruption of the relocation, patient visits declined from 58,455 in the 2018 financial year to 54,887.

Residential Communities

IAL owns and operates 20 retirement communities across Victoria and NSW. In May 2019, 22 apartments were opened as part of the final stage development at Peninsula Grange, Mornington, Victoria, and in June, The Grace on Albert Park, South Melbourne, Victoria, was opened, comprising 79 independent living apartments. The portfolio now consists of 2,469 independent living units (2018: 2,368). Occupancy levels remained high, in excess of 96.0 percent in the 12 months to June 2019.

IAL also owns and operates seven aged care facilities in Victoria and NSW. The business decommissioned the aged care facility at Walmsley in Kilsyth, Victoria, in October 2018 to build a new aged care facility that will better meet customer needs. In March 2019, it opened a 68-bed aged care facility, Sienna Grange, in Port Macquarie, NSW. In May 2019, a seventh aged care facility, Racecourse Grange, with 127 beds was opened in Mornington, Victoria. In total, the number of operational aged care beds increased to 786 (2018: 711). Occupancy levels remained high at 98.0 percent.

Developments

As the internal operating partner in the Social Infrastructure and Development Group (SIDG), IAL continued to focus on the development pipeline of aged care and retirement communities over the 12-month period to June 2019.

During the year under review, construction was commenced, progressed or completed and occupancy progressed in the following communities:

Peninsula Grange, Mornington, Victoria
Completed construction of the final 22 apartments.

Racecourse Grange, Mornington, Victoria
Completed construction of a 127 aged care bed development.

The Grace Albert Park Lake, South Melbourne, Victoria
Completed construction of 79 independent living apartments.

Sienna Grange Aged Care, Port Macquarie, NSW
Completed construction of a 68 aged care bed development.

Drummond Place, Carlton, Victoria
As at 30 June 2019, 55 independent living apartments were occupied, with 35 remaining.

Lane Cove, NSW
The Agreement for Lease was signed by Lane Cove Council in August 2017 for a 99 year leasehold. As at 30 June 2019, the development application for the development of 70 aged care beds, 74 apartments, affordable units and retail premises remained under consideration.

Walmsley, Kilsyth, Victoria
Undertook the decommissioning and demolition and commenced the rebuild of a 38 year old residential aged care facility (anticipated for reopening early 2021).

Albert Road, South Melbourne, Victoria
Commenced the repurposing of the former corporate offices of Australian Unity at 114 Albert Road, South Melbourne, as an assisted living and residential aged care facility (anticipated opening late 2021).

Outlook

IAL continues to orientate the platform around the needs of its customers and key stakeholders in their health and wellbeing, including families, primary carers, communities and government agencies.

A significant priority for the 2020 financial year is the development of a customer-centred continuum of care across the home care, assisted living, residential care and Remedy Healthcare businesses. IAL will continue to focus on balancing its portfolio by growing evidence-based clinical outcome services and directing further resources to domestic assistance and personal care, including the provision of nursing services across the network of community and residential care.

The further extension by the Department of Health of the CHSP funding program until 30 June 2022 announced during the 2019 Federal Budget will likely support a more gradual transition of clients from block-funded services to consumer-directed home care packages in the immediate future.

HDS will embark on a year of transition as it scales down its provision of National Disability Insurance Scheme (NDIS)-funded disability services, to focus and invest more in the Aged Care sector. As the residential and homecare markets continue to grow, an ongoing challenge will be attracting the workforce required to deliver aged care services safely and at the high quality required. IAL's priorities remain in progressively implementing a comprehensive workforce strategy, supported by an effective learning and development framework. Residential Communities, in conjunction with the SIDG and the ongoing support of investment partners, will continue to build Australian Unity's pipeline of new and integrated communities. These communities are designed and operated according to IAL's Better Together® domestic household model of care, which seeks to partner with residents and their loved ones in striving to achieve a balance of dignity and choice, and assurance of high quality care.

Retail

The Retail platform brings together Australian Unity's private health insurance, banking, broking and general insurance businesses. With a combined focus on the needs of members and broader community value, the Retail platform provides packages and solutions that contribute to solving affordability challenges and meet the contemporary needs of Australians.

