



Form 388

Corporations Act 2001
294, 294B, 295, 298-301, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08, 2M.3.01, 2M.3.03

Copy of financial statements and reports

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

Company/scheme details

Company/scheme name

SYDNEY HEALTHCARE TRUST

ACN/ARSN/PIN/ABN

101 067 878

Lodgement details

An image of this form will be available as
part of the public register.

Who should ASIC contact if there is a query about this form?

ASIC registered agent number (if applicable)

31444

Firm/organisation

ARENA INVESTMENT MANAGEMENT LIMITED

Contact name/position description

PETER HULBERT

Telephone number (during business hours)

(03) 9093 9000

Email address (optional)

Postal address

LOCKED BAG 32002 COLLINS STREET EAST

Suburb/City

MELBOURNE

State/Territory

VIC

Postcode

8003

1 Reason for lodgement of statement and reports

Tick appropriate box.

See Guide for definition of Tier 2 public
company limited by guarantee

See Guide for definition of large proprietary
company

See Guide for definition of small proprietary
company

- | | | |
|-------------------------------------|---|-----|
| ☐ | A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking | (A) |
| ☐ | A Tier 2 public company limited by guarantee | (L) |
| ☒ | A registered scheme | (B) |
| ☐ | Amendment of financial statements or directors' report (company) | (C) |
| ☐ | Amendment of financial statements or directors' report (registered scheme) | (D) |
| ☐ | A large proprietary company that is not a disclosing entity | (H) |
| ☐ | A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity | (I) |
| ☐ | A small proprietary company, or a small company limited by guarantee that is requested by ASIC to prepare and lodge statements and reports | (J) |
| ☐ | A prescribed interest undertaking that is a disclosing entity | (K) |

Dates on which financial year begins
and ends

Financial year begins

01/07/12
[D] [D] [M] [M] [Y] [Y]

to

Financial year ends

30/06/13
[D] [D] [M] [M] [Y] [Y]

2 Details of large proprietary company

See Guide for definition of large and small proprietary companies.

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

A What is the consolidated revenue of the large proprietary company and the entities that it controls?

B What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

C How many employees are employed by the large proprietary company and the entities that it controls?

D How many members does the large proprietary company have?

3 Auditor's or reviewer's report

Tick one box and complete relevant section(s)

Were the financial statements audited or reviewed?

☒ Audited - complete B only

☐ Reviewed - complete A and B

☐ No

If no, is there a class or other order exemption current for audit/review relief?

☐ Yes

☐ No

A. Reviewed

Is the reviewer a registered company auditor, or member of The Institute of Chartered Accountants in Australia, CPA Australia Limited, or National Institute of Accountants and holds a practising certificate issued by one of those bodies?

☐ Yes

☐ No

B. Audited or Reviewed

Is the opinion/conclusion in the report:

Modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

☐ Yes

☒ No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

☐ Yes

☒ No

4 Details of current auditor or auditors

Notes:

- Registered schemes must advise ASIC of the appointment of an auditor on a Form 5137 *Appointment of scheme auditor* within 14 days of the appointment of the auditor.
- A public company limited by guarantee may, in some circumstances, have their accounts reviewed. These companies are still required to have an auditor and these details must be provided.

Auditor registration number (for individual auditor or authorised audit company)

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

Office, unit, level

Street number and Street name

Suburb/City

State/Territory

Postcode

Country (if not Australia)

Date of appointment

2	8	/	0	1	/	1	0
[D]	[D]		[M]	[M]		[Y]	[Y]

A company may have two appointed auditors, provided that both auditors were appointed on the same date. Otherwise, an appointed auditor must resign, be removed or otherwise ceased before a subsequent appointment may be made.

Auditor registration number (for individual auditor or authorised audit company)

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

Office, unit, level

Street number and Street name

Suburb/City

State/Territory

Postcode

Country (if not Australia)

5 Statements and reports to be attached to this form

Financial statements for the year (as required by s295(2) and accounting standards)

- Statement of comprehensive income, may also include a separate income statement for the year
- Statement of financial position as at the end of the year
- Statement of cash flows for the year
- Statement of changes in equity.

OR

If required by accounting standards — the consolidated statements of comprehensive income/income statement, financial position, cash flows and changes in equity.

Notes to financial statements (see s295(3))

- Disclosures required by the regulations
- Notes required by the accounting standards
- Any other information necessary to give a true and fair view (see s297).

The signed directors' declaration about the statements and notes (see s295(4)).

The signed directors' report for the year, including the copy of the auditor's or reviewer's independence declaration (see s298 to s300A).

Signed auditor's report or, where applicable, reviewer's report (see s301, s307 to s308).

Concise report (if any) (see s319).

Signature

See Guide for details of signatory.

I certify that the attached documents marked () are a true copy of the original reports required to be lodged under s319 of the *Corporations Act 2001*.

Name

Peter Jeffery Hulbert

Signature



Capacity

☐ Director

☒ Company secretary

Date signed

1 9 / 0 9 / 1 3
[D] [D] [M] [M] [Y] [Y]

Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

Or lodge the form electronically by:

- visiting the ASIC website www.asic.gov.au
- using Standard Business Reporting enabled software. See www.sbr.gov.au for more details.

For more information

Web www.asic.gov.au

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Telephone 1300 300 630

Sydney Healthcare Trust

ARSN 101 067 878

Annual Report

For the year ended 30 June 2013

Sydney Healthcare Trust

ARSN 101 067 878

Annual Report - 30 June 2013

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These financial statements cover Sydney Healthcare Trust (the "Trust"). The financial statements are presented in Australian currency.

