

Healthcare Property Trust

Continuous Disclosure Notice

7 March 2022

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

This document has been prepared by Australian Unity Funds Management Limited ('AUFM') as the Responsible Entity of the Australian Unity Healthcare Property Trust ('Trust') to update investors on the information relevant to the benchmark and disclosure principles. This document should be read in conjunction with the latest Annual Report for the Trust, available from our website australianunity.com.au/wealth. Alternatively, you can call us on 1300 997 774 or +61 3 9616 8687 for a free copy.

The financial information in this document is extracted from the Trust's accounting and property management records as at 31 December 2021 and is based on unaudited financial records unless stated otherwise.

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

Gearing ratio and policy

Disclosure Principle 1 – Gearing ratio

The gearing ratio of the Trust, calculated as total interest-bearing liabilities divided by total assets, was 18.03% as at 31 December 2021 (19.50% as at 30 June 2021 based on the Trust's audited financial statements).

The gearing ratio shows the extent to which the Trust's total assets are funded by interest bearing liabilities and gives an indication of the potential risks investors face in terms of external liabilities that rank ahead of them.

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

The only interest-bearing liability of the Trust is the borrowing facility. Refer to the borrowings note in the audited financial statements and the details set out in *Disclosure Principle 3 – Scheme (Trust) Borrowings*.

The gearing ratio above is calculated in accordance with the ASIC disclosure principles formula and is at the Trust level.

This calculation differs to the loan to valuation ratio (which is a measure of the borrowing facility amount drawn as a proportion of the value of assets under the borrowing facility security arrangement) is shown under the heading 'Trust borrowing'. As at 31 December 2021 the trust does not have any mortgages over its properties and as such the loan to valuation ratio is not relevant.

Benchmark 1 – Gearing policy

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

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

The Trust has a syndicated borrowing facility with a gearing ratio covenant limit of 50%. The Trust generally aims to operate within a gearing ratio range between 30 - 45%. The maximum gearing ratio for the Trust under the Gearing and Interest Cover Policy is 60%. These parameters may change from time to time.

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

Interest cover ratio and policy

Disclosure Principle 2 – Interest cover

The Trust's interest cover ratio for the 12 months to 31 December 2021 was 6.38 times (6.29 times for the 12 months to 30 June 2021 based on the Trust's audited financial statements).

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

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

Generally, the closer the Trust's interest cover ratio is to one, the higher is the risk of the Trust not being able to meet interest payments from earnings. To mitigate some of this risk, property fund managers may hedge against rises in interest rates to provide greater certainty for the Trust's interest expenses.

In addition, asset management strategies that attract high quality tenants on longer lease terms and tenant diversity aims to ensure that the Trust's level of earnings remains stable and predictable.

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

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

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

Interest expense is equivalent to 'Borrowing costs' less amortisation of debt establishment costs. However, capitalised interest expenses (if any) are excluded from this calculation (see Benchmark 3 – Interest Capitalisation).

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

Benchmark 2 – Interest cover policy

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

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

The minimum interest cover ratio for the Trust under the Gearing and Interest Cover Policy is 1.25 times (calculated as the EBITDA of the Trust from ordinary operations divided by the net interest expense) which is different to the minimum interest rate cover ratio covenant under the borrowing facility of the agreement (which is 2.00 times). The calculation method for the interest cover ratio under the borrowing facility is different from the calculation method adopted by ASIC in Disclosure Principle 2.

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

1. Net interest means interest expense less interest income.

Trust borrowing

Disclosure Principle 3 – Scheme ('Trust') borrowings

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

Generally, interest expenses relating to the borrowings which are not capitalised (see Benchmark 3 – Interest Capitalisation) will be met from the earnings of the Trust prior to the payment of distributions to investors.

