ASX Announcement – Australian Unity Office Fund

30 August 2024

Appendix 4E

Australian Unity Office Fund ('AOF')
Preliminary Final Report
For the Year Ended 30 June 2024

Results for announcement to the market

1.0	**Reporting period**				
	Current reporting period	12 months to 30 June 2024			
	Prior reporting period	12 months to 30 June 2023			
2.0	**Results for announcement to the market**	**30 June 2024 $'000**	**30 June 2023 $'000**	**Movement $'000**	**Movement %**
2.1	Total revenues and other income (Note 1)	24,973	31,643	(6,670)	(21.1%)
2.2	Profit from ordinary activities after tax attributable to unitholders	(61,391)	(4,442)	(56,949)	(1,282.1%)
2.3	Net profit for the period attributable to unitholders	(61,391)	(4,442)	(56,949)	(1,282.1%)
2.3A	Directors assessment of Funds From Operations (Note 2)	16,808	19,293	(2,485)	(12.9%)
2.4	**Distributions**	**Amount per unit**		**Record date**	
	Distribution for 1 July 2023 to 30 September 2023	1.3 cents		29 September 2023	
	Distribution for 1 October 2023 to 31 December 2023	1.5 cents		29 December 2023	
	Distribution for 1 January 2024 to 31 March 2024	1.5 cents		28 March 2024	
	Distribution for 1 April 2024 to 30 June 2024	9.7 cents		28 June 2024	
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 2024 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 2024 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)

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 2023 to 30 September 2023		26 October 2023	1.3 cents	n/a
	Distribution for 1 October 2023 to 31 December 2023		31 January 2024	1.5 cents	n/a
	Distribution for 1 January 2024 to 31 March 2024		24 April 2024	1.5 cents	n/a
	Distribution for 1 April 2024 to 30 June 2024		25 July 2024	9.7 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 2024.			
9	Net tangible assets per security	**30 June 2024** $1.39	**30 June 2023** $1.91		
10	Details of entities over which control has been gained or lost during the period, including the following.	None for year			
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 2024 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 2024 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 2024 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

This announcement is issued by Australian Unity Investment Real Estate Limited ABN 86 606 414 368 AFSL 477434 (AUIREL) as Responsible Entity of the Australian Unity Office Fund. AUIREL is a wholly owned subsidiary of Australian Unity Limited ABN 23 087 648 888.

Australian Unity Office Fund

ARSN 113 369 627

Annual financial report and directors' report for the year ended 30 June 2024

Australian Unity Office Fund

ARSN 113 369 627

Annual financial report and directors' report for the year ended 30 June 2024

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 2024 and the auditor's report thereon.

Directors
The following persons were directors of the Responsible Entity and Members of the Audit & Risk Committee during the year and up to the date of this report:

W Peter Day	Independent Non-Executive Director and Chairman
Eve Crestani	Independent Non-Executive Director and Chairman of the Audit & Risk Committee
Greg Willcock	Non-Executive Director (appointed to the Audit & Risk Committee on 20 September 2023)

Company secretary
The company secretary of the Responsible Entity during the year and up to the date of this report is Liesl Petterd.

Operating and financial review

Principal activities
The Scheme is an ASX-listed Real Estate Investment Trust.

Investment objective and strategy
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, including through repositioning assets;
- as appropriate, divesting assets and returning capital to unitholders.

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

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

Review of operations
On 25 January 2024, the Responsible Entity of the Scheme executed a contract for the sale of 96 York Street, Beenleigh, QLD for a net sale price of $29,700,000, excluding disposal costs of $900,000. Settlement occurred on 21 June 2024 with proceeds used to repay drawn borrowings and fund a 6.0 cents per unit special distribution which was paid on 25 July 2024.

On 18 April 2024, the Responsible Entity of the Scheme executed a contract to sell 150 Charlotte Street, Brisbane, QLD for a net sale price, excluding disposal costs, of $61,500,000, reflecting contractual settlement adjustments of $3,000,000 to the gross sale price of $64,500,000. Settlement is expected to occur in April 2025.

Prior to 30 June 2024, the Responsible Entity of the Scheme commenced discussions to sell the asset at 2 - 10 Valentine Avenue, Parramatta, NSW. On 11 July 2024, the Responsible Entity of the Scheme executed a contract to sell the asset for a net sale price of $80,500,000, excluding disposal costs. Settlement is expected to occur in March 2025.

Prior to 30 June 2024, the Responsible Entity of the Scheme commenced discussions to sell the asset at 64 Northbourne, Canberra, ACT. On 21 August 2024, the Responsible Entity of the Scheme executed a contract to sell the asset for a net sale price of $21,200,000, excluding disposal costs. Settlement is expected to occur in November 2024. Following settlement, the Responsible Entity of the Scheme intends to terminate the debt facility and declare a special distribution of at least 9.0 cents per unit.

Prior to the aforementioned disposals, the Responsible Entity of the Scheme consulted with ASX as to the application of the *ASX Listing Rules* to asset sales. ASX confirmed, based solely on information provided to it by the Scheme, that *ASX Listing Rules* 11.2, 11.1.2 and 11.1.3 did not apply.

Review of operations (continued)

Further to the ASX confirmation, unless and until the Responsible Entity of the Scheme makes the determination to dispose of its main undertaking and has obtained unitholder approval to do so in accordance with the *ASX Listing Rules*, it will not return any proceeds from the sale of 2 - 10 Valentine Avenue, Parramatta, NSW or 150 Charlotte Street, Brisbane, QLD.

Financial result
The following table summarises the loss for the year ended 30 June 2024 and provides a comparison to the loss for the year ended 30 June 2023.