Financial performance – Retail

	Full year to 30 June 2019 $million	Full year to 30 June 2018 $million	Variance
Total segment revenue	**$722.1**	$726.1	(0.6%)
Operating expenses	**$647.7**	$661.5	2.1%
Adjusted EBITDA	**$74.4**	$64.6	15.2%

The Retail business delivered a solid result despite challenging conditions, with adjusted EBITDA up by $9.8 million or 15.2 percent to $74.4 million compared to the previous year. This result was driven principally by a favourable underwriting experience in the health insurance business, strong growth in net interest income in the banking business and sound containment of operating expenses.

Total operating expenses were $647.7 million, which was $13.8 million or 2.1 percent lower than the previous year. This decrease reflects a $6.4 million decrease in health insurance claims net of risk equalisation, and an $7.4 million decrease in operating expenses across the Retail platform.

Australian Unity Health Limited (retail health insurance)

During the year under review, Australian Unity Health Limited successfully executed a significant change agenda in response to the private health insurance reforms, the largest regulatory change to the sector in a decade. Responding to these reforms included the launch of new products, significant rationalisation and simplification of the product portfolio and re-classification of products in line with the new gold-silver-bronze-basic product tiers.

Retail health fund policyholders (including overseas visitor cover policyholders) decreased by 4.0 percent to 185,936 at 30 June 2019 (2018: 193,771). Policyholder numbers declined across the industry and in the case of Australian Unity were also impacted by a considered strategy to review and curtail unsustainable products and uncommercial arrangements and means of distribution.

Operating and financial review *continued*

Retail *continued*

Australian Unity Health Limited (retail health insurance) *continued*

During the year, the retail health insurance business managed an average premium increase of 3.35 percent, approximately in line with the sector average of 3.25 percent. Importantly, it was the lowest Australian Unity Health Limited increase in 18 years and a reflection of continued efforts to reduce operating costs and contribute to sector-wide advocacy for reforms, particularly in an environment of weak real income growth and spiralling healthcare costs.

The Group continued its role in providing guidance and advice to policy and decision-makers in understanding the root cause of healthcare cost pressures and diminished patient outcomes. Australian Unity's commitment to this is demonstrated through the long-term investment in businesses such as Remedy Healthcare, a business that creates patient-centred and evidence-based healthcare solutions.

Australian Unity Bank

As at 30 June 2019, Australian Unity Bank had approximately 24,400 customers and its total assets grew by $108.6 million to $886.0 million (2018: $777.4 million).

Despite challenging conditions within the retail banking sector, Australian Unity Bank maintained strong lending momentum throughout the year, with $173.3 million in new loans written. In combination with improved retention rates, this has lifted the loan book by a net $85.5 million.

Following the successful rebranding of Big Sky Building Society Limited to Australian Unity Bank Limited in the first half of the financial year, Australian Unity Bank launched in April the 'banking that's good for you' customer value proposition. This is a program of work that identifies the benefits to the customer beyond the product itself. It will be progressively extended through all areas of the banking business including product, marketing, sales and servicing over the next three years.

During the year, Australian Unity consolidated its retail general insurance offering with a single provider. Australian Unity Bank customers can now access a broad range of insurance products and services through this one provider.

Standard & Poor's (S&P) Ratings upgraded Australian Unity Bank's issuer credit rating on 29 July 2019 to 'BBB+' from 'BBB'.

Outlook

Affordability pressures and trust will remain key concerns within the community in the consideration of private health insurance and banking needs. The period ahead will continue to provide opportunities for the Retail platform to offer customers value arising from health insurance and banking adjacencies.

Australian Unity anticipates increased oversight and a growing cost of compliance as prudential regulators bring the private health insurance industry in line with financial services, and policymakers and regulators respond to the findings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. For these and general governance reasons, the areas of financial strength, risk management, conduct, controls and compliance will be a significant focus across the Retail platform over the coming year.

As a niche provider within the health insurance and banking sectors, Australian Unity needs to accurately target its brand and value proposition, as well as acquisition and distribution strategy in its markets.

In addition to its customer value propositions, Australian Unity will seek sustainable growth through balanced, multi-channel distribution. For the health insurance business, this means enhancing its partnership and digital models. In banking, Australian Unity will continue to build selective relationships in the third party (mortgage broking) channel and concurrently target chosen segments via direct channels.

