

Continuous Disclosure Notice

25 July 2019



Australian Unity Healthcare Property Trust - ARSN 092 755 318

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*. The Property Council of Australia ('PCA') and the Property Funds Association ('PFA') have issued their supplement to Regulatory Guide 46 in the form of their *RG46 Voluntary Practice Note*.

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 2019 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 15.76% as at 31 March 2019 (18.49% as at 31 December 2018 based on the Trust's unaudited 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 Fund is the borrowing facility. Refer to the borrowings note in the audited financial statements and the details set out in *Disclosure Principle 3 – Scheme (Trust) Borrowings*.

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 the 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 Gearing and Interest Cover Policy outlines record keeping, monitoring and reporting requirements.

The Trust has a single borrowing facility and generally aims to operate within a gearing ratio range between 30 - 45%. The maximum gearing ratio for the Trust under the Gearing and Interest Cover 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 Gearing and Interest Cover 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 2019 was 4.56 times (5.03 times for the 12 months to 31 December 2018 based on the Trust's unaudited 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 indicator 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.

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 provide greater certainty for the Trust's interest expenses.

CONTINUOUS DISCLOSURE NOTICE

Australian Unity Healthcare Property Trust

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 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.

However, capitalised interest expenses (if any) are excluded from this calculation (see Benchmark 3 – Interest Capitalisation).

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 Gearing and Interest Cover Policy outlines record keeping, monitoring and reporting requirements.

The minimum interest cover ratio for the Trust under the Gearing and Interest Cover Policy is 1.25 times (calculated as the EBITDA of the Fund from ordinary operations divided by the net interest¹ expense) which is different to the minimum interest rate cover ratio covenant under the borrowing facility of the agreement, (which is 1.75 times). The calculation method for the interest cover ratio under the borrowing facility is different from the calculation method 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 Gearing and Interest Cover Policy please contact us.

1. Net interest means interest expense less interest income.

Trust borrowing

Disclosure Principle 3 – Scheme (Trust) borrowings

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 expenses relating to the borrowings which are not capitalised (see Benchmark 3 – Interest Capitalisation) 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 2019

Borrowing facility drawn amount	\$251.80 million
Borrowing facility limit	\$740.00 million
Borrowing facility maturity tranche A, B and C (\$640 million)	January 2023
Borrowing facility maturity tranche D (\$100 million)	January 2025
Borrowing facility Loan to Value Ratio covenant limit	50.00%
Trust Loan to Valuation Ratio calculated in accordance with borrowing facility definition	21.69%
Amount by which value of assets must decrease before a borrowing facility covenant is breached	55.61%
Borrowing facility Interest Cover Ratio ² covenant limit	1.75 times
Trust Interest Cover Ratio ² calculated in accordance with borrowing facility definition	4.56 times
Amount by which the operating cash flow must decrease before a borrowing facility covenant is breached	61.78%
Borrowing facility interest rate (inclusive of borrowing margin, line fees and interest rate hedges)	4.51% p.a.
% of borrowings hedged	98.89%
Weighted hedge expiry	2.83 years

2. The borrowing facility Interest Cover Ratio calculation definition excludes capitalised interest in respect of debt relating to the development of the Surgical, Treatment and Rehabilitation Service ('STARS').

The Trust is required to refinance \$640 million of its \$740 million facility by January 2023 with the remainder by January 2025. 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.

CONTINUOUS DISCLOSURE NOTICE

Australian Unity Healthcare Property Trust

Under the terms within the borrowing facility, provided the Trust obtains the prior written consent of the lender(s), there are no terms that may be invoked as a result of investors exercising their rights under the Trust's Constitution. If such consent is not obtained, however, there may be terms which are triggered or consequences that follow under the borrowing facility, including possible cancellation of the borrowing facility and early repayment of amounts owing under the borrowing facility.

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. Borrowings relating to some development activities are required to be fully hedged under the terms of the borrowing facility.

AUFM monitors and manages the Trust's hedging position on a mark-to-market basis. Hedging is very complex 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 2019 the mark-to-market value of interest rate derivatives were \$5.93 million, compared to \$2.04 million as at 31 December 2018 based on the Trust's unaudited 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 does not meet this benchmark. The Trust currently does not capitalise interest, but intends to do so for borrowings relating to some development projects.

Capitalised interest expenses increases the borrowing facility drawn amount, and therefore may increase borrowing risk.

