Australian Unity Property Income Fund

ARSN 094220498

Annual report
for the year ended 30 June 2024

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Directors' report

The directors of Australian Unity Investments Limited (ABN 18 658 761 561), the Responsible Entity of the Australian Unity Property Income Fund ("the Scheme"), present their report together with the financial statements of the Scheme for the year ended 30 June 2024 and the auditor's report thereon.

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
Esther Kerr, Group Executive, Wealth & Capital Markets
Darren Mann, Group Executive, Finance & Strategy and Chief Financial Officer

Principal activities
The Scheme's objective is to provide relatively consistent income with some potential for capital growth over the medium to long-term.

The Scheme invests in direct property assets, listed and unlisted property trusts and cash type assets. The Scheme invests in accordance with the investment policy of the Scheme as set out in its Product Disclosure Statement (PDS) and in accordance with its constitution.

Review and results of operations
Property valuations
The current year valuations were in total below the properties' carrying values resulting in recording a net revaluation fair value loss of $2,468,000 (2023: loss of $3,566,000).

Property disposals
On 20 October 2023, the Scheme exchanged a contract for the sale of the property located at 2-10 Bliss Court, Derrimut, VIC for a sale price of $18,800,000, excluding settlement adjustments and the sale settled on 3 November 2023 resulting in a net loss of ($1,415,000) relative to the book value of the Scheme.

On 22 December 2023, the Scheme exchanged a contract for the sale of the property located at 17 Byres Street, Newstead, QLD for a sale price of $11,500,000, excluding settlement adjustments and the sale settled on 28 February 2024 resulting in a net loss of ($nil) relative to the book value of the Scheme.

On 29 December 2023, the Scheme exchanged a contract for the sale of the property located at 91-97 Woodlands Drive, Braeside, VIC for a sale price of $12,500,000, excluding settlement adjustments and the sale settled on 27 March 2024 resulting in a net loss of ($875,000) relative to the book value of the Scheme.

Results
For the year ended 30 June 2024, the Scheme's Wholesale units posted a total return of 2.93% (split between a distribution return of 5.61% and a growth return of -2.68%).*

Unit prices (ex distribution) as at 30 June 2024 is $ 0.8792 (30 June 2023: $0.9034).*

*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 financial statements. Return calculations assume reinvestment of distributions.

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

	2024	2023
	$'000	$'000
Profit before finance costs attributable to unitholders	**6,453**	4,685

Review and results of operations (continued)
Results (continued)

Distributions paid and payable	**15,189**	18,092

Significant changes in the state of affairs
On 28 June 2024, Australian Unity Property Limited (AUPL) retired as the Responsible Entity of the Scheme and Australian Unity Investments Limited (AUIL) was appointed as the new Responsible Entity of the Scheme.

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

Events occurring after end of the year
No matters or circumstances have arisen since 30 June 2024 that have significantly affected, or may significantly affect the operations of the Scheme, the result of operations, or the state of the Scheme's affairs for the year ended on that date.

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

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

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

Fees paid to and interests held in the Scheme by the Responsible Entity or its associates
Fees paid to the Responsible Entity and its associates out of Scheme property during the year are disclosed in note 16 to the financial statements.

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

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the year are disclosed in note 16 to the financial statements.

Units in the Scheme
The movement in units on issue in the Scheme during the year is disclosed in note 7 to the financial statements.

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

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

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

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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

Rohan Mead
Director

Esther Kerr
Director

20 September 2024

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Australian Unity Investments Limited as Responsible Entity for Australian Unity Property Income Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of Australian Unity Property Income Fund for the financial year ended 30 June 2024 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

David Kells

Partner

Sydney

20 September 2024

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Statement of comprehensive income

	Notes	2024 $'000	2023 $'000
Income			
Rental income	3	**5,025**	6,722
Property expenses	4	**(2,478)**	(2,844)
Net property income		**2,547**	3,878
Interest income		**482**	236
Distribution income	5	**10,884**	10,969
Net losses on financial instruments held at fair value through profit or loss		**(2,396)**	(4,268)
Net fair value loss of investment properties	12(b)	**(2,468)**	(3,566)
Other income		**1,190**	1,159
Total income net of property expenses		**10,239**	8,408
Expenses			
Management fees	16	**2,759**	3,250
Other expenses		**1,027**	473
Total expenses, excluding property expenses		**3,786**	3,723
Profit for the year		**6,453**	4,685
Other comprehensive income		**-**	-
Total comprehensive income attributable to unitholders		**6,453**	4,685

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

Statement of financial position

	Notes	**2024 $'000**	2023 $'000
Assets			
Cash and cash equivalents	9	**28,431**	10,678
Receivables	10	**3,212**	3,858
Financial assets held at fair value through profit or loss	11	**149,171**	159,268
Other assets		**66**	95
Investment properties	12	**77,222**	121,333
Total assets		**258,102**	295,232
Liabilities			
Distributions payable	8	**1,214**	1,346
Payables	13	**1,882**	2,856
Total liabilities		**3,096**	4,202
Net assets attributable to unitholders - equity		**255,006**	291,030