The Responsible Entity of Sydney Healthcare Trust is Arena Investment Management Limited (ACN 077235879). The Responsible Entity's registered office is:

Level 20
600 Bourke Street
Melbourne VIC 3000

Directors' report

The directors of Arena Investment Management Limited, the Responsible Entity of Sydney Healthcare Trust, present their report together with the financial statements of Sydney Healthcare Trust (the "Trust") for the year ended 30 June 2013.

Directors

The following persons held office as directors of Arena Investment Management Limited during the year or since the end of the year and up to the date of this report:

David Ross (Chairman) (appointed 4 October 2012)
 Simon Parsons
 Dennis Wildenburg
 James Goodwin
 Bryce Mitchelson

Principal activities

The Trust is an unlisted property trust with direct holdings in 6 medical centres in and around Sydney which are leased to Primary Health Care Limited.

There were no significant changes in the nature of the Trust's activities during the year.

Operating and financial review

Sydney Healthcare Trust invests in 6 medical centres under long term leases to Primary Healthcare Limited. The Trust is in a two year windup period with an end date of August 2014. As at the date of this report no decision has been made as to when the Trust may be wound up.

FY13 highlights

- FY13 full year distribution per unit was 9.1 cents, an increase of 33% on the prior period.
- Income available for distribution increased due to savings in financing costs following a reduction in the interest swap rate.
- Investment properties increased in value by \$0.6 million during the year.

Key financial metrics

	30 June 2013	30 June 2012	Change
Net profit/loss	\$2.5 million	\$4.2 million	(40%)
Distributions per unit	9.1 cents	6.85 cents	33%
Total assets	\$55.9 million	\$55.2 million	1%
Investment properties	\$54.7 million	\$54.1 million	1%
Borrowings	\$23.7 million	\$23.7 million	0%
Net assets	\$27.6 million	\$27.6 million	0%
NTA per unit	\$1.023	\$1.021	0%
Net impact of selling costs	(\$0.030)	(\$0.032)	6%
Adjusted NTA per unit *	\$0.993	\$0.989	0%

* This is the NTA per unit expected after taking into account the costs of selling the Trust's property portfolio and the realisation of other assets and liabilities.

Financial results

	30 June 2013 \$	30 June 2012 \$
Property rental income	5,079,748	4,973,028
Other income	18,943	36,826
Property expenses	(438,179)	(565,069)
Trust administration and operating expenses	(209,556)	(153,547)
Management fees	(1,190,227)	(921,811)
Finance costs	(1,499,399)	(2,122,121)
Fair value gain/(loss) on revaluation of investment properties*	647,383	2,738,851
Net gain/(loss) on fair value of derivative financial instruments*	102,629	209,183
Net profit from continuing operations	2,511,342	4,195,340

* Unrealised fair value gains and losses are excluded from Net profit in the determination of income available for distribution.

Financial results summary

- Net profit from continuing operations declined from 2012 largely due to higher unrealised fair value increments on investment properties and financial instruments in the comparative period.
- Property rental income increased marginally on the prior year based upon rental increase mechanisms in the Trust's leases.
- Finance costs reduced year on year following a reduction in the Trust's interest swap rate from 6.29% to 3.05%.

Investment property portfolio

Key property metrics	30 June 2013	30 June 2012
Total value of investment properties	\$54.7 million	\$54.1 million
Number of properties	6	6
Portfolio occupancy	100%	100%
Weighted average lease expiry	9 years	10 years

- No asset acquisitions or sales occurred during the year.
- The investment property portfolio was independently valued at \$54.7 million at 30 June 2013, \$0.6 million higher than in the comparative year.

Capital management

Equity raising

- No new equity was raised during the year.

Bank facilities

- The Trust's debt facility expiry was extended to 31 December 2015 during the year.

Significant changes in state of affairs

In the opinion of the directors, other than the matters identified in this report, there were no significant changes in the state of affairs of the Trust that occurred during the financial year.

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect:

- (i) the operations of the Trust in future years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Trust in future financial years.

Likely developments and expected results of operations

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust constitution.

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of the Trust 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 Trust.

Indemnification and insurance of officers and auditors

During the year, the Responsible Entity paid insurance premiums to insure each of the directors and officers of the Responsible Entity of the Trust, against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the Responsible Entity other than conduct involving a willful breach of duty in relation to the Responsible Entity.

The Responsible Entity has also indemnified each external member of the Compliance Committee against any liability incurred in carrying out the member's duties (other than a liability to the members of the schemes or the Responsible Entity) unless the liability arises out of conduct involving lack of good faith on the part of the committee member.

The contract of insurance prohibits disclosure of the nature of the liability covered and the amount of the premium.

The Responsible Entity has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability incurred as such an officer or auditor.

Fees paid to and interests held in the Trust by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Trust property during the year are disclosed in note 15 to the financial statements.

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

The interest in the Trust held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 15 to the financial statements.

Interests in the Trust

The movement in units on issue in the Trust during the year is disclosed in note 13 to the financial statements.

Environmental regulation

Environmental laws and regulations in force in Australia are applicable to areas of the Trust's operations. The Trust has in place procedures to identify and comply with such requirements including, where applicable, obtaining and complying with the conditions of relevant authority consents and approvals and the obtaining of any necessary licences. These compliance procedures are regularly reviewed and audited and their application closely monitored.

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors.



David Ross
Chairman

Melbourne
19 September 2013



Auditor's Independence Declaration

As lead auditor for the audit of Sydney Healthcare Trust for the year ended 30 June 2013, 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 Sydney Healthcare Trust during the period.

