Australian Unity Retail Property Fund (Parent - Australian Unity Retail Property Trust)

ARSN 133 632 765 and 086 218 199

Annual financial report
for the year ended 30 June 2018

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Contents | **Page**

Directors' report

The directors of Australian Unity Funds Management Limited (ABN 60 071 497 115), the Responsible Entity of Australian Retail Property Fund (the "Stapled Scheme") and of the Australian Unity Retail Property Trust ("the Parent Scheme"), present their report together with the consolidated financial statements of the Stapled Scheme for the year ended 30 June 2018.

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 (appointed 23 October 2017)
Kevin McCoy, Chief Executive Officer, Independent & Assisted Living (resigned 27 November 2017)

Principal activities
The Stapled Scheme was formed on 28 February 2009 following the stapling of three managed retail property schemes, being the Australian Unity Retail Property Trust, the Australian Unity Property Syndicate - East West Retail and the Australian Unity Gillies Street Trust.

The Stapled Scheme is an unlisted property fund with a primary focus on retail related property investments. The Stapled Scheme's diversification strategy aims to provide stability of income to its investors through periods of change in the economic environment or in any individual property, and to enable to actively manage the portfolio including the debt and liquidity of the Stapled Scheme.

The aim of the Stapled Scheme is to deliver a total return (both income and capital growth) above the Property Council/IPD Australian Retail Property Index whilst providing a steady level of income.

The Stapled Scheme's current property portfolio has three retail properties and is further detailed in the Stapled Scheme's financial statements for the year ended 30 June 2018.

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 $14,339,711 (2017: $41,881,822).

Derivatives
In the current year, the Stapled Scheme recognised a net gain on derivative instruments held at fair value through profit or loss of $282,896 (2017: net gain of $1,250,674).

Results
For the year ended 30 June 2018, the Stapled Scheme's:
- Retail units posted a total return of 14.33% (split between a distribution return of 6.00% and a growth return of 8.33%)*
- Wholesale units posted a total return of 14.54% (split between a distribution return of 6.66% and a growth return of 7.88%)*

Unit prices (ex distribution) as at 30 June 2018 (2017) are as follows:
Retail units $1.0134 ($0.9355)*
Wholesale units $1.2579 ($1.1662)*

*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.

Review and results of operations (continued)
Results (continued)
The performance of the Stapled Scheme, as represented by the results of its operations, was as follows:

	2018 **$'000**	2017 $'000
Profit before finance costs attributable to unitholders	**24,417**	46,595
Distributions - Retail units		
Distributions paid and payable	**8,538**	8,497
Distributions - Wholesale units		
Distributions paid and payable	**1,454**	1,544

Significant changes in the state of affairs
The Stapled Scheme has amended its constitution as part of a process to become eligible to elect into the new Attribution Managed Investment Trust ("AMIT") tax regime.

The Stapled Scheme has satisfied the eligibility for AMIT and has been operated as an AMIT effective 1 July 2017. The AMIT regime enacted under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016 (Cth)* has changed the way to which the net taxable income of a trust is allocated to its unitholders. Where a trust is an AMIT, responsible entities and trustees are required to attribute the trust's net taxable income to unitholders on a fair and reasonable basis in accordance with the tax law, taking into account the unitholders entitlement to distributable income.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Stapled 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 2018 that has significantly affected, or may significantly affect the operations of the Stapled Scheme, the result of operations, or the state of the Stapled Scheme's affairs in the future years.

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

Further information on likely developments in the operations of the Stapled 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 Stapled Scheme.

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

Fees paid to and interests held in the Stapled Scheme by the Responsible Entity or its associates
Fees paid to the Responsible Entity and its associates out of Stapled Scheme property during the year end are disclosed in note 20 to the consolidated financial statements.

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

The number of interests in the Stapled Scheme held by the Responsible Entity or its associates as at the end of the year are disclosed in note 20 to the consolidated financial statements.

Units in the Stapled Scheme
The movement in units on issue in the Stapled Scheme during the year end is disclosed in note 9 to the consolidated financial statements.

The value of the Stapled 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 Stapled 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 Stapled 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, where indicated.

Presentation of consolidated financial statements by stapled entities
The Stapled Scheme presents consolidated financial statements following the application of Class Order 13/1050 issued by the Australian Securities and Investments Commissions which allows issuers of stapled securities (stapled entities) to present consolidated financial statements.

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 5.

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

Director

Director
20 September 2018

Auditor's Independence Declaration

As lead auditor for the audit of Australian Unity Retail Property Fund (Parent - Australian Unity Retail Property Trust) for the year ended 30 June 2018, 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 Retail Property Fund (Parent - Australian Unity Retail Property Trust) and the entities it controlled during the period.