$'000	**2024**	**2023**
Rental income *	27,166	36,649
Property expenses	(7,434)	(10,659)
Straight lining of rental income and amortisation of leasing commissions and tenant incentives	(2,391)	(5,329)
Net property income	**17,341**	**20,661**
Interest income	198	323
Net gain / (loss) on financial instruments held at fair value through profit and loss	82	(1,278)
Net fair value loss on investment properties	(73,636)	(12,212)
Disposal costs**	(900)	(2,603)
Management fees	(1,816)	(2,774)
Borrowing and other related costs	(1,032)	(4,322)
Other expenses	(1,628)	(2,237)
Loss for the year	**(61,391)**	**(4,442)**

* Rental income excludes the impact of straight lining of rental income and amortisation of leasing commissions and amortisation of tenant incentives.
**Disposal costs for the year ended 30 June 2024 relate to costs incurred in the disposal of 96 York Street, Beenleigh, QLD. Disposal costs for the year ended 30 June 2023 relate to costs incurred in the disposal of 30 Pirie Street, Adelaide, SA, 5 Eden Park Drive, Macquarie Park, NSW and 2 Eden Park Drive, Macquarie Park, NSW.

The following table summarises the Scheme's financial position as at 30 June 2024 and provides a comparison to 30 June 2023.

$'000	**2024**	**2023**
Assets		
Investment properties	62,000	310,400
Properties held for sale	163,200	-
Total assets	252,971	358,226
Net assets	229,232	313,622
Number of units on issue	164,383	164,383

At 30 June 2024, the Scheme’s net assets attributable to unitholders per unit was $1.39 (2023: $1.91). The Scheme's net tangible assets attributable to unitholders excludes disposal costs, estimated at $0.02 per unit, which will be expensed on settlement of the sales of 64 Northbourne Avenue, Canberra, ACT, 2 - 10 Valentine Avenue, Parramatta, NSW, 150 Charlotte Street, Brisbane, QLD.

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 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.

Funds From Operations (continued)
When assessing FFO, Directors add back rental abatement incentives to ensure consistency with the treatment of rent free incentives and fitout incentives. Directors also add back disposal costs as these costs are one off in nature and not part of the underlying and recurring earnings of the Scheme.

The Scheme aims to distribute between 70% and 100% of Directors' assessment of FFO each year. Where an asset is sold during the year, the Scheme may also pay a special distribution.

A reconciliation of the loss for the year to FFO and distributions is set out below for the year ended 30 June 2024 and 30 June 2023.

$'000	**2024**	**2023**
Loss for the year	(61,391)	(4,442)
Adjusted for:		
Straight lining of rental income and amortisation of leasing commissions and tenant incentives	2,391	5,329
Net (gain) / loss on financial instruments held at fair value through profit and loss	(82)	1,278
Net fair value loss on investment properties	73,636	12,212
Disposal costs	900	2,603
Amortisation of borrowing costs	141	720
Rental abatement incentives	1,213	1,593
Directors' assessment of Funds from Operations	**16,808**	**19,293**
Ordinary distributions declared	**13,136**	**16,439**
Special distributions declared	**9,863**	**36,986**

Cents per unit	**2024**	**2023**
Directors' assessment of Funds from Operations	**10.2**	11.7
Ordinary distributions declared	**8.0**	10.0
Special distributions declared	**6.0**	22.5
Payout ratio (Ordinary distributions declared/Funds From Operations)	**78.4%**	85.2%

Distributions to unitholders
The distributions for the year were as follows:

	2024 **$'000**	**2024** **CPU**	2023 $'000	2023 CPU
30 September	**2,137**	**1.30**	4,110	2.50
31 December	**2,466**	**1.50**	4,110	2.50
31 March	**2,451**	**1.50**	4,111	2.50
30 June (payable)*	**15,945**	**9.70**	41,096	25.00
	22,999	**14.00**	53,427	32.50

*The 30 June 2024 distribution comprised an ordinary distribution of 3.7 cents per units (CPU) ($6,082,000) and a special distribution of 6.0 CPU ($9,863,000).

*The 30 June 2023 distribution comprised an ordinary distribution of 2.5 cents per units (CPU) ($4,110,000) and a special distribution of 22.5 CPU ($36,986,000).

Property portfolio
At 30 June 2024, the Scheme owned four properties (2023: five properties) of which three properties, 150 Charlotte Street, Brisbane, QLD, 2-10 Valentine Avenue, Parramatta, NSW and 64 Northbourne Avenue, Canberra, ACT were held for sale.

Valuations
468 St Kilda Road, Melbourne, VIC was independently valued at 30 June 2024 with a capitalisation rate of 7.25% (2023: 6.125%).

The three properties held for sale, being 150 Charlotte St, Brisbane, QLD, 2 - 10 Valentine Avenue, Parramatta, NSW, and 64 Northbourne Avenue, Canberra, ACT have been valued adopting the net sales prices, as documented in the executed sales contracts.

Capital management
The Scheme had no borrowings at 30 June 2024 (30 June 2023 $nil).

Following settlement of the sale of 96 York Street, Beenleigh, QLD on 21 June 2024, the Scheme repaid drawn borrowings in full and reduced the debt facility limit from $81,000,000 to $30,000,000.

Following exchange of 64 Northbourne Ave, Canberra, ACT on 21 August 2024, the debt facility limit will be reduced to $10 million.

The debt facility expires on 17 March 2025, with the Responsible Entity intending to terminate the facility on settlement of 64 Northbourne Avenue, Canberra, ACT.

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 2024.

During the year, the Scheme terminated its remaining interest rate swap, realising a cash receipt of $2,438,319.

The Distribution Reinvestment Plan (DRP) was not active for the year-ended 30 June 2024.

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 of the Scheme intends to continue discussions with prospective buyers regarding the potential disposal of 468 St Kilda Road, Melbourne, VIC.

Subject to the progress of those discussions, market conditions, and any superior proposal, the Responsible Entity of the Scheme currently intends to make a determination to dispose of the Scheme's main undertaking (including the distribution to unitholders of proceeds of relevant asset sales) and seek unitholder approval to do so in accordance with *ASX Listing Rule* 11.2.

The Responsible Entity provides distribution guidance of 0.4 cents per unit for the September 2024 quarter and intends to pay a special distribution of at least 9.0 cents per unit following the settlement of 64 Northbourne Ave, Canberra, ACT. 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 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.

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

Likely developments and expected results of operations (continued)

Risk considerations

Financial risks
The Scheme's primary source of income is generated through the leasing arrangements it has with tenants across the portfolio. The Scheme has sought to protect its property income by having a diversified group of tenants that operate sustainable business models, maintaining high occupancy rates and setting sustainable rents with its tenants.

