Australian Unity Healthcare Property Trust

ARSN 092 755 318

Annual report
for the year ended 30 June 2019

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Directors' report

The directors of Australian Unity Funds Management Limited (ABN 60 071 497 115), the Responsible Entity of Australian Unity Healthcare Property Trust ("the Scheme"), present their report together with the consolidated financial statements of the Scheme for the year ended 30 June 2019.

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

Rohan Mead, Chairman and Group Managing Director
David Bryant, Chief Executive Officer, Wealth & Capital Markets and Chief Investment Officer
Esther Kerr-Smith, Group Executive Finance & Strategy
Darren Mann, Deputy Head of Finance and Chief Financial Officer (appointed 12 October 2018)

Principal activities
The Scheme aims to provide unitholders with regular income and the opportunity for long term capital growth.

The Scheme primarily invests in a diversified portfolio of healthcare property and related assets. The Scheme may invest in Australian healthcare related direct property, managed funds or companies that predominantly hold healthcare property and related assets. The Scheme may also invest in international healthcare related direct property and managed funds that predominantly hold healthcare property and related assets, in countries with healthcare systems and property markets with key attributes similar to Australia.

Review and results of operations
Property valuations
The current year revaluations were in total above the revalued properties carrying values resulting in recording a net revaluation fair value increment of $43,232,000 (2018: $66,553,000).

Property acquisitions
On 10 July 2018, the Scheme completed the purchase of 13 Gillon Court, St Albans, VIC for a purchase price of $1,400,000 and acquisition costs of $129,000.

On 16 October 2018, the Scheme completed the purchase of 2 Short Street, Southport, QLD for a purchase price of $17,500,000 and acquisition costs of $1,302,000.

On 12 November 2018, the Scheme completed the purchase of Western Hospital, Henley Beach, SA for a purchase price of $22,500,000 and acquisition costs of $594,000.

On 20 November 2018, the Scheme completed the purchase of 70 Moreland Street, Brunswick, VIC for a purchase price of $1,800,000 and acquisition costs of $113,000.

On 15 January 2019, the Scheme completed the purchase of 93 Davies Street, Brunswick, VIC for a purchase price of $910,000 and acquisition costs of $59,000.

On 26 June 2019, the Scheme completed the purchase of 24 Gillon Court, St Albans, VIC for a purchase price of $1,075,000 and acquisition costs of $93,000.

Property disposals
On 2 July 2018, the Scheme sold 17-19 Fullarton Road, Kent Town, SA for a consideration of $11,000,000, excluding selling costs of $136,000. The Scheme recognised a realised loss of $127,000 from the sale of the property.

On 18 June 2019, the Scheme sold Figtree Consulting Suites, Figtree, NSW for a consideration of $1,375,000, excluding selling costs of $54,000. The Scheme recognised a realised loss of $279,000 from the sale of the property.

Review and results of operations (continued)

Property disposals (continued)

On 27 June 2019, the Scheme sold Calvary Rehabilitation Hospital, Walkerville, SA for $13,500,000, excluding selling costs of $266,000. The Scheme also sold the two adjoining properties, 12 View Road and 10 North East Road, Walkerville, SA for a combined amount of $1,500,000. The Scheme recognised a realised loss of $110,000 from the sale of these properties.

Derivatives

In the current year, the Scheme recognised a net loss on derivative instruments held at fair value through profit or loss of $10,196,000 (2018: loss of $717,000).

Exchange of Funding units

Effective 1 March 2019 the Scheme exchanged Funding units for Wholesale units.

Results

For the year ended 30 June 2019, the Scheme's:

- Retail units posted a total return of 8.81% (split between a distribution return of 4.73% and a growth return of 4.08%)*
- Wholesale units posted a total return of 9.33% (split between a distribution return of 5.26% and a growth return of 4.07%)*
- Class A units posted a total return of 7.80% (split between a distribution return of 4.47% and a growth return of 3.33%)*

Unit prices (ex distribution) as at 30 June 2019 (2018) are as follows:
Retail units $1.8266 ($1.7550)*
Wholesale units $1.7833 ($1.7135)*
Class A units $1.1635 ($1.1259)*

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

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

	2019 $'000	2018 $'000
Profit before finance costs attributable to unitholders	**112,221**	128,864
Distributions - Retail units		
Distributions paid and payable	**7,432**	8,790
Distributions - Wholesale units		
Distributions paid and payable	**37,776**	39,301
Distributions - Class A units		
Distributions paid and payable	**10,038**	12,348
Distributions - Funding units		
Distributions paid and payable	**7,155**	4,083

Significant changes in the state of affairs

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

Events occurring after end of the year
No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the operations of the Scheme, the result of operations, or the state of the Scheme's affairs in the future years.

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

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

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

Fees paid to and interests held in the Scheme by the Responsible Entity or its associates
Fees paid to the Responsible Entity and its associates out of Scheme property during the year are disclosed in note 19 to the consolidated financial statements.

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

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the year are disclosed in note 19 to the consolidated financial statements.

Units in the Scheme
The movement in units on issue in the Scheme during the year is disclosed in note 8 to the consolidated financial statements.

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

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

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

Auditor's independence declaration
A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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

Director

Director

20 September 2019

Auditor's Independence Declaration

As lead auditor for the audit of Australian Unity Healthcare Property Trust 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 Healthcare Property Trust and the entities it controlled during the period.

George Sagonas
Partner
PricewaterhouseCoopers

Melbourne
20 September 2019

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Consolidated statement of comprehensive income

	Notes	**2019 $'000**	2018 $'000
Income			
Rental income	3	**93,332**	85,169
Property expenses	4	**(14,046)**	(12,123)
Net property income		**79,286**	73,046
Interest income		**758**	338
Distribution income	5	**6,492**	7,695
Net gains/(losses) on financial instruments held at fair value through profit or loss	6	**8,727**	(3,267)
Realised (loss)/gain on disposal of investment property		**(516)**	9,309
Net fair value increment of investment properties	13(b)	**43,232**	66,553
Other income		**260**	407
Total income net of property expenses		**138,239**	154,081
Expenses			
Responsible Entity's fees	19	**13,732**	13,063
Borrowing costs		**11,777**	11,792
Other expenses		**509**	362
Total expenses, excluding property expenses		**26,018**	25,217
Profit before finance costs attributable to unitholders		**112,221**	128,864
Finance costs attributable to unitholders			
Distributions to unitholders	9	**(62,401)**	(64,522)
Increase in net assets attributable to unitholders	8	**(49,820)**	(64,342)
Total comprehensive income attributable to unitholders		**-**	-

