CONTINUOUS DISCLOSURE NOTICE

11 May 2017

Australian Unity Healthcare Property Trust

The Australian Securities & Investments Commission ('ASIC') requires responsible entities of unlisted property schemes in which retail investors invest to provide a statement addressing six benchmarks and eight disclosure principles. These benchmarks and disclosure principles are contained in ASIC Regulatory Guide 46: Unlisted property schemes – Improving disclosure for retail investors which are supplemented by the RG46 Voluntary Practice Note issued by the Property Council of Australia ('PCA') and the Property Funds Association ('PFA').

This document has been prepared by Australian Unity Funds Management Limited ('AUFM') as the Responsible Entity of the Australian Unity Healthcare Property Trust ('Trust') to update investors on the information relevant to the benchmark and disclosure principles. This document should be read in conjunction with the latest Annual Report for the Trust, available from our website australianunity.com.au/wealth. Alternatively, you can call us on 13 29 39 for a free copy.

The financial information in this document is extracted from the Trust's accounting and property management records as at 31 March 2017 and is based on unaudited financial records unless stated otherwise.

The Trust's composition and diversity will change over time as assets are acquired or disposed and tenancies are re-let.

Gearing ratio and policy

Disclosure principle 1 – Gearing ratio

The gearing ratio of the Trust, calculated as total interest-bearing liabilities divided by total assets, was 29.34% as at 31 March 2017 (19.85% as at 30 June 2016 based on the Trust's audited financial statements).

The gearing ratio shows the extent to which the Trust's total assets are funded by interest bearing liabilities and gives an indication of the potential risks investors face in terms of external liabilities that rank ahead of them. The only interest-bearing liability of the Trust is the bank loan. Refer to the borrowings note in the audited financial statements.

Gearing magnifies the effect of gains and losses on an investment. A higher gearing ratio means greater magnification of gains and losses and generally greater volatility compared to a lower gearing ratio.

The gearing ratio above is calculated in accordance with the ASIC disclosure principles formula and is at a Trust level. The loan to valuation ratio (which is a measure of the borrowing facility amount drawn as a proportion of the value of assets under the borrowing facility security arrangement) is shown under the heading 'Trust borrowing'.

Benchmark 1 – Gearing policy

The Responsible Entity maintains and complies with a written policy that governs the level of gearing at an individual credit facility (borrowing facility) level.

The Trust meets this benchmark. AUFM monitors and manages the Trust's borrowings at an individual borrowing facility level on an ongoing basis in accordance with its Gearing and Interest Cover Policy. The Policy outlines record keeping, monitoring and reporting requirements.

The Trust has a single borrowing facility and generally operates within a gearing ratio range between 40 - 50%. The maximum gearing ratio for the Trust under the Policy is 60%. These parameters may change from time to time.

The Trust continues to comply with AUFM's Gearing and Interest Cover Policy. For further information or to obtain a copy of the Policy please contact us.

Interest cover ratio and policy

Disclosure principle 2 – Interest cover

The Trust's interest cover ratio for the 12 months to 31 March 2017 was 6.15 times (11.85 times for the 12 months to 30 June 2016 based on the Trust's audited financial statements).

Interest cover indicates the ability of the Trust to meet interest payments from earnings. It is an indicator of the Trust's financial health and is a key to assessing the sustainability of, and risks associated with, the Trust's level of borrowing. For example, an interest cover ratio of two times, means that the level of earnings is twice that of interest costs on borrowings, meaning that there is surplus earnings after interest payments which can be used to pay distributions to investors.

An interest cover ratio of one times means that Trust earnings are only sufficient to pay interest on borrowings and any distributions would either need to be funded from investor capital or alternatively suspended.

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Generally, the closer the Trust's interest cover ratio is to one, the higher is the risk of the Trust not being able to meet interest payments from earnings. To mitigate some of this risk, property fund managers may hedge against rises in interest rates to protect the Trust from higher interest costs. In addition, asset management strategies that attract high quality tenants on longer lease terms and tenant diversity aims to ensure that the Trust's level of earnings remains stable and predictable.

The interest cover ratio is calculated in accordance with the ASIC disclosure principles formula below and is at a Trust level.

$$\text{Interest cover ratio} = \frac{\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses}}{\text{Interest expense}}$$

In the audited financial statements EBITDA is equivalent to 'Profit before finance costs attributable to unitholders' adding back borrowing costs and lease commission and incentives amortisation. Unrealised gains/losses include property revaluations, straight-lining of rental income and unrealised gains/losses on derivatives and listed property trusts. Interest expense is equivalent to 'Borrowing costs' less amortisation of debt establishment costs.

