ASX Announcement – Australian Unity Office Fund

29 August 2022

Appendix 4E

Australian Unity Office Fund ('AOF')
Preliminary Final Report
For the Year Ended 30 June 2022

Results for announcement to the market

1.0	**Reporting period**				
	Current reporting period	12 months to 30 June 2022			
	Prior reporting period	12 months to 30 June 2021			
2.0	**Results for announcement to the market**	**30 June 2022 $'000**	**30 June 2021 $'000**	**Movement $'000**	**Movement %**
2.1	Total revenues and other income (Note 1)	46,648	50,878	(4,230)	(8.3%)
2.2	Profit from ordinary activities after tax attributable to unitholders	(48,355)	23,257	(71,612)	(307.9%)
2.3	Net profit for the period attributable to unitholders	(48,355)	23,257	(71,612)	(307.9%)
2.3A	Directors assessment of Funds From Operations (Note 2)	30,847	30,605	242	0.8%
2.4	**Distributions**	**Amount per unit**		**Record date**	
	Distribution for 1 July 2021 to 30 September 2021	3.80 cents		30 September 2021	
	Distribution for 1 October 2021 to 31 December 2021	3.80 cents		31 December 2021	
	Distribution for 1 January 2022 to 31 March 2022	3.80 cents		31 March 2022	
	Distribution for 1 April 2022 to 30 June 2022	3.80 cents		30 June 2022	
2.5	Record date for determining entitlement to the distributions	Refer section 2.4			
2.6	Brief explanation of any figures in 2.1 to 2.4 necessary to enable the figures to be understood.	Refer to the Annual financial report and directors' report for the year ended 30 June 2022 attached to this Appendix 4E for further information.			
3-6	A statement of comprehensive income, statement of financial position, a statement of changes in equity and a statement of cash flows.	Refer to the Annual financial report for the year ended 30 June 2022 attached to this Appendix 4E for further information.			

Issuer:
Australian Unity Investment Real Estate Limited
271 Spring Street
Melbourne VIC 3000
ABN 86 606 414 368
AFSL: 477434

Registry Enquiries:
Australian Unity Office Fund Investor Services
1300 737 760 or
+61 2 9290 9600
(outside Australia)

Australian Unity
Real Wellbeing

ASX Announcement – Australian Unity Office Fund

7	Details of individual and total distributions and distribution payments.	**Date Paid**	**Amount Per Unit**	**Foreign Sourced Income**
	Distribution for 1 July 2021 to 30 September 2021	19 October 2021	3.80 cents	n/a
	Distribution for 1 October 2021 to 31 December 2021	28 January 2022	3.80 cents	n/a
	Distribution for 1 January 2022 to 31 March 2022	21 April 2022	3.80 cents	n/a
	Distribution for 1 April 2022 to 30 June 2022	28 July 2022	3.80 cents	n/a
8	Details of any distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any distribution reinvestment plan.	The AOF Distribution Reinvestment Plan (DRP) was not active for the year-ended 30 June 2022.		
9	Net tangible assets per security	**30 June 2022** $2.26	**30 June 2021** $2.71	
10	Details of entities over which control has been gained or lost during the period, including the following.	As a result of the sale of 32 Phillip Street, Paramatta NSW, Australian Unity Office Fund fully redeemed its units in Sixth Commercial Trust effective 31 March 2022.		
11	Details of associates and joint venture entities including the following.	Not applicable.		
12	Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position.	Any other significant information needed to make an informed assessment of the entity's financial performance and financial position is contained in the Annual financial report and directors' report for the year ended 30 June 2022 attached to this Appendix 4E.		
13	For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Financial Reporting Standards).	Not applicable		
14	A commentary on the results for the period.	Refer to the annual financial report and directors' report for the year ended 30 June 2022 attached to this Appendix 4E for commentary on the results for the period.		
15	A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed	The Annual financial report for the year ended 30 June 2022 has been audited and contains an unqualified audit opinion.		

16	If the accounts have not yet been audited and are likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph	Not applicable
17	If the accounts have been audited and contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.	No modified opinion, emphasis of matter or other matter.

Note (1): Total revenues and other income comprises rental income and interest income

Note (2): The Scheme uses the Property Council of Australia' definition of Funds From Operations (FFO) as a key determinant of the level of distributions to pay. FFO is a Property Council of Australia definition which adjusts statutory Australian Accounting Standards profit for non-cash changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives and leasing costs, rental straight-line adjustments and other unrealised or one-off items. When assessing FFO, Directors also add back rental abatement incentives to ensure consistency with the treatment of rent free incentives and fitout incentives. The Scheme aims to distribute between 80% and 100% of Directors' assessment of FFO each year.

About AOF

AOF is an ASX-listed REIT that wholly owns a portfolio of properties located across Australian metropolitan and CBD markets.

This announcement is issued by Australian Unity Investment Real Estate Limited ABN 86 606 414 368 AFSL 477434 (AUIREL). AUIREL is owned equally by subsidiaries of Australian Unity Limited ABN 23 087 648 888 and Keppel Capital Holdings Pte Ltd CRN 201302079N, the asset management arm of Singapore-based Keppel Corporation Limited CRN 196800351N.

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Australian Unity Office Fund
ARSN 113 369 627

Annual financial report and directors' report for the year ended 30 June 2022

Australian Unity Office Fund

ARSN 113 369 627

Annual financial report and directors' report for the year ended 30 June 2022

Contents	Page

Directors' report

The directors of Australian Unity Investment Real Estate Limited (ABN 86 606 414 368), the Responsible Entity of Australian Unity Office Fund ("the Scheme"), present their report together with the consolidated financial statements of the Scheme for the year ended 30 June 2022.

Directors
The following persons were directors of the Responsible Entity of the Scheme (the "Board") during the year and up to the date of this report:

W Peter Day*	Independent Non-Executive Director and Chairman
Don Marples*	Independent Non-Executive Director and Chairman of the Audit & Risk Committee
Eve Crestani*	Independent Non-Executive Director
Erle Spratt	Non-Executive Director
Greg Willcock	Non-Executive Director

* Member of the Audit & Risk Committee

Company secretary
The company secretaries of the Responsible Entity during the year and up to the date of this report:

Liesl Petterd
Emma Rodgers (resigned 5 November 2021)

Operating and financial review

Principal activities
The Scheme is an ASX-listed Real Estate Investment Trust that wholly owns a portfolio of properties located across Australian metropolitan and CBD markets.

Investment objective and strategy
During the financial year the Scheme’s three largest tenants, representing approximately 50% of the portfolio’s net lettable areas, informed the Scheme that they would not be renewing their leases.

The Responsible Entity has refined the Scheme’s investment objective and strategy in light of this information.

The Scheme’s investment objective is to maximise returns for unitholders through:
- owning Australian real estate assets in metropolitan and CBD markets;
- generating income by delivering and maintaining sustainable occupancy levels;
- divesting assets to make capital available;
- as appropriate, recycle available capital to refurbish and reposition assets; and,
- exploring other value maximisation initiatives.

The appointed Investment Manager of the Scheme's assets is Australian Unity Funds Management Limited (ABN 60 071 497 115).

Australian Unity Property Management Pty Ltd (ABN 76 073 590 600) has been appointed to provide a number of property related services to the Scheme.

Review of operations

Major tenants

During the financial year the Scheme’s three largest tenants, Telstra at 30 Pirie Street, Adelaide; Property New South Wales at 10 Valentine Avenue, Parramatta and Boeing Defence Australia at 150 Charlotte Street, Brisbane, informed the Scheme that they would not be renewing their leases. The Scheme revalued all three assets, reflecting this new information. The combined independent valuation of the three assets reduced from $334,800,000 at 30 June 2021 to $248,100,000 at 30 June 2022.