Borrowing risk is managed through maintaining prudent levels of drawn debt, the use of interest rate hedging instruments and active management of the asset portfolio. The estimated amount of interest to be capitalised for any particular project is generally incorporated into the assessment of feasibility of that project.

The Trust is expected to meet its repayment obligation for capitalised interest expenses through its normal operating activities.

Portfolio diversification

Disclosure Principle 4 – Portfolio diversification

The Trust primarily invests in a diversified portfolio of healthcare property and related assets including direct property, unlisted managed funds, listed REITs, property syndicates or companies that mainly hold healthcare property.

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. From time to time, the Trust may invest in loans, for example to fund the fit out of aged care facilities. The balance of the Trust's assets are held in cash and cash equivalents.

At 31 March 2019 the Trust had \$92.10 million (5.76% of the gross assets of the Trust) exposed to listed REIT's.

The Class A Units

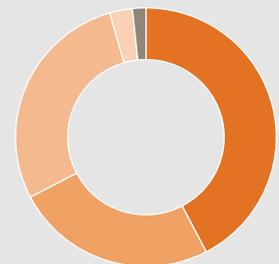
The Class A Units each hold segregated cash assets, which do not form part of the assets for the Wholesale Units and Retail Units.

Key portfolio statistics

(as at 31 March 2019)

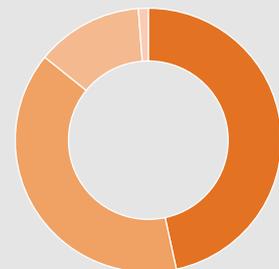
Geographic allocation (by value)

VIC	21 assets	42.35%
NSW	17 assets	24.99%
QLD	11 assets	28.18%
SA	5 assets	2.82%
WA	1 asset	1.66%



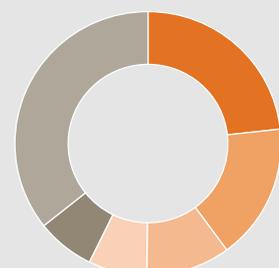
Property sector allocation (by value)

Hospital	14 assets	46.62%
Medical Centre or Medical Office	20 assets	39.20%
Development Site	20 assets	12.98%
Aged Care	1 asset	1.20%



Top 5 tenants (by income)

Ramsay Health	23.25%
Healthe Care	16.67%
Queensland Health	10.22%
Healius Limited	7.12%
Sonic	7.05%
Others (excluding vacancy)	35.69%