George Sagonas
Partner
PricewaterhouseCoopers

Melbourne
20 September 2018

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Consolidated statement of comprehensive income

	Notes	2018 $'000	2017 $'000
Income			
Rental income	3	**24,001**	22,493
Property expenses	4	**(6,872)**	(6,351)
Net property income		**17,129**	16,142
Interest income		**31**	33
Distribution income	5	**624**	630
Net gains/(losses) on financial instruments held at fair value through profit or loss	6	**666**	(539)
Net fair value increment of investment properties	14(b)	**14,339**	41,882
Other operating income		**-**	77
Total income net of property expenses		**32,789**	58,225
Expenses			
Responsible Entity's fees	20	**4,034**	7,457
Borrowing costs		**4,320**	4,003
Other expenses	8	**18**	170
Total expenses, excluding property expenses		**8,372**	11,630
Profit before finance costs attributable to unitholders		**24,417**	46,595
Finance costs attributable to unitholders			
Distributions to unitholders	10	**(9,992)**	(10,041)
Increase in net assets attributable to unitholders	9	**(14,425)**	(36,554)
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	**2018 $'000**	2017 $'000
Assets			
Cash and cash equivalents	11	**3,256**	3,317
Receivables	12	**2,118**	1,781
Other assets		**127**	89
Financial assets held at fair value through profit or loss	13	**9,869**	9,486
Investment properties	14	**284,884**	269,073
Total assets		**300,254**	283,746
Liabilities			
Distributions payable	10	**2,461**	2,563
Payables	15	**3,193**	6,243
Financial liabilities held at fair value through profit or loss	13	**653**	936
Borrowings	17	**104,989**	92,380
Total liabilities (excluding net assets attributable to unitholders)		**111,296**	102,122
Net assets attributable to unitholders - liability	9	**188,958**	181,624

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

Consolidated statement of changes in net assets attributable - liability

	2018 **$'000**	2017 $'000
Balance at the beginning of the year	**181,624**	151,131
Profit before finance costs attributable to unitholders	**24,417**	46,595
Distributions to unitholders	**(9,992)**	(10,041)
Applications	**1,284**	1,094
Redemptions	**(9,021)**	(8,023)
Units issued upon reinvestment of distributions	**646**	868
Balance at the end of the year	**188,958**	181,624

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

Consolidated statement of cash flows

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Interest received		**31**	33
Distributions received		**624**	631
Rental income received		**23,468**	22,147
Payments to suppliers		**(13,593)**	(9,438)
Net cash inflow from operating activities		**10,530**	13,373
Cash flows from investing activities			
Payments for additions to owned investment properties		**(1,690)**	(1,318)
Net cash outflow from investing activities		**(1,690)**	(1,318)
Cash flows from financing activities			
Proceeds from borrowings		**12,500**	15,100
Borrowing costs paid		**(4,216)**	(3,748)
Distributions paid		**(9,448)**	(15,847)
Proceeds from applications by unitholders		**1,284**	1,094
Payments for redemptions by unitholders		**(9,021)**	(8,023)
Net cash outflow from financing activities		**(8,901)**	(11,424)
Net (decrease)/increase in cash and cash equivalents		**(61)**	631
Cash and cash equivalents at the beginning of the year		**3,317**	2,686
Cash and cash equivalents at the end of the year	11	**3,256**	3,317

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

Notes to the consolidated financial statements

1 General information

These consolidated financial statements cover Australian Unity Retail Property Fund ("the Stapled Scheme") as the consolidated entity consisting of the Australian Unity Retail Property Trust, the Australian Unity Property Syndicate - East West and the Australian Unity Gillies Street Trust, together with the controlled entities of the stapled entities.

The Stapled Scheme was formed on 28 February 2009 following the stapling of three managed retail property schemes, being the Australian Unity Retail Property Trust, the Australian Unity Property Syndicate - East West Retail and the Australian Unity Gillies Street Trust.

The Responsible Entity of the Stapled 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 14, 114 Albert Road, South Melbourne, VIC 3205.

The Responsible Entity is incorporated and domiciled in Australia.

The Australian Unity Retail Property Fund was constituted on 18 September 2008 and will terminate in accordance with the provisions of the Constitution or by Law.

The Australian Unity Retail Property Trust was constituted on 27 January 1999 and will terminate on the 80th anniversary of the day before the Scheme commenced unless terminated earlier in accordance with the provisions of the Scheme's Constitution.

The Australian Unity Gillies Street Trust was constituted on 27 May 2002 and will terminate on the 80th anniversary of the day before the Scheme commenced unless terminated earlier in accordance with the provisions of the Scheme's Constitution.

The Australian Unity Property Syndicate - East West Retail was constituted on 8 March 2000 and will terminate on the 80th anniversary of the day before the Scheme commenced unless terminated earlier in accordance with the provisions of the Scheme's Constitution.