A handwritten signature in black ink, appearing to read "Charles Christie".

Charles Christie
Partner
PricewaterhouseCoopers

19 September 2013

Sydney Healthcare Trust
Statement of comprehensive income
For the year ended 30 June 2013

Statement of comprehensive income

		30 June 2013	30 June 2012
	Notes	\$	\$
Revenue			
Property rental	3	5,079,748	4,973,028
Interest income	3	18,943	36,826
Net gain on change in fair value of derivative financial instruments		102,629	209,183
Revaluation of investment properties	8	647,383	2,738,851
Total revenue		<u>5,848,703</u>	<u>7,957,888</u>
Expenses			
Direct property expenses		(438,179)	(565,069)
Management fees	15	(552,816)	(538,437)
Deferred management and disposal fees	11	(637,411)	(383,374)
Custodian fees		(27,773)	(26,983)
Other administration expenses		(181,783)	(126,564)
Finance costs	4	(1,499,399)	(2,122,121)
Total expenses		<u>(3,337,361)</u>	<u>(3,762,548)</u>
Net profit for the year		2,511,342	4,195,340
Other comprehensive income		-	-
Total comprehensive income for the year		<u>2,511,342</u>	<u>4,195,340</u>
Total comprehensive income for the year is attributable to:			
Unitholders of Sydney Healthcare Trust		<u>2,511,342</u>	<u>4,195,340</u>

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

Sydney Healthcare Trust
Balance sheet
As at 30 June 2013

Balance sheet

	Notes	30 June 2013 \$	30 June 2012 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	957,570	758,991
Trade and other receivables	7	271,356	344,226
Total current assets		1,228,926	1,103,217
Non-current assets			
Investment properties	8	54,650,000	54,050,000
Total non-current assets		54,650,000	54,050,000
Total assets		55,878,926	55,153,217
LIABILITIES			
Current liabilities			
Trade and other payables	9	1,162,965	981,438
Derivative financial instruments	10	72,446	175,075
Interest bearing liabilities	12		23,668,735
Total current liabilities		1,235,411	24,825,248
Non-current liabilities			
Provisions	11	3,388,143	2,750,732
Interest bearing liabilities	12	23,625,580	
Total non-current liabilities		27,013,723	2,750,732
Total liabilities		28,249,134	27,575,980
Net assets		27,629,792	27,577,237
Equity			
Contributed equity	13	24,196,788	24,196,788
Retained profits	14	3,433,004	3,380,449
Total equity		27,629,792	27,577,237

The above balance sheet should be read in conjunction with the accompanying notes.

Sydney Healthcare Trust
Statement of changes in equity
For the year ended 30 June 2013

Statement of changes in equity

	Contributed equity \$	Retained profits \$	Total equity \$
Balance at 1 July 2011	<u>24,196,788</u>	<u>1,035,954</u>	<u>25,232,742</u>
Profit for the year	-	4,195,340	4,195,340
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>4,195,340</u>	<u>4,195,340</u>
Transactions with owners in their capacity as owners:			
Distributions to unitholders	-	(1,850,845)	(1,850,845)
Balance at 30 June 2012	<u>24,196,788</u>	<u>3,380,449</u>	<u>27,577,237</u>
Balance at 1 July 2012	<u>24,196,788</u>	<u>3,380,449</u>	<u>27,577,237</u>
Profit for the year	-	2,511,342	2,511,342
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>2,511,342</u>	<u>2,511,342</u>
Transactions with owners in their capacity as owners:			
Distributions to unitholders	-	(2,458,787)	(2,458,787)
Balance at 30 June 2013	<u>24,196,788</u>	<u>3,433,004</u>	<u>27,629,792</u>

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

Sydney Healthcare Trust
Statement of cash flows
For the year ended 30 June 2013

Statement of cash flows

	30 June 2013	30 June 2012
Notes	\$	\$
<i>Cash flows from operating activities</i>		
Property rental receipts	5,193,758	5,166,247
Payments to suppliers	(1,262,556)	(1,248,835)
Interest received	18,943	36,826
Finance costs paid	(1,482,706)	(2,013,422)
<i>Net cash inflow from operating activities</i>	2,467,439	1,940,816
<i>Cash flows from investing activities</i>		
Capital expenditure on investment property	(39,740)	(121,182)
<i>Net cash (outflow) from investing activities</i>	(39,740)	(121,182)
<i>Cash flows from financing activities</i>		
Distributions paid to unitholders	(2,229,120)	(2,012,963)
<i>Net cash (outflow) from financing activities</i>	(2,229,120)	(2,012,963)
<i>Net increase/(decrease) in cash and cash equivalents</i>	198,579	(193,329)
Cash and cash equivalents at the beginning of the financial year	758,991	952,320
<i>Cash and cash equivalents at the end of the year</i>	957,570	758,991

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

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1 General information

These financial statements cover Sydney Healthcare Trust ('the Trust') as an individual entity. The Trust is an unlisted managed investment scheme registered and domiciled in Australia.

The Responsible Entity of the Trust is Arena Investment Management Limited (the "Responsible Entity").

The financial statements were authorised for issue by the directors of the Responsible Entity on 19 September 2013. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant 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 and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Sydney Healthcare Trust is a for-profit unit trust for the purpose of preparing the financial statements.

The financial report has been prepared on an accruals and historical cost basis except for investment property, financial assets at fair value through profit or loss and derivative financial instruments which are measured at fair value. Cost is based on the fair value of consideration given in exchange for assets. Comparative information is reclassified where appropriate to enhance comparability.

The functional and presentation currency of the Trust is Australian dollars.