Wealth & Capital Markets

The Wealth & Capital Markets (W&CM) platform comprises the following business units: Advice, Investments, Life & Super, Property, and Trustee Services.

The strategic purpose of the W&CM platform is to link Australian Unity's valuable efforts in helping Australians secure their financial wellbeing with the capital and social infrastructure needs of communities.

Financial performance – Wealth & Capital Markets

	Full year to 30 June 2019 $million	Full year to 30 June 2018 $million	Variance
Total segment revenue	**$180.9**	$170.4	6.2%
Operating expenses	**$130.4**	$133.5	2.3%
Adjusted EBITDA	**$50.5**	$36.9	36.7%

The W&CM platform recorded a 6.2 percent increase in total segment revenue to $180.9 million (2018: $170.4 million). This result reflects positive underlying revenue growth across all business units in the platform.

Adjusted EBITDA increased to $50.5 million representing a 36.7 percent increase for the year ended 30 June 2019 (2018: $36.9 million). This strong result in adjusted EBITDA was achieved through underlying business growth in the Property, Investments and Trustees Services business units, and favourable outcomes in specific initiatives in social infrastructure related developments. It also included a legal settlement received in the Life & Superannuation business. In addition, the result benefitted from ongoing work within the platform, designed to streamline operations and optimise capital usage.

The W&CM platform manages investments, property assets and developments (and associated debt facilities), and provides advice and trustee services, totalling $20.71 billion (2018: $20.31 billion).

Property

The Property business continued to extend its capabilities during the year, with assets under management increasing (including from completed investments) to $2.99 billion (2018: $2.76 billion). As of 30 June 2019, its multi-year development pipeline stands at $1.26 billion (2018: $1.25 billion), and lending and debt facilities on behalf of investors (through property funds and its commercial property lending activities) of $1.59 billion (2018: $1.71 billion). The decrease in lending facilities is due to the close out of facilities no longer required to support current funding needs.

Key examples of the Group's involvement in social infrastructure are the Herston Quarter development and the Healthcare Property Trust. Construction of the $390.0 million Surgical, Treatment and Rehabilitation Service (STARS) by the Healthcare Property Trust commenced in May 2018, with practical completion planned for the second quarter of the 2021 financial year. On 9 August 2019, development approval for the restoration and re-use of the heritage buildings within the Herston precinct, including the redevelopment of the public realm, was received from Economic Development Queensland. Further stages, including the restoration of the heritage buildings, are expected to commence in coming months.

Australian Unity's Healthcare Property Trust, the largest fund of its kind in Australia, increased assets under management to $1.63 billion (2018: $1.51 billion) and achieved a return of 9.3 percent for the year. In addition to the development of STARS noted above, the Trust also made a number of property acquisitions and developed other sites including Tuggerah Lake Private Hospital in New South Wales, which opened in May 2019, and the expansion of the Peninsula Private Hospital in Victoria, which is expected to be completed in December 2019.

The ASX-listed Australian Unity Office Fund (ASX: AOF) achieved a return of 24.5 percent, outperforming the S&P/ASX 300 A-REIT Accumulation Index by 5.2 percentage points. During the year to 30 June 2019, AOF has successfully progressed council and other planning milestones for the development of a property at 2 Valentine Avenue, Parramatta, in NSW. On 4 June 2019 AOF announced that a cash offer to acquire all units in AOF not already owned had been received from a consortium formed by the Charter Hall and Abacus Groups. The offer price has subsequently been increased to $3.04 per unit.

The other funds in the property business recorded a successful year of investment performance, outperforming against their benchmarks, with Australian Unity's Diversified Property Fund achieving a return of 11.2 percent and its Retail Property Fund achieving a 10.2 percent return. During the year the Retail Property Fund agreed contracts to dispose of its fifty percent interest in the Waurn Ponds shopping centre. The Retail Property Fund was also awarded direct and hybrid property fund of the year at the 2019 Money Management Lonsec Fund Manager awards. The Property Income Fund also experienced strong inflows and provided a one-year return to 30 June 2019 of 13.5 percent.

Support for the Australian Unity Select Mortgage Income Fund continued to grow with annual inflows of $74.3 million, with the value of the lending portfolio reaching $212.7 million at 30 June 2019 (2018: $132.9 million).