The controlled entities of Australian Unity Retail Property Trust comprise:
- Australian Unity Property Syndicate - Wyong which was constituted on 23 June 1998;
- Retail Opportunities Trust which was constituted on 8 December 2009; and
- HAL Property Trust which was constituted on 22 November 2006.

The consolidated financial statements are for the year 1 July 2017 to 30 June 2018.

The consolidated financial statements were authorised for issue by the directors of the Responsible Entity on 20 September 2018. 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 Stapled 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 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, 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 Stapled Scheme comply with Australian Accounting Standards as issued by the 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.

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

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107
AASB 2016-2 amends AASB 107 *Statements of Cash Flows* to require entities to provide disclosure that enable users of financial statements to evaluate cash and non-cash changes in their financing activities. The adoption of the new disclosure requirement did not have a material impact on the Stapled Scheme's financial statements.

(b) Principles of consolidation
The Stapled Scheme presents consolidated financial statements following the application of Class Order 13/1050 issued by the Australian Securities and Investments Commission which allows issuers of stapled securities (stapled entities) to present consolidated financial statements.

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by the Stapled Scheme as at 30 June 2018 and their results for the year then ended. The Stapled Scheme and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all entities over which the Stapled 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 Stapled 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 Stapled 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 Australian Unity Retail Property Trust.

AASB Interpretation 1002 (Post-Date-of-Transition Stapling Arrangements) provides guidance on stapling arrangements. In applying AASB Interpretation 1002, the Stapled Scheme has identified the Australian Unity Retail Property Trust as the acquirer and the parent for the purpose of preparing the consolidated financial statement. This has been determined by reference to the guidance contained in AASB 3 Business Combinations and AASB 10 Consolidated Financial Statements relating to identifying an acquirer. The other entities combining under the stapling arrangement are therefore identified as acquirees. In preparing the consolidated financial statements, the consolidated entity has applied AASB 3 and AASB 10.

(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. 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 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 14. 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 Stapled 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 instruments designated at fair value through profit or loss*

The Stapled Scheme's investments are classified as held at fair value through profit or loss. They comprise:

- *Financial instruments designated at fair value through profit or loss upon initial recognition*
  These include financial assets and liabilities that are not held for trading purposes and which may be sold. These may include investments in listed property trusts, unlisted property trusts and other unlisted trusts.

  Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Stapled Scheme's documented investment strategy. The Stapled 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.

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(i) Classification (continued)

The information on the fair value basis is provided internally to the Stapled 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.

- *Loans and receivables/payables*

Loans and receivables/payables are non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market. This category includes short term receivables/payables.

(ii) Recognition/derecognition

The Stapled 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 Stapled 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 Stapled 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 end 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*

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.

- *Fair value in an active market*

The fair value of financial assets and financial liabilities traded in active markets is based on their quoted market prices at the end of the year end without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such trusts.

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(iii) Measurement (continued)

- *Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is the market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. For other pricing models, inputs are based on market data at the end of the reporting period.

There may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Stapled Scheme recognises the difference in the consolidated statement of comprehensive income to reflect a change in factors, including time, that market participants would consider in setting a price.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Stapled Scheme would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as the net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the most appropriate option valuation model.

Investments in unlisted unit trusts are recorded at the net asset value per unit as reported by the managers of such trusts.

The Stapled Scheme's financial instruments that are valued based on inactive or unquoted markets generally include investments in unlisted unit trusts and over the counter derivatives, where applicable.

- *Borrowings and receivables/payables*

Borrowings and receivables/payables are measured initially at fair value plus transaction costs.

Subsequently, borrowings are carried at amortised cost using the effective interest method. Short term receivables/payables are carried at their initial fair values.

(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 Stapled 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 Stapled Scheme for cash equal to a proportionate share of the Stapled 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 reporting period if unitholders exercised their right to put the units back to the Stapled Scheme. Because the Stapled 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 end 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 Stapled 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 Stapled Scheme's Constitution, the Stapled 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 reporting period from the time of last payment in accordance with the policy set out in note 2h 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.

2 Summary of significant accounting policies (continued)

(m) Receivables (continued)
Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Stapled Scheme will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

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 Stapled Scheme which are unpaid as at the end of the year.

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 Stapled 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 Stapled 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 Stapled Scheme has a present obligation as a result of the past event and it is probable that the Stapled 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 Stapled Scheme are recorded net of any entry fees payable prior to the issue of units in the Stapled Scheme. Redemptions from the Stapled Scheme are recorded gross of any exit fees payable after the cancellation of units redeemed.

Unit redemption prices are determined in accordance with the Stapled Scheme’s Constitution by reference to the net assets of the Stapled 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.

2 Summary of significant accounting policies (continued)

(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 Stapled 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.

(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 end 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 reporting period 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 end.

Rent not received at the end of the year end 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.

2 Summary of significant accounting policies (continued)

(t) Use of judgements and estimates
The preparation of the Stapled 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 Stapled 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 Stapled 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 19.

