

Australian Unity Notes

Prospectus for the issue of five year Australian Unity Notes
to be listed on the Australian Securities Exchange (ASX)



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FINANCIAL ADVISER

Greenhill Calburn

JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS



EVANS & PARTNERS

Westpac

Institutional Bank

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Important notices

Prospectus

This Prospectus is issued by Australian Unity Limited (ABN 23 087 648 888) (Australian Unity) and is an invitation to apply for unsecured notes called Australian Unity Notes at an issue price of \$100 each (Offer).

This Prospectus contains an offer of 1,000,000 Australian Unity Notes at an issue price of \$100 each to raise \$100 million, with the ability to raise more or less. For the purpose of section 283BH of the *Corporations Act 2001* (Cth) (*Corporations Act*), Australian Unity Notes are unsecured notes of Australian Unity. You should note that Australian Unity is not authorised under the *Banking Act 1959* (Cth) (*Banking Act*) and is not supervised by the Australian Prudential Regulation Authority (APRA) and therefore the investment of funds in the Australian Unity Notes will not be covered by the depositor protection provisions in section 13A of the *Banking Act*.

This is not investment advice. You should seek your own financial advice.

The information provided in this Prospectus is not investment or financial product advice and has been prepared without taking into account your individual investment objectives, financial circumstances or particular needs. You should read the whole Prospectus and consider all of the risk factors that could affect the performance of Australian Unity and the Australian Unity Group and other information on the Australian Unity Notes in light of your own particular investment objectives, financial circumstances and particular needs before deciding whether to invest in Australian Unity Notes. Australian Unity is not licensed to provide financial product advice in relation to Australian Unity Notes.

You should also seek independent financial and taxation advice from your financial or professional adviser before deciding whether to apply for Australian Unity Notes. Some of the risk factors that should be considered are set out in section 7.

Date of this Prospectus

This Prospectus is dated 11 March 2011. A copy of this Prospectus has been lodged with the Australian Securities and Investments Commission (ASIC) and has been provided to ASX Limited (ASX) in connection with Australian Unity's application for the Australian Unity Notes to be listed on the ASX. This is a Replacement Prospectus which replaces the original prospectus dated 3 March 2011 that was lodged with ASIC on that date (Original Prospectus). References to 'Prospectus' in this document are references to this Replacement Prospectus. Neither ASIC nor the ASX nor any of their respective officers or employees takes any responsibility for the content of this Prospectus. The fact that the ASX may admit Australian Unity to the ASX official list and quote the Australian Unity Notes issued under this Prospectus is not to be taken in any way as an indication of the merits of Australian Unity or the Offer.

Expiry Date

The expiry date of this Prospectus is 3 April 2012. No securities will be issued on the basis of this Prospectus later than the Expiry Date.

Exposure Period

The *Corporations Act* prohibits the issue of the Australian Unity Notes in the seven calendar day period after 3 March 2011, being the date on which the Original Prospectus was lodged with ASIC. This period is the Exposure Period. The Exposure Period may be extended by ASIC by up to a further seven days. Australian Unity will not accept an Application for or issue any Australian Unity Notes on the basis of the Original Prospectus during the Exposure Period.

When the Australian Unity Notes will be issued

Australian Unity has applied to the ASX for the Australian Unity Notes issued under this Prospectus to be quoted on the ASX. If the ASX does not grant permission for the Australian Unity Notes issued under this Prospectus to be quoted within three months after the date of the Original Prospectus, the Australian Unity Notes will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable. If the Australian Unity Notes issued under this Prospectus are accepted for quotation on the ASX, Australian Unity expects to issue the Australian Unity Notes on or about 14 April 2011.

No representations other than as set out in this Prospectus

No person is authorised to give any information or to make any representation in connection with the offer of Australian Unity Notes that is not contained in this Prospectus. Any information or representation that is not in this Prospectus may not be relied upon as having been authorised by Australian Unity, or its associates in connection with the Offer. Except as required by law and then only to the extent so required, neither Australian Unity nor any of its associates warrants or guarantees the future performance of Australian Unity Notes or Australian Unity or any return on any investment made pursuant to this Prospectus.

To the extent that this Prospectus contains forward looking statements which may (but need not) be identified by words such as 'may', 'could', 'believe', 'estimate', 'expects', 'intends', 'anticipates', 'project', 'foresee', 'likely', 'should', 'target', 'plan', 'consider', 'aim', 'will' and other similar words that import risks and uncertainties, these forward looking statements are not guarantees of future performance and are subject to various known and unknown assumptions, uncertainties and risk factors that are beyond the control of Australian Unity and could cause Australian Unity's actual results to differ materially from those expressed, implied or anticipated in those statements. These and other risk factors are set out in section 7.

Australian Unity cannot and does not give any assurance that results, performance or achievements expressed or implied by forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward looking statements.

No cooling-off rights apply to the issue of the Australian Unity Notes

Cooling-off rights (whether by law or otherwise) do not apply to an investment in Australian Unity Notes. This means that, in most circumstances, you cannot withdraw your Application pursuant to this Offer of Australian Unity Notes once it has been made.

Offering restrictions

This Prospectus has been prepared to comply with the requirements of Australian law. No action has been taken to register the Australian Unity Notes or otherwise permit a public offering of Australian Unity Notes in any jurisdiction outside of Australia.

The distribution of this Prospectus (including an electronic copy) in jurisdictions outside of Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The *Corporations Act* prohibits any person from passing an Application Form to another person unless it accompanies or is included in a paper copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. In particular, the Australian Unity Notes have not been and will not be registered under the *United States Securities Act of 1933*, as amended (*US Securities Act*) or the securities laws of any state of the United States of America (United States) and may not be offered, or re-sold in the United States or to or for the account or benefit of US Persons except in transactions exempt from the registration requirements of the *US Securities Act*. Please refer to the further information on selling restrictions that apply to Australian Unity Notes in certain jurisdictions outside of Australia set out in section 2.4.2.

How to obtain a Prospectus and Application Form

Printed Prospectus: Printed copies of this Prospectus and Application Forms are available free of charge during the Offer Period by calling the Australian Unity Notes Information Line on 1800 209 118 between 8:30 am and 5:30 pm (Melbourne time), Monday to Friday.

Electronic Prospectus: A copy of this Prospectus will be available electronically during the Offer Period (including the Application Form) online on Australian Unity's website at www.australianunity.com.au/australianunitynotes

The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia. Applicants using the Application Form included in the electronic version of this Prospectus (either by printing and submitting a paper copy of the form or applying for Australian Unity Notes online) must be persons resident in and located in Australia only.

The following conditions apply if this Prospectus is accessed electronically:

- you must download and read the Prospectus in its entirety; and
- your application will only be considered where you have applied online or on a paper copy of an Application Form that accompanied the electronic Prospectus.

By making an Application (either by way of a paper copy of the Application Form or online), you declare that you were given access to the electronic Prospectus together with the Application Form and you are accessing and printing the electronic version of the Prospectus in Australia.

Submitting an Application

You must apply for Australian Unity Notes on a printed copy of an Application Form included in, or accompanying, this Prospectus, or electronically online, all in accordance with the instructions set out in section 2.2 of this Prospectus.

Unless you are applying electronically online or you are a Broker Firm Applicant or an Institutional Investor, Application Forms must be mailed or delivered to Link Market Services Limited in the manner set out in section 2.2.3.

If you are a Broker Firm Applicant then you should submit your Application and Application Payment according to the arrangements you have made with your Syndicate Broker.

Institutional Investors should contact the Joint Lead Managers for details on how to apply for Australian Unity Notes.

Refunds

If you are issued less than the number of Australian Unity Notes for which you applied you will receive a refund cheque as soon as practicable after the Closing Date. No interest will be payable on Application Payments.

Trading in Australian Unity Notes

It is your responsibility to determine your Allocation before trading Australian Unity Notes to avoid the risk of selling Australian Unity Notes you do not own.

To assist you in determining your Allocation prior to receipt of your 'Transaction Confirmation Statement', you may call the Australian Unity Notes Information Line after the Closing Date on 1800 209 118 between 8:30 am and 5:30 pm (Melbourne time), Monday to Friday, to seek information on your Allocation.

If you sell Australian Unity Notes before you receive confirmation of your Allocation, you do so at your own risk.

Trustee

The Trustee has had no involvement in the preparation of any part of this Prospectus, other than in respect to particular references to the Trustee and Trust Deed. The Trustee expressly disclaims and takes no responsibility for any part of this Prospectus. The Trustee makes no statement in this Prospectus and has not authorised or caused the issue of it.

Enquiries

If you have any questions in relation to the Offer or the Australian Unity Notes please call the Australian Unity Notes Information Line on 1800 209 118 between 8:30 am and 5:30 pm (Melbourne time), Monday to Friday, or contact your financial or professional adviser.

Defined words and expressions

Some capitalised words and expressions used in this Prospectus have defined meanings. The Glossary in Appendix B defines these words and expressions.

The definitions specific to Australian Unity Notes are in clause 12.2 of the Terms in Appendix A. If there is any inconsistency in definitions between the Prospectus and the Terms, the definitions in the Terms prevail.

A reference to time in this Prospectus is to Melbourne time unless otherwise stated. A reference to \$, A\$, dollars and cents is to Australian currency unless otherwise stated.

Some numbers in this Prospectus have been rounded.

Photographs and diagrams

Unless otherwise stated, the assets depicted in photographs in this Prospectus are not assets of the Australian Unity Group. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Description of the Australian Unity Group

For the purposes of the descriptions of debt in the Australian Unity Group (including ranking of such debt) and undertakings relating to debt (including the Gearing Ratio and the restrictions on granting Security Interests and Subsidiary Financial Indebtedness described in section 5.10), a reference to the Australian Unity Group means the group of companies comprising Australian Unity and its Subsidiaries but excludes any Subsidiary in its capacity as trustee or responsible entity of a Relevant Trust or Scheme.

Credit Rating

A copy of the Financial Services Guide accompanying the Credit Rating issued by Australia Ratings in relation to the Australian Unity Notes can be obtained free of charge from www.australiaratings.com/fsg

You can request a hard copy or electronic copy of the Financial Services Guide to be sent to you free of charge by contacting Australia Ratings using the contact details set out on their website.

Taxation Summary

Section 8 of this Prospectus contains a summary of the tax consequences for potential Holders and is based on Australian tax law and administrative practice as at the date of this Prospectus. This summary is necessarily general in nature and is not intended to be definitive tax advice to Holders. Accordingly, each prospective Holder should seek their own tax advice, which is specific to their particular circumstances, as to the tax consequences of investing in, holding and disposing of Australian Unity Notes.

Updating the Prospectus

Information contained in this Prospectus is subject to change from time to time and may be updated by Australian Unity prior to the issue of the Australian Unity Notes. Any updated information (which is not materially adverse to investors) will be available at www.australianunity.com.au/australianunitynotes. A printed copy of the updated information is available free of charge by contacting Australian Unity or the Australian Unity Notes Information Line on 1800 209 118 between 8:30 am and 5:30 pm (Melbourne time), Monday to Friday. Where updated information is materially adverse to investors, Australian Unity will issue a supplementary Prospectus.

Privacy Disclosure

Refer to the information in the privacy statement in section 2.4.3.

No internet site is part of this Prospectus

Australian Unity maintains an internet site at www.australianunity.com.au. Information contained in or otherwise accessible through this or a related internet site is not a part of this Prospectus. Any references in this Prospectus to any of these internet sites are textual references for information purposes only.

ASIC corporate bonds guide

ASIC has published an investor guide for retail investors who are considering investing in corporate bonds. A copy of the guide can be obtained free of charge from www.fido.asic.gov.au/corporate-bonds or by contacting ASIC on 1300 300 630.

Key dates

Date for determining eligible Australian Unity Members under the Member Offer and eligible Employee Applicants under the Employee Offer	8 February 2011
Lodgement of Original Prospectus with ASIC and announcement of Offer	3 March 2011
Bookbuild	10 March 2011
Announcement of the Bookbuild result (including the Margin)	11 March 2011
Lodgement of Prospectus	11 March 2011
Opening Date for Offer	11 March 2011
Closing Date for Member Offer and Employee Offer	5:00 pm on 5 April 2011
Closing Date for General Offer	5:00 pm on 7 April 2011
Closing Date for Broker Firm Offer	5:00 pm on 8 April 2011
Issue Date	14 April 2011
Holding Statements despatched	14 April 2011
Australian Unity Notes commence trading on the ASX (normal settlement basis)	19 April 2011
First Interest Payment Date [#]	14 July 2011
Maturity Date	14 April 2016

[#] Interest is scheduled to be paid in arrears at the end of each quarterly Interest Period (being 14 January, 14 April, 14 July and 14 October in each year), however, the final Interest Period will end on the Maturity Date or earlier Redemption Date (subject to the Australian Unity Notes Terms). If any of the scheduled Interest Payment Dates is not a Business Day, then the due date for payment of Interest will be postponed to the next Business Day, however, the Holder is not entitled to any additional payment in respect of that delay.

Dates may change

The key dates for the Offer are indicative only and may change without notice.

Australian Unity, in consultation with the Joint Lead Managers, may agree to accept late Applications (either generally or in particular cases), to extend any Closing Date, to close the Offer early without notice, or to withdraw the Offer at any time before Australian Unity Notes are issued.

If the Offer is withdrawn before the issue of the Australian Unity Notes, all Application Payments received by Australian Unity will be refunded (without interest) to Applicants as soon as practicable after the withdrawal.

You are encouraged to apply as soon as possible after the Opening Date for the Offer to allow sufficient postage time for your Application Form.

Chairman's letter



Dear Investor

Offer of Australian Unity Notes

On behalf of Australian Unity Limited (Australian Unity), I am pleased to offer you the opportunity to invest in Australian Unity Notes; new five year debt securities to be issued by Australian Unity and quoted on the Australian Securities Exchange (ASX).

Holders of Australian Unity Notes will be entitled to receive quarterly interest payments and repayment of the Issue Price at maturity on 14 April 2016, at which time Australian Unity must redeem all outstanding Australian Unity Notes. The interest rate will be a variable rate based on a three-month bank bill rate plus a fixed margin of 3.55 percent per annum.

Australian Unity is a national healthcare, financial services and retirement living organisation that provides high-trust services to more than 560,000 Australians. The Australian Unity Notes extend and support these services and will provide investors with an attractive investment opportunity.

The Australian Unity Notes are an important part of Australian Unity's strategy to raise capital in the market to fund planned growth, while retaining our structure as a mutual with a history that dates back 170 years. Although we will apply to have the Australian Unity Notes quoted on the ASX, the issue of the Australian Unity Notes will not affect Australian Unity Limited's status as a mutual organisation.

Australian Unity intends to raise approximately \$100 million by issuing Australian Unity Notes (although the final amount may be more or less). The Offer is scheduled to close on 5 April 2011 for Member Applicants and Employee Applicants, 7 April 2011 for General Applicants and 8 April 2011 for Broker Firm Applicants.

Full details of this investment opportunity, including the terms of issue of Australian Unity Notes and the risks associated with the investment, are set out in this Prospectus. Anyone wishing to acquire Australian Unity Notes must either complete and return the application form included in or accompanying this Prospectus, or apply electronically online.

If you are uncertain whether Australian Unity Notes are a suitable investment for you, please consult your financial adviser for financial advice.

If you have any questions about the Offer please call the Australian Unity Notes Information Line on 1800 209 118 between 8:30 am and 5:30 pm (Melbourne time), Monday to Friday.

On behalf of the board of Australian Unity, I invite you to consider what we believe is an attractive investment opportunity and be part of our future.

Yours faithfully

A handwritten signature in black ink that reads "Alan Castleman". The signature is written in a cursive, flowing style.

Alan Castleman
Chairman

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About the Australian Unity Group

- The Australian Unity Group is a national healthcare, financial services and retirement living organisation providing services to approximately 560,000 Australians.
- The Australian Unity Group's business approach includes developing and providing healthcare, financial and lifestyle services capable of making a difference to the wellbeing of members, customers, employees and communities.
- The Australian Unity Group develops high-trust products and services for customers making high-trust purchases that support their health and financial wellbeing.
- The Australian Unity Group has diversified business interests with a workforce of around 1,400 employees.
- Australian Unity Limited (Australian Unity) is the holding company of the Australian Unity Group.
- Australian Unity is a public, unlisted, mutual company which currently has approximately 285,000 Members, including approximately 10,000 Members who have been with the organisation and its predecessors for more than 50 years.
- Australian Unity's history as a trusted mutual organisation dates back 170 years. This history includes the provision of health, sickness and funeral benefits from 1840, aged care services from the 1880s, investment bonds from the early 1960s, and asset management and personal financial services since the 1990s.
- The Australian Unity Notes have been assigned a BBB+ long-term Credit Rating by Australia Ratings¹, although Australian Unity itself is not rated by any credit rating agency. Australia Ratings have also assigned a 'Green' Product Complexity Indicator to the Australian Unity Notes. Refer to sections 5.11 and 9.1 for further information about the Credit Rating and Product Complexity Indicator associated with the Australian Unity Notes and section 7.1.10 for risks associated with Credit Ratings.

The above is a summary only. Investors should read this entire Prospectus carefully, including the risks associated with investing in Australian Unity Notes set out in section 7.

Further information about the Australian Unity Group can be found at its website: www.australianunity.com.au

¹ The Credit Rating is not a statement, opinion, research or recommendation to apply for Australian Unity Notes. The Credit Rating of Australian Unity Notes is current. However, Australia Ratings may change, suspend or withdraw the Credit Rating at any time. A Credit Rating of 'BBB+' is at the top of the intermediate creditworthiness category on Australia Ratings' scale.

Key features of Australian Unity Notes

A summary of the key features of Australian Unity Notes is set out below. This is a summary only. This Prospectus contains information about the Offer and you should read it in its entirety before deciding whether to apply for Australian Unity Notes. The full terms of issue of the Australian Unity Notes are set out in Appendix A. If you are unclear in relation to any aspect of the Offer, or if you are uncertain whether Australian Unity Notes are a suitable investment for you, you should consult your financial or professional adviser.

Issuer	<ul style="list-style-type: none"> Australian Unity Limited (ABN 23 087 648 888)
Australian Unity Notes	<ul style="list-style-type: none"> Australian Unity Notes are unsecured debt obligations of Australian Unity
Currency	<ul style="list-style-type: none"> Australian dollars
Issue Price and Face Value	<ul style="list-style-type: none"> \$100 per Australian Unity Note
Minimum Application	<ul style="list-style-type: none"> \$5,000 (being 50 Australian Unity Notes) for General Applicants and Broker Firm Applicants \$2,000 (being 20 Australian Unity Notes) for Member Applicants and Employee Applicants
Offer size	<ul style="list-style-type: none"> Approximately \$100 million (but the final amount may be more or less)
Issue Date	<ul style="list-style-type: none"> 14 April 2011
Maturity Date	<ul style="list-style-type: none"> 14 April 2016
Credit Rating	<ul style="list-style-type: none"> Australian Unity Notes have been assigned a BBB+ long-term Credit Rating by Australia Ratings Australia Ratings have also assigned a 'Green' Product Complexity Indicator to the Australian Unity Notes Refer to sections 5.11 and 9.1 for further information about the Credit Rating and Product Complexity Indicator associated with the Australian Unity Notes
Interest Rate	<ul style="list-style-type: none"> The Interest Rate is calculated by reference to the three-month bank bill rate (BBSW) on the first Business Day of each relevant quarterly Interest Period Interest Rate payable = three-month BBSW + Margin
Margin	<ul style="list-style-type: none"> The Margin is 3.55 percent per annum and will be fixed for the term of the Australian Unity Notes
Interest Payment Dates	<ul style="list-style-type: none"> Australian Unity Notes pay quarterly Interest until the earlier of Redemption and the Maturity Date Interest will be payable quarterly in arrears on 14 January, 14 April, 14 July and 14 October of each year The first Interest Payment Date is 14 July 2011 If any of these scheduled dates is not a Business Day, then the due date for payment of Interest will be postponed to the next Business Day, however, the Holder is not entitled to any additional payment in respect of that delay

Key features of Australian Unity Notes (continued)

Issuer early Redemption rights

- Australian Unity may Redeem all (but not some) of the Australian Unity Notes prior to the Maturity Date. If Australian Unity elects to exercise this right, Australian Unity must pay Holders the Face Value of \$100 per Australian Unity Note, plus any outstanding Interest due and payable, plus an Early Redemption Payment of:
 - \$5 if Redemption occurs before the first anniversary of the Issue Date;
 - \$4 if Redemption occurs on or after the first anniversary of the Issue Date but before the second anniversary of the Issue Date; and
 - \$2 if Redemption occurs on or after the second anniversary of the Issue Date.

Once Australian Unity gives notice of such Redemption, it must pay Holders the Early Redemption Payment (regardless of whether it later becomes entitled to Redeem the Australian Unity Notes in the circumstances set out below).

- Australian Unity must Redeem all (but not some) of the Australian Unity Notes if a Change of Control Event occurs. If Australian Unity Notes are Redeemed by the Issuer prior to the Maturity Date in these circumstances, Australian Unity must pay Holders the Face Value of \$100 per Australian Unity Note, plus any outstanding Interest due and payable, plus the Early Redemption Payment outlined above.
- In addition and without any obligation to pay an Early Redemption Payment, Australian Unity may Redeem all (but not some) of the Australian Unity Notes prior to the Maturity Date if:
 - a Tax Event occurs;
 - a Regulatory Event occurs;
 - the face value of the outstanding Australian Unity Notes is less than 10 percent of the Australian Unity Notes originally issued; or
 - an Event of Default occurs.

If Australian Unity Notes are Redeemed by the Issuer prior to the Maturity Date in any of these circumstances, Holders will receive the Face Value of \$100 per Australian Unity Note plus any outstanding Interest due and payable.

- Further, Australian Unity may, at any time, purchase Australian Unity Notes on the ASX (subject to compliance with any applicable law or requirement of the ASX (if any)).

Holder exit rights

- Holders may sell their Australian Unity Notes on the ASX at any time in accordance with ASX operating procedures.
- In addition, Holders may Redeem the Notes in the following circumstances:
 - a Delisting Event occurs;
 - a Change of Control Event occurs, in which case the Issuer must Redeem all Australian Unity Notes; or
 - if there is an Event of Default, the Trustee may require Australian Unity to Redeem the Australian Unity Notes. The Trustee is not required to do so unless an Ordinary Resolution of the Holders resolves to instruct the Trustee to seek Redemption.
- If Australian Unity Notes are Redeemed by the Holder prior to the Maturity Date, Holders will receive the Face Value of \$100 per Australian Unity Note plus any outstanding Interest due and payable. If Australian Unity Notes are Redeemed by the Issuer because a Change of Control Event has occurred, Holders will also receive the Early Redemption Payment.

Event of Default, a Delisting Event, a Change of Control Event, a Regulatory Event and a Tax Event

- Each of these terms have the meaning given to them in the relevant Terms (see Appendix A). For a brief summary of the meaning of each term, refer to section 1.4.

Key features of Australian Unity Notes (continued)

Ranking of Australian Unity Notes	<ul style="list-style-type: none"> Australian Unity Notes rank behind secured creditors and rank equally amongst themselves and at least equally with all other unsecured obligations of the Issuer, other than those obligations mandatorily preferred by law. Refer to section 5.10 for details on the ranking of debt in the Australian Unity Group.
Undertakings	<p>Australian Unity will undertake that:</p> <ul style="list-style-type: none"> Australian Unity Group will operate within a Gearing Ratio of less than 45 percent; no member of the Australian Unity Group will grant security for any Financial Indebtedness (other than certain specified exceptions set out in the Terms) without also providing the same or equal ranking security to the Holders; and no Subsidiary of the Issuer will incur Financial Indebtedness (other than certain specified exceptions set out in the Terms) unless that Subsidiary has provided a guarantee and indemnity in favour of the Trustee for all moneys owing in respect of the Australian Unity Notes. This undertaking is intended to limit the extent to which the Holders are structurally subordinated to other financial creditors of the Australian Unity Group.
Issuer restrictions	<ul style="list-style-type: none"> The Issuer must comply with the Gearing Ratio (see section 5.10.2) and the restriction on granting security (other than Permitted Security Interests (see section 5.10.3)) when incurring new debt.
Voting rights	<ul style="list-style-type: none"> Holding Australian Unity Notes does not confer voting rights at general meetings of Australian Unity. However, Holders are entitled to vote at Holder general meetings.
ASX quotation	<ul style="list-style-type: none"> Australian Unity has applied to the ASX for the Australian Unity Notes to be quoted on the ASX.
Risks	<ul style="list-style-type: none"> There are risks associated with an investment in Australian Unity Notes generally and with the Australian Unity Group's businesses. See the next page for a summary of some key investment risks and section 7 for further details.
ASIC corporate bonds guide	<ul style="list-style-type: none"> ASIC has published an investor guide for retail investors who are considering investing in corporate bonds. A copy of the guide can be obtained free of charge from www.fido.asic.gov.au/corporate-bonds or by contacting ASIC on 1300 300 630.

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Summary of some key investment risks

There are risks associated with an investment in Australian Unity Notes generally and with the Australian Unity Group's businesses. Some of these are described below. A more comprehensive discussion of the risks associated with Australian Unity Notes and the Australian Unity Group's businesses can be found in section 7.

- Risks associated with Australian Unity Notes themselves include the following:
 - the market price of Australian Unity Notes may fluctuate due to various factors that affect financial market conditions or factors relating to Australian Unity. There may be volatility in the market price of Australian Unity Notes and this may result in a market price below their Issue Price of \$100. If you sell your Australian Unity Notes, you may not be able to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for Australian Unity Notes;
 - as a Holder, you are an unsecured creditor of Australian Unity. The Australian Unity Notes rank behind secured creditors and any other creditors preferred by law on a winding-up of Australian Unity. In addition to its existing secured facilities, Australian Unity may, within limits, determine at a future date to incur additional secured debt or give security over existing debt. If this was to occur, Australian Unity Notes would also rank behind such new or additional secured debt (however, under the Australian Unity Notes Terms, there are restrictions on, or on the level, of such new or additional secured debt);
 - as a Holder, the Australian Unity Notes Terms provide you with specific exit rights prior to the Maturity Date in certain limited circumstances. In addition, Australian Unity Notes can be realised before maturity by a sale on market or by private sale. As already noted, there is a risk that the sale price on market or by private sale may be less than the Issue Price;
 - in the event of an early Redemption of Australian Unity Notes, you may not receive the returns you were expecting to achieve on your investment (if you had held the Australian Unity Notes to maturity);
 - Australian Unity may be unable to pay Interest or repay all or any of the money owed on the Australian Unity Notes on time or at all (however, under the Australian Unity Notes Terms, default in payment may lead to an Event of Default); and

- subject to Chapter 2L of the *Corporations Act*, the Trustee has no obligation to monitor Australian Unity's financial position, including the capacity of Australian Unity to fulfil its obligations in relation to the Australian Unity Notes.
- Risks associated with the Australian Unity Group's businesses include the following:
 - the Australian Unity Group, like most other service providers, may be affected by general economic and financial market conditions including interest rate changes, inflation and investor perceptions. Changes in general macroeconomic factors may affect consumers' spending patterns or overall consumption levels, which may adversely impact the Australian Unity Group's financial performance and operations and cash flow available to fund Australian Unity's payments of Interest and the repayment of the Face Value of \$100 per Australian Unity Note at maturity of the Australian Unity Notes; and
 - the private health insurance, retirement living and financial services industries are highly regulated industries. The regulations are designed to balance the objectives of consumer interests, efficiency and competition. However, significant changes to government policy, regulation or legislation relating to these industries may be detrimental to the Australian Unity Group and its financial position.