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

Statement of changes in equity

	2024 $'000	2023 $'000
Balance at the beginning of the year	**291,030**	356,227
Comprehensive income for the year		
Profit for the year	**6,453**	4,685
Other comprehensive income	**-**	-
Total comprehensive income attributable to unitholders	**6,453**	4,685
Transactions with unitholders		
Applications	**40,045**	55,883
Redemptions	**(68,881)**	(109,797)
Units issued upon reinvestment of distributions	**1,548**	2,124
Distributions paid and payable	**(15,189)**	(18,092)
Total transactions with unitholders	**(42,477)**	(69,882)
Balance at the end of the year	**255,006**	**291,030**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	Notes	**2024 $'000**	2023 $'000
Cash flows from operating activities			
Interest received		**482**	236
Distributions received		**8,418**	4,184
Rental and other income received		**7,191**	9,480
Payments to suppliers		**(6,091)**	(5,086)
Net cash inflow from operating activities	17(a)	**10,000**	8,814
Cash flows from investing activities			
Purchase of financial instruments held at fair value through profit or loss		**(2,500)**	(11,000)
Proceeds from sale of financial instruments held at fair value through profit or loss		**12,589**	36,846
Payments for additions to investment properties		**(1,572)**	(8,139)
Proceeds from sale of investment properties		**42,800**	18,420
Disposal costs paid from sale of investment property		**(956)**	(437)
Net cash inflow from investing activities		**50,361**	35,690
Cash flows from financing activities			
Proceeds from applications by unitholders		**40,045**	55,883
Payments for redemptions by unitholders		**(68,881)**	(109,797)
Distributions paid		**(13,772)**	(19,371)
Net cash outflow from financing activities		**(42,608)**	(73,285)
Net increase/(decrease) in cash and cash equivalents		**17,753**	(28,781)
Cash and cash equivalents at the beginning of the year		**10,678**	39,459
Cash and cash equivalents at the end of the year	9	**28,431**	10,678
Non-cash operating and financing activities	17(b)	**4,621**	10,354

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

Notes to the financial statements

1 General information

These financial statements cover Australian Unity Property Income Fund ("the Scheme") as an individual entity. The Scheme was constituted on 1 December 1998 and will terminate on the 80th anniversary or earlier in accordance with the provisions of the Scheme's Constitution.

On 28 June 2024, Australian Unity Property Limited (AUPL) retired as the Responsible Entity of the Scheme and Australian Unity Investments Limited (AUIL) was appointed as the new Responsible Entity of the Scheme.

The Responsible Entity of the Scheme is Australian Unity Investments Limited (ABN 18 658 761 561), a wholly owned subsidiary of Australian Unity Limited (ABN 23 087 648 888). The Responsible Entity's registered office is Level 15, 271 Spring Street, Melbourne, VIC 3000.

The Responsible Entity is incorporated and domiciled in Australia.

The financial statements are for the year 1 July 2023 to 30 June 2024.

The financial statements were authorised for issue by the directors of the Responsible Entity on 20 September 2024. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

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

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

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within 12 months, except for investment properties, financial assets/(liabilities) held at fair value through profit or loss 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 financial statements of the Scheme comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB) and also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(ii) New accounting standards and amendments adopted by the Scheme
The Scheme applied the following standard that became mandatory for the first time during the reporting period: *AASB 2021-2 Disclosure of Accounting Policies and Definition of Accounting Estimates.* This amends AASB Standards to provide a definition of and clarifications on accounting estimates and clarify the concept of materiality in the context of disclosure of accounting policies. The amendments did not result in any changes to the accounting policies or the accounting policy information disclosed in these financial statements.

(iii) New accounting standards, amendments and interpretations not yet adopted
Certain new accounting standards, amendments and interpretations have been published that are not mandatory for 30 June 2024 reporting period and have not yet been applied in the financial statements. None of these are expected to have a material effect on the financial statements of the Scheme.

2 Summary of material accounting policies (continued)

(b) 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 statement of comprehensive income in the year in which they arise.

Redevelopment and refurbishment costs (other than repairs and maintenance) are capitalised to carrying value of the investment property where they result in an enhancement in the future economic benefits of the property. Leasing fees incurred and incentives provided (excluding rental abatements which are expensed) are capitalised and amortised over the lease periods to which they relate.

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

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

Gains or losses arising from changes in the fair value of investment properties are included in the statement of comprehensive income in the year in which they arise.

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

(c) Financial instruments

(i) Classification
The classification depends on the Scheme's business model for managing the financial instruments and the contractual terms of the relevant cash flows. The Scheme classifies its financial statements into the following measurement categories:

- *Financial assets and liabilities*

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

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

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

2 Summary of material accounting policies (continued)

(c) Financial instruments (continued)

(i) Classification (continued)

- *Amortised cost*

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

(a) it is held within a business model which objective is to hold assets in order to collect contractual cash flows, and
(b) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

(ii) Recognition/derecognition

The Scheme recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date).