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

Consolidated statement of financial position

	Notes	2019 $'000	2018 $'000
Assets			
Cash and cash equivalents	10	**67,935**	168,127
Receivables	11	**23,031**	12,927
Financial assets held at fair value through profit or loss	12	**64,390**	71,833
Other assets		**3,198**	893
Investment properties	13	**1,468,513**	1,251,269
Total assets		**1,627,067**	1,505,049
Liabilities			
Distributions payable	9	**16,949**	16,142
Payables	14	**11,345**	5,767
Financial liabilities held at fair value through profit or loss	12	**9,589**	-
Borrowings	15	**269,568**	173,636
Total liabilities (excluding net assets attributable to unitholders)		**307,451**	195,545
Net assets attributable to unitholders - liability	8	**1,319,616**	1,309,504

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

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

	2019 **$'000**	2018 $'000
Balance at the beginning of the year	**1,309,504**	1,033,475
Profit before finance costs attributable to unitholders	**112,221**	128,864
Distributions to unitholders	**(62,401)**	(64,522)
Applications	**614**	240,348
Redemptions	**(46,431)**	(48,879)
Units issued upon reinvestment of distributions	**6,109**	20,218
Balance at the end of the year	**1,319,616**	1,309,504

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

Consolidated statement of cash flows

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Interest received		**84**	157
Distributions and other income received		**7,163**	7,466
Rental income received		**91,544**	80,875
Payments to suppliers		**(27,823)**	(21,626)
Net cash inflow from operating activities	20	**70,968**	66,872
Cash flows from investing activities			
Purchase of investment properties		**(45,185)**	(55,728)
Acquisition costs on purchases		**(2,290)**	(3,910)
Loan to related party		**(10,431)**	(6,146)
Payments for additions to owned investment properties		**(144,263)**	(91,830)
Proceeds from sale of investment properties		**27,375**	50,000
Disposal costs paid		**(456)**	(385)
Purchase of financial instruments held at fair value through profit or loss		**-**	(6,956)
Proceeds from sale of financial instruments held at fair value through profit or loss		**25,632**	-
Net cash outflow from investing activities		**(149,618)**	(114,955)
Cash flows from financing activities			
Proceeds from applications by unitholders		**614**	240,348
Payments for redemptions by unitholders		**(46,431)**	(48,879)
Distributions paid		**(55,484)**	(50,266)
Proceeds from/(repayments of) borrowings		**94,500**	(14,900)
Borrowing costs paid		**(14,741)**	(10,985)
Finance establishment costs paid		**-**	(6,163)
Net cash (outflow)/inflow from financing activities		**(21,542)**	109,155
Net (decrease)/increase in cash and cash equivalents		**(100,192)**	61,072
Cash and cash equivalents at the beginning of the year		**168,127**	107,055
Cash and cash equivalents at the end of the year	10	**67,935**	168,127

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

Notes to the financial statements

1 General information

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

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

The Responsible Entity is incorporated and domiciled in Australia.

The controlled entities of the Scheme are:
- Primary Health Care Property Trust ("PHPT") which was established by Trust Deed dated 21 December 2015; and,
- Herston SRACC Trust which was established by Constitution dated 20 February 2017.

The consolidated financial statements are for the year 1 July 2018 to 30 June 2019.

The consolidated financial statements were authorised for issue by the directors of the Responsible Entity on 20 September 2019. The directors of the Responsible Entity have the power to amend and reissue the consolidated financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. Where appropriate, comparatives have been reclassified to enhance comparability with current year disclosures.

(a) Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

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

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

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

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New accounting standards and amendments adopted by the Scheme
The Scheme applied the following accounting standards and amendments that became mandatory for the first time during the reporting period:

AASB 9 *Financial Instruments* addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. It has also introduced revised rules for hedge accounting and impairment. AASB 9 has been applied retrospectively by the Scheme and did not result in a change to the classification or measurement of the Scheme's financial instruments. The Scheme's investment portfolio and derivatives continue to be classified as fair value through profit or loss and loan receivables and borrowings continue to be measured at amortised cost. The derecognition rules have not been changed from the previous requirements and the Scheme does not apply hedge accounting. The adoption of the new impairment model based on expected credit loss did not have a material impact to the Scheme.

AASB 15 *Revenue from Contracts with Customers* sets out the requirements for recognising revenue that apply to all contracts with customers, except for contracts that are within the scope of the accounting standards for leases, insurance contracts and financial instruments. The Scheme's main source of income includes rental income, distributions, interest and gains on financial instruments held at fair value through profit or loss. All of these are outside the scope of the Revenue standard. Consequently, the application of AASB 15 has no material impact on the Scheme's consolidated financial statements.

(iii) New accounting standards, amendments and interpretations

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for the 30 June 2019 reporting period and have not been early adopted by the Scheme. The directors' assessment of the impact of these new standards (to the extent relevant to the Scheme) and interpretations is set out below:

- AASB 16 *Leases* (effective 1 January 2019)

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. AASB 16 substantially carries forward the lessor accounting requirements in AASB 17 and requires enhanced disclosures to be provided by the lessor that will improve information disclosed about the lessor's risk exposure, particularly to residual value risk. The standard will be effective for annual periods beginning on or after 1 January 2019. Based on the existing recognition of leases, the Scheme does not expect a material impact from the application of this standard. The Scheme is currently assessing the effects of applying AASB 16 on the financial statement disclosures. The Scheme does not intend to early adopt AASB 16. The Scheme will apply AASB 16 in its financial statements for the year commencing 1 July 2019.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by the Scheme as at 30 June 2019 and their results for the year then ended. The Scheme and its subsidiaries together are referred to in this financial report as the consolidated entity.

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

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

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

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

2 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(i) Subsidiaries (continued)

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

(c) Investment properties

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

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

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

Independent valuations of investment properties are obtained from suitably qualified valuers generally at least once in every 18 months if the property is in a construction phase; otherwise once in any 12 month period from the date of the last valuation; or in exceptional circumstances once in a financial year or calendar year as determined necessary; or as soon as practicable, but not later than within two months after the directors of the Responsible Entity form a view that there is reason to believe that the fair value of the investment property is materially different from its current carrying value. Such valuations are reflected in note 13. Notwithstanding, the directors of the Responsible Entity determine the carrying value of each investment property at each reporting date to ensure that its carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, that asset is adjusted to its fair value.

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

Expenditure capitalised to properties includes the cost of acquisition, capital and refurbishment additions, lease commissions and incentives, related professional fees incurred and other directly attributable transaction costs.

(d) Financial instruments

(i) Classification

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

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

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

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

- *Amortised cost*

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

(a) it is held within a business model which objective is to hold assets in order to collect contractual cash flows, and

(b) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(ii) Recognition/derecognition
The Scheme recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

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

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

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

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

For further details on how the fair values of financial instruments are determined please see Note 18 to the consolidated financial statements.