Through the SIDG, the property business worked closely during the year with the Independent and Assisted Living (IAL) platform on the review of the Retirement Living and Aged Care portfolio. Refer to the Developments section under IAL for information on properties in that portfolio.

Life & Super

Australian Unity's Life & Super business continued as Australia's market leader in investment and funeral bonds, and a leading provider of education investment funds, with $2.34 billion in assets under management and administration (2018: $2.23 billion). During the year, sales across Life & Superannuation's products reached $221.5 million (2018: $216.2 million).

Support for Life & Super's products increased particularly from the independent financial adviser network, and the business continued to work with industry superannuation funds to make its products available through this large and growing network.

Based on information from Strategic Insight Data as at 31 March 2019, the Life & Super business remained number one in the investment bond sector in terms of assets under management, with 27.3 percent of funds under management and was second in terms of sector inflows for the year to 31 March 2019 with 27.2 percent of inflows.

Funds under management for education solutions increased by 13.9 percent to $229.2 million (2018: $201.3 million). Australian Unity also occupied a leading position in the pre-paid funeral market via its specialised business Funeral Plan Management, with funeral funds under management growing to $699.5 million (2018: $639.0 million) with more than 90,000 clients. During the year, the categories able to be claimed as funeral service expenses were expanded to allow a more diverse range of cultural and ceremonial activities to be claimed under its funeral bonds.

In October 2018, following a seven-year legal dispute, the High Court of Australia handed down its decision in Ancient Order of Foresters in Victoria Friendly Society Limited (Foresters) v Lifeplan Australia Friendly Society Limited (Lifeplan), a wholly-owned subsidiary of Australian Unity Limited, with the court finding in favour of Lifeplan. The judgement amount determined by the court was on an "Account of Profits" basis and resulted in a favourable outcome to the Australian Unity Group.

Investments

The Investments business unit, including its joint venture partners, managed funds under management (FUM) as at 30 June 2019 of $6.00 billion (2018: $5.58 billion). During the year, the business experienced positive net flows from retail, middle and institutional markets. In particular, its joint venture partner, Platypus, was awarded a significant institutional mandate. Client interest grew more generally in sustainable investment capabilities attracting positive flows into the Altius Sustainable Bond Fund. In addition, the A-REIT investment management capability was fully established internally and investments in this area are now managed directly.

The Investments business continued to refine its focus on its core areas of cash, fixed interest, Australian equities and property securities, together with further developing its socially responsible investment platform. During the year under review, Investments' joint venture partner Acorn Capital Limited launched the Acorn Capital Expansion platform, which will invest in emerging Australian companies, with $52.0 million provided by investors in its initial capital raising. To date three investments have been made with further opportunities being negotiated.

The W&CM Investments team also managed the investment portfolios of the Group amounting to approximately $680.0 million, including its capital stable and highly liquid insurance reserves, achieving a weighted aggregate return of 3.4 percent for the year (2018: 2.8 percent). This result was well above its strategic benchmark of 2.2 percent and compares favourably to the return available on risk-free cash (measured by the Bloomberg AusBond Bank Bill Index) of 1.97 percent.

Returns across many funds and asset classes were above benchmark with over 75 percent of funds managed recording returns above benchmark over the year and more than 85 percent of funds achieving returns above their benchmark over the three years to 30 June 2019.

Advice

The Advice business is focused on helping clients to improve their financial wellbeing and ultimately achieve their long-term lifestyle goals.

The continued change in the regulatory regime for advice services, and resulting increased complexity, continued to reinforce the growing need in the community for valued providers of quality advice services. The Advice business seeks growth in this context as a differentiated provider, within a mutual organisation.

Operating and financial review *continued*

Wealth & Capital Markets *continued*

Advice *continued*

During the year, a new leadership team was established with a focus on positioning the business for sustainable growth and operational scale, supported by enhanced supervision, investment and technical functions.

Throughout the year, the number of advisers (including limited authorised representatives) decreased to 184 (2018: 194), with FUM decreasing slightly over the year to $6.20 billion (2018: $6.42 billion). The net decrease in advisers and FUM was largely due to the departure of some non-aligned self-employed practices; with new self-employed practices also being recruited.

