Australian Unity Diversified Property Fund

ARSN 119 620 674

Annual consolidated financial statements for the reporting period ended 30 June 2015

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These consolidated financial statements cover Australian Unity Diversified Property Fund ("the Stapled Scheme") as the Consolidated Entity consisting of the AUDPF No. 1 Trust (ARSN 106 724 038) and AUDPF No. 2 Trust (ARSN 119 620 790).

The Responsible Entity of Australian Unity Diversified Property Fund is Australian Unity Property Limited (ABN 58 079 538 499). The Responsible Entity's registered office is Level 14, 114 Albert Road, South Melbourne, VIC 3205.

Directors' report

The directors of Australian Unity Property Limited (ABN 58 079 538 499), the Responsible Entity of Australian Unity Diversified Property Fund ("AUDPF"), present their report together with the consolidated financial statements of AUDPF ("the Stapled Scheme"), consisting of the stapled entities, AUDPF No. 1 Trust ("AUDPF1") and AUDPF No. 2 Trust ("AUDPF2") and the controlled entities of the stapled entities for the year ended 30 June 2015 ("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:

Glenn Barnes (Chairman)
David Bryant (Chief Executive Officer and Chief Investment Officer)
Melinda Cilento (Non-Executive Director)
Stephen Maitland (Non-Executive Director)
Kevin McCoy (Chief Financial Officer)
Rohan Mead (Group Managing Director)
Peter Promnitz (Non-Executive Director) (appointed 1 August 2014)
Greg Willcock (Non-Executive Director) (appointed 31 December 2014)
Ian Ferres (Non-Executive Director) (ceased 1 August 2014)
Warren Stretton (Non-Executive Director) (ceased 31 December 2014)

Principal activities

The Stapled Scheme aims to provide unitholders with regular income and the opportunity for long term capital growth. The Stapled Scheme primarily invests in direct property assets, listed property securities and unlisted property securities.

AUDPF1 was established for the purpose of investing in high quality properties that have a secure income stream and the potential for capital growth.

AUDPF2 was established for the purpose of taking advantage of investment opportunities that AUDPF1 does not currently participate in, including limited property development roles, and to provide opportunity for potential future profitability and capital growth.

Review and results of operations

Property valuations

The current reporting period revaluations were in total above the revalued properties carrying values resulting in recording a net revaluation fair value increment of $2,731,676.

Partial redemption of units in Australian Unity Rockdale Property Trust

On 17 October 2014, AUDPF No.1 Sub-Trust No. 5 (a sub trust of the Stapled Scheme) which holds the property located at 395 West Botany Street, Rockdale NSW became a registered managed investment scheme, known as Australian Unity Rockdale Property Trust (ARSN 602 159 875).

On 15 December 2014, the Stapled Scheme transferred the majority of its holding in the Australian Unity Rockdale Property Trust to new investors. As at 30 June 2015, the Stapled Scheme holds a strategic interest in the property trust but will look to transfer this to new investors.

Property acquisitions

On 27 October 2014, the Stapled Scheme completed the purchase of 200 Victoria Street, Carlton, VIC for a purchase price of $42,300,000 and acquisition costs of $2,850,605.

On 20 March 2015, the Stapled Scheme completed the purchase of 37 and 39 Kent Street, Busselton, WA for a purchase price of $1,350,000 and acquisition costs of $103,074.

On 11 June 2015, the Stapled Scheme completed the purchase of 5 Kenhelm Street, Balcatta, WA for a purchase price of $1,900,000 and acquisition costs of $152,362.

Property disposals

The Stapled Scheme sold 10 Clarke Street, O'Connor, WA on 12 December 2014 for a consideration of $9,400,000, excluding selling costs of $185,383. This represented a realised loss on sale of $1,539,533.

Derivatives

In the current reporting period, the Stapled Scheme recognised a net loss on derivative instruments held at fair value through profit or loss of $1,249,956.

Results

(a) Stapled Scheme

For the reporting period ended 30 June 2015, the Stapled Scheme's units posted a total return of 9.24%, (split between a distribution return of 8.53% and a growth return of 0.71%)*.

The Stapled Scheme's unit price as at 30 June 2015 was $0.7707 (30 June 2014: $0.7651)*.

*The reported performance numbers and reported unit prices (which are not audited) have been derived based on the declared unit prices calculated in accordance with the Responsible Entity’s unit pricing policy, and are not based on the net assets of these IFRS compliant consolidated financial statements. Return calculations assume the reinvestment of distributions.

(b) Consolidated AUDPF2

The consolidated AUDPF2 continued to be non-operating.

For the reporting period ended 30 June 2015, the consolidated AUDPF2 recorded a net operating profit of $nil (30 June 2014: $nil) and accumulated net liabilities of $4,000 (30 June 2014: $4,000). Consolidated AUDPF2's net liability position was due to administration fees funded by AUDPF1, whilst AUDPF2 remained inactive.

The Responsible Entity has determined to simplify the Stapled Scheme’s structure. In doing so, AUDPF2 was destapled with effect from 29 July 2015 and, as a result, terminated AUDPF2 and the Australian Unity Diversified Property Fund (as the master scheme of the Stapled Scheme’s structure) on the same date. This had the effect of collapsing the stapled structure, leaving AUDPF1 continuing to hold the assets. AUDPF1 was then renamed ‘Australian Unity Diversified Property Fund’ ("the Scheme") on 30 July 2015. Unitholders retain units in the Scheme and there is no impact to unitholders.

Results (continued)

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

	Consolidated AUDPF1 For the reporting period ended		**Consolidated AUDPF2 For the reporting period ended**	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Profit before finance costs attributable to unitholders	**12,373**	12,393	**-**	-
Distribution paid and payable	**11,335**	11,484	**-**	-

Significant changes in state of affairs

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

Events occurring after the reporting period

Except as disclosed in note 22 to the consolidated financial statements, no other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

Further information on likely developments in the operations of the Stapled 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 Stapled Scheme.

Indemnification and insurance of officers and auditors

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

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

Fees paid to the Responsible Entity and its associates out of Stapled Scheme property during the reporting period are disclosed in note 19 of the consolidated financial statements.

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

The number of interests in the Stapled Scheme held by the Responsible Entity or its associates as at the end of the reporting period are disclosed in note 19 of the consolidated financial statements.

Units in the Stapled Scheme

The movement in units on issue in the Stapled Scheme during the reporting period is disclosed in note 8 of the consolidated financial statements.

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

Environmental regulation

The property operations within the Stapled 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 Stapled Scheme is an entity of a 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 and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, where indicated.

Presentation of consolidated financial statements by stapled entities

The Stapled Scheme presents consolidated financial statements following the application of Class Order 13/1050 issued by the Australian Securities and Investments Commission which allows stapled entities in a stapled scheme to present their respective financial statements together in a single report.

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.