A key economic risk for the Scheme relates to interest rate movements and the impact of this on property capitalisation rates and the cost of debt funding. The Scheme seeks to mitigate this risk by investing in quality properties and maintaining an appropriate capital structure.

Events occurring after the end of the financial year
On 11 July 2024, the Responsible Entity of the Scheme entered into a contract for the sale of 2 - 10 Valentine Avenue, Parramatta, NSW. The net sale price, excluding disposal costs, is $80,500,000 with settlement expected to occur in March 2025.

On 21 August 2024, the Responsible Entity of the Scheme entered into a contract for the sale of 64 Northbourne Avenue, Canberra, ACT. The net sale price, excluding disposal costs, is $21,200,000 with settlement expected to occur in November 2024.

The Responsible Entity of the Scheme intends to continue discussions with prospective buyers regarding the potential disposal of 468 St Kilda Road, Melbourne, VIC.

Subject to the progress of those discussions, market conditions, and any superior proposal, the Responsible Entity of the Scheme currently intends to make a determination to dispose of the Scheme's main undertaking (including the distribution to unitholders of proceeds of relevant asset sales) and seek unitholder approval to do so in accordance with *ASX Listing Rule* 11.2.

Other than the above, no other matters or circumstances have arisen since 30 June 2024 that have significantly affected, or may significantly affect the operations of the Scheme, the result of operations, or the state of the Scheme's affairs in the future years.

Significant changes in the state of affairs
In the opinion of the directors of the Responsible Entity, there were no 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 21 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 $275,000 (2023: $335,125).

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 21 of the consolidated financial statements.

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

Director	Units at 30 June 2024
W Peter Day	58,000

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

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	August 2024
	Ansell Limited	August 2007	November 2021

Units in the Scheme
The movement in units on issue in the Scheme during the year and the number of units on issue at 30 June 2024 is disclosed in note 8 of the consolidated financial statements.

The value of the Scheme's assets and liabilities are 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 (KPMG) on assignments in addition to their statutory audit duties. No non-audit services have been provided by the Scheme's auditor during the year.

Rounding of amounts
The Scheme is an entity of a kind referred to in *ASIC Corporations Instrument 2016/191* issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report. 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 8.

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

Eve Crestani
Independent Non-Executive Director and Chairman of the Audit & Risk Committee

W Peter Day
Independent Non-Executive Director and Chairman

29 August 2024

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

To the Directors of Australian Unity Investment Real Estate Limited as Responsible Entity of Australian Unity Office Fund

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

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

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

KPMG

David Kells

Partner

Sydney

29 August 2024

Consolidated statement of comprehensive income

	Notes	**2024 $'000**	2023 $'000
Income			
Rental income	3	**24,775**	31,320
Property expenses	4	**(7,434)**	(10,659)
Net property income		**17,341**	20,661
Interest income		**198**	323
Net gain/(loss) on financial instruments held at fair value through profit or loss		**82**	(1,278)
Net loss on fair value of investment properties	15(b)	**(73,636)**	(12,212)
Total (loss)/income net of property expenses		**(56,015)**	7,494
Expenses			
Management fees	21	**1,816**	2,774
Borrowings costs and other related costs	5	**1,032**	4,322
Disposal costs		**900**	2,603
Other expenses	7	**1,628**	2,237
Total expenses, excluding property expenses		**5,376**	11,936
Loss for the year		**(61,391)**	(4,442)
Other comprehensive income		**-**	-
Total comprehensive loss attributable to unitholders		**(61,391)**	(4,442)
Basic and diluted earnings per unit attributable to unitholders (cents per unit)	10	**(37.35)**	(2.70)

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

Consolidated statement of financial position

	Notes	**2024 $'000**	2023 $'000
Assets			
Cash and cash equivalents	11	**25,201**	43,864
Receivables	12	**1,262**	899
Financial assets held at fair value through profit or loss	13	**-**	2,356
Other assets		**1,308**	707
Properties held for sale	14	**163,200**	-
Investment properties	15	**62,000**	310,400
Total assets		**252,971**	358,226
Liabilities			
Distributions payable	9	**15,945**	41,096
Payables	16	**7,794**	3,508
Borrowings	17	**-**	-
Total liabilities		**23,739**	44,604
Net assets attributable to unitholders - equity	8	**229,232**	313,622

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

Consolidated statement of changes in equity

	2024 **$'000**	2023 $'000
Balance at the beginning of the year	**313,622**	371,491
Comprehensive loss for the year		
Loss for the year	**(61,391)**	(4,442)
Total comprehensive loss attributable to unitholders	**(61,391)**	(4,442)
Transactions with unitholders		
Distributions paid and payable	**(22,999)**	(53,427)
Total transactions with unitholders	**(22,999)**	(53,427)
Balance at the end of the year	**229,232**	313,622

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

Consolidated statement of cash flows

	Notes	2024 $'000	2023 $'000
Cash flows from operating activities			
Rental income received		**26,321**	36,207
Payments to suppliers		**(7,338)**	(17,296)
Interest received		**198**	323
Net cash inflow from operating activities	22	**19,181**	19,234
Cash flows from investing activities			
Payments for additions to investment properties		**(20,527)**	(6,033)
Gross proceeds from sale of investment properties		**29,700**	217,599
Disposal costs paid from sale of investment properties		**(273)**	(2,603)
Net cash inflow from investing activities		**8,900**	208,963
Cash flows from financing activities			
Proceeds from borrowings		**10,000**	8,700
Repayment of borrowings		**(10,000)**	(179,000)
Borrowings costs and other related costs paid		**(1,032)**	(3,771)
Distributions paid		**(48,150)**	(18,578)
Proceeds from terminating interest rate swaps		**2,438**	5,055
Net cash outflow from financing activities		**(46,744)**	(187,594)
Net (decrease)/increase in cash and cash equivalents		**(18,663)**	40,603
Cash and cash equivalents at the beginning of the year		**43,864**	3,261
Cash and cash equivalents at the end of the year	11	**25,201**	43,864

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 consolidated entity). 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), a wholly owned subsidiary of Australian Unity Limited (ABN 23 087 648 888). The Responsible Entity's registered office is Level 15, 271 Spring Street, Melbourne, VIC 3000.