The interest cover ratio relevant to the borrowing facility covenant is calculated differently from the ASIC formula and is shown under the heading 'Trust borrowing'.

Benchmark 2 – Interest cover policy

The Responsible Entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility (borrowing facility) level.

The Trust meets this benchmark. AUFM monitors and manages the Trust's interest cover at an individual borrowing facility level on an ongoing basis in accordance with its Gearing and Interest Cover Policy. The Policy outlines record keeping, monitoring and reporting requirements.

The minimum interest cover ratio for the Trust under the Policy is 1.25 times (calculated as net income divided by interest expense on borrowings) subject to the minimum interest rate cover ratio of the facility agreement. The Trust's borrowing facility interest cover ratio covenant is 1.75 times. These calculations are different from the calculation adopted by ASIC in Disclosure Principle 2.

The Trust continues to comply with AUFM's Gearing and Interest Cover Policy. For further information or to obtain a copy of the Policy please contact us.

Trust borrowing

Disclosure Principle 3 – Scheme (Trust) borrowing

The Trust borrows to finance new and existing assets, to develop, refurbish and maintain those assets, and to provide liquidity for operating purposes and managing working capital.

Generally, interest costs relating to the borrowings will be met from the earnings of the Trust prior to the payment of distributions to investors.

The Trust has one borrowing facility that is secured by a number of the Trust's assets and is summarised in the following table:

Borrowing details as at 31 March 2017	
Borrowing facility drawn amount	\$355.00 million
Borrowing facility limit	\$420 million
Borrowing facility maturity tranche A (\$270 million) Borrowing facility maturity tranche B (\$150 million)	July 2021 June 2019
Borrowing facility Loan to Valuation Ratio covenant limit	50.00%
Trust Loan to Valuation Ratio calculated in accordance with borrowing facility definition	38.11%
Amount by which value of assets must decrease before a borrowing facility covenant is breached	23.80%
Borrowing facility Interest Cover Ratio covenant limit	1.75 times
Trust Interest Cover Ratio calculated in accordance with borrowing facility definition	6.26 times
Amount by which the operating cash flow must decrease before a borrowing facility covenant is breached	72.10%
Borrowing facility interest rate (inclusive of borrowing margin, line fees and interest rate hedges)	3.65% p.a.
% of borrowings hedged	42.25%
Weighted hedge expiry	4.60 years

The Trust is required to refinance \$150 million of its \$420 million facility by June 2019 with the remainder by July 2021. We are within the current lenders' covenant and facility limit requirements, and as such, are confident that the borrowing facility will be refinanced prior to maturity. With most refinancing activity there is a risk that the lenders may choose not to refinance the facility.

If this occurred, the Trust would need to find alternate lenders which may be more costly than the existing lenders. In extreme situations if the Trust cannot find alternate lenders, the Trust may lose value from selling assets in poor market conditions in order to repay the borrowed amount.

Our approach is to actively manage the Trust's borrowings in conjunction with the lenders to manage this risk. To the best of AUFM's knowledge, there have been and are no breaches of loan covenants as at the date of this document.

All amounts owed to lenders and to other creditors will rank before each investor's interest in the Trust. The Trust's ability to pay interest, repay or refinance the amount owed upon maturity and its ability to meet all loan covenants under its borrowing facility is material to its performance and ongoing viability.

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Under the terms within the borrowing facility, provided the Trust obtains the prior written consent of the lender, there are no terms that may be invoked as a result of investors exercising their rights under the Trust's Constitution.

AUFM maintains a hedging policy that governs the level of hedging for the Trust and controls the risks associated with the use of derivatives. All hedging strategies implemented are also subject to formal approval by the Chief Investment Officer.

AUFM monitors and manages the Trust's hedging position on a mark-to-market basis. Hedging is a very complex area and is generally done to fix some or all of the interest rate relating to the borrowing facility. Whilst hedging is put in place to reduce the volatility of earnings and therefore distributions, hedging generally has the effect of increasing the volatility of the Trust's unit price given that the pricing of the underlying interest rate derivatives change daily.