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

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

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

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

2 Summary of significant accounting policies (continued)

(f) Net assets attributable to unitholders

Units are redeemable at the unitholders' option via withdrawal facility offers by the Responsible Entity and are therefore classified as financial liabilities. The units can be put back to the Scheme for cash equal to a proportionate share of the Scheme's net asset value. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the year if unitholders exercised their right to put the units back to the Scheme. Because the Scheme's redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists, which has been treated as a separate component of net assets attributable to unitholders. Changes in the value of this financial liability are recognised in the consolidated statement of comprehensive income as they arise.

(g) Cash and cash equivalents

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

(h) Investment income

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

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

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

(i) Expenses

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

(j) Income tax

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

(k) Distributions

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

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

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

(m) Receivables

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

Receivables include such items as Reduced Input Tax Credits (RITC) and application monies receivable from unitholders.

The Scheme applies the simplified expected credit loss approach in replacement of the incurred credit loss method. Under the expected credit loss approach, the Scheme estimates the expected lifetime losses to be recognised from initial recognition of the receivables.

2 Summary of significant accounting policies (continued)

(m) Receivables (continued)
The amount of the impairment loss is recognised in the consolidated statement of comprehensive income within other expenses or property expenses, if related to rental income. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against property expenses in the consolidated statement of comprehensive income.

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

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

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

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

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

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

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

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

(p) Borrowings and borrowing costs
All loans are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with borrowings.

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

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

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

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

2 Summary of significant accounting policies (continued)

(r) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue brought to account but not received at the end of the year is recognised as a receivable. The following specific recognition criteria must also be met before revenue is recognised:

Rental revenue

Rental income is recognised on a straight line basis over the lease term.

Contingent rentals, such as turnover rent and market rent adjustments, are recognised as income in the financial year in which they are earned.

Fixed rental increases which do not represent direct compensation for underlying cost increases or capital expenditure are recognised on a straight line basis over the term of the lease.

The rental adjustments resulting from this policy are disclosed in the consolidated financial statements for financial reporting presentation purposes only.

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

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

Interest revenue

Interest income is recognised in the consolidated statement of comprehensive income as it accrues.

(s) Leases

Leasing costs

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

Lease incentives

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

(t) Use of judgements and estimates

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

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

The key weighted average assumptions used by the external independent property valuers in the latest valuations have been used by the Scheme for the investment properties and the weighted average total for all properties, including the weighted average lease expiry ("WALE"), have been disclosed in note 18.

2 Summary of significant accounting policies (continued)

(t) Use of judgements and estimates (continued)

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

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

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

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

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

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

(u) Rounding of amounts

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

(v) Functional and presentation currency

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

3 Rental income

	2019 $'000	2018 $'000
Rental income	**85,162**	77,967
Outgoings income	**8,170**	7,202
	93,332	85,169

Rental income includes an adjustment for the straight lining of rental income of $3,430,000 (2018: $357,000).

4 Property expenses

	2019 $'000	2018 $'000
Recoverable outgoings	**9,639**	8,471
Non-recoverable outgoings	**3,609**	3,263
Bad debts expense	**142**	52
Amortisation of lease commissions & lease incentives	**656**	337
	14,046	12,123

5 Distribution income

	2019 $'000	2018 $'000
Related unlisted managed investment schemes	**2,345**	3,454
Listed property trusts	**4,147**	4,241
	6,492	7,695

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

	2019 $'000	2018 $'000
Listed property trusts	**13,865**	(2,559)
Derivatives	**(10,196)**	(717)
Related unlisted managed investment scheme	**172**	(10)
Net unrealised gains/(losses) on financial assets held at fair value through profit or loss	**3,841**	(3,286)
Listed property trust	**4,930**	-
Related unlisted managed investment scheme	**(44)**	19
Net realised gains on financial assets held at fair value through profit or loss	**4,886**	19
Total net gains/(losses) on financial instruments held at fair value through profit or loss	**8,727**	(3,267)

7 Auditors' remuneration

The auditor's remuneration is paid directly by the Responsible Entity.

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

	2019 $	2018 $
Audit services - PricewaterhouseCoopers		
Audit and review of financial statements	**115,000**	70,880
Taxation services - Ernst & Young		
Tax compliance services	**17,340**	17,340

8 Net assets attributable to unitholders

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme. There are three classes of units in the Scheme being Retail, Wholesale and Class A Units. Effective 1 March 2019, the Scheme exchanged Funding units for Wholesale units.

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

Contributed equity	**2019 No. '000**	2018 No. '000	**2019 $'000**	2018 $'000
Opening balance	**934,180**	715,178	**1,088,666**	876,979
Retail units				
Applications	**80**	79	**141**	143
Redemptions	**(3,871)**	(3,652)	**(7,014)**	(6,350)
Units issued upon reinvestment of distributions	**1,031**	2,293	**1,808**	3,849
	(2,760)	(1,280)	**(5,065)**	(2,358)
Wholesale units				
Applications	**254**	359	**459**	626
Redemptions	**(13,604)**	(15,051)	**(23,975)**	(25,888)
Units issued upon reinvestment of distributions	**2,363**	9,689	**4,047**	15,768
Exchange from Funding Units	**139,237**	-	**248,329**	-
	128,250	(5,003)	**228,860**	(9,494)
Class A units				
Applications	**12**	13	**14**	15
Redemptions	**(13,394)**	(14,895)	**(15,442)**	(16,582)
Units issued upon reinvestment of distributions	**227**	559	**254**	601
	(13,155)	(14,323)	**(15,174)**	(15,966)
Funding units				
Applications	**-**	239,667	**-**	242,064
Units issued transaction costs	**-**	-	**-**	(2,500)
Redemptions	**-**	(59)	**-**	(59)
Exchange to Wholesale units	**(239,608)**	-	**(248,329)**	-
	(239,608)	239,608	**(248,329)**	239,505
Closing balance	**806,907**	934,180	**1,048,958**	1,088,666

8 Net assets attributable to unitholders (continued)

	2019 $'000	2018 $'000
Undistributed income		
Opening balance	**220,838**	156,496
Increase in net assets attributable to unitholders	**49,820**	64,342
Closing balance	**270,658**	220,838
Total net assets attributable to unitholders	**1,319,616**	1,309,504

Capital risk management

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

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

The Scheme temporarily suspended application of units whilst existing regular savings plans and distribution reinvestment plans continue to operate. The decision to temporarily suspend applications will be reviewed by the Responsible Entity on an ongoing basis as the Scheme progress its development and acquisition program.