Compliance with International Financial Reporting Standards

The financial statements of the Trust comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) Investment property

Investment property is real estate investments held to earn long-term rental income and for capital appreciation. Investment properties are carried at fair value determined either by the directors or independent valuers with changes in fair value recorded in the income statement. Investment properties are not depreciated.

Land and buildings (including integral plant and equipment) that comprise investment property are not depreciated. The carrying amount of investment properties may include the cost of acquisition, additions, refurbishments, redevelopments, improvements, lease incentives, assets relating to fixed increases in operating lease rental in future periods and borrowing costs incurred during the construction period of qualifying assets.

(i) Valuation basis

The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The Responsible Entity may determine the requirement for a valuation at any time but has adopted a valuation program that provides for each property to be independently valued by suitably qualified valuers at least once every year. Changes in market conditions may necessitate more frequent independent revaluations of properties.

The present value of net future cash flow projections are based on reliable estimates of future cash flows, derived from existing lease contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

The capitalisation of net rental income projections are based on properties estimated net market income, which is assumed to be a level annuity in perpetuity, and a capitalisation rate derived from analysis of market evidence. Reversions associated with short-term leasing risks/costs, incentives and capital expenditure may be deducted from the capitalised net income amount.

2 Summary of significant accounting policies (continued)

(b) Investment property (continued)

(i) Valuation basis (continued)

The principal assumptions underlying the directors' estimation of fair value include those related to the amount of contractual rentals, void periods, maintenance and capital expenditure requirements, and appropriate discount rates. The expected future market rentals are based on current market rentals.

A direct comparison approach involves the advice from an approved external valuer to make an assessment of fair value based on market sales evidence and the current status of the individual property.

(c) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(d) Revenue

Rental income from operating leases is recognised as income on a straight-line basis over the lease term. Where a lease has fixed annual increases, the total rent receivable over the operating lease is recognised as revenue on a straight-line basis over the lease term. This results in more income being recognised early in the lease term and less late in the lease term compared to the lease conditions. The difference between the lease income recognised and the actual lease payments received is shown within the fair value of the investment property on the balance sheet.

When the Trust provides lease incentives to tenants, the cost of the incentives are recognised over the lease term, on a straight-line basis, as a reduction in rental income.

Contingent rents based on the future amount of a factor that changes other than with the passage of time, are only recognised when contractually due.

Interest income is recognised in the statement of comprehensive income using the effective interest rate method.

Other income is recognised when the right to receive the revenue has been established.

All income is stated net of goods and services tax (GST).

(e) Financial Instruments

(i) Classification

Derivative financial instruments such as futures, forward contracts, options and interest rate swaps are included under this classification. The Trust does not designate any derivatives as hedges in a hedging relationship.

- Financial instruments designated at fair value through profit or loss upon initial recognition

Financial assets 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 Trust's documented investment strategy. The Trust'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.

(ii) Recognition/derecognition

Financial assets and financial liabilities are recognised on the date the entity becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Trust has transferred substantially all risks and rewards of ownership.

2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(iii) Measurement

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

At initial recognition, financial assets are initially recognised at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Trust is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, 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 Trust recognises the difference in profit or loss to reflect a change in factors, including time, that market participants would consider in setting a price.

(f) 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 from the date of acquisition 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 are shown within borrowings in the balance sheet.

(g) Expenses

All expenses, including Responsible Entity's fees and custodian fees, are recognised in profit or loss on an accruals basis.

(h) Income tax

Under current legislation, the Trust is not subject to Australian income tax provided its taxable income is fully distributed to unitholders.

(i) Distributions

In accordance with the Trust constitution, the Trust distributes income adjusted for amounts determined by the Responsible Entity. The distributions are recognised within the balance sheet and statement of changes in equity as a reduction in accumulated profit/(losses).

(j) Receivables

Receivables may include amounts for rent, interest and recoverable outgoings. Interest is accrued at the end of each reporting period from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

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 Trust 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.

2 Summary of significant accounting policies (continued)

(j) Receivables (continued)

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. 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 other expenses in the statement of comprehensive income.

(k) Provisions

A provision is recognised when the Trust has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the Responsible Entity's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions may include deferred management fees and disposal fees payable to the Responsible Entity upon the sale of investment property, which are only recognised on the disposal of an investment property.

The disposal fee component of the provision is an amount payable based on a percentage of the property sale price. The provision is recognised using present value of future cash flows accrued over the period of service provided by the Responsible Entity.

(l) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(m) Borrowing costs

Borrowing costs include interest and amortisation of costs incurred in connection with arrangement of borrowings. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than twelve months to get ready for their intended use or sale. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to that borrowing. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

(n) Applications and redemptions

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

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of the GST incurred is not recoverable from the relevant taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

2 Summary of significant accounting policies (continued)

(o) Goods and Services Tax (GST) (continued)

Receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables and payables in the balance sheet.

Cashflows are presented on a net basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(p) Use of estimates

The Trust makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

Investment properties are subject to the use of estimates. Refer to note 2(b) for further details.