CONTINUOUS DISCLOSURE NOTICE

Australian Unity Healthcare Property Trust

Portfolio composition as at 31 March 2019

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 (% ³)	Book Value (\$m)
Hospitals										
Peninsula Private Hospital, Langwarrin, VIC	-	19,355	Ramsay Health	1	100.00	21.4	155.8	Nov-18	5.75	157.26
Mulgrave Private Hospital, Dandenong North, VIC	16	15,738	Healthe Care	1	100.00	28.7	121.0	Nov-18	6.01	121.01
Beleura Private Hospital and Clinic, Mornington, VIC	-	10,165	Ramsay Health	1	100.00	15.3	89.6	Aug-18	6.00	89.70
Brisbane Waters Private Hospital, Woy Woy, NSW	-	5,845	Healthe Care	1	100.00	17.8	45.1	May-18	6.50	45.83
Brunswick Private Hospital, Brunswick, VIC	-	8,000	Healthe Care	1	100.00	10.4	38.4	Feb-19	6.10	38.40
Robina Private Hospital, Robina, QLD	-	5,854	Healthe Care	1	100.00	22.4	37.5	Nov-18	6.00	37.50
Sunshine Day Surgery and Clinic, St Albans, VIC	12	2,452	Fresenius Medical Care	9	100.00	2.9	33.3	Nov-18	6.50	33.39
Western Hospital, Henley Beach, SA	-	9,655	Armfleet	1	100.00	19.6	22.5	Oct-18	7.00	22.88
North Shore Specialist Day Hospital, Greenwich, NSW	-	2,190	IVF Australia	1	100.00	3.5	21.7	Nov-18	6.50	21.71
Hunters Hill Private Hospital, Hunters Hill, NSW	-	2,678	Ramsay Health	1	100.00	16.6	20.8	Aug-18	6.00	20.80
Figtree Private Hospital, Figtree, NSW	-	7,277	Ramsay Health	1	100.00	16.6	20.3	Aug-18	6.50	20.51
Berkeley Vale Private Hospital, Berkeley Vale, NSW	-	4,132	Ramsay Health	1	100.00	16.6	19.7	Nov-18	6.50	19.72
Townsville Private Clinic, Townsville, QLD	-	4,897	Healthe Care	1	100.00	19.1	19.0	Feb-19	6.50	19.00
Calvary Rehabilitation Hospital, Walkerville, SA	-	3,799	Calvary Health	1	100.00	0.9	13.4	Aug-18	9.75	13.60
Sub total										661.31
Hospitals Under Development										
Herston Quarter - STARS, Herston, QLD	11	N/A	MNHHS	1	100.00	20.0	80.0	Jun-18	6.00	141.28
Tuggerah Lakes Private Hospital, 645 and 647 Pacific Highway, Kanwal, NSW	9	N/A	Healthe Care	1	100.00	20.0	4.4	Feb-18	N/A	18.90
Sub total										160.19
Medical Centres and Aged Care Facilities										
RPAH Medical Centre, Newtown, NSW	-	7,209	S & K Car Park	57	97.96	2.6	85.8	Feb-19	7.13	85.89
15 Butterfield St, Herston, QLD	-	11,254	Queensland Health	4	100.00	1.4	80.5	Aug-18	6.75	80.76
8 Herbert Street, St Leonards, NSW	-	10,556	Stryker Australia	3	98.19	9.1	58.7	Feb-19	6.00	59.11
103 Victoria Parade, Collingwood, VIC	-	8,975	Sonic Healthcare	1	100.00	9.0	48.5	Nov-18	5.50	48.50
310 Selby Road North, Osborne Park, WA	-	4,997	Clinipath Pathology	1	100.00	12.0	40.0	Nov-18	6.25	40.00
Manningham Medical Centre, Templestowe Lower, VIC	-	4,925	MMC General Practice	14	88.71	5.7	36.5	May-18	6.75	37.13
Primary Greensborough Medical Centre, Greensborough, VIC	-	3,528	Healius Limited	1	100.00	14.0	31.6	Feb-19	6.00	31.60
Campus Alpha Building, 2 Investigator Drive, Robina QLD	-	4,423	State Government of Queensland	7	96.58	1.2	27.4	Nov-18	7.00	27.40
HIS Diagnostic Imaging Centre, Richmond, VIC	-	1,124	Healius Limited	1	100.00	16.7	20.2	Nov-18	5.75	20.15
2 Short Street, Southport, QLD	-	2,338	Ramsay Health	7	95.97	3.8	17.5	Jul-18	6.00	18.80
Constitution Hill Aged Care, Northmead, NSW	-	8,668	Australian Unity Care Services	1	100.00	9.7	17.0	Nov-18	7.25	17.01
Primary Robina Medical Centre, 1 Campus Street Crescent, Robina, QLD	-	1,553	Healius Limited	1	100.00	14.2	15.8	Aug-18	6.00	15.80
Primary Robina Medical Centre, 46-50 Underwood Street, Corrimal, NSW	-	1,496	Healius Limited	1	100.00	12.8	15.4	Aug-18	6.00	15.40
Gosford Private Medical Centre, North Gosford, NSW	-	1,830	Sonic Healthcare	6	76.45	4.5	14.1	May-18	7.00	14.10
Ipswich Medical Centre and Day Hospital, QLD	-	2,780	Ipswich Day Surgery	10	80.16	3.2	13.8	Nov-18	7.25	13.85
Mackay Medical Centre and Day Hospital, Mackay, QLD	3	2,458	Queensland Fertility Group	6	90.77	3.4	12.0	Nov-18	7.00	12.08
14 Highfields Circuit, Port Macquarie, NSW	10	1,078	Healius Limited	1	100.00	14.8	1.9	Feb-18	N/A	11.09
1 & 3 Addison Road, Pennington, SA	-	1,137	Healius Limited	1	100.00	14.1	8.5	Feb-19	6.00	8.50
Eureka Medical Centre, Ballarat, VIC	-	1,459	Healius Limited	1	100.00	1.4	7.8	May-18	6.25	7.80
80-82 Bridge Road, Richmond, VIC	10	-	Healius Limited	1	100.00	1.7	6.8	Feb-19	-	6.75
Figtree Consulting Suites, Figtree, NSW	-	427	Shelley & Sumbut Namcharon	1	60.88	0.1	1.6	Aug-18	-	1.38
Sub Total										573.10
Assets Held Pending Development										
Herston Private Hospital, Herston, QLD	15	N/A	N/A	0	-	N/A	6.6	Nov-18	N/A	6.62
34 Investigator Drive, Robina, QLD	7	-	N/A	0	-	-	3.7	Feb-19	N/A	3.70
70 Moreland Road, Brunswick, VIC	17	N/A	N/A	0	-	N/A	1.1	Aug-18	N/A	1.91
95 Herbert Street, Mornington VIC	5	191	Private Tenant	1	100	<1	1.3	Aug-18	N/A	1.27
651 Pacific Highway, Kanwal, NSW	13	N/A	N/A	0	-	N/A	0.7	Jan-18	N/A	1.15
93 Davies Street, Brunswick, VIC	17	N/A	N/A	0	-	N/A	0.9	Nov-18	N/A	0.97
101 Herbert Street, Mornington, VIC	5	186	Ramsay Health	1	100	1.6	0.9	Aug-18	N/A	0.86
12 View Road, Walkerville, SA	4	N/A	Private Tenant	1	100	<1	0.9	Aug-18	N/A	0.85
4 Ginfifer Court, St Albans, VIC	6	N/A	N/A	0	-	N/A	0.8	Nov-18	N/A	0.82
15 Gillon Court, St Albans, VIC	6	N/A	N/A	0	-	N/A	0.8	Nov-18	N/A	0.80
1 Wiowera Road, Kanwal, NSW	13	N/A	N/A	0	-	N/A	0.5	Jan-18	N/A	0.73
15 Dwyer Avenue, Woy Woy, NSW	14	N/A	Vacant	0	-	N/A	0.7	May-18	N/A	0.73
2 Ginfifer Court, St Albans, VIC	6	N/A	N/A	0	-	N/A	0.7	Nov-18	N/A	0.71
13 Gillon Court, St Albans, VIC	6	N/A	N/A	0	-	N/A	0.6	Nov-18	N/A	0.64
10 North East Road, Walkerville, SA	4	N/A	N/A	0	-	N/A	0.6	Aug-18	N/A	0.55
103 Herbert Street, Mornington VIC	5	N/A	Private Tenant	1	100	<1	0.6	Aug-18	N/A	0.55