Despite the decrease in FUM, Advice revenue increased 6.3 percent to $58.3 million (2018: $54.8 million). In addition, self-managed investment accounts constructed by the Advice business grew in FUM by $36.8 million to $201.0 million.

Trustees

During the year, the Trustees business completed significant work to update its arrangements with existing clients and to provide a strong foundation from which to continue to grow the business. This included the implementation of a new computer operating system to support and strengthen its service and operations capabilities, and the establishment of three common investment funds for the benefit of its clients. These common funds now have $124.1 million of clients' funds invested in them.

The completion of a program to reduce the legacy book resulted in a reduction in active FUM and trusteeship to $325.2 million (2018: $360.7 million) due to the closure of legacy estates and the appointment of more suitable administrators for some protected clients. This work has better positioned the Trustees' business for future growth.

Significant work continued to further extend the range of trustee services and solutions nationally with new tribunal and court appointments across various states.

Estate planning, legal and taxation services revenues continued to grow during the year as the demand for these services, through the network of advisers, accountants and other centres of influence, continued to increase. As a result, the size of the national will bank and the number of executor and trustee appointments also continued to grow.

The Trustees business expanded its business-to-business capabilities with a focus on the development of national legal partnerships and philanthropic opportunities.

Outlook

With economic growth continuing, albeit somewhat low by historical standards, a broad yet focused range of businesses, and a material and growing presence in the funding, development and management of Australia's social infrastructure, the period ahead should continue to provide opportunities for the platform to offer customers valuable investment and financial opportunities, and to deliver important benefits to many areas of the community.

The Herston Quarter project will continue to be a key focus of the platform as it unfolds this unique example of a response to Australia's social infrastructure challenge. Other areas of social infrastructure need are also being explored. The platform's ability to identify assets and partnerships, and access debt and equity from a more diverse range of sources, will be important as it looks to launch further initiatives in social infrastructure and impact investing.

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

Significant changes in the state of affairs

Total members' funds increased to $718,393,000 at 30 June 2019 (2018: $673,557,000), an increase of $44,836,000. This movement reflects profit for the year and movements in reserves.

Matters subsequent to the end of the financial year

The board is not aware of any matter or circumstance arising since 30 June 2019 which has significantly affected or may significantly affect the financial status or results of the Group and which has not been separately disclosed in this report.

Likely developments and expected results of operations

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

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

The Group is subject to a wide variety of markets, particularly financial markets and property markets. Note 20 contains an explanation of the Group's approach to market risk management.

Environmental regulation

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

Key business risks

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

The directors of the Company are responsible for setting and monitoring the Group's risk management framework, which represents the totality of systems, structures, policies, processes and people that identify, assess, mitigate and monitor internal and external sources of risk that could have a material impact on the Group's operations. The directors are also responsible for setting the risk appetite within which management and the Group are expected to operate and for determining the Group's risk management strategy, which defines Australian Unity's key risk areas and how they are managed.

In order to discharge the above obligations, the directors receive support from the Risk and Compliance Committee (R&CC), a committee of the Company's board of directors. The R&CC supports the board to fulfil their responsibilities relating to risk management and compliance by advising on the Group's overall risk appetite and risk management strategy in line with its determined risk profile.

In addition, Australian Unity also cultivates a culture of risk management by regularly reviewing its risk registers, creating clear accountabilities for control improvements, encouraging open reporting on incidents from all staff and implementing a three-lines of defence model throughout the Group.

The Group's key material risks and how they are managed are summarised below. These risks are not addressed in any particular order.

(i) Strategic risks

The risk that strategic planning, strategic decision making or execution impacts meeting strategic objectives.