Merger proposal with Australian Unity Diversified Property Fund

On 4 October 2021, the Scheme announced that it had entered into a merger implementation deed ("MID") with Australian Unity Diversified Property Fund ("DPF") to create Australian Unity Property Fund.

The proposed merger was to be implemented by way of a DPF trust scheme subject to various conditions, including obtaining the approval of unitholders at meetings of the Scheme unitholders and DPF unitholders.

Following release of the proposed merger notice of meeting and explanatory memorandum, a small number of the Scheme's largest unitholders provided feedback that they were not supportive of the proposed merger.

The Responsible Entity formed the view that further engagement with unitholders and other stakeholders was required to understand their feedback and to determine if there were opportunities to make refinement to the proposed merger. The unitholder meeting to consider the proposed merger was deferred.

Following a period of engagement, the Responsible Entity determined that it was not possible to make sufficient refinements to the proposed merger, in an appropriate time-frame, to obtain the support necessary from the small number of the Scheme's largest unitholders, which was required for the meeting resolutions to be passed.

Accordingly, the Scheme and DPF mutually terminated the MID on 17 January 2022, with the proposed merger no longer being pursued.

Aliro proposal

On 27 May 2022, the Scheme received a non-binding, indicative proposal from Aliro Group, on behalf of the Aliro Group Value Office Fund (collectively, Aliro) to acquire all the issued units in the Scheme for $2.45 cash per Scheme unit, by way of a trust scheme.

An independent board committee, comprising the independent directors of the Scheme, was established by the Scheme to consider the Aliro Proposal and, as announced on 3 June 2022, an Exclusivity Deed was entered into between the Scheme and Aliro, to permit Aliro to conduct exclusive due diligence.

As disclosed by the Scheme on 1 July 2022 and 18 July 2022, following requests from Aliro, the Exclusivity Period, as defined in the Exclusivity Deed, was extended to enable Aliro to revert with an updated proposal. After market on 22 July 2022, the Scheme received correspondence from Aliro advising that Aliro was unable to submit an updated proposal at that time. Aliro noted it had completed a significant amount of work, having previously advised the Scheme that its key diligence findings did not contain any major issues. Aliro further noted a deterioration of market conditions had resulted in it being unable to arrive at an offer price that could meet its investment objectives as well as being at a level that Aliro believed would be acceptable for consideration by the Scheme's unitholders.

Financial result
The following table summarises the statutory profit for the year ended 30 June 2022 and provides a comparison to the statutory profit for the year ended 30 June 2021.

$'000	**2022**	**2021**
Rental income *	52,843	56,822
Property expenses **	(12,881)	(16,379)
Straight lining of rental income and amortisation of leasing commissions and tenant incentives	(6,196)	(5,944)
Net property income	**33,766**	**34,499**
Interest income	1	1
Net gains on financial instruments held at fair value	9,679	3,136
Net gains/(losses) on disposal of investment property	1,927	(501)
Net fair value decrement of investment properties	(79,169)	(1,657)
Management fees	(3,690)	(4,110)
Borrowing and other related costs	(5,645)	(6,643)
Other expenses***	(5,224)	(1,468)
(Loss)/profit for the year	**(48,355)**	**23,257**

* Rental income excludes the impact of straight lining of rental income and amortisation of leasing commissions and amortisation of tenant incentives
** Property expenses includes expected credit losses
***Other expenses for the year ended 30 June 2022 include $3,646,000 of costs associated with assessing options to maximise returns for unitholders; including the proposed merger with the Australian Unity Diversified Property Fund, corporate transactions and assets sales.

As at 30 June 2022, the Scheme's net assets attributable to unitholders per unit was $2.26 (2021: $2.71).

Funds From Operations
The Scheme uses the Property Council of Australia's definition of Funds From Operations (FFO) as a key determinant of the level of distributions to pay.

FFO is a Property Council of Australia definition which adjusts statutory Australian Accounting Standards profit for the year for non-cash changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives and leasing costs, rental straight-line adjustments and other unrealised or one-off items.

When assessing FFO, Directors also add back rental abatement incentives to ensure consistency with the treatment of rent free incentives and fitout incentives.

The Scheme aims to distribute between 80% and 100% of Directors' assessment of FFO each year.

Funds From Operations (continued)
A reconciliation of the statutory profit to FFO and distributions is set out below for the year ended 30 June 2022 and 30 June 2021.

$'000	**2022**	**2021**
Net (loss)/profit	(48,355)	23,257
Adjusted for:		
Straight lining of rental income and amortisation of leasing commissions and tenant incentives	6,196	5,944
Net gains on financial instruments held at fair value	(9,679)	(3,136)
Net (gains)/losses on disposal of investment property	(1,927)	501
Net fair value decrement of investment properties	79,169	1,657
Amortisation of borrowing costs	433	267
One off adjustment*	3,646	-
Add back: Rental abatement incentives	1,364	2,115
Directors' assessment of Funds from Operations	**30,847**	**30,605**
Distributions declared	**24,986**	**24,565**

* The Scheme incurred costs, for the year ended 30 June 2022, associated with assessing options to maximise returns for unitholders; including the proposed merger with the Australian Unity Diversified Property Fund, corporate transactions and assets sales. As these costs are one off in nature, and not part of the underlying and recurring earnings of the Scheme, the directors have excluded them from the FFO calculation.

Cents per unit	**2022**	**2021**
Directors' assessment of Funds from Operations	**18.8**	18.7
Distributions declared	**15.2**	15.0
Payout ratio (Distributions declared/Funds From Operations)	**81.0%**	80.3%

Property portfolio
At 30 June 2022, the Scheme wholly owned a portfolio of eight properties located across Australian metropolitan and CBD markets. The portfolio is valued at $539,820,000 (2021: $638,850,000) and has a total net lettable area of 95,904 sqm (2021: 98,067 sqm).

a) Leasing and occupancy
Since 1 July 2022, the Scheme has completed approximately 14,100 sqm of leasing across 17 separate transactions. This represents approximately 15.4% of the portfolio by area.

At 30 June 2022, the Scheme's investment properties weighted average lease expiry was 2.5 years (2021: 2.4 years) and occupancy rate was 84.4% (2021: 95.7%).

b) Acquisition
On 25 February 2022, the Scheme completed the acquisition of 96 York Street, Beenleigh, QLD for $33,520,000 excluding acquisition costs. The building has a net lettable area of 4,650 sqm, with 4,011 sqm of office space leased to Logan City Council for 10 years with two 5-year options and annual rent increases of the greater of 3.0% or CPI.

c) Property disposal
On 23 December 2021, the Scheme completed the sale of 32 Phillip Street, Parramatta, NSW. The sale price of $66.0 million (excluding transaction costs) reflected a 5% premium to the asset's independent valuation of $62.75 million as at 30 June 2021. Proceeds from the sale were used to repay the Scheme's borrowings and reduce gearing.

d) Valuations
All properties were independently valued at 30 June 2022, except 96 York Street, Beenleigh, QLD which was independently valued at 31 March 2022, ensuring valuations reflect current market conditions.

The weighted average capitalisation rate for the portfolio firmed to 5.7% as at 30 June 2022 (2021: 5.8%).

Capital management
As at 30 June 2022, drawn borrowings totalled $170,300,000 (30 June 2021: $190,800,000) with a weighted average all-in interest cost of 2.9%. Interest rates swaps with a contract/notional value of $130,000,000, representing 76.3% of the drawn borrowings, were in place at 30 June 2022. The Scheme's gearing (calculated as interest bearing liabilities, excluding unamortised establishment costs, less cash, divided by total tangible assets less cash) was 30.4% (30 June 2021: 28.4%).

On 31 March 2022, the Responsible Entity on behalf of the Scheme refinanced $150,000,000 of the Scheme's debt facility tranches with the existing financiers. All tranches of the Schemes $250,000,000 debt facility now expire on 17 March 2025. The facility is secured against the assets of the Scheme and is non-recourse to unitholders. The Scheme did not breach its debt covenants during the year ended 30 June 2022.