(q) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Trust's assessment of the impact of relevant new standards and interpretations is set out below:

Standard / Interpretation	Impact	Effective annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures	The standard addresses the classification, measurement and derecognition of financial instruments. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Management does not expect this will have a significant impact on the Trust's financial statements.	1 January 2015	30 June 2016
AASB 12 Disclosure of Interests in Other Entities.	The standard sets out the required disclosure for entities reporting under the above revised AASB 10 and AASB 11 and replaces the disclosure requirements of AASB 127 and AASB 128. The amendments will not affect the amounts recognised in the financial statements but may impact the type of information disclosed.	1 January 2013	30 June 2014

2 Summary of significant accounting policies (continued)

(q) New accounting standards and interpretations (continued)

Standard / Interpretation	Impact	Effective annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13	AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. The Trust does not expect any significant changes to the way it fair values its assets, however it may impact the type of information disclosed in the notes to the financial statements.	1 January 2013	30 June 2014
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards - transitional guidance and other amendments	These standards provide transitional guidance and clarification of the amendments to AASB 10, AASB 11, AASB 12, AASB 127 and AASB 128 outlined above. These amendments are not expected to impact the Trust.	1 January 2013	30 June 2014

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 Revenue

Revenue includes:

(a) Property rental from:

	30 June 2013	30 June 2012
	\$	\$
Lease rental income	5,178,974	5,133,061
Other rental income (recognised on a straight line basis)	(99,226)	(160,033)
Total rental income	5,079,748	4,973,028

(b) Interest income arises from:

	30 June 2013	30 June 2012
	\$	\$
Cash and cash equivalents	18,943	36,826

4 Finance costs

	30 June 2013 \$	30 June 2012 \$
Finance costs:		
Interest paid or payable	1,417,705	1,663,732
Other finance costs	<u>81,694</u>	<u>458,389</u>
Total finance costs	<u>1,499,399</u>	<u>2,122,121</u>

5 Remuneration of auditors

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

	30 June 2013 \$	30 June 2012 \$
PricewaterhouseCoopers Australian firm		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	16,000	25,000
Audit of compliance plan	<u>2,000</u>	<u>2,000</u>
Total remuneration for audit and other assurance services	<u>18,000</u>	<u>27,000</u>
<i>Taxation services</i>		
Tax compliance services	<u>3,652</u>	<u>4,580</u>
Total remuneration for taxation services	<u>3,652</u>	<u>4,580</u>
<i>Other services</i>		
Other services	<u>-</u>	<u>2,000</u>
Total remuneration for other services	<u>-</u>	<u>2,000</u>
Total remuneration of PricewaterhouseCoopers	<u>21,652</u>	<u>33,580</u>

6 Cash and cash equivalents

	30 June 2013 \$	30 June 2012 \$
Cash at bank	<u>957,570</u>	<u>758,991</u>

7 Trade and other receivables

	30 June 2013 \$	30 June 2012 \$
Prepayments	271,356	344,226
	271,356	344,226

(a) Impairment and ageing

No class of financial asset is past due.

The Trust reviews all receivables for impairment. Any receivables which are doubtful have been provided for. Based on past experience, all receivables where no impairment has been recognised are not considered to be impaired.

The nature of the receivables is in respect of rent which past history has shown the majority are settled within 30 days of the debt arising.

The movement in the allowance for impairment of trade receivables during the year is as follows:

	30 June 2013 \$	30 June 2012 \$
Opening balance at 1 July	-	(52,826)
Impairment provision reversed/(recognised) during the year	-	52,826
Closing balance at 30 June	-	-

The allowance account for receivables is used to record impairment losses unless the Trust is satisfied that there is no recovery of the amount possible, at which point it is written off directly against the amount owing.

(b) Fair value

There is no material difference between the fair value and the carrying value of receivables.

8 Investment properties

(a) Individual valuations and carrying amounts

Property	Date of purchase	Latest independent valuation		Carrying amount	
		Date	Valuation \$	2013 \$	2012 \$
Bondi, NSW	Sept 03	June 13	12,000,000	12,000,000	11,200,000
Campbelltown, NSW	Sept 03	June 13	7,800,000	7,800,000	7,600,000
Dapto, NSW	Aug 02	June 13	8,200,000	8,200,000	8,250,000
Leichardt, NSW	Aug 02	June 13	12,250,000	12,250,000	12,300,000
Mount Druitt, NSW	Oct 02	June 13	6,700,000	6,700,000	6,800,000
Wentworthville, NSW	Aug 02	June 13	7,700,000	7,700,000	7,900,000
Total investment properties			54,650,000	54,650,000	54,050,000

8 Investment properties (continued)

(a) Individual valuations and carrying amounts (continued)

The properties were independently valued by Colliers International Consultancy and Valuation Pty Limited at 30 June 2013.

The principal assumptions underlying the estimation of fair value include those related to the amount of contractual rentals, void periods, maintenance and capital expenditure requirements, and appropriate discount rates. The expected future market rentals are based on current market rentals for similar properties in the same location and condition.

	30 June 2013	30 June 2012
Discount rate	9.63%	9.33%
Terminal yield	8.64%	9.38%
Capitalisation rates	8.34%	8.73%
Expected vacancy period	0 months	0 months
Rental growth rate	3.71%	3.67%

(b) Movements during the financial year

	30 June 2013 \$	30 June 2012 \$
At fair value		
Opening balance	54,050,000	51,350,000
Capitalised expenditure	51,843	121,182
Revaluations	647,383	2,738,851
Changes in fair value for straight-lining of rent adjustment	(99,226)	(160,033)
Closing balance	<u>54,650,000</u>	<u>54,050,000</u>

(c) Amounts recognised in profit or loss for investment properties

	30 June 2013 \$	30 June 2012 \$
Rental income	5,178,974	5,133,061
Other rental income (recognised on a straight line basis)	(99,226)	(160,033)
Direct operating expenses from property that generated rental income	(438,179)	(565,069)
	<u>4,641,569</u>	<u>4,407,959</u>

(d) Tenancy risk

The Trust's investment properties are fully leased to Primary Health Care Limited ('PRY'). PRY is a listed company and a major operator of medical clinics throughout Australia. PRY continue to perform their obligations under each lease.