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

Director

Director

10 September 2015

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com

Auditor's Independence Declaration to the Directors of Australian Unity Property Limited, as responsible entity for Australian Unity Diversified Property Fund

In relation to our audit of the financial report of Australian Unity Diversified Property Fund for the financial year ended 30 June 2015, 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

Ernst & Young

Luke Slater

Luke Slater
Partner
Melbourne

10 September 2015

Consolidated statement of comprehensive income

		Consolidated AUDPF1 For the reporting period ended		**Consolidated AUDPF2 For the reporting period ended**	
		30 June 2015	30 June 2014	**30 June 2015**	30 June 2014
	Notes	**$'000**	$'000	**$'000**	$'000
Income					
Rental income	3	**26,077**	24,681	**-**	-
Property expenses	4	**(9,520)**	(9,504)	**-**	-
Net property income		**16,557**	15,177	**-**	-
Interest income		**38**	68	**-**	-
Distribution income	5	**2,003**	3,848	**-**	-
Other operating income		**978**	1,065	**-**	-
Net losses on financial instruments held at fair value through profit or loss	6	**(1,305)**	(2,894)	**-**	-
Realised loss on disposal of investment property	13(b)	**(1,540)**	-	**-**	-
Net fair value increment of investment properties	13(b)	**2,732**	952	**-**	-
Total income net of property expenses		**19,463**	18,216	**-**	-
Expenses					
Responsible Entity's fees	19	**783**	699	**-**	-
Borrowing costs		**5,561**	4,699	**-**	-
Other expenses		**746**	425	**-**	-
Total expenses		**7,090**	5,823	**-**	-
Profit before finance costs attributable to unitholders		**12,373**	12,393	**-**	-
Finance costs attributable to unitholders					
Distributions to unitholders of the parent entity	9	**(11,335)**	(11,484)	**-**	-
Increase in net assets attributable to unitholders	8	**(1,038)**	(909)	**-**	-
Total comprehensive income for the reporting period attributable to unitholders		**-**	-	**-**	-

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

Consolidated statement of financial position

		Consolidated AUDPF1 As at		Consolidated AUDPF2 As at	
	Notes	**30 June 2015 $'000**	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Assets					
Cash and cash equivalents	10	**2,137**	1,250	**-**	-
Receivables	11	**1,623**	2,908	**-**	-
Prepaid expenses		**125**	183	**-**	-
Financial assets held at fair value through profit or loss	12	**20,320**	16,364	**-**	-
Investment properties	13	**231,883**	202,059	**-**	-
Total assets		**256,088**	222,764	**-**	-
Liabilities					
Distributions payable	9	**2,804**	3,425	**-**	-
Payables	14	**2,193**	2,275	**4**	4
Financial liabilities held at fair value through profit or loss	12	**2,069**	819	**-**	-
Borrowings	15	**109,597**	76,137	**-**	-
Total liabilities (excluding net assets attributable to unitholders)		**116,663**	82,656	**4**	4
Net assets attributable to unitholders	8	**139,425**	140,108	**(4)**	(4)

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

Consolidated statement of changes in net assets attributable to unitholders

	Consolidated AUDPF1 For the reporting period ended		Consolidated AUDPF2 For the reporting period ended	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Net assets attributable to unitholders at the beginning of the reporting period	**140,108**	143,527	**(4)**	(4)
Profit before finance costs attributable to unitholders	**12,373**	12,393	**-**	-
Distributions to unitholders	**(11,335)**	(11,484)	**-**	-
Applications for units	**4,652**	2,349	**-**	-
Redemptions of units	**(7,105)**	(7,253)	**-**	-
Units issued upon re-investment of distributions	**732**	576	**-**	-
Net assets attributable to unitholders at the end of the reporting period	**139,425**	140,108	**(4)**	(4)

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

Consolidated statement of cash flows

		Consolidated AUDPF1 For the reporting period ended		Consolidated AUDPF2 For the reporting period ended	
	Notes	**30 June 2015 $'000**	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Cash flows from operating activities					
Interest received		**38**	68	**-**	-
Distributions received		**2,591**	3,978	**-**	-
Rental income received		**27,119**	24,963	**-**	-
Payments to suppliers		**(10,571)**	(12,963)	**-**	-
Net cash inflow from operating activities	20(a)	**19,177**	16,046	**-**	-
Cash flows from investing activities					
Purchase of financial instruments held at fair value through profit or loss		**-**	(6,171)	**-**	-
Capital expenditure on owned investment properties		**(3,559)**	(827)	**-**	-
Purchase of investment property		**(45,550)**	-	**-**	-
Acquisition costs on purchase		**(3,106)**	-	**-**	-
Proceeds from sale of investment property		**9,400**	26,300	**-**	-
Disposal costs paid		**(185)**	-	**-**	-
Proceeds from partial sale of investment in a controlled entity		**10,489**	-	**-**	-
Net cash (outflow)/inflow from investing activities		**(32,511)**	19,302	**-**	-
Cash flows from financing activities					
Proceeds/(repayment) of borrowings		**33,269**	(12,563)	**-**	-
Borrowing costs paid		**(5,371)**	(4,938)	**-**	-
Distributions paid		**(11,224)**	(18,169)	**-**	-
Proceeds from applications by unitholders		**4,652**	2,349	**-**	-
Payments for redemptions by unitholders		**(7,105)**	(7,253)	**-**	-
Net cash inflow/(outflow) from financing activities		**14,221**	(40,574)	**-**	-
Net increase/(decrease) in cash and cash equivalents		**887**	(5,226)	**-**	-
Cash and cash equivalents at the beginning of the reporting period		**1,250**	6,476	**-**	-
Cash and cash equivalents at the end of the reporting period	10	**2,137**	1,250	**-**	-

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

Contents

1 General information

These financial statements cover Australian Unity Diversified Property Fund ("the Stapled Scheme") as the Consolidated Entity consisting of the AUDPF No. 1 Trust and AUDPF No. 2 Trust together with the controlled entities of the Stapled entities.

Australian Unity Diversified Property Fund was constituted on 22 May 2006. On 30 July 2015, Australian Unity Diversified Property Fund changed its name to Australian Unity Diversified Property Trust ("AUDPT"). On 31 July 2015, the directors of the Responsible Entity approved the termination of AUDPT.

AUDPF No.1 Trust ("AUDPF1") was constituted on 14 October 2003 and will terminate on the 80th anniversary or earlier in accordance with the provisions of AUDPF1's Constitution. On 30 July 2015, AUDPF1 changed its name to Australian Unity Diversified Property Fund.

AUDPF No. 2 Trust ("AUDPF2") was constituted on 22 May 2006. On 31 July 2015, the directors of the Responsible Entity approved the termination of AUDPF2.

The Responsible Entity of the Stapled Scheme is Australian Unity Property Limited (ABN 58 079 538 499) ("the Responsible Entity"), a wholly owned subsidiary of Australian Unity Limited (ABN 23 087 648 888). The Responsible Entity's registered office is Level 14, 114 Albert Road, South Melbourne, VIC 3205.

The Responsible Entity is incorporated and domiciled in Australia.

The consolidated financial statements are for the period from 1 July 2014 to 30 June 2015 ("the reporting period").

The consolidated financial statements were authorised for issue by the directors of the Responsible Entity on 10 September 2015. The directors of the Responsible Entity have the power to amend and reissue the consolidated financial statements.

For the purpose of preparing consolidated financial statements that combine the assets and liabilities of AUDPF1 and its controlled entities and AUDPF2 and its controlled entity, AUDPF1 is identified as the parent entity.

The consolidated financial statements presented therefore comprise:

Consolidated AUDPF1 ("AUDPF"):

These are the consolidated financial statements for AUDPF1 which incorporates the assets and liabilities of the entities controlled by AUDPF1 and combine the assets and liabilities of the stapled entity, AUDPF2 and its controlled entity. These entities are referred to in this report and in the financial statements as Consolidated AUDPF1 or AUDPF.

Consolidated AUDPF2:

These are the consolidated financial statements for AUDPF2 which incorporates the assets and liabilities of AUDPF2 and its controlled entity. These entities are referred to in this report and in the financial statements as Consolidated AUDPF2.

1 General information (continued)

The controlled entities of AUDPF1 comprise:

AUDPF No. 1 Sub-Trust No. 1 (AUDPF-ST1) which was established by Trust Deed dated 21 August 2006.