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

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

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Any gains or losses arising on derecognition of a financial asset or liability is included in the statement of comprehensive income in the year the financial asset or liability is derecognised as realised gains or losses on financial instruments.

(iii) Measurement

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

For further details on how the fair values of financial instruments are determined, refer to Note 15 to the financial statements.

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

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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.

(d) Net assets attributable to unitholders

Units are redeemable at the unitholders' option. The units can be put back to the Scheme for cash equal to a proportionate share of the Scheme's net asset value. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to put the units back to the Scheme.

The Scheme classifies the net assets attributable to unitholders as equity as they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation:*

2 Summary of material accounting policies (continued)

(d) Net assets attributable to unitholders (continued)

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Scheme's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial instruments, or to exchange financial instruments with another entity under potentially unfavorable conditions to the Scheme, and it is not a contract settled in the Scheme's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

(e) Cash and cash equivalents

For the purpose of presentation in the 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 statement of financial position.

(f) Investment income

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

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

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

(g) Expenses

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

(h) Income tax

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

(i) Distributions

In accordance with the Scheme's Constitution, the Scheme distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment.

(j) 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 2(f) above. Amounts are generally received within 30 days of being recorded as receivables.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for expected credit losses. Trade receivables are required to be settled within 30 days and are assessed on an ongoing basis for impairment. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for expected credit losses is recognised for expected credit losses on trade and other receivables. The provision for expected credit losses 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 as the effect of discounting is immaterial.

2 Summary of material accounting policies (continued)

(j) Receivables (continued)

The calculation of expected credit losses relating to rent and other receivables require significant judgement to assess the future uncertainty of tenants' ability to pay their debts. Expected credit losses have been estimated with reference to the Scheme's historical credit loss experience, general economic conditions and forecasts, assumptions around rent relief that may be provided to tenants and tenant risk factors such as size, industry exposure and the Scheme's understanding of the ability of tenants to pay their debts. Accordingly, expected credit losses include both the part of the rent receivable that is likely to be waived and any additional amount relating to credit risk associated with the financial condition of the tenant.

(k) Payables

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

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

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

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

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

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

(l) Applications and redemptions

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

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

(m) Goods and Services Tax (GST)

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

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

(n) Revenue

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

2 Summary of material accounting policies (continued)

(n) Revenue (continued)

Rental income
Rental income is recognised on a straight-line basis over the lease term for leases with fixed rent review clauses. The rental adjustments from straight-lining of rental income are disclosed in the financial statements for financial reporting presentation purposes only.

Contingent rentals, such as turnover rent and market rent adjustments, are recognised as income in the financial reporting period in which they are earned. Some leases contain variable payment terms that are linked to sales generated. Variable lease payments that depend on sales are recognised in the statement of comprehensive income in the period in which the condition that triggers those payments occurs.

Incidental income (costs) derived from an investment property undergoing construction or development but not directly related to bringing the assets to working condition, are recognised in profit for the year.
Rent not received at the end of the year is reflected in the statement of financial position as a receivable or if paid in advance, as a liability.

Outgoings income
Outgoings income is recognised in the statement of comprehensive income on an accruals basis.

Within its lease arrangements, the Scheme provides certain services to tenants (such as utilities, cleaning, maintenance and certain parking arrangements) which are accounted for within AASB 15 *Revenue from Contracts with Customers*. A portion of the consideration within the lease arrangements is therefore allocated to revenue for the provision of these services.

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

(o) 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.

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

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

The key weighted average assumptions used by the external independent property valuers in the latest valuations have been used by the Scheme for the investment properties and the weighted average total for all properties have been disclosed in note 15.

2 Summary of material accounting policies (continued)

(p) Use of judgements and estimates (continued)

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

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

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

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

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

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

(q) Rounding of amounts

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

(r) Functional and presentation currency

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

(s) Structured entities

The Scheme has assessed whether the funds in which it invests should be classified as structured entities. The Scheme has considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. The Scheme has also considered whether these rights are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds. The Scheme has concluded that the funds in which it invests in are not structured entities.

3 Rental income

	2024	2023
	$'000	$'000
Rental income	**4,528**	6,645
Outgoings income	**1,130**	1,092
Amortisation of lease commissions & lease incentives	**(633)**	(1,015)
	5,025	6,722

Rental income includes an adjustment for the straight lining of rental income of ($405,000) (2023: $299,000).

