



Australian Unity Healthcare Property Trust

Annual Report – 30 June 2010



ARSN 092 755 318

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These financial statements cover Australian Unity Healthcare Property Trust as an individual entity.
The Responsible Entity of Australian Unity Healthcare Property Trust is Australian Unity Funds Management (ABN 60 071 497 115).
The Responsible Entity's registered office is 114 Albert Road, South Melbourne, VIC 3205.

A message from the Chairman

On behalf of the Directors of Australian Unity Funds Management, I am pleased to present the Annual Report to 30 June 2010 for the Australian Unity Healthcare Property Trust.

During the last financial year, the Healthcare Property Trust continued to be recognised for its outstanding performance, remaining one of the most highly rated unlisted property funds in the Australian market.

Solid returns in a difficult market

Against the tide of many market sectors, the healthcare property sector displayed strong resilience in 2009/10, experiencing less volatility than most other property sectors. This can be largely attributed to the ongoing demand for healthcare services, which are generally unaffected by broader economic conditions, as well as the long leases and specialised tenants operating in the sector.

Its quality portfolio led the Trust to successfully refinance its borrowings with a new \$220 million loan facility. This loan also enabled the Trust to plan for future growth by acquiring the Brunswick Private Hospital (previously named Vaucluse Private Hospital) and the Patricia Gladwell Aged Care Home in Brunswick, Victoria, at attractive values.

Unfortunately, development works on the site at Forest Road, Orange, did not proceed during the year. This was the result of the termination of the previously appointed developer.

In June 2010, five of the Trust's properties were re-valued, resulting in a 1.7% (-\$1.01m) decrease against their previous book value. Importantly, however, the decrease in value can be largely attributed to the write down of acquisition costs (\$0.9m) and a change in the valuation methodology for the Constitution Hill Aged Care property, which was purchased in December 2008.

Overall, the result of June revaluations reflected the stability of the healthcare property sector relative to the broader property sector.



Looking ahead

In the 2010/11 financial year, the Trust will continue to position itself strongly to take advantage of opportunities in the healthcare sector.

Over the coming year, and into the future, growth is expected to continue to be led by the increasing demand for healthcare services from Australia's ageing population. As pressures continue to build on the public health system, the already significant shift from public to private healthcare is likely to continue and play an important role in shaping the growth of our private healthcare services.

To stay up-to-date with information about your investment, I encourage you to visit our website – australianunityinvestments.com.au – or speak with a member of our Investors Services team by calling **13 29 39**.

Thank you for investing with Australian Unity Investments.

Yours sincerely

A handwritten signature in dark ink, which appears to read "Alan Castleman".

Alan Castleman
Chairman

Your investment – Australian Unity Healthcare Property Trust

at 30 June 2010

Investment objective

By investing directly in healthcare property, the Trust aims to provide investors with regular income, and the potential for capital growth.

Investment strategy

Healthcare property investment is the ownership of the physical infrastructure supporting the healthcare system including the land, bricks and mortar of hospitals, medical clinics, nursing homes, day surgeries, consulting rooms, rehabilitation units, radiology and pathology centres.

The Fund is designed to be an investment in a sector that is largely immune to the impact of economic downturns, unlike other property sectors.

Investment performance				
	1 year %	3 years % p.a.	5 years % p.a.	Since inception % p.a. ¹
Retail units performance	(0.41)	6.18	13.02	11.53
Wholesale units performance	0.42	6.93	13.90	13.10
Class A units performance	1.37	N/A	N/A	1.88

Returns are calculated after fees and expenses (excluding any entry fees) and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance.

¹ Inception date for performance calculations for retail units is 30 June 1999; for wholesale units it is 28 February 2002; and for Class A units it is 27 February 2009.

Quick stats	
Inception date	17 June 1998
Gross funds under management (including borrowings)	\$419.24 million
Income distributions	Quarterly

Geographic asset allocation	
State	Actual %
VIC	43.02
NSW	31.44
QLD	5.78
SA	19.76

Asset allocation		
Asset class	Range %	Actual %
Direct property	70-100	96.89
Unlisted, listed property trusts and companies	0-15	1.97
Cash and other assets	0-30	1.14

Healthcare properties		
IVF Australia Clinic, NSW	Hunters Hill Private Hospital, NSW	Victoria House, Victoria
Berkeley Vale Private Hospital, NSW	Beleura Private Hospital, Victoria	Ipswich Medical Centre & Day Surgery, Queensland
Constitution Hill Aged Care, NSW	Eureka Medical Centre, Victoria	Willetts Road Medical Centre, Queensland
Figtree Consulting Suites Development site, NSW	Manningham Medical Centre, Victoria	College Grove Rehabilitation Hospital, South Australia
Forest Road, Orange Development site NSW	Peninsula Private Hospital, Victoria	Wakefield Medical Clinic, South Australia
Figtree Private Hospital (previously Illawara Private Hospital), NSW	The Valley Private Hospital, Victoria	Wakefield Private Hospital, South Australia
Royal Prince Alfred Medical Centre, NSW	Vaucluse Private Hospital & Patricia Gladwell Aged Care, Victoria	

Directors' report

The directors of Australian Unity Funds Management Limited (ABN 60 071 497 115), the Responsible Entity of Australian Unity Healthcare Property Trust, present their report together with the financial statements of Australian Unity Healthcare Property Trust ("the Scheme") for the year ended 30 June 2010 ("the reporting period").

Directors

The following persons held office as directors of the Responsible Entity during the reporting period or since the end of the reporting period and up to the date of this report:

Alan Castleman (Chairman)
David Bryant (Group Executive - Investments and Chief Investment Officer)
Rohan Mead (Group Managing Director)
Glenn Barnes (Non-Executive Director) (appointed 11 January 2010)
Ian Ferres (Non-Executive Director)
Stephen Maitland (Non-Executive Director)
Warren Stretton (Non Executive Director)
Anthony Connon (Chief Financial Officer)
Bruce Siney (Non-Executive Director) (ceased 27 October 2009)

Principal activities

The Scheme aims to provide unitholders with regular income and the opportunity for long-term capital growth. The Scheme primarily invests in a diversified portfolio of healthcare property and related assets. The Scheme may invest in Australian healthcare-related direct property, managed funds or companies that predominantly hold healthcare property and related assets. The Scheme may also invest in international healthcare-related direct property and managed funds that predominantly hold healthcare property and related assets, in countries with healthcare systems and property markets with attributes similar to Australia.

Review and results of operations

Property Valuations

During the reporting period eighteen properties were revalued at a total of \$369.87m, marginally down from their previous aggregated valuations of \$377.69m in the reporting period ended 30 June 2009.