AUDPF No. 1 Sub-Trust No. 2 (AUDPF-ST2) which was established by Trust Deed dated 21 August 2006.

AUDPF No. 1 Sub-Trust No. 3 (AUDPF-ST3) which was established by Trust Deed dated 21 August 2006.

AUDPF No. 1 Sub-Trust No. 4 (AUDPF-ST4) which was established by Trust Deed dated 25 October 2006. AUDPF-ST4 was terminated during the reporting period.

AUDPF No. 1 Sub-Trust No. 5 (AUDPF-ST5) which was established by Trust Deed dated 26 October 2006. On 17 October 2014, AUDPF-ST5 became a registered managed investment scheme and changed its name to Australian Unity Rockdale Property Trust (ARSN 602 159 875) ("RPT"). On 15 December 2014, the Stapled Scheme sold the majority of its unit holdings in RPT. As a result, the Stapled Scheme no longer has a controlling interest in RPT and hence RPT has been de-consolidated from the Stapled Scheme from 15 December 2014.

AUDPF No. 1 Sub-Trust No. 6 (AUDPF-ST6) which was established by Trust Deed dated 11 October 2006.

AUDPF No. 1 Sub-Trust No. 7 (AUDPF-ST7) which was established by Trust Deed dated 30 August 2007.

AUDPF No. 1 Sub-Trust No. 8 (AUDPF-ST8) which was established by Trust Deed dated 3 October 2007.

AUDPF No. 1 Sub-Trust No. 9 (AUDPF-ST9) which was established by Trust Deed dated 3 October 2007.

AUDPF No. 1 Sub-Trust No. 10 (AUDPF-ST10) which was established by Trust Deed dated 17 December 2007.

AUDPF No. 1 Sub-Trust No. 11 (AUDPF-ST11) which was established by Trust Deed dated 23 October 2007.

AUDPF No. 1 Sub-Trust No. 12 (AUDPF-ST12) which was established by Trust Deed dated 17 December 2007.

The controlled entity of AUDPF No.2 Sub-Trust No.1 (AUDPF2-ST1) was established by Trust Deed dated 17 December 2007. On 16 July 2015, the directors of AUIMA, the trustees of AUDPF2-ST1, approved the termination of AUDPF2-ST1.

The Constitution of AUDPF provides that the Stapled Scheme is not a trust, and that all property of the Stapled Scheme must be held in either AUDPF1 or AUDPF2. Accordingly, AUDPF itself cannot hold any assets or property on a stand-alone basis. Although the Stapled Scheme cannot hold any assets or property on a stand-alone basis, as a registered managed investment scheme under the Corporations Act 2001 it is still required to provide financial statements to its members. The financial statements for Consolidated AUDPF1 presented in the first column in the attached financial statements, serves as a summary of the financial performance and position of AUDPF as a whole.

As the securities held by unitholders are stapled securities, the financial statements for Consolidated AUDPF1 (AUDPF) provide the most relevant information regarding the performance of unitholders' funds.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

Consolidated AUDPF2 had a net liability position of $4,000 as at 30 June 2015 (2014: $4,000). Consolidated AUDPF2's net liability position was due to administration fees funded by AUDPF1, whilst AUDPF2 remained inactive. The directors do not regard AUDPF2 as going concern as AUDPF2 was terminated subsequent to the end of the reporting period. As a consequence, AUDPF2 financial statements were not prepared on a going concern basis.

The Stapled Scheme presents consolidated financial statements following the application of Class Order 13/1050 issued by the Australian Securities and Investments Commission which allows stapled entities in a stapled scheme to present their respective financial statements together in a single report.

Stapled securities

The securities issued by AUDPF1 are stapled to the securities issued by AUDPF2. The combined entity of AUDPF1 and AUDPF2 is known as the Stapled Funds.

The securities will only be unstapled in accordance with the determination of the Responsible Entity for AUDPF1 and AUDPF2 if:

• the security holders of AUDPF1 and AUDPF2 have approved the unstapling by special resolution; and
• the unstapling period commences within three months after the later of the dates on which the approval of security holders is obtained.

AASB Interpretation 1002 "Post Date of Transition Stapling Arrangements"

The stapling arrangements between the AUDPF entities was affected post the date of transition to Australian equivalents to International Financial Reporting Standards, therefore AASB Interpretation 1002 applies. In accordance with this interpretation, for the purpose of preparing the consolidated financial statements that combines the assets and liabilities of the stapled entities, AUDPF1 is identified as the parent entity.

Compliance with Australian Accounting Standards and International Financial Reporting Standards

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

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Amended standards adopted by the Fund

The Stapled Scheme has applied the following major accounting standard amendment (to the extent relevant to the Scheme) for the first time for the reporting period:

AASB 2012-3 *Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities*

AASB 2012-3 amended the application guidance in AASB 132 *Financial Instruments: Presentation*, to clarify some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. The amendments do not change the current offsetting rules in AASB 132, but they clarify that the right of set off must be available today (ie not contingent on a future event) and must be legally enforceable in the normal course of business as well as in the event of default, insolvency or bankruptcy. The Stapled Scheme currently complies with the amendment. The adoption of the amendment did not have a significant impact on the financial statements of the Stapled Scheme.

(b) Principles of consolidation

The Stapled Scheme presents consolidated financial statements following the application of Class Order 13/1050 issued by the Australian Securities and Investments Commission which allows issuers of stapled securities (stapled entities) to present consolidated financial statements.

(i) Subsidiaries

The consolidated financial statements of AUDPF1 combine the assets and liabilities of AUDPF1 and the entities AUDPF1 controls, AUDPF2 and the entities AUDPF2 controls as at 30 June 2015. These entities are referred to in these financial statements as Consolidated AUDPF1 or AUDPF. The effects of all transactions between entities in the AUDPF1 consolidated group are eliminated in full.

The consolidated financial statements of AUDPF2 combine the assets and liabilities of AUDPF2 and the entity it controls as at 30 June 2015. These entities are referred to in these financial statements as Consolidated AUDPF2. The effects of all transactions between entities in the AUDPF2 consolidated group are eliminated in full.

Controlled entities are all entities over which AUDPF1 and AUDPF2 is exposed, or has rights, to variable returns from its involvement with the controlled entity and the ability to affect those returns through its powers over the controlled entities.

Consolidation of controlled entities begins from the date AUDPF1 or AUDPF2 obtains control of the controlled entity and ceases when AUDPF1 or AUDPF2 loses control of the entity.

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

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

2 Summary of 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 consolidated 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 consolidated 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 consolidated financial statements of the Stapled 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 Stapled 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, lease commissions and incentives, related professional fees incurred and other directly attributable transaction costs.

(d) Financial instruments

(i) Classification

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

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

- *Financial assets and liabilities held at fair value through profit and 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 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 Stapled Scheme's documented investment strategy. The Stapled 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 Stapled Scheme's key management personnel. In addition, the designation of financial assets and financial liabilities at fair value through profit or loss will reduce any measurement or recognition inconsistencies and any accounting mismatch that would otherwise arise.

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(i) Classification (continued)

- *Loans and receivables/payables*

Loans and receivables/payables are non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market. This category includes short term receivables/payables.

(ii) Recognition/derecognition

The Consolidated Entity and the Stapled Scheme recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

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

- the rights to receive cash flows from the asset have expired;
- the Consolidated Entity 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 Consolidated Entity 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) are included in the consolidated 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 financial liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities held at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the consolidated statement of comprehensive income.