CONTINUOUS DISCLOSURE NOTICE

Australian Unity Healthcare Property Trust

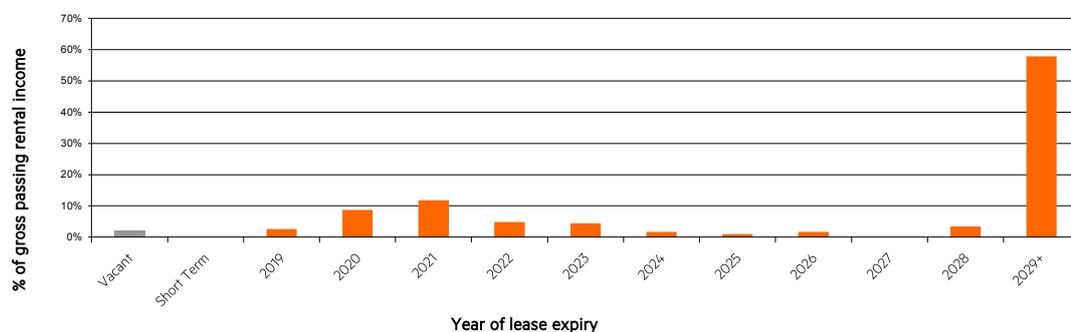
Portfolio composition as at 31 December 2018 (continued)

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 % ¹⁰	Book Value (\$m)
105 Herbert Street, Mornington, VIC	5	N/A	Private Tenant	1	100	<1	0.6	Aug-18	N/A	0.55
3 Wiowera Street, Kanwal, NSW	13	N/A	N/A	0	-	N/A	0.5	May-18	N/A	0.49
Sub total										23.89
Total direct property										1,418.48
Listed Australian REITs										
Arena REIT										92.10
Total listed Australian REITs										92.10
Loan receivables										
Loan receivables	18	-	-	-	-	-	-	-	-	13.85
Total loans receivables										13.85
Cash and other assets										
Other										10.42
Cash and other assets										20.16
Class A cash reserve										42.98
Total Cash and other assets										73.56
Total (T) / Weighted Average (A)				155 (T)	98.45 (A)	12.28 (A)	1,325.98 (T)		6.29 (A)	1,597.98 (T)