Subsequent to the end of the reporting period, Forest Road development site in Orange has been revalued at \$7.55m, an increase from previous valuation of \$7.12m. The directors have adopted such value as the fair value of the property as at 30 June 2010.

The current reporting period revaluations were in total below the revalued properties carrying values resulting in recording a net revaluation fair value decrement of \$12.474m.

Property Acquisitions

The Scheme completed the purchase of the Vaucluse Private Hospital & Patricia Gladwell Aged Care Home on 17 August 2009 at a purchase price of \$11.45m plus acquisition costs of \$0.97m. The hospital and aged care facility is situated in Brunswick, Victoria and is currently leased to Health Care Australia. Health Care is the largest privately owned network of private hospitals in Australia and has a portfolio of twelve hospitals throughout Queensland, New South Wales, Victoria and Tasmania.

Results

For the reporting period ended 30 June 2010 the Scheme's retail units posted a total return of (0.41%), split between a distribution return of 5.36% and a growth return of (5.77%).

For the reporting period ended 30 June 2010 the Scheme's wholesale units posted a total return of 0.42%, split between a distribution return of 6.14% and a growth return of (5.72%).

For the reporting period ended 30 June 2010 the Scheme's class A units posted a total return of 1.37%, split between a distribution return of 5.81% and a growth return of (4.44%).

Directors' report (continued)

Unit prices (ex distribution) at 30 June 2010 were as follows:

Retail units \$1.3517 (2009: \$1.4344)

Wholesale units \$1.3260 (2009: \$1.4064)

Class A units \$0.9306 (2009: \$0.9738)

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

	For the year ended	
	30 June	30 June
	2010	2009
	\$'000	\$'000
Profit/(loss) before finance costs attributable to unitholders	(2,724)	11,484
<i>Distributions - retail</i>		
Distribution paid and payable	9,348	13,452
<i>Distributions - wholesale</i>		
Distribution paid and payable	3,573	3,983
<i>Distributions - class A</i>		
Distribution paid and payable	289	8

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Scheme that occurred during the reporting period.

Events occurring after the reporting period

Except as disclosed in note 22, no other matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

- (i) the operations of the Scheme in future reporting periods, or
- (ii) the results of those operations in future reporting periods, or
- (iii) the state of affairs of the Scheme in future reporting periods.

Likely developments and expected results of operations

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

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

Indemnity and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of Australian Unity Funds Management Limited or the auditors of the Scheme. So long as the officers of Australian Unity Funds Management 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.

Directors' report (continued)

Fees paid to and units held in the Scheme by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of the Scheme property during the reporting period are disclosed in note 20 of the financial statements.

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

The number of units in the Scheme held by the Responsible Entity or its associates as at the end of the reporting period are disclosed in note 20 of the financial statements.

Units in the Scheme

The movement in units on issue in the Scheme during the reporting period is disclosed in note 9 of the financial statements.

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

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

The Scheme is an entity of the kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's independence declaration

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

Directors' report (continued)

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



Director



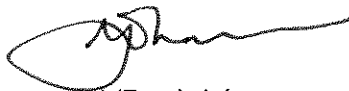
Director
13 September 2010

Auditor's Independence Declaration to the Directors of Australian Unity Funds Management Limited, as Responsible Entity for Healthcare Property Trust

In relation to our audit of the financial report of Australian Unity Healthcare Property Trust for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



AJ (Tony) Johnson
Partner
Melbourne

13 September 2010

Statement of comprehensive income

	Notes	For the year ended	
		30 June 2010 \$'000	30 June 2009 \$'000
Income			
Interest income		27	103
Rental income	3	39,165	35,342
Net (losses) on financial instruments held at fair value through profit or loss	5	(2,166)	(1,295)
Distribution income	4	<u>1,226</u>	<u>915</u>
Total income		<u>38,252</u>	<u>35,065</u>
Expenses			
Responsible Entity's fees	20	5,060	5,039
Custody fees	20	46	48
Auditor's remuneration	6	32	25
Debt establishment costs		2,227	47
Other operating expenses	7	161	156
Property related expenses	8	5,859	5,262
Net fair value decrement of investment properties		12,474	3,716
Interest expense		<u>15,117</u>	<u>9,288</u>
Total expenses		<u>40,976</u>	<u>23,581</u>
Profit/(loss) before finance costs attributable to unitholders		<u>(2,724)</u>	<u>11,484</u>
Finance costs attributable to unitholders			
Distributions to unitholders	10	(13,210)	(17,444)
Increase/(decrease) in swap hedging reserve		114	(2,391)
Decrease in net assets attributable to unitholders	9	<u>15,820</u>	<u>8,351</u>
Total comprehensive income for the reporting period attributable to unitholders		<u>-</u>	<u>-</u>

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

Statement of financial position

		As at	
	Notes	30 June 2010 \$'000	30 June 2009 \$'000
Assets			
Cash and cash equivalents		6,114	5,425
Receivables	13	12,581	12,527
Derivative assets		1,121	1,007
Prepaid expenses		268	260
Financial assets held at fair value through profit or loss	12	7,918	10,084
Lease incentives	14	54	87
Acquisition costs on investment properties due to be acquired	15	24	695
Investment properties	11	<u>391,161</u>	<u>389,563</u>
Total assets		<u>419,241</u>	<u>419,648</u>
Liabilities			
Distributions payable	10	3,318	4,480
Payables	16	3,157	2,900
Borrowings	17	<u>176,900</u>	<u>167,484</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>183,375</u>	<u>174,864</u>
Net assets attributable to unitholders	9	<u>235,866</u>	<u>244,784</u>

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

Statement of changes in net assets attributable to unitholders

	For the year ended	
	30 June 2010 \$'000	30 June 2009 \$'000
Net assets attributable to unitholders at the beginning of the reporting period	244,784	244,532
Profit/(loss) for the reporting period before finance costs attributable to unitholders	(2,724)	11,484
Distributions to unitholders	(13,210)	(17,444)
Application for units	25,762	29,873
Units issued upon re-investment of distributions	3,881	4,145
Redemption of units	(22,741)	(25,415)
Swap hedging reserve	114	(2,391)
Net assets attributable to unitholders at the end of the reporting period	<u>235,866</u>	<u>244,784</u>

The above statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying notes.