The Trust has a syndicated senior unsecured borrowing facility and is summarised in the following table:

Borrowing details as at 31 December 2021	
Borrowing facility drawn amount	\$556.00 million
Borrowing facility limit	\$1 billion
Borrowing facility maturity (\$250 million)	June 2023
Borrowing facility maturity (\$150 million)	January 2025
Borrowing facility maturity (\$100 million)	January 2025
Borrowing facility maturity (\$250 million)	December 2025
Borrowing facility maturity (\$250 million)	December 2026
Borrowing facility Gearing Ratio covenant limit	50.00%
Trust Gearing Ratio calculated in accordance with borrowing facility definition ¹	17.20%
Borrowing facility Unencumbered Gearing Ratio covenant limit	50.00%
Trust Unencumbered Gearing Ratio calculated in accordance with borrowing facility definition	17.20%
Amount by which value of assets must decrease before a borrowing facility covenant is breached	65.59%
Borrowing facility Interest Cover Ratio covenant limit	2.00 times
Trust Interest Cover Ratio calculated in accordance with borrowing facility definition	6.46 times
Amount by which the operating cash flow must decrease before a borrowing facility covenant is breached	69.92%
Borrowing facility interest rate (inclusive of borrowing margin, line fees and interest rate hedges)	1.7% p.a.
% of borrowings hedged	67.45%
Weighted hedge expiry	2.96 years

1. The gearing ratio is calculated in accordance with the current syndicated borrowing facility, (total interest-bearing liabilities less unencumbered cash) divided by (total assets less interest rate derivatives).

The Trust is required to refinance \$250 million of its \$1 billion facility by June 2023. The Trust is compliant with the lenders' covenant and facility limit requirements. We anticipate that the borrowing facility will be refinanced prior to maturity. With most refinancing activity there is a risk that the lenders may choose not to refinance the facility.

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

Our approach is to actively manage the Trust's borrowings in conjunction with the lenders to manage this risk. To the best of AUFM's knowledge, there are not any breaches of loan covenants as at the date of this document.

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

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

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

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

At 31 December 2021 the mark-to-market value of interest rate derivatives were (\$7.30) million. If held to maturity, the value of the interest rate derivatives in the Trust's balance sheet will reduce to zero.

Interest capitalisation

Benchmark 3 – Interest capitalisation

The interest expense of the Scheme is not capitalised.

The Trust does not meet this benchmark. The Trust currently capitalises interest on borrowings relating to some development projects.

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

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

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

Portfolio diversification

Disclosure Principle 4 – Portfolio diversification

The Trust primarily invests in a diversified portfolio of healthcare property and related assets including direct property, unlisted managed funds, listed REITs, property syndicates, companies that mainly hold healthcare property, and may, from time to time invest in loans, for example to assist with funding the fitting out of the Trust's properties.

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

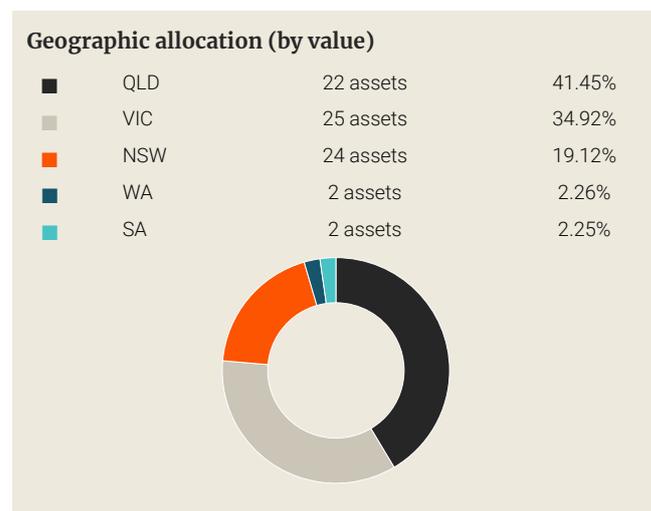
At 31 December 2021 the Trust had \$124.50 million (4.03% of the gross assets of the Trust) exposed to listed REIT's.