The Distribution Reinvestment Plan (DRP) was not active for the year-ended 30 June 2022.

Outlook and guidance
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.

The Responsible Entity will continue to focus on active portfolio management, including progressing asset management and refurbishment and repositioning initiatives at 10 Valentine Avenue, Parramatta and 30 Pirie Street, Adelaide. The Scheme will also continue to explore and implement other initiatives to maximise returns for the Scheme's unitholders, including divesting assets.

The Responsible Entity provides distribution guidance of 2.50 cents per unit for the September 2022 quarter. This guidance is subject to no material change in the Scheme’s portfolio, no material change in current market conditions and no unforeseen events. The Responsible Entity will provide distribution guidance on a quarterly basis until further notice.

The Responsible Entity will continue to review the Scheme’s financial position, including its income profile, balance sheet position, debt facilities and associated covenants and will update the market should circumstances materially change.

Matters subsequent to the end of the financial year
Subsequent to 30 June 2022, three investment properties being 150 Charlotte Street, Brisbane, 64 Northbourne Avenue, Canberra and 96 York Street, Beenleigh are being marketed for sale. In the event the assets are sold, the proceeds will initially be used to repay debt and, as appropriate, recycled into the refurbishment and repositioning of other investment properties.

Other than the above matters, and those mentioned elsewhere in the report, no other matters or circumstance has arisen since 30 June 2022 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 in the future years.

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

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.

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 20 to the consolidated financial statements.

No directors' fees were paid out of the assets of the Scheme to the directors of the Responsible Entity, except for independent directors who receive their fees from the Scheme. Directors' fees paid during the year were $335,000 (2021: $335,000).

Fees paid to and interests held in the Scheme by the Responsible Entity or its associates (continued)

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 20 to the consolidated financial statements.

The number of units held by directors in the Scheme are:

Director	**Units at 30 June 2022**
W Peter Day	58,000

At the date of this report, none of the other current directors of the Responsible Entity hold any units in the Scheme.

The following table sets out the directorships of Australian listed companies held by the directors of the Responsible Entity during the three years immediately before the end of the financial year:

Director	**Listed Entity**	**Appointed**	**Resigned**
W Peter Day	Alumina Limited	January 2014 *	Not applicable
	Ansell Limited	August 2007	November 2021

** W Peter Day was subsequently appointed Chairman of the Board on 1 April 2018.*

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

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

Indemnification and insurance of officers and auditors
While insurance cover is in place, 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 Investment Real Estate Limited or the auditors of the Scheme. So long as the officers of Australian Unity Investment Real Estate 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.

Provision of non-audit services by auditor
The Scheme may decide to employ the auditor (PwC) on assignments in addition to their statutory audit duties. Details of the amounts paid to the auditor, which includes amounts paid for non-audit services and other assurance services, are set out in note 6 to the financial statements.

The Directors have considered the non-audit services and other assurance services provided by the auditor during the financial year. In accordance with advice received from the Audit & Risk Committee, the Directors are satisfied that the provision of non-audit services is compatible with, and did not compromise, the general standard of auditor independence imposed by the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

Rounding of amounts to the nearest thousand dollars
The Scheme is an entity of a kind referred to in ASIC Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report. 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 9.

Signed in accordance with a resolution of the directors of Australian Unity Investment Real Estate Limited.

Don Marples
Independent Non-Executive Director and Chairman of the Audit & Risk Committee

W Peter Day
Independent Non-Executive Director and Chairman

29 August 2022

Auditor's Independence Declaration

As lead auditor for the audit of Australian Unity Office Fund for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Unity Office Fund and the entities it controlled during the period.

Britt Hawkins
Partner
PricewaterhouseCoopers

Melbourne
29 August 2022

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Consolidated statement of comprehensive income

	Notes	**2022 $'000**	2021 $'000
Income			
Rental income	3	**46,647**	50,877
Property expenses	4	**(12,881)**	(16,378)
Net property income		**33,766**	34,499
Interest income		**1**	1
Net gains on financial instruments held at fair value through profit or loss		**9,679**	3,136
Net fair value decrement of investment properties	14(b)	**(79,169)**	(1,657)
Realised gain/(loss) on disposal of investment property		**1,927**	(501)
Total income net of property expenses		**(33,796)**	35,478
Expenses			
Management fees	20	**3,690**	4,110
Borrowings costs and other related costs	5	**5,645**	6,643
Other expenses	7	**5,224**	1,468
Total expenses, excluding property expenses		**14,559**	12,221
(Loss)/profit for the year		**(48,355)**	23,257
Other comprehensive income		**-**	-
Total comprehensive income attributable to unitholders		**(48,355)**	23,257
Basic and diluted earnings per unit attributable to unitholders (cents per unit)	10	**(29.42)**	14.20

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

Consolidated statement of financial position

	Notes	2022 $'000	2021 $'000
Assets			
Cash and cash equivalents	11	**3,261**	8,935
Receivables	12	**1,357**	592
Financial assets held at fair value through profit or loss	13	**8,689**	-
Other assets		**873**	999
Investment properties	14	**539,820**	638,850
Total assets		**554,000**	649,376
Liabilities			
Distributions payable	9	**6,247**	6,164
Payables	15	**6,677**	7,232
Financial liabilities held at fair value through profit or loss	13	**-**	991
Borrowings	16	**169,585**	190,157
Total liabilities		**182,509**	204,544
Net assets attributable to unitholders	8	**371,491**	444,832

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

Consolidated statement of changes in equity

	2022 $'000	2021 $'000
Balance at the beginning of the year	**444,832**	442,830
Comprehensive income for the year		
(Loss)/profit for the year	**(48,355)**	23,257
Other comprehensive income	**-**	-
Total comprehensive income attributable to unitholders	**(48,355)**	23,257
Transactions with unitholders		
Distributions paid and payable	**(24,986)**	(24,565)
Units issued upon reinvestment of distributions	**-**	3,310
Total transactions with unitholders	**(24,986)**	(21,255)
Balance at the end of the year	**371,491**	444,832

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

Consolidated statement of cash flows

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
Rental income received		**50,492**	56,934
Payments to suppliers		**(21,251)**	(20,283)
Interest received		**1**	1
Net cash inflow from operating activities	21	**29,242**	36,652
Cash flows from investing activities			
Payments for additions to owned investment properties		**(12,371)**	(8,923)
Purchase of an investment property		**(33,520)**	-
Acquisition costs on purchase of investment property		**(2,279)**	-
Proceeds from sale of investment property		**66,000**	31,500
Disposal costs paid from sale of investment property		**(1,096)**	(280)
Net cash inflow from investing activities		**16,734**	22,297
Cash flows from financing activities			
Proceeds from borrowings		**44,500**	6,000
Repayment of borrowings		**(65,000)**	(31,000)
Borrowings costs and other related costs paid		**(6,246)**	(5,743)
Distributions paid		**(24,904)**	(19,975)
Swap break costs paid		**-**	(5,094)
Net cash outflow from financing activities		**(51,650)**	(55,812)
Net (decrease)/increase in cash and cash equivalents		**(5,674)**	3,137
Cash and cash equivalents at the beginning of the year		**8,935**	5,798
Cash and cash equivalents at the end of the year	11	**3,261**	8,935

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

Notes to the consolidated financial statements

1 General information

These consolidated financial statements cover Australian Unity Office Fund ("the Scheme") and its subsidiaries. The Scheme was constituted on 23 March 2005 and will terminate on the 80th anniversary unless terminated earlier in accordance with the provisions of the Scheme's Constitution.