The Responsible Entity is incorporated and domiciled in Australia.

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

The consolidated financial statements were authorised for issue by the directors of the Responsible Entity on 29 August 2024. The directors of the Responsible Entity have the power to amend and reissue the consolidated financial statements.

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

The Scheme's property manager is Australian Unity Property Management Pty Ltd (ABN 76 073 590 600), a related party of the Responsible Entity.

The Scheme controlled Australian Unity Holding Trust, which was constituted on 31 May 2005, for the entirety of the year.

2 Summary of material 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.

(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, borrowings and net assets attributable to unitholders, where the amount expected to be recovered or settled within 12 months after the end of the year cannot be reliably determined.

(i) Compliance with Australian Accounting Standards and International Financial Reporting Standards
The consolidated financial statements of the 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 material accounting policies (continued)

(a) Basis of preparation (continued)

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

AASB 2021-2 *Disclosure of Accounting Policies and Definition of Accounting Estimates*. This amends AASB Standards to provide a definition of and clarifications on accounting estimates and clarify the concept of materiality in the context of disclosure of accounting policies. The amendments did not result in any changes to the accounting policies or the accounting policy information disclosed in these financial statements.

(iii) New accounting standards, amendments and interpretations not yet adopted

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

(iv) Going concern

On 22 August 2024, Australian Unity Investment Real Estate Limited, as responsible entity of the Scheme, stated it will continue discussions with prospective buyers regarding the potential sale of the Scheme's remaining unsold property at 468 St Kilda Road, Melbourne. Subject to the progress of these discussions, market conditions and any superior proposal, the Responsible Entity currently intends to make a determination to dispose of the Scheme's main undertaking (including the return of cash proceeds from the sales of 150 Charlotte Street and 2-10 Valentine Avenue). Disposal of the Scheme's main undertaking requires unitholder approval in accordance with *ASX Listing Rule 11.2*. In the event of a favourable unitholder vote to approve of the disposal of the main undertaking, the Responsible Entity has not made any determination as to the next steps that it would take. Any wind up of the Scheme would require a statutory notice period, with the Responsible Entity also needing to give consideration to any potential warranty claims under the executed sale agreements.

The directors of the Responsible Entity do not expect that all of the above matters will be resolved within 12 months of the date of the consolidated financial statements and until those matters are resolved, no formal decision will be made by the directors of the Responsible Entity with respect to the future of the Scheme.

On the basis that the Scheme continues to meet, and expects to meet, its obligations as and when they fall due for a period of at least 12 months from the date of signing of these financial statements, the directors of the Responsible Entity have prepared these consolidated financial statements on a going concern basis.

(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 2024 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.

2 Summary of material accounting policies (continued)

(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 of the Responsible Entity, 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 at least once in any 12 month period from the date of the last valuation; or in exceptional circumstances at least 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 15. Notwithstanding, the directors of the Responsible Entity determine the carrying value of each investment property at each reporting date to ensure that its carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, that asset is adjusted to its fair value.

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

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

Investment properties are classified as held for sale if it is highly probable that they will be recovered through sale rather than continuing use. Investment properties that are held for sale continue to be measured at fair value

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:

2 Summary of material accounting policies (continued)

(d) Financial instruments (continued)

(i) Classification (continued)

(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.

(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 20 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.

2 Summary of material accounting policies (continued)

(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) Interest income

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

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

Net gains or 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.

(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 and securities sold where settlement has not yet occurred. 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.

2 Summary of material accounting policies (continued)

(l) Payables (continued)

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.

(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. The following specific recognition criteria must also be met before revenue is recognised.

2 Summary of material accounting policies (continued)

(p) Revenue (continued)

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

Contingent rentals, such as market rent adjustments, are recognised as income in the financial reporting period in which they are earned.

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.

Other property income
Other property income represents make good payments received from tenants in lieu of the tenant making good under the terms of the underlying lease agreements. Other property income is recognised at the point in time once agreed with the tenant and invoiced.

(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 in the latest valuations have been disclosed in note 20.

2 Summary of material accounting policies (continued)

(r) Use of judgements and estimates (continued)

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

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

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

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

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

For certain other financial instruments, 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.

(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.

(u) Segment reporting

The Scheme operates in one business segment being investment in real estate, and in one geographic segment being Australia. The Scheme's segments are based on the Scheme's operating activities being investing into real property.

The Scheme derives its income from investment in properties located in Australia and is deemed to have one operating segment which is consistent with the reporting reviewed by the chief operating decision makers, being the directors of the Responsible Entity.

The directors consider net assets attributable to unitholders (NTA) per unit, distributions per unit and the directors assessment of Property Council of Australia’s definition of Funds from Operations (FFO) per unit to be key measures that reflect the underlying performance of the Scheme. A reconciliation of assets and liabilities to NTA per unit and the Scheme's net loss to FFO per unit for the period are tabled below:

2 Summary of material accounting policies (continued)

(u) Segment reporting (continued)

$'000	**2024**	**2023**
Total assets	252,971	358,226
Total liabilities	23,739	44,604
Net assets attributable to unitholders (NTA)	229,232	313,622
Units on issue ('000)	164,383	164,383
NTA per unit ($)	1.39	1.91

$'000	**2024**	**2023**
Loss for the year	(61,391)	(4,442)
Adjusted for:		
Straight lining of rental income and amortisation of leasing commissions and tenant incentives	2,391	5,329
Net (gain) / loss on financial instruments held at fair value through profit and loss	(82)	1,278
Net fair value loss on investment properties	73,636	12,212
Disposal costs	900	2,603
Amortisation of borrowing costs	141	720
Rental abatement incentives	1,213	1,593
Directors' assessment of Funds from Operations	**16,808**	**19,293**
Ordinary distributions declared	**13,136**	**16,439**
Special distributions declared	**9,863**	**36,986**

Cents per unit	**2024**	**2023**
Directors' assessment of Funds from Operations	**10.2**	11.7
Ordinary distributions declared	**8.0**	10.0
Special distributions declared	**6.0**	22.5
Payout ratio (Ordinary distributions declared/Funds From Operations	**78.4%**	85.2%

3 Rental income

	2024 **$'000**	2023 $'000
Rental income	**18,258**	29,547
Outgoings income	**2,901**	6,502
Other property income	**4,724**	-
Amortisation of lease commissions & lease incentives	**(1,108)**	(4,729)
Total rental income	**24,775**	31,320

Rental income was decreased by an adjustment for the straight lining of rental income of $1,282,696 (2023: $599,619). Other property income relates to makegood payments received from tenants during the year.