The Class A Units

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

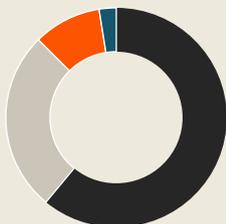
Key portfolio statistics

(as at 31 December 2021)



Property sector allocation (by value)

■	Hospital	16 assets	60.97%
■	Medical Centre or Medical Office	22 assets	26.58%
■	Development Site	27 assets	2.49%
■	Aged Care	10 assets	9.96%

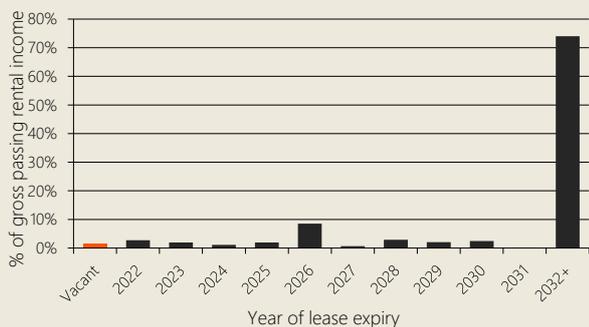


Top 5 tenants (by income)

■	MNHHS	18.31%
■	Ramsay Health	17.91%
■	Healthe Care	9.87%
■	Infinite Care	7.60%
■	Queensland Government	6.03%



Property lease expiry profile (by income)