At 31 March 2017 the mark-to-market value of interest rate derivatives were $1.53 million, compared to $0 as at 30 June 2016 based on the Trust's audited financial statements. If held to maturity, the value of the interest rate derivatives in the Trust's balance sheet will reduce to zero.

Interest capitalisation

Benchmark 3 – Interest capitalisation

The interest expense of the Scheme is not capitalised.

The Trust meets this benchmark. The interest expense of the Trust is not capitalised.

Portfolio diversification

Disclosure Principle 4 – Portfolio diversification

The Trust invests predominantly in healthcare property and related assets, including direct property, unlisted managed funds, listed REITs.

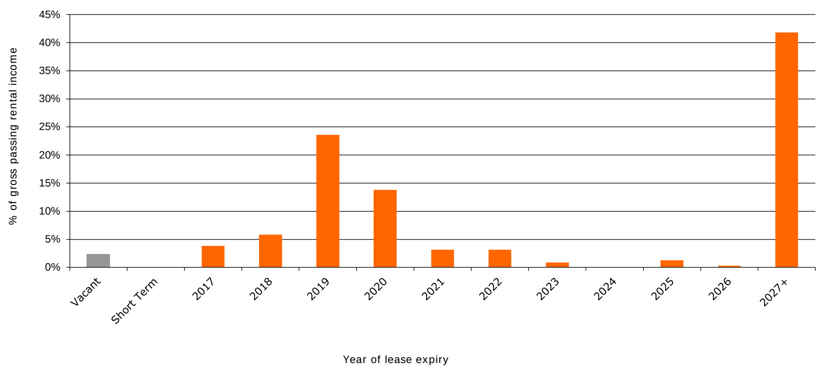
The Trust may also invest in similar international healthcare related assets in countries with healthcare systems and property markets with key attributes similar to Australia.

The Trust typically holds 75-95% of its assets in direct property and may hold up to 20% in listed or unlisted property investments. The balance of the Trust's assets is held in cash and similar investments.

In respect of Class A Units, typically 20% of the value of Class A Units is held separately in a special liquidity reserve. This level may fluctuate from time to time, depending on cash flows.

The liquidity reserve can be up to 30% of the Class A Units value. The liquidity reserve may also be invested in Listed REITs up to 15% of net asset value of Class A Units.

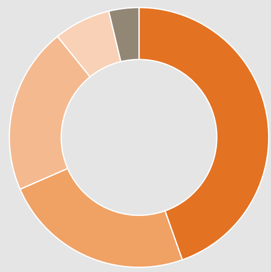
Lease expiry profile by income as at 31 March 2017



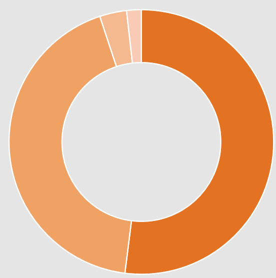
Key portfolio statistics

(as at 31 March 2017)

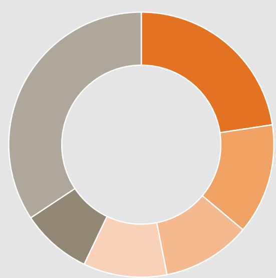
Geographic allocation (by value)		
VIC	14 assets	44.58%
NSW	12 assets	23.89%
QLD	9 assets	20.71%
SA	5 assets	7.07%
WA	1 asset	3.75%



Property sector allocation (by value)		
Hospital	13 assets	51.99%
Medical Centre or Medical Office	18 assets	42.93%
Development Site	9 assets	3.29%
Aged Care	1 asset	1.79%



Top 5 tenants (by income)	
Ramsay Health	20.60%
Healthe Care	13.50%
Calvary Health	10.80%
Queensland Health	10.20%
Sonic	8.60%
Others (excluding vacancy)	34.30%