The Responsible Entity of the Scheme is Australian Unity Investment Real Estate Limited ("AUIREL") (ABN 86 606 414 368) (the "Responsible Entity"), a wholly owned subsidiary of Australian Unity Keppel Capital Pty Ltd (ABN 67 637 410 505), a joint venture company owned equally by subsidiaries of Australian Unity Limited (ABN 23 087 648 888) and Keppel Capital Holdings Pte Ltd (CRN 201302079N) ("Keppel Capital"), the asset management arm of Singapore-based Keppel Corporation Limited (CRN 196800351N). 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 consolidated financial statements are for the year 1 July 2021 to 30 June 2022.

The consolidated financial statements were authorised for issue by the directors of the Responsible Entity on 29 August 2022. The directors of the Responsible Entity have the power to amend and reissue the consolidated financial statements.

The Scheme's assets are managed by Australian Unity Funds Management Limited (ABN 60 071 497 115) ("the Investment Manager"), a related party of the Responsible Entity.

The Scheme controlled the following entities during the year:
• Australian Unity Holding Trust which was constituted on 31 May 2005;
• Australian Unity Second Industrial Trust which was constituted on 28 September 2001;
• Australian Unity Fourth Commercial Trust which was constituted on 27 September 2002;
• Australian Unity Fifth Commercial Trust which was constituted on 31 July 2002;
• Pirie Street Trust which was established by Trust Deed dated 31 July 2002; and,
• Australian Unity Sixth Commercial Trust ("6CT") which was constituted on 2 October 2003. The Scheme fully redeemed its units in 6CT effective 31 March 2022.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

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

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New accounting standards and amendments adopted by the Scheme
There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

(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 2022 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.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by the Scheme as at 30 June 2022 and their results for the year then ended. The Scheme and its subsidiaries together are referred to in these consolidated financial statements as the consolidated entity.

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

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

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

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

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

(c) Investment properties

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

Subsequent to initial recognition, investment properties are stated at fair value being the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

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.

In accordance with the investment property valuations policy approved by the Board, 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 14. Notwithstanding, the directors of the Responsible Entity determine the carrying value of each investment property at each reporting date to ensure that its carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, that asset is adjusted to its fair value.

2 Summary of significant accounting policies (continued)

(c) Investment properties (continued)
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 consolidated statement of comprehensive income in the year in which they arise.

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

(d) Financial instruments

(i) Classification

The Scheme classifies its investments based on the Scheme's business model for managing those financial instruments and the contractual cash flow characteristics of the financial instruments. The Scheme classifies its financial instruments into the following measurement categories:

- *Financial assets and liabilities*

The consolidated entity's and the Scheme's investments are classified as held at fair value through profit or loss. These may include investments in listed property trust(s), unlisted property trust(s) and other unlisted trust(s).

Financial assets and 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 consolidated entity's and the Scheme's documented investment strategy. The consolidated entity's and 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.

- *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 with the objective of holding 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 consolidated entity and the Scheme recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

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

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

Any gains or losses arising on derecognition of a financial asset or liability (calculated as the difference between the disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the financial asset or liability is derecognised as realised gains or losses on financial instruments.

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

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

For further details on how the fair values of financial instruments are determined please see Note 19 to the consolidated financial statements.

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

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

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

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

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

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

Dividend income is recognised on the ex-dividend date.

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

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

(h) Expenses
All expenses, including property expenses, management fees and custodian fees, are recognised in the consolidated statement of comprehensive income on an accruals basis.

(i) 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.

2 Summary of significant accounting policies (continued)

(j) 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. Distributions are recognised in the consolidated statement of changes in equity as transaction with unitholders.

(k) Receivables
Receivables may include amounts for interest, rental income arrears, trust distributions and securities sold where settlement has not yet occurred. 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(g) 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.

The calculation of expected credit losses relating to rent and other receivables requires 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.

(l) 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 to 90 day terms, are unsecured and are carried at amortised cost.

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

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

Payables to related parties are recognised and carried at the nominal amount due. They are carried at the nominal amount due to the short term nature of the payable.

Borrowing costs are 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.

(m) Applications
Units issued through the ASX are recognised at the fair value of the consideration received. Transaction costs arising from the issue of units are recognised directly as a reduction of the proceeds received.

2 Summary of significant accounting policies (continued)

(n) Borrowings

All loans are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with borrowings.

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

(o) Goods and Services Tax (GST)

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

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

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

(p) 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 reporting period is recognised as a receivable. The following specific recognition criteria must also be met before revenue is recognised:

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 consolidated 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 consolidated 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 the working condition, are recognised in profit for the reporting period.

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

Outgoings income

Outgoing income is recognised in the consolidated 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

2 Summary of significant accounting policies (continued)

(q) 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, if material, 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
Prospective tenants may be offered incentives as an inducement to enter into operating leases. The costs of incentives are recognised as a reduction of rental revenue on a straight-line basis from the lease commencement date to the end of the lease term. The outstanding amount of the lease incentives is reflected in the fair value of investment properties.

(r) Use of judgements and estimates

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

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

The key valuation inputs used by the external independent property valuers in the latest valuations have been disclosed in note 19.

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

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

(t) Functional and presentation currency
Items included in the financial statements of each of the Scheme's operations are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Scheme's functional and presentation currency.

3 Rental income

	2022	2021
	$'000	$'000
Rental income	**42,038**	45,506
Outgoings income	**8,610**	9,729
Amortisation of lease commissions & lease incentives	**(4,001)**	(4,358)
Total rental income	**46,647**	50,877

Rental income was reduced by an adjustment for the straight lining of rental income of $2,195,000 (2021: $1,586,000).

During the year, the Scheme identified that amortisation of lease commissions and lease incentives had been incorrectly classified in the year ended 30 June 2021 resulting in an overstatement of total rental income by $4,358,000 and an equivalent overstatement of property expenses. The Scheme has restated rental income and property expenses for the year ended 30 June 2021 accordingly. There is no impact to the Scheme's profit, net assets or funds from operations.

4 Property expenses

	2022	2021
	$'000	$'000
Recoverable outgoings	**11,870**	14,118
Non recoverable outgoings	**1,192**	1,527
(Reversal of)/provision for expected credit losses	**(181)**	733
Total property expenses	**12,881**	16,378

5 Borrowing costs and other related costs

	2022 **$'000**	2021 $'000
Borrowing costs	**4,114**	3,961
Other related costs	**1,531**	2,682
Total borrowings and other related costs	**5,645**	6,643

Other related costs include costs incurred in connection with interest rate swaps. Borrowing costs and other related costs are expensed as incurred.

6 Auditor's remuneration

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

	2022 **$**	2021 $
Audit services - PwC		
Audit and review of financial statements	**135,000**	87,000
Audit of compliance plan	**4,630**	3,500
Total auditor's remuneration	**139,630**	90,500
Other services - PwC		
Advisory services	**142,500**	-

7 Other expenses

	2022 **$'000**	2021 $'000
Directors fees	**335**	335
Administration	**680**	599
Sundry*	**4,209**	534
	5,224	1,468

* Other expenses for the year ended 30 June 2022 include $3,646,000 of costs associated with assessing options to maximise returns for unitholders; including the proposed merger with the Australian Unity Diversified Property Fund, corporate transactions and assets sales.

8 Net assets attributable to unitholders

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

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

	Movements in no. of units		Movements in net assets	
Contributed equity	**2022 '000**	2021 '000	**2022 $'000**	2021 $'000
Opening balances	**164,383**	162,832	**374,067**	370,757
Units issued through the DRP	**-**	1,551	**-**	3,310
Closing balance	**164,383**	164,383	**374,067**	374,067

	2022 $'000	2021 $'000
Undistributed income		
Opening balance	**70,765**	72,073
Decrease in net assets attributable to unitholders	**(73,341)**	(1,308)
Closing balance	**(2,576)**	70,765
Total net assets attributable to unitholders	**371,491**	444,832

Capital risk management

The Responsible Entity considers net assets attributable to unitholders of the Scheme to be equity.