4 Property expenses

	2024	2023
	$'000	$'000
Recoverable outgoings	**6,625**	9,684
Non recoverable outgoings	**934**	1,145
Reversal of expected credit losses	**(244)**	(170)
Bad debt written off	**119**	-
Total property expenses	**7,434**	10,659

5 Borrowing costs and other related costs

	2024	2023
	$'000	$'000
Borrowing costs	**1,032**	5,645
Other related costs	**-**	(1,323)
Total borrowings and other related costs	**1,032**	4,322

Other related costs include costs incurred, or income received, 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:

	2024	2023
	$	$
Audit services - KPMG (2023: PwC)		
Audit and review of consolidated financial statements	**106,965**	101,000
Audit of compliance plan	**3,000**	5,248
Total auditor's remuneration	**109,965**	106,248

7 Other expenses

	2024	2023
	$'000	$'000
Directors fees	**275**	335
Administration	**452**	564
Sundry	**901**	1,338
Total other expenses	**1,628**	2,237

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.

8 Net assets attributable to unitholders (continued)

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	**2024 '000**	2023 '000	**2024 $'000**	2023 $'000
Opening balances	**164,383**	164,383	**374,067**	374,067
Closing balance	**164,383**	164,383	**374,067**	374,067

Undistributed income		
Opening balance	**(60,445)**	(2,576)
Decrease in net assets attributable to unitholders	**(84,390)**	(57,869)
Closing balance	**(144,835)**	(60,445)
Total net assets attributable to unitholders	**229,232**	313,622

9 Distributions to unitholders

The distributions for the year were as follows:

	2024 $'000	**2024 CPU**	2023 $'000	2023 CPU
30 September	**2,137**	**1.30**	4,110	2.50
31 December	**2,466**	**1.50**	4,110	2.50
31 March	**2,451**	**1.50**	4,111	2.50
30 June (payable)*	**15,945**	**9.70**	41,096	25.00
	22,999	**14.00**	53,427	32.50

*The 30 June 2024 distribution comprised an ordinary distribution of 3.7 cents per units (CPU) ($6,082,000) and a special distribution of 6.0 CPU ($9,863,000).

*The 30 June 2023 distribution comprised an ordinary distribution of 2.5 cents per units (CPU) ($4,110,000) and a special distribution of 22.5 CPU ($36,986,000).

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:

	2024	2023
Loss attributable to unitholders ($'000)	**(61,391)**	(4,442)
Weighted average number of units used as the denominator in calculating basic and diluted earnings per unit ('000)	**164,383**	164,383
Basic and diluted earnings per unit attributable to unitholders (cents per unit)	**(37.35)**	(2.70)

11 Cash and cash equivalents

	2024 $'000	2023 $'000
Cash at bank	**25,201**	43,864
	25,201	43,864

12 Receivables

	2024 $'000	2023 $'000
Trade receivables	**1,077**	920
GST receivables	**285**	323
Expected credit losses	**(100)**	(344)
	1,262	899

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

	2024 $'000	2023 $'000
Derivative assets	**-**	2,356
Total financial assets held at fair value through profit or loss	**-**	2,356

At 30 June 2023 derivative assets comprised an interest rate swap which was terminated during the year, realising a cash receipt of $2,438,319.

Refer to note 18 for details of the derivative financial instruments.

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 19.

14 Properties held for sale

	Type	Ownership	Acquisition date	Carrying value 2024	2023
		(%)		$'000	$'000
2-10 Valentine Ave, Parramatta, NSW	Office/ Freehold	100%	07/12/2007	**80,500**	-
150 Charlotte Street, Brisbane, QLD	Office/ Freehold	100%	20/10/2017	**61,500**	-
64 Northbourne Avenue, Canberra, ACT	Office/ Freehold	100%	01/06/2005	**21,200**	
Total				**163,200**	-

14 Properties held for sale (continued)

	2024	2023
	$'000	$'000
Opening balance	**-**	-
Reclassified from investment properties	**163,200**	-
Closing balance	**163,200**	-

On 18 April 2024, the Responsible Entity of the Scheme executed a contract to sell 150 Charlotte Street, Brisbane, QLD for a net sale price, excluding disposal costs, of $61,500,000, reflecting contractual settlement adjustments of $3,000,000 to the gross sale price of $64,500,000. Settlement is expected to occur in April 2025.

Prior to 30 June 2024, the Responsible Entity of the Scheme commenced discussions to sell the asset at 2 - 10 Valentine Avenue, Parramatta, NSW. On 11 July 2024, the Responsible Entity of the Scheme executed a contract to sell the asset for a net sale price of $80,500,000, excluding disposal costs. Settlement is expected to occur in March 2025.

Prior to 30 June 2024, the Responsible Entity of the Scheme commenced discussions to sell the asset at 64 Northbourne, Canberra, ACT. On 21 August 2024, the Responsible Entity of the Scheme executed a contract to sell the asset for a net sale price of $21,200,000, excluding disposal costs. Settlement is expected to occur in November 2024.

15 Investment properties

(a) Property details

							Carrying value	
	Type	**Ownership**	**Acquisition date**	**Valuation date 2024**	**Valuation amount**	**Valuer**	**2024**	2023
		(%)			**$'000**		**$'000**	$'000
2-10 Valentine Ave, Parramatta, NSW	Office/ Freehold	100%	07/12/2007	Held for sale	-	-	**-**	104,750
468 St Kilda Rd, Melbourne, VIC	Office/ Freehold	100%	03/07/2007	30/06/2024	62,000	Cushman & Wakefield	**62,000**	78,000
150 Charlotte Street, Brisbane, QLD	Office/ Freehold	100%	20/10/2017	Held for sale	-	-	**-**	66,250
64 Northbourne Avenue, Canberra, ACT	Office/ Leasehold	100%	01/06/2005	Held for sale	-	-	**-**	29,500
96 York Street, Beenleigh, QLD	Office/ Leasehold	100%	25/02/2022	Sold	-	-	**-**	31,900
Total					62,000		**62,000**	310,400

The investment properties valuation policy is included in note 20.