Portfolio composition as at 31 December 2021

Property Details			Tenancy Details				Valuation Details			
Address	Note	Lettable Area (sqm)	Major Tenant	Number of Tenants	Occupancy Rate (% by income)	WALE (years by income)	Current Valuation (\$m)	Valuation Date	Capitalisation Rate (%)	Book Value (\$m)
Direct Properties										
Hospitals										
Herston Quarter - STARS, Herston, QLD	-	37,761	MNHHS	7	99.67	18.5	596.00	Dec-21	4.00	596.00
Peninsula Private Hospital, Langwarrin, VIC	-	27,886	Ramsay Health	1	100.00	28.6	283.00	Dec-21	4.00	283.00
Beleura Private Hospital, Mornington, VIC	4	14,055	Ramsay Health	1	100.00	24.2	179.40	Dec-21	4.00	179.40
Mulgrave Private Hospital, Mulgrave, VIC	6	16,605	Healthe Care	1	100.00	26.0	163.25	Aug-21	4.75	163.27
Brisbane Waters Private Hospital, Woy Woy, NSW	-	8,351	Healthe Care	1	100.00	21.1	65.20	Aug-21	4.75	65.24
Brunswick Private Hospital, Brunswick, VIC	-	8,000	Aurora Healthcare	1	100.00	22.6	53.00	Aug-21	4.50	53.09
Robina Private Hospital, Robina, QLD	-	5,854	Aurora Healthcare	1	100.00	19.7	52.30	Aug-21	4.50	52.35
Western Hospital, Henley Beach, SA	-	9,655	Western Hospital	1	100.00	21.9	51.70	Aug-21	5.50	51.90
Hunters Hill Private Hospital, Hunters Hill, NSW	-	2,678	Ramsay Health	1	100.00	13.8	30.75	Aug-21	4.50	30.75
Tuggerah Lakes Private Hospital, 645 and 647 Pacific Highway, Kanwal, NSW	-	3,413	Healthe Care	1	100.00	17.1	30.75	Aug-21	4.75	30.75
Townsville Private Clinic, Townsville, QLD	-	4,897	Aurora Healthcare	1	100.00	16.4	30.50	Aug-21	5.00	30.50
North Shore Specialist Day Hospital, Greenwich, NSW	-	2,190	IVF Australia	1	100.00	10.8	29.00	Aug-21	4.50	30.31
Berkeley Vale Private Hospital, Berkeley Vale, NSW	-	4,132	Ramsay Health	1	100.00	13.8	28.50	Aug-21	4.75	28.50
Figtree Private Hospital, Figtree, NSW	-	7,277	Ramsay Health	1	100.00	13.8	23.25	Aug-21	4.75	23.25
Sub total										1,618.31
Under Development										
Sunshine Day Surgery and Clinic, St Albans, VIC	8	2,432	Fresenius Medical Care	9	100.00	3.3	66.0	Aug-21	5.00	81.18
39-43 Orth Street, Kingswood, NSW	9	N/A	Matilda Health Care	1	100.00	30.0	10.4	May-21	5.25	17.49
Sub total										98.67
Medical Centres and Aged Care Facilities										
RPAH Medical Centre, Newtown, NSW	-	7,205	Wilson Parking Australia	59	99.04	2.9	126.50	Aug-21	5.00	126.53
15 Butterfield St, Herston, QLD	-	11,261	Queensland Health	4	100.00	3.7	115.00	Aug-21	5.25	115.00
8 Herbert Street, St Leonards, NSW	-	10,595	Stryker Australia	2	93.01	5.8	80.00	Aug-21	5.00	80.01
103 Victoria Parade, Collingwood, VIC	-	5,337	Sonic Healthcare	1	100.00	6.3	60.09	Aug-21	4.75	60.10
310 Selby Road North, Osborne Park, WA	-	4,997	Clinipath Pathology	1	100.00	11.3	50.85	Aug-21	5.00	50.85
Manningham Medical Centre, Templestowe Lower, VIC	-	4,978	MMC General Practice	16	91.21	3.7	47.50	Aug-21	5.00	47.71
Greensborough Medical Centre, Greensborough, VIC	-	3,529	ForHealth	1	100.00	11.2	42.50	Aug-21	4.75	42.50
The Terraces Aged Care Facility, QLD	-	13,360	McKenzie Aged Care Group	1	100.00	24.9	34.97	Sep-21	5.25	37.44
Capella Bay Aged Care Facility, QLD	-	7,446	McKenzie Aged Care Group	1	100.00	24.9	31.09	Sep-21	5.25	33.32
Edge Hill Orchards Aged Care Facility, QLD	-	11,959	Infinite Care	1	100.00	23.0	32.80	Aug-21	6.25	32.80
Seabrook Aged Care Facility, QLD	-	6,574	McKenzie Aged Care Group	1	100.00	24.9	27.59	Sep-21	5.25	29.59
Campus Alpha Building, 2 Investigator Drive, Robina QLD	-	4,423	Horizon Housing	6	65.87	1.1	26.80	Jun-21	6.50	26.85
Constitution Hill Aged Care, Northmead, NSW	-	8,668	Australian Unity Care Services	1	100.00	7.0	26.40	Aug-21	6.00	26.63
Caravonica Aged Care Facility, QLD	-	8,181	Infinite Care	1	100.00	23.0	26.20	Aug-21	6.25	26.20
Edmonton Gardens Aged Care Facility, QLD	-	8,687	Infinite Care	1	100.00	23.0	26.20	Aug-21	6.25	26.20
Mount Lofty Aged Care Facility, QLD	-	8,211	Infinite Care	1	100.00	23.1	25.30	Aug-21	6.00	25.30
Cornubia Aged Care Facility, QLD	-	8,045	Infinite Care	1	100.00	23.1	25.00	Aug-21	6.00	25.00