The Stapled 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 Stapled Scheme. The Stapled 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) New accounting standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Stapled Scheme. The directors' assessment of the impact of these new standards (to the extent relevant to the Stapled Scheme) and interpretations is set out below:

2 Summary of significant accounting policies (continued)

(u) New accounting standards and interpretations not yet adopted (continued)

(i) AASB 9 *Financial Instruments (and applicable amendments)* (effective 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. It has now also introduced revised rules for hedge accounting and impairment. The Standard is applicable for reporting periods beginning on or after 1 January 2018 but is available for early adoption. The Stapled Scheme does not expect this to have a significant impact on the recognition and measurement of the Stapled Scheme's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not been changed from the previous requirements and the Stapled Scheme does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Stapled Scheme's investments are all held at fair value through profit or loss, the change in impairment rules will not impact the Stapled Scheme. The Stapled Scheme does not intend to early adopt AASB 9. The Stapled Scheme will apply AASB 9 in its financial statements for the year commencing 1 July 2018.

(ii) AASB 15 *Revenue from Contracts with Customers* (effective 1 January 2018)

AASB 15 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. AASB 15 outlines a single, principles based five-step model for entities to use in accounting for revenue arising from contracts with customers. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised only when the control of a good or service transfers to a customer. This notion of control replaces the existing notion of risks and rewards. The Stapled 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 Stapled Scheme does not expect AASB 15 to have a significant impact on the Stapled Scheme's financial statements. The Stapled Scheme does not intend to early adopt AASB 15. The Stapled Scheme will apply AASB 15 in its financial statements for the year commencing 1 July 2018.

(iii) AASB 2016-3 *Amendments to Australian Accounting Standards - Clarifications to AASB 15* (effective 1 January 2018)

AASB 2016-3 amends AASB 15 *Revenue from Contracts with Customers* to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. It also provides further practical expedients on transition to AASB 15. No significant impact is expected upon adoption of the amendments. The Scheme does not intend to early adopt AASB 2016-3. The Scheme will apply AASB 2016-3 in its financial statements for the year commencing 1 July 2018.

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

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. AASB16 substantially carries forward the lessor accounting requirements in AASB 17 and require 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. Early adoption is permitted provided AASB 15 has been applied, or is applied at the same date as AASB16. Based on the existing recognition of leases, the Stapled Scheme does not expect a material impact from the application of this standard. The Stapled Scheme is currently assessing the effects of applying AASB 16 on the financial statement disclosures. The Stapled Scheme does not intend to early adopt AASB 16. The Stapled Scheme will apply AASB 16 in its financial statements for the year commencing 1 July 2019.

(v) Rounding of amounts

The Stapled Scheme is an entity of the kind referred to in ASIC Corporations Instrument 2016/191, issued by Australian Securities and Investment 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 in accordance with that Class Order, where indicated.

2 Summary of significant accounting policies (continued)

(w) Functional and presentation currency
Items included in the financial statements of each of the Stapled 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 Stapled Scheme's functional and presentation currency.

3 Rental income

	2018 $'000	2017 $'000
Rental income	**20,387**	19,228
Outgoings income	**3,614**	3,265
	24,001	22,493

Rental income includes an adjustment for the straight lining of rental income of ($195,958) (2017: $185,099).

4 Property expenses

	2018 $'000	2017 $'000
Recoverable outgoings	**5,752**	5,273
Non-recoverable outgoings	**688**	774
Bad debt expense	**18**	3
Amortisation of lease commissions & lease incentives	**414**	301
	6,872	6,351

5 Distribution income

	2018 $'000	2017 $'000
Listed property trust	**624**	630
	624	630

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

	2018 $'000	2017 $'000
Listed property trust	**383**	(1,790)
Derivatives	**283**	1,251
Net unrealised gains/(losses) on financial assets held at fair value through profit or loss	**666**	(539)

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 Stapled Scheme:

	2018 **$**	2017 $
Audit services - PricewaterhouseCoopers		
Audit and review of consolidated financial statements	**32,960**	32,000
Taxation services - Ernst & Young		
Tax compliance services	**16,890**	15,840

8 Other expenses

	2018 **$'000**	2017 $'000
Sundry expenses	**18**	170
	18	170

9 Net assets attributable to unitholders

As stipulated within the Stapled Scheme's Constitution, each unit represents a right to an individual share in the Stapled Scheme and does not extend to a right to the underlying assets of the Stapled Scheme. As at 30 June 2018, there are two classes of units in the Stapled Scheme, being Retail and Wholesale. Except for Responsible Entity's fees, the two classes of units carry equal rights.