4 Property expenses

	2024	2023
	$'000	$'000
Recoverable outgoings	**2,310**	2,520
Non-recoverable outgoings	**168**	324
	2,478	2,844

5 Distribution income

	2024	2023
	$'000	$'000
Related unlisted managed investment schemes	**8,826**	7,231
Unrelated listed property trusts	**980**	1,859
Unrelated unlisted property trusts	**544**	640
Related listed property trusts	**534**	1,239
	10,884	10,969

6 Auditors' remuneration

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

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

	2024	2023
	$	$
Audit services - KPMG (2023: PwC)		
Audit and review of financial statements	**48,779**	48,600
Audit of compliance plan	**3,000**	4,917
Total auditor's remuneration	**51,779**	53,517

7 Net assets attributable to unitholders

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

Contributed equity	**2024 No. '000**	2023 No. '000	**2024 $'000**	2023 $'000
Opening balance	**322,974**	379,912	**353,526**	405,316
Applications	**44,509**	59,445	**40,045**	55,883
Redemptions	**(77,717)**	(118,669)	**(68,881)**	(109,797)
Units issued upon reinvestment of distributions	**1,736**	2,286	**1,548**	2,124
	(31,472)	(56,938)	**(27,288)**	(51,790)
Closing balance	**291,502**	322,974	**326,238**	353,526

Undistributed income	**2024 $'000**	2023 $'000
Opening balance	**(62,496)**	(49,090)
Increase in net assets attributable to unitholders	**(8,736)**	(13,406)
Closing balance	**(71,232)**	(62,496)
Total net assets attributable to unitholders	**255,006**	291,030

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme.

Capital risk management

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

8 Distributions to unitholders

The distributions for the year were as follows:

	2024 $'000	2024 CPU	2023 $'000	2023 CPU
31 July	**1,334**	**0.4166**	1,595	0.4167
31 August	**1,332**	**0.4166**	1,615	0.4167
30 September	**1,248**	**0.4166**	1,606	0.4167
31 October	**1,321**	**0.4166**	1,567	0.4167
30 November	**1,309**	**0.4166**	1,561	0.4167
31 December	**1,259**	**0.4166**	1,548	0.4167
31 January	**1,243**	**0.4166**	1,543	0.4167
28 February	**1,240**	**0.4166**	1,524	0.4167
31 March	**1,235**	**0.4166**	1,482	0.4167
30 April	**1,232**	**0.4166**	1,355	0.4167
31 May	**1,222**	**0.4166**	1,350	0.4167
30 June (payable)	**1,214**	**0.4166**	1,346	0.4167
	15,189		18,092	

9 Cash and cash equivalents

	2024 $'000	2023 $'000
Cash at bank	**23,715**	5,823
Cash management trusts	**4,716**	4,855
	28,431	10,678

10 Receivables

	2024 $'000	2023 $'000
Distribution receivable	**2,755**	3,227
Trade receivables	**354**	396
GST receivables	**103**	235
	3,212	3,858

11 Financial assets held at fair value through profit or loss

	2024	2023
	$'000	$'000
Related unlisted managed investment schemes	**110,103**	117,584
Unrelated unlisted property trusts	**22,030**	23,292
Unrelated listed property trusts	**12,120**	13,416
Related listed property trusts	**4,918**	4,976
Total financial assets held at fair value through profit or loss	**149,171**	159,268

12 Investment properties

(a) Property details

	Type	Ownership	Independent valuation date	Independent valuation amount	Valuer	Carrying value 2024	Carrying value 2023
		(%)		$'000		$'000	$'000
223-227 Governor Road, Braeside, VIC	Industrial	100	01/04/2024	28,000	**Savills**	**28,000**	28,300
70 Light Square, Adelaide, SA	Office	100	01/04/2024	16,200	**CBRE**	**16,208**	17,678
2-10 Bliss Court, Derrimut, VIC	Industrial	100	SOLD	N/A	**N/A**	**-**	19,187
296 St. Vincent Street, Port Adelaide, SA	Office	100	01/04/2024	14,450	**CBRE**	**14,514**	14,250
91-97 Woodlands Drive, Braeside VIC	Industrial	100	SOLD	N/A	**N/A**	**-**	12,757
17 Byres Street, Newstead, QLD	Office	100	SOLD	N/A	**N/A**	**-**	10,000
Edith Cavell Building, Brisbane, QLD	Office	100	30-Jun-24	11,500	**Colliers**	**11,500**	11,572
134 King Street, Newcastle, NSW	Office	100	30-Jun-24	7,000	**CBRE**	**7,000**	7,589
Total investment properties						**77,222**	121,333

Where the carrying value of an investment property may vary from the most recent independent valuation of the property (as set out in the table above) due to capital expenditure and the accounting treatment of leasing commissions and lease incentives during the current period. The carrying value at the reporting date reflects the directors of the Responsible Entity's best estimate of the fair value of each property based on internal valuations.