The Scheme utilises a mixture of debt and equity to finance its activities, with target gearing of below 40%. The gearing ratio at 30 June 2022 was 30.4% (2021: 28.4%).

9 Distributions to unitholders

The distributions for the year were as follows:

	2022 $'000	**2022 CPU**	2021 $'000	2021 CPU
30 September	**6,246**	**3.80**	6,106	3.75
31 December	**6,246**	**3.80**	6,131	3.75
31 March	**6,247**	**3.80**	6,164	3.75
30 June (payable)	**6,247**	**3.80**	6,164	3.75
	24,986	**15.20**	24,565	15.00

10 Earnings per unit

The earnings and weighted average number of units used in the calculation of basic and diluted earnings per unit are as follows:

	2022	2021
(Loss)/profit attributable to unitholders ($'000)	**(48,355)**	23,257
Weighted average number of units used as the denominator in calculating basic and diluted earnings per unit ('000)	**164,383**	163,760
Basic and diluted earnings per unit attributable to unitholders (cents per unit)	**(29.42)**	14.20

11 Cash and cash equivalents

	2022 $'000	2021 $'000
Cash at bank	**3,261**	8,935
	3,261	8,935

12 Receivables

	2022 $'000	2021 $'000
Trade receivables	**1,654**	1,285
GST receivables	**455**	240
Expected credit losses	**(752)**	(933)
	1,357	592

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

	2022 $'000	2021 $'000
Derivative assets	**8,689**	-
Total financial assets held at fair value through profit or loss	**8,689**	-
Derivative liabilities	**-**	(991)
Total financial liabilities held at fair value through profit or loss	**-**	(991)

An overview of the risk exposures and fair value measurements relating to financial assets and liabilities at fair value through profit or loss is included in note 18.

Refer to note 17 for details of the derivative financial instruments.

14 Investment properties

(a) Property details

	Type	Ownership	Acquisition date	Valuation date	Valuation amount	Valuer	Carrying value 2022	Carrying value 2021
		(%)			$'000		$'000	$'000
2-10 Valentine Ave, Parramatta, NSW	Office/ Freehold	100%	07/12/2007	30/06/2022	98,000	Cushman & Wakefield	**98,000**	147,800
468 St Kilda Rd, Melbourne, VIC	Office/ Freehold	100%	03/07/2007	30/06/2022	83,200	CBRE	**83,200**	79,000
5 Eden Park Drive, Macquarie Park, NSW	Commercial/ Freehold	100%	11/02/2014	30/06/2022	80,000	Cushman & Wakefield	**80,000**	73,500
150 Charlotte Street, Brisbane, QLD	Office/ Freehold	100%	20/10/2017	30/06/2022	77,100	Savills	**77,100**	97,000
30 Pirie Street, Adelaide, SA	Office/ Freehold	100%	11/02/2014	30/06/2022	73,000	Savills	**73,000**	90,000
2 Eden Park Drive, Macquarie Park, NSW	Commercial/ Freehold	100%	20/06/2013	30/06/2022	62,500	Cushman & Wakefield	**62,500**	62,500
96 York Street, Beenleigh, QLD	Office/ Leasehold	100%	25/02/2022	31/03/2022	33,520	Colliers	**33,520**	-
64 Northbourne Avenue, Canberra, ACT	Office/ Leasehold	100%	01/06/2005	30/06/2022	32,500	Knight Frank	**32,500**	26,300
32 Phillip Street, Parramatta, NSW	Office/ Freehold	100%	01/06/2007	SOLD			**-**	62,750
Total					539,820		**539,820**	638,850

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

During the financial year the Scheme's three largest tenants, Telstra at 30 Pirie Street, Adelaide; Property New South Wales at 10 Valentine Avenue, Parramatta and Boeing Defence Australia at 150 Charlotte Street, Brisbane, informed the Scheme that they would not be renewing their leases. The Scheme revalued all three assets, reflecting this new information. The combined independent valuation of the three assets reduced from $334,800,000 at 30 June 2021 to $248,100,000 at 30 June 2022.

The investment properties valuation policy is included in note 19.

(b) Movements in carrying amount

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

	2022 $'000	2021 $'000
Opening balance	**638,850**	669,650
Acquisitions	**35,799**	-
Additions	**13,513**	7,882
Capitalised borrowing cost	**-**	633
Disposal	**(62,977)**	(31,714)
Lease commissions and incentives amortisation	**(4,001)**	(4,358)
Straight-lining of rental income	**(2,195)**	(1,586)
Revaluation movements	**(79,169)**	(1,657)
Closing balance	**539,820**	638,850

On 23 December 2021, the Scheme settled the sale of 32 Phillip Street, Parramatta, NSW for a consideration of $66,000,000. After selling costs a gain of $1,927,000 was realised.

On 25 February 2022, the Scheme completed the acquisition of 96 York Street, Beenleigh, QLD for $33,520,000 excluding acquisition costs.

14 Investment properties (continued)

(c) Contractual obligations

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

	2022 **$'000**	2021 $'000
Within one year	**261**	1,677
	261	1,677

The Scheme's share of capital commitments will be funded using the Scheme's cash and cash equivalents and debt facility. Refer to notes 11 and 16, respectively.

(d) 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:

	2022 **$'000**	2021 $'000
Within one year	**29,575**	43,128
Later than one year but not later than 5 years	**35,885**	51,550
Later than 5 years	**3,598**	3,682
	69,058	98,360

15 Payables

	2022 **$'000**	2021 $'000
Trade payables	**2,859**	2,551
Accrued expenses	**1,808**	1,647
Rent received in advance	**1,382**	1,868
Accrued borrowing costs and other related costs	**164**	694
GST payables	**464**	472
	6,677	7,232

16 Borrowings

	2022 $'000	2021 $'000
Bank loan	**170,300**	190,800
Unamortised borrowing costs	**(715)**	(643)
	169,585	190,157

On 31 March 2022, the Responsible Entity on behalf of the Scheme refinanced $150,000,000 of the Scheme's debt facility tranches with the existing financiers. All tranches of the Scheme $250,000,000 debt facility now expire on 17 March 2025. The facility is secured against the assets of the Scheme and is non-recourse to unitholders. The Scheme did not breach its debt covenants during the year ended 30 June 2022.

The Scheme had access to:

	2022 $'000	2021 $'000
Credit facilities		
Cash advance facilities	**250,000**	250,000
Drawn balance	**(170,300)**	(190,800)
Undrawn balance	**79,700**	59,200

Reconciliations of the net debt are set out below:

	2022 $'000	2021 $'000
Analysis of changes in consolidated net debt		
Opening balance	**181,865**	210,002
Net repayment from borrowings	**(20,500)**	(25,000)
Other cash movements	**5,674**	(3,137)
Closing balance	**167,039**	181,865
Bank loan	**170,300**	190,800
Cash and cash equivalents	**(3,261)**	(8,935)
Consolidated net debt	**167,039**	181,865

17 Derivative financial instruments

2022	**Contract/notional**	**Fair values Assets**	**Fair values Liabilities**
	$'000	**$'000**	**$'000**
Interest rate swaps			
Maturing on 23 April 2024 at a fixed rate of 0.4100% effective 23 July 2021 (reduced from 2.0400%)	**20,000**	**1,062**	**-**
Maturing on 23 April 2024 at a fixed rate of 0.4610% effective 23 July 2021 (reduced from 1.7085%)	**30,000**	**1,594**	**-**
Maturing on 20 January 2025 at a fixed rate of 0.5790% effective 20 July 2021 (reduced from 1.6900%)	**20,000**	**1,453**	**-**
Maturing on 8 February 2025 at a fixed rate of 0.6020% effective 8 August 2021 (reduced from 1.4300%)	**30,000**	**2,209**	**-**
Maturing on 23 April 2025 at a fixed rate of 0.6300% effective 23 July 2021 (reduced from 0.8950%)	**30,000**	**2,371**	**-**
	130,000	**8,689**	**-**