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

Contributed equity	**2018 No. '000**	2017 No. '000	**2018 $'000**	2017 $'000
Opening balance	**188,760**	195,826	**146,663**	152,724
Retail units				
Applications	**358**	313	**340**	242
Redemptions	**(5,560)**	(6,585)	**(5,228)**	(5,273)
Units issued upon reinvestment of distributions	**610**	1,071	**559**	807
	(4,592)	(5,201)	**(4,329)**	(4,224)
Wholesale units				
Applications	**795**	847	**944**	852
Redemptions	**(3,240)**	(2,776)	**(3,793)**	(2,750)
Units issued upon reinvestment of distributions	**76**	64	**87**	61
	(2,369)	(1,865)	**(2,762)**	(1,837)
Closing balance	**181,799**	188,760	**139,572**	146,663

Undistributed income		
Opening balance	**34,961**	(1,593)
Increase in net assets attributable to unitholders	**14,425**	36,554
Closing balance	**49,386**	34,961
Total net assets attributable to unitholders	**188,958**	181,624

Capital risk management

The Stapled 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 Stapled Scheme is subject to daily applications at the discretion of unitholders, whilst redemptions, occur on a quarterly basis.

Under the terms of the Stapled Scheme's Constitution, the Responsible Entity has the discretion to reject application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders.

10 Distributions to unitholders

The distributions for the year were as follows:

	2018 $'000	2018 CPU	2017 $'000	2017 CPU
Distributions - Retail units				
30 September	**2,155**	1.3000	2,126	1.2400
31 December	**2,143**	1.3000	2,110	1.2400
31 March	**2,129**	1.3000	2,091	1.2400
30 June (payable)	**2,111**	1.3000	2,170	1.3000
	8,538		8,497	
Distributions - Wholesale units				
30 September	**381**	**1.8000**	393	1.6900
31 December	**367**	**1.8000**	382	1.6900
31 March	**356**	**1.8000**	376	1.6900
30 June (payable)	**350**	**1.8000**	393	1.8000
	1,454		1,544	
Total distributions	**9,992**		10,041	

11 Cash and cash equivalents

	2018 $'000	2017 $'000
Cash at bank	**3,256**	3,317
	3,256	3,317

12 Receivables

	2018 $'000	2017 $'000
Trade receivables	**1,685**	1,358
Distributions receivable	**315**	315
GST receivables	**128**	118
Provision for impairment loss	**(10)**	(10)
	2,118	1,781

13 Financial assets/(liabilities) held at fair value through profit or loss

	2018	2017
	$'000	$'000
Listed property trusts	**9,869**	9,486
Total financial assets held at fair value through profit or loss	**9,869**	9,486
Derivative liabilities	**(653)**	(936)
Total financial liabilities held at fair value through profit or loss	**(653)**	(936)

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 18.

14 Investment properties

(a) Property details

	Type	Ownership (%)	Acquisition date	Independent valuation date	Independent valuation amount $'000	Independent valuer	Carrying value **2018 $'000**	2017 $'000
Waurn Ponds Shopping Centre, Grovedale, VIC	Retail	50	31/01/2001	31/05/2017	140,000	Jones Lang LaSalle	**140,962**	140,000
Caltex Twin Service Centres, Wyong, NSW	Retail	100	31/01/2001	30/06/2018	88,000	CBRE	**88,000**	74,500
North Blackburn Shopping Centre, North Blackburn, VIC	Retail	100	14/07/2000	15/10/2017	55,200	Savills	**55,922**	54,573
Total					**283,200**		**284,884**	**269,073**

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 19.

(b) Movements in carrying amount

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

	2018	2017
	$'000	$'000
Opening balance	**269,073**	226,359
Additions	**2,082**	1,318
Lease commissions and incentives amortisation	**(414)**	(301)
Straight-lining of rental income	**(196)**	(185)
Revaluation movements	**14,339**	41,882
Closing balance	**284,884**	269,073

15 Payables

	2018 **$'000**	2017 $'000
Trade payables	**711**	657
Accrued expenses	**2,114**	5,222
GST payables	**368**	364
	3,193	6,243

16 Derivative financial instruments

2018	**Contract/notional** **$'000**	**Fair values** **Assets** **$'000**	**Liabilities** **$'000**
Interest rate swaps			
Maturing on 11 May 2020 at a fixed rate of 2.455% p.a.	**35,000**	-	**(325)**
Maturing on 11 May 2020 at a fixed rate of 2.460% p.a.	**35,000**	-	**(328)**
	70,000	-	**(653)**

2017	Contract/notional $'000	Fair values Assets $'000	Liabilities $'000
Interest rate swaps			
Maturing on 11 May 2020 at a fixed rate of 2.455% p.a.	35,000	-	(466)
Maturing on 11 May 2020 at a fixed rate of 2.460% p.a.	35,000	-	(470)
	70,000	-	(936)

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

An unrealised gain of $282,896 (2017: $1,250,674) relating to the change in the fair value of the Stapled Scheme's interest rate swap contracts were recognised in the consolidated statement of comprehensive income during the year ended 30 June 2018.