This is not an exhaustive list of potential risks. There are a number of general commercial risk factors and general market risks that could adversely affect Australian Unity's financial performance, position or prospects. You should carefully consider all the risk factors set out in section 7 before deciding to invest in Australian Unity Notes.

Further, ASIC has published an investor guide for retail investors who are considering investing in corporate bonds. Retail investors should read this guide before deciding to invest in Australian Unity Notes. A copy of the guide can be obtained free of charge from www.fido.asic.gov.au/corporate-bonds or by contacting ASIC on 1300 300 630.

How to apply for Australian Unity Notes

1. Read this Prospectus

Read this Prospectus in full, paying particular attention to the:

- important notices on pages 1 to 3;
- key features of Australian Unity Notes on pages 7 to 9 and in section 1;
- summary financial information in section 5;
- investment risks in section 7; and
- terms of Australian Unity Notes in Appendix A.

2. Consider and consult

Consider all risks and other information about Australian Unity Notes in light of your particular investment objectives and circumstances.

If you are uncertain as to whether you should apply for Australian Unity Notes, you should consult your financial or professional adviser.

3. Complete the Application Form

If you have decided to apply for Australian Unity Notes, you need to complete and return the Application Form included in or accompanying this Prospectus, or electronically online, all in accordance with the instructions in section 2.2.

4. Submit your Application

If you are applying for Australian Unity Notes, your Application must be received by the Registry or your Syndicate Broker no later than the relevant Closing Date—see section 2.2 for details.

The Offer may close early, so you are encouraged to submit your Application as soon as possible after the Opening Date.

For more information on applying for Australian Unity Notes—see section 2.2. If you have any questions in relation to the Offer, please call the Australian Unity Notes Information Line on 1800 209 118 between 8:30 am and 5:30 pm (Melbourne time), Monday to Friday or contact your financial or professional adviser.

1. About Australian Unity Notes

Key questions about Australian Unity Notes

1.1 General

1.2 Overview of Australian Unity Notes

1.3 Interest on Australian Unity Notes

1.4 Redemption

1.5 Ranking and subordination of Australian Unity Notes

1.6 Further issues of securities

1.7 Participation and voting rights

1.8 Taxation implications

1.9 Investment risks

1.10 Amendments to the Australian Unity Notes Terms and Trust Deed

1.11 More information

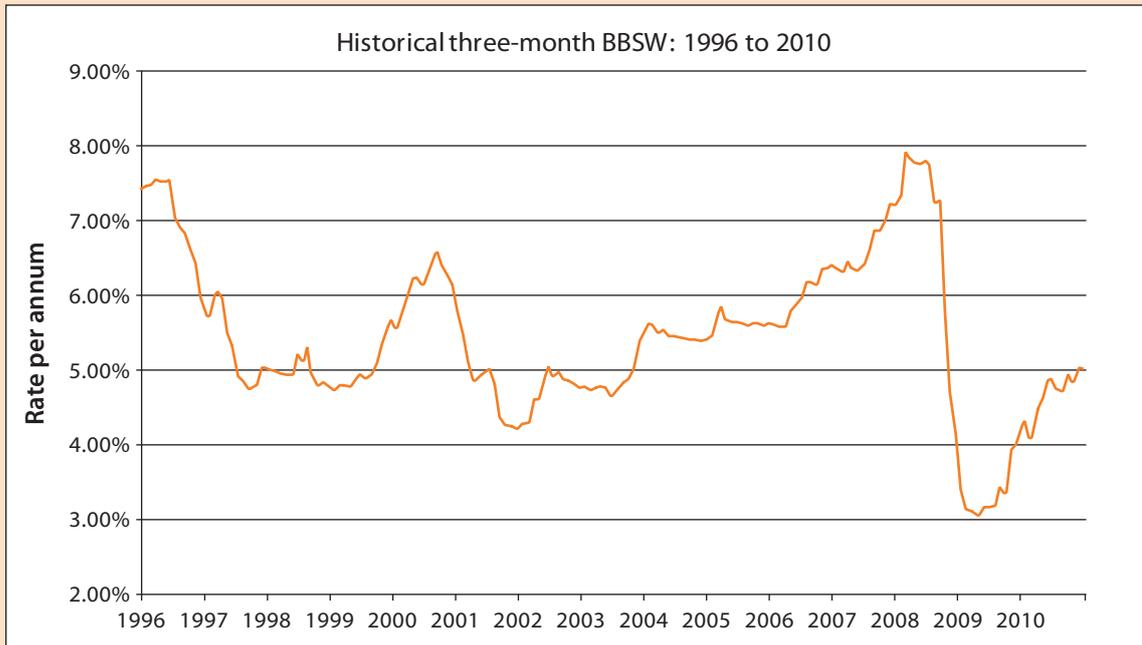
Topic	Summary	Where to find more information
1.1 General		
Who is Australian Unity?	<ul style="list-style-type: none">Australian Unity Limited (Australian Unity) is the holding company of the Australian Unity Group. Australian Unity and its Subsidiaries comprise a national healthcare, financial services and retirement living organisation that is incorporated and domiciled in Australia. Australian Unity is a public, unlisted, mutual company with approximately 285,000 Members, including approximately 10,000 Members who have been with the organisation and its predecessors for more than 50 years.Details of the Australian Unity Group's principal activities are set out in section 3.	Section 3
What is the size of the Offer?	<ul style="list-style-type: none">Australian Unity intends to raise approximately \$100 million of Australian Unity Notes with the ability to raise more or less (Offer).	Section 2.1
What is the purpose of the Offer?	<ul style="list-style-type: none">The purpose of the Offer is to raise funds as part of Australian Unity's capital management program. The amount raised by the Offer will be used partly to repay debt and for general working capital and business purposes. The issue of Australian Unity Notes will further diversify Australian Unity's funding sources, increase the average tenor of Australian Unity's funding profile and raise the profile of the Australian Unity Group within retail and institutional investor groups.	Section 2.1

Topic	Summary	Where to find more information
Who can apply under the Offer?	<ul style="list-style-type: none"> The Offer of Australian Unity Notes comprises: <ul style="list-style-type: none"> a Member Offer made to Member Applicants; an Employee Offer made to Employee Applicants; a General Offer made to General Applicants; a Broker Firm Offer made to Broker Firm Applicants; and an Institutional Offer made to certain Institutional Investors. Persons eligible to apply for Australian Unity Notes under both the Member Offer and the Employee Offer may apply for Australian Unity Notes under either the Member Offer or the Employee Offer, but not under both. 	Section 2
1.2 Overview of Australian Unity Notes		
What are Australian Unity Notes?	<ul style="list-style-type: none"> Australian Unity Notes are interest-bearing unsecured debt obligations of Australian Unity. 	Clauses 1.1, 2.1, and 5.1 of Terms
What is the Face Value and Issue Price of Australian Unity Notes?	<ul style="list-style-type: none"> \$100 per Australian Unity Note. 	Clause 1.3 of Terms
What is the term of Australian Unity Notes?	<ul style="list-style-type: none"> Australian Unity Notes have a Maturity Date of 14 April 2016, unless Redeemed earlier in the circumstances set out in section 1.4. 	Clause 4 of Terms
What is the Credit Rating of the Australian Unity Notes?	<ul style="list-style-type: none"> Australian Unity Notes have been assigned a BBB+ long-term Credit Rating by Australia Ratings. Australia Ratings have also assigned a 'Green' Product Complexity Indicator to the Australian Unity Notes. Refer to sections 5.11 and 9.1 for further information about the Credit Rating and Product Complexity Indicator associated with the Australian Unity Notes. 	Sections 5.11 and 9.1
Is there a minimum application size for applications?	<ul style="list-style-type: none"> Yes, the minimum investment is \$5,000 (being 50 Australian Unity Notes) for General Applicants and Broker Firm Applicants and \$2,000 (being 20 Australian Unity Notes) for Member Applicants and Employee Applicants. 	
When will Australian Unity Notes be issued?	<ul style="list-style-type: none"> Australian Unity Notes are expected to be issued on 14 April 2011. 	
Will Australian Unity Notes be quoted on the ASX?	<ul style="list-style-type: none"> Australian Unity has applied to the ASX for Australian Unity Notes issued under this Prospectus to be quoted on the ASX. If official quotation is granted, Australian Unity Notes are expected to commence trading on 19 April 2011 under the ASX code 'AYUHA'. If quotation approval is not granted by the ASX within three months after the date of the Original Prospectus, Australian Unity Notes will not be issued and Application Payments will be refunded to Applicants without interest. Once quoted on the ASX, Australian Unity Notes may be purchased or sold through a broker. The market price of Australian Unity Notes may be higher or lower than their Issue Price depending on, among other things, the level of supply and demand for Australian Unity Notes, and the financial performance of the Australian Unity Group. 	Section 2.2.9.1

Topic	Summary	Where to find more information
Will I become an Australian Unity Member by investing in Australian Unity Notes?	<ul style="list-style-type: none"> No, you will not become an Australian Unity Member by investing in Australian Unity Notes. 	Clause 1.8(a) of Terms
What if I am an Australian Unity Member or an Australian Unity employee?	<ul style="list-style-type: none"> If you are already an Australian Unity Member, you may be eligible to apply for Australian Unity Notes under the Member Offer. If you are already an employee of the Australian Unity Group, you may be eligible to apply for Australian Unity Notes under the Employee Offer. Persons eligible to apply for Australian Unity Notes under both the Member Offer and the Employee Offer may apply for Australian Unity Notes under either the Member Offer or the Employee Offer, but not under both. If there is excess demand for Australian Unity Notes after Allocations to Institutional Investors and Syndicate Brokers, Applications under the Member Offer and the Employee Offer will be given priority over Applications by General Applicants. If possible, having regard to the total level of Applications under the Offer, Australian Unity will endeavour to provide Member Applicants and Employee Applicants with a priority Allocation under the Member Offer and the Employee Offer of at least \$2,000 worth of Australian Unity Notes. However, Australian Unity does not guarantee any minimum priority Allocation under the Member Offer or Employee Offer and the extent of any priority Allocation will ultimately depend on the total level of Applications under the Offer. 	Section 2
1.3 Interest on Australian Unity Notes		
How will the Interest Rate on Australian Unity Notes be calculated?	<ul style="list-style-type: none"> The Interest Rate for each Interest Period will be the sum of the three-month BBSW, as determined on the first Business Day of the relevant Interest Period, and the Margin. Interest Rate = three-month BBSW + Margin The Margin is 3.55 percent per annum and will be fixed for the term of the Australian Unity Notes. 	Clause 2 of Terms
What is three-month BBSW?	<ul style="list-style-type: none"> Three-month BBSW is a benchmark interest rate for the Australian money market, commonly used by major Australian financial institutions to fund short-term cash to each other over a three month period. This rate changes to reflect supply and demand within the cash and currency markets. The graph below illustrates the movement in the three-month BBSW over the past 15 years. The three-month BBSW has been as low as 3.08 percent and as high as 7.99 percent per annum during the last 15 years. The rate applying on 10 March 2011 was 4.97 percent per annum. Past three-month BBSW rates are not necessarily indicative of future three-month BBSW rates. 	

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Topic	Summary	Where to find more information
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<p>How will the amount of Interest be calculated on Australian Unity Notes for each Interest Period?</p>	<p>The amount of Interest scheduled to be paid on each Australian Unity Note in respect of each Interest Period will be calculated using the following formula:</p> $\text{Interest payable} = \frac{\text{Interest Rate} \times \$100 \times N}{365}$ <p>where:</p> <p>Interest Rate means the rate (expressed as a percentage per annum) calculated as described above; and</p> <p>N means the number of days in the Interest Period</p> <p>For example, if the Interest Rate was 9 percent per annum and the Interest Period was 90 days in length, the Interest payable for each Australian Unity Note for the relevant Interest Period would be calculated as follows:</p> $\frac{9\% \times \$100 \times 90}{365}$ <p>= \$2.22 per Australian Unity Note</p> <p>Australian Unity will announce to the ASX the applicable Interest Rate and the amount of Interest payable for each Australian Unity Note for each Interest Period. The announcement will be made no later than the fourth Business Day of each Interest Period.</p> <p>Information about the Interest Rate can also be obtained from www.australianunity.com.au/australianunitynotes following completion of the Offer Period.</p>	<p>Clause 3 of Terms</p>
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Topic	Summary	Where to find more information
When will Interest on Australian Unity Notes be payable?	<ul style="list-style-type: none"> • Interest accrues on each Australian Unity Note on a daily basis from (and including) its Issue Date to (but excluding) the date on which it is Redeemed or purchased by Australian Unity and cancelled. • Interest will be payable quarterly in arrears on 14 January, 14 April, 14 July and 14 October of each year and on either the Maturity Date or any Redemption Date. If any of these scheduled dates is not a Business Day, then the due date for payment of Interest will be postponed to the next Business Day, however, the Holder is not entitled to any additional payment in respect of that delay. • The first Interest Payment Date is 14 July 2011. • Interest will be paid to Holders registered as such at 7:00 pm (Melbourne time) on the Record Date for the Interest payment, which is currently eight calendar days before the Interest Payment Date for that Interest payment or as otherwise required by the ASX. • Interest payments are not deferrable by Australian Unity nor are they discretionary. • Non-payment of Interest (in whole or in part) may give rise to an Event of Default. 	Clauses 2.1, 7.1(a), 9.3, 9.5 and 12.2 of Terms
Will Interest payments be franked?	<ul style="list-style-type: none"> • No, Interest payments will not be franked with franking credits. 	

Topic	Summary	Where to find more information
1.4 Redemption		
<p>When may Australian Unity Redeem Australian Unity Notes?</p>	<ul style="list-style-type: none"> • Australian Unity must Redeem all outstanding Australian Unity Notes on the Maturity Date. • Australian Unity may Redeem all (but not some) of the Australian Unity Notes prior to the Maturity Date. If Australian Unity exercises that right, each Holder will be entitled to receive the Face Value of \$100 per Australian Unity Note, plus any outstanding Interest due and payable, plus the Early Redemption Payment (regardless of whether Australian Unity later becomes entitled to Redeem the Australian Unity Notes in the circumstances set out below). The Early Redemption Payment is calculated on the following basis: <ul style="list-style-type: none"> – if Redemption occurs before the first anniversary of the Issue Date, each Holder will receive an additional \$5 per Australian Unity Note (a 5 percent premium to the Face Value); – if Redemption occurs on or after the first anniversary of the Issue Date but before the second anniversary of the Issue Date, each Holder will receive an additional \$4 per Australian Unity Note (a 4 percent premium to the Face Value); or – if Redemption occurs on or after the second anniversary of the Issue Date, each Holder will receive an additional \$2 per Australian Unity Note (a 2 percent premium to the Face Value). • Australian Unity must also Redeem all (but not some) of the Australian Unity Notes prior to the Maturity Date if a Change of Control Event occurs. If Australian Unity Notes are Redeemed by the Issuer prior to the Maturity Date in these circumstances, Holders will receive the Face Value of \$100 per Australian Unity Note plus any outstanding Interest due and payable, plus the Early Redemption Payment outline above. • In addition and without any obligation to pay the Early Redemption Payment, Australian Unity may Redeem the Australian Unity Notes prior to the Maturity Date in the following circumstances: <ul style="list-style-type: none"> – a Tax Event occurs; – a Regulatory Event occurs; – at any time the aggregate Face Value of the Australian Unity Notes that have not been Redeemed is less than 10 percent of the aggregate Face Value of the Australian Unity Notes originally issued on the Issue Date; or – an Event of Default occurs. <p>If Australian Unity Notes are Redeemed by the Issuer prior to the Maturity Date in the above circumstances, Holders will receive the Face Value of \$100 per Australian Unity Note plus any outstanding Interest due and payable.</p>	<p>Clauses 4 and 7 of Terms</p>

Topic	Summary	Where to find more information
Can Australian Unity purchase Australian Unity Notes on the ASX?	<ul style="list-style-type: none"> • Australian Unity may, at any time, purchase Australian Unity Notes on the ASX (subject to compliance with any applicable law or requirement of the ASX (if any)). Note, no Early Redemption Payment is payable in this case. 	Clause 4.11 of Terms
Do Holders have a right to request Redemption?	<ul style="list-style-type: none"> • Holders do not have specific exit rights prior to the Maturity Date except in the following circumstances: <ul style="list-style-type: none"> – a Change of Control Event occurs, in which case the Issuer must Redeem all Australian Unity Notes; – a Delisting Event occurs; or – if there is an Event of Default, the Trustee may require Australian Unity to Redeem the Australian Unity Notes. The Trustee is not required to do so unless an Ordinary Resolution of the Holders resolves to instruct the Trustee to seek Redemption. • However, Holders may seek to sell Australian Unity Notes on the ASX at any time in accordance with ASX operating procedures. • If Australian Unity Notes are Redeemed by the Holder prior to the Maturity Date, Holders will receive the Face Value of \$100 per Australian Unity Note plus any outstanding Interest due and payable. If Australian Unity Notes are Redeemed by the Issuer prior to the Maturity Date because a Change of Control Event has occurred, Holders will also receive the Early Redemption Payment. 	Clauses 4.7, 4.8 and 7.3 of Terms

Topic	Summary	Where to find more information
<p>What constitutes an Event of Default, a Delisting Event, a Change of Control Event, a Regulatory Event or a Tax Event?</p>	<ul style="list-style-type: none"> • Each of these terms have the meaning given to them in the relevant Terms. A brief summary of the meaning of each term is set out below. • An Event of Default means: <ul style="list-style-type: none"> – failure by Australian Unity to pay on the due date any amount payable by it under any Australian Unity Note (including Interest) and, where the sole reason for the default is a technical or administrative difficulty within the banking system used to effect payment, such default is not remedied within 5 Business Days; – a breach by Australian Unity of any of its other obligations under the Trust Deed which is unremedied for 15 Business Days after Australian Unity has received notice from the Trustee; – a representation in this Prospectus is untrue, incorrect or misleading in a material respect and the underlying matter or circumstances are unremedied for 45 Business Days after the Issuer has received notice from the Trustee; – an insolvency event (such as liquidation) occurs in respect of the Issuer; – Australian Unity ceases or suspends the conduct of all of its business; or – it is unlawful for Australian Unity to perform any of its payment obligations under the Australian Unity Notes. • A Delisting Event means the Australian Unity Notes cease to be quoted on the ASX or trading of the Australian Unity Notes on the ASX is suspended for more than 15 consecutive Business Days. • A Change of Control Event occurs when the Members pass a special resolution pursuant to Rule 3.5 of the Constitution authorising the entry into, implementation of or carrying out of a Demutualisation by the Issuer. • A Regulatory Event means as a result of a change in law or the application or interpretation of a law after the Issue Date, additional requirements which the Directors determine in their absolute discretion to be unacceptable would be imposed on the Issuer in respect of the Australian Unity Notes. • A Tax Event means as a result of a change in law or the application or interpretation of a law after the Issue Date, Australian Unity is required to pay an additional amount of tax in respect of the Australian Unity Notes or the payment of Interest on an Australian Unity Note is not, or may not, be allowed as a deduction for the purposes of Australian Unity’s Australian income tax liability. 	<p>Clauses 4.2, 4.3, 4.4, 4.7, 4.8, 7 and 12.2 of Terms</p>

Topic	Summary	Where to find more information
1.5 Ranking and subordination of Australian Unity Notes		
Is there any security?	<ul style="list-style-type: none"> Australian Unity Notes are not secured by any assets of Australian Unity or the Australian Unity Group. 	Clause 5.1 of Terms
Where do Australian Unity Notes rank?	<ul style="list-style-type: none"> Australian Unity Notes rank behind secured creditors and rank equally amongst themselves and at least equally with all other unsecured obligations of the Issuer, other than those obligations mandatorily preferred by law. Refer to section 5.10 for details on the ranking of debt in the Australian Unity Group. 	Clause 5.2 of Terms
What undertakings are there by Australian Unity to maintain the status of the Notes' ranking?	<ul style="list-style-type: none"> Australian Unity will undertake that: <ul style="list-style-type: none"> the debt of the Australian Unity Group is limited to a prescribed level of gearing; no member of the Australian Unity Group will grant security for any Financial Indebtedness (other than certain specified exceptions set out in the Terms) without also providing the same or equal ranking security to the Holders; and no Subsidiary of the Issuer will incur Financial Indebtedness (other than certain specified exceptions set out in the Terms) unless that Subsidiary has provided a guarantee and indemnity in favour of the Trustee for all moneys owing in respect of the Australian Unity Notes. This undertaking is intended to limit the extent to which the Holders are structurally subordinated to other financial creditors of the Australian Unity Group . 	Clause 6 of Terms
Are there any financial covenants that Australian Unity needs to comply with?	<ul style="list-style-type: none"> Yes, Australian Unity will need to operate within a Gearing Ratio of less than 45 percent. Until the earlier of the Maturity Date and Redemption of all Australian Unity Notes on issue, Australian Unity will disclose (i) the Gearing Ratio on 30 June of the relevant year in its annual report and (ii) the Gearing Ratio on 31 December of the relevant year in its half-year report. Refer to section 5.10.2 for details of the Gearing Ratio. 	Clause 6.1 of Terms

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Topic	Summary	Where to find more information															
Is there any financial debt that ranks ahead of Australian Unity Notes?	<ul style="list-style-type: none"> Yes, as at 31 December 2010², the Australian Unity Group had \$179.1 million of other financial debt that ranks ahead of the Australian Unity Notes as set out in the table below. <table border="1" style="margin-left: 20px;"> <thead> <tr> <th style="background-color: #f4a460;"></th> <th style="background-color: #f4a460;">Drawn Financial Indebtedness and Equity</th> <th style="background-color: #f4a460;">Amount Drawn</th> </tr> </thead> <tbody> <tr> <td>Senior Financial Indebtedness</td> <td>– Health Insurance subordinated capital notes</td> <td style="text-align: right;">\$25.0m</td> </tr> <tr> <td>or</td> <td></td> <td></td> </tr> <tr> <td>Financial Indebtedness in respect of which the person to whom the Financial Indebtedness is owed only has claims against certain Subsidiaries or certain assets of the Australian Unity Group</td> <td> – Limited recourse debt – Preferential units in Australian Unity Aged Care Trusts #1, #2 and #3 – Retirement Village Investment Notes (RVINs) – Lifeplan Australia Building Society deposits </td> <td style="text-align: right;"> \$3.6m \$10.0m \$61.8m \$78.7m </td> </tr> <tr> <td>Total</td> <td></td> <td style="text-align: right;">\$179.1m</td> </tr> </tbody> </table> <p>In certain circumstances future Financial Indebtedness will also rank ahead of the Australian Unity Notes. Refer to section 5.10.1 for further detail.</p>		Drawn Financial Indebtedness and Equity	Amount Drawn	Senior Financial Indebtedness	– Health Insurance subordinated capital notes	\$25.0m	or			Financial Indebtedness in respect of which the person to whom the Financial Indebtedness is owed only has claims against certain Subsidiaries or certain assets of the Australian Unity Group	– Limited recourse debt – Preferential units in Australian Unity Aged Care Trusts #1, #2 and #3 – Retirement Village Investment Notes (RVINs) – Lifeplan Australia Building Society deposits	\$3.6m \$10.0m \$61.8m \$78.7m	Total		\$179.1m	Section 5.10
	Drawn Financial Indebtedness and Equity	Amount Drawn															
Senior Financial Indebtedness	– Health Insurance subordinated capital notes	\$25.0m															
or																	
Financial Indebtedness in respect of which the person to whom the Financial Indebtedness is owed only has claims against certain Subsidiaries or certain assets of the Australian Unity Group	– Limited recourse debt – Preferential units in Australian Unity Aged Care Trusts #1, #2 and #3 – Retirement Village Investment Notes (RVINs) – Lifeplan Australia Building Society deposits	\$3.6m \$10.0m \$61.8m \$78.7m															
Total		\$179.1m															

² Assuming completion of the Offer occurs and the Westpac Cash Advance Facility is repaid in full from proceeds of the Offer.