2021	Contract/notional	Fair values Assets	Fair values Liabilities
	$'000	$'000	$'000
Interest rate swaps			
Maturing on 20 January 2025 at a fixed rate of 1.6900% (reduced to a fixed rate of 0.5790% from 20 July 2021)	20,000	-	3
Maturing on 21 August 2021 at a fixed rate of 2.0600%	20,000	-	59
Maturing on 21 August 2021 at a fixed rate of 2.0600%	20,000	-	59
Maturing on 8 February 2025 at a fixed rate of 1.4300% (reduced to a fixed rate of 0.6020% from 8 August 2021)	30,000	-	25
Maturing on 23 April 2025 at a fixed rate of 0.8950% (reduced to a fixed rate of 0.6300% from 23 July 2021)	30,000	12	-
Maturing on 23 April 2024 at a fixed rate of 1.7085% (reduced to a fixed rate of 0.4610% from 23 July 2021)	30,000	-	46
Maturing on 23 April 2024 at a fixed rate of 2.0400% (reduced to a fixed rate of 0.4100% from 23 July 2021)	20,000	-	5
	170,000	12	197
Forward dated interest swap contracts			
Commencing 23 August 2021 maturing on 23 May 2022 at a fixed rate of 2.7700%	40,000	-	806
	40,000	-	806

17 Derivative financial instruments (continued)

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

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The valuation policy is included in note 19.

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

An unrealised gain of $9,679,000 (2021: $8,230,334) relating to the change in the fair value of the Scheme's interest rate swap contracts was recognised in the consolidated statement of comprehensive income during the year ended 30 June 2022.

18 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 under policies approved by the Board.

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

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

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

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

(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.

The Scheme has no exposures to price risk.

18 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.

The Scheme is exposed to interest rate risk predominantly through borrowings. The Scheme uses interest rate swaps, which exchanges floating interest rates for fixed interest rates, to manage its expose to increases in the floating interest rate. Compliance with policy is reviewed regularly by management and is reported to the Board.

The Scheme has exposure to interest rate risk on its monetary assets and liabilities, mitigated by the use of interest rate swaps, as shown in the table below:

	2022 $'000	2021 $'000
Floating rate		
Cash and cash equivalents	**3,261**	8,935
Borrowings*	**(170,300)**	(190,800)
	(167,039)	(181,865)
Derivative financial instruments		
Interest rate swaps - floating to fixed*	**130,000**	170,000
	130,000	170,000
Net exposure	**(37,039)**	(11,865)

* Represents the notional principal amounts.

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

Interest rates swaps with a contract/notional value of $130,000,000, representing 76.3% of the drawn borrowings, were in place at 30 June 2022 (2021: 89.1%).

	Impact on profit and net assets attributable to unitholders	
	2022 $'000	2021 $'000
Sensitivity		
Interest rate +2.15% (2021: +0.60%)	**(796)**	(71)
Interest rate -0.85% (2021: -0.60%)	**287**	71

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

18 Financial risk management (continued)

(c) Credit risk
Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Scheme. The Scheme has exposure to credit risk on its financial assets included in the Scheme's consolidated statement of financial position. This includes cash and cash equivalents, derivatives, as well as receivables due from tenants and managing agents.

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

For cash and cash equivalents and derivatives, the Scheme manages this risk by only transacting with investment grade counterparties approved by the Board.

The Scheme applies the simplified expected credit loss (ECL) approach to estimate the amount of impairment loss on rent receivables. 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.

(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 maintaining an adequate amount of committed credit facilities. In addition, the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

Maturities analysis of financial liabilities
The table below analyses the consolidated entity's and 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.

2022	**Less than 1 year $'000**	**1-2 years $'000**	**2-3 years $'000**	**3+ years $'000**
Distributions payable	**6,247**	**-**	**-**	**-**
Payables	**6,677**	**-**	**-**	**-**
Borrowings	**-**	**-**	**170,300**	**-**
Total financial liabilities	**12,924**	**-**	**170,300**	**-**

2021	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3+ years $'000
Distributions payable	6,164	-	-	-
Payables	6,888	-	-	-
Financial liabilities held at fair value through profit or loss *	1,603	666	629	314
Borrowings	-	93,800	-	97,000
Total financial liabilities	14,655	94,466	629	97,314

** Undiscounted interest payment obligations using BBSW1M and BBSW3M as at 30 June 2021*

18 Financial risk management (continued)

(d) Liquidity risk (continued)

As disclosed above, the Scheme manages its liquidity risk by investing predominantly in liquid assets that it expects to be able to liquidate within seven days or less. Liquid assets include cash and cash equivalents. As at 30 June 2022, these assets amounted to $3,261,000 (2021: $8,935,000).

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

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

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

(f) Instruments used by the Scheme

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

The details of the Scheme's interest rate management activities are detailed in note 17.

19 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.

All fair value measurements disclosed are recurring fair value measurements.

19 Fair value hierarchy (continued)

2022	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets held at fair value through profit or loss				
Derivatives	**-**	**8,689**	**-**	**8,689**
Total financial assets	**-**	**8,689**	**-**	**8,689**
Non-financial assets				
Investment properties	**-**	**-**	**539,820**	**539,820**
Total non-financial assets	**-**	**-**	**539,820**	**539,820**

2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Non-financial assets				
Investment properties	-	-	638,850	638,850
Total non-financial assets	-	-	638,850	638,850
Financial liabilities				
Financial liabilities held at fair value through profit or loss				
Derivatives	-	991	-	991
Total financial liabilities	-	991	-	991

The Scheme's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the year. There are no transfers between levels 1, 2 and 3 for fair value measurements during the year (2021: $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.

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

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

19 Fair value hierarchy (continued)

(ii) Investment properties

The investment property valuation policy is to have independent valuations conducted regularly in line with the Scheme's valuation policy (see Note 2 (c)), 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 square metre.

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

The Responsible Entity elected to externally revalue all of its investment properties as at 30 June 2022, except 96 York Street, Beenleigh, QLD which was independently valued at 31 March 2022, to ensure valuations reflect current market conditions.

Independent valuers use a number of assumptions when valuing a property. Whilst valuers have considered the impact of the COVID-19 pandemic on their assumptions in arriving at a valuation, less weight can be attached to previous market evidence for comparison purposes when forming an opinion of value.

2-10 Valentine Avenue, Parramatta is a single allotment comprising a 14 level office building at 10 Valentine Avenue and an adjoining six level car park for a total of 282 cars at 2 Valentine Avenue. 2 Valentine Avenue currently has development approval for an approximate 28,000sqm A-Grade office tower across 24 levels with 117 car spaces and was valued as a development site at 31 December 2021 and 30 June 2021. The 30 June 2022 valuation has considered current market conditions with respect to office development opportunities and has valued 2 Valentine Avenue as a car park with development approval.

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

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

19 Fair value hierarchy (continued)

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

The changes in fair value of investment properties for the year are set out in note 14(b).

(i) Valuation inputs and relationship to fair value
The 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:

- Current net market rental - 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);
- 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;
- 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	**2022**	2021
Current net market rental ($ per sqm)	**331 - 599**	327 - 607
Adopted capitalisation rate (%)	**5.13% - 6.75%**	5.25% - 7.25%
Adopted terminal yield (%)	**5.38% - 6.75%**	5.50% - 7.50%
Adopted discount rate (%)	**5.75% - 7.75%**	6.00% - 7.50%

(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 14. Notwithstanding, the directors of the Responsible Entity determine the carrying value of each investment property at each reporting date to ensure that its carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, that asset is adjusted to its fair value. See also note 19(b)(ii) for further details on valuation techniques and impact of the COVID-19 pandemic on valuations.