Risk	Risk Description	Managing the Risk
Over reliance on certain businesses or funding sources	A significant portion of our revenue and cashflow is from private health insurance or businesses supported by government funding such as aged care or in home care services. Adverse changes to the business conditions in the private health insurance industry or aged care or in home care services including changes to government policy, laws, regulations, regulatory expectations, economic activity and the demand for our products and services could impact the Group's financial performance.	We manage this risk by seeking opportunities to grow businesses within our portfolio that diversify our revenue and cashflow. We participate in private health sector advocacy for policies that sustain the sector. We actively manage costs against revenue expectations.
Investment in property and social infrastructure	A part of the Group's strategy is to invest in the development of social infrastructure. Property developments have a number of inherent risks including planning and development approvals, increases in development costs, non-performance of contractors or sub-contractors, project and construction delays, occupational health & safety issues and any change in the market conditions.	We manage these risks by conducting a detailed site analysis for prospective development sites; conducting due diligence for property developments which includes a competitor and amenity analysis; conducting a competitive process when appointing contractors; working with specialist teams to engage contractors and managing projects and engaging regularly with contractors to ensure that projects are being delivered in accordance with the required specifications and timetables in a manner that minimises health and safety issues.

(ii) Operational risks

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

Risk	Risk Description	Managing the Risk
Inability to respond to change	We operate in industries where customer product demands are rapidly changing and preferences have been shifting to digital channels. If we are not successful in adapting our products and services to meet changing customer preferences we may lose customers to our competition which would adversely impact our financial performance.	We manage this risk by regularly assessing the external environment and allocating business investment to understand our customers' preferences and develop our digital capability.
Increased competition and poor and inconsistent member or customer experience	We operate in a competitive environment and it is becoming easier for customers to move to our competitors. If we are unable to compete effectively in our various businesses and markets we may lose market share to our competitors.	We manage this risk by maintaining and enhancing our customer and member value proposition and experience, including activating new channels and incorporating effective feedback loops.
Member or customer harm	We provide high trust services such as aged care and operate in highly regulated industries. An event such as customer harm could result in sanctions from relevant regulators, reduced government funding, reputational damage and remediation costs.	We manage this risk by having effective frameworks, policies, education and training, and procedures in place to prevent, monitor and manage the risk of harm.
Occupancy levels in residential aged care	There is no assurance that occupancy levels at aged care facilities will follow historical occupancy trends at the Group's aged care facilities. In addition, a downturn in the residential property market may affect the ability of potential incoming residents to sell their home at the cost required to pay the 'Refundable Accommodation Deposit' required to enter a facility.	We manage this risk by a strong customer-orientated focus through our Better Together® model, and continue to invest in our care services and physical infrastructure. We also offer a continuum of care whereby our aged care facilities are co-located with retirement communities whose residents provide a level of demand for our aged care facilities.
Private Health Insurance risks such as rising medical costs, rejection of application for change in premium rates and mispricing premiums	There are inherent risks associated with operating a private health insurance business such as rising medical costs, having an application for a change in premium rates rejected and mispricing premiums.	We manage these risks by constructively lobbying for policies and reforms regarding the rise of medical costs, investing in our business Remedy Healthcare that seeks to provide various health services outside of a hospital environment and closely monitoring product design and distribution prices to ensure that product prices remain sustainable.
Failure of strategic and/or business decisions or external events	We consider and implement a range of initiatives to meet our strategic ambitions. Failure of strategic and/or business decisions or the impact of external events may have an adverse impact on the operating and financial performance of the Group.	We manage this risk by actively considering the risks and rewards associated with implementing an initiative before it is implemented. We also regularly monitor external events, such as legislative and regulatory amendments, that may have an impact on our strategic and/or business decisions.

Key business risks *continued*

(iii) Conduct risks

Risk of loss from poor, unethical or illegal behaviour/conduct or the failure to report or take action, as appropriate, when such behaviour is detected.

Risk	Risk Description	Managing the Risk
Inappropriate or illegal behaviour	Conduct risk could arise from the sale of our products or provision of services that do not meet the needs of our customers through poor sales practices or failing to provide the product or service as agreed.	We manage this risk by having a Code of Conduct that applies to and guides all employees, monitoring customer complaints, having a Whistleblower Policy to support employees to raise concerns and an ongoing compliance monitoring program.

(iv) Information & system risks

Risk that technology does not enable appropriately or confidential/sensitive information (including member / customer information) is lost/stolen.