9 Distributions to unitholders

The distributions for the year were as follows:

	2019 $'000	**2019 CPU**	2018 $'000	2018 CPU
Distributions - Retail units				
30 September	**1,843**	**1.9840**	1,899	2.0160
28 December	**1,827**	**1.9770**	2,191	2.3330
28 February	**1,083**	**1.1810**	-	-
31 March	**670**	**0.7290**	2,224	2.3740
30 June (2018: 28 June) (payable)	**2,009**	**2.2120**	2,476	2.6600
	7,432		8,790	
Distributions - Wholesale units				
30 September	**8,222**	**2.1380**	8,421	2.1300
28 December	**8,168**	**2.1410**	9,848	2.4820
28 February	**4,906**	**1.2890**	-	-
31 March	**4,095**	**0.7870**	10,073	2.5640
30 June (2018: 28 June) (payable)	**12,385**	**2.3950**	10,959	2.8260
	37,776		39,301	
Distributions - Class A units				
30 September	**2,553**	**1.2150**	2,832	1.2790
28 December	**2,533**	**1.2280**	3,170	1.4530
28 February	**1,505**	**0.7380**	-	-
31 March	**892**	**0.4390**	2,873	1.3320
30 June (2018: 28 June) (payable)	**2,555**	**1.2840**	3,473	1.6380
	10,038		12,348	
Distributions - Funding units				
30 September	**2,607**	**1.0880**	-	-
28 December	**2,540**	**1.0600**	350	0.1460
31 March	**2,008**	**0.8380**	1,730	0.7220
28 June	**-**	**-**	2,003	0.8360
	7,155		4,083	
Total distributions	**62,401**		64,522	

10 Cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank	**18,361**	2,760
Cash management trusts	**49,574**	165,367
	67,935	168,127

11 Receivables

	2019 $'000	2018 $'000
Trade receivables	**1,575**	3,464
Distributions receivables	**915**	1,460
Loan to related party	**17,959**	6,854
GST receivables	**2,582**	1,149
	23,031	12,927

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

	2019 $'000	2018 $'000
Derivatives	**-**	606
Listed property trusts	**64,390**	71,227
Total financial assets held at fair value through profit or loss	**64,390**	71,833
Derivatives	**9,589**	-
Total financial liabilities held at fair value through profit or loss	**9,589**	-

An overview of the risk exposures and fair value measurements relating to financial assets and liabilities at fair value through profit or loss is included in note 17.

13 Investment properties

(a) Property details

	Type	**Ownership**	**Acquisition date**	**Independent valuation date**	**Independent valuation amount**	**Independent valuer**	**Carrying value 2019**	Carrying value 2018
		(%)			**$'000**		**$'000**	$'000
Herston Quarter - Surgical Treatment and Rehabilitaion Service (STARS), Herston QLD	Hospitals Under Development	100	22/02/2017	30/06/2019	189,000	JLL	**189,000**	80,000
Peninsula Private Hospital, Langwarrin, VIC	Hospital	100	14/07/2006	19/11/2018	155,800	m3property	**157,870**	147,531
Mulgrave Private Hospital, Dandenong North, VIC (formerley The Valley Private Hospital)	Hospital	100	07/07/1999	19/11/2018	121,000	JLL	**121,005**	122,082
Beleura Private Hospital and Clinic, Mornington, VIC	Hospital	100	07/07/1999	22/08/2018	89,600	JLL	**89,765**	81,057
RPAH Medical Centre, Newton, NSW	Medical Centre	100	01/07/2002	15/02/2019	85,800	Colliers	**86,188**	79,381
15 Butterfield Street, Herston, Brisbane, QLD	Medical Centre	100	11/04/2016	22/08/2018	80,500	CBRE	**80,899**	81,500
8 Herbert Street, St Leonards, NSW	Medical Centre	100	05/12/2013	15/02/2019	58,700	Colliers	**62,042**	45,500
103 Victoria Parade, Collingwood VIC	Medical Centre	100	20/06/2016	19/11/2018	48,500	JLL	**48,500**	47,000
Brisbane Waters Private Hospital, Woy Woy, NSW	Hospital	100	21/07/2014	17/05/2019	47,750	JLL	**47,755**	45,446
310 Selby Road North, Osborne Park, WA	Medical Centre	100	20/06/2016	19/11/2018	40,000	JLL	**40,000**	39,000
Brunswick Private Hospital, Brunswick, VIC	Hospital	100	17/08/2009	15/02/2019	38,400	Knight Frank	**38,452**	37,962
Manningham Medical Centre, Templestowe Lower, VIC	Medical Centre	100	29/07/2008	17/05/2019	38,200	Knight Frank	**38,345**	36,464
Robina Private Hospital, Robina, QLD	Hospital	100	17/06/2015	19/11/2018	37,500	JLL	**37,513**	35,898
Sunshine Private Hospital and Western Day Surgery	Hospital	100	11/07/2017	19/11/2018	33,300	m3property	**33,457**	35,753
Primary Greensborough Medical Centre, Greensborough, VIC	Medical Centre	100	01/04/2016	15/02/2019	31,600	JLL	**31,600**	27,833
Campus Alpha, Robina, QLD	Hospital	100	28/07/2016	19/11/2018	27,400	JLL	**27,434**	27,448
Tuggerah Lakes Private Hospital, Kanwal, NSW	Hospital	100	31/01/2017	21/06/2019	24,850	Knight Frank	**25,323**	7,223
Western Hospital, Henley Beach, QLD	Hospital	100	12/11/2018	08/10/2018	22,500	m3property	**23,335**	-
North Shore Specialist Day Hospital, Greenwich, NSW	Medical Centre	100	21/08/2008	19/11/2018	21,700	Colliers	**21,918**	20,109
Hunters Hill Private Hospital, Hunters Hill, NSW	Hospital	100	31/10/2000	22/08/2018	20,800	m3property	**20,875**	18,800
Figtree Private Hospital, Figtree, NSW	Hospital	100	31/10/2000	22/08/2018	20,300	m3property	**20,645**	19,324
HIS Diagnostic Imaging Centre, Richmond, VIC	Medical Centre	100	23/12/2015	19/11/2018	20,150	JLL	**20,150**	19,750
Berkeley Vale Private Hospital, Berkeley Vale, NSW	Hospital	100	31/10/2000	19/11/2018	19,700	m3property	**19,724**	19,700
Townsville Private Clinic, Townsville, QLD	Hospital	100	20/10/2014	15/02/2019	19,000	JLL	**19,000**	18,000
The Eye Centre, 2 Short St, Southport, QLD	Medical Centre	100	17/05/2019	17/05/2019	17,700	CBRE	**17,820**	-
Constitution Hill Aged Care, Northmead, NSW	Aged Care	100	22/12/2008	19/11/2018	17,000	Colliers	**17,318**	19,600
Primary Robina Medical Centre, Robina QLD	Medical Centre	100	20/04/2016	22/08/2018	15,800	JLL	**15,800**	12,312
Primary Corrimal Medical Centre, 46-50 Underwood Street, Corrimal, NSW	Medical Centre	100	23/12/2015	22/08/2018	15,400	JLL	**15,400**	15,100
Gosford Private Medical Centre, NSW	Medical Centre	100	02/04/2015	17/05/2019	14,450	JLL	**14,450**	14,100
Ipswich Medical Centre and Day Hospital, QLD	Medical Centre	100	31/05/2007	19/11/2018	13,800	m3property	**13,865**	13,639