Property Details			Tenancy Details				Valuation Details			
Address	Note	Lettable Area (sqm)	Major Tenant	Number of Tenants	Occupancy Rate (% by income)	WALE (years by income)	Current Valuation (\$m)	Valuation Date	Capitalisation Rate (%)	Book Value (\$m)
Direct Properties										
Medical Centres and Aged Care Facilities cont.										
HIS Diagnostic Imaging Centre, Richmond, VIC	-	1,227	Healius	1	100.00	14.0	24.80	Aug-21	4.75	24.80
Ipswich Medical Centre and Day Hospital, QLD	-	2,780	Ipswich Day Surgery	10	96.41	5.4	20.30	Aug-21	5.25	20.32
Robina Medical Centre, 1 Campus Crescent, Robina, QLD	-	1,553	ForHealth	1	100.00	11.5	19.10	Aug-21	4.75	19.10
Corrimal Medical Centre, 46-50 Underwood Street, Corrimal, NSW	-	1,496	ForHealth	1	100.00	10.0	18.30	Aug-21	5.00	18.30
Ipswich Aged Care Facility, QLD		4,963	Infinite Care	1	100.00	23.1	18.00	Aug-21	6.00	18.00
2 Short Street, Southport, QLD	-	2,349	Ramsay Health	7	95.71	1.7	17.80	Aug-21	5.75	17.90
566 Olsen Avenue Molendinar, QLD	-	2,879	Cornerstone Health	1	100.00	14.3	17.75	May-21	5.00	17.78
Gosford Private Medical Centre, North Gosford, NSW	-	1,830	Sonic Healthcare	5	76.03	2.5	16.10	Aug-21	6.00	16.10
14 Highfields Circuit, Port Macquarie, NSW	-	1,084	Healius	1	100.00	12.1	14.40	Aug-21	5.00	14.40
Victoria House Medical Centre, WA	-	2,467	IPN Medical Centres	1	100.00	3.1	12.90	Aug-21	6.00	12.90
1 & 3 Addison Road, Pennington, SA	-	1,137	ForHealth	1	100.00	11.4	11.40	Aug-21	4.75	11.42
Eureka Medical Centre, Ballarat, VIC	-	1,504	ForHealth	1	100.00	3.7	9.90	Aug-21	5.25	9.90
80-82 Bridge Road and 3 & 5 Rotherwood Street, Richmond, VIC	10	726	Healius	1	53.00	6.5	7.00	Jun-21	5.00	7.12
151-153 Furlong Road, St Albans, VIC	-	500	Capital Raidology	1	100.00	4.8	5.30	Aug-21	4.75	6.45
7 Vidler Avenue, Woy Woy NSW	-	387	Luckstar	1	100.00	3.9	2.40	Feb-21	6.00	2.40
Sub total										1,028.92
Assets Held Pending Development										
145 Bunjil Way Knoxfield, VIC	12	N/A	Infinite Care	1	100.00	25.0	10.75	May-21	N/A	14.75
38 & 40 Orth Street, 1-5 Hargrave Street & 26 Somerset Street, Kingswood, NSW	12	N/A	Private Tenants	0	-	N/A	9.23	May-21	N/A	9.28
Herston Private Hospital, Herston, QLD	13	N/A	N/A	0	-	N/A	8.40	May-21	N/A	8.42
28-36 Alma Road, Padstow NSW	18	N/A	N/A	0	-	N/A	6.50	N/A	N/A	8.21
34 Investigator Drive, Robina, QLD	12	N/A	N/A	0	-	N/A	4.25	Jun-21	N/A	4.26
1, 1A, and 1B President Road, Kellyville, NSW	12	N/A	N/A	1	100.00	10.0	4.05	May-21	N/A	4.19
Lot 907, Oceanside Health Hub, Birtinya QLD	15	N/A	N/A	0	-	N/A	3.60	Jun-21	N/A	3.71
9 Westwood Avenue, Belmore, NSW	12	N/A	Private Tenant	1	100.00	<1	1.90	Feb-21	N/A	2.14
70 Moreland Road, Brunswick, VIC	14	N/A	N/A	0	-	N/A	1.56	Jun-21	N/A	1.56
22 Buttercup Close, Meadowbrook QLD	16	N/A	N/A	0	-	N/A	0.44	Sep-21	N/A	1.32
20 Gillon Court St Albans, Vic	11	N/A	N/A	0	-	N/A	0.52	Jun-21	N/A	1.30
7 Westwood Avenue, Belmore, NSW	12	N/A	Private Tenant	1	100.00	<1	1.10	Feb-21	N/A	1.21
93 Davies Street, Brunswick, VIC	14	N/A	N/A	0	-	N/A	1.07	Jun-21	N/A	1.12
7 Wiowera Road, Kanwal, NSW	8	N/A	Private Tenant	1	100.00	<1	0.84	Feb-21	N/A	0.86
101 Herbert Street, Mornington, VIC	7	186	Ramsay Health	1	100.00	0.0	0.78	Feb-21	N/A	0.78
22 Gillon Court, St Albans, VIC	11	N/A	N/A	0	-	N/A	0.73	May-21	N/A	0.73
103 Herbert Street, Mornington, VIC	7	N/A	Vacant	1	-	N/A	0.68	Feb-21	N/A	0.68
99 Herbert Street, Mornington, VIC	7	N/A	Private Tenant	1	100.00	<1	0.68	Feb-21	N/A	0.68
105 Herbert Street, Mornington, VIC	7	N/A	Private Tenant	1	100.00	<1	0.68	Feb-21	N/A	0.68
11 Gillon Court, St Albans, VIC	11	N/A	N/A	0	-	N/A	0.67	May-21	N/A	0.67
24 Gillon Court St Albans, VIC	11	N/A	N/A	0	-	N/A	0.65	May-21	N/A	0.65