Risk	Risk Description	Managing the Risk
Inappropriate detection and prevention of cyber security threats	All of our business units are reliant on traditional and emerging technologies to deliver our products and services. Cyber security risk is on the rise due to increasing dependence on technology and the growing frequency, sophistication and severity of attacks. If the systems we have to detect and prevent cyber attacks fail we could experience unauthorised access or loss of confidential information or business disruption as a result of system unavailability.	We manage this risk by monitoring the external environment for cyber threats and having frameworks, policies, procedures and technology solutions in place to reduce, monitor, detect and respond to cyber threats.
Systems are not fit for purpose	The useability and reliability of our systems is an important element of how our workforce perform their day to day activities and the level of service provided to our members and customers. If our systems fail to operate reliably and as needed there is a risk that this may adversely affect our members or customers resulting in potential reputational damage.	We manage this risk by considering our current and future technology needs and maintaining and testing our systems for service continuity and recoverability.

(v) Financial risks

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

Risk	Risk Description	Managing the Risk
Lack of capital or liquidity	We rely on external debt markets for a portion of our funding. A change in the economic environment could result in reduced access to capital or increased costs of funding. This could negatively affect our capital and liquidity position and our ability to fund business initiatives.	We manage this risk by monitoring the external debt markets and having policies and plans in place to monitor and review our capital and liquidity position.

(vi) Credit risks

Risk of loss from inappropriate lending or failure of counterparties.

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

(vii) People risks

Risk of changes to key personnel, inability to attract and retain quality employees, inadequate succession planning, poor employee engagement and workplace injuries.

Risk	Risk Description	Managing the Risk
Workplace injuries or conditions	We have a large workforce within our Independent & Assisted Living platform who perform their work at aged care facilities, retirement communities or at a variety of other locations for home care and disability services, including residential homes. Given the variability of locations, conditions and types of care delivered, our workforce may be subject to muscular or skeletal injuries, slips, trips, falls, driving accidents, mental stress or occupational violence.	We manage this risk by having frameworks, policies, procedures and tools to support health and safety including training and awareness and incident management, including proactive support for successful return to work outcomes.
Inability to maintain skilled and experienced workforce	We are reliant on our employees and the skills and experience they possess to effectively service our members and customers. If we don't recruit and retain appropriately skilled people, monitor employee satisfaction, reward performance and provide a suitable corporate culture we may experience a high turnover of staff or loss of key persons that adversely impacts our business and financial performance.	We manage this risk by seeking employee feedback and having policies and procedures in place covering recruitment, incentive programs, performance management, job design, learning and development, discrimination and harassment, grievances and remuneration.

(viii) Regulatory & legal risks

Risk of loss from legal, regulatory or contractual breaches/issues.

Risk	Risk Description	Managing the Risk
Increased regulatory complexity and scrutiny	We operate a wide range of business activities which are subject to different laws and regulatory requirements. As regulatory standards and expectations are constantly changing, increased regulation and supervision from regulators could adversely effect our business activities, requiring changes to our business model, products or services and incurring significant costs if the regulatory changes are not managed appropriately.	We manage this risk by monitoring changes to laws, regulations and regulatory guidance, participating in industry forums and bodies and considering the impact of potential regulatory change on our business operations.

Information on directors

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

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

LISA CHUNG, LLB, FIML, FAICD
Ms Chung was appointed to the board of Australian Unity Limited on 30 June 2017. She is a director of a number of Australian Unity Limited subsidiaries, Chair of the People, Culture and Remuneration Committee and a member of the Audit Committee, the Investment Committee and the Risk and Compliance Committee. Ms Chung is currently Chair of Urbis Pty Limited and The Front Project, a director of Artspace/Visual Arts Centre Limited and Deputy President of Trustees of the Museum of Applied Arts and Sciences (Powerhouse Museum). Prior to this, Ms Chung was a partner specialising in commercial property and infrastructure at Maddocks Lawyers and at Blake Dawson (now Ashurst) where she also held various senior management roles and was an elected member of the firm's board. Ms Chung completed the Advanced Management Program at INSEAD in France in 2004. Ms Chung was previously Chair of The Benevolent Society and a non-executive director of APN Outdoor Limited. Ms Chung has not held any directorships of listed entities in addition to those set out above during the last three years.