17 Borrowings

	2018 $'000	2017 $'000
Bank loan	**105,500**	93,000
Unamortised borrowing costs	**(511)**	(620)
	104,989	92,380

The Stapled Scheme had access to:

	2018 $'000	2017 $'000
Credit facilities		
Cash advance facilities	**145,000**	145,000
Drawn balance	**(105,500)**	(93,000)
Undrawn balance	**39,500**	52,000

The bank loan facility comprises of two tranches:

- Tranche A was refinanced with $35,000,000 facility expiring on 29 June 2020 (2017: $35,000,000 facility expired on 30 April 2018), and
- Tranche B is a $110,000,000 facility expiring on 28 April 2020 (2017: $110,000,000).

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

Reconciliations of the net debt are set out below:

	2018 $'000	2017 $'000
Analysis of changes in consolidated net debt		
Opening balance	**89,683**	75,214
Proceeds from borrowings	**12,500**	15,100
Other cash movements	**61**	(631)
Closing balance	**102,244**	89,683
Bank loan	**105,500**	93,000
Cash and cash equivalents	**(3,256)**	(3,317)
Consolidated net debt	**102,244**	89,683

18 Financial risk management

(a) Objectives, strategies, policies and processes
The Stapled 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 Stapled Scheme's overall risk management program focuses on ensuring compliance with the Stapled Scheme's disclosure documents and seeks to maximise the returns derived for the level of risk to which the Stapled 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 Stapled 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 Stapled 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 Stapled Scheme's direct investments and not on a look through basis for investments held in the Stapled Scheme.

(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 Stapled 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 Stapled 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 or 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.

18 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk (continued)

	2018 $'000	2017 $'000
Assets		
Listed property trusts	**9,869**	9,486
Total exposure	**9,869**	9,486

Sensitivity	**Impact on profit and net assets attributable to unitholders**	
	2018 **$'000**	2017 $'000
Securities prices + 10% (2017: +10%)	**987**	949
Securities prices - 10% (2017: -10%)	**(987)**	(949)

(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 Stapled Scheme is exposed to interest rate risk predominantly through borrowings. The Stapled Scheme applies 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 Stapled Scheme has exposure to interest rate risk on its monetary assets and liabilities, mitigated by the use of interest rate swaps, as shown in the table below:

	2018 **$'000**	2017 $'000
Floating rate		
Cash and cash equivalents	**3,256**	3,317
Borrowings*	**(105,500)**	(93,000)
	(102,244)	(89,683)
Derivative financial instruments		
Interest rate swaps - floating to fixed*	**70,000**	70,000
	70,000	70,000
Net exposure	**(32,244)**	(19,683)

* Represents the notional principal amounts.

18 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)
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	
	2018	2017
Sensitivity	**$'000**	$'000
Interest rate + 0.50% (2017: +0.50%)	**(161)**	(98)
Interest rate - 0.50% (2017: -0.50%)	**161**	98

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 Stapled Scheme to make a financial loss. The Stapled Scheme has exposure to credit risk on all of its financial assets included in the Stapled Scheme's consolidated statement of financial position.

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

The Stapled 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 Stapled Scheme in the event of a close out.

(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 Stapled Scheme's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Stapled Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

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

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

The Stapled Scheme may invest in investments in unlisted unit trusts and investment properties that expose the Stapled 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 Stapled Scheme.

Under the terms of its Constitution, the Stapled 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 Stapled Scheme's policy is to hold a proportion of their investments in liquid assets.

18 Financial risk management (continued)

(d) Liquidity risk (continued)

Maturities analysis of financial liabilities
The table below analyses the Stapled Scheme's financial liabilities into relevant maturity groupings based on the remaining period at the end of the year end 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.

2018	**Less than 1 year $'000**	**1-2 years $'000**	**2-3 years $'000**	**3+ years $'000**
Distributions payable	**2,461**	**-**	**-**	**-**
Payables	**3,193**	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss	**309**	**267**	**-**	**-**
Borrowings	**-**	**105,500**	**-**	**-**
Net assets attributable to unitholders	**188,958**	**-**	**-**	**-**
Total financial liabilities	**194,921**	**105,767**	**-**	**-**

2017	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3+ years $'000
Distributions payable	2,563	-	-	-
Payables	6,243	-	-	-
Financial liabilities at fair value through profit or loss	590	590	509	-
Borrowings	35,000	-	58,000	-
Net assets attributable to unitholders	181,624	-	-	-
Total financial liabilities	226,020	590	58,509	-

As disclosed above, the Stapled 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 2018, these assets amounted to $13,125,003 (2017: $12,803,202).

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

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

The Stapled Scheme values its investments in accordance with the accounting policies set out in note 19.