- *Fair value in an active market*

The fair value of financial assets and financial 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.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(iii) Measurement (continued)

- *Borrowings and receivables/payables*

Borrowings and receivables/payables are measured initially at fair value plus transaction costs.

Subsequently, borrowings are carried at amortised cost using the effective interest method. Short term receivables/payables are carried at their initial fair values.

(iv) Offsetting financial instruments

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

(e) Derivatives

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

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

(f) Net assets attributable to unitholders

Units are redeemable at the unitholders' option via withdrawal facility offers by the Responsible Entity and are therefore classified as financial liabilities. The units can be put back to the Stapled Scheme via withdrawal offers by the Responsible Entity for cash equal to a proportionate share of the Stapled 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 Stapled Scheme. Because the Stapled 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 consolidated statement of comprehensive income as they arise.

(g) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less 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 consolidated statement of financial position.

(h) Investment income

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

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

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

2 Summary of significant accounting policies (continued)

(i) Expenses

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

(j) Income tax

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

Property and 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 Stapled Scheme is not subject to capital gains tax.

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

The benefits of imputation credits and foreign tax paid (if any) are passed on to unitholders.

(k) Distributions

In accordance with the Stapled Scheme's Constitution, the Stapled Scheme distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the consolidated statement of comprehensive income as finance costs attributable to unitholders.

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

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the consolidated statement of comprehensive income as finance costs.

(m) Receivables

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

Receivables include such items as Reduced Input Tax Credits (RITC) 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 Stapled 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.

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

2 Summary of significant accounting policies (continued)

(n) Payables

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

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

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

Liabilities for trade creditors are carried at original invoice amount which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Stapled 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 Stapled Scheme has a present obligation as a result of the past event and it is probable that the Stapled Scheme will be requested to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(o) Applications and redemptions

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

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

(p) Goods and Services Tax (GST)

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

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

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

(q) 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 the consolidated statement of comprehensive income when liabilities are derecognised or impaired.

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

2 Summary of significant accounting policies (continued)

(r) 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 resulting from this policy are disclosed in the consolidated financial statements for financial reporting presentation purposes only.

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 received in advance, as a liability.

Interest revenue

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

(s) Leases

Leasing costs

Lease costs are costs that are directly associated with negotiating and arranging an operating lease (including commissions, legal fees and costs of preparing and processing documentation for new leases). These costs are capitalised and are amortised on a straight-line basis over the term of the lease as a reduction of rental income or an increase in property outgoings. The carrying amount of the leasing cost is reflected in the fair value of investment properties.

Lease incentives

Incentives such as cash, rent-free periods, lessee or lessor owned fitouts may be provided to lessees to enter into an operating lease. These incentives are capitalised and are amortised on a straight-line basis over the term of the lease as a reduction of rental income or an increase in property outgoings. The carrying amount of the lease incentives is reflected in the fair value of investment properties.

2 Summary of significant accounting policies (continued)

(t) Critical accounting estimates and judgements

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

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

The key weighted average assumptions used by the external independent property valuers in the latest valuations have been used by the Stapled Scheme for the investment properties and the weighted average total for all properties, including the weighted average lease expiry (WALE), have been disclosed in note 18.

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

(u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting period and have not been early adopted by the Stapled Scheme. The directors' and the Parent entity's assessment of the impact of these new standards (to the extent relevant to the Stapled Scheme) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* (and applicable amendments) (effective from 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting. The Standard is not applicable until 1 January 2018 but is available for early adoption. The Stapled Scheme does not expect this to have a significant impact on the recognition and measurement of the Stapled Scheme's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not been changed from the previous requirements, and the Stapled Scheme does not apply hedge accounting. The Stapled Scheme does not intend to early adopt AASB 9. The Stapled Scheme will apply AASB 9 in its financial statements for the reporting period commencing from 1 July 2018.

(ii) AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

In December 2014, the AASB issued a new standard for the recognition of revenue. Once applied or effective, AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the notion that revenue is recognised when control of a good or service transfers to a customer. This notion of control replaces the existing notion of risks and rewards. The Stapled Scheme’s main source of income includes interest, dividends/distributions and gains on financial instruments held at fair value through profit or loss. All of these are outside the scope of the Revenue standard. Consequently, the Stapled Scheme does not expect AASB 15 to have a significant impact on the Stapled Scheme’s financial statements. The Stapled Scheme does not intend to early adopt AASB 15. The Stapled Scheme will apply AASB 15 in its financial statements for the reporting period commencing from 1 July 2018.

(iii) AASB 2015-1 *Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle* (effective 1 January 2016)

In January 2015, the AASB approved a number of amendments to Australian Accounting Standards as a result of the 2012 2014 annual improvements project. No significant impact is expected upon adoption of the amendments. The Stapled Scheme does not intend to early adopt AASB 2015-1. The Stapled Scheme will apply AASB 2015-1 in its financial statements for the reporting period commencing from 1 July 2016.

(iv) AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101* (effective 1 January 2016)

AASB 2015-2 amends AASB 101 *Presentation of Financial Statements* to clarify that entities should not disclose immaterial information and that the presentation in notes to the financial statements can and should be tailored to provide the report users with the clearest story of an entity’s financial performance and financial position. No significant impact is expected upon adoption of the amendments. The Stapled Scheme does not intend to early adopt AASB 2015-2. The Stapled Scheme will apply AASB 2015-2 in its financial statements for the reporting period commencing from 1 July 2016.

(v) AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* (effective 1 July 2015)

AASB 2015-3 completes the withdrawal of references to AASB 1031 *Materiality* in all Australian Accounting Standards and Interpretations, allowing AASB 1031 to effectively be withdrawn. No significant impact is expected upon adoption of the amendments. The Stapled Scheme does not intend to early adopt AASB 2015-3. The Stapled Scheme will apply AASB 2015-3 in its financial statements for the reporting period commencing from 1 July 2015.

2 Summary of significant accounting policies (continued)

(v) Rounding of amounts

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

3 Rental income

	Consolidated AUDPF1 For the reporting period ended		**Consolidated AUDPF2 For the reporting period ended**	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Rental income	**20,404**	19,344	**-**	-
Outgoings income	**5,673**	5,337	**-**	-
	26,077	24,681	**-**	-

Rental income includes an adjustment for the straight lining of rental income of $630,262 (2014: $245,487).

4 Property expenses

	Consolidated AUDPF1 For the reporting period ended		**Consolidated AUDPF2 For the reporting period ended**	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Recoverable outgoings	**7,205**	7,015	**-**	-
Non-recoverable outgoings	**1,200**	1,411	**-**	-
Amortisation of lease commissions and lease incentives	**499**	491	**-**	-
Asset management fees	**616**	587	**-**	-
	9,520	9,504	**-**	-

5 Distribution income

	Consolidated AUDPF1 For the reporting period ended		Consolidated AUDPF2 For the reporting period ended	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Related unlisted managed investment schemes	**1,674**	2,048	**-**	-
Non-related unlisted managed investment schemes	**329**	1,800	**-**	-
	2,003	3,848	**-**	-

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

	Consolidated AUDPF1 For the reporting period ended		Consolidated AUDPF2 For the reporting period ended	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Net realised loss on non-related unlisted managed investment scheme	**(269)**	-	**-**	-
Net realised (loss)/gain on related unlisted managed investment scheme	**(409)**	92	**-**	-
Net unrealised gain/(loss) on related unlisted managed investment scheme	**623**	(690)	**-**	-
Net unrealised loss on non-related unlisted managed investment scheme	**-**	(1,781)	**-**	-
Unrealised fair value loss on derivative instruments	**(1,250)**	(515)	**-**	-
Net losses on financial instruments held at fair value through profit or loss	**(1,305)**	(2,894)	**-**	-