Topic	Summary	Where to find more information
In the event of a winding-up, what will Holders receive from Australian Unity?	<ul style="list-style-type: none"> Australian Unity Notes are unsecured debt and are a direct claim only on the entity Australian Unity, which is the holding company for the Australian Unity Group. This means that in the event of a winding-up of Australian Unity, Holders will be entitled to prove in the winding up of Australian Unity for a repayment of the Face Value and any Interest that has accrued but remains unpaid on Australian Unity Notes. Holders will then participate, proportionately to the claims of all unsecured creditors in the pool of distributable assets, in the winding up of Australian Unity only after all secured debts of Australian Unity have been paid in full. In addition, Holders, having a direct claim only against Australian Unity, will be structurally subordinated as regards the assets of any given Subsidiary of Australian Unity to Financial Indebtedness and other debts directly owed or remaining unpaid by that Subsidiary (refer section 5.10.1). 	Clauses 5.1, 5.2 and 7 of Terms
Can Holders enforce a winding-up of Australian Unity?	<ul style="list-style-type: none"> Holders acting on their own behalf cannot directly enforce a winding-up of Australian Unity. 	Clauses 1.8 and 7.3 of Terms
1.6 Further issues of securities		
Can Australian Unity issue additional Australian Unity Notes or other securities?	<ul style="list-style-type: none"> Yes, subject to the restrictions below, Australian Unity has the right to issue additional notes or other securities that have the same or different terms to the Australian Unity Notes (including but not limited to terms relating to interest or distribution rates, maturities or dividend) and which may rank ahead, equally with or behind the Australian Unity Notes and whether or not secured, without the approval of Holders. However, Australian Unity may only issue additional notes or other securities without the approval of Holders if: <ul style="list-style-type: none"> the issue does not involve Australian Unity or any other member of the Australian Unity Group granting security for any Financial Indebtedness (other than in accordance with certain specified exceptions) without also providing the same or equal ranking security to the Holders; and the issue does not breach the Gearing Ratio of 45 percent. <p>Please see section 5.10.1 for further details of the Negative Pledge and section 5.10.2 for further details of the Gearing Ratio.</p>	<p>Clauses 6 and 11.5 of Terms</p> <p>Section 5.10</p>
1.7 Participation and voting rights		
Do Holders of Australian Unity Notes have participation rights?	<ul style="list-style-type: none"> No, Australian Unity Notes do not carry a right to participate in any offering of new securities in Australian Unity. 	Clause 1.8(c) of Terms

Topic	Summary	Where to find more information
Does holding Australian Unity Notes confer voting rights?	<ul style="list-style-type: none"> No, holding Australian Unity Notes does not confer rights to vote at general meetings of Australian Unity. However, Holders are entitled to vote at Holder general meetings. 	Clause 1.8(b) of Terms
1.8 Taxation implications		
What are the taxation implications of investing in Australian Unity Notes?	<ul style="list-style-type: none"> The taxation implications of investing in Australian Unity Notes will depend on the individual circumstances of the Holder, including in particular whether you are a resident of Australia or another country. A summary of some of the relevant Australian taxation consequences for Holders is provided in section 8. Holders should obtain their own taxation advice based on their individual circumstances before deciding whether to invest in Australian Unity Notes. 	Section 8
1.9 Investment risks		
What are the risks in investing in the Australian Unity Notes?	<ul style="list-style-type: none"> There are risks associated with an investment in Australian Unity Notes generally and with the Australian Unity Group's businesses. See section 7 for further details. 	Section 7
1.10 Amendments to Australian Unity Notes Terms and Trust Deed		
Can the Australian Unity Note Terms be amended?	<ul style="list-style-type: none"> Australian Unity and the Trustee may (in their absolute discretion) alter the Trust Deed and the Australian Unity Notes Terms if: <ul style="list-style-type: none"> each is of the opinion that such alteration is: <ul style="list-style-type: none"> of a formal or technical nature; made to cure any ambiguity or manifest error; expedient for the purpose of listing or retaining any listing of Australian Unity Notes; necessary to comply with any law; or to evidence the succession of another person to Australian Unity; or the alteration is considered by the Trustee not to be materially prejudicial to the interests of the Holders; or made with the authorisation of a Holders' resolution (depending on the alteration). 	Section 9.5.12
1.11 More information		
Where can I get more information?	<ul style="list-style-type: none"> For more information on applying for Australian Unity Notes—see section 2.2. If you have any questions in relation to the Offer, please call the Australian Unity Notes Information Line on 1800 209 118 between 8:30 am and 5:30 pm (Melbourne time), Monday to Friday or contact your financial or professional adviser. 	Section 2
Where can I get a copy of the ASIC corporate bonds guide?	<ul style="list-style-type: none"> ASIC has published an investor guide for retail investors who are considering investing in corporate bonds. A copy of the guide can be obtained free of charge from www.fido.asic.gov.au/corporate-bonds or by contacting ASIC on 1300 300 630. 	

2. Applying for Australian Unity Notes

This section sets out:

- An overview of the Offer; and
- Information about applying for Australian Unity Notes.

2.1 About the Offer

Australian Unity intends to raise approximately \$100 million of Australian Unity Notes with the ability to raise more or less (Offer). The purpose of the Offer is to raise funds as part of Australian Unity's capital management program. The amount raised by the Offer will be used partly to repay debt and for general working capital and business purposes. The issue of Australian Unity Notes will further diversify Australian Unity's funding sources, increase the average tenor of Australian Unity's funding profile and raise the profile of the Australian Unity Group within retail and institutional investor groups.

The Offer of Australian Unity Notes is being made by Australian Unity and is open to investors in Australia on the terms set out in this Prospectus.

There is no minimum amount to be raised by Australian Unity Notes and Australian Unity may accept any Applications.

The Offer comprises:

- a Member Offer made to Member Applicants;
- an Employee Offer made to Employee Applicants;
- a General Offer made to General Applicants;
- a Broker Firm Offer made to Broker Firm Applicants; and
- an Institutional Offer made to certain Institutional Investors.

Persons eligible to apply for Australian Unity Notes under both the Member Offer and the Employee Offer may apply for Australian Unity Notes under either the Member Offer or the Employee Offer, but not under both.

If there is excess demand for Australian Unity Notes after Allocations to Institutional Investors and Syndicate Brokers, Applicants under the Member Offer and the Employee Offer will be given priority over General Applicants. If possible, having regard to the total level of Applications under the Offer, Australian Unity will endeavour to provide Member Applicants and Employee Applicants with a priority Allocation under the Member Offer and the Employee Offer of at least \$2,000 worth of Australian Unity Notes.

However, Australian Unity does not guarantee any minimum priority Allocation under the Member Offer or the Employee Offer and the extent of any priority Allocation will ultimately depend on the total level of Applications under the Offer.

Australian Unity Notes may be offered in a jurisdiction outside Australia under the Institutional Offer where such an offer is made in accordance with the laws of that jurisdiction.

The remainder of this section 2 sets out general information relating to applying for Australian Unity Notes.

2.1.1 Institutional participation in the Offer

Certain Institutional Investors have, prior to the lodgement of the Original Prospectus, committed to the Joint Lead Managers and Joint Bookrunners to apply for the Australian Unity Notes on the same terms as all other investors. The Joint Lead Managers and Joint Bookrunners will pay these Institutional Investors (but not any other investors that have subsequently given commitments to invest under the Bookbuild):

- 0.25 percent of the amount they committed to and that is then allocated to them; and
- a further 0.25 percent of the amount allocated to them provided they continue to hold that allocation two months after the Issue Date.

Any payments made by the Joint Lead Managers and Joint Bookrunners to Institutional Investors, in the manner contemplated above, will be out of the fees paid to the Joint Lead Managers and Joint Bookrunners by Australian Unity under the Offer.

2.1.2 Obtaining a Prospectus and completing the Application Form

An electronic copy of this Prospectus will be available to persons in Australia online at www.australianunity.com.au/australianunitynotes during the Offer Period. If you access an electronic copy of this Prospectus, you should ensure that you download and read the entire Prospectus.

During the Offer Period, you may also request a free paper copy of this Prospectus either online by following the instructions at www.australianunity.com.au/australianunitynotes or by contacting the Australian Unity Notes Information Line on 1800 209 118 between 8:30 am and 5:30 pm (Melbourne time), Monday to Friday.

Application Forms (both electronic and paper) are available with this Prospectus during the Offer Period. Your Application will only be considered where you have applied pursuant to an Application Form (either electronic or paper) that was included in or accompanied by a copy of this Prospectus and your Application Payment has been received.

2.1.3 Application Payments held on trust

All Application Payments received before Australian Unity Notes are issued will be held by Australian Unity on trust in an account established solely for the purpose of depositing Application Payments received. Any interest that accrues in that account will be retained by Australian Unity. After Australian Unity Notes are issued to successful Applicants, the Application Payments held on trust will be paid to Australian Unity.

2.1.4 Refunds

If you are a Member Applicant, Employee Applicant or General Applicant and you are not allotted any Australian Unity Notes or you are allotted fewer Australian Unity Notes than the number that you applied for as a result of a scale back (refer to section 2.1.6 for the Australian Unity Notes allocation policy), all or some of your Application Payment (as applicable) will be refunded (without interest) as soon as practicable after the Issue Date.

In addition, if the Offer does not proceed for any reason, Applicants will have their Application Payments refunded (without interest) as soon as practicable after it has been determined that the Offer will not proceed.

2.1.5 Provision of personal information

The information about you included on an Application Form is used for the purposes of processing the Application and, if the Application is successful, to administer your holding of Australian Unity Notes. For information about the acknowledgements and privacy statement in relation to personal information that you provide to Australian Unity by completing an Application Form, see section 2.4.3.

2.1.6 Allocation policy

2.1.6.1 Overview

The Allocation of Australian Unity Notes to Syndicate Brokers and Institutional Investors was determined through the Bookbuild— see section 2.1.6.2.

Allocations for the Member Offer, Employee Offer and General Offer will be determined by Australian Unity in consultation with the Joint Bookrunners after the Closing Date—see section 2.1.6.3. There is no specified proportion of the Offer that may be allocated to the Member Offer, Employee Offer or General Offer. If there is excess demand for Australian Unity Notes after Allocations to Institutional Investors and Syndicate Brokers, Applicants under the Member Offer and the Employee Offer will be given priority over General Applicants.

If possible, having regard to the total level of Applications under the Offer, Australian Unity will endeavour to provide Member Applicants and Employee Applicants with a priority Allocation under the Member Offer and the Employee Offer of at least \$2,000 worth of Australian Unity Notes. However, Australian Unity does not guarantee any minimum priority Allocation under the Member Offer or the Employee Offer and the extent of any priority Allocation will ultimately depend on the total level of Applications under the Offer.

2.1.6.2 Bookbuild

The Bookbuild was a process conducted by the Joint Bookrunners in consultation with Australian Unity before the Opening Date to determine the Margin and firm Allocations of Australian Unity Notes to Syndicate Brokers and Institutional Investors.

In this process, the Syndicate Brokers and Institutional Investors were invited to lodge bids for a number of Australian Unity Notes. On the basis of those bids, Australian Unity (in consultation with the Joint Bookrunners) determined the Margin and the firm Allocations to successful participants. The Bookbuild was conducted under the terms and conditions agreed by Australian Unity and the Joint Bookrunners in the Offer Management Agreement. The Offer Management Agreement may be terminated by the Joint Bookrunners in certain circumstances—see section 9.6. If the Offer Management Agreement is terminated, Syndicate Brokers and Institutional Investors who participated in the Bookbuild can withdraw their firm Allocations. For details of the fees payable under the Offer Management Agreement, see section 9.6.

Australian Unity Notes allocated to Syndicate Brokers and Institutional Investors through the Bookbuild will be issued to Applicants through Applications made under this Prospectus.

2.1.6.3 Allocations

Institutional Offer	<p>Allocations to Institutional Investors have been determined by Australian Unity, in consultation with the Joint Bookrunners.</p>
Broker Firm Offer	<p>Allocations to Syndicate Brokers will be determined by Australian Unity, in consultation with the Joint Bookrunners. However, Australian Unity will have absolute discretion as to Allocations.</p> <p>Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker.</p>
Member and Employee Offers	<p>Member Applicants and Employee Applicants who submit a valid Application Form and Application Payment may receive an Allocation, subject to the right of Australian Unity (in consultation with the Joint Bookrunners, subject to Australian Unity's absolute discretion as to Allocations) to determine the Allocations, when the Offer closes.</p> <p>If there is excess demand for Australian Unity Notes after Allocations to Institutional Investors and Syndicate Brokers, Applicants under the Member Offer and the Employee Offer will be given priority over General Applicants. If possible, having regard to the total level of Applications under the Offer, Australian Unity will endeavour to provide Member Applicants and Employee Applicants with a priority Allocation under the Member Offer and the Employee Offer of at least \$2,000 worth of Australian Unity Notes. However, Australian Unity does not guarantee any minimum priority Allocation under the Member Offer or the Employee Offer and the extent of any priority Allocation will ultimately depend on the total level of Applications under the Offer.</p> <p>Australian Unity has absolute discretion to determine the method and extent of the priority Allocation to Member Applicants and Employee Applicants. In particular, Australian Unity reserves the right (at its discretion) to:</p> <ul style="list-style-type: none"> • allocate to any Member Applicant or Employee Applicant all Australian Unity Notes for which they have applied; • reject any Application by a Member Applicant or Employee Applicant; or • allocate to any Member Applicant or Employee Applicant a lesser number of Australian Unity Notes than that applied for, including less than the minimum application number of Australian Unity Notes or none at all. <p>No assurance is given that any Member Applicant or Employee Applicant will receive an Allocation.</p> <p>Please note that persons eligible to apply for Australian Unity Notes under both the Member Offer and the Employee Offer may apply for Australian Unity Notes under either the Member Offer or the Employee Offer, but not under both.</p>
General Offer	<p>General Applicants who submit a valid Application Form and Application Payment may receive an Allocation, subject to the right of Australian Unity (in consultation with the Joint Bookrunners, subject to Australian Unity's absolute discretion as to Allocations) to determine the Allocations, when the Offer closes.</p> <p>If there is excess demand for Australian Unity Notes after Allocations to Institutional Investors and Syndicate Brokers, Applicants under the Member Offer and the Employee Offer will be given priority over General Applicants.</p> <p>Australian Unity has absolute discretion to determine the method and extent of the priority Allocation to General Applicants. In particular, Australian Unity reserves the right (at its discretion) to:</p> <ul style="list-style-type: none"> • allocate to any General Applicant all Australian Unity Notes for which they have applied; • reject any Application by a General Applicant; or • allocate to any General Applicant a lesser number of Australian Unity Notes than that applied for, including less than the minimum application number of Australian Unity Notes or none at all. <p>No assurance is given that any General Applicant will receive an Allocation.</p>

2.1.7 Provision of Tax File Number or Australian Business Number for Australian tax residents

Australian Unity may contact you to obtain your TFN or ABN (where relevant) or both.

You do not have to provide your TFN or ABN and it is not an offence if you fail to do so. However, in respect of Holders who have a registered address in Australia, Australian Unity may be required to withhold Australian tax at the maximum marginal tax rate (currently 46.5 percent including the Medicare levy) on the amount of any Interest unless you provide one of the following:

- TFN;
- TFN exemption number (if applicable); or
- ABN (if Australian Unity Notes are held in the course of an enterprise carried on by you).

The collection and quotation of TFNs and ABNs is authorised, and their use and disclosure is regulated, by tax laws and the *Privacy Act (1988) Cth (Privacy Act)*.

2.2 Applying for Australian Unity Notes

This section 2.2 sets out information on applying for Australian Unity Notes.

2.2.1 Member Applicants, Employee Applicants and General Applicants

If you apply online, you will be required to complete the online Application Form for Australian Unity Notes and pay using BPAY®—see section 2.2.6 for BPAY® payment instructions. BPAY® is an electronic payment service that enables you to pay for your Australian Unity Notes directly from your cheque or savings account online through participating Australian banks, credit unions or building societies. Cash payments will not be accepted.

Please note that your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY® and payment cut-off times may vary between bank, credit union or building society. For more information, please see www.bpay.com.au or your own financial institution.

Member Applicants and Employee Applicants will be required to confirm their Entitlement Number before completing an online Application Form for Australian Unity Notes. Australian Unity will issue an Entitlement Number to Member Applicants and Employee Applicants on or about the Opening Date for the Offer. Member Applicants and Employee Applicants may also request their Entitlement Number by calling the Australian Unity Notes Information Line on 1800 209 118 between 8:30 am and 5:30 pm (Melbourne time), Monday to Friday, during the Offer Period.

If you apply using a paper Application Form included in or accompanying this Prospectus, Application Payments must be in the form of a cheque(s) and/or money order(s) drawn on an Australian dollar account of an Australian financial institution.

Member Applicants and Employee Applicants (but excluding an Employee Applicant who is a direct relative of an employee of the Australian Unity Group) who request and receive a paper copy of this Prospectus and personalised paper Application Form may also apply for Australian Unity Notes by paying their Application Payment using BPAY® in accordance with the Application Form. Such Members Applicants and Employee Applicants will be taken to have submitted an Application for Australian Unity Notes using the personalised paper Application Form (including all representations, warranties, acknowledgement and declarations set out in the personalised paper Application Form). An Employee Applicant who is a direct relative of an employee of the Australian Unity Group must apply online if he or she wishes to pay using BPAY®.

Persons eligible to apply for Australian Unity Notes under both the Member Offer and the Employee Offer may apply for Australian Unity Notes under either the Member Offer or the Employee Offer, but not under both.

If there is excess demand for Australian Unity Notes after Allocations to Institutional Investors and Syndicate Brokers, Applicants under the Member Offer and the Employee Offer will be given priority over General Applicants. If possible, having regard to the total level of Applications under the Offer, Australian Unity will endeavour to provide Member Applicants and Employee Applicants with a priority Allocation under the Member Offer and the Employee Offer of at least \$2,000 worth of Australian Unity Notes. However, Australian Unity does not guarantee any minimum priority Allocation under the Member Offer or the Employee Offer and the extent of any priority Allocation will ultimately depend on the total level of Applications under the Offer.

2.2.2 Broker Firm Applicants

You should contact your Syndicate Broker for information on how to submit your Application and your Application Payment to your Syndicate Broker.

2.2.3 Delivering paper Application Forms for Australian Unity Notes

If you apply using a paper Application Form, you should return your completed Application Form and Application Payment to the appropriate address listed below before the Closing Date, which is expected to be:

- 5:00 pm (Melbourne time) on 5 April 2011 for Member Applicants and Employee Applicants; and
- 5:00 pm (Melbourne time) on 7 April 2011 for General Applicants.

Application Forms may not be processed if received after the Closing Date.

By mail to the Registry:	By hand to the Registry:
Australian Unity Notes Offer C/- Link Market Services Limited GPO Box 3560, Sydney NSW 2001	Australian Unity Notes Offer C/- Link Market Services Limited Level 1, 333 Collins Street Melbourne VIC 3000 or Australian Unity Notes Offer C/- Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000

If you are mailing your paper Application Form and Application Payment, please ensure you allow enough time for Australia Post to deliver your Application Form and Application Payment to the address above. Check with Australia Post for delivery times if you are unsure. If any Applications are not processed, the Application Form and Application Payment will be returned.

Paper Application Forms and Application Payments will not be accepted at any other address.

2.2.4 Member Applicants, Employee Applicants or General Applicants submitting online Application Forms

If you are a Member Applicant, Employee Applicant or General Applicant and are applying for Australian Unity Notes using an online Application Form, you should submit your completed online Application Form and ensure your applicable Application Payment is made before the Closing Date, which is expected to be:

- 5:00 pm (Melbourne time) on 5 April 2011 for Member Applicants and Employee Applicants; and
- 5:00 pm (Melbourne time) on 7 April 2011 for General Applicants.

Persons eligible to apply for Australian Unity Notes under both the Member Offer and the Employee Offer may apply for Australian Unity Notes under either the Member Offer or the Employee Offer, but not under both.

Please note that if there is excess demand for Australian Unity Notes after Allocations to Institutional Investors and Syndicate Brokers, Applicants under the Member Offer and the Employee Offer will be given priority over General Applicants. If possible, having regard to the total level of Applications under the Offer, Australian Unity will endeavour to provide Member Applicants and Employee Applicants with a priority Allocation under the Member Offer and the Employee Offer of at least \$2,000 worth of Australian Unity Notes. However, Australian Unity does not guarantee any minimum priority Allocation under the Member Offer or the Employee Offer and the extent of any priority Allocation will ultimately depend on the total level of Applications under the Offer.

2.2.5 Overview for Australian Unity Notes Applications

Who can apply for Australian Unity Notes?	How many Australian Unity Notes can you apply for?	When to apply ³	How do I apply	
			Online	Using a paper Application Form
<p>Member Applicant that is, a Member shown on Australian Unity's register of members as at 5:00 pm (Melbourne time) on 8 February 2011, with an address in Australia—through the Member Offer. Please note that persons eligible to apply for Australian Unity Notes under both the Member Offer and the Employee Offer may apply for Australian Unity Notes under either the Member Offer or the Employee Offer, but not under both.</p>	<p>Your Application must be for a minimum of 20 Australian Unity Notes (\$2,000). If your Application is for more than 20 Australian Unity Notes, then you must apply in incremental multiples of 10 Australian Unity Notes—that is, for incremental multiples of at least \$1,000. If possible, having regard to the total level of Applications under the Offer, Australian Unity will endeavour to provide Member Applicants and Employee Applicants with a priority Allocation under the Member Offer and the Employee Offer of at least \$2,000 worth of Australian Unity Notes. However, Australian Unity, in consultation with the Joint Bookrunners, reserves the right to reject any Application, or to allocate any Member Applicant a lesser number of Australian Unity Notes than applied for.</p>	<p>Applications will only be accepted during the Offer Period, which is expected to open on 11 March 2011. The Closing Date for the Member Offer is expected to be 5:00 pm (Melbourne time) on 5 April 2011. Your completed Application Form (either electronic or paper) and Application Payment must be received by the Registry by this time.</p>	<p>You can apply online at au.wwww.austrianunity.com.au/australianunitynotes. Instructions on how to complete your Application are provided online. You will be asked to provide your Entitlement Number. Australian Unity will issue an Entitlement Number to Member Applicants on or about the Opening Date for the Offer. Member Applicants may also request their Entitlement Number by calling the Australian Unity Notes Information Line on 1800 209 118 between 8:30 am and 5:30 pm (Melbourne time), Monday to Friday, during the Offer Period. You will be required to pay for Australian Unity Notes using BPAY®—see section 2.2.6.</p>	<p>You can obtain a paper copy of this Prospectus and a personalised paper Application Form (by providing your Entitlement Number) either:</p> <ul style="list-style-type: none"> • online by following the instructions at www.austrianunity.com.au/australianunitynotes; or • by calling the Australian Unity Notes Information Line on 1800 209 118 between 8:30 am and 5:30 pm (Melbourne time), Monday to Friday and requesting a copy. <p>If you apply by mailing or hand delivering your personalised paper Application Form, you will be required to pay for Australian Unity Notes using a cheque(s) and/or money order(s) — see section 2.2.6. You will be required to mail or hand deliver your completed Application Form to the Registry—see section 2.2.3. Alternatively, you can apply for Australian Unity Notes by paying the Application Payment using BPAY® in accordance with your personalised paper Application Form (in which case, you will be taken to have submitted an Application for Australian Unity Notes using your personalised paper Application Form (including all representations, warranties, acknowledgements and declarations set out in the personalised paper Application Form)).</p>

³ The key dates for the Offer are indicative only and may change without notice. Australian Unity, in consultation with the Joint Lead Managers, may agree to accept late Applications (either generally or in particular cases), to extend any Closing Date, to close the Offer early without notice, or to withdraw the Offer at any time before Australian Unity Notes are issued.

Who can apply for Australian Unity Notes?	How many Australian Unity Notes can you apply for?	When to apply ³	How do I apply	
			Online	Using a paper Application Form
<p>Employee Applicant that is, an employee of the Australian Unity Group (or a person directly related to the employee) as determined by the Board who is employed at 5:00 pm (Melbourne time) on 8 February 2011 and is resident in Australia—through the Employee Offer.</p> <p>Please note that persons eligible to apply for Australian Unity Notes under both the Member Offer and the Employee Offer may apply for Australian Unity Notes under either the Member Offer or the Employee Offer, but not under both.</p>	<p>Your Application must be for a minimum of 20 Australian Unity Notes (\$2,000).</p> <p>If your Application is for more than 20 Australian Unity Notes, then you must apply in incremental multiples of 10 Australian Unity Notes—that is, for incremental multiples of at least \$1,000.</p> <p>If possible, having regard to the total level of Applications under the Offer, Australian Unity will endeavour to provide Member Applicants and Employee Applicants with a priority Allocation under the Member Offer and the Employee Offer of at least \$2,000 worth of Australian Unity Notes.</p> <p>However, Australian Unity, in consultation with the Joint Bookrunners, reserves the right to allocate any Employee Applicant a lesser number of Australian Unity Notes than applied for.</p>	<p>Applications will only be accepted during the Offer Period, which is expected to open on 11 March 2011.</p> <p>The Closing Date for the Employee Offer is expected to be 5:00 pm (Melbourne time) on 5 April 2011.</p> <p>Your completed Application Form (either electronic or paper) and Application Payment must be received by the Registry by this time.</p>	<p>You can apply online at www.australianunity.com.au/australianunitynotes</p> <p>Instructions on how to complete your Application are provided online. You will be asked to provide the relevant employee's Entitlement Number. Australian Unity will issue an Entitlement Number to Employee Applicants on or about the Opening Date for the Offer. Employee Applicants may also request their Entitlement Number by calling the Australian Unity Notes Information Line on 1800 209 118 between 8:30 am and 5:30 pm (Melbourne time), Monday to Friday, during the Offer Period.</p> <p>You will be required to pay for Australian Unity Notes using BPAY®—see section 2.2.6.</p>	<p>You can obtain a paper copy of this Prospectus and Application Form (by providing the relevant employee's Entitlement Number) either:</p> <ul style="list-style-type: none"> • online by following the instructions at www.australianunity.com.au/australianunitynotes/ or • by calling the Australian Unity Notes Information Line on 1800 209 118 between 8:30 am and 5:30 pm (Melbourne time), Monday to Friday and requesting a copy. <p>If you apply by mailing or hand delivering a paper Application Form, you will be required to pay for Australian Unity Notes using a cheque(s) and/or money order(s)—see section 2.2.6. You will be required to mail or hand deliver your completed Application Form to the Registry—see section 2.2.3.</p> <p>If you are an Employee Applicant (but excluding an Employee Applicant who is a direct relative of an employee of the Australian Unity Group), you may also apply for Australian Unity Notes by paying the Application Payment using BPAY® in accordance with your personalised paper Application Form (in which case, you will be taken to have submitted an Application for Australian Unity Notes using a paper Application Form (including all representations, warranties, acknowledgements and declarations set out in the paper Application Form)). Please note that payment by BPAY® is not an option available to an Employee Applicant who is a direct relative of an employee of the Australian Unity Group.</p>

Who can apply for Australian Unity Notes?	How many Australian Unity Notes can you apply for?	When to apply ³	How do I apply	
			Online	Using a paper Application Form
<p>General Applicant that is, an Australian resident who is not a Member Applicant, Employee Applicant, Broker Firm Applicant or an Institutional Investor—through the General Offer.</p>	<p>Your Application must be for a minimum of 50 Australian Unity Notes (\$5,000). If your Application is for more than 50 Australian Unity Notes, then you must apply in incremental multiples of 10 Australian Unity Notes—that is, for incremental multiples of at least \$1,000. However, Australian Unity, in consultation with the Joint Bookrunners, reserves the right to reject any Application, or to allocate any General Applicant a lesser number of Australian Unity Notes than applied for.</p>	<p>Applications will only be accepted during the Offer Period, which is expected to open on 11 March 2011. The Closing Date for the General Offer is expected to be 5:00 pm (Melbourne time) on 7 April 2011. Your completed Application Form (either electronic or paper) and Application Payment must be received by the Registry by this time.</p>	<p>You can apply online at www.australianunity.com.au/australianunitynotes Instructions on how to complete your Application are provided online. You will be required to pay for Australian Unity Notes using BPAY®—see section 2.2.6.</p>	<p>There is an Application Form at the back of paper copies of this Prospectus that should be used by General Applicants to apply for Australian Unity Notes. You can obtain a paper copy of this Prospectus and Application Form either:</p> <ul style="list-style-type: none"> • online by following the instructions at www.australianunity.com.au/australianunitynotes; or • by calling the Australian Unity Notes Information Line on 1800 209 118 between 8:30 am and 5:30 pm (Melbourne time), Monday to Friday and requesting a copy. <p>You will be required to pay for Australian Unity Notes using a cheque(s) and/or money order(s)—see section 2.2.6. BPAY® is NOT available for General Applicants applying using a paper Application Form. You will be required to mail or hand deliver your completed Application Form to the Registry—see section 2.2.3.</p>
<p>Broker Firm Applicant that is, an Australian resident client of a Syndicate Broker—through the Broker Firm Offer.⁴</p>	<p>Your Application must be for a minimum of 50 Australian Unity Notes (\$5,000). If your Application is for more than 50 Australian Unity Notes, then you must apply in incremental multiples of 10 Australian Unity Notes—that is, for incremental multiples of at least \$1,000. Your Syndicate Broker will inform you of your Allocation.</p>	<p>Applications will only be accepted during the Offer Period, which is expected to open on 11 March 2011. The Closing Date for the Broker Firm Offer is expected to be 5:00 pm (Melbourne time) on 8 April 2011.</p>	<p>You should contact your Syndicate Broker for information on how to submit your Application and your Application Payment to your Syndicate Broker. Your Syndicate Broker:</p> <ul style="list-style-type: none"> • may provide a facility for you to apply for Australian Unity Notes online; • must have received your Application and Application Payment in time to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer—expected to be 5:00 pm (Melbourne time) on 8 April 2011; and • will act as your agent in processing your Application and providing your Application details and Application Payment to Australian Unity. 	
<p>Institutional Investor that is, an investor (whether an Australian or not) who was invited by the Joint Bookrunners to bid for Australian Unity Notes in the Bookbuild and who is not a Broker Firm Applicant—through the Institutional Offer.⁴</p>	<p>Applications by Institutional Investors are subject to the terms and conditions of the Bookbuild and this Prospectus.</p>	<p>The Bookbuild date was 10 March 2011.</p>	<p>Applications by Institutional Investors are subject to the terms and conditions of the Bookbuild and this Prospectus.</p>	

⁴ Australian Unity Notes may be offered in a jurisdiction outside Australia under the Institutional Offer or Broker Firm Offer where such offer is made in accordance with the laws of that jurisdiction—see section 2.4.2.