13 Investment properties (continued)

(a) Property details (continued)

	Type	Ownership	Acquisition Date	Independent valuation date	Independent valuation amount	Independent valuer	Carrying value 2019	Carrying value 2018
		(%)			$'000		$'000	$'000
Mackay Medical Centre and Day Hospital, Mackay, QLD	Medical Centre	100	08/05/2007	19/11/2018	11,950	m3property	**12,206**	11,407
14 Highfields Circuit, Port Macquarie, NSW	Medical Centre	100	15/03/2018	24/06/2019	11,700	JLL	**11,700**	1,951
1 and 3 Addison Road, Pennington	Medical Centre	100	11/05/2018	15/02/2019	8,500	m3property	**8,504**	8,388
80-82 Bridge Road, Richmond, VIC	Medical Centre	100	23/12/2015	15/02/2019	6,750	JLL	**8,424**	6,500
Herston Private Hospital, Herston, QLD	Assets held pending development	100	24/05/2018	19/11/2018	6,565	m3property	**8,218**	6,903
Eureka Medical Centre, Ballarat, VIC	Medical Centre	100	12/09/2005	17/05/2019	7,880	Knight Frank	**7,880**	7,800
34 Investigator Drive, Robina, QLD	Assets held pending development	100	28/07/2016	15/02/2019	3,700	JLL	**3,713**	3,700
95 Herbert Street, Mornington, VIC	Assets held pending development	100	25/03/2015	22/08/2018	1,270	JLL	**1,270**	1,100
70 Moreland Rd, Brunswick, VIC	Assets held pending development	100	12/11/2018	30/08/2018	1,130	m3property	**1,913**	-
24 Gillon Court, St Albans, VIC	Assets held pending development	100	26/06/2019	13/02/2019	1,075	m3property	**1,168**	-
93 Davies St, Brunswick, VIC	Assets held pending development	100	15/01/2019	14/11/2018	900	m3property	**969**	-
101 Herbert Street, Mornington, VIC	Assets held pending development	100	12/12/2014	22/08/2018	860	JLL	**860**	800
4 Ginifer Court, St Albans, VIC	Assets held pending development	100	27/11/2017	19/11/2018	815	m3property	**815**	1,407
15 Gillon Court, St Albans, VIC	Assets held pending development	100	13/04/2018	19/11/2018	800	m3property	**800**	1,097
15 Dwyer Avennue, Woy Woy, NSW	Assets held pending development	100	21/12/2017	17/05/2019	725	JLL	**725**	725
2 Ginifer Court, St Albans, VIC	Assets held pending development	100	27/03/2018	19/11/2018	705	m3property	**705**	1,303
651 Pacific Highway, Kanwal, NSW	Assets held pending development	100	09/05/2018	21/06/2019	700	Preston Rowe Paterson	**700**	1,134
13 Gillon Court, St Albans, VIC	Assets held pending developement	100	10/07/2019	19/11/2018	640	m3property	**640**	-

13 Investment properties (continued)

(a) Property details (continued)

	Type	Ownership %	Acquisition Date	Independent valuation date	Independent valuation amount $'000	Independent valuer	Carrying value 2019 $'000	Carrying value 2018 $'000
103 Herbert Street, Mornington, VIC	Assets held pending development	100	15/01/2015	22/08/2018	550	JLL	**550**	510
105 Herbert Street, Mornington, VIC	Assets held pending development	100	15/01/2015	22/08/2018	550	JLL	**550**	510
3 Wiowera Street, Kanwal, NSW	Assets held pending development	100	13/09/2017	21/06/2019	380	Preston Rowe Paterson	**380**	490
1 Wiowera Street, Kanwal, NSW	Assets held pending development	100	30/04/2018	21/06/2019	375	Preston Rowe Paterson	**375**	696
Calvary Wakefield Private Hospital	Hospital		07/07/1999	NA	NA	NA	**-**	13,250
17-19 Fullarton Rd, Kent Town, SA	Medical Centre		14/11/2014	NA	NA	NA	**-**	11,000
Figtree Consulting Suites, Figtree, NSW	Medical Centre		05/05/2008	NA	NA	NA	**-**	1,560
12 View Road, Walkerville, SA	Assets held pending development		14/07/2010	NA	NA	NA	**-**	850
10 North East Road, Walkerville, SA	Assets held pending development		25/01/2013	NA	NA	NA	**-**	675
Total					**1,454,720**		**1,468,513**	1,251,269

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

The investment properties valuation policy is included in note 18.

(b) Movements in carrying amount

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

	2019 $'000	2018 $'000
Opening balance	**1,251,269**	1,071,458
Acquisitions	**47,475**	59,638
Additions	**147,038**	92,441
Disposal	**(27,375)**	(50,000)
Capitalised borrowing costs	**4,616**	1,850
Realised loss on disposal	**(516)**	9,309
Lease commissions and incentives amortisation	**(656)**	(337)
Revaluation movements	**43,232**	66,553
Straight-lining of rental income	**3,430**	357
Closing balance	**1,468,513**	1,251,269

13 Investment properties (continued)

(b) Movements in carrying amount (continued)

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

- On 10 July 2018, the Scheme completed the purchase of 13 Gillon Court, St Albans, VIC for a purchase price of $1,400,000 and acquisition costs of $129,000.

- On 16 October 2018, the Scheme completed the purchase of 2 Short Street, Southport, QLD for a purchase price of $17,500,000 and acquisition costs of $1,302,000.

- On 12 November 2018, the Scheme completed the purchase of Western Hospital, Henley Beach, SA for a purchase price of $22,500,000 and acquisition costs of $594,000.

- On 20 November 2018, the Scheme completed the purchase of 70 Moreland Street, Brunswick, VIC for a purchase price of $1,800,000 and acquisition costs of $113,000.

- On 15 January 2019, the Scheme completed the purchase of 93 Davies Street, Brunswick, VIC for a purchase price of $910,000 and acquisition costs of $59,000.

- On 26 June 2019, the Scheme completed the purchase of 24 Gillon Court, St Albans, VIC for a purchase price of $1,075,000 and acquisition costs of $93,000.

On 02 July 2018, the Scheme sold 17-19 Fullarton Road, Kent Town, SA for a consideration of $11,000,000, excluding selling costs of $136,000. The Scheme recognised a realised loss of $127,000 from the sale of the property.

On 18 June 2019, the Scheme sold Figtree Consulting Suites, Figtree, NSW for a consideration of $1,375,000, excluding selling costs of $54,000. The Scheme recognised a realised loss of $279,000 from the sale of the property.