Statement of cash flows

	For the year ended	
	30 June 2010 \$'000	30 June 2009 \$'000
Notes		
Cash flows from operating activities		
Interest received	27	601
Distributions received	1,273	524
Rental income received	39,087	36,697
Payments to suppliers	<u>(11,140)</u>	<u>(11,079)</u>
Net cash inflow from operating activities	21(a) <u>29,247</u>	<u>26,743</u>
Cash flows from investing activities		
Capital expenditure on owned investment properties	(13,378)	(63,340)
Acquisition costs on investment properties due to be acquired	<u>(24)</u>	<u>(601)</u>
Net cash (outflow) from investing activities	<u>(13,402)</u>	<u>(63,941)</u>
Cash flows from financing activities		
Proceeds/(repayments) of borrowings	9,416	51,063
Interest costs paid	(14,876)	(8,955)
Finance establishment costs paid	(2,227)	-
Distributions paid	(10,490)	(16,158)
Proceeds from applications by unitholders	25,762	33,458
Payments for redemptions by unitholders	<u>(22,741)</u>	<u>(25,415)</u>
Net cash (outflow)/inflow from financing activities	<u>(15,156)</u>	<u>33,993</u>
Net increase/(decrease) in cash and cash equivalents	689	(3,205)
Cash and cash equivalents at the beginning of the reporting period	<u>5,425</u>	<u>8,630</u>
Cash and cash equivalents at the end of the reporting period	<u>6,114</u>	<u>5,425</u>

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

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1 General information

These financial statements cover Australian Unity Healthcare Property Trust ("the Scheme") as an individual entity. The Scheme was constituted on 17 June 1998. The Scheme will terminate on 16 May 2078 unless terminated earlier in accordance with the provisions of the Scheme's Constitution.

The Responsible Entity of the Scheme is Australian Unity Funds Management Limited (ABN 60 071 497 115), a wholly owned subsidiary of Australian Unity Limited (ABN 23 087 648 888). The Responsible Entity's registered office is 114 Albert Road, South Melbourne, VIC 3205. The Responsible Entity of the Scheme is incorporated and domiciled in Australia.

These financial statements are for the period from 1 July 2009 to 30 June 2010 ("the reporting period").

The financial statements were authorised for issue by the directors on 13 September 2010. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Scheme's Constitution, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia.

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in investment properties, financial assets held at fair value through profit or loss and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

Compliance with International Financial Reporting Standards

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

These financial statements are presented in the local reporting currency being Australian dollars.

AASB 101 (revised) Presentation of Financial Statements

The Scheme has applied the revised standard which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Scheme had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

AASB 7 Improving Disclosures about Financial Instruments (Amendments to AASB 7 Financial Instruments: Disclosures)

The Scheme has applied the amendment to the standard which became effective from 1 January 2009. The amendment expands the disclosures required in respect of fair value measurements and liquidity risk. The Scheme has elected not to provide comparative information for these expanded disclosures in current reporting period.

(b) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. There are no key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the Scheme's assets and liabilities within the next annual reporting period.

2 Summary of significant 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. Gains or losses arising from changes in the fair value of investment properties are included in the statement of comprehensive income in the reporting period in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use. Any gains or losses on the derecognition of an investment property are recognised in the statement of comprehensive income in the reporting period of derecognition.

Independent valuations of investment properties are obtained at intervals of generally one year from suitably qualified valuers. Less frequent valuations are permissible, however the intervals between such valuations are not to exceed three years. Such valuations are reflected in the financial statements of the Scheme. 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.

Expenditure capitalised to properties includes the cost of acquisition, capital and refurbishment additions, and during development, includes financing charges, related professional fees incurred and other directly attributable transaction costs.

(d) Financial instruments (other than derivatives)

(i) Classification

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

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

These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. These may include investments in listed property trusts, unlisted property trusts and other unlisted trusts.

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

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

- *Loans and receivables/payables comprise amounts due to or from the Scheme.*

(ii) Recognition/derecognition

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.

2 Summary of significant accounting policies (continued)

(d) Financial instruments (other than derivatives) (continued)

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 the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the reporting period the asset is derecognised as realised gains or losses on financial instruments.

(iii) Measurement

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

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and 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 value recognised in the statement of comprehensive income.

- *Fair value that is observable by the market*

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

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

- *Loans and receivables*

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is 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

For the purposes of hedge accounting, hedges are classified as cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

2 Summary of significant accounting policies (continued)

(i) Cash flow hedge

All derivative financial instruments are brought to statement of financial position at fair value. Derivative financial instruments are initially recorded at fair value on the date on which the derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when their value is positive and liabilities when their value is negative.

The Scheme uses derivative financial instruments such as interest rate swaps to hedge risk associated with interest rate fluctuations. Interest rate swaps are set up so the floating leg exactly matches the loan payment requirements. Interest rate swaps are measured based on their discounted future cash flows.

The fair values of interest rate swaps are determined by reference to market values for similar instruments.

At the inception of a hedge relationship, the Scheme formally designates and documents the hedge relationship to which the Scheme wishes to apply hedge accounting, the risk management objective, and strategy for undertaking the hedge. The documentation includes identification of the hedge instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes to cash flows and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument is recognised directly in net assets attributable to unitholders, in a hedge/swap revaluation reserve, while the ineffective portion is recognised in the statement of comprehensive income. Fluctuations are contained in the reserve until the maturity of the underlying loan. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the statement of comprehensive income.

(f) Cash and cash equivalents

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

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Scheme's main income generating activity.

(g) Receivables

Receivables may include amounts for interest, rental income arrears, trust distributions and securities sold where settlement has not yet occurred. Trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(k) below. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as Input Tax Credits and application monies receivable from unitholders.

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

2 Summary of significant accounting policies (continued)

(g) Receivables (continued)

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(h) Payables

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at the end of the reporting period.

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

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

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

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

(i) Borrowings and borrowing costs

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

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

There were no gains or losses in relation to loans taken to profit for the current reporting period.

Borrowing costs are recognised as an expense in the period in which they are incurred except for the costs that are directly attributable to the acquisition or construction of qualifying assets. The borrowing costs attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of that asset.

(j) Revenue

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

Rental revenue

Rental income is recognised on a straight-line basis over the lease term.

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

Fixed rental increases which do not represent direct compensation for underlying cost increases or capital expenditure are recognised on a straight-line basis over the term of the lease.

The rental adjustments resulted from this policy are disclosed in the financial statements for financial reporting presentation purposes only.

2 Summary of significant accounting policies (continued)

(j) Revenue (continued)

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 statement of financial position as a receivable or if paid in advance, as a liability.

Interest revenue

Interest income is recognised in the statement of comprehensive income as it accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

(k) Investment income

Interest income is recognised in the statement of comprehensive income for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(d).

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

Net gains/(losses) on financial assets 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 reporting period and the fair value at the previous valuation point. Net gains/(losses) do not include interest or distribution income. Realised and unrealised gains/(losses) are shown in the notes to the financial statements.

(l) Leases, Leasing costs and Lease incentives

Leasing costs

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) are capitalised as part of the Scheme's assets and amortised on a straight-line basis over the lease term on the same basis as the lease income.