15 Investment properties (continued)

(b) Movements in carrying amount

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

	2024	2023
	$'000	$'000
Opening balance	**310,400**	539,820
Additions	**20,526**	5,720
Disposals	**(29,700)**	(217,599)
Lease commissions and incentives amortisation	**(1,108)**	(4,729)
Straight-lining of rental income	**(1,282)**	(600)
Reclassified to assets held for sale	**(163,200)**	-
Revaluation movements	**(73,636)**	(12,212)
Closing balance	**62,000**	310,400

On 25 January 2024, the Responsible Entity of the Scheme executed a contract for the sale of 96 York Street, Beenleigh, QLD for a net sale price of $29,700,000, excluding disposal costs. Settlement occurred on 21 June 2024 with proceeds used to repay drawn borrowings and fund a 6.0 cents per unit special distribution which was paid on 25 July 2024.

On 18 April 2024, the Responsible Entity of the Scheme executed a contract to sell 150 Charlotte Street, Brisbane, QLD for a net sale price, excluding disposal costs, of $61,500,000, reflecting contractual settlement adjustments of $3,000,000 to the gross sale price of $64,500,000. Settlement is expected to occur in April 2025.

Prior to 30 June 2024, the Responsible Entity of the Scheme commenced discussions to sell the asset at 2 - 10 Valentine Avenue, Parramatta, NSW. On 11 July 2024, the Responsible Entity of the Scheme executed a contract to sell the asset for a net sale price of $80,500,000, excluding disposal costs. Settlement is expected to occur in March 2025.

Prior to 30 June 2024, the Responsible Entity of the Scheme commenced discussions to sell the asset at 64 Northbourne, Canberra, ACT. On 21 August 2024, the Responsible Entity of the Scheme executed a contract to sell the asset for a net sale price of $21,200,000, excluding disposal costs. Settlement is expected to occur in November 2024.

(c) Contractual obligations

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

	2024	2023
	$'000	$'000
Within one year	**1,398**	130
	1,398	130

The Scheme's capital commitments will be funded using the Scheme's cash and cash equivalents and debt facility. Refer to notes 11 and 17, respectively.

15 Investment properties (continued)

(d) Leasing arrangements

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

	2024 **$'000**	2023 $'000
Within one year	**8,397**	17,831
Later than one year but not later than 5 years	**10,577**	23,278
Later than 5 years	**1,188**	11,569
	20,162	52,678

16 Payables

	2024 **$'000**	2023 $'000
Trade payables	**288**	1,098
Accrued expenses	**4,089**	1,656
Rent received in advance	**273**	482
GST payables	**3,144**	272
	7,794	3,508

17 Borrowings

The Scheme had no borrowings at 30 June 2024 (30 June 2023 $nil).

Following settlement of the sale of 96 York Street, Beenleigh, QLD on 21 June 2024, the Scheme repaid drawn borrowings in full and reduced the debt facility limit from $81,000,000 to $30,000,000.

Following exchange of 64 Northbourne Ave, Canberra, ACT on 21 August 2024, the debt facility limit will be reduced to $10 million.

The debt facility expires on 17 March 2025 with the Responsible Entity intending to terminate the facility on settlement of 64 Northbourne Avenue, Canberra, ACT. 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 2024.

The Scheme had access to:

	2024 **$'000**	2023 $'000
Credit facilities		
Cash advance facilities	**30,000**	81,000
Undrawn balance	**30,000**	81,000

17 Borrowings (continued)

Reconciliations of total borrowings less cash and cash equivalents are set out below:

	2024 $'000	2023 $'000
Analysis of changes in consolidated net debt / (net cash)		
Opening balance	**(43,864)**	167,039
Net drawdown/(repayment) of borrowings	**-**	(170,300)
Other cash movements	**18,663**	(40,603)
Closing balance	**(25,201)**	(43,864)
Represented by		
Drawn debt	**-**	-
Less: Cash and cash equivalents	**(25,201)**	(43,864)
Consolidated net debt / (net cash)	**(25,201)**	(43,864)

18 Derivative financial instruments

		Fair values	
2024	**Contract/notional $'000**	**Assets $'000**	**Liabilities $'000**
Interest rate swaps			
	-	-	-

		Fair values	
2023	Contract/notional $'000	Assets $'000	Liabilities $'000
Interest rate swaps			
Commencing on 23 July 2024 and maturing on 25 January 2027 at a fixed rate of 0.65%	30,000	2,356	-
	30,000	2,356	-

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 20.

In January 2023, the Scheme entered into the interest rate swap contract to manage future interest payments on the Scheme's borrowings. On 26 June 2024, the Scheme terminated this interest rate swap contract, realising a cash receipt of $2,438,319. The Scheme has no other interest rate swaps at 30 June 2024.

A gain of $82,358 (2023: $1,278,000 loss) relating to the change in the fair value of the Scheme's interest rate swap contract was recognised in the consolidated statement of comprehensive income during the year ended 30 June 2024.

19 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.

(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:

19 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

	2024 $'000	2023 $'000
Floating rate		
Cash and cash equivalents	**25,201**	43,864
	25,201	43,864
Derivative financial instruments		
Interest rate swaps - floating to fixed*	**-**	30,000
	-	30,000
Net exposure	**25,201**	73,864

* 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.

There were $nil of drawn borrowings at 30 June 2024. (2023: $nil).

	Impact on profit and net assets attributable to unitholders	
	2024 $'000	2023 $'000
Sensitivity		
Interest rate +0.50% (2023: +0.70%)	**126**	307
Interest rate -0.50% (2023: -0.70%)	**(126)**	(307)

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

(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.

19 Financial risk management (continued)

(c) Credit risk (continued)
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.