(b) Movements in carrying amount

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

	2024	2023
	$'000	$'000
Opening balance	**121,333**	135,592
Additions	**2,195**	8,443
Change in fair value	**(2,468)**	(3,566)
Straight-lining of rental income	**(405)**	299
Lease commissions and incentives amortisation	**(633)**	(1,015)
Disposal of investment properties	**(42,800)**	(18,420)
Closing balance	**77,222**	121,333

12 Investment properties (continued)

(b) Movements in carrying amount (continued)

On 20 October 2023, the Scheme exchanged a contract for the sale of the property located at 2-10 Bliss Court, Derrimut, VIC for a sale price of $18,800,000, excluding settlement adjustments and the sale settled on 3 November 2023.

On 22 December 2023, the Scheme exchanged a contract for the sale of the property located at 17 Byres Street,Newstead, QLD for a sale price of $11,500,000, excluding settlement adjustments and the sale settled on 28 February 2024.

On 29 December 2023, the Scheme exchanged a contract for the sale of the property located at 91-97 Woodlands Drive, Braeside, VIC for a sale price of $12,500,000, excluding settlement adjustments and the sale settled on 27 March 2024.

(c) Leasing arrangements

The Scheme leases out its investment properties to tenants under operating leases with rentals payable monthly. The future minimum lease payments receivable under non-cancellable lease are as follows:

	2024 **$'000**	2023 $'000
Within one year	**4,563**	6,305
Later than one year but not later than 5 years	**14,378**	19,555
Later than 5 years	**28,717**	44,436
	47,658	70,296

13 Payables

	2024 **$'000**	2023 $'000
Accrued expenses	**1,152**	1,726
Rent received in advance	**352**	453
Trade payables	**265**	501
GST payables	**113**	176
	1,882	2,856

14 Financial risk management

(a) Objectives, strategies, policies and processes

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

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

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

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

14 Financial risk management (continued)

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

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

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

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

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

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

	2024	2023
	$'000	$'000
Assets		
Related unlisted managed investment schemes	**110,103**	117,584
Unrelated unlisted property trusts	**22,030**	23,292
Unrelated listed property trusts	**12,120**	13,416
Related listed property trusts	**4,918**	4,976
Total exposure	**149,171**	159,268

Sensitivity	**Impact on profit and net assets attributable to unitholders**	
	2024	2023
	$'000	$'000
Securities prices +14.10% (2023: +14%)	**21,033**	22,298
Securities prices -14.10% (2023: -14%)	**(21,033)**	(22,298)

14 Financial risk management (continued)

(b) Market risk (continued)

(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.

Interest rate risk is not considered to be significant to the Scheme, as the Scheme does not have any borrowings.

	2024	2023
	$'000	$'000
Floating rate		
Cash and cash equivalents	**28,431**	10,678
Net exposure	**28,431**	10,678

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	
	2023	2023
Sensitivity	**$'000**	$'000
Interest rate +0.76% (2023: +0.70%)	**(215)**	(75)
Interest rate -0.76% (2023: -0.70%)	**215**	75

(c) Credit risk

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

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

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

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

14 Financial risk management (continued)

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

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

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

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

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

Units are redeemed on demand at the unitholders option via withdrawal facility offers by the Responsible Entity.

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

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

2024	**Less than 1 year $'000**	**1-2 years $'000**	**2-3 years $'000**	**3+ years $'000**
Distributions payable	**1,214**	**-**	**-**	**-**
Payables	**1,882**	**-**	**-**	**-**
Total financial liabilities	**3,096**	**-**	**-**	**-**

2023	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3+ years $'000
Distributions payable	1,346	-	-	-
Payables	2,856	-	-	-
Total financial liabilities	4,202	-	-	-

As disclosed above, the Scheme manages its liquidity risk by investing in liquid assets that it expects to be able to liquidate within seven days or less. Liquid assets include cash and cash equivalents, listed property trusts and unlisted managed schemes that invest primarily into listed property trusts. As at 30 June 2024, these assets amounted to $124,119,000 (2023: $111,103,000).

14 Financial risk management (continued)

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

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

The Scheme values its investments in accordance with the accounting policies set out in note 15.

15 Fair value hierarchy

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

(a) Fair value hierarchy

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

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

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

The determination of what constitutes "observable" requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be 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 Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

2024	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets held at fair value through profit or loss				
Related listed property trusts	**4,918**	**-**	**-**	**4,918**
Unrelated listed property trusts	**12,120**	**-**	**-**	**12,120**
Related unlisted managed investment schemes	**-**	**110,103**	**-**	**110,103**
Unrelated unlisted property trusts	**-**	**-**	**22,030**	**22,030**
Total financial assets	**17,038**	**110,103**	**22,030**	**149,171**
Non-financial assets				
Investment properties	**-**	**-**	**77,222**	**77,222**
Total non-financial assets	**-**	**-**	**77,222**	**77,222**

15 Fair value hierarchy (continued)

2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held at fair value through profit or loss				
Related listed property trusts	4,976	-	-	4,976
Unrelated listed property trusts	13,416	-	-	13,416
Related unlisted managed investment schemes	-	117,584	-	117,584
Unrelated unlisted property trusts	-	-	23,292	23,292
Total financial assets	18,392	117,584	23,292	159,268
Non-financial assets				
Investment properties	-	-	121,333	121,333
Total non-financial assets	-	-	121,333	121,333

The following table presents the movement in level 3 instruments by class of financial instrument.