19 Fair value hierarchy (continued)

(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 net 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.

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 2022 $'000	30 June 2021 $'000
Adopted capitalisation rate +0.25% (2021: +0.25%)	**(31,313)**	(28,208)
Adopted capitalisation rate -0.25% (2021: -0.25%)	**32,737**	30,015
Adopted discount rate +0.25% (2021: +0.25%)	**(12,627)**	(8,884)
Adopted discount rate -0.25% (2021: -0.25%)	**12,948**	9,181
Adopted terminal yield +0.25% (2021: +0.25%)	**(18,782)**	(17,878)
Adopted terminal yield -0.25% (2021: -0.25%)	**20,028**	19,321

(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.

20 Related party transactions

Responsible entity
The Responsible Entity of Australian Unity Office Fund is Australian Unity Investment Real Estate Limited (ABN 86 606 414 368).

Key management personnel
(a) Directors
Key management personnel include persons who were directors of the Australian Unity Investment Real Estate Limited at any time during the year as follows:

W Peter Day*	Independent Non-Executive Director and Chairman
Don Marples*	Independent Non-Executive Director and Chairman of the Audit & Risk Committee
Eve Crestani*	Independent Non-Executive Director
Erle Spratt	Non-Executive Director
Greg Willcock	Non-Executive Director

* Member of the Audit & Risk Committee

Company secretary
The company secretaries of the Responsible Entity during the year up to the date of this report were:

Liesl Petterd
Emma Rodgers (resigned 5 November 2021)

No directors' fees were paid out of the Scheme property to the directors of the Responsible Entity, except for independent directors who receive their fees from the Scheme. Directors' fees paid during the year was $335,000 (2021: $335,000).

As at 30 June 2022, Peter Day held 58,000 units (2021: Peter Day held 58,000 units). None of the other current directors of the Responsible Entity held any units in the Scheme.

(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 the Responsible Entity, or their director related entities, may buy or sell units of the Scheme. These transactions are on the same terms and conditions as those entered into by other Scheme unitholders.

Responsible Entity's fees and other transactions
Under the terms of the Scheme's Constitution, the Responsible Entity is entitled to receive fees monthly calculated:
- 0.60% per annum of the gross asset value of the Scheme up to and including $750,000,000; plus
- 0.55% per annum of the gross asset value of the Scheme that exceeds $750,000,000.

Australian Unity Funds Management Limited (ABN 60 071 497 115) ("AUFML") is the appointed provider of investment management services to the Scheme effective 17 June 2016. Under the Investment Management Agreement, the Investment Manager is engaged to provide a number of services including:
• Investment management services;
• Fund analyst services; and
• Transactional services.

The fees for providing these services are included in the Responsible Entity's fees.

Additionally AUFML is entitled to fees for providing accounting services, which totalled $145,224 in the 2022 financial year.

20 Related party transactions (continued)

Responsible Entity's fees and other transactions (continued)

Australian Unity Property Management Pty Ltd (ABN 76 073 590 600) ("AUPMPL") has been appointed to provide a number of property related services to the Scheme. These services include:
• Property management services;
• Financial management services;
• Leasing services;
• Rent review services; and
• Project supervision services (in relation to capital works).

AUFML and AUPMPL are wholly owned subsidiaries of Australian Unity Limited (ABN 23 087 648 888). All related party transactions are under normal commercial terms and conditions and at market rates. The fees payable to AUFML and AUPMPL were approved by unitholders of the Scheme on 17 June 2016.

The AUPMPL fees were subsequently reviewed in July 2019 in line with the terms of the Property Management Services Agreement with new fees applicable from 1 July 2019. Further information on the Property Management Services Agreement is available in the Corporate Governance section of the Australian Unity Office Fund website at www.australianunityofficefund.com

The transactions during the year between the Scheme and the Responsible Entity and its related parties were as follows:

	2022	2021
	$	$
Management fees for the year paid/payable by the Scheme to the Responsible Entity	**3,689,864**	4,110,411
Property management, other property related services fees and accounting fees	**1,568,866**	1,201,607

During the year the Scheme paid $601,788 (2021: $426,966) to the Responsible Entity for administration expenses which the Responsible Entity incurred on behalf of the Scheme. These expenses, which are reimbursed in accordance with the Scheme's Constitution, may include custodian fees, directors' fees, auditors' fees, accounting fees, registry fees and other expenses incurred in the day to day running of the Scheme.

As at 30 June 2022, an amount of $803,175 (2021: $865,652) owing to the Responsible Entity and its related parties was included in payables.

The Scheme charged Australian Unity Group Services Pty Ltd (ABN 29 006 803 069) ("AUGSPL"), a wholly owned subsidiary of Australian Unity Limited, total rent of $326,455 (2021: $651,696) during the year, of which $28,832 (2021: $26,529) remains receivable as at 30 June 2022. The leases were entered into under normal commercial terms and conditions and at market rates.

20 Related party transactions (continued)

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

2022 Unitholders	No. of units held opening '000	No. of units held closing '000	Fair value of investment $'000	Interest held (%)*	No. of units acquired '000	No. of units disposed '000	Distributions paid/payable by the Scheme $'000
Lifeplan Australia Friendly Society Limited	**4,555**	**4,555**	**9,976**	**2.77**	**-**	**-**	**692**
Australian Unity Property Income Fund	**3,813**	**3,813**	**8,350**	**2.32**	**-**	**-**	**579**
Australian Unity Health Limited	**4,154**	**4,154**	**9,097**	**2.53**	**-**	**-**	**631**
Australian Unity Diversified Property Fund	**9,702**	**9,702**	**21,248**	**5.90**	**-**	**-**	**1,474**
Australian Unity A-REIT Fund	**932**	**932**	**2,041**	**0.57**	**-**	**-**	**142**
Australian Unity Funds Management Limited	**1,509**	**1,509**	**3,304**	**0.92**	**-**	**-**	**229**
Total	**24,665**	**24,665**	**54,016**	**15.01**	**-**	**-**	**3,747**

20 Related party transactions (continued)

Related party unitholdings (continued)

2021 Unitholders	No. of units held opening '000	No. of units held closing '000	Fair value of investment $'000	Interest held (%)*	No. of units acquired '000	No. of units disposed '000	Distributions paid/payable by the Scheme $'000
Lifeplan Australia Friendly Society Limited	3,800	4,555	11,889	2.77	755	-	652
Australian Unity Property Income Fund	3,747	3,813	9,951	2.32	66	-	567
Australian Unity Health Limited	3,258	4,154	10,842	2.52	896	-	587
Australian Unity Diversified Property Fund	9,534	9,702	25,323	5.90	168	-	1,443
Australian Unity A-REIT Fund	916	932	2,432	0.57	16	-	139
Australian Unity Funds Management Limited	1,483	1,509	3,938	0.92	26	-	224
Australian Unity Property Securities Fund	500	-	-	0.00	-	500	19
Australian Unity Real Estate Securities Fund	177	-	-	0.00	-	177	7
Total	23,415	24,665	64,375	15.00	1,927	677	3,638

* AUFML and its related parties are the appointed investment manager for a number of third-party entities. As at 30 June 2022, these entities hold 823,600 units (0.51% of total units on issue in the Scheme).