2024	**Less than 1 year $'000**	**1-2 years $'000**	**2-3 years $'000**	**3+ years $'000**
Distributions payable	**15,945**	**-**	**-**	**-**
Payables	**7,794**	**-**	**-**	**-**
Total financial liabilities	**23,739**	**-**	**-**	**-**

2023	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3+ years $'000
Distributions payable	41,096	-	-	-
Payables	3,508	-	-	-
Total financial liabilities	44,604	-	-	-

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 2024, these assets amounted to $25,201,485 (2023: $43,864,366).

(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 20.

(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 18.

19 Financial risk management (continued)

(g) Capital risk management
The Scheme's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for unitholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the consolidated statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Scheme may adjust the amount of distributions paid to unitholders, return capital to unitholders, issue new units or sell assets to reduce debt.

The Scheme is subject to certain covenants on its financing arrangements and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the prior year.

20 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.

2024	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Non-financial assets				
Properties held for sale	**-**	**163,200**	**-**	**163,200**
Investment properties	**-**	**-**	**62,000**	**62,000**
Total non-financial assets	**-**	**163,200**	**62,000**	**225,200**

20 Fair value hierarchy (continued)

2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets held at fair value through profit or loss				
Derivatives	-	2,356	-	2,356
Total financial assets	-	2,356	-	2,356
Non-financial assets				
Investment properties	-	-	310,400	310,400
Total non-financial assets	-	-	310,400	310,400

The Scheme's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the year. At 30 June 2024, investment properties held for sale were transferred from Level 3 to Level 2 because the valuation is based on observable market data being sales contracts. There were no transfers between levels in 2023.

(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.

(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

20 Fair value hierarchy (continued)

- 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 directors of Responsible Entity.

At 30 June 2024, 468 St Kilda Road, Melbourne, VIC was independently valued.

Independent valuers use a number of assumptions when valuing a property, including considering the impact of inflation, interest rates and other macro-economic factors. The impact of these macro-economic factors on valuations may change over time.

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

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

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

The changes in fair value of investment properties for the year are set out in note 15(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	**2024**	2023
Current net market rental ($ per sqm)	**475**	364 - 617
Adopted capitalisation rate (%)	**7.25%**	6.00% - 7.13%
Adopted terminal yield (%)	**7.50%**	6.38% - 7.50%
Adopted discount rate (%)	**8.00%**	6.00% - 7.38%

20 Fair value hierarchy (continued)

(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 at least once in any 12 month period from the date of the last valuation; or in exceptional circumstances at least 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 15. Notwithstanding, the directors of the Responsible Entity determine the carrying value of each investment property at each reporting date to ensure that its carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, that asset is adjusted to its fair value.

(iii) Sensitivity information

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

Significant inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Current 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).

20 Fair value hierarchy (continued)

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,excluding properties held for sale. The estimated impact of a change in these significant unobservable inputs is illustrated in the table below:

	30 June 2024 $'000	30 June 2023 $'000
Adopted capitalisation rate +0.50% (2023: +0.25%)	**(4,858)**	(15,071)
Adopted capitalisation rate -0.50% (2023: +0.25%)	**5,207**	15,765
Adopted discount rate +0.50% (2023: +0.25%)	**(2,335)**	(6,885)
Adopted discount rate -0.50% (2023: +0.25%)	**2,449**	7,056
Adopted terminal yield +0.50% (2023: +0.25%)	**(2,703)**	(9,296)
Adopted terminal yield -0.50% (2023: +0.25%)	**3,092**	10,014

(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.

21 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 Responsible Entity and Members of the Audit & Risk Committee during the year and up to the date of this report:

W Peter Day	Independent Non-Executive Director and Chairman
Eve Crestani	Independent Non-Executive Director and Chairman of the Audit & Risk Committee
Greg Willcock	Non-Executive Director (appointed to the Audit & Risk Committee on 20 September 2023)

Company secretary
The company secretary of the Responsible Entity during the year up to the date of this report is Liesl Petterd.

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 $275,000 (2023: $335,125).

As at 30 June 2024, W Peter Day held 58,000 units (2023: W 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.

21 Related party transactions (continued)

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 $163,328 (2023: $154,083) in the 2024 financial year.

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 and May 2022 in line with the terms of the Property Management Services Agreement with new fees applicable from 1 July 2019, with no change following the May 2022 review. 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:

	2024	2023
	$	$
Management fees for the year paid/payable by the Scheme to the Responsible Entity	**1,816,156**	2,773,701
Property management, other property related services fees and accounting fees	**832,459**	983,912

During the year the Scheme paid $567,944 (2023: $534,052) to the Responsible Entity and its related parties for administration expenses which they 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 and other expenses incurred in the day to day running of the Scheme.

As at 30 June 2024, an amount of $586,746 (2023: $937,163) 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 $nil (2023: $311,229) during the year, of which $nil (2023: $nil) remains receivable as at 30 June 2024. The leases were entered into under normal commercial terms and conditions and at market rates.

21 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:

2024 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**	**5,876**	**2.77**	**-**	**-**	**637**
Australian Unity Property Income Fund	**3,813**	**3,813**	**4,918**	**2.32**	**-**	**-**	**533**
Australian Unity Diversified Property Fund	**9,702**	**-**	**-**	**0.00**	**-**	**9,702**	**417**
Australian Unity A-REIT Fund	**932**	**932**	**1,202**	**0.57**	**-**	**-**	**130**
Australian Unity Health Limited	**4,154**	**4,154**	**5,359**	**2.53**	**-**	**-**	**581**
Australian Unity Funds Management Limited	**1,509**	**1,509**	**1,946**	**0.92**	**-**	**-**	**211**
Total	**24,665**	**14,963**	**19,301**	**9.11**	**-**	**9,702**	**2,509**

21 Related party transactions (continued)

Related party unitholdings (continued)

2023 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	5,945	2.77	-	-	1,480
Australian Unity Property Income Fund	3,813	3,813	4,976	2.32	-	-	1,239
Australian Unity Diversified Property Fund	9,702	9,702	12,661	5.90	-	-	3,153
Australian Unity A-REIT Fund	932	932	1,216	0.57	-	-	303
Australian Unity Health Limited	4,154	4,154	5,421	2.53	-	-	1,350
Australian Unity Funds Management Limited	1,509	1,509	1,969	0.92	-	-	490
Total	24,665	24,665	32,188	15.01	-	-	8,015