Notes

- 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 Fund 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 2019. 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.
 - Weighted Average Lease Expiry by base rental income. Vacancies are valued at market income.
 - Includes a parcel of vacant land, 1/3 Discovery Lane, North Mackay valued at \$0.60 million as at November 2018.
 - Properties adjoining Calvary Rehabilitation Hospital, Walkerville, SA.
 - Properties adjoining Beleura Private Hospital, Mornington, VIC.
 - Property adjoining Sunshine Day Surgery and Clinic, St Albans, VIC. This property is earmarked as future development space.
 - Development with no pre-commitment.
 - Development works underway. Subject to a 20 year lease to HealtheCare from practical completion.
 - Capitalisation Rate is the weighted average of those properties valued using the capitalisation of income methodology.
 - Development site subject to pre-commitment from Healius.
 - Development site with no pre-commitment from MNHHS, cap rate on completion.
 - Value includes three (3) adjacent residential properties that are earmarked as future development space. Valued on a project related site value basis.
 - Land held for future expansion of Tuggerah Lakes Private Hospital.
 - Property adjoining Brisbane Waters Private Hospital carpark.
 - Leasehold site for proposed Herston Private Hospital.
 - Property formerly known as 'The Valley Private Hospital'
 - Property adjoining Brunswick Private Hospital.
- From time to time, the Trust may invest in loans, for example to assist with funding the fit out of aged care facilities. These loans are made on an arm's length basis.

Lease expiry profile by income as at 31 March 2019



Australian Unity Healthcare Property Trust

Property development

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, in our view, substantial pre-commitments to lease are in place and development risk is appropriately mitigated.

One of the risks 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.

Some of the more significant developments are detailed below:

Surgical, Treatment and Rehabilitation Service (STARS), Herston, QLD

Estimated cost to complete: \$273.8 million

Development works for STARS continue to progress with structural work to the southern portion of the building now complete. Practical completion is currently anticipated in late 2020.

Peninsula Private Hospital, Langwarrin, VIC

Estimated cost to complete: \$28.0 million

In December 2018, Ramsay Health Care commenced development works for the next stage of the hospital’s expansion. The \$28 million development includes an additional 60 beds, 2 theatres, support services and upgraded kitchen. Practical completion is currently scheduled for December 2019. Upon completion of the development works, the lease will be extended for 10 years. In addition, the Trust is also progressing future plans for the provision of a new medical consulting building.

Beleura Private Hospital, Beleura, VIC

Estimated cost to complete: \$22.0 million

Mornington Peninsula Shire approved a proposed planning permit for the next stage of the hospital’s development, being the expansion of the hospital’s rehabilitation and mental health services. The tenant, Ramsay Health Care, is currently working through the planning conditions and finalisation of their business case. The development works are currently expected to commence by March 2020 with a construction period of 12 months.

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 Valuation 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 Valuation 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 a clearly identified governance policy. Decisions in relation to conflicts of interest and related party transactions are documented.

CONTINUOUS DISCLOSURE NOTICE

Australian Unity Healthcare Property Trust

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 quantum 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 (AUPM) to provide some property management services to the Trust.

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 other service providers to undertake these functions.

From 1 July 2018 to 31 March 2019, \$0.74 million has been paid to AUPM for services provided.

Herston Development Company (HDC)

The Trust has established a sub trust for the purpose of developing the STARS. The trustee for the sub trust is Australian Unity Investment Management Administration Pty Limited (AUIMA).

The Trust, through this sub trust, has entered into a number of agreements with Herston Development Company Pty Ltd ('HDC') to facilitate the redevelopment of a portion of the Herston Quarter, Herston, QLD.

From 1 July 2018 to 31 March 2019, HDC has not been paid any consortium management fee for the development of the Herston Quarter.

The sub trust has reimbursed HDC for costs associated with the development of STARS. From 1 July 2018 to 31 March 2019 the amount charged to the Trust was \$0.24 million (excluding GST).

Loan receivables

The Trust provides loans to Herston Car Park Company Pty Ltd ABN 98 617 138 833 to provide funding for the development of the car park and a portion of the common area associated with the Herston quarter redevelopment.

The loans are comprised of construction costs and interest component. The interest is calculated on a compound accrual basis. The repayment of the loan will occur after the relevant authority has issued an occupancy certificate with respect to the entire site subject of the STARS development works.

As at 31 March 2019 the loan balance was \$13.85 million, including interest capitalised from 1 July 2018 to 31 March 2019 of \$0.43 million.

Other related party service providers

AUFM charges the Trust for administration expenses (audit fees inclusive) as per the relevant Product Disclosure Statement. We estimate these costs to be 0.26% p.a. of the gross asset value of the Trust.