Portfolio composition as at 31 March 2017

Property Details			Tenancy Details				Valuation Details[1]			
Address	Note	Lettable Area (square metres)	Major Tenant	Number of Tenants	Occupancy Rate (% by income)	WALE (years by income)[2]	Current Valuation ($m)	Valuation Date	Capitalisation Rate (%)[12]	Book Value ($m)
Hospitals										
Beleura Private Hospital and Clinic, Mornington, VIC		10,054	Ramsay Health	1	100%	17.29	76.25	Feb-17	6.75	76.32
Calvary Wakefield Priv. Hospital & Med. Clinic, Adelaide, SA	6	15,500	Calvary Health	1	100%	2.28	50.00	May-16	-	44.44
Brunswick Private Hospital, Brunswick, VIC		8,000	Healthe Care	1	100%	12.38	30.10	May-16	7.75	30.10
Brisbane Waters Private Hospital, Woy Woy, NSW		5,845	Healthe Care	1	100%	19.80	27.50	May-16	7.75	27.62
Berkeley Vale Private Hospital, Berkeley Vale, NSW		4,132	Ramsay Health	1	100%	18.58	17.25	May-16	7.50	17.26
Hunters Hill Private Hospital, Hunters Hill, NSW		2,678	Ramsay Health	1	100%	18.58	17.25	Feb-17	7.25	18.40
Townsville Private Clinic, Townsville, QLD		3,780	Healthe Care	1	100%	20.05	16.00	Feb-17	8.00	16.50
Calvary Rehabilitation Hospital, Walkerville, SA		3,799	Calvary Health	1	100%	2.28	15.25	Aug-16	8.50	15.27
Figtree Private Hospital, Figtree, NSW		7,277	Ramsay Health	1	100%	18.58	13.10	Feb-17	7.75	14.10
North Shore Specialist Day Hospital, Greenwich, NSW		2,190	IVF Australia	1	100%	0.51	12.00	Feb-16	8.25	12.12
Robina Private Hospital, Robina, QLD		5,854	Healthe Care	1	100%	24.44	31.23	Aug-16	7.00	31.97
Peninsula Private Hospital, Langwarrin, VIC	7	19,355	Ramsay Health	1	100%	23.37	133.50	Nov-16	6.50	133.64
Sub total										437.74
Hospitals Under Development										
The Valley Private Hospital, Dandenong North, VIC		13,635	Healthe Care	1	100%	18.80	92.50	Feb-17	6.50	94.16
645 and 647 Pacific Highway, Kanwal, NSW	11	-	Healthe Care	1	100%	25.00	2.30	Oct-16	-	2.75
Sub total										96.91
Medical Centres and Aged Care Facilities										
15 Butterfield St, Herston, QLD		11,254	Queensland Health	4	100%	3.42	82.70	Nov-16	7.05	82.70
RPAH Medical Centre, Newtown, NSW		7,215	S & K Car Park	56	98%	2.79	63.80	May-16	7.79	63.98
103 Victoria Parade, Collingwood, VIC		8,975	Sonic Healthcare	1	100%	11.00	45.00	Apr-16	5.50	48.07
8 Herbert Street, St Leonards, NSW		10,556	Stryker Australia	4	100%	2.60	40.00	Aug-16	8.25	40.07
310 Selby Road North, Osborne Park, WA		4,997	Clinipath Pathology	1	100%	14.00	36.00	Apr-16	6.75	38.34
Manningham Medical Centre, Templestowe Lower, VIC		4,925	MMC General Practice	18	93%	2.30	33.30	May-16	7.75	33.32
Constitution Hill Aged Care, Northmead, NSW		8,668	Australian Unity Care Services	1	100%	11.74	18.30	May-16	8.00	18.31
HIS Diagnostic Imaging Centre, Richmond, VIC		1,227	Primary Health	1	100%	18.73	18.80	Feb-17	6.25	18.80
Gosford Private Medical Centre, North Gosford, NSW		1,830	Sonic Healthcare	4	67%	5.01	13.80	Feb-17	8.00	13.80
17-19 Fullarton Rd, Kent Town, SA		2,563	Sonic Healthcare	1	100%	2.08	11.15	Feb-17	7.50	11.15
Ipswich Medical Centre and Day Hospital, QLD		2,783	Ipswich Day Surgery	9	73%	3.48	10.85	May-16	8.50	10.85
Mackay Medical Centre and Day Hospital, Mackay, QLD	3	2,458	Queensland Fertility Group	6	91%	2.87	11.19	Feb-17	8.00	11.19
9-13 Flintoff Street, Greensborough, VIC	8	-	Primary Health	1	-	-	7.30	Nov-16	-	7.32
Eureka Medical Centre, Ballarat, VIC		1,504	Primary Health	1	100%	3.42	5.60	Feb-17	6.50	5.60
46-50 Underwood Street, Corrimal, NSW	10	1,496	Primary Health	1	100%	15.00	9.60	Nov-16	-	14.55
80-82 Bridge Road, Richmond, VIC	8	-	Primary Health	1	-	-	5.90	Nov-16	-	5.90
Lot 1, Campus Crescent, Robina, QLD	8	-	Primary Health	1	-	-	3.92	Nov-16	-	3.92
Figtree Consulting Suites, Figtree, NSW		427	Shelley & Sumbut Namcharon	1	43%	0.08	1.10	Feb-17	-	1.47
Campus Alpha Building, 2 Investigator Drive, Robina QLD		4,423	State Government of Queensland	10	100%	3.16	26.23	Jun-16	7.50	28.15
Sub total										457.49
Assets Held Pending Development										
Herston SRACC Public Hospital, Herston, QLD		-	N/A	0	-	-	-	Mar-17	-	22.49
95 Herbert Street, Mornington, VIC	5	191	Private Tenant	1	100%	<1	1.10	Feb-17	-	1.10
101 Herbert Street, Mornington, VIC	5	186	Ramsay Health	1	100%	3.80	0.80	Feb-17	-	0.80
12 View Road, Walkerville, SA	4	202	Private Tenant	1	100%	<1	0.80	Aug-16	-	0.80
10 North East Road, Walkerville, SA	4	155	Vacant	0	-	-	0.65	Aug-16	-	0.65
103 Herbert Street, Mornington, VIC	5	131	Private Tenant	1	100%	<1	0.51	Feb-17	-	0.51
105 Herbert Street, Mornington, VIC	5	131	Private Tenant	1	100%	<1	0.51	Feb-17	-	0.51
34 Investigator Drive, Robina, QLD	9	-	N/A	0	-	-	3.67	Jun-16	-	4.05
Sub total										30.91
Total direct property										1,023.05