Lease incentives

Lease incentives which may take the form of up front payments, contributions to certain lessee's costs, relocation costs and fit outs and improvements are recognised as part of the Scheme's assets. The aggregate cost of incentives is recognised on a straight-line basis over the lease term as part of lease income.

(m) Expenses

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

(n) Income tax

Under current legislation, the Scheme is not subject to income tax as unitholders are presently entitled to the income of the Scheme.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Scheme to be offset against any future realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

2 Summary of significant accounting policies (continued)

(o) 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. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(p) Increase/(decrease) in net assets attributable to unitholders

Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as part of finance costs. The movements include undistributable income which may consist of undistributable unrealised changes in the net fair value of investments, accrued income not yet assessable, expenses provided or accrued for which are not yet deductible, net capital losses and tax free or tax deferred income. Net capital gains on the realisation of any investments (including any adjustments for tax deferred income previously taken directly to net assets attributable to unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same reporting period in which it becomes assessable for tax.

(q) Applications and redemptions

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

Unit redemption prices are determined by reference to the net assets of the Scheme divided by the number of units on issue.

All units are fully paid with proportionate share of distribution and equal voting rights. They are recognised at the fair value of the consideration received by the Scheme.

(r) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Scheme by third parties such as custodial services and investment management fees have been passed onto the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITC) at a rate of 75%; hence investment management fees, custodial fees and other expenses have been recognised in statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting period and have not yet been applied in the financial statements. The directors' assessment of the impact of these new standards (to the extent relevant to the Scheme) and interpretations is set out below:

(i) AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 and 139] (effective from 1 July 2010)*

In May 2009 the AASB issued a number of improvements to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 8 *Operating Segments*, AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 136 *Impairment of Assets* and AASB 139 *Financial Instruments: Recognition and Measurement*. The Scheme will apply the revised Standards from 1 July 2010. The Scheme does not expect that any adjustments will be necessary as a result of applying the revised rules.

(ii) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)*

2 Summary of significant accounting policies (continued)

(s) New accounting standards and interpretations (continued)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013. The current four categories of financial assets, stipulated in AASB 139 *Financial Instruments: Recognition and Measurement*, will be replaced with two measurement categories: fair value and amortised cost. AASB 9 only permits the recognition of fair value gains/(losses) in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains/(losses) on debt investments, for example, will therefore have to be recognised directly in statement of comprehensive income. The Scheme does not expect any significant impact on the Scheme's financial statements arising from an adoption of the Standard.

(iii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards (effective from 1 January 2011)*

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective from 1 January 2011. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The amendment will not have any effect on the Scheme's financial statements.

(iv) AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective from 1 July 2010 and 1 January 2011 respectively)*

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Scheme will apply the amendments from 1 July 2010. It does not expect that any adjustments will be necessary as the result of applying the revised rules.

(v) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)*

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Scheme has public accountability as defined in AASB 1053 and is therefore not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will have no impact on the financial statements of the Scheme.

(t) Rounding of amounts

The Scheme is an entity of the kind referred to in Class Order 98/0100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(u) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be put back to the Scheme at any time for cash equal to a proportionate share of the Scheme's net asset value. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to put the units back to the Scheme. Because the Scheme's redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists, which has been treated as a separate component of net assets attributable to unitholders. Changes in the value of this financial liability are recognised in the statement of comprehensive income as they arise.

3 Rental income

	For the year ended	
	30 June 2010 \$'000	30 June 2009 \$'000
Rental income	34,697	31,363
Outgoings income	4,464	3,978
Other income	4	1
	39,165	35,342

4 Distribution income

	For the year ended	
	30 June 2010 \$'000	30 June 2009 \$'000
Distribution income - Australian Unity Wholesale Cash Fund	274	465
Distribution income - ING Real Estate Healthcare Fund	181	206
Distribution income - Sydney Healthcare Trust	771	244
	1,226	915

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

	For the year ended	
	30 June 2010 \$'000	30 June 2009 \$'000
Net unrealised (losses) on financial instruments designated as at fair value through profit or loss	(2,166)	(1,295)

6 Auditor's remuneration

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

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

	For the year ended	
	30 June 2010 \$	30 June 2009 \$
(a) Audit services		
Audit and review of financial reports	<u>28,173</u>	<u>20,972</u>
Total remuneration for audit services	<u>28,173</u>	<u>20,972</u>
(b) Non-audit services		
Tax compliance services	<u>4,132</u>	<u>4,400</u>
Total remuneration for taxation services	<u>4,132</u>	<u>4,400</u>
	<u>32,305</u>	<u>25,372</u>

7 Other Scheme expenses

	For the year ended	
	30 June 2010 \$'000	30 June 2009 \$'000
Valuation expenses	150	150
Sundry expenses	<u>11</u>	<u>6</u>
	<u>161</u>	<u>156</u>

8 Property related expenses

	For the year ended	
	30 June 2010 \$'000	30 June 2009 \$'000
Recoverable outgoings	4,698	4,198
Non-recoverable outgoings	839	618
Legal expenses	69	90
Consulting expenses	109	278
Repairs and maintenance	7	1
Advertising expenses	3	-
Impairment loss re trade receivables	87	-
Amortisation of lease commissions & lease incentives	<u>47</u>	<u>77</u>
	<u>5,859</u>	<u>5,262</u>

9 Net assets attributable to unitholders

All units are fully paid with a proportionate share of distribution and equal voting rights.

As net assets attributable to unitholders are classified as a liability rather than equity, distributions and the movement in the net assets attributable to unitholders are recognised as a finance cost in the Scheme's statement of comprehensive income.

The movements in fair value of the swap are taken directly to a hedge revaluation reserve. Fluctuations would be contained in the reserve until the maturity of the underlying loan.

In the event of the ineffectiveness of the swap, any gains or losses will be taken directly to the statement of comprehensive income for the reporting period.

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme. There are three classes of unitholders in the Scheme being Retail, Wholesale and Class A.