7 Auditor's remuneration

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

	Consolidated AUDPF1 For the reporting period ended		**Consolidated AUDPF2 For the reporting period ended**	
	30 June 2015 $	30 June 2014 $	**30 June 2015 $**	30 June 2014 $
(a) Audit services				
Audit and review of financial statements	**50,000**	45,000	**-**	-
Total remuneration for audit services	**50,000**	45,000	**-**	-
(b) Non-audit services				
Tax compliance services	**14,484**	25,960	**-**	-
Total remuneration for taxation services	**14,484**	25,960	**-**	-

8 Net assets attributable to unitholders

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

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

	Consolidated AUDPF1 For the reporting period ended			
	30 June 2015	30 June 2014	**30 June 2015**	30 June 2014
Contributed equity	**No. '000**	No. '000	**$'000**	$'000
Opening balance	**183,134**	188,791	**189,770**	194,098
Applications	**6,017**	3,023	**4,652**	2,349
Redemptions	**(9,217)**	(9,452)	**(7,105)**	(7,253)
Units issued upon reinvestment of distributions	**983**	772	**732**	576
Closing balance	**180,917**	183,134	**188,049**	189,770

	Consolidated AUDPF1 For the reporting period ended		**Consolidated AUDPF2 For the reporting period ended**	
	30 June 2015	30 June 2014	**30 June 2015**	30 June 2014
	$'000	$'000	**$'000**	$'000
Undistributed income				
Opening balance	**(49,662)**	(50,571)	**(4)**	(4)
Increase in net assets attributable to unitholders	**1,038**	909	**-**	-
Closing balance	**(48,624)**	(49,662)	**(4)**	(4)
Total net assets attributable to unitholders	**139,425**	140,108	**(4)**	(4)

Capital risk management

The Stapled Scheme considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

9 Distributions to unitholders

Timing of distributions

The distributions for the reporting period were as follows:

	Consolidated AUDPF1 For the reporting period ended			
	30 June 2015 $'000	**30 June 2015 CPU**	30 June 2014 $'000	30 June 2014 CPU
30 September	**2,857**	**1.5500**	2,460	1.3000
31 December	**2,830**	**1.5500**	2,786	1.5000
31 March	**2,844**	**1.5500**	2,813	1.5000
30 June (payable)	**2,804**	**1.5500**	3,425	1.8700
	11,335		11,484	

As of 30 June 2015, AUDPF2's distributions paid and payable is $nil (2014: $nil).

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

10 Cash and cash equivalents

	Consolidated AUDPF1 As at		**Consolidated AUDPF2 As at**	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Cash at bank	**2,075**	1,229	**-**	-
Cash management trusts	**62**	21	**-**	-
	2,137	1,250	**-**	-

11 Receivables

	Consolidated AUDPF1 As at		**Consolidated AUDPF2 As at**	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Trade receivables	**856**	1,328	**-**	-
Distributions receivables	**445**	1,033	**-**	-
Other receivables	**322**	547	**-**	-
	1,623	2,908	**-**	-

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

	Consolidated AUDPF1 As at		**Consolidated AUDPF2 As at**	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Non-related unlisted managed investment scheme	**-**	269	**-**	-
Related unlisted managed investment scheme	**20,320**	16,095	**-**	-
Total financial assets held at fair value through profit or loss	**20,320**	16,364	**-**	-
Derivative liabilities	**(2,069)**	(819)	**-**	-
Total financial liabilities held at fair value through profit or loss	**(2,069)**	(819)	**-**	-

13 Investment properties

(a) Property details

	Type	**Ownership**	**Acquisition date**	**Independent valuation date**	**Independent valuation amount**	**Independent valuer**	**Book value 30 June 2015**	Book value 30 June 2014
		(%)			**$'000**		**$'000**	$'000
278 Orchard Rd, Richlands, QLD	Industrial	100%	19/12/2003	31/12/2014	52,500	Savills	**52,714**	51,028
200 Victoria Street, Carlton, VIC	Office	100%	27/10/2014	30/06/2015	44,000	m3property	**44,000**	-
20 Smith St, Parramatta, NSW	Office	100%	31/08/2006	31/03/2015	37,000	Colliers	**37,295**	35,125
6 Wanneroo Rd, Yokine, WA	Retail	100%	19/12/2003	15/03/2015	29,000	Colliers	**29,024**	27,608
Woodvale Boulevard Shopping Centre, Woodvale, WA	Retail	100%	07/12/2007	31/12/2014	24,750	Jones Lang LaSalle	**24,949**	24,125
20-30 Kent St, Busselton, WA	Retail	100%	19/12/2003	15/09/2014	24,000	Colliers	**24,391**	23,352
Lot 34 & 36 Geddes Street, Balcatta, WA	Industrial	100%	19/12/2003	15/09/2014	10,500	Colliers	**10,504**	10,104
Target Country Busselton, 21 Prince St, Busselton, WA	Retail	100%	17/12/2007	15/09/2014	4,050	Colliers	**4,050**	4,000
5 Kenhelm Street, Balcatta, WA	Industrial	100%	11/06/2015	n/a	1,900	Transaction	**2,052**	-
Rivers Busselton, 19 Prince St. Busselton, WA	Retail	100%	05/12/2008	15/09/2014	1,450	Colliers	**1,450**	1,430
39 Kent Street, Busselton, WA	Office	100%	20/03/2015	n/a	740	Transaction	**796**	-
37 Kent Street, Busselton, WA	Office	100%	20/03/2015	n/a	610	Transaction	**658**	-
10 Clarke Street, O'Connor, WA	Industrial	-	-	-	-	-	**-**	11,560
395 West Botany St, Rockdale, NSW	Retail	-	-	-	-	-	**-**	13,727
Total					**230,500**		**231,883**	**202,059**

13 Investment properties (continued)

(a) Property details (continued)

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

(b) Movements in carrying amount

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

	Consolidated AUDPF1 For the reporting period ended		**Consolidated AUDPF2 For the reporting period ended**	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Opening balance	**202,059**	200,525	**-**	-
Additions including capital expenditure	**51,914**	255	**-**	-
Disposal	**(23,714)**	-	**-**	-
Loss on disposal	**(1,540)**	-	**-**	-
Lease commissions and incentives	**301**	572	**-**	-
Lease commissions and incentives amortisation	**(499)**	(491)	**-**	-
Straight-lining of rental income	**630**	246	**-**	-
Revaluation movements	**2,732**	952	**-**	-
Closing balance	**231,883**	202,059	**-**	-

The investment properties valuation policy is included in note 18.

On 27 October 2014, the Stapled Scheme completed the purchase of 200 Victoria Street, Carlton, VIC for a purchase price of $42,300,000 and acquisition costs of $2,850,605.

On 20 March 2015, the Stapled Scheme completed the purchase of 37 and 39 Kent Street, Busselton WA for a purchase price of $1,350,000 and acquisition costs of $103,074.

On 11 June 2015, the Stapled Scheme completed the purchase of 5 Kenhelm Street, Balcatta WA for a purchase price of $1,900,000 and acquisition costs of $152,362.

On 12 December 2014, the Stapled Scheme sold 10 Clarke Street, O'Connor, WA for a consideration of $9,400,000, excluding selling costs of $185,383. This represented a realised loss on sale of $1,539,533.