On 27 June 2019, the Scheme sold Calvary Rehabilitation Hospital, Walkerville, SA for $13,500,000, excluding selling costs of $266,000. The Scheme also sold the two adjoining properties, 12 View Road and 10 North East Road, Walkerville, SA for a combined amount of $1,500,000. The Scheme recognised a realised loss of $110,000 from the sale of these properties.

(c) Contractual obligations

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

	2019 **$'000**	2018 $'000
Within one year	**203,357**	187,177
Later than one year but not later than 5 years	**40,188**	132,193
	243,545	319,370

The Scheme's share of capital commitments will be funded using the Scheme's cash and cash equivalents and debt facility. Refer to notes 10 and 15, respectively.

14 Payables

	2019 **$'000**	2018 $'000
Trade payables	**1,558**	1,536
Rent received in advance	**1,399**	-
Accrued expenses	**7,560**	3,514
GST payables	**828**	717
	11,345	5,767

15 Borrowings

	2019 **$'000**	2018 $'000
Bank loan	**275,100**	180,600
Unamortised borrowing costs	**(5,532)**	(6,964)
	269,568	173,636

The Scheme had access to:

	2019 **$'000**	2018 $'000
Credit facilities		
Cash advance facilities	**740,000**	740,000
Drawn balance	**(275,100)**	(180,600)
Undrawn balance	**464,900**	559,400

The bank loan comprises four tranches:

- Tranche A is a $220,000,000 (2018: $220,000,000) facility expiring on 22 January 2023;
- Tranche B is a $320,000,000 (2018: $320,000,000) facility expiring on 22 January 2023;
- Tranche C is a $100,000,000 (2018: $100,000,000) facility expiring on 22 January 2023; and
- Tranche D is a $100,000,000 (2018: $100,000,000) facility expiring on 22 January 2025.

The facility is secured by a first registered mortgage over most of the Scheme's properties, and is non-recourse to unitholders.

15 Borrowings (continued)

Reconciliations of the net debt are set out below:

	2019 $'000	2018 $'000
Analysis of changes in consolidated net debt		
Opening balance	**12,473**	88,445
Proceeds from/(repayment of) borrowings	**94,500**	(14,900)
Other cash movements	**100,192**	(61,072)
Closing balance	**207,165**	12,473
Bank loan	**275,100**	180,600
Cash and cash equivalents	**(67,935)**	(168,127)
Consolidated net debt	**207,165**	12,473

16 Derivative financial instruments

		Fair values	
2019	**Contract/notional $'000**	**Assets $'000**	**Liabilities $'000**
Interest rate swaps			
Maturing on 4 November 2021 at a fixed rate of 2.074%	**50,000**	-	**1,211**
Maturing on 4 November 2021 at a fixed rate of 2.085%	**50,000**	-	**1,166**
Maturing on 4 November 2021 at a fixed rate of 2.085%	**50,000**	-	**1,223**
Maturing on 15 January 2023 at a fixed rate of 2.250%	**33,000**	-	**1,403**
Maturing on 15 January 2023 at a fixed rate of 2.250%	**33,000**	-	**605**
Maturing on 15 January 2023 at a fixed rate of 2.250%	**33,000**	-	**1,380**
	249,000	-	**6,988**
Forward dated interest swap contracts			
Commencing 16 December 2019 maturing on 15 December 2022 at a fixed rate of 1.865%	**25,000**	-	**616**
Commencing 16 December 2019 maturing on 16 December 2022 at a fixed rate of 1.850%	**25,000**	-	**1,380**
Commencing 16 December 2019 maturing on 15 December 2022 at a fixed rate of 1.850%	**25,000**	-	**605**
	75,000	-	**2,601**

16 Derivative financial instruments (continued)

2018	Contract/notional $'000	Fair values Assets $'000	Fair values Liabilities $'000
Interest rate swaps			
Maturing on 4 November 2021 at a fixed rate of 2.074%	50,000	187	-
Maturing on 4 November 2021 at a fixed rate of 2.085%	50,000	250	-
Maturing on 4 November 2021 at a fixed rate of 2.085%	50,000	169	-
	150,000	606	-

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

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

The Scheme has entered into interest rate swap contracts to hedge future interest payments on the Scheme's borrowings.

An unrealised loss of $10,196,000 (2018: loss of $717,000) relating to the change in the fair value of the Scheme's interest rate swap contracts was recognised in the consolidated statement of comprehensive income during the year ended 30 June 2019.

17 Financial risk management

(a) Objectives, strategies, policies and processes

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

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

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

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

(b) Market risk

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

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

17 Financial risk management (continued)

(b) Market risk (continued)

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

Price risk exposure arises from the Scheme's investment in unlisted property securities. The investments are classified on the consolidated statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital.

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

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

	2019	2018
	$'000	$'000
Assets		
Listed property trusts	**64,390**	71,227
Total exposure	**64,390**	71,227

Sensitivity	**Impact on profit and net assets attributable to unitholders**	
	2019	2018
	$'000	$'000
Securities prices + 10% (2018: +10%)	**6,439**	7,123
Securities prices - 10% (2018: -10%)	**(6,439)**	(7,123)

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

The Scheme is exposed to interest rate risk predominantly through borrowings. The Scheme may apply hedging across its differing interest rate exposures and utilises interest rate swaps, to exchange floating interest rates to fixed interest rates, to manage its exposure. Compliance with policy is reviewed regularly by management and is reported to the Board each meeting.

The Scheme has exposure to interest rate risk on its monetary assets and liabilities.

17 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

	2019 $'000	2018 $'000
Floating rate		
Cash and cash equivalents	**67,935**	168,127
Borrowings*	**(275,100)**	(180,600)
Net exposure	**(207,165)**	(12,473)
Derivative financial instruments		
Interest rate swaps - floating to fixed*	**249,000**	150,000
	249,000	150,000
Net exposure	**41,835**	137,527

* Represents the notional principal amounts.

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

	Impact on profit and net assets attributable to unitholders	
Sensitivity	**2019 $'000**	2018 $'000
Interest rate + 0.50% (2018: +0.50%)	**209**	688
Interest rate - 0.50% (2018: -0.50%)	**(209)**	(688)

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

(c) Credit risk

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

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

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

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

17 Financial risk management (continued)

(d) Liquidity risk

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

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

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

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

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

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

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

Maturities analysis of financial liabilities

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

2019	**Less than 1 year $'000**	**1-2 years $'000**	**2-3 years $'000**	**3+ years $'000**
Distributions payable	**16,949**	**-**	**-**	**-**
Payables	**11,345**	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss	**2,613**	**2,838**	**1,984**	**793**
Borrowings	**-**	**-**	**-**	**275,100**
Net assets attributable to unitholders	**1,319,616**	**-**	**-**	**-**
Total financial liabilities	**1,350,523**	**2,838**	**1,984**	**275,893**

17 Financial risk management (continued)

(d) Liquidity risk (continued)

Maturities analysis of financial liabilities (continued)

2018	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3+ years $'000
Distributions payable	16,142	-	-	-
Payables	5,734	-	-	-
Borrowings	-	-	-	180,600
Net assets attributable to unitholders	1,309,504	-	-	-
Total financial liabilities	1,331,380	-	-	180,600

As disclosed above, the Scheme manages its liquidity risk by investing in liquid assets that it expects to be able to liquidate within seven days or less. Liquid assets include cash and cash equivalents and listed property trusts. As at 30 June 2019, these assets amounted to $132,325,000 (2018: $239,354,000).