8 Investment properties (continued)

(e) Assets pledged as security

Refer to note 12 for information on investment properties and other assets pledged as security by the Trust.

(f) Contractual obligations

The Trust has no commitments to purchase or redevelop investment property contracted at year end which have not already been recognised as a liability.

(g) Leasing arrangements

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

	30 June 2013 \$	30 June 2012 \$
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within one year	4,935,619	5,139,898
Later than one year but not later than 5 years	21,108,388	22,022,048
Later than 5 years	<u>24,485,793</u>	<u>29,458,777</u>
	<u>50,529,800</u>	<u>56,620,723</u>

9 Trade and other payables

	30 June 2013 \$	30 June 2012 \$
Unsecured liabilities:		
Sundry creditors and accruals	277,751	330,781
Unearned income	169,194	164,304
Distribution payable	<u>716,020</u>	<u>486,353</u>
Total trade and other payables	<u>1,162,965</u>	<u>981,438</u>

Trade and other payables are non-interest bearing.

10 Derivative financial instruments

	30 June 2013 \$	30 June 2012 \$
Current liabilities		
Interest rate swaps	<u>72,446</u>	<u>175,075</u>
	<u>72,446</u>	<u>175,075</u>

10 Derivative financial instruments (continued)

(a) Interest rate swap contracts

It is the Trust's policy to hedge part of the interest bearing liabilities from exposure to increasing interest rates. Accordingly, the Trust has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates.

Swaps currently in place cover 76% (2012: 100%) of the facility principal outstanding. The swap fixed interest rate was 3.05% (2012: 6.29%).

The notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	30 June 2012 \$	30 June 2011 \$
Interest rate swaps		
Less than 12 months	18,000,000	23,800,000
	<u>18,000,000</u>	<u>23,800,000</u>

The contracts require settlement of net interest receivable or payable each quarter. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

11 Provisions

	30 June 2013 \$	30 June 2012 \$
Provision for deferred management fees and disposal fees	<u>3,388,143</u>	<u>2,750,732</u>

Movements during the financial year:

	30 June 2013 \$	30 June 2012 \$
Movements:		
Opening balance	2,750,732	2,367,358
Charged to the statement of comprehensive income	<u>637,411</u>	<u>383,374</u>
Closing balance at 30 June	<u>3,388,143</u>	<u>2,750,732</u>

12 Interest bearing liabilities

	30 June 2013 \$	30 June 2012 \$
Current:		
Cash advance facility	-	23,720,986
Unamortised establishment costs	-	(52,251)
Total secured current borrowings:	-	23,668,735
Non-current:		
Cash advance facility	23,720,986	-
Unamortised establishment costs	(95,406)	-
Total secured non-current borrowings	23,625,580	-

The interest rate applying to the drawn amount of the facility is set on a monthly basis at the prevailing market interest rates.

During the year, the cash advance facility was extended with a new maturity date of 31 December 2015.

(a) Assets pledged as security

The bank facilities are secured by a registered first mortgage over investment property and a fixed and floating charge over the assets of the Trust.

The carrying amounts of assets pledged as security are:

	30 June 2013 \$	30 June 2012 \$
Registered first mortgage		
Investment properties	54,650,000	54,050,000
	54,650,000	54,050,000

(b) Financing arrangements

	30 June 2013 \$	30 June 2012 \$
Committed Facilities Available		
Interest bearing liabilities	23,720,986	23,720,986
Facilities utilised at the end of the reporting period		
Interest bearing liabilities	23,720,986	23,720,986

Any undrawn amount of the bank facility may be drawn at any time.

12 Interest bearing liabilities (continued)

(c) Covenants

The covenants over the bank borrowings require an interest cover ratio of greater than 1.6 times, and a loan to market value of investment properties ratio of less than 60%. The Trust was in compliance with its covenants throughout the year and as at 30 June 2013.

13 Contributed equity

(a) Units

	30 June 2013 Units	30 June 2012 Units	30 June 2013 \$	30 June 2012 \$
Ordinary Units				
Fully paid	27,019,634	27,019,634	24,196,788	24,196,788

(b) Movements in ordinary units

Date	Details	Number of units	\$
1 July 2011	Opening balance	27,019,634	24,196,788
30 June 2012	Closing balance	27,019,634	24,196,788
1 July 2012	Opening balance	27,019,634	24,196,788
30 June 2013	Closing balance	27,019,634	24,196,788

As stipulated in the Trust's Constitution, each unit represents a right to an individual unit in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Trust.

(c) Capital management

The objective of the Trust is to provide unitholders with regular tax advantaged income distributions and moderate capital growth over the longer term. The Trust aims to achieve this objective through investing in Australian commercial healthcare property.

The Trust aims to invest to meet the Trust's investment objectives while maintaining sufficient liquidity to meet its commitments. The Responsible Entity regularly reviews the performance of the Trust, including asset allocation strategies, investment and operational management strategies, investment opportunities, performance review, and risk management.

Consistently with others in the industry, the Trust monitors capital through the analysis of a number of financial ratios, including the Gearing ratio.