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

	30 June 2010 No. '000 Liability	For the year ended		30 June 2009 No. '000 Liability	30 June 2010 \$'000 Liability	30 June 2009 \$'000 Liability
		30 June 2009 No. '000 Liability	30 June 2010 \$'000 Liability			
Opening balance	163,541			157,470	186,922	178,319
Net assets attributable to unitholders - Retail						
Applications	3,795			5,524	5,630	8,737
Redemptions	(11,579)			(14,135)	(16,337)	(17,064)
Units issued upon reinvestment of distributions	<u>1,828</u>			<u>2,149</u>	<u>2,567</u>	<u>3,136</u>
	(5,956)			(6,462)	(8,140)	(5,191)
Net assets attributable to unitholders - Wholesale						
Applications	8,634			14,694	12,330	20,799
Redemptions	(4,314)			(3,199)	(5,960)	(8,351)
Units issued upon reinvestment of distributions	<u>918</u>			<u>704</u>	<u>1,260</u>	<u>1,009</u>
	5,238			12,199	7,630	13,457
Net assets attributable to unitholders - Class A						
Applications	7,912			334	7,802	337
Redemptions	(466)			-	(444)	-
Units issued upon reinvestment of distributions	<u>57</u>			<u>-</u>	<u>54</u>	<u>-</u>
	7,503			334	7,412	337
Closing balance	170,326			163,541	193,824	186,922

9 Net assets attributable to unitholders (continued)

	30 June 2010 \$'000	30 June 2009 \$'000
Undistributed income		
Opening balance	57,862	61,430
(Decrease)/increase in net assets attributable to unitholders	<u>(15,820)</u>	<u>(3,568)</u>
Closing balance	<u>42,042</u>	<u>57,862</u>
	As at	
	30 June 2010 \$'000	30 June 2009 \$'000
Total net assets attributable to unitholders	<u>235,866</u>	<u>244,784</u>

Capital risk management

The Scheme considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders.

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

10 Distributions to unitholders

Timing of distributions

The distributions for the reporting period were as follows:

	For the year ended			
	30 June 2010 \$'000	30 June 2010 CPU	30 June 2009 \$'000	30 June 2009 CPU
Retail units - paid during the reporting period	7,058	5,766	10,079	7,712
Retail units - unpaid at end of the reporting period	2,290	1,917	3,373	2,690
Wholesale units - paid during the reporting period	2,654	6,461	2,883	8,488
Wholesale units - unpaid at end of the reporting period	919	2,135	1,101	2,910
Class A units - paid during the reporting period	180	4,231	2	1,893
Class A units - unpaid at the end of the reporting period	<u>109</u>	<u>1,390</u>	<u>6</u>	<u>1,842</u>
Total distributions	<u>13,210</u>	<u>21,900</u>	<u>17,444</u>	<u>25,535</u>

As unitholders are presently entitled to the distributable income of the Scheme, no income tax is payable by the Responsible Entity.

11 Investment properties

30 June 2010	Opening balance \$'000	Purchase price \$'000	Acquisition costs \$'000	Capital costs \$'000	Revaluation \$'000	Closing balance \$'000	Latest valuation \$'000
Investment properties							
Royal Prince Alfred Hospital	46,137	-	-	64	1,331	47,532	47,500
Beleura Private Hospital and Medical Clinic	35,392	-	-	14	(1,049)	34,357	34,350
College Grove Private Hospital	13,251	-	-	94	497	13,842	13,750
The Valley Private Hospital	19,700	-	-	136	247	20,083	20,000
Wakefield Clinic	13,535	-	-	-	(285)	13,250	13,250
Wakefield Private Hospital	52,014	-	-	239	(2,047)	50,206	50,000
Illawarra Private Hospital, Figtree	18,362	-	-	24	129	18,515	18,500
Berkeley Vale Private Hospital	10,262	-	-	9	229	10,500	10,500
Hunter's Hill Private Hospital	10,508	-	-	6	(8)	10,506	10,500
Ballarat Medical Centre	4,000	-	-	1	(201)	3,800	3,800
Peninsula Private Hospital	49,253	-	-	143	144	49,540	49,500
Victoria House Medical Centre	17,001	-	-	16	233	17,250	17,250
Mackay Medical Centre	9,900	-	-	5	195	10,100	10,100
Ipswich Medical Centre	12,500	-	-	1	(1)	12,500	12,500
Figtree Consulting Suites	1,648	-	-	11	(551)	1,108	1,100
Forest Road Development site, Orange	7,767	-	-	32	(249)	7,550	7,550
Manningham Medical Centre 176 Pacific Highway, St Leonards	36,830	-	-	72	(6,850)	30,052	30,000
Constitution Hill Aged Care Facility	15,501	-	3	-	(3,003)	12,501	12,500
Vaucluse Hospital and Patricia Gladwell Aged Care Home	16,002	-	2	1	(1,235)	14,770	14,770
	-	11,450	971	778	-	13,199	11,500
Total	389,563	11,450	976	1,646	(12,474)	391,161	388,920

11 Investment properties (continued)

30 June 2009	Opening balance \$'000	Purchase price \$'000	Acquisition costs \$'000	Capital costs \$'000	Revaluation \$'000	Closing balance \$'000	Latest valuation \$'000
Investment properties							
Royal Prince Alfred Hospital	45,932	-	-	80	125	46,137	46,000
Beleura Private Hospital	35,269	-	-	16	107	35,392	35,380
College Grove Private Hospital	12,851	-	-	2	398	13,251	13,250
The Valley Private Hospital	19,753	-	-	11	(64)	19,700	19,700
Wakefield Clinic	13,947	-	-	14	(426)	13,535	13,500
Wakefield Private Hospital	53,284	-	-	28	(1,298)	52,014	52,000
Illawarra Private Hospital, Figtree	18,140	-	-	(69)	291	18,362	18,250
Berkeley Vale Private Hospital	9,600	-	-	12	650	10,262	10,250
Hunter's Hill Private Hospital	10,400	-	-	8	100	10,508	10,500
Ballarat Medical Centre	4,150	-	-	-	(150)	4,000	4,000
Peninsula Private Hospital	50,421	-	-	60	(1,228)	49,253	49,250
Victoria House Medical Centre	18,793	-	-	62	(1,854)	17,001	17,000
Mackay Medical Centre	9,976	-	-	(4)	(72)	9,900	9,900
Ipswich Medical Centre	12,795	-	-	-	(295)	12,500	12,500
Figtree Consulting Suites	1,631	-	-	17	-	1,648	1,500
Forest Road Development site, Orange	7,761	-	6	-	-	7,767	7,120
Manningham Medical Centre 176 Pacific Highway, St Leonards	-	35,000	1,828	2	-	36,830	35,000
Constitution Hill Aged Care Facility	-	14,610	882	9	-	15,501	14,610
	-	15,100	902	-	-	16,002	15,100
Total	<u>324,703</u>	<u>64,710</u>	<u>3,618</u>	<u>248</u>	<u>(3,716)</u>	<u>389,563</u>	<u>384,810</u>

The investment property valuation policy is to have independent valuations conducted regularly, typically annually to aid with the determination of the fair value of the assets (the latest valuations are noted below). At each reporting date the appropriateness of those valuations is assessed by the Responsible Entity.

The market for many types of real estate is being affected by volatility in financial markets. This has translated into a general weakening of market sentiment towards real estate and the number of real estate transactions has significantly reduced.

The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arms length transaction at the date of valuation, in accordance with Australian Valuation Standards.