MELINDA CILENTO, BA, BEc (Hons), MEc, GAICD
Ms Cilento was appointed to the board of Australian Unity Limited on 1 May 2014. She is a director of a number of Australian Unity Limited subsidiaries, Chair of the Investment Committee and a member of the People, Culture and Remuneration Committee and the Risk and Compliance Committee. She is also Co-Chair of Reconciliation Australia, and until 1 May 2019 was a director of Woodside Petroleum. In addition to her directorships, Ms Cilento is the Chief Executive Officer of the Committee for Economic Development of Australia and a member of Chief Executive Women. Ms Cilento has previously been a Commissioner with the Productivity Commission, and worked for eight years with Australia's leading CEOs at the Business Council of

Information on directors *continued*

Australia, including four years as Deputy Chief Executive. Prior to joining the Business Council she was Head of Economics at Invesco Australia. Ms Cilento has also worked with the Federal Treasury and International Monetary Fund in Washington DC. Ms Cilento was a director of Wesfarmers General Insurance until June 2014. Ms Cilento has not held any directorships of listed entities in addition to those set out above during the last three years.

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

SU McCLUSKEY, BCom, FCPA, MAICD
Ms McCluskey was appointed to the board of Australian Unity Limited on 1 September 2015. She is a director of a number of Australian Unity Limited subsidiaries, Chair of the Risk & Compliance Committee and a member of the Audit Committee, the Investment Committee and the People, Culture and Remuneration Committee. Ms McCluskey is also a director of The Foundation for Young Australians, Australasian Pork Research Institute, Energy Renaissance, a Commissioner for International Agricultural Research, and a member of the Ministerial Advisory Council on Skilled Migration. She was a member of the Charities Review, the Harper Review of Competition Policy and the Regional Telecommunications Review. Ms McCluskey was previously the CEO of the Regional Australia Institute and the Executive Director of the Office of Best Practice Regulation. Ms McCluskey has held senior positions with the Business Council of Australia, the National Farmers' Federation and the Australian Taxation Office. She is also a beef cattle farmer. Ms McCluskey has not held any directorships of listed entities in addition to those set out above during the last three years.

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

Company secretaries

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

CATHERINE VISENTIN, G/A(Cert), Assistant Company Secretary
Ms Visentin joined Australian Unity in 1988. She was appointed Assistant Company Secretary of various Australian Unity Limited Group companies in 2004. She has over 20 years of involvement with the Australian Unity Limited Company Secretarial function.

Meetings of directors

The number of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2019, and the numbers of meetings attended by each director were:

	Board		Audit Committee		Risk and Compliance Committee		Investment Committee		People, Culture and Remuneration Committee	
	A	B	A	B	A	B	A	B	A	B
Peter Promnitz	11	11	5	5	5	5	6	6	6	6
Rohan Mead	11	11	5	5	5	5	6	6	6	6
Lisa Chung	11	11	4	5	5	5	6	6	4	4
Melinda Cilento	10	11	-	-	5	5	6	6	6	6
Paul Kirk	11	11	5	5	-	-	-	-	6	6
Su McCluskey	11	11	5	5	4	4	6	6	6	6
Greg Willcock	11	11	5	5	5	5	-	-	-	-

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

Remuneration report

Details of the Group's remuneration policy in respect of the Directors and other key management personnel are included in the Remuneration report on pages 31 to 36. Details of the remuneration paid to Directors and other key management personnel are also detailed in the Remuneration report. The Remuneration report is incorporated in and forms part of this Directors' report.

Directors' interests and benefits

Since the end of the previous financial year and to the date of signing this report, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors or related party transactions shown in the Group's financial statements) by reason of a contract made by the Company with the director or with a firm of which the director is a member, or with a company in which the director has a substantial interest, except as specified in the Key management personnel disclosures in note 31.

Insurance and indemnification of directors and officers

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

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

Parent entity

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

Provision of non-audit services by the auditor

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

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

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

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

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

	2019 $	2018 $
PricewaterhouseCoopers Australia		
Audit of regulatory returns	**294,652**	288,130
Tax compliance services	**167,712**	212,651
Tax consulting services	**52,500**	130,184
Other services	**30,400**	221,457
Total remuneration for non-audit services	**545,264**	852,422

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 30.

Rounding of amounts

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

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

Peter Promnitz
Chair

Rohan Mead
Group Managing Director & CEO

Melbourne
28 August 2019

Auditor's independence declaration

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Australian Unity Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Peter van Dongen
Partner
PricewaterhouseCoopers

Melbourne
28 August 2019

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