(f) Instruments used by the Stapled Scheme

The Stapled Scheme is party to derivative financial instruments in the normal course of business in order to manage exposure to fluctuations in interest rates in accordance with the Stapled Scheme's financial risk management policies.

The details of the Stapled Scheme's interest rate management activities are detailed in note 16.

19 Fair value hierarchy

The Stapled 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 Stapled 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 that 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.

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

2018	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 trust	**9,869**	**-**	**-**	**9,869**
Total financial assets	**9,869**	**-**	**-**	**9,869**
Non-financial assets				
Investment properties	**-**	**-**	**284,884**	**284,884**
Total non-financial assets	**-**	**-**	**284,884**	**284,884**
Financial liabilities				
Financial liabilities held at fair value through profit or loss				
Derivatives	**-**	**653**	**-**	**653**
Total financial liabilities	**-**	**653**	**-**	**653**

19 Fair value hierarchy (continued)

2017	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 trust	9,486	-	-	9,486
Total financial assets	9,486	-	-	9,486
Non-financial assets				
Investment properties	-	-	269,073	269,073
Total non-financial assets	-	-	269,073	269,073
Financial liabilities				
Financial liabilities held at fair value through profit or loss				
Derivatives	-	936	-	936
Total financial liabilities	-	936	-	936

The Stapled 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 (2017: $nil).

(b) Valuation techniques

(i) Financial instruments
The pricing for the majority of the Stapled 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.

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.

19 Fair value hierarchy (continued)

(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 appropriate method of assessment is considered to be via reconciliation between the discounted cash flow and income capitalisation methods. Direct comparison may also be used as a secondary assessment method.

- 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 identifies comparable sales on a dollar per square metre of lettable area and compares the equivalent rates to the subject property to establish the property’s market value. This approach is somewhat subjective given the fact that specific items of income and expenditure are difficult to directly reflect and compare when adopting a rate per metre.

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 end 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 14(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	**2018**	2017	**Relationship of inputs to fair value**
Weighted average capitalisation rate (%)	**6.21%**	6.39%	The higher the capitalisation rate, the lower the fair value.
Occupancy rate by income .(%)	**96.15%**	96.82%	The higher the occupancy rate, the higher the fair value.
Weighted average lease expiry (years)	**6.09 years**	6.88 years	The higher the lease expiry, the higher the fair value.

(ii) Valuation processes

Independent valuations of investment properties are obtained from suitably qualified valuers generally at least 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 14. 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.

19 Fair value hierarchy (continued)

(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.

20 Related party transactions

Responsible entity

The Responsible Entity of Australian Unity Retail Property Fund (Parent - Australian Unity Retail Property Trust) is Australian Unity Funds Management Limited (ABN 60 071 497 115) whose immediate and ultimate parent entity is Australian Unity Limited (ABN 23 087 648 888).

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 (appointed 23 October 2017)
Kevin McCoy, Chief Executive Officer, Independent & Assisted Living (resigned 27 November 2017)

(b) Other key management personnel

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

Other transactions within the Stapled Scheme

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

Responsible Entity's fees and other transactions

Under the terms of the Stapled Scheme's Constitution, the Responsible Entity is entitled to receive Responsible Entity's fees monthly, calculated daily, by reference to the gross assets of the Stapled Scheme.

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

The Responsible Entity is also entitled to charge an annual performance fee if the Stapled Scheme meets certain criteria.

The transactions during the year and amounts payable at 30 June 2018 between the Stapled Scheme and the Responsible Entity were as follows:

	2018 $	2017 $
Management fees for the year paid/payable by the Stapled Scheme to the Responsible Entity	**2,570,719**	2,310,106
Administration expenses incurred by the Responsible Entity which are reimbursed in accordance with the Stapled Scheme's Constitution	**384,259**	470,793
Performance fees for the year paid/payable by the Stapled Scheme to the Responsible Entity	**1,079,970**	4,676,276
Aggregate amounts payable to the Responsible Entity at the end of the year	**1,326,153**	4,571,547

20 Related party transactions (continued)

Responsible Entity's fees and other transactions (continued)

(a) Other related party transactions
Australian Unity Property Management Pty Ltd (a related party of the Responsible Entity) has been appointed to provide a number of property related services to the Stapled 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 Australian Unity Property Management Pty Ltd for the year ended 30 June 2018 was $640,437 (2017: $21,617). Total accrued fees payable to Australian Unity Property Management Pty Ltd as at 30 June 2018 was $94,000 (2017: $nil).

All related party transactions are under normal commercial terms and conditions and at market rates.