On 15 December 2014, the Stapled Scheme sold the majority of its unit holdings in Australian Unity Rockdale Property Trust (formerly AUDPF-ST5) ("RPT") which owns 395 Botany Street, Rockdale, NSW. As a result, the Stapled Scheme no longer has a controlling interest in RPT and hence RPT has been de-consolidated from the Stapled Scheme from 15 December 2014. The carrying value of 395 Botany Street, Rockdale, NSW at time of deconsolidation was $14,500,000.

13 Investment properties (continued)

(c) Contractual obligations

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

	Consolidated AUDPF1 As at		**Consolidated AUDPF2 As at**	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Within one year	**771**	737	**-**	-

The Stapled Scheme's share of capital commitments will be funded using the Stapled Scheme's cash and cash equivalents and debt facility. Refer to note 15.

14 Payables

	Consolidated AUDPF1 As at		**Consolidated AUDPF2 As at**	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Trade payables	**831**	713	**-**	-
Accrued expenses	**1,153**	1,366	**4**	4
GST payables	**209**	196	**-**	-
	2,193	2,275	**4**	4

15 Borrowings

	Consolidated AUDPF1 As at		**Consolidated AUDPF2 As at**	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Bank loan	**109,896**	76,627	**-**	-
Unamortised borrowing costs	**(299)**	(490)	**-**	-
	109,597	76,137	**-**	-

The Stapled Scheme had access to:

	As at	
	30 June 2015 $'000	30 June 2014 $'000
Credit facilities		
Cash advance facilities	**135,000**	125,000
Drawn balance	**(109,896)**	(76,627)
Undrawn balance	**25,104**	48,373

The bank loan facility is expiring on 30 June 2016.

15 Borrowings (continued)

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

16 Derivative assets and liabilities

Consolidated AUDPF1		**Fair values**	
30 June 2015	**Contract/notional $'000**	**Assets $'000**	**Liabilities $'000**
Interest rate swaps			
Maturity 26 July 2016 at a fixed rate of 3.33%	**25,000**	-	**359**
Maturity 26 July 2016 at a fixed rate of 3.32%	**25,000**	-	**357**
Maturity 07 December 2016 at a fixed rate of 3.06%	**10,000**	-	**149**
Maturity 08 September 2016 at a fixed rate of 3.09%	**10,000**	-	**130**
Maturity 28 October 2019 at a fixed rate of 3.04%	**10,000**	-	**252**
Maturity 26 October 2019 at a fixed rate of 3.03%	**10,000**	-	**248**
	90,000	**-**	**1,495**
Forward dated interest swap contracts			
Maturity 26 July 2018 at a fixed rate of 3.07%	**15,000**	-	**204**
Maturity 26 July 2018 at a fixed rate of 3.06%	**15,000**	-	**202**
Maturity 09 September 2019 at a fixed rate of 2.74%	**20,000**	-	**78**
Maturity 09 September 2019 at a fixed rate of 2.72%	**20,000**	-	**90**
	70,000	-	**574**
Total derivative assets/liabilities	**160,000**	-	**2,069**

Consolidated AUDPF1		Fair values	
30 June 2014	Contract/notional $'000	Assets $'000	Liabilities $'000
Interest rate swaps			
Maturity 26 July 2016 at a fixed rate of 3.33%	25,000	-	330
Maturity 26 July 2016 at a fixed rate of 3.32%	25,000	-	333
Maturity 07 December 2016 at a fixed rate of 3.06%	10,000	-	80
	60,000	-	743
Forward dated interest swap contracts			
Maturity 08 September 2016 at a fixed rate of 3.09%	10,000	-	76
	10,000	-	76
Total derivative assets/liabilities	70,000	-	819

16 Derivative assets and liabilities (continued)

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

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The valuation policy is included in note 18.

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

An unrealised loss of $1,249,956 (2014: loss of $514,949) relating to the change in the fair value of the Stapled Scheme's interest rate swap contracts were recognised in the consolidated statement of comprehensive income during the reporting period ended 30 June 2015.

17 Financial risk management

(a) Objectives, strategies, policies and processes

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

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

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

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

(b) Market risk

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

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

17 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk

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

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

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

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

	Consolidated AUDPF1 As at	
	30 June 2015 $'000	30 June 2014 $'000
Assets		
Unrelated unlisted managed investment scheme	**-**	269
Related unlisted managed investment scheme	**20,320**	16,095
Net exposure	**20,320**	16,364
Sensitivity		
Profit		
Securities prices + 10%	**2,032**	1,636
Securities prices - 10%	**(2,032)**	(1,636)
Equity		
Securities prices + 10%	**2,032**	1,636
Securities prices - 10%	**(2,032)**	(1,636)

(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 Stapled Scheme is exposed to interest rate risk predominantly through borrowings. The Stapled Scheme applies hedging across its differing interest rate exposures and utilises interest rate swaps, to exchange floating interest rates to fixed interest rates, to manage its exposure. Compliance with policy is reviewed regularly by management and is reported to the Board each meeting.

17 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

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

	Consolidated AUDPF1 As at	
	30 June 2015 $'000	30 June 2014 $'000
Floating rate		
Cash and cash equivalents	**2,137**	1,250
Borrowings*	**(109,896)**	(76,627)
	(107,759)	(75,377)
Derivative financial instruments		
Interest rate swaps - floating to fixed*	**90,000**	60,000
	90,000	60,000
Net exposure	**(17,759)**	(15,377)

* Represents the notional principal amounts.

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

	Profit $'000	**Equity $'000**
30 June 2015		
Interest rate + 0.25%	(44)	(44)
Interest rate - 0.25%	44	44
30 June 2014		
Interest rate + 0.25%	(38)	(38)
Interest rate - 0.25%	38	38

(c) Credit risk

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

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

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

17 Financial risk management (continued)

(d) Liquidity risk

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

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

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

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

Units are redeemed at the unitholders' option via withdrawal offers by the Responsible Entity. However, the Responsible Entity does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term and withdrawal offers are subject to limits set by the Responsible Entity.

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

Maturity analysis for financial liabilities

The table below analyses the Stapled 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 year' maturity grouping as such liabilities are typically settled within 30 days.

Consolidated AUDPF1

	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3+ years $'000
30 June 2015				
Distributions payable	**2,804**	**-**	**-**	**-**
Payables	**2,193**	**-**	**-**	**-**
Financial liabilities held at fair value through profit or loss	**1,047**	**817**	**781**	**617**
Borrowings	**109,597**	**-**	**-**	**-**
Net assets attributable to unitholders	**139,425**	**-**	**-**	**-**
Total financial liabilities	**255,066**	**817**	**781**	**617**

17 Financial risk management (continued)

(d) Liquidity risk (continued)

Consolidated AUDPF1

	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3+ years $'000
30 June 2014				
Distributions payable	3,425	-	-	-
Payables	2,275	-	-	-
Financial liabilities held at fair value through profit or loss	397	404	48	1
Borrowings	-	76,627	-	-
Net assets attributable to unitholders	140,108	-	-	-
Total financial liabilities	146,205	77,031	48	1

As disclosed above, the Stapled Scheme manages its liquidity risk by investing predominantly in liquid assets that it expects to be able to liquidate within seven days or less. Liquid assets include cash and cash equivalents. As at 30 June 2015, these assets amounted to $2,136,805 (2014: $1,249,372).

Investment in Australian Unity Wholesale Cash Fund is included in the liquid assets of the Stapled Scheme above.

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

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

The Stapled Scheme values its investments in accordance with the accounting policies set out in note 18.

(f) Instruments used by the Scheme

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

The details of the Stapled Scheme's interest rate management activities are detailed in note 16.

18 Fair value hierarchy

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

(a) Fair value hierarchy

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

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

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

18 Fair value hierarchy (continued)

The table below sets out the Stapled Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

All fair value measurements disclosed are recurring fair value measurements.