2.2.6 How to pay for Australian Unity Notes

	Online	Paper Application Form
<p>Member Offer</p>	<p>If you are a Member Applicant and apply for Australian Unity Notes using an online Application Form, follow the instructions provided at www.australianunity.com.au/australianunitynotes. You must complete your Application by making a BPAY® payment. Once you have completed your online Application Form, you will be provided with a BPAY® biller code and customer reference number, which you must use to complete a BPAY® payment following the instructions below to complete your Application. If you do not make a BPAY® payment your Application will be incomplete and will not be accepted by Australian Unity.</p> <p>Before making a BPAY® payment you should confirm your daily BPAY® limit with your financial institution to ensure your Application Payment does not exceed this daily limit. If your Application Payment is above your daily limit, you may make multiple BPAY® payments, however, your Application will not be accepted by Australian Unity unless the full Application Payment has been received by the Closing Date.</p> <p>Making a BPAY® payment</p> <p>Using the provided BPAY® details, you need to:</p> <ul style="list-style-type: none"> • access your participating BPAY® Australian financial institution either through telephone banking or internet banking; • select BPAY® and follow the prompts: <ul style="list-style-type: none"> – enter the biller code supplied; – enter the customer reference number supplied; – enter the amount to be paid which corresponds to the number of Australian Unity Notes you wish to apply for (that is, a minimum of \$2,000 Australian Unity Notes and incremental multiples of \$1,000 Australian Unity Notes); – select the account you wish your payment to be made from; – schedule your payment for the same day processing since Applications without payment cannot be accepted; and • record your BPAY® receipt number and date paid. Retain these details for your records. <p>Applicants should be aware that their own financial institution may implement earlier cut off times for electronic payment and should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure payment is submitted with sufficient time to be received by the Closing Date.</p>	<p>If you apply for Australian Unity Notes under the Member Offer by mailing or hand delivering your personalised paper Application Form, your Application Form must be accompanied by an Application Payment in the form of a cheque(s) and/or money order(s) in Australian dollars drawn on an Australian branch of a financial institution and made payable to 'Australian Unity Notes Offer'.</p> <p>Cheque(s) should be crossed 'Not Negotiable'. Cash payments will not be accepted.</p> <p>Alternatively, you can apply for Australian Unity Notes by paying the Application Payment using BPAY® in accordance with your personalised paper Application Form (in which case, you will be taken to have applied for Australian Unity Notes using your personalised paper Application Form (including all representations, warranties, acknowledgements and declarations set out in the paper Application Form)).</p> <p>Your personalised paper Application Form will include a BPAY® biller code and customer reference number, which you must use to complete a BPAY® payment following the instructions below to complete your Application.</p> <p>Before making a BPAY® payment you should confirm your daily BPAY® limit with your financial institution to ensure your Application Payment does not exceed this daily limit. If your Application Payment is above your daily limit, you may make multiple BPAY® payments, however, your Application will not be accepted by Australian Unity unless the full Application Payment has been received by the Closing Date.</p> <p>Making a BPAY® payment</p> <p>Using the provided BPAY® details, you need to:</p> <ul style="list-style-type: none"> • access your participating BPAY® Australian financial institution either through telephone banking or internet banking; • select BPAY® and follow the prompts: <ul style="list-style-type: none"> – enter the biller code supplied; – enter the customer reference number supplied; – enter the amount to be paid which corresponds to the number of Australian Unity Notes you wish to apply for (that is, a minimum of \$2,000 Australian Unity Notes and incremental multiples of \$1,000 Australian Unity Notes); – select the account you wish your payment to be made from; – schedule your payment for the same day processing since Applications without payment cannot be accepted; and • record your BPAY® receipt number and date paid. Retain these details for your records. <p>Applicants should be aware that their own financial institution may implement earlier cut off times for electronic payment and should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure payment is submitted with sufficient time to be received by the Closing Date.</p>

	Online	Paper Application Form
<p>Employee Offer</p>	<p>If you apply for Australian Unity Notes under the Employee Offer using an online Application Form, follow the instructions provided at www.australianunity.com.au/australianunitynotes. You must complete your Application by making a BPAY® payment.</p> <p>Once you have completed your online Application Form, you will be given a BPAY® biller code and customer reference number, which you must use to complete a BPAY® payment following the instructions below to complete your Application. If you do not make a BPAY® payment your Application will be incomplete and will not be accepted by Australian Unity.</p> <p>Before making a BPAY® payment you should confirm your daily BPAY® limit with your financial institution to ensure your Application Payment does not exceed this daily limit. If your Application Payment is above your daily limit, you may make multiple BPAY® payments, however, your Application will not be accepted by Australian Unity unless the full Application Payment has been received by the Closing Date.</p> <p>Making a BPAY® payment</p> <p>Using the provided BPAY® details, you need to:</p> <ul style="list-style-type: none"> • access your participating BPAY® Australian financial institution either through telephone banking or internet banking; • select BPAY® and follow the prompts: <ul style="list-style-type: none"> – enter the biller code supplied; – enter the customer reference number supplied; – enter the amount to be paid which corresponds to the number of Australian Unity Notes you wish to apply for (that is, a minimum of \$2,000 Australian Unity Notes and incremental multiples of \$1,000 Australian Unity Notes); – select the account you wish your payment to be made from; – schedule your payment for the same day processing since Applications without payment cannot be accepted; and • record your BPAY® receipt number and date paid. Retain these details for your records. <p>Applicants should be aware that their own financial institution may implement earlier cut off times for electronic payment and should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure payment is submitted with sufficient time to be received by the Closing Date.</p>	<p>If you apply for Australian Unity Notes under the Employee Offer by mailing or hand delivering the paper Application Form, your Application Form must be accompanied by an Application Payment in the form of a cheque(s) and/or money order(s) in Australian dollars drawn on an Australian branch of a financial institution and made payable to 'Australian Unity Notes Offer'.</p> <p>Cheque(s) should be crossed 'Not Negotiable'. Cash payments will not be accepted.</p> <p>If you are an Employee Applicant (but excluding an Employee Applicant who is a direct relative of an employee of the Australian Unity Group), you may also apply for Australian Unity Notes by paying the Application Payment using BPAY® in accordance with your personalised paper Application Form (in which case, you will be taken to have applied for Australian Unity Notes using a paper Application Form (including all representations, warranties, acknowledgements and declarations set out in the paper Application Form)). Please note that payment by BPAY® is not an option available to an Employee Applicant who is a direct relative of an employee of the Australian Unity Group.</p> <p>Your paper Application Form will include a BPAY® biller code and customer reference number, which you must use to complete a BPAY® payment following the instructions below to complete your Application.</p> <p>Before making a BPAY® payment you should confirm your daily BPAY® limit with your financial institution to ensure your Application Payment does not exceed this daily limit. If your Application Payment is above your daily limit, you may make multiple BPAY® payments, however, your Application will not be accepted by Australian Unity unless the full Application Payment has been received by the Closing Date.</p> <p>Making a BPAY® payment</p> <p>Using the provided BPAY® details, you need to:</p> <ul style="list-style-type: none"> • access your participating BPAY® Australian financial institution either through telephone banking or internet banking; • select BPAY® and follow the prompts: <ul style="list-style-type: none"> – enter the biller code supplied; – enter the customer reference number supplied; – enter the amount to be paid which corresponds to the number of Australian Unity Notes you wish to apply for (that is, a minimum of \$2,000 Australian Unity Notes and incremental multiples of \$1,000 Australian Unity Notes); – select the account you wish your payment to be made from; – schedule your payment for the same day processing since Applications without payment cannot be accepted; and • record your BPAY® receipt number and date paid. Retain these details for your records. <p>Applicants should be aware that their own financial institution may implement earlier cut off times for electronic payment and should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure payment is submitted with sufficient time to be received by the Closing Date.</p>

For personal use only

	Online	Paper Application Form
General Offer	<p>If you apply for Australian Unity Notes under the General Offer using an online Application Form, follow the instructions provided at www.australianunity.com.au/australianunitynotes. You must complete your Application by making a BPAY® payment.</p> <p>Once you have completed your online Application Form, you will be given a BPAY® biller code and customer reference number, which you must use to complete a BPAY® payment following the instructions below to complete your Application. If you do not make a BPAY® payment your Application will be incomplete and will not be accepted by Australian Unity.</p> <p>Before making a BPAY® payment you should confirm your daily BPAY® limit with your financial institution to ensure your Application Payment does not exceed this daily limit. If your Application Payment is above your daily limit, you may make multiple BPAY® payments, however, your Application will not be accepted by Australian Unity unless the full Application Payment has been received by the Closing Date.</p> <p>Making a BPAY® payment</p> <p>Using the provided BPAY® details, you need to:</p> <ul style="list-style-type: none"> • access your participating BPAY® Australian financial institution either through telephone banking or internet banking; • select BPAY® and follow the prompts: <ul style="list-style-type: none"> – enter the biller code supplied; – enter the customer reference number supplied; – enter the amount to be paid which corresponds to the number of Australian Unity Notes you wish to apply for (that is, a minimum of \$5,000 Australian Unity Notes and incremental multiples of \$1,000 Australian Unity Notes); – select the account you wish your payment to be made from; – schedule your payment for the same day processing since Applications without payment cannot be accepted; and • record your BPAY® receipt number and date paid. Retain these details for your records. <p>Applicants should be aware that their own financial institution may implement earlier cut off times for electronic payment and should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure payment is submitted with sufficient time to be received by the Closing Date.</p>	<p>If you apply for Australian Unity Notes under the General Offer by mailing or hand delivering the paper Application Form, your Application Form must be accompanied by an Application Payment in the form of a cheque(s) and/or money order(s) in Australian dollars drawn on an Australian branch of a financial institution and made payable to 'Australian Unity Notes Offer'.</p> <p>Cheque(s) should be crossed 'Not Negotiable'. Cash payments will not be accepted.</p> <p>You cannot pay by BPAY® if you apply using a paper Application Form.</p>
Broker Firm Offer	You should contact your Syndicate Broker for information on how to submit your Application for Australian Unity Notes and your Application Payment to your Syndicate Broker.	
Institutional Offer	The Bookbuild date was 10 March 2011. Applications by Institutional Investors are subject to the terms and conditions of the Bookbuild and this Prospectus.	

2.2.7 Brokerage and stamp duty

No brokerage or stamp duty is payable on your Application. However, you may have to pay brokerage on any later sale of your Australian Unity Notes on the ASX after Australian Unity Notes have been quoted on the ASX.

2.2.8 Provision of payment instructions for Interest payments

Australian Unity's current policy is that Interest on Australian Unity Notes will only be paid in Australian dollars by direct credit into nominated Australian dollar financial institution accounts (excluding credit card accounts), for Holders with a registered address in Australia. Australian Unity may, at its discretion, charge or pass on any fees incurred by Australian Unity in relation to the reissue of payments to Holders.

If your Application is successful and you are issued Australian Unity Notes, you will be asked to provide your Australian dollar financial institution account details, in order to receive your Interest by direct credit, when you receive your Holding Statement.

2.2.9 ASX quotation, Holding Statements and other information

2.2.9.1 ASX quotation

Australian Unity has applied to the ASX for Australian Unity Notes to be quoted on the ASX. If the ASX does not grant permission for Australian Unity Notes to be quoted within three months after the date of the Original Prospectus, Australian Unity Notes will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

You are responsible for confirming your Allocation before trading in Australian Unity Notes. If you are a successful Applicant and you sell your Australian Unity Notes before you receive your Holding Statement, you do so at your own risk.

You may call the Australian Unity Notes Information Line on 1800 209 118 between 8:30 am and 5:30 pm (Melbourne time), Monday to Friday or your Syndicate Broker after the Issue Date to enquire about your Allocation.

2.2.9.2 Holding Statements

Australian Unity will apply for Australian Unity Notes to participate in CHESS. No certificates will be issued for Australian Unity Notes. Australian Unity expects that Holding Statements will be despatched to successful Applicants by 14 April 2011.

2.3 Enquiries

2.3.1 Member Applicants, Employee Applicants and General Applicants

You can call the Australian Unity Notes Information Line on 1800 209 118 between 8:30 am and 5:30 pm (Melbourne time), Monday to Friday if you:

- have further questions on how to apply for Australian Unity Notes;
- require assistance to complete your Application Form;
- require additional copies of this Prospectus and/or Application Forms; or
- have any other questions about the Offer.

2.3.2 Broker Firm Applicants

If you have further questions about the Offer or your Application, you should contact your Syndicate Broker.

If you are unclear in relation to any matter or are uncertain if Australian Unity Notes are a suitable investment for you, you should consult your Syndicate Broker if you require further information or your financial adviser if you require financial advice. If you are a Broker Firm Applicant and you are in doubt, you should immediately contact your Syndicate Broker.

2.4 Other Information

2.4.1 Investment risks

There are risks associated with an investment in Australian Unity Notes generally and with the Australian Unity Group's businesses. See section 7 for further details.

2.4.2 Foreign selling restrictions

As at the date of this Prospectus, no action has been taken to register or qualify Australian Unity Notes or the Offer or to otherwise permit a public offering of Australian Unity Notes outside Australia.

The distribution of this Prospectus (including an electronic copy) outside Australia may be restricted by law. If you come into possession of this Prospectus outside Australia, you should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may violate securities laws.

This Prospectus does not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

In particular, Australian Unity Notes have not been and will not be registered under the *US Securities Act* or the securities laws of any state of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, a US Person.

Any offer, sale or resale of Australian Unity Notes in the United States by any person (whether or not participating in the offer) may violate the requirements of the *US Securities Act*. Australian Unity Notes may be offered in a jurisdiction outside Australia where such offer is made in accordance with the laws of that jurisdiction.

Each person submitting an Application Form will be deemed to have acknowledged that they are aware of the restrictions referred to in this section 2.4.2 and to have represented and warranted that they are able to apply for and acquire Australian Unity Notes in compliance with those restrictions.

2.4.3 Privacy Statement

Your privacy is important to Australian Unity. The Registry has been engaged to maintain the Register of Australian Unity Notes on behalf of Australian Unity. If you apply for Australian Unity Notes, you will be asked to supply personal information to Australian Unity or its agents, including the Registry. The primary purpose of collecting personal information about you is to enable your Application to be assessed and processed and to register you as a Holder, to provide facilities and services that you request and to carry out appropriate administration of your investment.

To do that, Australian Unity may disclose your personal information to its agents, contractors or third party service providers to whom Australian Unity outsource services such as mailing, printing and registry functions in connection with the

administration of the Register and Australian Unity activities applicable to you as a Holder. Australian Unity may also disclose your personal information to related companies within the Australian Unity Group or to their agents, contractors or third party service providers. Your personal information may also be disclosed to the ASX and anyone you authorise. However, all of these parties are bound by the same privacy laws as Australian Unity. Personal information is collected in accordance with the *Privacy Act* and Australian Unity's privacy policy.

Your personal information may be used by Australian Unity for related purposes, such as keeping you informed about Australian Unity's business activities, progress and development and other members of the Australian Unity Group and their businesses and to bring to your attention a range of products and services offered by Australian Unity or other members of the Australian Unity Group.

These may include investment, retirement, financial planning, banking, credit, life and general insurance products and enhanced customer services that may be made available through the Australian Unity Group. If you do not consent to Australian Unity using or disclosing your personal information, in this way, in your capacity as Holder, please let us know by contacting the Registry on 1800 209 118. It is important that you contact Australian Unity or the Registry because, by investing in Australian Unity, you will be taken to have consented to these uses and disclosures.

Company and tax law requires some personal information to be collected. The personal information that Australian Unity collects is necessary for the proper and effective management of your holding of Australian Unity Notes. If you do not provide complete and accurate information when requested, your Application may not be able to be processed efficiently, if at all.

The *Corporations Act* provides that any Member or Holder may inspect the register of Holders without charge. Any other person may only inspect the register of Holders on payment of a fee. The *Corporations Act* also provides that a person may only obtain a copy of the register of Holders if the person makes an application to Australian Unity (which states each purpose for which the person is accessing the copy and none of those purposes is prescribed as an improper purpose in Regulation 2C.1.03 of the *Corporations Regulations 2001* (Cth)) and pays the relevant fee.

Under the *Privacy Act*, you may request access to your personal information held by or on behalf of Australian Unity. You can request access to your personal information or obtain further information about the management of your personal information by contacting the Registry or Australian Unity. When seeking access to your personal information an identity verification process is undertaken. Australian Unity's privacy policy sets out Australian Unity's policies on management of personal information.

You can also obtain a copy of the Australian Unity privacy policy at www.australianunity.com.au/au/info/privacy.asp or by contacting Australian Unity on 13 29 39.

Australian Unity aims to ensure that the personal information retained about you is accurate, complete and up to date. If the Registry's record of your personal information is incorrect or out of date, it is important that you contact Australian Unity or the Registry so that your records can be corrected. To assist Australian Unity with this, please contact Australian Unity or the Registry if any of the details you have provided have changed. If you have any concerns about the completeness or accuracy of the information Australian Unity or the Registry has about you, steps can be taken to correct it.

By applying for Australian Unity Notes, you consent to the use and disclosure of your personal information as described above. You also understand and agree that the use and disclosure of your personal information applies to any personal information collected by Australian Unity and any company in the Australian Unity Group in the course of your relationship with Australian Unity and any company in the Australian Unity Group.

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3. The Australian Unity Group

This section sets out:

- A description of the Australian Unity Group's business profile and strategy;
- Recent highlights of the Australian Unity Group;
- Description of the Australian Unity Group's portfolio of businesses ; and
- A summary of the Offer.

3.1 Overview

3.1.1 Mutual organisation

Australian Unity Limited (an unlisted public company) is the ultimate holding company of the Australian Unity Group. Australian Unity Limited controls a number of wholly-owned and closely-held Subsidiaries carrying out the major operational business activities of the Australian Unity Group. Australian Unity Limited is a mutual company comprising approximately 285,000 Members. Being a mutual, Australian Unity Limited is owned by, and run for the benefit of, its Members—it has no external shareholders to pay in the form of dividends and reinvests profits for future growth activities for the benefit of Members.

3.1.2 The Australian Unity Group's business profile and strategy

The Australian Unity Group is a national healthcare, financial services and retirement living organisation providing services to approximately 560,000 Australians. Australian Unity aims to be Australia's leading wellbeing company by building a leading commercial, sustainable portfolio of businesses that foster customer wellbeing.

Australian Unity is a mutual organisation with approximately 285,000 Members, including approximately 10,000 Members who have been with the organisation and its predecessors for more than 50 years. The Australian Unity Group employs around 1,400 staff. The Australian Unity Group's history as a trusted mutual organisation dates back 170 years. This history includes the merger of The Australian Natives' Association Friendly Society (established in 1871) and the Manchester Unity Independent Order of Oddfellows in Victoria Friendly Society in 1993. The Australian Unity Group expanded further in 2005 through a merger with Grand United Friendly Society Limited. In 2009, Lifeplan Australia Friendly Society Limited, a leading provider of investment, funeral and education savings bonds, formally merged with Australian Unity Limited. The Australian Unity Group has grown as a result of successful strategic mergers and diversification into new businesses driven by a strong brand. The Australian Unity Group is a provider of high-trust products and services to members making high-trust purchases.

Australian Unity Limited is the ultimate holding company of the Australian Unity Group. The Australian Unity Group has three principal business areas: Healthcare, Financial Services and Retirement Living. The Australian Unity Group's portfolio of businesses within these areas is set out below.

Healthcare

Health Insurance
Dental
Preventative healthcare
Chronic disease management

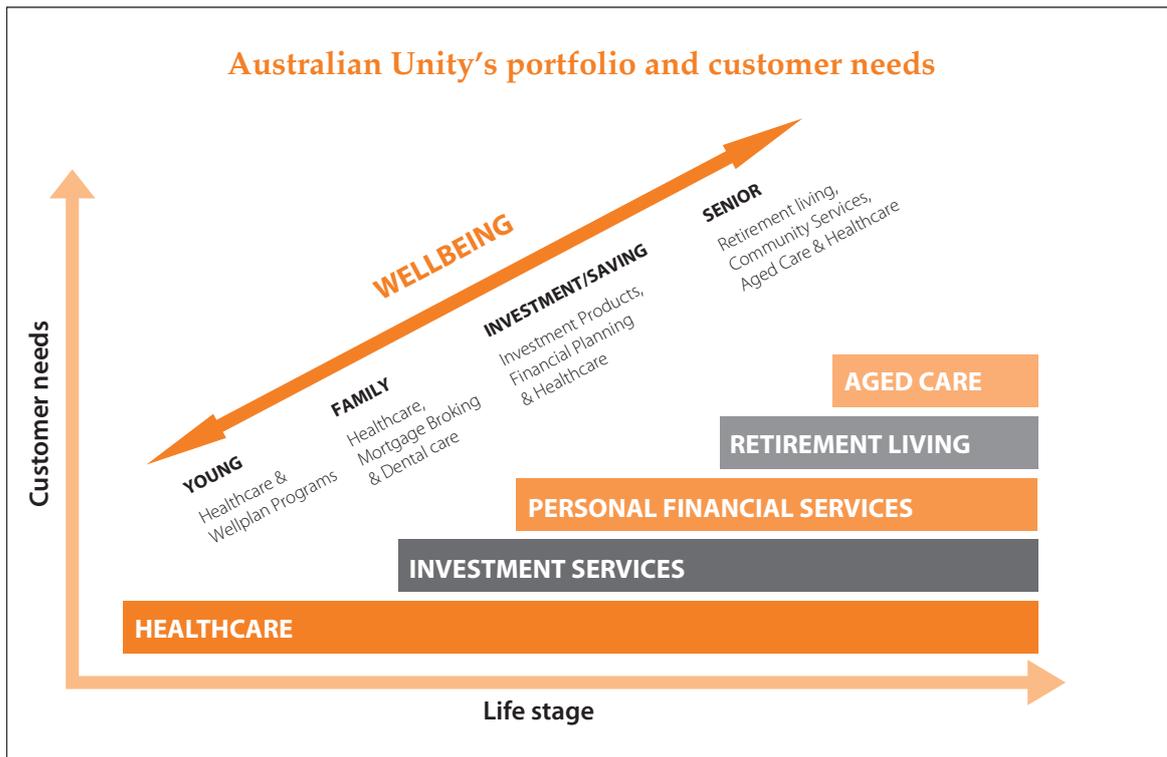
Financial Services

Investments
Personal Financial Services

Retirement Living

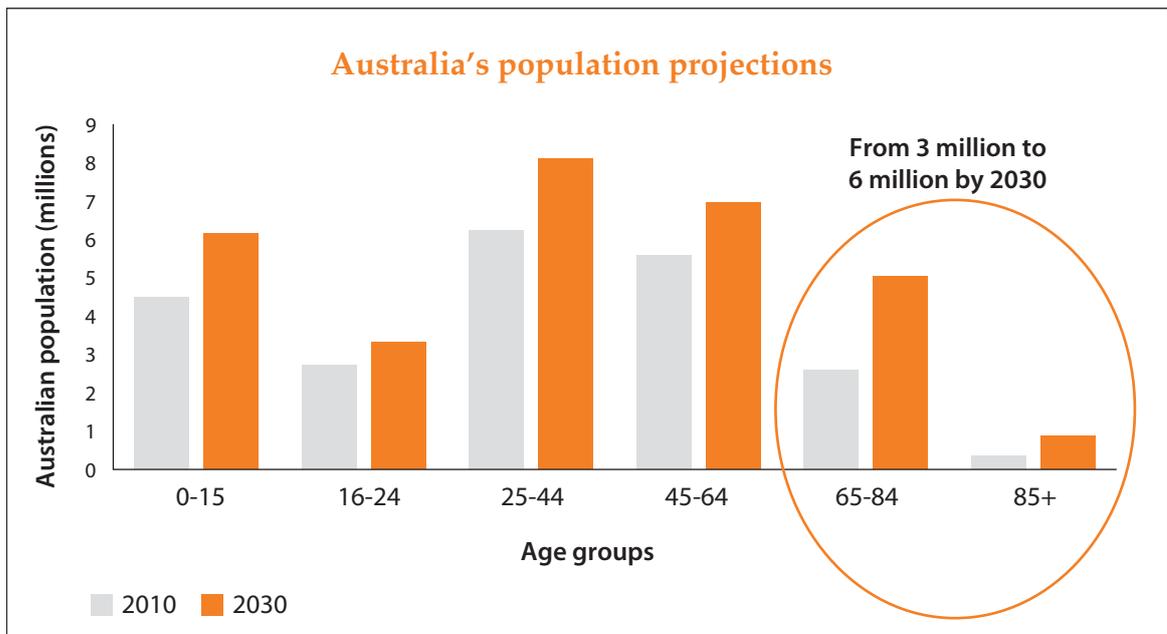
Retirement communities
Aged care
Community care
Respite care

The Australian Unity Group's portfolio of businesses fosters wellbeing throughout customer lifespan as set out in the diagram below.