Continued overleaf ...

Portfolio composition as at 31 March 2017 (continued)

			Tenancy Details				Valuation Details[1]			
Address	Note	Lettable Area (square metres)	Major Tenant	Number of Tenants	Occupancy Rate % (by income)	WALE (years by income)[2]	Current Valuation ($m)	Valuation Date	Capitalisation Rate %[12]	Book Value ($m)
Listed Australian REITs										
Generation Healthcare REIT										50.13
Arena REIT										62.37
Sub total										**112.50**
Cash and other assets										
Other										10.00
Cash and other assets										21.35
Class A cash reserve										43.03
Cash and other assets										74.38
Total (T) / Weighted Average (A)				141 (T)	98.80 (A)	10.85 (A)	986.80 (T)		7.11 (A)	1,209.93 (T)

Notes

1. Regular valuation of underlying property assets is an important aspect of managing the Trust. Valuations are conducted by qualified independent valuers in accordance with industry standards. We have a policy of generally obtaining independent valuations on Trust direct properties each year. Additionally, as part of our active management approach, we may test asset values on market. At times we may enter arrangements at arm's length with third parties which may impact the value of assets within the portfolio including, but not limited to, put and call options in respect of all or part of an asset within the portfolio. If the value of an asset is impacted in this way, the value may replace the last independent valuation obtained. The direct property information in this table is current as at 31 March 2017. Please refer to the Trust's announcements page available from our website australianunity.com.au/wealth for full details on any changes to the Trust's direct property portfolio post this date.
2. Weighted Average Lease Expiry by base rental income including net market rent for vacancies.
3. Includes a parcel of vacant land, 1-3 Discovery Lane, North Mackay valued at $0.60 million as at February 2017.
4. Properties adjoining Calvary Rehabilitation Hospital, Walkerville, SA.
5. Properties adjoining Beleura Private Hospital, Mornington, VIC.
6. Includes 285 Flinders Street, Wakefield, Adelaide, SA.
7. Lettable Area subject to survey following recent extension works.
8. Development site subject to pre-commitment from Primary Health.
9. Development Site, no pre-commitment.
10. Property reached practical completion in January 17. Lease currently being finalised and new valuation to be obtain once in place.
11. Currently in design and planning phase, however subject to a 25 year lease to Healthe Care from practical completion.
12. A market capitalisation rate is the rate, expressed as a percentage that reflects the likely yield a property will generate over the medium term. It has regard to a property's unique characteristics and is a measure of the property's risk/return profile with higher rates reflecting higher risk and its function is to convert a property's income into value. The market capitalisation rate is assessed by the independent valuer by dividing the stabilised net property income of the property or a portfolio of properties by the assessed valuation of the property or portfolio, excluding costs of acquisitions and fee

Property development

We believe the Trust can enhance its existing properties and add further value to investors through selective exposure to property development. Property development means the construction of a new building, significant increases to the lettable area of a building or significant changes to the configuration, nature or use of the property. In managing the Trust's property portfolio, we may refurbish or redevelop properties from time to time as required. Material property developments will only be undertaken where substantial pre-commitments to lease are in place and development risk is appropriately mitigated.