The gearing ratios at 30 June 2013 and 30 June 2012 are calculated based on the following:

Gearing Ratio	2013	2012
Interest bearing liabilities	\$23,720,986	\$23,720,986
Total Assets	\$55,878,926	\$55,153,217
Gearing ratio	42.5%	43.0%

14 Retained profits

	30 June 2013 \$	30 June 2012 \$
Movements in retained profits were as follows:		
Opening retained profits	3,380,449	1,035,954
Net profit for the year	2,511,342	4,195,340
Distribution paid or payable	<u>(2,458,787)</u>	<u>(1,850,845)</u>
Closing retained profits	<u>3,433,004</u>	<u>3,380,449</u>

15 Related party disclosures

Responsible entity

The Responsible Entity of Sydney Healthcare Trust is Arena Investment Management Limited.

The Responsible Entity or its related parties are entitled to receive fees in accordance with the Trust's constitution.

	30 June 2013 \$	30 June 2012 \$
The following transactions occurred with the Responsible Entity or related parties:		
Management fees paid or payable by the Trust to the Responsible Entity	552,816	538,437
Property management fees paid or payable to other related parties	25,367	-
Increase in deferred management and disposal fees payable to the Responsible Entity	637,411	383,374
Amounts payable:		
Payables to other related parties	56,321	-
Deferred management and disposal fees payable to the Responsible Entity at the end of the reporting period	<u>3,388,143</u>	<u>2,750,732</u>

Key management personnel

(a) Directors

Key management personnel (KMP) includes persons who were directors of the Responsible Entity, Arena Investment Management Limited, at any time during the financial year as follows:

David Ross (Chairman) (appointed 4 October 2012)
Simon Parsons
Dennis Wildenburg
James Goodwin
Bryce Mitchelson

(b) Other key management personnel

Other key management personnel of Arena Investment Management Limited at any time during the financial year were as follows:

Gareth Winter (Chief Financial Officer)

15 Related party disclosures (continued)

(c) Key management personnel compensation

No KMP are remunerated directly by the Trust. The KMP of the Responsible Entity receive remuneration in their capacity as directors and senior management of the Responsible Entity and these amounts are paid by the Responsible Entity or an entity related to the Responsible Entity.

(d) Key management personnel loan disclosures

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

(e) Other transactions with the trust

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Trust during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

Related party unitholdings

The following related parties held units in the Trust during the financial year:

	Distributions paid/payable by the Fund		Unit holding	
	2013 \$	2012 \$	2013 Units	2012 Units
Arena Property Fund	1,153,214	868,079	12,672,684	12,672,684
Arena Hybrid Property Fund	32,512	34,250	9,900	500,000

16 Financial risk management

The Trust's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Trust is exposed to are market risk, credit risk and liquidity risk. The exposure to each of these risks, as well as the Trust's policies and processes for managing these risks are described below.

(a) Market risk

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and other price risk. The Trust's strategy on the management of investment risk is driven by the Trust's investment objective. The Trust's market risk is managed as required by the Responsible Entity in accordance with the Trusts' Constitution investment guidelines.

(i) Price risk

The Trust is exposed to price risk on its investments and deferred management and disposal fees.

Price risk arises primarily from investments in property held by the Trust and classified on the balance sheet as at fair value through profit and loss. As these investments are carried at fair value with changes in fair value recognised in the statement of comprehensive income, all changes in market conditions will directly affect net income. These market conditions include those specific to the individual assets, as well as factors affecting all instruments in the market.

The Trust is exposed to price risk on its deferred management and asset disposal fees. Asset disposal fees are calculated based on the underlying changes in the price of the investment properties. Changes in the value of the investment property will directly affect the amounts payable. Investment property and the associated price risk is actively managed and monitored by the Responsible Entity, using strategic asset planning and trust budgeting processes.

The Trust's exposure to other price risk at the end of the reporting period, including its sensitivity to changes in the fair value of different classes of equity securities that were reasonably possible, is shown below:

16 Financial risk management (continued)

(a) Market risk (continued)

	2013 \$	2012 \$
Financial liabilities:		
Deferred management and disposal fees	3,388,143	2,750,732
Total exposure to price risk	3,388,143	2,750,732
Reasonably possible changes in prices or fair values:		
Changes in property values (deferred management and disposal fees)	+/- 5%	+/- 5%
Sensitivity to profit or loss to changes in fair values:		
Deferred management and disposal fees (+5%)	(362,345)	(284,526)
Deferred management and disposal fees (-5%)	161,340	298,999

The sensitivities above have been estimated based on an analysis of changes in property prices over the last twelve months, and using the average to predict future movements. The directors have determined that a twelve month analysis period will provide a sensitivity range indicative of current trends.

The Trust is not exposed to cash flow currency risk as all transactions are denominated in Australian dollars.

(ii) Cash flow and fair value interest rate risk

The Trust's cash and cash equivalents, floating rate borrowings and interest rate swaps expose it to a risk of change in the fair value or future cash flows due to changes in interest rates. The specific interest rate exposures are disclosed in the relevant notes to the financial statements.

The Trust hedges a portion of its exposure to changes in interest rates on variable rate borrowings by using floating-to-fixed interest rate swaps. By hedging against changes in interest rates, the Trust has limited its exposure to changes in interest rates on its cash flows. The portion that is hedged is set by the Responsible Entity and is influenced by the hedging requirements set out in the Group's debt facility documents, and the market outlook. The Responsible Entity ensures the maturity of individual swaps does not exceed the expected life of assets.