Source: Australian Unity

According to the Australian Bureau of Statistics Population Projections Australia, 2006 to 2101 report, Australia's population is getting older. The Australian Unity Group is intimately linked to the dynamics of Australia's ageing population providing healthcare, financial and lifestyle services. The Australian Unity Group expects its core businesses to benefit from the underlying trend of ageing of Australia's population. These ageing trends, as estimated by the Australian Bureau of Statistics, are shown in the chart below.



Source: Australian Bureau of Statistics, Population Projections Australia, 2006 to 2101 Report

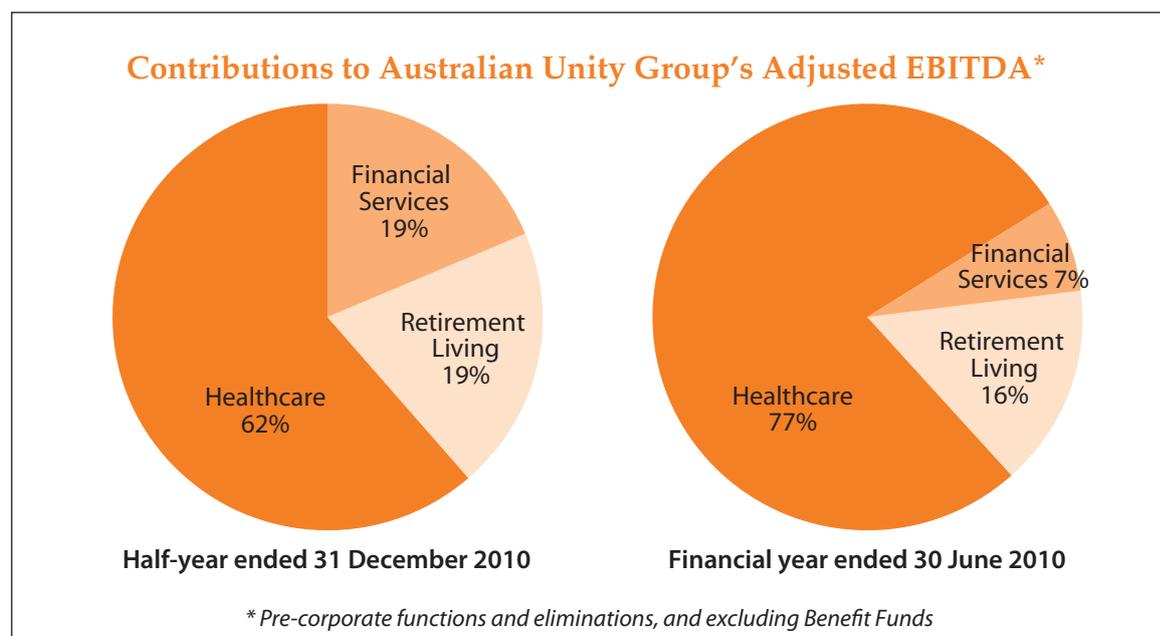
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3.2 Recent highlights

In the six months ended 31 December 2010, the Australian Unity Group generated revenues of \$508 million, up 22 percent from \$418 million in the six months ended 31 December 2009. Total Adjusted EBITDA rose to \$23.3 million, up from \$10.5 million for the six months ended 31 December 2009. In the six months ended 31 December 2010, external revenue and Adjusted EBITDA increased across all three principal business areas within the Australian Unity Group compared to the six months ended 31 December 2009. Overall, the Operating Earnings of Australian Unity were \$11.9 million for the six months ended 31 December 2010, a 98 percent increase on \$6.0 million for the six months ended 31 December 2009. Total profit after tax rose to \$11.1 million for the six months ended 31 December 2010, up from \$9.5 million for the six months ended 31 December 2009, reflecting the Australian Unity Group's continued and developing focus on its principal business areas.

In the financial year ended 30 June 2010, the Australian Unity Group generated revenues of \$934 million, up 51 percent from \$617 million in the prior year. Total Adjusted EBITDA rose to \$35.0 million, up from \$22.8 million for the financial year ended 30 June 2009. Overall, the Operating Earnings of Australian Unity were \$23.7 million for the financial year ended 30 June 2010, a 139 percent increase on \$9.9 million in the prior year. The Australian Unity Group's profits improved, notwithstanding the continued volatility of financial markets that influence the company's earnings on insurance and corporate reserves. Total profit after tax rose to \$17.1 million for the financial year ended 30 June 2010, up from \$1.1 million in 2009.

Relative contributions by each of the three principal business areas to the Australian Unity Group's Adjusted EBITDA in the six months ended 31 December 2010 and in the financial year ended 30 June 2010 (pre corporate functions and eliminations, and excluding Benefit Funds) are shown graphically.



Source: Australian Unity

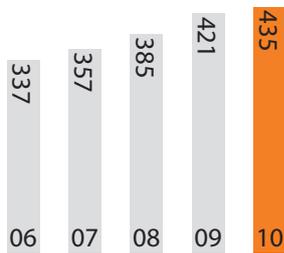
The table below summarises the Australian Unity Group's profit after tax, Members' Funds and return on capital employed for the financial years 2002 to 2010 as well as for the half-year ended 31 December 2010.

\$'000	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	HY2011 [^]
Profit after tax	10,195	6,511	8,137	15,418	23,818	32,104	32,258	1,051	17,128	11,094
Members' Funds	152,094	157,459	165,977	213,378	237,536	269,610	301,675	302,610	363,610	373,843
Return on capital employed	6.9%	4.2%	5.0%	8.1%	10.6%	12.7%	11.3%	0.3%	5.1%	6.0%

[^] HY2011 return on capital employed based on annualised Profit after tax

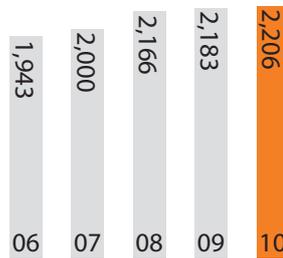
Statistical highlights from the financial year ended 30 June 2010 (compared to prior years) are depicted in the diagram below.

Health claims paid for members (\$m)



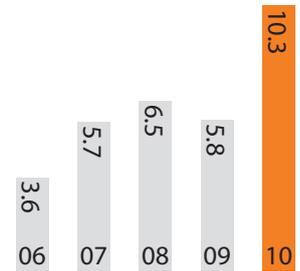
\$435m

Retirement units and aged care beds



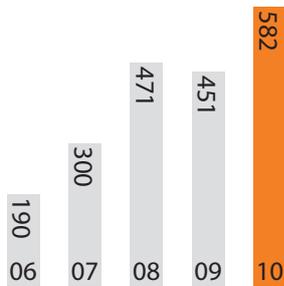
2,206

Funds under management (\$b)



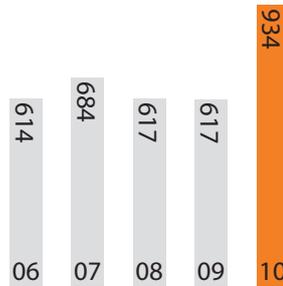
\$10.3b

Funds under advice (\$m)



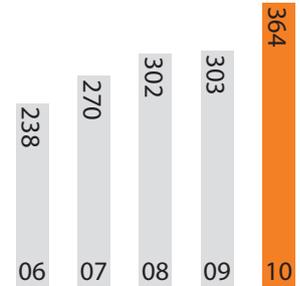
\$582m

Revenues (\$m)*



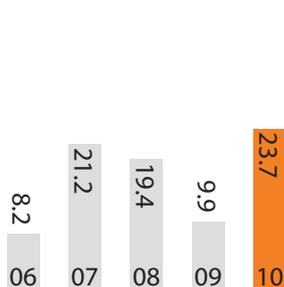
\$934m

Member's funds (\$m)



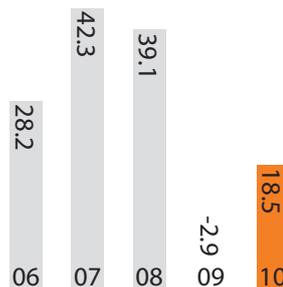
\$364m

Operating Earnings (\$m)*



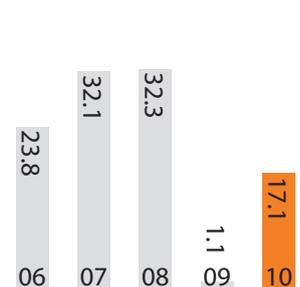
\$23.7m

Profits before tax (\$m)*



\$18.5m

Profits after tax (\$m)*



\$17.1m

Statistical highlights definition of terms:

Funds under management: Investors' funds managed by Australian Unity Investments and its joint venture partners.

Funds under advice: The total value of client funds invested through Australian Unity financial planners.

Members' funds: Net assets of the Australian Unity Group attributable to Members.

Operating Earnings: Profit before tax less investment income, borrowing costs and discontinued operations.

Notes to the statistical highlights:

Profits before tax and operating earnings exclude the impact of the Benefit Funds which are required to be included in the financial statements but which have a zero impact on profit after tax.

** The years 2006 to 2007 include the results of the general insurance business which was sold in 2008, materially affecting the comparative results for the years up to and including 2008, while 2010 includes 10 months of Lifeplan Australia Friendly Society Limited group.*

Source: Australian Unity Annual Report 2010

Further details about the Australian Unity Group's financial results can be found at section 5 of this Prospectus. Additional information about Australian Unity and the Australian Unity Group can be found at www.australianunity.com.au

3.3 Profile of the Australian Unity Group's Business Areas

3.3.1 Healthcare

The Australian Unity Group's Healthcare business supports the wellbeing of its members and customers through its Health Insurance and Allied Health businesses.

Within the Health Insurance business, Australian Unity Health Limited (a wholly-owned entity within the Australian Unity Group) operates the sixth largest private health insurance fund in Australia and the third largest private health insurance fund in Victoria as at 31 December 2010. Additionally, Grand United Corporate Health Limited operates Grand United Corporate, a corporate health fund that provides tailored health plans to some of Australia's leading corporations. Australian Unity merged with Sydney-based Grand United Friendly Society Limited in 2005 and this has enabled the Australian Unity Group to gain a footprint within the emerging corporate health fund market. The combined businesses provide health cover for some 190,000 policyholders, covering approximately 350,000 people.

The Directors believe the positive Healthcare financial results over the past 18 months were driven by a combination of an increase in membership, maintaining a focus on hospital contracting arrangements, investment in fraud management, as well as initial results starting to emerge from a four year program of work investing in preventative health programs and benefits for members.

The increase in membership has been the result of a significant program of work over several years focused on customer acquisition and retention. In addition to achieving the goal of increasing membership in the health fund, this investment was recognised by the customer services teams within Australian Unity Healthcare winning the overall Outstanding Business Award in Service Excellence at both the 2009 and 2010 International Customer Service Professional Awards. In 2010, Australian Unity Health Limited was also voted the best health insurer by the readers of the Smart Investor Magazine.

Australian Unity Health Limited launched a new product during the 2010 financial year—Care 'n Repair, a new health insurance product that has filled an identified gap in the Australian Unity Group's product offering for members who are physically active and may seek cover for therapies such as remedial massage and private hospital cover for accidents.

The Allied Health business operates four dental clinics and other allied health services, including Remedy Healthcare (which is operated by Remedy Healthcare

Group Pty Limited), a preventative health business that offers health coaching, chronic disease management programs, early discharge services and in-home rehabilitation services for members and customers. The in-home rehabilitation services are offered via a joint venture with Health Providers Australia Pty Limited (trading as Rehability). The Directors believe the relationship between the Health Insurance businesses and the Allied Health business represents an innovative model within the Australian market with the broadest range of chronic disease and hospital substitution services on offer to Australian Unity members.

The Healthcare business has a strong commitment to helping members stay well through providing a range of preventative services to encourage members to stay healthy and out of hospital. A preventative approach to lifestyle related diseases also makes good economic sense by reducing the likelihood of claims and thereby easing the pressure on premiums for all members. In the past three years, Australian Unity Healthcare has invested approximately \$23 million in preventative health programs and benefits to members.

Remedy Healthcare, the Australian Unity Group's chronic disease self management business, has expanded considerably and now offers services to other private health insurers. During the 2010 financial year, Remedy Healthcare launched the Diabetes Awareness and Self Management Program in addition to continuing its Bone Health Program and Coronary Artery Disease Program. Many costly and disabling conditions—for example, cardiovascular diseases, cancer, diabetes and chronic respiratory diseases—are linked by common preventable lifestyle risk factors. In addition to offering specific disease management programs for those who have chronic disease, the Australian Unity Group has continued its focus on helping members stay well by providing them with access to market leading preventative health benefits. The benefits payable, depending on members' selected level of cover, include cervical cancer vaccine, personal health coaching, bone density testing, mammogram screening and quit smoking and weight loss programs. *Wellplan Online*, the Australian Unity Group's web-based health and wellness program, continues to equip members with important information, including access to online risk factor behavioural change programs, medical calculators, encyclopaedias and interactive tools, and is available to all members.

3.3.2 Financial Services

The Australian Unity Group continues its long history of looking after the financial wellbeing and security of its members and customers through its Investments and Personal Financial Services businesses.

3.3.2.1 Investments

Australian Unity Investments is the funds management arm of the Australian Unity Group which provides a range of investment opportunities across multiple asset classes. Australian Unity Investments provides specialist mortgage, property, bonds, fixed interest and equity products to investors.

The business has built up extensive in-house property and mortgage fund manager expertise and has expanded its offerings to investors through the formation of joint ventures and strategic alliances with other organisations that have specialist proficiencies in other asset classes (including equities and fixed interest). This distinctive business model means investors can access a range of expert investment managers, each focused on managing a specific asset class, while benefiting from the support, resources, experience and expertise of a long-established, mutually owned organisation.

As at 31 December 2010, Australian Unity Investments and its joint venture partners had \$12.4 billion in funds under management, up 20 percent from \$10.3 billion as at 30 June 2010.

Over the past five years, Australian Unity Investments has grown its market share by over 450 percent (from less than 0.2 percent to 0.9 percent). This impressive growth has seen it break into the top 30 asset managers in Australia in 2010, which is a significant achievement for an organisation of its size. Australian Unity Investments' success is attributable to its diversified business strategy that proved to be resilient and promoted growth in one of the most difficult periods for investment markets in many decades.

This strategy includes participation in six key joint venture arrangements with specialist asset managers: Acorn Capital, Vianova Asset Management, Platypus Asset Management, Wingate Asset Management, Seres Asset Management and Altius Asset Management.

Microcap manager Acorn Capital's funds under management was \$1.2 billion as at 31 December 2010 (30 June 2010: \$1.0 billion) and the Acorn Capital Wholesale Microcap Trust returned 23.99 percent after fees for the year to 30 June 2010, 2.29 percent above the industry benchmark.

Fixed interest manager, Vianova Asset Management, significantly increased its funds under management during the six months ended 31 December 2010 and in the 2010 financial year. The Australian Unity Investments Vianova Strategic Fixed Interest Trust (Wholesale) returned 6.86 percent after fees for the year to 30 June 2010. The Trust was a Gold Winner in the *Money Magazine* Best of the Best Awards 2010 in the category of Best Australian Fixed Interest Funds.

Platypus Asset Management was founded in 1998 as a specialist Australian equities manager. In 2006, it formed a joint venture with Australian Unity Investments. Platypus' investment approach focuses on companies that exhibit a track record of earnings and dividend growth. Its investments cover companies that are ASX-listed, generally with a market capitalisation greater than \$80 million. In April 2006, the Australian Unity Investments Platypus Australian Equities Trust was launched for retail investors. Platypus Asset Management was the best performing Australian equities manager over seven years as at 30 June 2010 and had more than \$1.5 billion funds under management as at 31 December 2010.

International equities fund manager, Wingate Asset Management, continues to establish its presence and,

during the 2010 financial year, it expanded its team and received its first external client. In February 2010, Wingate Asset Management also held the inaugural meeting of its investment advisory committee.

Seres Asset Management is a new Asian equities boutique funds management business established by Australian Unity Investments in Hong Kong. Australian Unity Investments launched the Seres Asian Equities Opportunity Fund for Australian investors in November 2010.

In February 2011, Australian Unity Investments joined with an experienced fixed interest team to form its sixth joint venture business, Altius Asset Management. Altius Asset Management plans to take a diversified approach to fixed interest funds management, combining both credit and duration strategies. It is anticipated that Altius Asset Management will launch its inaugural fund in mid-2011.

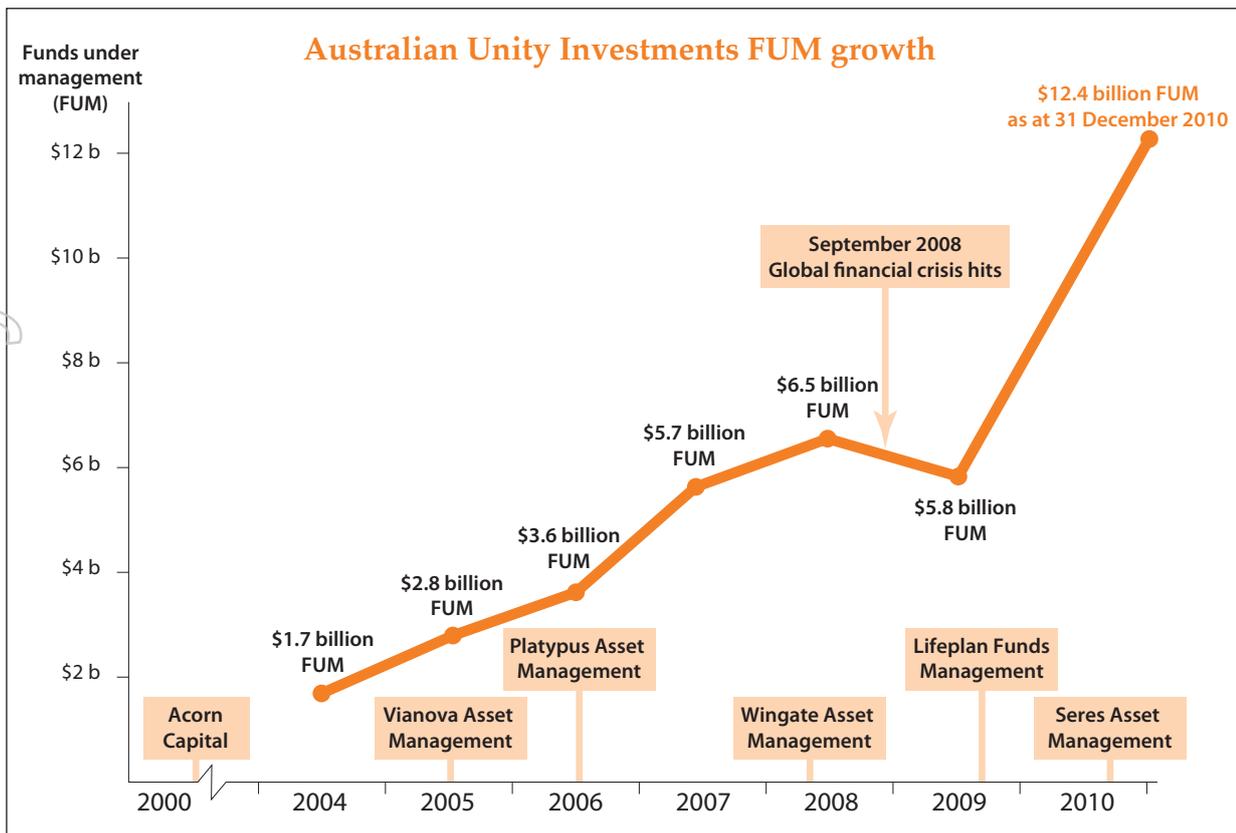
On 31 August 2009, Lifeplan Australia Friendly Society Limited, a leading provider of investment, funeral and education savings bonds, formally merged with Australian Unity.

The integration of the two businesses was finalised in 2009, with Lifeplan Australia Friendly Society Limited and the smaller Australian Unity Group's bonds business having formed a combined \$2.0 billion bonds business as at 31 December 2010 within the Australian Unity Group's total investments business, offering investors the benefit of lower risk, capital secure products as well as strong asset management. The combined funds under management of the two businesses has also given the Australian Unity Group an increased presence in the financial services sector. Australian Unity now has offices in Adelaide, Sydney and Brisbane in addition to the Melbourne head office.

At the time of the merger, the chairman of Lifeplan Australia Friendly Society Limited, Mr John Butler, joined the Australian Unity Board, with another three of the Lifeplan Australia Friendly Society Limited directors remaining on the board of Lifeplan Australia Friendly Society Limited (and its subsidiaries) in its new capacity as a wholly-owned entity within the Australian Unity Group.

Lifeplan Australia Building Society is a wholly owned subsidiary of the Lifeplan Australia Friendly Society Limited. It is a small Authorised Deposit-Taking Institution that largely services members of Lifeplan Australia Friendly Society Limited in and around Adelaide. It provides term deposits as well as residential and personal lending products.

A graph showing the introduction of key strategic arrangements and growth in funds under management within Australian Unity Investments, including joint venture managers, is shown below. The growth in funds under management from 30 June 2009 (\$5.8 billion) to 31 December 2010 (\$12.4 billion) is largely driven by the merger with Lifeplan Australia Friendly Society Limited, increased volumes from institutional investors and improved market sentiment following the global financial crisis.



Source: Australian Unity

3.3.2.2 Personal Financial Services

The Australian Unity Group's Personal Financial Services business offers financial planning advice and mortgage broking. The business philosophy is based on shared understanding between clients and advisers, backed by the Australian Unity Group's culture of assistance and knowledge developed over the past 170 years. The Australian Unity Group's Personal Financial Services business is in its investment phase, supported by the Australian Unity Group and aligned to its strategy.

The Personal Financial Services business provides tailored financial plans characterised by personal advice and ongoing service. All financial plans are individually designed based on customer needs and aspirations and all advice is provided on a professional fee for service basis. The business also provides mortgage broking and risk insurance broking.

Despite operating in a market made difficult by the global financial downturn, the Personal Financial Services business recorded an improved performance for the financial year ended 30 June 2010 due to the combined effect of an increase in revenue and a decrease in the cost base. Operating expenses for the 2010 financial year decreased by more than \$1.6 million compared to the previous year due to a number of cost-saving initiatives. During the six months to 31 December 2010, funds under advice increased by 30 percent to \$758 million (30 June 2010: \$582 million), accountant referral relationships increased from 70 to 127, and the mortgage broking loan book grew 25 percent to \$188 million (30 June 2010: \$150 million).

During the 2010 financial year, the Personal Financial Services business also launched a vehicle and equipment finance brokerage service and a private health insurance

referral service. These new opportunities broadened the range of products and services that accountants and advisers can offer their clients.

3.3.3 Retirement Living

The Australian Unity Group's Retirement Living business is a well-established operator of retirement communities, aged care services and accommodation for older Australians. As an organisation founded on the principle of mutuality, the Australian Unity Group strives to create neighbourhoods that foster a sense of community and enhance the wellbeing of residents. The Australian Unity Group's retirement living approach is to provide a range of services—independent living units, residential aged care and community services—from an integrated location, wherever possible. This approach means residents can continue to stay in the home and community of their choosing with access to the necessary care and wellbeing services they may require as they age.

In what continues to be a highly fragmented market, Australian Unity Retirement Living stands out as a provider of quality retirement living communities and services. The business operates 14 retirement villages and four aged care facilities in Victoria and New South Wales, offering more than 1,755 home units, 451 aged care beds and 174 ambulatory and community care places.

Occupancy rates at the Australian Unity Group's retirement village and aged care sites are consistently strong across the portfolio. In the financial year ended 30 June 2010, the occupancy rate across retirement villages was 94.6 percent, while occupancy at aged care facilities increased to 98 percent. The average dollar amount from accommodation bonds held by Australian Unity (\$248,792) was higher than the industry's average (\$232,276).

A number of successful grant and government funding applications have boosted the Australian Unity Retirement Living service offerings, with the range and geographic coverage of community care places almost doubling in the financial year ended 30 June 2010. These care services offer a blend of in-home community and ambulatory care packages complemented by transition care, centre-based respite care and rehabilitation services. All care streams have a strong record of compliance and accreditation with comprehensive business systems in place to ensure each service type is managed, delivered and monitored to maximise reliability and cost effectiveness as well as allowing for scalability.

In addition to this established portfolio, the Australian Unity Group's Retirement Living business is currently working on development projects with an aggregate cost of some \$400 million that will provide additional independent living units and aged care beds. One of these is the Australian Unity Group's planned Wellbeing Precinct in the inner city suburb of Carlton, Victoria. This precinct, for which the Australian Unity Group successfully tendered to the Director of Housing for the State of Victoria, forms a key element of the Victorian Government's Carlton Housing Redevelopment project. The Australian Unity Group's Retirement Living business contracted directly with the Victorian Government to develop the Wellbeing Precinct exclusively for the provision of aged and assisted care accommodation options, retirement

living and a range of associated services focusing on wellbeing. The Australian Unity Group anticipates that the Carlton Wellbeing Precinct, which is expected to cost \$180 million, will become one of Australia's largest integrated facilities for the elderly and will create around 150 continuing jobs and provide accommodation for more than 400 people. The precinct will accommodate a residential aged care facility providing high and low care beds, transitional care beds, assisted living apartments and independent retirement living apartments. At the heart of the precinct will be a Wellbeing Centre, tailored to meet the needs of the Carlton community including day respite, senior friendly gym, hydrotherapy pool, consulting and treatment suites and meeting/activity rooms all of which are to be available to the public.

In addition to the Carlton Project, in the financial year ended 30 June 2010 the Australian Unity Group's Retirement Living business sold out all existing stages of the Victoria Grange Retirement Village in Vermont South, Victoria and obtained funding to build the Peninsula Grange Retirement Village in Mornington, Victoria. Peninsula Grange will balance open space with a range of high amenity, high quality residences. An adjoining residential aged care facility (for which the Retirement Living business has already been granted bed licences from the federal government) is also planned at the Mornington location.