21 Reconciliation of profit to net cash inflow from operating activities

	2022 $'000	2021 $'000
(Loss)/profit for the year	**(48,355)**	23,257
Add back swap break costs paid	**-**	5,094
Add back borrowings and other related costs	**5,645**	6,643
Realised (gains)/loss on sale of investment property	**(1,927)**	501
Net change in fair value of the investment properties - revaluation decrement	**79,169**	1,657
Unrealised gains on financial instruments held at fair value through profit or loss	**(9,679)**	(8,230)
Adjustments to net lease incentives and straight line rental	**5,366**	5,713
Net change in receivables	**(765)**	1,226
Net change in payables	**(338)**	1,005
Net change in other assets	**126**	(214)
Net cash inflow from operating activities	**29,242**	36,652

22 Parent entity financial information*

Statement of financial position	2022 $'000	2021 $'000
Cash and cash equivalents	**1,396**	5,981
Receivables	**28,408**	250
Other assets	**80**	70
Financial assets held at fair value through profit or loss	**8,689**	-
Investment properties	**143,120**	123,300
Investment in subsidiaries	**367,447**	545,455
Total assets	**549,140**	675,056
Distributions payable	**6,247**	6,164
Financial liabilities held at fair value through profit or loss	**-**	991
Payables	**1,817**	32,912
Borrowings	**169,585**	190,157
Total liabilities	**177,649**	230,224
Net assets attributable to unitholders	**371,491**	444,832

Statement of comprehensive income		
(Loss)/profit for the year	**(48,355)**	23,257
Other comprehensive income	**-**	-
Total comprehensive income for the year	**(48,355)**	23,257

22 Parent entity financial information (continued)

* The Scheme is the parent entity and controlled the following entities during the year:
• Australian Unity Holding Trust;
• Australian Unity Second Industrial Trust;
• Australian Unity Fourth Commercial Trust;
• Australian Unity Fifth Commercial Trust;
• Pirie Street Trust; and,
• Australian Unity Sixth Commercial Trust ("6CT"). The Scheme fully redeemed its units in 6CT effective 31 March 2022.

23 Events occurring after the end of the financial year

On 27 May 2022, the Scheme received a non-binding, indicative proposal from Aliro Group, on behalf of the Aliro Group Value Office Fund (collectively, Aliro) to acquire all the issued units in the Scheme for $2.45 cash per Scheme unit, by way of a trust scheme.

An independent board committee, comprising the independent directors of the Scheme, was established by the Scheme to consider the Aliro Proposal and, as announced on 3 June 2022, an Exclusivity Deed was entered into between the Scheme and Aliro, to permit Aliro to conduct exclusive due diligence.

As disclosed by the Scheme on 1 July 2022 and 18 July 2022, following requests from Aliro, the Exclusivity Period, as defined in the Exclusivity Deed, was extended to enable Aliro to revert with an updated proposal. After market on 22 July 2022, the Scheme received correspondence from Aliro advising that Aliro was unable to submit an updated proposal at that time. Aliro noted it had completed a significant amount of work, having previously advised the Scheme that its key diligence findings did not contain any major issues. Aliro further noted a deterioration of market conditions had resulted in it being unable to arrive at an offer price that could meet its investment objectives as well as being at a level that Aliro believed would be acceptable for consideration by the Scheme's unitholders.

Subsequent to 30 June 2022, three investment properties being 150 Charlotte Street, Brisbane, QLD, 64 Northbourne Avenue, Canberra ACT and 96 York Street, Beenleigh, QLD are being marketed for sale. In the event the assets are sold, the proceeds will initially be used to repay debt and, as appropriate, recycled into the refurbishment and repositioning of other investment properties.

No other significant events have occurred since the end of the year which would impact on the financial position of the Scheme disclosed in the consolidated statement of financial position as at 30 June 2022 or on the results and cash flows of the Scheme for the year on that date.

24 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2022 (2021: $nil).

Commitments arising from contracts which are contracted for at reporting date but not recognised on the consolidated statement of financial position relate to:
• capital expenditure on investment properties $261,000 (2021: $1,677,000); and,
• other contractual commitments $690,000 (2021: $nil)

Directors' declaration

In the opinion of the directors of Australian Unity Investment Real Estate Limited, as the Responsible Entity of the Scheme:

(a) the consolidated financial statements and notes set out on pages 10 to 43 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 consolidated Scheme's financial position as at 30 June 2022 and of its performance, as represented by the results of its operations and cash flows for the year on that date,

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

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

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

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

Don Marples
Independent Non- Executive Director and Chairman of the Audit & Risk Committee

W Peter Day
Independent Non-Executive Director and Chairman

29 August 2022

Independent auditor's report

To the unitholders of Australian Unity Office Fund

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2022
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

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

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

Independence

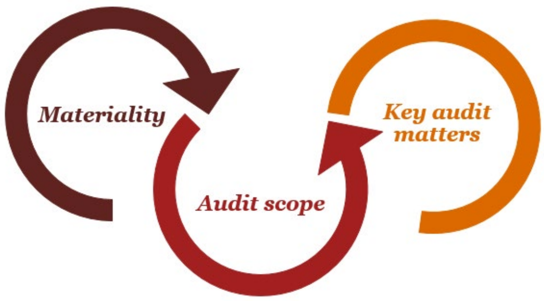
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the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

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope
• For the purpose of our audit we used overall Group materiality of $1.6m, which represents approximately 5% of the Group's adjusted profit (Funds from Operations). We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group adjusted profit because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We adjusted Group profit for fair value movements in investment properties and derivatives, gains on disposal of investment properties, straight lining of rental income and amortisation of leasing commissions and tenant incentives, amortisation of borrowings costs, non-recurring costs associated with assessing options to maximise unitholder returns and rental abatement incentives. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties *(Refer to notes 2(c), 14 and 19) $540m* The Group's investment property portfolio comprises of eight properties across Australia. The Group's investment properties are carried at fair value, which is determined with reference to external valuers' reports for each property and by applying the valuation methodology described in Note 19 of the financial report. We considered this a key audit matter because of the: ● Financial significance of the investment property balances in the Group's balance sheet and the inherently subjective nature of investment property valuations. ● Estimation uncertainty with respect to the key inputs and judgements used by the Group in developing fair value estimates including, among others, capitalisation rates, terminal yield and discount rates. ● Importance of valuation uncertainty to users' understanding of the financial report.	We, in conjunction with our Real Estate experts where relevant, performed the following audit procedures, amongst others: ● assessed the Group's process for valuing investment properties. This included discussing with management the key drivers affecting the value of the investment property portfolio such as changes to significant lease arrangements, capital expenditure and vacancy rates. We also enquired about the impact of COVID-19 on investment property valuations and how this has been considered by the Group in determining fair value at 30 June 2022 ● assessed the design and tested the operating effectiveness of certain controls supporting the Group's investment property valuation process, including controls relating to the review and approval of valuations adopted ● considered the appropriateness of the Group's valuation policy for investment properties (refer to Note 2c) in accordance with accounting standards ● assessed the scope, competence, capability, and objectivity of external valuation experts engaged by the Group. Where external valuations were obtained by the Group, we read the relevant valuation reports and agreed the fair values to the Group's accounting records ● considered whether the Group's valuation methodologies were consistent with

Key audit matter	How our audit addressed the key audit matter
	valuation practices and those used in the industry • evaluated the appropriateness of significant assumptions used in the valuation reports, on a sample basis, by comparing the assumptions to external market data, including industry research compiled by our PwC Real Estate Advisory team • on a sample basis, performed recalculations over the mathematical accuracy of the valuation models and validated key inputs including tenancy schedules and lease terms to source data • assessed the reasonableness of the Group's disclosures in the financial reporting against the requirements of Australian Accounting Standards. In particular, we assessed the reasonableness of the disclosures in Note 19(b)(ii) to the financial statements which explains that there is estimation uncertainty in relation to the valuation of investment properties.

Other information

The directors of Australian Unity Investment Real Estate Limited (the Responsible Entity) are responsible for the other information. The other information comprises the information included in the annual financial report and directors' report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the directors' report. We expect the remaining other information to be made available to us after the date of this auditor's report.

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

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

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

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Responsible Entity and use our professional judgement to determine the appropriate action to take.

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

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Britt Hawkins
Partner

Melbourne
29 August 2022