The Trust's exposure to interest rate risk at reporting date, including its sensitivity to changes in market interest rates that were reasonably possible, is as follows:

	2013 \$	2012 \$
<i>Instruments with fair value risk:</i>		
Derivative financial instruments (notional principal)	18,000,000	23,800,000
Sensitivity of profit or loss to movements in market interest rates for financial instruments with fair value risk:		
Market interest rate increased by 100 basis points (2012: 100 bp)	162,500	300
Market interest rate decreased by 100 basis points (2012: 100 bp)	(162,500)	(300)

16 Financial risk management (continued)

(a) Market risk (continued)

	2013 \$	2012 \$
<i>Instruments with cash flow risk:</i>		
Cash and cash equivalents	957,570	758,991
Variable rate borrowings net of fixed rate interest rate swaps	(5,720,986)	79,014
	<u>(4,763,416)</u>	<u>838,005</u>

Sensitivity of profit or loss to movements in market interest rates for derivative instruments with cash flow risk:

Market interest rate changed by +/-100 basis points (2012: 100 bp)	+/- 47,634	+/- 8,380
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The interest rate range for sensitivity purposes has been determined using the assumption that interest rates changed by +/- 100 basis points from year end rates with all other variables held constant. In determining the impact of an increase/decrease in equity to unitholders arising from market risk the Responsible Entity has considered prior period and expected future movements of the portfolio information in order to determine a reasonable possible shift in assumptions.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

The Trust's maximum credit risk exposure at balance date in relation to each class of recognised financial asset, other than equity and derivative financial instruments, is the carrying amount of those assets as indicated in the balance sheet. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at reporting date.

	30 June 2013 \$	30 June 2012 \$
Cash at bank	957,570	758,991
Lease income receivable (Investment property)	-	99,226
Maximum exposure to credit risk	<u>957,570</u>	<u>858,217</u>

The Trust manages credit risk and the losses which could arise from default by ensuring that parties to contractual arrangements are of an appropriate credit rating, or do not show a history of defaults. Financial assets such as cash at bank and interest rate swaps are held with high credit quality financial institutions (rated equivalent A or higher by the major rating agencies). Tenants for each of the properties held by the Trust are assessed for creditworthiness before commencing a lease, and if necessary rental guarantees are sought before tenancy is approved. Loans and receivables from third parties are secured against land and corporate and personal guarantees. The Responsible Entity also performs a detailed review of both related and other parties before approving advancement of funds. This is performed to ensure that they will be able to meet interest and principal repayments. There have been no changes from previous periods.

All receivables are monitored by the Responsible Entity. If any amounts owing are overdue these are followed up and if necessary, allowances are made for debts that are doubtful.

At the end of the reporting period there are no issues with the credit quality of financial assets that are either past due or impaired, and all amounts are expected to be received in full.

16 Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Trust may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Trust monitors its exposure to liquidity risk by ensuring that as required there is sufficient cash on hand to meet the contractual obligations of financial liabilities as they fall due. The Responsible Entity sets budgets to monitor cash flows.

The table below analyses the Trust's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are the contractual undiscounted cash flows.

30 June 2013

	Less than 6 months \$	6-12 months \$	1-5 years \$
Trade and other payables	1,162,965	-	-
Deferred management and exit fees	-	-	3,388,143
Interest rate swaps	20,757	19,055	-
Interest bearing liabilities	606,269	596,385	25,529,909
Contractual cash flows	<u>1,789,991</u>	<u>615,440</u>	<u>28,918,052</u>

30 June 2012

	Less than 6 months \$	6-12 months \$	1-5 years \$
Trade and other payables	981,438	-	-
Deferred management and exit fees	-	-	3,084,587
Interest rate swaps	74,699	-	-
Interest bearing liabilities	23,919,488	-	-
Contractual cash flows	<u>24,975,625</u>	<u>-</u>	<u>3,084,587</u>

(d) Fair value estimation

The carrying amounts of the Trust's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and 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 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 profit or loss.

(e) Fair value hierarchy

(i) Classification of financial assets and financial liabilities

The Trust classifies 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

16 Financial risk management (continued)

(e) Fair value hierarchy (continued)

- 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 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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 tables below set out the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2013 and 30 June 2012.

30 June 2013

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial liabilities				
Financial liabilities held for trading:				
Interest rate swaps	-	72,446	-	72,446
Total	-	72,446	-	72,446

30 June 2012

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial liabilities				
Financial liabilities held for trading:				
Interest rate swaps	-	175,075	-	175,075
Total	-	175,075	-	175,075

17 Reconciliation of profit to net cash inflow from operating activities

	30 June 2013 \$	30 June 2012 \$
Profit for the year	2,511,342	4,195,340
Amortisation of borrowing costs	81,694	
Net change in fair value of investment properties	(647,383)	(2,578,818)
Net (gain)/loss on derivative financial instruments	(102,629)	(209,183)
Changes in operating assets and liabilities		
Decrease/(increase) in receivables/prepayments	72,870	49,063
Increase/(decrease) in payables	(85,866)	101,040
Increase in provision for deferred management fees/disposal fees	637,411	383,374
Net cash inflow from operating activities	2,467,439	1,940,816

18 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2013 and 30 June 2012.

19 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Trust disclosed in the balance sheet as at 30 June 2013 or on the results and cash flows of the Trust for the year ended on that date.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 31 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2013 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable, and
- (c) 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.



David Ross
Chairman

Melbourne
19 September 2013



Independent auditor's report to the unitholders of Sydney Healthcare Trust

Report on the financial report

We have audited the accompanying financial report of Sydney Healthcare Trust (the Trust), which comprises the balance sheet as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of Arena Investment Management Limited (the Responsible Entity of the Trust) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Independent auditor's report to the unitholders of Sydney Healthcare Trust (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Sydney Healthcare Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Trust's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the Trust's financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

A stylized, handwritten signature of PricewaterhouseCoopers.

PricewaterhouseCoopers

A handwritten signature of Charles Christie.

Charles Christie
Partner

Melbourne
19 September 2013