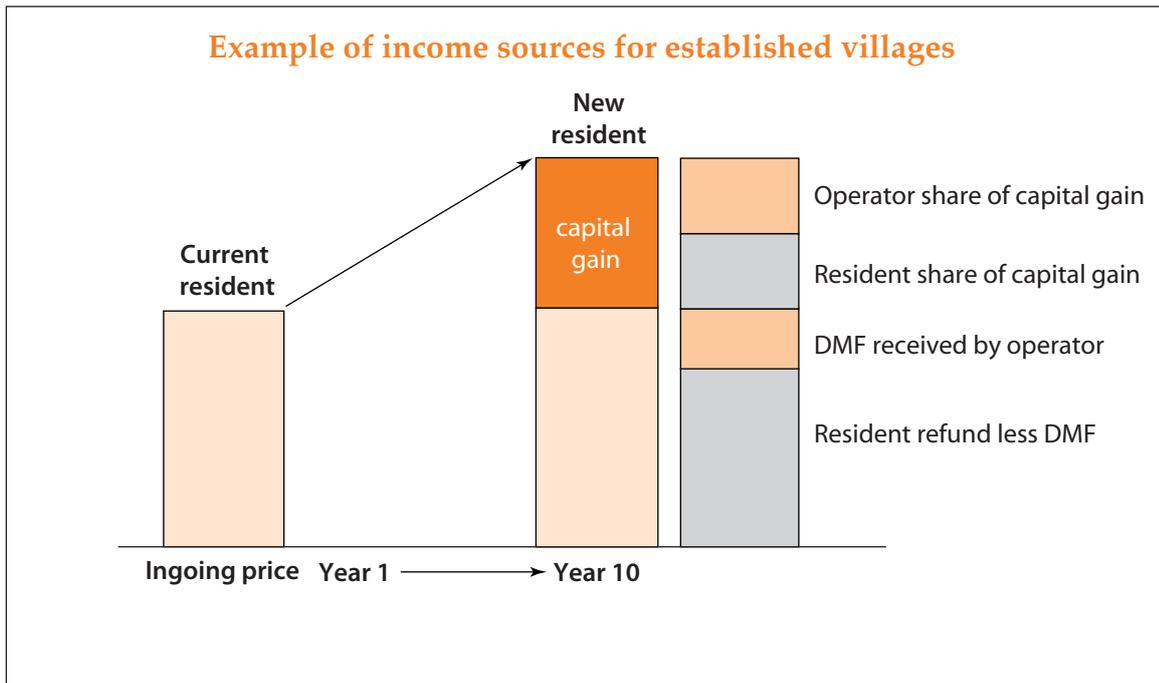
Active development projects as at 31 December 2010 were as follows:

Development Project	State	Development project value on project completion (Estimate as at 31 December 2010)
Carlton Wellbeing Precinct	VIC	\$47.9m
Peninsula Grange Retirement Village	VIC	\$23.8m
Victoria Grange Retirement Village	VIC	\$10.0m
Sienna Grange Retirement Village	NSW	\$3.4m
Lifestyle Manor Retirement Village	NSW	\$17.2m
Cranbourne Residential Subdivision*	VIC	\$22.6m

* Development project value on project completion, immediately prior to proposed disposal

The primary source of income for established villages is departure fees which incorporate a share of the capital gain and a deferred management fee (DMF). Departure fees are received on turnover of independent living units. The Australian Unity Group's Retirement Living business has low collection risk as it manages most re-sales and the settlement of sale proceeds. As a village operator, the Retirement Living business directs a

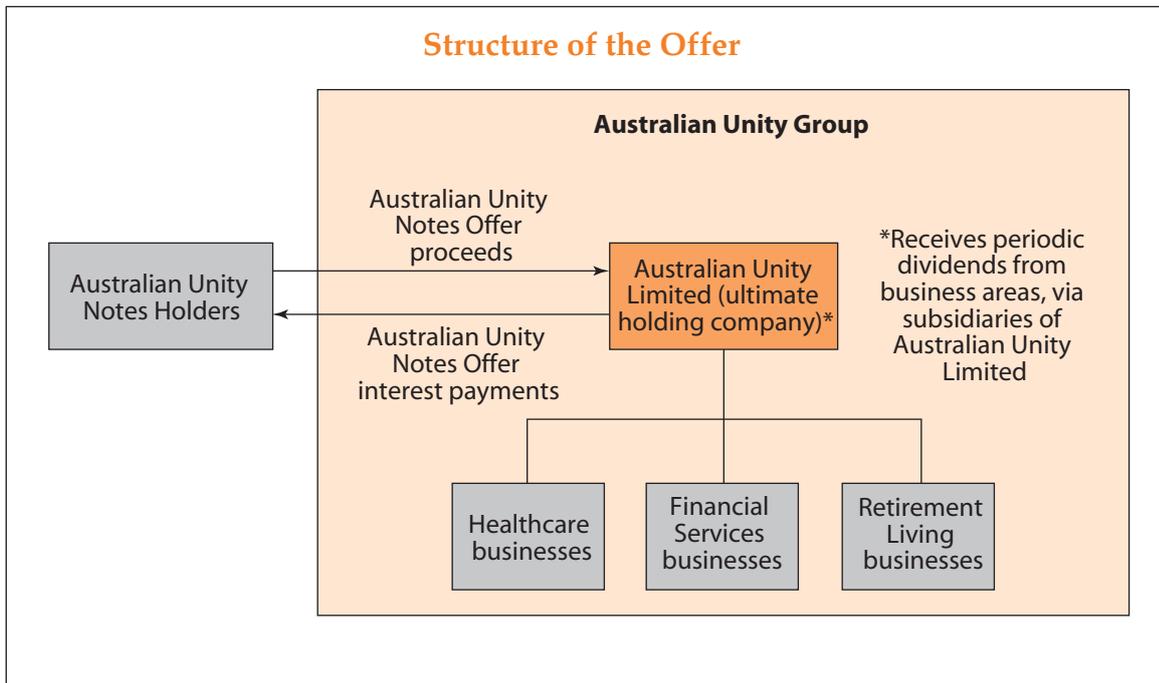
portion of the departure fee income stream to a sinking fund for major repairs and improvements. Legal costs and refurbishment expenses payable by Australian Unity Retirement Living Services Limited (AURLS) on turnover of units are also paid out of the total departure fee. The diagram below sets out a simplified example of the income sources for established villages.



Source: Australian Unity

3.4 Summary of Offer

The Australian Unity Notes will be issued by Australian Unity Limited. A simplified structure of the Offer is set out below.



Source: Australian Unity

Australian Unity intends to raise approximately \$100 million of Australian Unity Notes, with the ability to raise more or less.

The purpose of the Offer is to raise funds as part of Australian Unity's capital management program. The amount raised by the Offer will be used partly to repay debt and for general working capital and business purposes. The issue of Australian Unity Notes will

further diversify Australian Unity's funding sources, increase the average tenor of Australian Unity's funding profile and raise the profile of the Australian Unity Group within retail and institutional investor groups.

4. Board, corporate governance and community investments

This section sets out:

- A profile of Australian Unity's Board and management;
- An overview of Australian Unity's corporate governance and risk management framework; and
- The Australian Unity Group's community investments.

4.1 Composition of Australian Unity's Board and management

The Board of Australian Unity is as follows:

Alan Castleman B Comm., Dip Elec. Eng., FIE (Aust.), FAICD	Mr Castleman is Chairman of Australian Unity Limited. He is chairman of a number of Australian Unity Limited Subsidiaries and chairs the Human Resources, Remuneration and Nominations Committee and is an ex-officio member of all other board committees. He chairs the Australian Centre for Health Research Limited, a company of which Australian Unity Limited is a member. He is a director and principal of the ProNed organisation involved in board advisory activities. Over the last 17 years he has been chairman of over 15 public or private companies outside the Australian Unity Group. Before 1993, his executive career was at BHP where he held a number of senior executive positions.
Rohan Mead Group Managing Director	Mr Mead was appointed Group Managing Director of Australian Unity Limited on 1 July 2004. As Group Managing Director, he is a member of all Subsidiary boards and most committees. Mr Mead is chairman of the Business Council of Australia's Healthy Australia task force and is a director of the Australian Health Insurance Association. He is chairman of Platypus Asset Management, deputy chair of Acorn Capital, a director of Seres Asset Management (Hong Kong) and a director of the Australian Centre for Health Research. Prior to joining Australian Unity, Mr Mead was employed by Perpetual Trustees Australia Limited (1996–2003) in a range of senior roles. Prior to his work at Perpetual, Mr Mead headed marketing and communications at Blake Dawson.
Glenn Barnes B Ag Sc (Melb), CPM, FAMI, FIAM, FAICD, SF Fin, FRSA	Mr Barnes was appointed to the Board of Australian Unity Limited on 16 October 2009. He is a director of a number of Australian Unity Limited Subsidiaries and a member of the Investment Committee and the Human Resources, Remuneration and Nominations Committee. He is a professional director and consultant and is currently a director Ansell Limited and a number of private interest companies. Mr Barnes has twenty years of governance experience in banking and financial services, business information, consumer goods and the not-for-profit sector. He was involved in the packaged goods, banking and financial services sectors for over 30 years, as an executive, business leader and director in Australia, New Zealand, the United Kingdom, United States of America, Republic of Ireland, Japan and China. He has also held a number of regional and global leadership roles.
John Butler FCPA, FIFS, FAICD	Mr Butler was appointed to the Board of Australian Unity Limited on 31 August 2009 following the merger with Lifepan Australia Friendly Society Limited, of which he was Chairman. He is a director of a number of Australian Unity Limited Subsidiaries and a member of the Audit and Compliance Committee and the Risk Committee. The majority of Mr Butler's career was as the chief executive of the Druids Friendly Society in South Australia which operated in the health insurance, building society, retirement accommodation and nursing homes industries. He is currently a director of Beach Energy Limited, North Eastern Community Hospital, SA Druids Grand Lodge and a trustee of the James Brown Memorial Trust which operates a retirement village and two aged care facilities, as well as maintaining his role as chairman of the Lifepan Australia group of companies. For many years he was chairman of National Pharmacies. He is president of the Flagstaff Hill Golf Club in Adelaide.

<p>Eve Crestani Dip. Law (B.A.B.), FAICD</p>	<p>Ms Crestani was appointed to the Board of Australian Unity Limited in 1996. She is a director of a number of Australian Unity Limited Subsidiaries and is chairman of the Risk Committee and a member of the Human Resources, Remuneration and Nominations Committee. She is a director of Pillar Australia and Booking.com Limited and chairman of Mercer Investment Nominees Limited. Ms Crestani is qualified in law and management and is a member of the ASX Disciplinary Tribunal and chairman of several compliance committees. She consults in finance, strategic planning, marketing and management. She is a founding fellow of the Australian Institute of Company Directors and an emeritus trustee of the Committee for the Economic Development of Australia.</p>
<p>Ian Ferres FIAA, FAICD</p>	<p>Mr Ferres was appointed to the Board of Australian Unity Limited in 1999 and was Group Managing Director from 2002 to 2004. He is a director of a number of Australian Unity Limited Subsidiaries and is chairman of the Investment Committee and a member of the Audit and Compliance Committee. An actuary by profession, Mr Ferres worked with the National Mutual Group for 34 years, including as executive manager of all worldwide investment, property, unit trust and banking and finance operations from 1975 to 1988 and as an executive director from 1983 to 1990. Mr Ferres is currently a consultant with TressCox Lawyers, a director of the Committee for the Economic Development of Australia, chairman of Australian Healthcare Investment Company Limited and chair and/or director of several other organisations. He was previously president of Monash Medical Centre. Over the past 40 years he has served as chair, director or member of almost 50 private and public sector boards.</p>
<p>Warren French GAICD, AIMM</p>	<p>Mr French was appointed to the Board of Australian Unity Limited in 2005 following the merger with Grand United Friendly Society Limited, of which he was chairman. He is a director of a number of Australian Unity Limited Subsidiaries and a member of the Human Resources, Remuneration and Nominations Committee and the Risk Committee. Mr French has also served as a director of other mutual and charitable organisations and as a member of the Ministerial Advisory Committee for Cooperatives in New South Wales. He is a director of the Australian Unity Foundation and is active with other associations in raising funds for charitable and community organisations.</p>
<p>Stephen Maitland OAM, RFD, BEc, MBus, LLM, FCPA, FAICD, FCIS, FAIM, F Fin</p>	<p>Mr Maitland was appointed to the Board of Australian Unity Limited in 2005 following the merger with Grand United Friendly Society Limited. He is a director of a number of Australian Unity Limited Subsidiaries, chairman of the Audit and Compliance Committee and a member of the Investment Committee and the Risk Committee. He is chairman of Buderim Ginger Limited and a director of the Royal Automobile Club of Queensland Limited and several private companies. Mr Maitland is the principal of Delphin Associates, a business consultancy specialising in strategic planning, risk management, corporate governance and business transition. He has over 35 years experience in the banking and finance industries and was chief executive officer of the Queensland Office of Financial Supervision between 1992 and 1999. Mr Maitland is chairman of the Management Committee of the Surf Life Saving Foundation Inc.</p>
<p>Kathryn Spargo LLB (Hons), BA, FAICD</p>	<p>Ms Spargo was appointed to the Board of Australian Unity Limited on 16 October 2009. She is a director of a number of Australian Unity Limited Subsidiaries and a member of the Audit and Compliance Committee and the Investment Committee. She is chairman of the Accounting Professional and Ethical Standards Board and is a director of UGL Limited, Australian Energy Market Operator, Pacific Hydro Pty Limited, Investec Bank (Australia) Limited, Suncorp Portfolio Services Limited and Sonic Healthcare Limited. She is also a director of Coinvest Limited and Franklyn Scholar Pty Limited and an adviser to the board of patent attorney firm Griffith Hack. She also has an interest in international corporate ethics and governance. She was previously chairman of HomeStart Finance in South Australia and a director of IOOF Holdings for nearly 10 years.</p>

<p>Warren Stretton FAICD, FCPA, FCIS, FTIA, FAMI CPM</p>	<p>Mr Stretton was appointed to the Board of Australian Unity Limited in 2005 following the merger with Grand United Friendly Society Limited. He was managing director of Grand United Friendly Society Limited which operated in the private health insurance and aged care industries. He is a director of a number of Australian Unity Limited Subsidiaries and a member of the Audit and Compliance Committee and the Investment Committee. Mr Stretton was a director of Australian Hearing from 2004 to 2010 and has gained wide commercial experience working in the motor, computer and entertainment industries for organisations including Ford, Honeywell and Amalgamated Holdings Group.</p>
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The Australian Unity Group's management team is as follows:

<p>Sharon Beaumont BSc (Physiotherapy), Grad Dip OHS, MBA Group Executive, Human Resources</p>	<p>Ms Beaumont joined the Australian Unity Group in 2007. As Group Executive—Human Resources, she is responsible for the management of the Group's people and culture strategies and processes. She is a director of a number of Australian Unity's Subsidiaries including Remedy Healthcare Group Pty Limited, Australian Unity Personal Financial Services Limited, Australian Unity Retirement Living Services Limited and Australian Unity Retirement Living Management Pty Limited. Ms Beaumont has over 15 years experience in health, risk management and human resource management. Before joining the Australian Unity Group, Ms Beaumont worked in various roles in these areas for state governments, Coles Myer and BHP.</p>
<p>David Bryant GAICD Chief Executive Officer, Investments & Chief Investment Officer</p>	<p>Mr Bryant joined the Australian Unity Group in 2004. As Chief Executive Officer—Investments & Chief Investment Officer, he is responsible for all of the investment management businesses and activities across the Australian Unity Group's financial property assets. He is a director of a number of Australian Unity's Subsidiaries including Australian Unity Funds Management Limited, Australian Unity Property Limited and Australian Unity Finance Limited and each of its Investment Joint Venture associates. Mr Bryant is a member of the Investment and Financial Services Association Investment Board Committee, and has 25 years experience in investment and financial services with high profile organisations such as Westpac, State Street and Intech. Before joining the Australian Unity Group, Mr Bryant was chief operating officer—Personal Financial Services at Perpetual Limited.</p>
<p>Anthony Connon BA (Oxon), FCA, FAICD Chief Financial Officer</p>	<p>Mr Connon joined the Australian Unity Group in 1995. As Chief Financial Officer, he is responsible for all elements of Australian Unity's finance function with special emphasis on reporting, capital management, taxation and the development of corporate structures for prudential and regulatory purposes. He is a director of the majority of Australian Unity's Subsidiaries. Mr Connon has over 30 years experience in senior finance and administrative roles within various organisations including PriceWaterhouseCoopers, Grindlays Bank, and Elders Finance Group. Before joining the Australian Unity Group, Mr Connon was financial controller of the Australian Wheat Board. Mr Connon is a non-executive director of Calliden Group Limited, the honorary treasurer of Friendly Societies Australia Inc and is a member of the board of the Lord Mayor's Charitable Foundation.</p>
<p>Steve Davis General Manager, Personal Financial Services</p>	<p>Mr Davis joined the Australian Unity Group in February 2009 as Head of Practice Development and in August 2009 he was promoted to the role of General Manager Personal Financial Services. Mr Davis is responsible for the operations and growth of the Australian Unity Group's Personal Financial Services business, which delivers high quality financial planning, finance broking and life risk insurance services to clients through a network of financial advisers, accountants and finance brokers. Mr Davis has over 28 years experience in financial services and prior to joining the Australian Unity Group he worked with Perpetual Limited for over 14 years in a range of senior management roles.</p>

<p>Amanda Hagan BSc (BIT), SIA Chief Executive Officer, Healthcare</p>	<p>Ms Hagan joined the Australian Unity Group in 2006. As Chief Executive Officer—Healthcare and Chief Executive Officer of Australian Unity Health Limited and Grand United Corporate Health Limited, she is responsible for all elements of the Australian Unity Group’s healthcare operations and strategic development of the business. She is a director of a number of Australian Unity’s Subsidiaries including Grand United Corporate Health Limited, Remedy Healthcare Group Pty Limited and Australian Unity Retirement Living Services Limited. She is a director of the Australian Health Service Alliance (a cooperative hospital contracting company formed by 24 health insurance funds). Ms Hagan has over 15 years experience in senior roles consulting on strategic projects for a range of companies including AGL, American Express and Energy Australia. Before joining the Australian Unity Group, Ms Hagan held various executive roles with Perpetual Limited.</p>
<p>Kimina Lyall Group Executive, Corporate Development</p>	<p>Ms Lyall joined the Australian Unity Group in 2007. Appointed as Group Executive—Corporate Development in 2008, she is responsible for group strategy, corporate communications, member relations and the development of the corporate brand. She is a director of Australian Unity Retirement Living Services Limited and Australian Unity Personal Financial Services Limited. Prior to joining the Australian Unity Group Ms Lyall worked as a journalist for 15 years. She worked for <i>Time Australia</i> and <i>The Australian</i> newspaper, where she held senior reporting, foreign correspondent and management positions. She is a member of not-for-profit organisations, the Dart Centre for Journalism and Trauma and a director of Greatconnections.</p>
<p>Kirsten Mander LLM, ACIS, FAICD, MRMIA General Counsel and Company Secretary</p>	<p>Ms Mander was appointed General Counsel and Company Secretary of Australian Unity Limited in June 2009. She is responsible for Group Governance Services, including legal and company secretarial affairs, risk management and compliance. Ms Mander has had extensive experience as a senior executive, general counsel and company secretary of a number of Australia’s top companies, including Sigma Pharmaceuticals, TRUenergy, Smorgon Steel Group and WMC Resources. She is also chair of the Victorian Assisted Reproductive Treatment Authority and a director on several other boards including the Consultative Council for Human Research Ethics and MEGT Australia Limited.</p>
<p>Derek McMillan BSc (Hons), Dip Ed Chief Executive Officer, Retirement Living</p>	<p>Mr McMillan joined the Australian Unity Group in 1999. He held a number of executive positions before being appointed to his current role in 2005. He is responsible for all elements of the operations and development of the retirement living business, spanning retirement villages, residential aged care and community care. He is a director of a number of Australian Unity’s Subsidiaries including Australian Unity Retirement Living Services Limited, Australian Unity Health Limited, Remedy Healthcare Group Pty Limited and Australian Unity Personal Financial Services Limited. Mr McMillan was elected to the board of the Retirement Villages Association in 2007 and currently holds the position of vice president. Mr McMillan has over 20 years commercial experience in leading organisations in the health and ageing, financial services and agricultural industries.</p>
<p>Tahir Tanveer Master of Information Technology, BA Econ, Grad Dip Information Systems Group Executive, Business Technology</p>	<p>Mr Tanveer joined the Australian Unity Group in July 2008 as the Head of Solutions Delivery and in October 2009, he was appointed General Manager—Business Technology. Mr Tanveer is responsible for the management of the business technology group which deploys the Australian Unity Group’s technology infrastructure and analyses and translates strategies into appropriate solutions. Mr Tanveer has over 20 years of extensive experience in developing strategies, managing change and implementing technology solutions in the financial services sector. He is also a qualified project director certified by the Australian Institute of Project Management and has managed multi-million dollar projects. Prior to joining the Australian Unity Group, Mr Tanveer worked with Perpetual Limited as chief technology officer and held senior roles at Commonwealth Securities Limited, Skandia Australia and Westpac.</p>

4.2 Corporate governance framework

4.2.1 Australian Unity's approach to governance

Although not a listed company, Australian Unity is a major public company and the Australian Unity Board supports the ASX Corporate Governance Principles and Recommendations. The Board has adopted a charter that reflects many of these principles, as relevant to a mutual company.

4.2.2 Australian Unity's Board of Directors

As at the date of this Prospectus, there are 10 Directors on the Australian Unity Board, each with specific expertise and experience relevant to the Australian Unity Group's businesses and activities. The Board is comprised of a majority of Directors who are non-executive and judged by the Board to be independent and free of material relationships that might influence their ability to act in the interests of the Australian Unity Group and its members. In addition to their standing notices, Directors must declare any specific conflicts of interest arising from the business of any particular meeting they attend.

4.2.3 Committees

The Board has established committees that are considered necessary to assist it in monitoring and, where relevant, advising the management of the Australian Unity Group and maintaining appropriate standards. These committees include:

- the Audit and Compliance Committee, whose main objective is to oversee the credibility and objectivity of financial reporting and compliance with the Australian Unity Group's obligations;
- the Risk Committee, which is dedicated to overseeing the strategic management of risk and the continuing development of sound internal policies and controls;
- the Investment Committee, which plays a critical role in assessing and reviewing the Australian Unity Group's investment approach, performance and outlook as well as compliance with relevant covenants; and
- the Human Resources, Remuneration and Nominations Committee, which is responsible for evaluating the remuneration of the Australian Unity Group's executives (including the Group Managing Director), advising the Board on board renewal and ensuring that the Australian Unity Group has remuneration policies and practices that fairly, responsibly and competitively reward executives, staff and Directors.

4.2.4 Continuous disclosure obligations

Australian Unity has applied to the ASX to have the Australian Unity Notes quoted on the ASX and, accordingly, Australian Unity will be required under

the ASX Listing Rules to comply with continuous disclosure obligations and to lodge half yearly and annual reports and a quarterly report in accordance with the *Corporations Act*. Australian Unity will be required to notify the ASX of information about specified events and matters as they arise for the purpose of the ASX making that information available to the market conducted by the ASX. In particular, Australian Unity will have an obligation under the Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware concerning Australian Unity which a reasonable person would expect to have a material effect on the price or value of the Australian Unity Notes. That information will then be available on the public file at the ASX.

4.3 Risk management framework

In recognition of the important role that effective risk management plays in sustaining and enhancing Australian Unity's performance, as indicated above, the Board has established a risk committee dedicated to overseeing the strategic management of risk and the continuing development of sound internal policies and controls. Australian Unity's risk management framework is periodically revised to facilitate a continued proactive and consistent approach to risk management across all areas of activity.

All Australian Unity Group staff members are encouraged, and have the responsibility, to report any known or suspected incidences of improper conduct by making a protected disclosure in accordance with the Australian Unity Group's whistleblower policy. This policy is intended to be consistent with relevant Australian standards and APRA Prudential Standards.

4.4 Securities trading policy

The Australian Unity Group has adopted a securities trading policy which outlines when Directors, senior management and other employees and contractors of the Australian Unity Group may deal in financial products issued by an entity within the Australian Unity Group (either on its own or jointly with a joint venture partner).

4.5 The Australian Unity Group's community investments

The Australian Unity Group has a commitment to contributing to the community through a broad range of community partnerships. Initiatives that the company supports include the Australia Day People's March in Melbourne, the Great Australia Day Breakfast, the Australian Unity Bryan Kelleher Literary Award, the Australian Centre for Health Research and the award-winning Australian Unity Wellbeing Index, which regularly measures how satisfied Australians are with their lives and life in Australia.

During the 2009-2010 year, the Australian Unity Great Australia Day Swim was launched by Brighton Rotary.

The 1.2 kilometre open water swim at Middle Brighton beach in Melbourne attracted 580 participants and raised \$50,000, with all profits going to the Children's Charity and the Smart Kidz Education Support Program.

In 2006, the Australian Unity Foundation was established to further the Australian Unity Group's contribution to supporting community activities.

Australian Unity has distributed one percent of pre-tax profits to the Australian Unity Foundation each year. Each year nominated community groups are awarded grants so they can continue to make a difference. Australian Unity is the official "Wellbeing Partner" for Swimming Australia and the Australian Swim Team. Now in its third year, Australian Unity continues its sponsorship of the Australian Unity Learn to Swim program which teaches children to swim and promotes water safety in more than 600 swim schools throughout Australia. The Australian Unity Group also continues to provide support to competitive swimming at a number of levels.

The Australian Unity Group also has partnerships with Greatconnections, a community organisation connecting mature volunteers who have senior business experience with community organisations in need of assistance, Australian Brandenburg Orchestra (a leading period instrument orchestra that celebrates the music of the 16th, 17th and 18th centuries) and Bell Shakespeare, which supports the development of theatre in the community, including in the Australian Unity Group's retirement communities.

The Australian Unity Group also supports its staff to contribute to a number of charities, matching their donations dollar-for-dollar as well as allowing them to volunteer their time with a day's paid leave each year.

During the financial year ended 30 June 2010, the Australian Unity Group's total community contribution including cash, in-kind support and staff time was \$1,071,176.

5. Summary financial information

This section includes selected financial information about Australian Unity and the Australian Unity Group.

5.1 Introduction

This section contains information concerning the consolidated entity consisting of Australian Unity and its Subsidiaries as well as pro forma financial information.

The financial information in this section should be read together with the risk factors set out in section 7.

5.2 2011 first half year results

The Australian Unity Group reported a profit after tax of \$11.1 million for the half-year ended 31 December 2010, up from \$9.5 million for the half-year ended 31 December 2009. Revenue increased from \$418 million to \$508 million. This result reflects the Australian Unity Group's continued and developing focus on its principal business areas.

The Australian Unity Group's overall Healthcare business area recorded an Adjusted EBITDA of \$24.0 million for the half-year ended 31 December 2010 (half-year ended 31 December 2009: \$19.0 million). Total segment revenue for the Healthcare business area, which includes the Health Insurance and the Allied Health businesses, was \$286 million for the half-year ended 31 December 2010 (half-year ended 31 December 2009: \$259 million). The positive results were driven by an increase in membership that was the result of a significant program of work focused on customer acquisition and retention. This success was enabled by several years of intense focus and investment recognised by the customer services teams within Australian Unity Healthcare winning the overall Outstanding Business Award in Service Excellence at both the 2009 and 2010 International Customer Service Professional Awards. In addition, in 2010 Australian Unity Health Limited was voted the best health insurer by the readers of the Smart Investor Magazine.