Property Details			Tenancy Details				Valuation Details			
Address	Note	Lettable Area (sqm)	Major Tenant	Number of Tenants	Occupancy Rate (% by income)	WALE (years by income)	Current Valuation (\$m)	Valuation Date	Capitalisation Rate (%)	Book Value (\$m)
Direct Properties										
Assets Held Pending Development cont.										
15 Dwyer Avenue, Woy Woy, NSW	9	N/A	Private Tenant	1	100.00	<1	0.60	Feb-21	N/A	0.60
651 Pacific Highway, Kanwal, NSW	8	N/A	N/A	0	-	N/A	0.59	Feb-21	N/A	0.60
9 Gillon Court St Albans, VIC	11	N/A	N/A	0	-	N/A	0.59	May-21	N/A	0.60
205 St Albans Rd St Albans, VIC	11	N/A	N/A	0	-	N/A	0.53	May-21	N/A	0.53
3 Wiowera Street, Kanwal, NSW	8	N/A	N/A	0	-	N/A	0.38	Feb-21	N/A	0.38
1 Wiowera Road, Kanwal, NSW	8	N/A	N/A	0	-	N/A	0.35	Feb-21	N/A	0.35
Sub total										70.26
Direct Properties Total										2,816.16
Listed property										
Arena REIT										124.50
Total Listed property										124.50
Cash and other assets										
Cash and cash equivalents										25.63
Class A cash reserve										47.48
Loan receivables										43.70
Other										32.69
Total Cash and other assets										149.50
Total (T) / Weighted Average (A)				173 (T)	98.5 (A)	16.3 (A)	2,775.29 (T)		4.67 (A)	3,090.16 (T)

Notes

- Valuation Policy - Regular valuation of underlying property assets is an important aspect of managing the Trust. Valuations are conducted by qualified independent valuers in accordance with industry standards. We have a policy of generally obtaining independent valuations on Fund direct properties each year and, for assets under development, within an 18-month period. Additionally, as part of our active management approach, we may test asset values on market. At times we may enter arrangements at arm's length with third parties which may impact the value of assets within the portfolio including, but not limited to, put and call options in respect of all or part of an asset within the portfolio. If the value of an asset is impacted in this way, the value may replace the last independent valuation obtained.
- Weighted Average Lease Expiry (WALE) by base rental income. Vacancies are valued at market income. Assets under development excluded.
- A market capitalisation rate is the rate, expressed as a percentage, that reflects the likely yield a property will generate over the medium term. It has regard to a property's unique characteristics and is a measure of the property's risk/return profile with higher rates reflecting higher risk and its function is to convert a property's income into value. The market capitalisation rate is assessed by the independent valuer by dividing the stabilised net property income of the property or a portfolio of properties by the assessed valuation of the property or portfolio, excluding costs of acquisitions and fees.
- Beleura Hospital now includes additional net lettable area (NLA) from the new Mental Health & Rehab buildings developed and completed in 2021.
- Valued on a project related site value basis. Property now reflects consolidation of land holdings formally referred to as 2, 4 Ginifer Court, St Albans and 13,15 Gillon Court, St Albans.
- Property formally known as The Valley Private Hospital.
- Properties adjoining Beleura Private Hospital, Mornington, VIC.
- Land held for future expansion of Tuggerah Lakes Private Hospital, NSW.
- Property adjoining Brisbane Waters Private Hospital, NSW.
- Previous development site now subject to a lease campaign with respect to the unoccupied space.
- Property adjoining Sunshine Day Surgery and Clinic, St Albans, VIC. This property is earmarked as future development space
- Asset held pending development.
- Leasehold site for proposed Herston Private Hospital, QLD.
- Property adjoining Brunswick Private Hospital, VIC.
- Development site earmarked for future Medical facility.
- Residential property strategically relevant to future proposed development.
- Capitalisation rate "On Completion"
- "Current Valuation" represents acquisition price (excluding acquisition costs)