2024	**Opening balance $'000**	**Purchases $'000**	**Sales $'000**	**Net transfers in/(out) $'000**	**Net changes recognised in profit or loss $'000**	**Closing balance $'000**
Unrelated unlisted property trusts	**23,292**	**-**	**-**	**-**	**(1,262)**	**22,030**
Total	**23,292**	**-**	**-**	**-**	**(1,262)**	**22,030**

2023	Opening balance $'000	Purchases $'000	Sales $'000	Net transfers in/(out) $'000	Net changes recognised in profit or loss $'000	Closing balance $'000
Unrelated unlisted property trusts	24,154	-	-	-	(862)	23,292
Total	24,154	-	-	-	(862)	23,292

The Scheme's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the year.

There were no transfers between levels 1, 2 and 3 for fair value measurements during the year (2023: $nil).

(b) Valuation techniques

(i) Financial instruments

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

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

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

Specific valuation techniques used daily to value financial instruments include:

- for listed trusts, disclosed in level 1, the use of quoted market prices or dealer for similar instruments;

15 Fair value hierarchy (continued)

- for unlisted trusts, 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.

(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 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 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.

The change in fair value of investment properties for the year are set out in Note 12(b).

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

Investments in unrelated unlisted managed property trusts are measured based on the net asset value of the funds as provided by the relevant investment manager. The Scheme reviews the valuation methodology adopted by the relevant investment manager, particularly the valuation of investment properties as the net asset value movements are mainly due to fair value changes of the underlying investment properties.

The changes in fair value of investment properties for the year are set out in note 12(b).

(i) Valuation inputs and relationship to fair value

The following are the key valuation assumptions used in the determination of the investment properties fair value using the discounted cash flows and income capitalisation valuation methodologies:

- Net passing rent - the contracted net amount for which a property or space within a property is leased. In the calculation of net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable);
- Net market rent - the estimated amount for which a property or space within a property should be leased between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In the calculation of net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable);
- 10 year average market rental growth - average of a 10 year period of forecast annual percentage growth rates;
- Adopted capitalisation rate - the rate at which net market income is capitalised to determine the value of the property. This rate is determined with regards to market evidence;

15 Fair value hierarchy (continued)

- Adopted terminal yield - the capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of a holding period when carrying out a discounted cash flow calculation. This rate is determined with regards to market evidence; and
- Adopted discount rate - the rate of return to convert a monetary sum, payable or receivable in the future, into present value. Theoretically, it should reflect the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. This rate is determined with regards to market evidence;

The ranges of the key valuation inputs to measure the fair value of the Scheme's investment properties are shown in the table below:

Valuation inputs	**2024**	2023
Current net market rental ($ per sqm)	**39 - 496**	86 - 547
Adopted capitalisation rate (%)	**5.25 - 7.00**	4.25 - 7.25
Adopted discount rate (%)	**6.00 - 7.00**	6.25 - 7.00
Adopted terminal yield (%)	**5.63 - 6.75**	4.75 - 6.38

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

(iii) Sensitivity information
The table below details the movement in the fair value when each of the significant inputs either increase or decrease, with all other inputs remaining constant:

Significant inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Current market rental	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase
Adopted terminal yield	Decrease	Increase
Adopted discount rate	Decrease	Increase

It is often the case that multiple significant inputs change simultaneously, on these occasions the impact of the changes in the individual inputs can be reduced or vice versa can magnify the movement in the fair value.

When assessing the discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship because the discount rate will determine the rate at which the terminal value is discounted to the present value. In theory, an increase (softening) in the adopted discount rate and a decrease (tightening) in the adopted terminal yield could potentially offset the impact on fair value, and vice versa. The impact on fair value may be magnified if both the discount rate and terminal yield move in the same direction.

15 Fair value hierarchy (continued)

When calculating the income capitalisation, the net market rent has a strong interrelationship with the adopted capitalisation rate. This is because the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the net market rent and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the net market rent and a decrease (tightening) in the adopted capitalisation rate. The impact on fair value may be magnified if the net market rent is increasing while the capitalisation rate is decreasing (or vice versa).

A sensitivity analysis was undertaken to assess the impact of capitalisation rates, discount rates and terminal yields on the fair value of the investment properties. The estimated impact of a change in these significant unobservable inputs is illustrated in the table below:

	30 June 2024 $'000	30 June 2023 $'000
Adopted capitalisation rate +0.25%	**(3,070)**	(5,706)
Adopted capitalisation rate -0.25%	**3,936**	6,328
Adopted discount rate +0.25%	**(1,376)**	(1,048)
Adopted discount rate -0.25%	**1,294**	2,325
Adopted terminal yield +0.25%	**(1,886)**	(2,061)
Adopted terminal yield -0.25%	**1,924**	3,567

(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.