Within the Australian Unity Group's Financial Services operations, the Investments business recorded an Adjusted EBITDA of \$9.6 million for the half-year ended 31 December 2010 (half-year ended 31 December 2009: \$2.6 million). The Investments business grew funds under management during the period by 20 percent, from \$10.3 billion at 30 June 2010 to \$12.4 billion at 31 December 2010.

Also within the Australian Unity Group's Financial Services operations, the Personal Financial Services business recorded an Adjusted EBITDA loss of \$2.4 million for the half-year ended 31 December 2010 (half-year 31 December 2009: loss of \$2.9 million), reflecting continued investment in the expansion of the financial advisory business, which increased funds under advice by 30 percent from \$582 million at 30 June 2010 to \$758 million at 31 December 2010. The mortgage broking division grew its loan book by 25 percent, from \$150 million at 30 June 2010 to \$188 million at 31 December 2010.

The Retirement Living business recorded an Adjusted EBITDA of \$7.6 million for the half-year ended 31 December 2010 (half-year ended 2009: \$5.1 million). The positive financial results for the six months ended 31 December 2010 were driven by a combination of high occupancy levels across the portfolio, strong property growth rates experienced across most operating regions and the ongoing expansion of the service range.

5.3 2010 full year results

The Australian Unity Group reported a profit after tax of \$17.1 million for the year ending 30 June 2010, up from \$1.1 million for the year ending 30 June 2009. This result reflects a steady approach taken in the last two years following the global financial crisis to improve and strengthen foundations that will allow further growth in the business. Revenue increased from \$617 million to \$934 million.

The Australian Unity Group's overall Healthcare operations recorded an Adjusted EBITDA of \$50.9 million for the year ended 30 June 2010 (2009: \$32.5 million). Total segment revenue for the combined healthcare business, which includes the Australian Unity and Grand United Corporate health insurance businesses and the Australian Unity Group's dental and allied health business, was \$528 million for the year ended 30 June 2010 (2009: \$493 million). Healthcare performed extremely well over the year, winning the overall Outstanding Business Award in Service Excellence at the 2009 and 2010 International Customer Service Professional Awards. In addition, the business recorded an increase in membership, largely due to excellent efforts across the Australian Unity Group in the Go For Growth project. These positive results assisted the Australian Unity Group to expand its activities that involve direct care provision. The Australian Unity Group now has around 270 health professionals including dietitians, nurses and occupational therapists working across the organisation and this year the Australian Unity Group invested a further \$8.7 million in preventative health benefits and programs. The Australian Unity Group is seeing increasing opportunities to support its health insurance customers, as well as its retirement community residents by providing direct health support. Within the Australian Unity Group's Financial Services operations, the Investments business recorded an Adjusted EBITDA of \$10.5 million for the year ended 30 June 2010 (2009: \$10.8 million). On 31 August 2009, Lifeplan Australia Friendly Society Limited formally merged with Australian Unity. The merger strengthens Australian Unity Group's position in South Australia and nationally. Australian Unity Investments successfully integrated the operations of Lifeplan Australia Friendly Society Limited, welcoming new employees and new customers and so building a \$1.8 billion bonds business as at 30 June 2010. The Investments business grew funds under management during the period by 78 percent, from \$5.8 billion to \$10.3 billion.

Also within the Australian Unity Group's Financial Services operations, the Personal Financial Services business recorded an Adjusted EBITDA loss of \$5.6 million for the year ended 30 June 2010 (2009: loss of \$7.8 million), reflecting continued investment in the expansion of the financial advisory business, which increased funds under advice by 29 percent to \$582 million with 50 authorised representatives. The mortgage broking division grew its loan book to \$150 million, an increase of 56 percent when compared to the previous year (a total of \$96 million). The Personal Financial Services business is continuing to grow in the current year and is proving to be a valuable provider of services to other businesses and customers in other areas of the Australian Unity Group.

The Retirement Living business also had a strong year, recording an Adjusted EBITDA of \$10.2 million for the year ended 30 June 2010 (2009: \$9.2 million). Occupancy at the residential aged care facilities increased during the year ended 30 June 2010, with overall levels reaching just over 98 percent, compared to 90 percent at 30 June 2009. The year was notable for firmer property prices and additional strategic investments in the provision of a more diversified range of services to residents. This business also had a strong sales year, with particular highlights including the taking of sales and deposits for all available stages of the Victoria Grange and Peninsula Grange villages.

5.4 Total Members' Funds and significant changes in the state of affairs

Total Members' Funds of the Australian Unity Group as at 31 December 2010 were \$374 million, which was an increase of \$10 million during that financial half-year (30 June 2010: \$364 million). This movement reflected the profit for the six months ended 31 December 2010, offset by movements in reserves.

Total Members' Funds reached \$364 million at 30 June 2010 (2009: \$303 million), an increase of \$61 million during the financial year. This movement reflected additional Members' Funds as a result of the merger with Lifeplan Australia Friendly Society Limited of \$46 million and the profit for the year, offset by movements in reserves.

Total Members' Funds as at 30 June 2009 were \$303 million, which was an increase of \$1 million during that financial year (2008: \$302 million). This movement reflected the profit for the year, offset by movements in reserves.

Total Members' Funds as at 30 June 2008 were \$302 million, an increase of \$32 million during that financial year (2007: \$270 million). This movement reflected profit for the year, offset by movements in reserves. On 31 July 2007, Australian Unity disposed of its general insurance operations to Calliden Group Limited, an ASX listed insurance underwriter. Consideration for the sale amounted to \$67 million, resulting in recognition in the financial statements of a disposal profit after tax of \$15 million.

5.5 Description and basis of preparation of financial information

The historical financial information disclosed in this section contains the following information:

- The historical income statement presents the financial performance of the consolidated entity consisting of Australian Unity and its Subsidiaries for the half year ended 31 December 2010 and the years ended 30 June 2010, 30 June 2009 and 30 June 2008. The contribution to the consolidated entity profit before tax by the consolidated entity's business segments for those periods is also shown.
- The historical balance sheet presents the financial position the consolidated entity as at 31 December 2010, 30 June 2010, 30 June 2009 and 30 June 2008. The net assets of the business segments of the consolidated entity reflecting the segment assets and liabilities as at those dates are also shown.

The financial information for the half year ended 31 December 2010 has been extracted from the financial statements of the Australian Unity Group which have been reviewed by Ernst & Young, whose Investigating Accountant's report is included as section 6.

The financial information for the years ended 30 June 2010, 30 June 2009 and 30 June 2008 has been extracted from the statutory financial statements of the Australian Unity Group which have been audited by Ernst & Young. The disclosures include the impact of Benefit Funds which are required to be included in the financial statements.

This information has been prepared in accordance with Australian equivalents to International Financial Reporting Standards, other Australian Accounting Standards and the *Corporations Act*.

The accounting policies adopted in preparation of the financial information are in accordance with generally accepted accounting practices and are consistent with the accounting policies of the Australian Unity Group.

5.6 Historical income statement and segment results

The historical income statement shown below has been included to present the financial performance of the consolidated entity consisting of Australian Unity and its Subsidiaries for the half year ended 31 December 2010 and the financial years ended 30 June 2010, 30 June 2009 and 30 June 2008:

Consolidated

	For the half year ended 31 December 2010 \$'000	For the year ended 30 June 2010 \$'000	For the year ended 30 June 2009 \$'000	For the year ended 30 June 2008 \$'000
Revenue from continuing operations	508,471	934,049	617,437	609,107
Expenses, excluding finance costs	(479,479)	(895,876)	(612,310)	(583,051)
Finance costs	(5,993)	(11,006)	(8,626)	(8,917)
Share of net profits of associates	2,495	3,419	2,023	4,853
Profit/(loss) before income tax	25,494	30,586	(1,476)	21,992
Income tax (expense)/benefit	(14,400)	(13,458)	2,527	(4,763)
Profit after income tax from continuing operations	11,094	17,128	1,051	17,229
Profit after income tax from discontinued operations *	-	-	-	15,029
Profit after income tax and discontinued operations	11,094	17,128	1,051	32,258
Other comprehensive income				
Cash flow hedges	440	-	(166)	(277)
Income tax relating to components of other comprehensive income	(132)	-	50	84
Other comprehensive income, net of tax	308	-	(116)	(193)
Total comprehensive income	11,402	17,128	935	32,065
Profit is attributable to:				
Members of Australian Unity Limited	11,094	17,128	1,051	32,258
Allocated to policyholder equity	-	-	-	-
	11,094	17,128	1,051	32,258
Total comprehensive income is attributable to:				
Members of Australian Unity Limited	11,402	17,128	935	32,065
Allocated to policyholder equity	-	-	-	-
	11,402	17,128	935	32,065

* On 31 July 2007, the Australian Unity Group disposed of its general insurance operations, comprising wholly owned subsidiaries Australian Unity General Insurance Limited and Mansions of Australia Limited.

The Australian Unity Group's business segments comprise the following:

Corporate Functions	Provision of shared services, fraternal activities and management of properties and other strategic investments and group liquidity
Allied Health	Provision of dental and other healthcare services
Health Insurance	Provision of private health insurance and management of the customer service centre
Investments	Management of investment funds in property, mortgages, Australian equities, international equities, fixed interest and bonds
Personal Financial Services	Provision of financial planning and finance broking services
Retirement Living	Provision of aged care facilities, support services and independent living units

Together, the Allied Health and Health Insurance business segments form the Healthcare business area. The Investments and Personal Financial Services business segments form the Financial Services business area. The Retirement Living business segment forms the Retirement Living business area.

The contribution to the consolidated revenue from continuing operations by the Australian Unity Group's business segments for the half year ended 31 December 2010 and the financial years ended 30 June 2010, 30 June 2009 and 30 June 2008 is set out below:

Consolidated				
	For the half year ended 31 December 2010 \$'000	For the year ended 30 June 2010 \$'000	For the year ended 30 June 2009 \$'000	For the year ended 30 June 2008 \$'000
Corporate Functions and Eliminations	(9,844)	(6,694)	(515)	(1,666)
Allied Health	8,223	15,282	15,020	13,892
Health Insurance	277,920	512,892	477,571	461,974
Investments	44,585	70,410	47,660	49,134
Personal Financial Services	3,950	7,139	5,479	4,784
Retirement Living	31,172	53,724	50,650	49,795
Total Segment Revenue	356,006	652,753	595,865	577,913
Other revenue attributable to members of Australian Unity Limited	4,005	13,200	(4,030)	4,344
Revenue attributable to members of Australian Unity Limited	360,011	665,953	591,835	582,257
Revenue from Benefit Funds	148,460	268,096	25,602	26,850
Total revenue from continuing operations	508,471	934,049	617,437	609,107

The contribution to the consolidated Adjusted EBITDA by the Australian Unity Group's business segments (excluding Benefit Funds) for the half year ended 31 December 2010 and the financial years ended 30 June 2010, 30 June 2009 and 30 June 2008 is set out below:

Consolidated				
	For the half year ended 31 December 2010 \$'000	For the year ended 30 June 2010 \$'000	For the year ended 30 June 2009 \$'000	For the year ended 30 June 2008 \$'000
Corporate Functions and Eliminations	(15,412)	(30,919)	(21,965)	(32,530)
Allied Health	(319)	(1,511)	210	103
Health Insurance	24,277	52,402	32,301	45,035
Investments	9,601	10,481	10,831	9,373
Personal Financial Services	(2,398)	(5,621)	(7,775)	(7,714)
Retirement Living	7,580	10,155	9,167	14,717
Consolidated Adjusted EBITDA	23,329	34,987	22,769	28,984

The consolidated entity's profit before and after income tax attributable to members of Australian Unity and to Benefit Fund policyholders for the half year ended 31 December 2010 and the financial years ended 30 June 2010, 30 June 2009 and 30 June 2008 is set out below:

Consolidated				
	For the half year ended 31 December 2010 \$'000	For the year ended 30 June 2010 \$'000	For the year ended 30 June 2009 \$'000	For the year ended 30 June 2008 \$'000
Attributable to members of Australian Unity				
Profit/(loss) before income tax	12,946	18,524	(2,850)	19,852
Income tax (expense)/benefit	(1,852)	(1,396)	3,901	(2,623)
Profit after income tax from continuing operations	11,094	17,128	1,051	17,229
Attributable to Benefit Fund policyholders				
Profit/(loss) before income tax	12,548	12,062	1,374	2,140
Income tax (expense)/benefit	(12,548)	(12,062)	(1,374)	(2,140)
Profit after income tax from continuing operations	-	-	-	-
Consolidated				
Profit/(loss) before income tax	25,494	30,586	(1,476)	21,992
Income tax (expense)/benefit	(14,400)	(13,458)	2,527	(4,763)
Profit after income tax from continuing operations	11,094	17,128	1,051	17,229

5.7 Historical balance sheet and segment net assets

The historical balance sheet shown below has been included to present the financial position of the Australian Unity Group as a consolidated entity consisting of Australian Unity and its Subsidiaries as at 31 December 2010, 30 June 2010, 30 June 2009 and 30 June 2008.

	Consolidated			
	As at 31 December 2010 \$'000	As at 30 June 2010 \$'000	As at 30 June 2009 \$'000	As at 30 June 2008 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	1,020,997	1,054,830	273,993	304,596
Trade and other receivables	110,510	91,461	75,278	87,642
Inventories	598	534	535	422
Current tax assets	-	3,010	-	-
Loans and receivables	9,095	5,180	-	-
Other current assets	-	-	2,149	1,364
Financial assets at fair value through profit or loss	924,891	900,410	198,000	406,956
Total current assets	2,066,091	2,055,425	549,955	800,980
Non-current assets				
Financial assets at fair value through profit or loss	120,815	112,570	182,063	-
Loans and receivables	104,562	106,754	28,171	15,354
Investments in associates	20,569	20,044	34,227	34,541
Other financial assets	1,309	810	165	229
Property, plant and equipment	67,763	70,855	73,995	90,486
Investment properties	480,008	458,805	414,436	352,281
Deferred tax assets	66,144	72,560	34,349	27,392
Intangible assets	66,157	59,337	52,281	44,821
Other non-current assets	2,371	1,892	5,829	1,471
Total non-current assets	929,698	903,627	825,516	566,575
Total assets	2,995,789	2,959,052	1,375,471	1,367,555
LIABILITIES				
Current liabilities				
Trade and other payables	50,168	46,149	40,258	39,393
Interest bearing liabilities	83,292	79,600	63,042	64,916
Current tax liabilities	3,731	-	1,197	2,368
Provisions	57,233	58,806	50,861	60,327
Other current liabilities	380,591	376,730	324,870	292,906
Benefit fund policy liabilities	269,764	223,645	45,063	49,903
Total current liabilities	844,779	784,930	525,291	509,813
Non-current liabilities				
Interest bearing liabilities	145,874	140,547	92,599	87,318
Non-interest bearing liabilities	875	-	328	82
Deferred tax liabilities	49,888	48,797	40,680	32,139
Provisions	5,446	5,563	5,069	5,670
Benefit fund policy liabilities	1,575,084	1,615,605	408,894	430,858
Total non-current liabilities	1,777,167	1,810,512	547,570	556,067
Total liabilities	2,621,946	2,595,442	1,072,861	1,065,880
Net assets	373,843	363,610	302,610	301,675
EQUITY				
Members' balances	215,514	215,514	169,049	169,049
Reserves	2,774	2,466	2,462	2,578
Retained profits	155,555	145,630	131,099	130,048
Total equity	373,843	363,610	302,610	301,675

The net assets of the Australian Unity Group's business segments as at 31 December 2010, 30 June 2010, 30 June 2009 and 30 June 2008 are set out below:

	Consolidated			
	As at 31 December 2010 \$'000	As at 30 June 2010 \$'000	As at 30 June 2009 \$'000	As at 30 June 2008 \$'000
Segment net assets				
Corporate Functions and Eliminations	(148,938)	(127,157)	(44,299)	25,917
Allied Health	1,473	1,357	2,822	1,502
Health Insurance	125,665	109,305	99,444	95,278
Investments	132,375	115,754	66,920	49,457
Personal Financial Services	2,595	1,142	1,399	1,978
Retirement Living	260,673	263,209	176,324	127,543
Consolidated net assets	373,843	363,610	302,610	301,675

The composition of the business segments is set out in section 5.6 above.

The consolidated entity's net assets attributable to members of Australian Unity and to Benefit Fund policyholders as at 31 December 2010, 30 June 2010, 30 June 2009 and 30 June 2008 is set out below:

	Consolidated			
	As at 31 December 2010 \$'000	As at 30 June 2010 \$'000	As at 30 June 2009 \$'000	As at 30 June 2008 \$'000
Attributable to members of Australian Unity				
Total assets	1,139,477	1,090,924	920,794	880,280
Total liabilities	765,634	727,314	618,184	578,605
Total net assets	373,843	363,610	302,610	301,675
Attributable to Benefit Fund policyholders				
Total assets	1,856,312	1,868,128	454,677	487,275
Total liabilities	1,856,312	1,868,128	454,677	487,275
Total net assets	-	-	-	-
Consolidated				
Total assets	2,995,789	2,959,052	1,375,471	1,367,555
Total liabilities	2,621,946	2,595,442	1,072,861	1,065,880
Total net assets	373,843	363,610	302,610	301,675

5.8 Pro forma balance sheet

5.8.1 Basis of preparation of pro forma balance sheet

The pro forma balance sheet of the Australian Unity Group as at completion of the Offer has been prepared based on:

- The historical balance sheet of the consolidated entity as at 31 December 2010;
- Adjustments for material transactions impacting on the balance sheet of the Australian Unity Group in the period from 1 January 2011 to 11 March 2011 as if they had occurred as at 31 December 2010; and
- The impact of the proposed Australian Unity Notes (the detailed assumptions of which are outlined in section 5.8.3).

The Directors of Australian Unity have adopted the pro forma adjustments in sections 5.8.2 and 5.8.3 in the preparation of the pro forma Balance Sheet. The consolidated entity's performance since 31 December 2010 has not been included in the pro forma adjustments.

5.8.2 Material transactions

There have been no material transactions in the period from 1 January 2011 to 11 March 2011 which have significantly affected or may significantly affect the financial status or results of the Australian Unity Group as at 31 December 2010.

5.8.3 Issue of Australian Unity Notes

The pro forma balance sheet shown below has been included to present the financial position of the consolidated entity as at 31 December 2010 and the impact of the issue of the Australian Unity Notes, including the repayment of debt (full pay-down of the Westpac Cash Advance Facility, see section 5.9.3) as if they had occurred on 31 December 2010.

That is, it has been assumed for the purposes of the pro forma balance sheet that the net cash proceeds of the issue of the Australian Unity Notes of \$95.5 million⁵, being the \$100 million of Australian Unity Notes issued less anticipated Offer expenses of \$4.5 million, were used to pay down existing debt (the Westpac Cash Advance Facility) as at 31 December 2010 by the amount of \$50 million and that the balance of the funds, being \$45.5 million, have been retained in cash to meet the ongoing working capital requirements of the Australian Unity Group's businesses.

⁵ The net cash proceeds of the issue of the Australian Unity Notes have been calculated on the basis that \$100 million is raised under the Offer.

Consolidated

	Actual as at 31 December 2010 \$'000	Impact of Offer* \$'000	Pro Forma as at 31 December 2010 \$'000
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ASSETS**Current assets**

Cash and cash equivalents	1,020,997	45,500	1,066,497
Trade and other receivables	110,510		110,510
Inventories	598		598
Loans and receivables	9,095		9,095
Financial assets at fair value through profit or loss	924,891		924,891
Total current assets	2,066,091	45,500	2,111,591

Non-current assets

Financial assets at fair value through profit or loss	120,815		120,815
Loans and receivables	104,562		104,562
Investments in associates	20,569		20,569
Other financial assets	1,309		1,309
Property, plant and equipment	67,763		67,763
Investment properties	480,008		480,008
Deferred tax assets	66,144		66,144
Intangible assets	66,157		66,157
Other non-current assets	2,371		2,371
Total non-current assets	929,698	-	929,698

Total assets	2,995,789	45,500	3,041,289
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LIABILITIES**Current liabilities**

Trade and other payables	50,168		50,168
Interest bearing liabilities	83,292		83,292
Current tax liabilities	3,731		3,731
Provisions	57,233		57,233
Other current liabilities	380,591		380,591
Benefit fund policy liabilities	269,764		269,764
Total current liabilities	844,779	-	844,779

Non-current liabilities

Interest bearing liabilities	145,874	45,500	191,374
Non-interest bearing liabilities	875		875
Deferred tax liabilities	49,888		49,888
Provisions	5,446		5,446
Benefit fund policy liabilities	1,575,084		1,575,084
Total non-current liabilities	1,777,167	45,500	1,822,667

Total liabilities	2,621,946	45,500	2,667,446
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Net assets	373,843	-	373,843
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EQUITY

Members' balances	215,514		215,514
Reserves	2,774		2,774
Retained profits	155,555		155,555
Total equity	373,843	-	373,843

* Assumes \$100 million of Australian Unity Notes issued less anticipated Offer expenses of \$4.5 million, less \$50 million pay down of the Westpac Cash Advance Facility

5.9 The Australian Unity Group's existing debt facilities and debt maturity

5.9.1 Summary

The facility limits and amounts drawn down on the existing debt facilities of the Australian Unity Group (as at 31 December 2010) are as follows:

Loan	Facility Limit	Facility Maturity Date*	Amount drawn down as at 31 December 2010	Amount expected to be drawn down after Offer (assuming \$100 million is raised)
Westpac Cash Advance Facility	\$50.0m	June 2013	\$50.0m	\$-m [#]
Health Insurance subordinated capital notes	\$25.0m	July 2018	\$25.0m	\$25.0m
Retirement Living development finance loans	Various	Various	\$3.6m	\$12.6m
Preferential units	\$10.0m	No fixed maturity	\$10.0m	\$10.0m
Retirement Village Investment Notes	\$61.8m	Various	\$61.8m	\$61.8m

* Retirement living development financing maturity dates are discussed in further detail in section 5.9.5. Retirement Village Investment Notes maturity dates are discussed in further detail in section 5.9.7.

It is assumed that the amount raised by the Offer will be used in part to repay the Westpac Cash Advance Facility in full.

In addition to the debt facilities listed in the table above, there exists call and term deposit liabilities within Lifeplan Australia Building Society, the details of which are outlined in section 5.9.8.

5.9.2 No material breaches of loan covenants or debt obligations

Australian Unity has not materially breached any loan covenants or debt obligations in the two years prior to the date of this Prospectus.

5.9.3 Westpac Cash Advance Facility

At the date of this Prospectus, the Westpac Cash Advance Facility comprised a revolving senior secured cash advance facility of \$50 million for a term of 3 years ending 15 June 2013 of which \$50 million has been drawn down. The facility is provided to Australian Unity Capital Management Limited for the general corporate purposes of the Australian Unity Group. Repayment of amounts drawn down under this facility, interest and all other amounts owing under the facility are unconditionally guaranteed by Australian Unity and certain controlled entities within the Australian Unity Group.

The following security has been provided to secure repayment of the moneys owing under the facility provided by Westpac:

- the freehold mortgage dated on or about 3 August 2009 granted by Australian Unity Nominees Pty Limited (AUN) as trustee of the Australian Unity Aged Care Trust #2 over:
 - the land situated at 129 Coleman Parade, Glen Waverley, Victoria; and

- the land situated at 125 Coleman Parade, Glen Waverley, Victoria;
- the freehold mortgage dated on or about 3 August 2009, granted by AUN as trustee of the Australian Unity Aged Care Trust #1 over Greeves Drive, Kilsyth, Victoria;
- the freehold mortgage dated on or about 3 August 2009, granted by AUN as trustee of the Australian Unity Investment Trust over:
 - 114 Albert Road, South Melbourne, Victoria;
 - 126 Albert Road, South Melbourne, Victoria; and
 - 128–130 Albert Road, South Melbourne, Victoria;
- the freehold mortgage dated on or about 3 August 2009 granted by Australian Unity Retirement Development Management Pty Limited (AURDM) as trustee of the Australian Unity Aged Care Trust #4 over that part of 502-514 Burwood Highway, Vermont South, Victoria, known as the Victoria Grange Aged Care Facility;
- a mortgage of deferred payment deed granted by Grand United RVO Pty Limited in favour of Westpac; and
- a unit mortgage granted by AURLS in favour of Westpac over units in the AU Bondi Trust.

By repaying the Westpac Cash Advance Facility due in June 2013 from the Offer proceeds, the issue of Australian Unity Notes will lengthen Australian Unity's overall debt maturity profile. On repaying the Westpac Cash Advance Facility in full, Australian Unity Capital Management Limited will cancel the commitment under that facility.

5.9.4 Health Insurance subordinated capital notes

Australian Unity Health Limited issued subordinated notes totalling \$25 million to institutional investors on 11 July 2008. The notes mature on 11 July 2018. On certain specified dates from and including 11 July 2013 until the maturity date, Australian Unity Health Limited may redeem the subordinated notes.

These notes are obligations of Australian Unity Health Limited. Neither Australian Unity nor any other member of the Australian Unity Group has given a guarantee, indemnity or security in respect of these notes.

5.9.5 Retirement Living development financing

Certain controlled entities within the Australian Unity Group have obtained the following external limited recourse financing:

- AURDM as trustee for The Australian Unity Sienna Grange Development Trust (a wholly-owned entity within the Australian Unity Group) has sourced external financing from Bendigo and Adelaide Bank Limited to fund the development of a retirement village site in Port Macquarie, New South Wales (Sienna Grange Retirement Village). At the date of this Prospectus, the facility provided for finance up to \$742,500. The facility expires 12 months from the initial drawdown date which is forecast to occur on or about 31 March 2011.
- AURDM as trustee for The Australian Unity Victoria Grange Development Trust (a wholly-owned entity within the Australian Unity Group) has sourced external financing from Bendigo and Adelaide Bank Limited to fund the development of a retirement village site in Vermont South, Victoria (Victoria Grange Retirement Village). At the date of this Prospectus, the facility provided for finance up to \$7.8 million. The facility expires 36 months from the initial drawdown date which is forecast to occur on or about 31 March 2011.
- Australian Unity Greenfields Pty Limited (a wholly-owned entity within the Australian Unity Group) has sourced external financing from National Australia Bank Limited to fund a residential sub-division in Cranbourne, Victoria. At the date of this Prospectus, the facility provided for finance of up to \$8.5 million, of which \$1.6 million is drawn as at 28 February 2011. The facility expires on 30 November 2012. This facility will reduce to \$5 million following completion of stage 1 of the project, which is expected to occur in October/November 2011.
- AURDM as trustee for The Australian Unity Mornington Development Trust (a wholly-owned entity within the Australian Unity Group) has sourced external financing from Bendigo and Adelaide Bank Limited to fund the development of a retirement village site in Mornington, Victoria (Peninsula Grange Retirement Village). At the date of this Prospectus, the facility provided for finance of up to \$19 million, of which \$4.67 million was drawn as at 28 February 2011. The facility expires on 6 June 2013.