From 1 July 2018 to 31 March 2019, the amount charged to the Trust was \$2.73 million (excluding GST). This is made up of related party and non-related party expenses.

Relationship of related parties

The relationship of each of the related party entities described in this document is summarised as following:

Name of entity	ABN	Wholly owned by
Australian Unity Limited (AUL)	23 087 648 888	-
Australian Unity Funds Management Limited (AUFM)	60 071 497 115	AUL
Australian Unity Property Management Pty Limited (AUPM)	76 073 590 600	AUL
Australian Unity Property Limited (AUPL)	58 079 538 499	AUL
Australian Unity Property Funds Management Limited (AUPFML)	28 085 352 405	AUPL
Australian Unity Investment Management Administration Pty Limited (AUIMA)	76 115 442 969	AUPFML
Herston Development Company Pty Ltd (HDC)	53 617 139 009	AUL
Herston Car Park Company Pty Ltd (HCPC)	98 617 138 833	AUL

These entities form part of the Australian Unity Group.

Investments

AUL and its subsidiaries (related parties) may invest in the Trust and the Trust may invest in related parties from time to time.

As at 31 March 2019 related parties held interests in the Trust of \$17,239,580 (0.99%) based on net assets.

Name of related entity	\$ Value	% of the Trust's net assets
Australian Unity Property Income Fund	9,832,114	0.74%
Pro-D Balanced Fund	3,428,756	0.26%
Pro-D Growth Fund	3,188,031	0.24%
Pro-D High Growth Fund	790,680	0.06%

As at 31 March 2019 the Trust held investments in related parties of \$60,666,081.

CONTINUOUS DISCLOSURE NOTICE

Australian Unity Healthcare Property Trust

Name of entity	\$ Value	The Trust's investment (%) in the underlying fund's net assets
Australian Unity Wholesale Cash Fund	24,879,135	4.77%
Australian Unity Sustainable Enhanced Cash Fund	35,786,946	9.15%

Basis of related party investment terms

Investor approval is not required for the arrangements between the related party entities described in this document, as they have been made on commercial terms and conditions and on an arm's length basis.

The related party arrangements described in this document adhere to the Related Party Policy.

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 net profit to FFO and distributions the Trust may make adjustments to net profit 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 net 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 twelve months ended 30 June 2018.

	Actual \$(M)
Net profit	128.86
Valuation changes ¹	(73.67)
Interest rate derivative changes	0.72
Other ²	9.01
Fund from operations	64.92
Distributions declared	64.52

- Valuation changes include direct property revaluations, listed property trusts unrealised/realised valuation changes and rental straight-line adjustments.
- Other includes \$8.67 million partial payment of capital gains from the sale of Wakefield Private Hospital and Medical Centre in December 2017 for \$50 million

The distributions declared at 30 June 2018 did not exceed the available FFO. The Distribution Policy aligns with the ongoing earning capacity of the Trust. We expect an increase in FFO over the next 12 months to 30

June 2019, enabling the Trust to sustainably source distributions 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

Under 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.

Suspension of withdrawals

While the Trust is liquid, the Trust's Constitution allows up to 365 days to meet withdrawal requests for Retail Units, Wholesale Units or Class A Units.

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

CONTINUOUS DISCLOSURE NOTICE

Australian Unity Healthcare Property Trust

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

The Australian Unity Healthcare Property Trust is issued by Australian Unity Funds Management Limited ABN 60 071 497 115, AFS Licence No. 234454. The information in this document is general information only and is not based upon, nor does it consider the objectives, taxation, financial situation, or needs or goals of any particular individual or investor. In deciding whether or not to acquire, hold or dispose of the product, an investor should obtain a copy of the Product Disclosure Statement (PDS) and consider whether the product is appropriate for their particular requirements and objectives. Before making any decision using any of the information contained in this document, you should carefully read the PDS in its entirety. We also recommend that you consult with a financial adviser or tax adviser.

A copy of the PDS is available at australianunity.com.au/wealth or by calling our Investor Services team on 13 29 39.

Investment decisions should not be made upon the basis of past performance or distribution rate since each of these can vary. The information provided in this document is current at the time of publication.

Contact us

 Australian Unity
271 Spring Street, Melbourne VIC 3000

 australianunity.com.au/wealth

Investor Services

 investments@australianunity.com.au

 13 29 39

 1300 856 685

Adviser Services

 investments@australianunity.com.au

 1800 649 033

 1300 856 685