22 Reconciliation of loss to net cash inflow from operating activities

	2024 **$'000**	2023 $'000
Loss for the year	**(61,391)**	(4,442)
Subtract proceeds from terminating interest rate swaps	**(2,438)**	(5,055)
Add back borrowings and other related costs	**1,032**	4,322
Add back disposal costs paid from sale of investment properties	**273**	2,603
Net change in fair value of the investment properties - revaluation decrement	**73,636**	12,212
Unrealised losses on financial instruments held at fair value through profit or loss	**2,356**	6,333
Adjustments to net lease incentives and straight lining of rental income	**2,390**	5,329
Net change in payables	**4,350**	(2,692)
Net change in receivables	**(426)**	458
Net change in other assets	**(601)**	166
Net cash inflow from operating activities	**19,181**	19,234

23 Parent entity financial information

Statement of financial position	**2024** **$'000**	2023 $'000
Cash and cash equivalents	**25,139**	43,398
Receivables	**1,723**	1,118
Other assets	**56**	71
Financial assets held at fair value through profit or loss	**-**	2,356
Investment properties	**-**	127,650
Investment in subsidiaries	**172,169**	208,122
Property held for sale	**82,700**	-
Total assets	**281,787**	382,715
Distributions payable	**15,945**	41,096
Payables	**36,610**	27,997
Total liabilities	**52,555**	69,093
Net assets attributable to unitholders	**229,232**	313,622

Statement of comprehensive income		
Loss for the year	**(61,391)**	(4,442)
Other comprehensive income	**-**	-
Total comprehensive income for the year	**(61,391)**	(4,442)

The Scheme is the parent entity and controlled the following entity during the year:
• Australian Unity Holding Trust.

23 Parent entity financial information (continued)

The parent entity had no contingent assets, liabilities or capital commitments at 30 June 2024 or 30 June 2023.

24 Events occurring after the end of the financial year

On 11 July 2024, the Responsible Entity of the Scheme entered into a contract for the sale of 2 - 10 Valentine Avenue, Parramatta, NSW. The net sale price, excluding disposal costs, is $80,500,000 with settlement expected to occur in March 2025.

On 21 August 2024, the Responsible Entity of the Scheme entered into a contract for the sale of 64 Northbourne Avenue, Canberra, ACT. The net sale price, excluding disposal costs, is $21,200,000 with settlement expected to occur in November 2024.

The Responsible Entity of the Scheme intends to continue discussions with prospective buyers regarding the potential disposal of 468 St Kilda Road, Melbourne, VIC.

Subject to the progress of those discussions, market conditions, and any superior proposal, the Responsible Entity of the Scheme currently intends to make a determination to dispose of the Scheme's main undertaking (including the distribution to unitholders of proceeds of relevant asset sales) and seek unitholder approval to do so in accordance with *ASX Listing Rule* 11.2.

Other than the above, no other matters or circumstances have arisen since 30 June 2024 that have significantly affected, or may significantly affect the operations of the Scheme, the result of operations, or the state of the Scheme's affairs in the future years.

25 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2024 (2023: $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 $1,398,000 (2023: $130,000); and,
• other contractual commitments $nil (2023: $nil)

Directors' declaration

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

(a) the consolidated financial statements and notes set out on pages 9 to 42 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (ii) giving a true and fair view of the consolidated Scheme's financial position as at 30 June 2024 and of its performance, as represented by the results of its operations and cash flows for the year ended 2024

(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,

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

(e) The directors of the Responsible Entity have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2024.

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

Eve Crestani
Independent Non- Executive Director and Chairman of the Audit & Risk Committee

W Peter Day
Independent Non-Executive Director and Chairman

29 August 2024

Independent Auditor's Report

To the unitholders of Australian Unity Office Fund

Opinion

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

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

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

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

The ***Group*** consists of the Scheme and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

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 of the current period.

This matter was 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 this matter.

Valuation of investment properties ($62.0m)	
Refer to Notes 2(c), 15 and 19 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The valuation of investment properties is a key audit matter due to the significance of the balance and judgment required by us in assessing the Group's key valuation assumptions, methodologies and the final adopted values given the inherent estimation uncertainty. Our audit approach for investment properties focused on significant and judgemental inputs into the valuations used by the Group in their external valuation models. Specifically, these included: • Discount rates: these are complicated in nature and differ due to the asset classes, geographies and characteristics of individual investment properties; • Capitalisation rates (cap rates): reflects the rate of return an investor expects to receive on their investment in a particular class of asset; and • Forecast cash flows including: market rental income projections, terminal yields and other key leasing assumptions.	Our procedures included: • Assessing the appropriateness of the valuation policy applied by the Group, against the requirements of the accounting standards. • Assessing the Group's methodologies used in the valuations of investment property for consistency with criteria in the accounting standards and the Group's valuation policy; • Assessing the scope, competence and objectivity of the external experts engaged by the Group; • Taking into account the asset classes, geographies and characteristics of individual investment properties, assessing the judgemental inputs. We did this by challenging the adopted discount rates, cap rates, forecast terminal yields and market rental income projections through comparison to market analysis published by industry experts, recent market transactions, inquiries with the Group, and our knowledge of the properties and industry. • Assessing the Group's significant key leasing assumptions against the property's recorded rental income, lease expiry and current vacancy levels for performance and comparison using our knowledge of the forecast economic conditions; • Checking a sample of contractual rental income, rent increases and lease expiries in the tenancy schedules to signed lease agreements; • Assessing the disclosures in the financial report using our understanding obtained from our testing, and against accounting standards.

Other Information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report. The Highlights from FY24 (including 2024 key metrics and capital position), Letter from the Independent Non-Executive Director and Chairman and Portfolio Manager, AUIREL Board (and Fund Management Team), Corporate Governance Statement and ASX Additional Information and Directory are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit 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. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

The Directors of Australian Unity Investment Real Estate Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report in accordance with the *Corporations Act 2001,* including giving a true and fair view of the financial position and performance of the Group, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*
- implementing necessary internal control to enable the preparation of a Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group, and that is free from material misstatement, whether due to fraud or error
- assessing the Group and Scheme's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the 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 objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

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

KPMG

David Kells

Partner

Sydney

29 August 2024