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

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 Stapled Scheme $'000
Lifeplan Australia Friendly Society Limited	**13,037**	**12,188**	**12,446**	**6.53**	**-**	**(849)**	**657**
Australian Unity Property Income Fund	**9,744**	**8,558**	**10,866**	**5.70**	**-**	**(1,185)**	**643**
Australian Unity Health Limited	**6,562**	**5,051**	**6,412**	**3.37**	**-**	**(1,512)**	**400**
Australian Unity Property Securities Fund	**5,000**	**3,476**	**3,550**	**1.86**	**-**	**(1,523)**	**208**
Australian Unity Balanced Growth Portfolio	**396**	**275**	**281**	**0.15**	**-**	**(121)**	**16**
Australian Unity Property Limited	**4**	**3**	**3**	**0.00**	**-**	**(1)**	**-**
Total	**34,743**	**29,551**	**33,558**	**17.61**	**-**	**(5,191)**	**1,924**

* Fair value of investment includes accrued distribution at the end of the year.

20 Related party transactions (continued)

Related party unitholdings (continued)

2017

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 Stapled Scheme $'000
Lifeplan Australia Friendly Society Limited	13,630	13,037	12,366	6.72	-	(594)	671
Australian Unity Property Income Fund	10,534	9,744	11,539	6.26	-	(790)	696
Australian Unity Health Limited	8,150	6,562	7,771	4.22	-	(1,588)	480
Australian Unity Property Securities Fund	7,519	5,000	4,742	2.57	-	(2,519)	296
Grand United Corporate Health Limited**	2,037	1,665	1,972	1.07	-	(372)	119
Australian Unity Balanced Growth Portfolio	595	396	375	0.20	-	(199)	23
Australian Unity Property Limited	6	4	4	0.01	-	(2)	1
Total	42,471	36,408	38,769	21.05	-	(6,064)	2,286

*Fair value of investment includes accrued distribution at the end of the year end.

**Ceased to be a related party unitholder from 31 October 2017.

21 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	2018 **$'000**	2017 $'000
Profit/(loss) for the year attributable to unitholders	**-**	-
Increase in net assets attributable to unitholders	**14,425**	36,554
Net (gain)/loss on financial instruments held at fair value through profit or loss	**(666)**	539
Increase in receivables	**(337)**	(561)
(Decrease)/increase in accounts payable/liabilities	**(3,045)**	4,162
Change in fair value of the investment properties - revaluation increment	**(14,339)**	(41,882)
Add back interest expenses and debt establishment costs	**4,320**	4,003
(Increase)/decrease in other assets/prepayments	**(38)**	31
Adjustments to net lease incentives and straight line rental	**218**	486
Distribution to unitholders	**9,992**	10,041
Net cash inflow from operating activities	**10,530**	13,373

22 Parent entity financial information

Statement of financial position	2018 $'000	2017 $'000
Cash and cash equivalents	**1,482**	1,992
Receivables	**2,090**	1,815
Prepaid expenses	**22**	21
Financial assets held at fair value through profit or loss	**9,869**	9,486
Investment in subsidiaries	**87,631**	74,357
Investment properties	**140,962**	140,000
Total assets	**242,056**	227,671
Distributions payable	**2,012**	2,107
Financial liabilities held at fair value through profit or loss	**653**	936
Payables	**9,211**	12,167
Borrowings	**80,065**	70,997
Total liabilities (excluding net assets attributable to unitholders)	**91,941**	86,207
Net assets attributable to unitholders	**150,115**	141,464

Statement of comprehensive income	2018 $'000	2017 $'000
Profit before finance costs attributable to unitholders	**22,188**	37,502
Finance costs attributable to unitholders		
Distributions to unitholders	**(8,030)**	(7,817)
Increase in net assets attributable to unitholders	**(14,158)**	(29,685)
Total comprehensive income for the year	**-**	-

23 Events occurring at the end of the financial year

The directors of the Responsible Entity are not aware of any matter or circumstance arising since 30 June 2018 which has significantly affected or may significantly affect the financial position of the Stapled Scheme disclosed in the consolidated statement of financial position as at 30 June 2018 or on the results and cash flows of the Stapled Scheme for the year ended on that date.

24 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2018 and 30 June 2017.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) The consolidated financial statements and notes set out on pages 6 to 39 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 Stapled Scheme's financial position as at 30 June 2018 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 Stapled 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 Stapled Scheme's Constitution, and

(d) Note 2(a) confirms that the financial statements also 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 2018

Independent auditor's report

To the unitholders of Australian Unity Retail Property Fund (Parent - Australian Unity Retail Property Trust)

Our opinion

In our opinion:

The accompanying financial report of Australian Unity Retail Property Fund (Parent - Australian Unity Retail Property Trust) (the "Stapled 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 2018 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 2018
- 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 of the Responsible Entity's 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 annual financial report for the year ended 30 June 2018, including the directors' report, 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 identified above 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 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 Stapled Scheme are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *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 Retail Property Fund (Parent - Australian Unity Retail Property Trust) for the year ending 30 June 2018 included on Australian Unity's web site. The directors of the Responsible Entity of the Stapled 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 2018