The current lack of comparable market evidence relating to pricing assumptions and market drivers, particularly for transactions involving willing buyers and willing sellers, means that there is less certainty in regard to valuations and the assumptions applied to valuation inputs. The period of time needed to negotiate a sale in this environment may also be significantly prolonged.

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

Ballarat Medical Centre was revalued in May 2010 by Colliers International at \$3.80m, down from \$4.00m.

Beleura Private Hospital and Medical Clinic was revalued in September 2009 by Colliers International at \$34.35m, down from \$35.38m. Since the latest valuation, capital expenditure of \$0.007m has been incurred which has increased the carrying value of the property.

11 Investment properties (continued)

The Valley Private Hospital was revalued in September 2009 by Colliers International at \$20.00m, up from \$19.70m. Since the latest valuation, capital expenditure of \$0.083m has been incurred which has increased the carrying value of the property.

Berkeley Vale Private Hospital was revalued in October 2009 by Colliers International at \$10.50m, up from \$10.25m.

Hunters Hill Private Hospital was revalued in October 2009 by Colliers International at \$10.50m, unchanged from the previous valuation. Since the latest valuation, capital expenditure of \$0.006m has been incurred which has increased the carrying value of the property.

Figtree Private Hospital was revalued in February 2010 by Colliers International at \$18.50m, up from \$18.25m. Since the latest valuation, capital expenditure of \$0.015m has been incurred which has increased the carrying value of the property.

Royal Prince Alfred Hospital Medical Centre was revalued in February 2010 by Colliers International at \$47.50m, up from \$46.00m. Since the latest valuation, capital expenditure of \$0.032m has been incurred which has increased the carrying value of the property.

Wakefield Private Hospital was revalued in December 2009 by Colliers International at \$50.00m, down from \$52.00m. Since the latest valuation, capital expenditure of \$0.206m has been incurred which has increased the carrying value of the property.

Wakefield Clinic was revalued in December 2009 by Colliers International at \$13.25m, down from \$13.50m.

College Grove Private Hospital was revalued in October 2009 by Colliers International at \$13.75m, up from \$13.25m. Since the latest valuation, capital expenditure of \$0.092m has been incurred which has increased the carrying value of the property.

Peninsula Private Hospital (including the vacant land portion) was revalued in February 2010 by Colliers International at \$49.50m, up from \$49.25m. Since the latest valuation, capital expenditure of \$0.04m has been incurred which has increased the carrying value of the property.

Victoria House Medical Centre was revalued in May 2010 by Colliers International at \$17.25m, up from \$17.00m.

Mackay Medical Centre was revalued in May 2010 by Colliers International at \$10.10m, up from \$9.90m.

Ipswich Medical Centre was revalued in May 2010 by Colliers International at \$12.50m, unchanged from the previous valuation.

Forest Road Development, Orange was revalued in July 2010 by Jones Lang LaSalle at \$7.55m, up from \$7.12m.

Figtree Consulting Suites was revalued in February 2010 by Colliers International at \$1.10m, down from \$1.50m. Since the latest valuation, capital expenditure of \$0.008m has been incurred which has increased the carrying value of the property.

Manningham Medical Centre was revalued in December 2009 by Colliers International at \$30.00m, down from \$35.00m. Since the latest valuation, capital expenditure of \$0.052m has been incurred which has increased the carrying value of the property.

176 Pacific Highway, St Leonards was revalued in October 2009 by Colliers International at \$12.50m, down from \$14.61m. Since the latest valuation, capital expenditure of \$0.001m has been incurred which has increased the carrying value of the property.

Constitution Hill Aged Care Facility was revalued in April 2010 by Colliers International at \$14.77m, down from \$15.10m.

On 17 August 2009, the Scheme settled the purchase of the Vaucluse Hospital and Patricia Gladwell Aged Care Home at a purchase price of \$11.45m plus acquisition costs of \$0.971m. The 11,370m² premises is fully leased to HealthCare Australia, and includes a 70 bed private hospital, 60 bed aged care home, as well as day surgery, pharmacy, pathology and radiology facilities, a hydrotherapy pool and a carpark.

12 Financial assets held at fair value through profit or loss

	As at	
	30 June 2010 \$'000	30 June 2009 \$'000
Unlisted Property Scheme - Sydney Healthcare Trust	6,047	8,378
Listed Property Scheme - ING Real Estate Healthcare Fund	<u>1,871</u>	<u>1,706</u>
Total financial assets held at fair value through profit and loss	<u>7,918</u>	<u>10,084</u>

The Scheme has an investment at 30 June 2010 of 7,000,000 units (2009: 7,000,000 units) in the Sydney Healthcare Trust. The unit price as at 30 June 2010 is \$0.8638 (2009: \$1.1969).

The Scheme has an investment at 30 June 2010 of 2,369,000 units (2009: 2,369,000 units) in the listed ING Real Estate Healthcare Fund. The unit price as at 30 June 2010 is \$0.7900 (2009: \$0.7200).

13 Receivables

	As at	
	30 June 2010 \$'000	30 June 2009 \$'000
Trade receivables *	12,166	12,036
Provision for impairment loss re trade receivables	(87)	-
GST receivable	296	238
Distributions receivable	<u>206</u>	<u>253</u>
	<u>12,581</u>	<u>12,527</u>

* Includes receivables arising from recognising lease income on a straight-line basis over the term of individual leases.

14 Lease incentives

	As at	
	30 June 2010 \$'000	30 June 2009 \$'000
Lease incentives	248	247
Less accumulated amortisation	<u>(194)</u>	<u>(160)</u>
	<u>54</u>	<u>87</u>

* Includes assets arising from recognising rent-free periods as lease incentives.

15 Acquisition costs on investment properties due to be acquired

	As at	
	30 June 2010 \$'000	30 June 2009 \$'000
Pre-settlement acquisition costs relating to the Vaucluse Hospital (VIC) (purchased 17 August 2009)	-	631
Pre-settlement acquisition costs relating to the 12 View Road, Walkerville (SA) (purchased 16 July 2010)	24	-
Other pre-acquisition expenditure on planned investment property acquisitions	-	64
	24	695

16 Payables

	As at	
	30 June 2010 \$'000	30 June 2009 \$'000
Accrued expenses	2,171	1,966
GST payable	986	934
	3,157	2,900

17 Borrowings

	As at	
	30 June 2010 \$'000	30 June 2009 \$'000
Loan	176,900	167,484
	176,900	167,484

As at 30 June 2010, the facility limit was \$220,000,000 (30 June 2009: \$200,000,000).

The loan which is made up of Tranche A (with facility limit of \$137.5m) and Tranche B (with facility limit of \$82.5m) expiring on 29 July 2011 and 29 July 2012 respectively. The Responsible Entity is satisfied that it will be able to secure new loan facilities for the continuation of the Scheme at those dates.