A risk of property development is construction risk. Construction projects carry a risk that the costs of the project might be higher than budgeted, the project may take longer than expected to complete or the project may not be finished.

We endeavour to mitigate construction risks by negotiating a capped arrangement with builders and/or tenants whereby any costs incurred above this amount will be the responsibility of the builder/tenant as the case may be. The following developments are fully pre-committed with the existing tenants and funded through a combination of cash and the existing borrowing facility. Please refer to 'Trust borrowing' for further details about the borrowing facility.

Specialist Rehabilitation and Ambulatory Care Centre ('SRACC'), Herston, QLD

The Trust will develop a specialist public hospital, known as the Specialist Rehabilitation and Ambulatory Care Centre ('SRACC'), as part of the Herston Quarter redevelopment.

The SRACC, will, when constructed, be a public hospital operated by the Metro North Hospital and Health Service ('MNHHS'), a Queensland Health division responsible for providing public health services in the northern suburbs of Brisbane.

It will, post construction, be leased to MNHHS for an initial term of 20 years by the Trust, and will be developed on land within the Health Precinct also occupied by the Royal Brisbane and Women's Hospital which is one of two tertiary public hospitals in Queensland. When constructed, the SRACC is expected to be valued at approximately $379 million and will provide seven operating theatres, three procedure rooms and in-patient accommodation of up to 172 patients.

Work on site for the new hospital is expected to commence over the coming months.

The Valley Private Hospital, Mulgrave, VIC

After completing a $14.6 million project for the new 32-bed ward and multi-deck car park in January 2016, construction commenced on the $18.7 million development incorporating an ICON Cancer Centre at the hospital. This is the first stage of an $84 million - three stage expansion of the hospital which is proposed to be developed over the next three years.

Peninsula Private Hospital, Langwarrin, VIC

Works on the hospital's $50 million expansion including a new emergency department, an additional 71 beds, a new hybrid operating theatre and additional parking was completed during 2016. The official opening of the new facilities was on 1 September 2016. Initial planning for further expansion of the hospital is currently underway.

Brisbane Waters Private Hospital, Woy Woy, NSW

Development works for a $10.8 million expansion of the hospital comprising a 24 bed rehabilitation ward, gymnasium, hydrotherapy pool and additional car parking has commenced with practical completion targeted for October 2017.

Greensborough Medical Centre, VIC

In February 2017 works commenced for the $20.4 million conversion of an existing council building to a large scaled, multi-disciplinary medical centre providing dental, radiology, day surgery and general practitioner services. Target completion date of the project is December 2017.

In addition to these, the Trust is actively pursuing developments at the Brunswick Private Hospital, 80-82 Bridge Road, Richmond, 645 and 647 Pacific Highway, Kanwal, Beleura Private Hospital, Mornington and Lot 1, Campus Crescent, Robina.

Valuation policy

Benchmark 4 – Valuation policy

The Responsible Entity maintains and complies with a written valuation policy that requires:

- *a valuer to:*
  - *be registered or licensed in the relevant state, territory or overseas jurisdiction in which the property is located (where a registration or licensing regime exists), or otherwise be a member of an appropriate professional body in that jurisdiction; and*
  - *be independent.*
- *procedures to be followed for dealing with any conflicts of interest;*
- *rotation and diversity of valuers;*
- *valuations to be obtained in accordance with a set timetable; and*
- *for each property, an independent valuation to be obtained:*
  - *before the property is purchased:*
    - *for a development property, on an 'as is' and 'as if complete' basis; and*
    - *for all other property, on an 'as is' basis; and*
  - *within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property.*

The Trust meets this benchmark and complies with AUFM's Valuation Policy. For further information or to obtain a copy of the Policy please contact us.

Regular valuation of underlying property assets is an important aspect of managing the Trust in the best interests of investors. In addition to the above requirements, the Policy also requires that:

- independent external valuations for new properties must be completed no more than three months prior to exchange of contracts;
- independent external valuations for existing properties must generally be conducted at least once in a financial year;
- where there are multiple properties in a portfolio, the valuations are to be staggered through the year; and
- where a property has been contracted for sale, the contracted sale price may be adopted instead of the independent external valuation.