30 June 2015	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets held at fair value through profit or loss				
Related unlisted managed investment scheme	**-**	**20,320**	**-**	**20,320**
Total financial assets	**-**	**20,320**	**-**	**20,320**
Non-financial assets				
Investment properties	**-**	**-**	**231,883**	**231,883**
Total non-financial assets	**-**	**-**	**231,883**	**231,883**
Financial liabilities				
Financial liabilities held at fair value through profit or loss				
Derivatives	**-**	**2,069**	**-**	**2,069**
Total financial liabilities	**-**	**2,069**	**-**	**2,069**

30 June 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held at fair value through profit or loss				
Related unlisted managed investment scheme	-	16,095	-	16,095
Non-related unlisted managed investment scheme	-	269	-	269
Total financial assets	-	16,364	-	16,364
Non-financial assets				
Investment properties	-	-	202,059	202,059
Total non-financial assets	-	-	202,059	202,059
Financial liabilities				
Financial liabilities				
Derivatives	-	819	-	819
Total financial liabilities	-	819	-	819

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

18 Fair value hierarchy (continued)

(b) Valuation techniques

(i) Financial instruments

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

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed property trusts and exchange traded derivatives. Financial assets are priced at bid prices, while financial liabilities are priced at asking prices.

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

Specific valuation techniques used daily to value financial instruments include:

- for listed trust, disclosed in level 1, the use of quoted market prices or dealer for similar instruments;
- for unlisted trust, the use of the relevant Investment Managers' quoted unit prices using the net asset value; and
- for derivatives, the fair value of interest rate swaps is calculated using a discounted cash flow model as the present value of the estimated future cash flows based on observable yield curves.

The stated fair value of each financial instrument at the end of the reporting period represents the Responsible Entity's best estimate at the end of the reporting period.

(ii) *Investment properties*

The investment properties valuation policy is to have independent valuations conducted regularly, typically annually, to aid with the determination of the fair value of the assets. Fair value is determined using capitalisation and discounted cash flows approaches with direct reference to arm's length market transactions of properties comparable in size and location to those held by the Stapled Scheme.

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

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

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

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

The changes in fair value of investment properties for the reporting period are set out in note 13(b).

(i) Valuation inputs and relationship to fair value

The table below illustrates the key valuation assumptions used in the determination of the investment properties fair value:

18 Fair value hierarchy (continued)

Valuation inputs	**30 June 2015**	30 June 2014	**Relationship of inputs to fair value**
Weighted average capitalisation rate (%)	**7.98%**	8.53%	The higher the capitalisation rate, the lower the fair value.
Occupancy rate by area (%)	**97.65%**	88.17%	The higher the occupation rate, the higher the fair value.
Weighted average lease expiry (years)	**4.40 years**	5.01 years	The higher the lease expiry, the higher the fair value.

(ii) Valuation processes

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 note 13. 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.

(d) Fair value of other financial instruments

Due to their short-term nature, the carrying amounts of the receivables and payables are assumed to approximate their fair values.

Borrowings are 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. The fair value of borrowings approximates the carrying amount.

19 Related party transactions

Responsible entity

The Responsible Entity of Australian Unity Diversified Property Fund is Australian Unity Property Limited (ABN 58 079 538 499) 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 Property Limited at any time during the reporting period as follows:

Glenn Barnes (Chairman)
David Bryant (Chief Executive Officer and Chief Investment Officer)
Melinda Cilento (Non-Executive Director)
Stephen Maitland (Non-Executive Director)
Kevin McCoy (Chief Financial Officer)
Rohan Mead (Group Managing Director)
Peter Promnitz (Non-Executive Director) (appointed 1 August 2014)
Greg Willcock (Non-Executive Director) (appointed 31 December 2014)
Ian Ferres (Non-Executive Director) (ceased 1 August 2014)
Warren Stretton (Non-Executive Director) (ceased 31 December 2014)

(b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Stapled Scheme, directly or indirectly during the reporting period.

19 Related party transactions (continued)

Other transactions within the Scheme

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

Responsible Entity's fees and other transactions

Under the terms of the Stapled Scheme's Constitution, the Responsible Entity is entitled to receive fees monthly calculated by reference to the total assets of the Stapled Scheme as follows.

(i) 0.25% (2014: 0.25%) per annum of the gross asset value of the initial properties;
(ii) 0.40% (2014: 0.40%) per annum of the gross asset value of new properties;
(iii) 0.31% (2014: 0.31%) per annum of the gross asset value of property securities; and
(iv) 0.41% (2014: 0.41%) per annum of the gross asset value of other assets.

The Responsible Entity is also entitled to charge an annual performance fee in the form of cash or stapled securities in the event that the Total Return of AUDPF outperforms the Total Return Benchmark Index, being the Mercer/IPD Australia Unlisted Wholesale Property Fund Index.

The Total Return of the Stapled Scheme is calculated by dividing the NAV per stapled unit at the end of the financial year, adjusted by adding any income and/or capital distributions during that period, by the NAV per stapled unit at the commencement of that period, converted to a percentage and assuming distribution reinvestment.

If the Total Return of the Stapled Scheme exceeds the Total Return Benchmark Index, the Responsible Entity is entitled to 20% of the outperformance. In accordance with the Stapled Scheme PDS and the AUDPF1 and AUDPF2 Constitutions, the outperformance will be calculated by multiplying the value of the gross assets of the Stapled Scheme as at the last day of the performance fee period by the percentage amount that the Total Return for that performance fee exceeds the percentage change in the Total Return Benchmark Index for that financial year.

Performance against the Total Return Benchmark Index is measured on a cumulative basis. This means any under performance of the Stapled Scheme against the Total Return Benchmark Index will need to be recovered before any performance fee is payable.

The Responsible Entity has limited the amount of performance fees payable in any one year to 1.025% of the gross assets of the Stapled Scheme. Any performance fee that exceeds the 1.025% limit will be determined and subsequently paid in a year when it can be paid within the 1.025% limit.

Any performance fee that is payable is required to be levied annually in arrears. The performance fee payable for the year ended 30 June 2015 is $nil (2014: $nil).

	Consolidated AUDPF1 For the reporting period ended		**Consolidated AUDPF2 For the reporting period ended**	
	30 June 2015 $	30 June 2014 $	**30 June 2015 $**	30 June 2014 $
Responsible Entity's fees for the reporting period paid/payable by the Stapled Scheme to the Responsible Entity	**782,864**	699,300	**-**	-

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

19 Related party transactions (continued)

(a) Other related party transactions

Australian Unity Property Management Pty Ltd (a related party of the Responsible Entity) has been appointed to provide a number of property related services to the Stapled Scheme. These services include:

- Leasing and Agency Services;
- Market Rent Reviews;
- Property Management Services;
- Project Management Services;
- Development Management Services; and
- Debt Arrangement Services

The total fees paid/payable to Australian Unity Property Management Pty Ltd for the reporting period ended 30 June 2015 was $1,132,950 (2014: $1,086,471). Total accrued fees payable to Australian Unity Property Management Pty Ltd as at 30 June 2015 was $81,028 (2014: $471.965).

All related party transactions are under normal commercial terms and conditions and at market rates.