Based on current lending value ratio, Tranche A has an interest rate of BBSY + 3.60% and Tranche B has an interest rate of BBSY + 3.80%.

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

The above loan is 89.94% hedged at an average rate of 4.8776% as at 30 June 2010. Interest rate swap arrangements as at 30 June 2010 are detailed in note 18.

18 Derivative assets and liabilities

30 June 2010

	Contract/ notional \$'000	Fair Values	
		Assets \$'000	Liabilities \$'000
Interest rate swaps contracts			
Interest rate swaps - maturity 8 May 2012	46,472	738	-
Interest rate swaps - maturity 29 October 2010	66,166	-	195
Interest rate swaps - maturity 8 May 2014	46,472	873	-
	<u>159,110</u>	<u>1,611</u>	<u>195</u>
Forward starting interest rate swaps contracts			
Forward starting interest rate swaps - maturity 1 Nov 2013	33,000	-	98
Forward starting interest rate swaps - maturity 1 Nov 2015	33,000	-	197
	<u>66,000</u>	<u>-</u>	<u>295</u>

30 June 2009

	Contract/ notional \$'000	Fair Values	
		Assets \$'000	Liabilities \$'000
Interest rate swaps contracts			
Interest rate swaps - maturity 8 May 2012	46,472	960	-
Interest rate swaps - maturity 29 October 2010	66,166	-	1,744
Interest rate swaps - maturity 8 May 2014	46,472	1,791	-
	<u>159,110</u>	<u>2,751</u>	<u>1,744</u>

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

A gain of \$113,956 (2009: loss of \$2,391,592) relating to the change in the fair value of the Scheme's interest rate swap contracts was recognised directly in net assets attributable to unitholders during the reporting period ended 30 June 2010.

The Scheme's interest rate swap contracts at 30 June 2010 comprised:

A contract with a notional amount of \$66,165,875 maturing on 29 October 2010 at a fixed rate of 5.675%, with quarterly interest rate resets and settlements.

A contract with a notional amount of \$46,072,088 maturing on 8 May 2012 at a fixed rate of 4.015%, with monthly interest rate resets and settlements.

A contract with a notional amount of \$46,072,088 maturing on 8 May 2014 at a fixed rate of 4.605%, with monthly interest rate resets and settlements.

There has been no change in the Scheme's interest rate swap contracts since the previous reporting period ended 30 June 2009.

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.

Financial instruments of the Scheme comprise borrowings, financial investments, derivatives used to hedge interest rate risk, net assets attributable to unitholders, cash as well as cash equivalents and other financial instruments such as trade receivables and payables, which arise directly from its operations.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The Scheme's overall risk management program focuses on ensuring compliance with the Scheme's Product Disclosure Statement 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 an Investment Manager (Investment Manager) under policies approved by the Board of Directors of the Responsible Entity (the Board).

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

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate, including senior management, Risk and Investment Committees and ultimately (on an exception basis) the Board of Directors of the Responsible Entity.

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 three types of risk: price risk, foreign currency 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.

The sensitivity of the Scheme's net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) to price risk and interest rate risk is measured by the reasonably possible movements approach. This approach is determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and historical correlation of the Scheme's investments with the relevant benchmarks and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Scheme invests. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

(i) Price risk

Price risk is the risk that the fair value of financial investments will fluctuate because of changes in market prices or unit prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Price risk exposure arises from the Scheme's investment portfolio. These investments are classified in the statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

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

The Scheme's overall investment positions are monitored on a daily basis by the Scheme's Investment Manager.

This investment price risk is measured using sensitivity analysis.

19 Financial risk management (continued)

The following paragraph summarises the sensitivity of the Scheme's operating profit and net assets attributable to unitholders to investment price risk.

At 30 June 2010, if investment prices had decreased by 10% (2009: decreased by 10%), with all other variables held constant, the decrease in net assets attributable to unitholders of the Scheme (and in net operating profit of the Scheme) for the reporting would amount to approximately \$791,811 (2009: \$1,008,398). Alternatively, if investment prices had risen by 10% (2009: increased by 10%), the increase in net assets attributable to unitholders (and in net operating profit) would amount to approximately \$791,811 (2009: \$1,008,398). These decreases/increases in net assets attributable to unitholders are calculated on an undiscounted basis. The analysis is performed on the same basis for 2009.

(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's interest bearing financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Scheme has established limits on its borrowings, which are monitored on a regular basis. The Scheme uses derivatives to hedge against unexpected increases in interest rates. This reduced interest rate risk, represented by the portion of liabilities that are not covered by interest rate swaps, is measured using sensitivity analysis.

The following table summarises the sensitivity of the Scheme's profit/(loss) and net assets attributable to unitholders to interest rate risk on the Scheme's unhedged borrowings and derivative assets.

	Impact on profit/(loss) attributable to unitholders		Impact on net assets attributable to unitholders	
	+75 bps (2009: +50 bps) \$	-75 bps (2009: -50 bps) \$	+75 bps (2009: +50 bps) \$	-75 bps (2009: -50 bps) \$
30 June 2010	(133,425)	133,425	4,593,663	(2,664,719)
30 June 2009	(62,807)	62,807	1,954,409	(1,991,615)

(c) Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss.

With respect to credit risk, the Scheme's exposure relates to trade receivables, financial assets held at fair value through profit or loss and derivative financial instruments used to hedge interest rate risk.

With respect to credit risk arising from the financial assets of the Scheme, other than derivatives, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these investments as disclosed in the statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

Credit risk is not considered to be significant to the Scheme.

(d) Liquidity risk

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

19 Financial risk management (continued)

The Scheme's Constitution provides for the daily application and redemptions of units and it is therefore exposed to the liquidity risk of meeting unitholder redemptions at any time.

Under the terms of its Product Disclosure Statement, the Scheme has the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until funds are available.

The Scheme may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Scheme may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as a deterioration in the creditworthiness of any particular issuer. No such investments were held at the end of the reporting period.

Maturity analysis for financial liabilities

The table below analyses the Scheme's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period 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 month' maturity grouping as such liabilities are typically settled within 30 days.

	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	12-60 months \$'000
At 30 June 2010				
Distributions payable	3,318	-	-	-
Payables	3,157	-	-	-
Borrowings	-	-	-	176,900
Net assets attributable to unitholders	-	5,903	17,708	94,446
Total financial liabilities	<u>6,475</u>	<u>5,903</u>	<u>17,708</u>	<u>271,346</u>
	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	12-60 months \$'000
At 30 June 2009				
Distributions payable	4,480	-	-	-
Payables	2,900	-	-	-
Borrowings	167,484	-	-	-
Net assets attributable to unitholders	-	6,119	18,359	97,914
Total financial liabilities	<u>174,864</u>	<u>6,119</u>	<u>18,359</u>	<u>97,914</u>

As disclosed above, the Scheme manages its liquidity risk by investing predominantly in liquid assets that it expects to be able to liquidate within 7 days or less. Liquid assets include cash and cash equivalents, listed property trusts, unlisted property trusts and unlisted unit trusts. As at 30 June 2010, these assets amounted to \$14,032,696 (2009: \$15,508,949).