Additionally, as part of our active management approach, we may test asset values on market. At times, we may enter arrangements at arm's length with third parties which may impact the value of assets within the portfolio including, but not limited to, put and call options in respect of all or part of an asset within the portfolio. If the value of an asset is impacted in this way, the value may replace the last independent valuation obtained.

Related party transactions

Benchmark 5 and Disclosure Principle 5 –

Related party transactions

The Responsible Entity maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.

The Trust meets this benchmark and complies with AUFM's Related Party Policy.

Related party transactions carry a risk that they could be assessed and reviewed less rigorously than transactions with other parties.

Australian Unity has policies and guidelines in place to manage the risk of any actual or perceived conflict of interest as a result of a related party transaction. Related party transactions with Australian Unity Group entities are reviewed, approved and monitored by senior management with clearly identified governance policies and guidelines. Decisions in relation to conflicts of interest and related party transactions are documented.

As appropriate, we provide ongoing updates of material service engagements and financial benefits that are paid to related parties through the Fund Update and Continuous Disclosure Notice. The value of related party payments are reported yearly as part of the Trust's Annual Report.

For further information about the Related Party Policy please contact us. The latest Fund Update and Annual Report can be found on our website australianunity.com.au/wealth. Alternatively we can send you a free copy if you call us on 13 29 39.

Related party activity

Property management services

AUFM has appointed Australian Unity Property Management Pty Ltd ABN 76 073 590 600 ('AUPM') to provide some property management services to the Trust. Investor approval is not required for this arrangement and the appointment is made on commercial terms and conditions and on an arm's length basis.

AUFM and AUPM are wholly owned subsidiaries of Australian Unity Limited ('AUL') ABN 23 087 648 888 and are members of the Australian Unity Group. This transaction complies with the Related Party Policy.

Australian Unity Property Management

AUPM is a property management business that may, under a written arrangement, provide some of the following services to the Trust as nominated from time to time:

- strategic advice on property acquisitions and sales or arranging the sale or acquisition of property assets;
- management of premises;
- debt arranging, debt structure advice, debt facility negotiation and debt management;
- valuation services;
- leasing services; and
- property management and project supervision.

The appointment of AUPM for these services is not exclusive and AUFM may engage external service providers to undertake these functions.

From 1 July 2016 to 31 March 2017 services to the value of $2.12 million have been provided by and paid to AUPM.

Other related party service providers

AUFM charges the Trust for administration expenses (audit fees inclusive) as per the Product Disclosure Statement. We estimate these costs to be 0.40% p.a. of the gross asset value of Retail Units and 0.30% p.a. of the gross asset value of Wholesale Units and Class A Units.

For the nine months to 31 March 2017, the amount charged to the Trust was $2.53 million (excluding GST). This is made up of related party and non-related party expenses.

Herston Quarter redevelopment agreements

The Trust, through its subsidiaries, has entered into a number of agreements with Herston Development Company Pty Ltd ABN 53 617 139 009 ('HDC') to facilitate the redevelopment a portion of the Herston Quarter, Herston, QLD. Investor approval is not required for these agreements as they have been made on commercial terms and conditions and on an arm's length basis.

HDC is a wholly owned subsidiary of AUL and is a member of the Australian Unity Group. This transaction complies with the Related Party Policy.

HDC has been paid a consortium management fee of $7.88 million for the development of the SRACC Hospital.

The Trust has undertaken to fund other development works on behalf of HDC. These works are carried out on a cost recovery plus a margin. The Trust expects repayment of these costs following the completion of the works.

Investments

AUL and its subsidiaries (related parties) may invest in the Trust and the Trust may invest in related parties from time to time. Details of related party investments are included in the Trust's Annual Report. Investor approval is not required for these arrangements and the transactions are made on commercial terms and conditions and on an arm's length basis.

As at 31 March 2017 related parties held interests in the Trust of $5.08 million (0.60%) based on net assets.

Distribution practices

Benchmark 6 and Disclosure Principle 6 –

Distribution practices

The Scheme will only pay distributions from its cash from operations (excluding borrowings) available for distribution

The Trust does not meet this benchmark.