16 Related party transactions

Responsible entity
The Responsible Entity of Australian Unity Property Income Fund is Australian Unity Investments Limited (ABN 18 658 761 561) 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 Investments Limited at any time during the year as follows:

Rohan Mead, Chairman and Group Managing Director
Esther Kerr, Group Executive, Wealth & Capital Markets
Darren Mann, Group Executive, Finance & Strategy and Chief Financial Officer

(b) Other key management personnel
There were no other persons with responsibility for planning, directing and controlling the activities of the Scheme, directly or indirectly during the year.

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

Management fees and other transactions
Under the terms of the Scheme's Constitution, the Responsible Entity is entitled to receive management fees monthly, calculated daily, by reference to the net assets of the Scheme.

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

16 Related party transactions (continued)

Management fees and other transactions (continued)

The transactions during the year and amount payable at 30 June 2024 between the Scheme and the Responsible Entity were as follows:

	2024 **$**	2023 $
Management fees for the year paid and payable by the Scheme to the Responsible Entity	**2,623,310**	3,080,214
Administration expenses incurred by the Responsible Entity which are reimbursed in accordance with the Scheme's Constitution	**136,010**	169,636
Fees rebated by the Responsible Entity in respect of investments by the Scheme in other schemes managed by the Responsible Entity and its related parties	**1,177,982**	1,159,391
Aggregate amounts payable to the Responsible Entity at the end of the reporting year	**122,653**	98,670

Fees incurred by the Scheme for the provision of key management personnel services are included in the management fee paid to the Responsible Entity.

(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 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 2024 was $276,395 (2023: $110,450). Total accrued fees payable to Australian Unity Property Management Pty Ltd as at 30 June 2024 was $nil (2023: $nil).

The Scheme charged Australian Unity Group Services Pty Ltd (ACN 006 803 069) (“AUGSPL”), a wholly owned subsidiary of Australian Unity Limited, total rent of $808,516 (2023: $515,716) during the year, of which $nil (2023 $32,399) remains receivable as at 30 June 2024. The leases were entered into under normal commercial terms and conditions and at market rates.

16 Related party transactions (continued)

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

2024

Unitholder	No. of units held opening '000	No. of units held closing '000	Fair value of investment* $'000	Interest held (%)	No. of units acquired '000	No. of units disposed '000	Distributions paid/payable by the Scheme $'000
Lifeplan Australia Friendly Society	**6,417**	**6,445**	**5,681**	**2.21**	**887**	**(860)**	**350**
AUFM No. 2	**2,379**	**922**	**813**	**0.32**	**-**	**(1,457)**	**81**
AUFM No. 3	**1,629**	**675**	**595**	**0.23**	**-**	**(954)**	**57**
Australian Unity Balanced Growth Portfolio	**1,574**	**2,255**	**1,987**	**0.77**	**681**	**-**	**106**
AUFM No. 1	**549**	**226**	**199**	**0.08**	**-**	**(323)**	**19**
Australian Unity Trustees Charitable Common Fund 3	**479**	**412**	**362**	**0.14**	**-**	**(67)**	**25**
Australian Unity Trustees Ltd	**1,864**	**4,045**	**3,565**	**1.39**	**2,266**	**(85)**	**173**
Total	**14,891**	**14,980**	**13,202**	**5.14**	**3,834**	**(3,746)**	**811**

2023

Unitholder	No. of units held opening '000	No. of units held closing '000	Fair value of investment* $'000	Interest held (%)	No. of units acquired '000	No. of units disposed '000	Distributions paid/payable by the Scheme $'000
Lifeplan Australia Friendly Society	7,793	6,417	5,813	1.99	1,371	(2,747)	337
AUFM No. 2	3,130	2,379	2,155	0.74	-	(751)	148
AUFM No. 3	2,168	1,629	1,475	0.50	-	(539)	96
Australian Unity Balanced Growth Portfolio	1,788	1,574	1,425	0.49	36	(250)	87
AUFM No. 1	658	549	497	0.17	-	(109)	31
Australian Unity Trustees Charitable Common Fund 3	534	479	432	0.15	1	(56)	24
Australian Unity Trustees Ltd	3,046	1,864	1,687	0.58	-	(1,182)	103
Total	19,117	14,891	13,484	4.62	1,408	(5,634)	826