Property development

The Trust seeks to enhance its existing properties through selective exposure to property development. Property development means the construction of a new building, significant increases to the lettable area of a building or significant changes to the configuration, nature or use of the property.

In managing the Trust's property portfolio, we may refurbish or redevelop properties from time to time as required. Material property developments will only be undertaken where, in our view, substantial pre-commitments to lease are in place and development risk is appropriately mitigated.

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

We endeavour to mitigate construction risks by negotiating a capped arrangement with builders and/or tenants whereby any costs incurred above this amount will be the responsibility of the builder/tenant as the case may be.

Some of the more significant developments are detailed below:

Sunshine Private Hospital and Medical Centre, St Albans, VIC
Estimated cost to complete: \$66.5 million

Works are progressing well with the first of the façade panels now being installed. Leasing pre-commitments now represent approximately 70% of the lettable area with negotiations on a further 17% well progressed. There have been no further delays on programme. Practical completion by mid-November 2022 remains unchanged.

Matilda Private Hospital, Kingswood, NSW
Estimated cost to complete: \$27.9 million

Works continue on the 90-bed private hospital at Kingswood, opposite the Nepean Public Hospital. The basement car park is now complete and installation of inground plumbing, sewer and storm water tanks have been completed. Due to extensions of time and forced construction shutdowns, practical completion is anticipated to occur now in November 2022.

Part Lot 77 Bunjil Way, Knoxfield, VIC
Estimated cost to complete: \$50.5 million

The preferred construction contractor has been identified and design development is progressing in parallel with an early contractor involvement (ECI) process. Conditions precedent attached to the planning permit are currently being attended to. Construction commencement is anticipated in April 2022.

Development applications and approvals have been obtained for material brownfield developments at a number of assets including Peninsula Private Hospital (VIC), Brisbane Waters Private Hospital (NSW), Meadowbrook (QLD) and Robina Private Hospital (QLD). Construction of a new medical centre at Kellyville (NSW) is also expected to commence in the first half of 2022.

Valuation policy

Benchmark 4 – Valuation policy

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

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

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

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

- independent external valuations for new properties must be completed no more than three months prior to exchange of contracts;
- independent external valuations for existing properties will generally be conducted once every 18 months if the property is in construction phase and otherwise, at least once in a financial year unless exceptional circumstances exist;
- where there are multiple properties in a portfolio, the valuations are to be staggered through the year; and
- where a property has been contracted for sale, the contracted sale price may be adopted instead of the independent external valuation.

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

Related party transactions

Benchmark 5 and Disclosure Principle 5 – Related party transactions

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

The Trust meets this benchmark and complies with AUFM's Management of Conflicts of Interest Policy.

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

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

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

For further information about the Management of Conflicts of Interest Policy please contact us. The latest Fund Update and Annual Report can be found on our website australianunity.com.au/wealth. Alternatively, we can send you a free copy if you call us on 1300 997 774 or +61 3 9616 8687.

Related party activity

Property management services

AUFM has appointed Australian Unity Property Management Pty Ltd ('AUPM') to provide some property management services to the Trust.

Australian Unity Property Management

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

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

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

From 1 July 2021 to 31 December 2021, \$4.40 million has been paid and payable to AUPM for services provided.

Other related party service providers

AUFM charges the Trust for administration expenses (audit fees inclusive) as per the relevant Product Disclosure Statement. We estimate these costs to be 0.10% p.a. of the gross asset value of the Trust.