Related party unitholdings

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

Consolidated AUDPF1

2015

Unitholders	No. of units held opening '000	No. of units held closing '000	Fair value of investment* $'000	Interest held %	No. of units acquired '000	No. of units disposed '000	Distributions paid/payable by the Stapled Scheme $'000
Lifeplan Funeral Benefit No 2 Taxed	**5,888**	**5,116**	**4,002**	**2.81**	**-**	**(772)**	**341**
Australian Unity Health Limited	**2,928**	**6,607**	**5,168**	**3.63**	**4,675**	**(996)**	**440**
GU Corporate Health Limited	**732**	**1,854**	**1,450**	**1.02**	**1,402**	**(280)**	**123**
Lifeplan Management Fund	**6,077**	**-**	**-**	**-**	**-**	**(6,077)**	**-**
Total	**15,625**	**13,577**	**10,620**		**6,077**	**(8,125)**	**904**

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

19 Related party transactions (continued)

Consolidated AUDPF1

2014

Unitholders	No. of units held opening '000	No. of units held closing '000	Fair value of investment* $'000	Interest held %	No. of units acquired '000	No. of units disposed '000	Distributions paid/payable by the Stapled Scheme $'000
Capital Guaranteed Funeral Bond (Taxed)	4,585	-	-	-	-	(4,585)	145
Capital Guaranteed Funeral Bond (Untaxed)	3,335	-	-	-	-	(3,335)	106
Capital Secure Funeral Bond	2,501	-	-	-	-	(2,501)	79
Lifeplan Funeral Benefit No 2 Taxed	7,419	5,888	4,592	3.20	-	(1,531)	396
Australian Unity Health Limited	-	2,928	2,284	1.59	3,134	(206)	149
GU Corporate Health Limited	-	732	571	.40	783	(51)	37
Lifeplan Management Fund	-	6,077	4,740	3.30	6,077	-	114
Total	17,840	15,625	12,187		9,994	(12,209)	1,026

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

19 Related party transactions (continued)

Investments

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

Consolidated AUDPF1

	Fair value of investment		**Interest held**		**Distributions received/ receivable**	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 %**	30 June 2014 %	**30 June 2015 $'000**	30 June 2014 $'000
Australian Unity Wholesale Cash Fund	**62**	21	**-**	-	**43**	77
Australian Unity Office Property Fund	**16,829**	16,095	**9.06**	9.34	**1,452**	1,802
Australian Unity Fifth Commercial Trust	**-**	-	**-**	-	**-**	168
Australian Unity Rockdale Property Trust	**3,491**	-	**36.38**	-	**179**	-
	20,382	16,116	**45.44**	9.34	**1,674**	2,047

Distributions received/receivable includes an amount of $444,861 (2014: $1,032,757) which remains unpaid at the end of the reporting period.

20 Reconciliation of profit to net cash inflow from operating activities

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

	Consolidated AUDPF1 For the reporting period ended		Consolidated AUDPF2 For the reporting period ended	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Profit/(loss) for the reporting period attributable to unitholders	**-**	-	**-**	-
Increase in net assets attributable to unitholders	**1,038**	909	**-**	-
Unrealised losses on financial instruments	**1,305**	2,893	**-**	-
Realised loss on disposal of investment properties	**1,540**	-	**-**	-
Decrease/(increase) in receivables	**1,285**	(406)	**-**	-
Decrease in accounts payable/liabilities	**(82)**	(2,930)	**-**	-
Change in fair value of the investment properties - revaluation increment	**(2,732)**	(952)	**-**	-
Add back interest expenses and debt establishment costs	**5,561**	4,698	**-**	-
Decrease in other assets/prepayments	**58**	104	**-**	-
Adjustments to net lease incentives and straight line rental	**(131)**	246	**-**	-
Distribution to unitholders	**11,335**	11,484	**-**	-
Net cash inflow from operating activities	**19,177**	16,046	**-**	-

(b) Components of cash and cash equivalents

	Consolidated AUDPF1 As at		Consolidated AUDPF2 As at	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
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	**2,137**	1,250	**-**	-

21 Parent entity financial information

	Parent - AUDPF1 As at	
	30 June 2015	30 June 2014
Statement of financial position	**$'000**	$'000
Cash and cash equivalents	**1,972**	1,151
Receivables	**6,712**	6,169
Prepaid expenses	**51**	53
Investments in subsidiaries	**56,404**	69,558
Financial assets held at fair value through profit or loss	**20,320**	16,095
Investment properties	**169,638**	129,083
Total assets	**255,097**	222,109
Distributions payable	**2,804**	3,425
Financial liabilities held at fair value through profit or loss	**2,069**	819
Payables	**1,202**	1,620
Borrowings	**109,597**	76,137
Total liabilities (excluding net assets attributable to unitholders)	**115,672**	82,001
Net assets attributable to unitholders	**139,425**	140,108

	Parent - AUDPF1 For the reporting period ended	
	30 June 2015	30 June 2014
Statement of comprehensive income	**$'000**	$'000
Profit before finance costs attributable to unitholders	**12,373**	12,393
Finance costs attributable to unitholders		
Distributions to unitholders	**11,335**	11,484
Increase in net assets attributable to unitholders	**1,038**	909
Total comprehensive income for the reporting period	**-**	-

21 Parent entity financial information (continued)

22 Events occurring after the reporting period

Except as detailed below, no other significant events have occurred since the end of the reporting period which would impact on the financial position of the Stapled Scheme disclosed in the consolidated statement of financial position as at 30 June 2015 or on the results and cash flows of the Stapled Scheme for the reporting period ended on that date.

The Responsible Entity has determined to simplify the Stapled Scheme's structure. In doing so, AUDPF No. 2 Trust was destapled with effect from 29 July 2015 and, as a result, terminated AUDPF No. 2 Trust and the Australian Unity Diversified Property Fund (as the master scheme of the Stapled Scheme's structure) on the same date. This had the effect of collapsing the stapled structure, leaving AUDPF No. 1 Trust continuing to hold the assets. AUDPF No. 1 Trust was then renamed 'Australian Unity Diversified Property Fund' ("the Scheme") on 30 July 2015. Unitholders retain units in the Scheme and there is no impact to unitholders.

On 3 September 2015, the Scheme exchanged contracts to purchase 19 Corporate Avenue, Rowville, VIC for $15,100,000. Settlement is expected to occur on 30 September 2015, or earlier by agreement.

On 31 August 2015, unitholders in the Scheme voted in favour of two resolutions which were set out in the Notice of Meeting and Explanatory Memorandum dated 31 July 2015. These resolutions permit the Responsible Entity to amend the Scheme's constitution allowing a special withdrawal facility to be made available to existing unitholders, capped at $50 million. Withdrawal requests submitted under the special withdrawal facility will be processed over a period of up to 12 months from the date of close of the special withdrawal facility, and shall be funded by the applications for new units to be issued during a capital raising period of up to 12 months. The special withdrawal facility and issue of new units will be made at a 5% discount to the net asset value per unit.

23 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2015 and 30 June 2014.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) The consolidated financial statements and notes set out on pages 7 to 48 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

   (ii) giving a true and fair view of the consolidated Stapled Scheme's financial position as at 30 June 2015 and of its performance, as represented by the results of its operations and cash flows for the reporting period ended on that date.

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

(c) The consolidated financial statements are in accordance with the Stapled Scheme's Constitution.

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

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

Director

Director

10 September 2015

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com

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Independent auditor's report to the unitholders of Australian Unity Diversified Property Fund

We have audited the accompanying financial report of Australian Unity Diversified Property Fund, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in net assets attributable to unitholders and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Australian Unity Diversified Property Fund and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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, the auditor considers 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 complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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Opinion

In our opinion:

a. the financial report of Australian Unity Diversified Property Fund is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Ernst & Young

Ernst & Young

Luke Slater

Luke Slater
Partner
Melbourne

10 September 2015