The Trust aims to source and currently sources, all distributions from funds from operations ('FFO'). However, it is permitted to fund distribution payments from other sources, such as capital, if we consider it to be in the interests of investors (for example if rental income is suddenly reduced unexpectedly) and where payment from that source is expected to be sustainable given the circumstances.

FFO is a key determinant for the Trust when calculating and deciding the level of distribution to pay. To reconcile statutory profits to FFO and distributions the Trust may make adjustments to net profits for changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation on incentives, rental straight-line adjustments and other unrealised one-off items.

A reconciliation of the statutory profit to FFO and distributions is set out in the table below, in accordance with the PCA and PFA RG46 Voluntary Practice Note, for the nine months ended 31 March 2017.

	Actual $
Net profit	54,082,379
Valuation changes*	(16,127,895)
Interest rate derivative changes	(1,525,666)
Other	133,265
Fund from operations	**36,562,082**
Distributions declared	**38,389,085**

* Valuation changes include direct property revaluations, listed property trusts unrealised/realised valuation changes and rental straight-line adjustments.

As the distributions declared at 31 March 2017 exceeded the available FFO, the source of funding for the distributions was derived from capital.

The Distribution Policy aligns with the ongoing earning capacity of the Trust. We expect an increase in FFO over the next 12 months, enabling the Trust to sustainably source distributions from FFO over this period.

Where the Trust makes distributions from capital, this will have the effect of reducing investors' equity. Where this occurs and the Trust has borrowings, the reduction in investor's equity will have the effect of increasing the gearing ratio and gearing related risks. Where a trust is close to its gearing related covenants, the risk of breaching these covenants is increased.

Withdrawal rights

Disclosure Principle 7 – Withdrawal rights

Retail and Wholesale Units

In normal operating conditions Retail Unit and Wholesale Unit withdrawals from the Trust are paid quarterly. The maximum total amount available for withdrawals each quarter is 2.5% of the net asset value of the relevant class of units on issue (although we have the discretion to alter this amount). If this amount is exceeded, withdrawals may be met on a pro-rata basis.

Where a pro-rata payment occurs, investors will need to reapply in a subsequent withdrawal period if they wish to withdraw any further amount.

Investors written request must be received by 3:00 pm at our Melbourne office on or before the quarter end date (being 28 February, 28 May, 28 August and 28 November or the next business day if the 28th is a non-business day) to receive the withdrawal price as at the cut-off date. Otherwise, the withdrawal request will be processed in the following quarter.

Class A Units

In normal operating conditions Class A Unit withdrawals from the Trust are paid monthly. Monthly withdrawals will be met from the cash reserves held specifically for Class A Units.

In abnormal operating/market conditions the demand for withdrawals may exceed the amount of cash reserve held for Class A Units. Where this occurs, withdrawals will instead be met on a quarterly basis and will be subject to a quarterly cap of 2.5% of the net asset value of Class A Units (although we have the discretion to alter this amount). If this amount is exceeded, withdrawals may be met on a pro-rata basis. Where a pro-rata payment occurs, investors will need to reapply in a subsequent withdrawal period if they wish to withdraw any further amount. Quarterly withdrawals will be met from the Trust's general cash holding.

Investors written request must be received by 3:00 pm at our Melbourne office on or before the 28th of the month (or the next business day if the 28th is a non-business day) to receive the withdrawal price as at that cut-off date. Otherwise, the withdrawal request will be processed in the following month.

All unit classes

Where we are required to sell property assets, it may take longer for investors to receive their withdrawal proceeds. In extreme cases it could take 12 months or longer for investors to receive their money.

While the Trust is liquid, the Trust's Constitution allows up to 365 days to meet withdrawal requests.

Australian Unity Healthcare Property Trust

Suspension of withdrawals

If we are of the view that we cannot sell property assets within 365 days to meet withdrawal requests, the Trust will become illiquid and withdrawals will be suspended. If this occurs, investors can only withdraw when we make a withdrawal offer available in accordance with the Trust's Constitution and law.

Substantial investor withdrawal requests

In order to ensure reasonable equity among investors, where any single investor requests a withdrawal from a class of units in excess of 5% of the total number of units on issue of that class during a withdrawal period, we may deem that request to be a single withdrawal request for 5% of the total number of units on issue of that class or such higher amount as we determine at our absolute discretion.

Net tangible assets

Disclosure Principle 8 – Net tangible assets

The Trust is an open-ended property scheme and as such this disclosure principle is not applicable. However, the current unit price for the Trust is available on our website.

Important information

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