From 1 July 2021 to 31 December 2021, the amount charged to the Trust was \$2.50 million (excluding GST). This is made up of related party and non-related party expenses.

Relationship of related parties

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

Name of entity	ABN	Wholly owned by
Australian Unity Limited ('AUL')	23 087 648 888	-
Australian Unity Funds Management Limited ('AUFM')	60 071 497 115	AUL
Australian Unity Property Management Pty Limited ('AUPM')	76 073 590 600	AUL
Australian Unity Property Limited ('AUPL')	58 079 538 499	AUL
Australian Unity Property Funds Management Limited ('AUPFML')	28 085 352 405	AUPL
Australian Unity Investment Management Administration Pty Limited ('AUIIMA')	76 115 442 969	AUPFML
Herston Development Company Pty Ltd ('HDC')	53 617 139 009	AUL
Herston Car Park Company Pty Ltd ('HCPC')	98 617 138 833	AUL
Australian Unity Strategic Holdings Pty Ltd	39 006 803 050	AUL

These entities form part of the Australian Unity Group.

Investments

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

As at 31 December 2021, related parties held interests in the Trust of:

Name of related entity	\$ value (M)	% of Fund's assets
Australian Unity Strategic Holdings	84.22	3.35%
Australian Unity Property Income Fund	12.16	0.48%
Lifeplan Friendly Society	8.32	0.33%
Pro-D Balanced Fund	4.28	0.17%
Pro-D Growth Fund	2.61	0.10%
Pro-D High Growth Fund	0.98	0.04%

As at 31 December 2021 the Trust held investments in related parties of:

Name of related entity	\$ value (M)	% of underlying fund
Australian Unity Wholesale Cash Fund	11.90	2.38%
Australian Unity Sustainable Enhanced Cash Fund	36.01	7.84%

Basis of related party investment terms

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

The related party arrangements described in this document adhere to the Management of Conflicts of Interest Policy.

Distribution practices

Benchmark 6 and Disclosure Principle 6 – Distribution practices

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

The Trust does not meet this benchmark.

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

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

A reconciliation of the net profit to FFO and distributions is set out in the table below, in accordance with the PCA and PFA RG46 Voluntary Practice Note, for the twelve months ended 30 June 2021.

	Actual \$(M)
Net profit	401.57
Valuation changes ¹	(319.62)
Interest rate derivative changes	(3.56)
Other ²	2.64
Fund from operations	81.03
Distributions declared	81.95

1. Valuation changes include direct property revaluations (net of amortisation), listed property trusts unrealised/realised valuation changes, unrealised financial asset movements and rental straight-line adjustments.
2. Other includes interest rate derivatives / swaps break costs paid and other one-off items.

The distributions declared at 30 June 2021 exceeded the available FFO. The excess was funded from capital due to the temporary drop in income. The temporary reduction in income was a result of the active development of STARS, Herston not earning any income during a portion of the period. The Distribution Policy aligns with the ongoing earning capacity of the Trust. We expect an increase in FFO over the next 12 months, enabling the Trust to sustainably source distributions over this period.

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

Withdrawal rights

Disclosure Principle 7 – Withdrawal rights

Retail and Wholesale Units

Under normal operating conditions Retail Unit and Wholesale Unit withdrawals from the Trust are paid quarterly.

The maximum total amount available for withdrawals each quarter is 2.5% of the net asset value of the relevant class of units on issue (although we have the discretion to alter this amount). If this amount is exceeded, withdrawals may be met on a pro-rata basis.

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

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

Class A Units

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

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

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

All unit classes

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

Suspension of withdrawals

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

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

Substantial investor withdrawal requests

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

Net tangible assets

Disclosure Principle 8 – Net tangible assets

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

Contact us

australianunity.com.au/wealth

australianunitywealth@unitregistry.com.au

Investor Services

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Important Information

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

A copy of the PDS is available at australianunity.com.au/wealth or by calling our Investor Services team on 1300 997 774 or +61 3 9616 8687.

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