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

16 Related party transactions (continued)

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

2024	No. of units held opening '000	No. of units held closing '000	Fair value of investment $'000	Interest held %	No. of units acquired '000	No. of units disposed '000	Distributions received/ receivable $'000
Australian Unity A-REIT Fund	**106,619**	**101,016**	**78,793**	**84.87**	**7,391**	**(12,994)**	**4,581**
Australian Unity Wholesale Cash Fund	**4,855**	**4,716**	**4,716**	**1.06**	**21,164**	**(21,303)**	**133**
Australian Unity Diversified Property Fund	**4,040**	**2,563**	**2,720**	**1.00**	**-**	**1,477**	**172**
Australian Unity Healthcare Property Trust - Wholesale units	**888**	**405**	**967**	**0.05**	**-**	**(483)**	**63**
Australian Unity Office Fund	**3,813**	**3,813**	**4,918**	**2.32**	**-**	**-**	**534**
Australian Unity Specialist Disability Accommodation Fund	**7,368**	**7,368**	**9,017**	**7.54**	**-**	**-**	**220**
Australian Unity Student Accommodation Fund	**12,000**	**12,000**	**13,531**	**30.62**	**-**	**-**	**3,533**
Australian Unity Childcare Property Fund	**5,000**	**5,000**	**5,077**	**9.02**	**-**	**-**	**124**
	144,583	**136,881**	**119,739**		**28,555**	**(33,303)**	**9,360**

16 Related party transactions (continued)

Investments (continued)

2023	No. of units held opening '000	No. of units held closing '000	Fair value of investment $'000	Interest held %	No. of units acquired '000	No. of units disposed '000	Distributions received/ receivable $'000
Australian Unity A-REIT Fund	110,489	106,619	82,033	91.92	22,379	(26,249)	5,234
Australian Unity Wholesale Cash Fund	1,898	4,855	4,855	1.47	41,949	(38,992)	162
Australian Unity Diversified Property Fund	6,893	4,040	4,499	1.48	420	(3,273)	306
Australian Unity Healthcare Property Trust - Wholesale units	4,784	888	2,424	0.27	164	(4,060)	337
Australian Unity Office Fund	3,813	3,813	4,976	2.32	-	-	1,239
Australian Unity Specialist Disability Accommodation Fund	7,368	7,368	8,480	9.34	-	-	255
Australian Unity Student Accommodation Fund	12,000	12,000	14,998	30.62	-	-	785
Australian Unity Childcare Property Fund	5,000	5,000	5,151	9.11	-	-	151
	152,245	144,583	127,416		64,912	(72,574)	8,469

Distributions received/receivable includes an amount of $2,139,000 (2023: $2,769,000) which remains unpaid at the end of the year.

17 Reconciliation of profit to net cash inflow from operating activities

(a) Reconciliation of profit to net cash inflow from operating activities

	2024 $'000	2023 $'000
Profit for the year attributable to unitholders	**6,453**	4,685
Change in fair value of the investment properties - revaluation decrement	**1,784**	3,566
Losses on financial instruments held at fair value through profit or loss	**3,080**	4,268
Reinvestments of financial instruments held at fair value through profit or loss	**(3,074)**	(8,230)
Net change in receivables	**647**	2,506
Net change in payables	**(912)**	712
Net change in other assets	**29**	154
Adjustments to net lease incentives and straight line rental	**1,037**	716
Disposal costs paid from sale of investment properties	**956**	437
Net cash inflow from operating activities	**10,000**	8,814

(b) Non-cash financing activities

	2024 $'000	2023 $'000
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**1,548**	2,124
During the year, the following distribution receipts were satisfied by the issue of units under the distribution reinvestment plan	**3,073**	8,230
	4,621	10,354

18 Events occurring after end of the financial year

No matters or circumstance has arisen since 30 June 2024 that have significantly affected, or may significantly affect the operations of the Scheme, the result of operations, or the state of the Scheme's affairs for the year ended on that date.

19 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2024 and 30 June 2023.

Commitments arising from contracts principally relating to capital expenditure on investment properties which are contracted for at reporting date but not recognised on the statement of financial position are $nil (2023: $nil).

Directors' declaration

In the opinion of the directors of Australian Unity Investments Limited, as the Responsible Entity of Australian Unity Property Income Fund ("the Scheme"):

(a) the financial statements and notes set out on pages 6 to 35 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001*, and

  (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2024 and of its performance, as represented by the results of its operations and cash flows for the year ended on that date.

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

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

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

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

Rohan Mead
Director

Esther Kerr
Director

20 September 2024

Independent Auditor's Report

To the unitholders of Australian Unity Property Income Fund

Opinion

We have audited the ***Financial Report*** of Australian Unity Property Income Fund (the Scheme).

In our opinion, the accompanying ***Financial Report*** of the Australian Unity Property Income Fund gives a true and fair view, including of the Scheme's financial position as at 30 June 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001*, in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises the:

- Statement of financial position as at 30 June 2024
- Statement of comprehensive income for the year then ended Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes, including material accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 are independent of the Scheme in accordance with the *Corporations Act 2001* and the relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

Other Information is financial and non-financial information in the Australian Unity Property Income Fund 's annual report which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Australian Unity Investments Limited (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

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In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Report

The Directors of Australian Unity Investments Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Scheme, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*
- implementing necessary internal control to enable the preparation of a Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Scheme, and that is free from material misstatement, whether due to fraud or error
- assessing the Scheme's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 this 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/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

David Kells

Partner

Sydney

20 September 2024