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

The Scheme's financial assets and liabilities in the statement of financial position are carried at amounts that approximate fair value.

The Scheme values its investments in accordance with the accounting policies set out in note 2. For the majority of its investments, the Scheme relies on information provided by independent pricing services for the valuation of its investments.

(f) Instruments used by the Scheme

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

The details of the Scheme's hedging activities are detailed in note 17 and note 18.

19 Financial risk management (continued)

(g) Fair value hierarchy

The Scheme has adopted the amendments to AASB 7, effective 1 July 2009. This requires the Scheme 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:

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

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

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

The table below sets out the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

As at 30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets designated at fair value through profit or loss at inception:				
Listed property trust	1,871	-	-	1,871
Unlisted property trust	-	6,047	-	6,047
Total	1,871	6,047	-	7,918

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, certain unlisted unit 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. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

20 Related party transactions

Responsible Entity

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

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of Australian Unity Funds Management Limited at any time during the reporting period as follows:

Alan Castleman (Chairman)
David Bryant (Group Executive - Investments and Chief Investment Officer)
Rohan Mead (Group Managing Director)
Glenn Barnes (Non-Executive Director) (appointed 11 January 2010)
Ian Ferres (Non-Executive Director)
Stephen Maitland (Non-Executive Director)
Warren Stretton (Non-Executive Director)
Anthony Connon (Chief Financial Officer)
Bruce Siney (Non-Executive Director) (ceased 27 October 2009)

(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 reporting period.

Key management personnel compensation

Key management personnel are paid by Australian Unity Funds Management Limited. Payments made from the Scheme to Australian Unity Funds Management Limited do not include any amounts attributable to the compensation of key management personnel.

Key management personnel loan disclosures

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

Other transactions within the Scheme

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

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

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 by reference to the monthly total assets of the Scheme as follows:

- (i) 1.35% (2009: 1.35%) per annum charged on retail class gross assets;
- (ii) 0.95% (2009: 0.95%) per annum charged on wholesale class gross assets; and
- (iii) 0.95% (2009: 0.95%) per annum charged on class A gross assets.

For the reporting period ended 30 June 2010, all expenses in connection with the preparation of accounting records and the maintenance of the unitholder register have been fully borne by the Responsible Entity and its associates.

20 Related party transactions (continued)

	As at	
	30 June 2010 \$'000	30 June 2009 \$'000
Management fees for the reporting period paid/payable by the Scheme to the Responsible Entity	3,605	3,582
Administration expenses (audit fees inclusive) incurred by the Responsible Entity which are reimbursed in accordance with the Scheme's Constitution	1,487	1,482
Custodian fees for the reporting period paid/payable by the Scheme to the Responsible Entity	46	48

The Scheme in accordance with the Scheme's Constitution has reimbursed other administration expenses incurred by the Responsible Entity in full.

Related party unitholdings

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

2010

Unitholder	Number of units held at opening No. '000	Number of units acquired No. '000	Number of units disposed No. '000	Number of units held at closing No. '000	Interest held (%)
Australian Unity Assurance Benefit Fund	556	-	-	556	0.33
Australian Unity Property Income Fund	3,147	1	2,438	710	0.42
Australian Unity Health Limited	122	-	122	-	-

2009

Unitholder	Number of units held at opening No. '000	Number of units acquired No. '000	Number of units disposed No. '000	Number of units held at closing No. '000	Interest held (%)
Australian Unity Assurance Benefit Fund	556	-	-	556	0.34
Australian Unity Property Income Fund	2,859	6,315	6,027	3,147	1.92
Australian Unity Health Limited	-	122	-	122	0.05

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

	For the year ended	
	30 June 2010 \$'000	30 June 2009 \$'000
(a) Reconciliation of net profit/(loss) to net cash inflow from operating activities		
Profit/(loss) for the reporting period attributable to unitholders	-	-
(Increase)/decrease in net assets attributable to unitholders	(15,820)	(8,351)
Increase/(decrease) in swap hedging reserve	(114)	2,391
Change in fair value of the investment properties - revaluation decrement/(increment)	12,474	3,716
Unrealised losses on financial investment assets	2,166	1,295
Add back interest expenses and debt establishment costs	17,344	9,336
Decrease/(increase) in receivables	(141)	1,332
(Increase)/decrease in other assets	28	47
Increase/(decrease) in liabilities	100	(467)
Distribution to unitholders	13,210	17,444
Net cash inflow from operating activities	29,247	26,743

(b) Components of cash and cash equivalents

Cash as at the end of the reporting period as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

Cash and cash equivalents	308	504
Units in Australian Unity Wholesale Cash Fund	5,806	4,921
	6,114	5,425

(c) Non-cash financing activities

There were no non-cash financing and investing activities carried out during the current reporting period.

- -

As described in note 2(p), income not distributed is included in net assets attributable to unitholders. The change in this amount each reporting period (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable (i.e. taxable).

22 Events occurring after the reporting period

Since the reporting date, the Scheme completed the purchase of 12 View Road, Walkerville (SA) at a purchase price of \$0.875m plus acquisition costs on 16 July 2010.

No other significant events have occurred since the end of the reporting period which would impact on the financial position of the Scheme disclosed in the statement of financial position as at 30 June 2010 or on the results and cash flows of the Scheme for the reporting period ended on that date other than as detailed above.

23 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2010 and 30 June 2009.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 36 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2010 and of its performance, as represented by the results of its operations and cash flows for the financial reporting period ended on that date; and
- (b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.
- (c) the financial statements are in accordance with the provisions of the Scheme's Constitution.

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

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



Director



Director
13 September 2010

Independent auditor's report to the unitholders of Australian Unity Healthcare Property Trust

We have audited the accompanying financial report of Australian Unity Healthcare Property Trust, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity an Auditor's Independence Declaration, a copy of which is included in the directors' report.

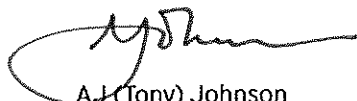
Auditor's Opinion

In our opinion:

1. the financial report of Australian Unity Healthcare Property Trust is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the financial position of Australian Unity Healthcare Property Trust at 30 June 2010 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

A stylized, handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'A.J. Johnson'.

A.J. (Tony) Johnson
Partner
Melbourne

13 September 2010



Contact Australian Unity Investments

Call **13 29 39** (Australia-wide or contact your financial adviser)
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