Investment in Australian Unity Wholesale Cash Fund and Australian Unity Sustainable Enhanced Cash Fund are included in the liquid assets of the Scheme above.

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

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

The Scheme values its investments in accordance with the accounting policies set out in note 18.

18 Fair value hierarchy

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

(a) Fair value hierarchy

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

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

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

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

All fair value measurements disclosed are recurring fair value measurements.

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

18 Fair value hierarchy (continued)

2019	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets held at fair value through profit or loss				
Listed property trusts	**64,390**	**-**	**-**	**64,390**
Total financial assets	**64,390**	**-**	**-**	**64,390**
Non-financial assets				
Investment properties	**-**	**-**	**1,468,513**	**1,468,513**
Total non-financial assets	**-**	**-**	**1,468,513**	**1,468,513**
Financial liabilities				
Financial liabilities held at fair value through profit or loss				
Derivatives	**-**	**9,589**	**-**	**9,589**
Total financial liabilities	**-**	**9,589**	**-**	**9,589**

2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held at fair value through profit or loss				
Derivatives	-	606	-	606
Listed property trusts	71,227	-	-	71,227
Total financial assets	71,227	606	-	71,833
Non-financial assets				
Investment properties	-	-	1,251,269	1,251,269
Total non-financial assets	-	-	1,251,269	1,251,269

The Scheme's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the year. There are no transfers between levels 1, 2 and 3 for fair value measurements during the year. (2018: $nil)

(b) Valuation techniques

(i) Financial instruments

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

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed property trusts and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices or alternative pricing sources supported by observable inputs are classified within level 2. These include unlisted property trusts and over-the-counter derivatives.

18 Fair value hierarchy (continued)

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

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

Specific valuation techniques used daily to value financial instruments include:

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

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

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

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

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

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

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

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

The changes in fair value of investment properties for the year are set out in note 13(b).

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

Valuation inputs	2019	2018	Relationship of inputs to fair value
Weighted average capitalisation rate (%)	**6.18%**	6.54%	The higher the capitalisation rate, the lower the fair value.
Occupancy rate by income (%)	**98.52%**	98.73%	The higher the occupancy rate, the higher the fair value.
Weighted average lease expiry (years)	**12.59 years**	11.90 years	The higher the lease expiry, the higher the fair value.

18 Fair value hierarchy (continued)

(ii) Valuation processes

Independent valuations of investment properties are obtained from suitably qualified valuers generally at least once in every 18 months if the property is in a construction phase; otherwise once in any 12 month period from the date of the last valuation; or in exceptional circumstances once in a financial year or calendar year as determined necessary; or as soon as practicable, but not later than within two months after the directors of the Responsible Entity form a view that there is reason to believe that the fair value of the investment property is materially different from its current carrying value. Such valuations are reflected in note 13. Notwithstanding, the directors of the Responsible Entity determine the carrying value of each investment property at each reporting date to ensure that its carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, that asset is adjusted to its fair value.

(d) Fair value of other financial instruments

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

Borrowings are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. The fair value of borrowings approximates the carrying amount.

19 Related party transactions

Responsible entity

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

Key management personnel

(a) Directors

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

Rohan Mead, Chairman and Group Managing Director
David Bryant, Chief Executive Officer, Wealth & Capital Markets and Chief Investment Officer
Esther Kerr-Smith, Group Executive Finance & Strategy
Darren Mann, Deputy Head of Finance and Chief Financial Officer (appointed 12 October 2018)

(b) Other key management personnel

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

Other transactions within the Scheme

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

Responsible Entity's fees and other transactions

The Responsible Entity is entitled to receive fees monthly calculated daily by reference to the gross assets of the Scheme.

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

19 Related party transactions (continued)

Responsible Entity's fees and other transactions (continued)

The transactions during the year and amounts payable at 30 June 2019 between the Scheme and the Responsible Entity were as follows:

	2019 $	2018 $
Management fees for the year paid/payable by the Scheme to the Responsible Entity	**10,061,604**	9,454,084
Administration expenses incurred by the Responsible Entity which are reimbursed in accordance with the Scheme's Constitution	**3,670,206**	3,608,634
Fees rebated by the Responsible Entity for the Scheme's investments in other schemes managed by the Responsible Entity	**260,381**	407,121
Aggregate amounts payable to the Responsible Entity at the end of the year	**1,066,147**	695,907

(a) Other related party transactions
Australian Unity Property Management Pty Ltd
Australian Unity Property Management Pty Ltd ("AUPML") has been appointed to provide a number of property related services to the Scheme. These services include:

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

The total fees paid/payable to AUPML for the year ended 30 June 2019 was $2,647,899 (2018: $1,415,532). Total accrued fees payable to AUPML as at 30 June 2019 was $1,676,247 (2018: $nil).

Herston Quarter Redevelopment
On 23 February 2017, the Scheme through its sub-trust Herston SRACC Trust, entered into an agreement to develop a specialist public health facility located in Herston, Queensland. This development is part of the Herston Quarter redevelopment in Brisbane undertaken by Herston Development Company Pty Ltd ("the Developer").

The Scheme reimbursed the Developer for costs associated with the development of Herston Quarter - STARS. The amount charged to the Scheme during the year was $303,292 (2018: $1,277,785).

The Scheme provides loans to Herston Car Park Company Ltd ("HCPC") to provide funding for the development of the car park and a portion of the common area associated with the Herston Quarter redevelopment. The total loan receivable from HCPC as at 30 June 2019 was $17,959,231 (2018: $6,854,414), which includes total interest income capitalised during the year of $673,759 (2018: $181,530). The Scheme expects repayment of the loan following the completion of development works on specialist public health facility.

Constitution Hill Aged Care
The Scheme charged Australian Unity Care Services Pty Limited (ACN 065 558 134) (“AUCSPL”) total rent of $1,848,333 (2018: $1,823,512) during the year, of which $nil (2018: $nil) remains receivable as at 30 June 2019.

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

19 Related party transactions (continued)

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

2019

Unitholders	**No. of units held opening '000**	**No. of units held closing '000**	**Fair value of investment* $'000**	**Interest held %**	**No. of units acquired '000**	**No. of units disposed '000**	**Distributions paid/payable by the Scheme $'000**
Australian Unity Property Income Fund	**6,197**	**5,527**	**9,938**	**0.75**	**1,310**	**(1,980)**	**472**
AUFM Managed Fund No 2 (AUFMF2)	**2,076**	**1,928**	**3,467**	**0.26**	**347**	**(495)**	**165**
AUFM Managed Fund No 3 (AUFMF3)	**2,031**	**1,791**	**3,222**	**0.24**	**453**	**(693)**	**153**
AUFM Managed Fund No 1 (AUFMF1)	**515**	**444**	**799**	**0.06**	**127**	**(198)**	**38**
Total	**10,819**	**9,690**	**17,426**	**1.31**	**2,237**	**(3,366)**	**828**

2018

Unitholders	No. of units held opening '000	No. of units held closing '000	Fair value of investment* $'000	Interest held %	No. of units acquired '000	No. of units disposed '000	Distributions paid/payable by the Scheme $'000
Australian Unity Property Income Fund	3,888	6,197	9,175	0.70	2,309	-	440
AUFM Managed Fund No 2 (AUFMF2)	1,457	2,076	3,191	0.25	619	-	160
AUFM Managed Fund No 3 (AUFMF3)	1,234	2,031	2,977	0.23	797	-	141
AUFM Managed Fund No 1 (AUFMF1)	293	515	739	0.06	222	-	34
Federation Managed Fund**	-	34	58	-	34	-	2
Federation Managed Accounts**	14	5	8	-	-	(9)	1
Total	6,886	10,858	16,148	1.24	3,981	(9)	778

*Fair value of investment includes accrued distribution at the end of the year.
**Ceased to be a related party unitholder from 22 March 2019.

19 Related party transactions (continued)

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

2019	**No. of units held opening '000**	**No. of units held closing '000**	**Fair value of investment $'000**	**Interest held %**	**No. of units acquired '000**	**No. of units disposed '000**	**Distributions received/ receivable $'000**
Australian Unity Wholesale Cash Fund	**123,474**	**23,297**	**23,297**	**4.36**	**251,395**	**(351,572)**	**1,453**
Australian Unity Sustainable Enhanced Cash Fund	**41,813**	**26,144**	**26,278**	**6.13**	**946**	**(16,615)**	**892**
	165,287	**49,441**	**49,574**		**252,341**	**(368,187)**	**2,345**

2018	No. of units held opening '000	No. of units held closing '000	Fair value of investment $'000	Interest held %	No. of units acquired '000	No. of units disposed '000	Distributions received/ receivable $'000
Australian Unity Wholesale Cash Fund	56,620	123,474	123,474	16.44	537,165	(470,311)	2,514
Australian Unity Sustainable Enhanced Cash Fund	40,000	41,813	41,893	11.45	20,785	(18,971)	939
	96,620	165,287	165,367		557,950	(489,282)	3,454

Distributions received/receivable includes an amount of $122,191 (2018: $399,383) which remains unpaid at the end of the year.

20 Reconciliation of profit to net cash inflows from operating activities

	2019 $'000	2018 $'000
Profit/(loss) for the year attributable to unitholders	**-**	-
Increase in net assets attributable to unitholders	**49,820**	64,342
Distribution to unitholders	**62,401**	64,522
Add back interest expenses and debt establishment costs	**11,777**	11,792
Realised loss/(gain) on sale of investment property	**516**	(9,309)
Decrease/(increase) in receivables	**1,001**	(3,154)
Change in fair value of the investment properties - revaluation increment	**(43,232)**	(66,553)
Net (gains)/losses on financial instruments	**(8,727)**	3,267
Increase in accounts payable/liabilities	**3,536**	60
(Increase)/decrease in other assets	**(2,329)**	3,525
Effect of valuation changes on cash equivalent	**127**	10
Adjustment to net lease incentives and straight line rental	**(3,248)**	(1,449)
Capitalised interest income	**(674)**	(181)
Net cash inflows from operating activities	**70,968**	66,872

21 Parent entity financial information

Statement of financial position	2019 $'000	2018 $'000
Cash and cash equivalents	**67,330**	167,124
Receivables	**322**	4,694
Financial assets held at fair value through profit or loss	**64,390**	71,833
Other assets	**2,516**	567
Investment in subsidiaries	**323,976**	180,516
Investment properties	**1,167,934**	1,079,435
Total assets	**1,626,468**	1,504,169
Distributions payable	**16,949**	16,142
Payables	**10,751**	4,887
Financial liabilities held at fair value through profit or loss	**9,589**	-
Borrowings	**269,568**	173,636
Total liabilities (excluding net assets attributable to unitholders)	**306,857**	194,665
Net assets attributable to unitholders	**1,319,611**	1,309,504

21 Parent entity financial information (continued)

Statement of comprehensive income	**2019 $'000**	2018 $'000
Profit before finance costs attributable to unitholders	**112,221**	128,864
Finance costs attributable to unitholders		
Distributions to unitholders	**(62,401)**	(64,522)
Increase in net assets attributable to unitholders	**(49,820)**	(64,342)
Total comprehensive income for the year	**-**	-

22 Events occurring after end of the financial year

The directors of the Responsible Entity are not aware of any other matter or circumstances arising since 30 June 2019 which significantly affected or may significantly affect the financial position of the Scheme disclosed in the consolidated statement of financial position as at 30 June 2019 or on the results and cash flows of the Scheme for the year ended on that date.

23 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities as at 30 June 2019 and 30 June 2018.

Commitments arising from contracts principally relating to capital expenditure on investment properties which are contracted for at reporting date but not recognised on the consolidated statement of financial position are $243,545,000 (2018: $319,370,000).

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) The consolidated financial statements and notes set out on pages 7 to 44 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2019 and of its performance, as represented by the results of its operations and cash flows for the year ended on that date.

(b) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable,

(c) The consolidated financial statements are in accordance with the Scheme's Constitution, and

(d) Note 2(a) confirms that the consolidated financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Director

Director

20 September 2019

Independent auditor's report

To the unitholders of Australian Unity Healthcare Property Trust

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in net assets attributable to unitholders – liability for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

Other information

The directors of Australian Unity Funds Management Limited (the “Responsible Entity”) are responsible for the other information. The other information comprises the information included in the directors' report for the year ended 30 June 2019, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of the Responsible Entity for the financial report

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

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

Auditor’s responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Australian Unity Healthcare Property Trust for the year ended 30 June 2019 included on Australian Unity's web site. The directors of the Responsible Entity of the Scheme are responsible for the integrity of Australian Unity's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

George Sagonas
Partner

Melbourne
20 September 2019