- Australian Unity Retirement Development No. 2 Pty Limited (a wholly-owned entity within the Australian Unity Group) has entered into a joint venture with entities associated with the Lifestyle Manor retirement village apartment complex (LMB) and neighbouring vacant land (LMA) in Bondi, New South Wales. External financing has been sourced from Bank of Western Australia Limited. As at the date of this Prospectus, the LMB facility limit resided at \$14 million and the LMA facility limit at \$8.54 million. AURLS has a commitment to fund interest costs associated with each facility until 30 June 2011 with an intention to roll over each facility and pay interest costs for a further twelve months.

The recourse of the financiers in respect of these facilities is limited to the assets (or the income or cash flow from the assets) which are being developed with the proceeds of the relevant facilities or to shares or units issued by the borrowing entity. The financiers otherwise have no guarantee or indemnity from Australian Unity nor any other member of the Australian Unity Group or any security over any other assets of the Australian Unity Group.

5.9.6 Preferential units

The preferential units referred to in section 5.9.1 were issued on 20 December 2007 by wholly-owned entities within the Australian Unity Group, Australian Unity Aged Care Trust #1, Australian Unity Aged Care Trust #2 and Australian Unity Aged Care Trust #3, in order to fund their operations. The preferential units are owned by Grand United Centenary Centre Limited, a related entity.

5.9.7 Retirement Village Investment Notes

The Retirement Village Investment Notes (RVINs) are debt obligations issued by Australian Unity Finance Limited (AUFL) and are secured in the form of a registered security over specific assets of AUFL. These assets are loans made by AUFL to a related entity, Australian Unity Retirement Living Investments Limited (AURLIL), which have been utilised for the purpose of acquiring units in the Australian Unity Retirement Village Trust #1 and the Australian Unity Retirement Village Trust #2 and for lending to AURLS, a related entity, to expand its retirement living business. Neither Australian Unity nor any other member of the Australian Unity Group has given a guarantee, indemnity or security in respect of the RVINs.

Australian Unity Retirement Village Trust #1 owns three retirement villages—Willandra Village and Willandra Bungalows in New South Wales and Walmsley Friendship Village in Victoria, while Australian Unity Retirement Village Trust #2 owns three other villages—Constitution Hill Retirement Village, Karagi Court and Kiah Lodge, all located in New South Wales. All of these villages are managed by a related entity, Australian Unity Retirement Living Management Pty Limited.

The Australian Unity Group does not hold any security over these retirement village assets nor any other assets of Australian Unity Retirement Village Trust #1 or Australian Unity Retirement Village Trust #2.

The Series 1 RVINs are payable to investors on four separate fixed maturity dates, being 30 November 2011, 30 November 2012, 30 November 2013 and 30 November 2015.

The Series 2 RVINs are payable to investors on two separate fixed maturity dates, being 31 December 2011 and 31 March 2012.

The first issue of Series 3 RVINs are repayable to investors on three separate maturity dates being 31 March 2012, 31 March 2014 and 31 March 2016.

The second issue of Series 3 RVINs are repayable to investors on three separate maturity dates being 30 June 2012, 30 June 2014 and 30 June 2016.

The third issue of Series 3 RVINs are repayable to investors on three separate maturity dates being 31 December 2012, 31 December 2014 and 31 December 2016.

5.9.8 Lifeplan Australia Building Society Deposits

In addition to the debt facilities listed in the table in section 5.9.1, there exist call and term deposit liabilities within Lifeplan Australia Building Society.

The call deposits with Lifeplan Australia Building Society are repayable on demand and accrue interest on a daily basis.

The term deposits with Lifeplan Australia Building Society are repayable on maturity and accrue interest on a monthly basis.

These deposits are liabilities of Lifeplan Australia Building Society. Neither Australian Unity nor any other member of the Australian Unity Group has given a guarantee, indemnity or security in respect of these deposits.

As at 31 December 2010, 100 percent of the total deposits of \$78.7 million were guaranteed by the Federal Government under the Australian Government Guarantee Scheme.

5.10 Ranking of debt in the Australian Unity Group

5.10.1 Security and Financial Indebtedness

The Australian Unity Notes are obligations of the Issuer. No other member of the Australian Unity Group has, at the date of the Prospectus, guaranteed repayment of the Australian Unity Notes and there is no current proposal, as at the date of the Prospectus, that such a guarantee be given.

Neither the Issuer nor any other member of the Australian Unity Group is permitted by the Terms to grant security for any Financial Indebtedness (without also providing to the Holders the same security, security that is in substance equal ranking security or such other security as is approved by a Special Resolution), other than certain Permitted Security Interests (see section 5.10.3). This restriction is referred to as the 'Negative Pledge' in this Prospectus (refer to the definition of Negative Pledge on page 112).

The Issuer must comply with the Gearing Ratio (see section 5.10.2) and the restriction on granting security (other than Permitted Security Interests (see section 5.10.3)), when incurring new debt. There are restrictions on Subsidiaries of the Issuer incurring Financial Indebtedness. That is, in addition to the Gearing Ratio and Negative Pledge, the Issuer undertakes that no Subsidiary of the Issuer will incur Financial Indebtedness (other than certain specified exceptions—please see below) unless it guarantees to the Holders repayment of the Australian Unity Notes. The giving of a guarantee in these circumstances (were one to be given) is designed to ensure that the claims of the Holders in respect of the Australian Unity Notes rank at least equally with the claims of the other unsecured financial creditors of that Subsidiary.

The table below sets out the Financial Indebtedness which will rank ahead of the Australian Unity Notes as regards the specific entities (and the assets of those entities) that owe or are otherwise obliged to meet that Financial Indebtedness. In the case of the Issuer's Subsidiaries, this is Financial Indebtedness which the Issuer's Subsidiaries have already incurred or which they may incur or owe without having to guarantee to the Holders repayment of the Australian Unity Notes.

Business Area	Description of principal amount of Financial Indebtedness (the Financial Indebtedness will or may also comprise interest and fees)	Entities against whom financier / noteholder / unitholder has a direct claim (and effective priority over the Australian Unity Notes)	Assets against which financier / noteholder / unitholder holds security (and effective priority over the Australian Unity Notes)	Amount expected to be drawn / owing immediately after completion of the Offer ⁶	Future indebtedness (in addition to the amount drawn at 31 December 2010)
Health	\$25.0 million Health Insurance subordinated capital notes	Australian Unity Health Limited	Nil	\$25.0 million	Up to a maximum additional amount of \$15.0 million
Retirement Living	Development finance for or in connection with the development of the proposed Wellbeing Precinct in Carlton, Victoria	Proposed to be AURDM as trustee of Australian Unity Retirement Village Trust #7	The Wellbeing Precinct assets in Carlton and may include some or all of the assets which were provided as security to Westpac for the Westpac Cash Advance Facility (Refer section 5.9.3)	Nil	Aggregate principal amount up to a maximum amount of \$45.0 million Guarantee for up to a maximum amount of \$2.0 million
	\$0.743 million development finance facility for the Sienna Grange Retirement Village	AURDM as trustee of The Australian Unity Sienna Grange Development Trust (as borrower)	The Sienna Grange Retirement Village (and related assets)	\$0.05 million	Up to a maximum additional amount of \$2.5 million
	\$7.8 million development finance facility for the Victoria Grange Retirement Village	AURDM as trustee of The Australian Unity Victoria Grange Development Trust (as borrower)	The Victoria Grange Retirement Village (and related assets)	\$1.2 million	Up to a maximum additional amount of \$7.0 million post January 2013
	\$8.5 million development finance facility for a residential subdivision in Cranbourne, Victoria	Australian Unity Greenfields Pty Limited (as borrower)	All assets of Australian Unity Greenfields Pty Limited (being a residential subdivision in Cranbourne, Victoria and related assets)	\$3.5 million	Nil
	\$19.0 million development finance facility for the Peninsula Grange Retirement Village	AURDM as trustee of The Australian Unity Mornington Development Trust (as borrower)	All assets of the borrower (being the Peninsula Grange Retirement Village and related assets)	\$7.8 million	Up to a maximum additional amount of \$10.0 million post June 2013
	\$10.0 million subordinated preferential units	Australian Unity Aged Care Trust #1, Australian Unity Aged Care Trust #2 and Australian Unity Aged Care Trust #3	Nil	\$10.0 million	Nil

⁶ It is assumed that the amount raised by the Offer will be used to repay the Westpac Cash Advance Facility in full, and for general working capital and business purposes.

Business Area	Description of principal amount of Financial Indebtedness (the Financial Indebtedness will or may also comprise interest and fees)	Entities against whom financier / noteholder / unitholder has a direct claim (and effective priority over the Australian Unity Notes)	Assets against which financier / noteholder / unitholder holds security (and effective priority over the Australian Unity Notes)	Amount expected to be drawn / owing immediately after completion of the Offer ⁶	Future indebtedness (in addition to the amount drawn at 31 December 2010)
Investments	Retirement Village Investment Notes	AUFL	Loans made by AUFL to AURLIL and security for the loans (being mortgages over the units held by AURLIL in the Australian Unity Retirement Village Trust #1 and Australian Unity Retirement Village Trust #2)	\$61.8 million	Unlimited, subject to the Gearing Ratio (see section 5.10.2). The Negative Pledge contains restrictions on Subsidiaries of the Issuer (which would include AUFL) granting Security Interests in respect of the Retirement Village Investment Notes and other Financial Indebtedness, other than Permitted Security Interests.
	Deposits (and other Financial Indebtedness)	Lifepan Australia Building Society	Nil	\$78.7 million	Unlimited (the Negative Pledge contains restrictions on Subsidiaries of the Issuer (which would include Lifepan Australia Building Society) granting Security Interests in respect of deposits and other Financial Indebtedness, other than Permitted Security Interests).
General	Other future Limited Recourse Debt (as defined in section 5.10.3)		Assets (or income or cash flow from those assets) being purchased, constructed, developed or operated with the relevant Limited Recourse Debt) and shares or units issued by the borrowing entity of that Limited Recourse Debt		
	Any present or future Financial Indebtedness owed by one member of the Australian Unity Group to another member of the Australian Unity Group				
	Any future Financial Indebtedness incurred to refinance any of the Financial Indebtedness referred to in this table		Ranking not to be materially improved relative to that of the Financial Indebtedness which is being refinanced		Principal amount not to be greater than the relevant Financial Indebtedness which is being refinanced
	Any other present or future Financial Indebtedness not referred to in this table (and not including subordinated Financial Indebtedness referred to below)				Aggregate principal amount for the Australian Unity Group—up to 10 percent of Total Equity
Total				\$188.05 million	

In addition to the Financial Indebtedness set out in the table above, Australian Unity's Subsidiaries may also incur Financial Indebtedness which is subordinated to the Australian Unity Notes under a subordination agreement or arrangement on terms reasonably acceptable to the Trustee. Australian Unity will need to comply, in respect of any such subordinated indebtedness, with the Negative Pledge (see section 5.10.1) and Gearing Ratio (see section 5.10.2)).

5.10.2 Gearing

Australian Unity will ensure that on each 30 June and 31 December occurring after the Issue Date, the aggregate (without double counting) of Consolidated Interest Bearing Liabilities and Australian Unity Guarantees (minus Lifeplan Australia Building Society Liabilities and Lifeplan Australia Building Society Guarantees) divided by the aggregate of Consolidated Interest Bearing Liabilities and Australian Unity Guarantees (minus Lifeplan Australia Building Society

Liabilities and Lifeplan Australia Building Society Guarantees) plus Total Equity (minus the equity of Lifeplan Australia Building Society) is less than 45 percent.

The Lifeplan Australia Building Society Liabilities and Lifeplan Australia Building Society equity are excluded because the gearing of Lifeplan Australia Building Society is regulated by APRA.

Until the earlier of the Maturity Date and Redemption of all Australian Unity Notes on issue, Australian Unity will disclose (i) the Gearing Ratio on 30 June of the relevant year in its annual report and (ii) the Gearing Ratio on 31 December of the relevant year in its half-year report.

The table below provides a summary of Consolidated Interest Bearing Liabilities and Australian Unity Guarantees (excluding Lifeplan Australia Building Society Liabilities and Lifeplan Australia Building Society Guarantees), Total Equity (excluding the equity of Lifeplan Australia Building Society) and gearing.

	Actual as at 31 December 2010			Pro Forma as at 31 December 2010		
	Debt \$'000	Equity* \$'000	Gearing %	Debt \$'000	Equity* \$'000	Gearing %
Health Insurance subordinated capital	25,000	98,100	20%	25,000	98,100	20%
Retirement Village Investment Notes	61,780	33,911	65%	61,780	33,911	65%
Retirement Living development finance	3,638	31,507	10%	3,638	31,507	10%
Specific Interest Bearing Liabilities	90,418	163,518	36%	90,418	163,518	36%
Preferential units	10,000			10,000		
Westpac Cash Advance Facility	50,000			-		
Australian Unity Notes	-			100,000		
Other interest bearing liabilities	60,000	205,768	23%	110,000	205,768	35%
Total Consolidated Interest Bearing Liabilities (excluding Lifeplan Australia Building Society)	150,418	369,286	29%	200,418	369,286	35%
Australian Unity (excluding Lifeplan Australia Building Society) Guarantees	1,666			1,666		
Total Consolidated Interest Bearing Liabilities and Australian Unity Guarantees (excluding Lifeplan Australia Building Society) per the Gearing Ratio	152,084	369,286	29%	202,084	369,286	35%

* Underlying equity of debt issuer and provider of security.

The following additional information is provided in respect of the Lifeplan Australia Building Society deposits, liabilities, equity and gearing and the consequential total consolidated interest bearing liabilities.

	Actual as at 31 December 2010			Pro Forma as at 31 December 2010		
	Debt \$'000	Equity* \$'000	Gearing %	Debt \$'000	Equity* \$'000	Gearing %
Total Consolidated Interest Bearing Liabilities and Australian Unity Guarantees (excluding Lifeplan Australia Building Society) per the Gearing Ratio	152,084	369,286	29%	202,084	369,286	35%
Lifeplan Australia Building Society deposits	78,724	4,557	95%	78,724	4,557	95%
Total Consolidated Interest Bearing Liabilities and Australian Unity Guarantees	230,808	373,843	38%	280,808	373,843	43%

* Underlying equity of debt issuer and provider of security.

5.10.3 Permitted Security Interests

The Permitted Security Interests are:

- liens, rights of retention and statutory charges arising by operation of law in the ordinary course of business where the related indebtedness is not more than 60 days overdue or is being contested in good faith and appropriately provisioned;
- any Security Interest over any asset that is currently security for the Westpac Cash Advance Facility;
- any Security Interest provided in relation to the development finance for the proposed Wellbeing Precinct in Carlton, Victoria (referred to in the table in section 5.10.1);
- any Security Interest over the assets of a member of the Australian Unity Group where:
 - such member became a Subsidiary of Australian Unity after the date of the Trust Deed and such Security Interest was not created in contemplation of that member becoming a Subsidiary of Australian Unity; and
 - the money secured by that Security Interest is paid or repaid either in accordance with those terms applicable to such payment as those terms were in effect at the time the member of the Australian Unity Group became a Subsidiary of Australian Unity or at such earlier time as that member elects;
- any Security Interest granted by AUFL or AURLIL for the Retirement Village Investment Notes issued by AUFL (referred to in the table in section 5.10.1);

- any Security Interest for limited recourse debt, being Financial Indebtedness incurred or owed by one or more entities (including a trust) for or in respect of the purchase, construction, development or operation of an asset or assets where the financier's recourse is limited to those assets (or the income or cash flow from those assets) or shares or units issued by that entity or those entities and the financier otherwise has no guarantee or indemnity from any other member of the Australian Unity Group or any security over any other assets of the Australian Unity Group (Limited Recourse Debt). Such Limited Recourse Debt, includes, without limitation, the development finance facilities for the Sienna Grange Retirement Village, the Victoria Grange Retirement Village, the Peninsula Grange Retirement Village and the residential subdivision in Cranbourne, Victoria (referred to in the table in section 5.10.1); and
- any other Security Interest not referred to in the bullet points above provided the aggregate value of assets subject to such Security Interests is not more than 10 percent of Total Equity. For avoidance of doubt, the aggregate of this paragraph does not include security for the Westpac Cash Advance Facility provided by Westpac.

5.10.4 Interest Cover

Interest cover provides an indication of the Australian Unity Group's ability to meet interest payments from its earnings. The table below is a summary of the components of interest expense for the Australian Unity Group and uses earnings before income tax and interest expense (attributable to Members of Australian Unity) as a measure of earnings.

	For the year ended 30 June 2010 \$'000	For the half year ended 31 December 2010 \$'000	Pro Forma 1 For the half year ended 31 December 2010 \$'000	Pro Forma 2 For the half year ended 31 December 2010 \$'000
Earnings before interest and tax (attributable to Members of Australian Unity)	29,535	19,285	19,285	19,285
Interest expense on:				
Health Insurance subordinated capital notes	2,180	1,220	1,220	1,220
Retirement Village Investment Notes	4,985	2,665	2,665	2,665
Preferential units	532	340	340	340
Other	48	210	210	210
Westpac Cash Advance Facility	3,266	1,904	-	-
Australian Unity Notes * #	-	-	4,250	4,750
Total interest expense	11,011	6,339	8,685	9,185
Profit before income tax (attributable to Members of Australian Unity)	18,524	12,946	10,600	10,100
Interest cover (times)	2.68 x	3.04 x	2.22 x	2.10 x
* Assumes \$100m is raised under the Offer			8.50%	9.50%
# Australian Unity Notes Interest Rate assumption				

5.11 Australian Unity Notes Credit Rating

At the date of this Prospectus, the Australian Unity Notes have been assigned a BBB+ long-term Credit Rating by Australia Ratings⁷. Australian Unity itself is not rated by any credit rating agency. Australia Ratings have also assigned a 'Green' Product Complexity

Indicator to the Australian Unity Notes. For further information about the Credit Rating and Product Complexity Indicator associated with the Australian Unity Notes, see section 9.1. For risks associated with Credit Ratings, see section 7.1.10.

⁷ The Credit Rating is not a statement, opinion, research or recommendation to apply for Australian Unity Notes. The Credit Rating of the Australian Unity Notes is current. However, Australia Ratings may change, suspend or withdraw the Credit Rating at any time. A Credit Rating of 'BBB+' is at the top of the intermediate creditworthiness category on Australia Ratings' scale.

6. Investigating Accountant's report



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11 March 2011

The Board of Directors
Australian Unity Limited
114 Albert Road
South Melbourne VIC 3205

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION AND PRO FORMA FINANCIAL INFORMATION

1. Introduction

We have prepared this Investigating Accountant's Report (the "Report") on the historical and pro forma financial information of Australian Unity Limited ("Australian Unity") for inclusion in the Prospectus for the issue of five year Australian Unity Notes (the "Prospectus") to be dated on or about 11 March 2011, and to be issued by Australian Unity, in respect of the issue of listed unsecured debt ("the Issue").

Expressions defined in the Prospectus have the same meaning in this Report.

2. Scope

Ernst & Young has been requested to prepare this Report to cover the following financial information:

Historical Financial Information

The historical financial information, as set out in section 5.6 and 5.7 of the Prospectus comprises:

- the consolidated income statement for the half year ended 31 December 2010 and the financial years ended 30 June 2010, 30 June 2009 and 30 June 2008;
- the contribution to consolidated revenue by the Australian Unity Group's business segments for the half year ended 31 December 2010 and the financial years ended 30 June 2010, 30 June 2009 and 30 June 2008;

Liability limited by a scheme approved under
Professional Standards Legislation



- the contribution to the consolidated Adjusted EBITDA by the Australian Unity Group's business segments (excluding Benefit Funds) for the half year ended 31 December 2010 and the financial years ended 30 June 2010, 30 June 2009 and 30 June 2008;
- the consolidated entity's profit before and after income tax attributable to members of Australian Unity and to Benefit Fund policyholders for the half year ended 31 December 2010 and the financial years ended 30 June 2010, 30 June 2009 and 30 June 2008;
- the consolidated balance sheet as at 31 December 2010, 30 June 2010, 30 June 2009 and 30 June 2008;
- the net assets of the Australian Unity Group's business segments as at 31 December 2010, 30 June 2010, 30 June 2009 and 30 June 2008; and
- the consolidated entity's net assets attributable to members of Australian Unity and to Benefit Fund policyholders as at 31 December 2010, 30 June 2010, 30 June 2009 and 30 June 2008.

(Hereafter the "Historical Financial Information").

The Historical Financial Information for the years ended 30 June 2010, 30 June 2009 and 30 June 2008 has been extracted from the statutory financial statements, which were audited by Ernst & Young and on which unqualified audit opinions were issued. The Historical Financial Information for the period ended 31 December 2010 was extracted from the reviewed financial statements, which were reviewed by Ernst & Young and on which an unqualified review conclusion was issued.

Pro Forma Financial Information

The pro forma financial information as set out in section 5.8 of the Prospectus comprises:

- the pro forma historical consolidated balance sheet as at 31 December 2010.

(Hereafter the 'Pro Forma Financial Information')

(Collectively, the "Summary Financial Information").

The Pro Forma Financial Information assumes completion of the proposed issue of Australian Unity Notes outlined in section 5.8.3 of the Prospectus.

The Summary Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports.

We disclaim any assumption of responsibility for any reliance on this Report or on the Summary Financial Information to which this Report relates for any purposes other than the purpose for which it was prepared. This Report should be read in conjunction with the Prospectus.



3. Directors' Responsibility for the Financial Information

The directors of Australian Unity have prepared and are responsible for the preparation and presentation of the Summary Financial Information. The directors are also responsible for the pro forma adjustments as set out in section 5.8 of the Prospectus.

4. Our Responsibility for the Financial Information

Our responsibility is to express a conclusion on the Summary Financial Information based on our review.

We have conducted an independent review of the Summary Financial Information in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that:

- a. The Historical Financial Information does not present fairly:
 - o the consolidated income statement for the half year ended 31 December 2010 and the financial years ended 30 June 2010, 30 June 2009 and 30 June 2008;
 - o the contribution to consolidated revenue by the Australian Unity Group's business segments for the half year ended 31 December 2010 and the financial years ended 30 June 2010, 30 June 2009 and 30 June 2008;
 - o the contribution to the consolidated Adjusted EBITDA by the Australian Unity Group's business segments (excluding Benefit Funds) for the half year ended 31 December 2010 and the financial years ended 30 June 2010, 30 June 2009 and 30 June 2008;
 - o the consolidated entity's profit before and after income tax attributable to members of Australian Unity and to Benefit Fund policyholders for the half year ended 31 December 2010 and the financial years ended 30 June 2010, 30 June 2009 and 30 June 2008;
 - o the consolidated balance sheet as at 31 December 2010, 30 June 2010, 30 June 2009 and 30 June 2008;
 - o the net assets of the Australian Unity Group's business segments as at 31 December 2010, 30 June 2010, 30 June 2009 and 30 June 2008; and
 - o the consolidated entity's net assets attributable to members of Australian Unity and to Benefit Fund policyholders as at 31 December 2010, 30 June 2010, 30 June 2009 and 30 June 2008,

in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia;

- b. The pro forma assumptions do not provide a reasonable basis for the Pro Forma Financial Information;



- c. The Pro Forma Financial Information has not been prepared on the basis of the assumptions set out in Section 5.8 of the Prospectus;
- d. The Pro Forma Financial Information does not present fairly:
 - o the pro forma historical balance sheet as at 31 December 2010,
in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the pro-forma transactions set out above had occurred at 31 December 2010.

Our independent review of the Summary Financial Information has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. Our procedures consist of reading of relevant Board minutes, reading of relevant contracts and other legal documents, inquiries of management personnel and the directors of Australian Unity, and analytical and other procedures applied to Australian Unity's accounting records. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Summary Financial Information.

5. Conclusion Statement

Review conclusion on the Financial Information

Based on our independent review, which is not an audit, nothing has come to our attention which causes us to believe that:

- a. The Historical Financial Information does not present fairly, in all material respects:
 - o the consolidated income statement for the half year ended 31 December 2010 and the financial years ended 30 June 2010, 30 June 2009 and 30 June 2008;
 - o the contribution to consolidated revenue by the Australian Unity Group's business segments for the half year ended 31 December 2010 and the financial years ended 30 June 2010, 30 June 2009 and 30 June 2008;
 - o the contribution to the consolidated Adjusted EBITDA by the Australian Unity Group's business segments (excluding Benefit Funds) for the half year ended 31 December 2010 and the financial years ended 30 June 2010, 30 June 2009 and 30 June 2008;
 - o the consolidated entity's profit before and after income tax attributable to members of Australian Unity and to Benefit Fund policyholders for the half year ended 31 December 2010 and the financial years ended 30 June 2010, 30 June 2009 and 30 June 2008;
 - o the consolidated balance sheet as at 31 December 2010, 30 June 2010, 30 June 2009 and 30 June 2008;



- the net assets of the Australian Unity Group's business segments as at 31 December 2010, 30 June 2010, 30 June 2009 and 30 June 2008; and
- the consolidated entity's net assets attributable to members of Australian Unity and to Benefit Fund policyholders as at 31 December 2010, 30 June 2010, 30 June 2009 and 30 June 2008,

in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia;

- b. The pro forma assumptions do not provide a reasonable basis for the Pro Forma Financial Information;
- c. The Pro Forma Financial Information has not been prepared on the basis of the assumptions set out in Section 5.8 of the Prospectus;
- d. The Pro Forma Financial Information does not present fairly:
 - the pro forma historical balance sheet as at 31 December 2010,

in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the pro-forma transactions set out above had occurred at 31 December 2010.

6. Independence or Disclosure of Interest

Ernst & Young does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Ernst & Young provides audit and other advisory services to Australian Unity. Ernst & Young will receive a professional fee for the preparation of this Report.

Yours faithfully

A handwritten signature in black ink that reads 'Ernst + Young'.

Ernst & Young

7. Investment risks

Before applying for Australian Unity Notes, you should consider whether Australian Unity Notes are a suitable investment for you. This section describes some of the potential risks associated with an investment in Australian Unity Notes and the industry sectors in which the Australian Unity Group participates (including health insurance, financial services and retirement living), many of which are outside the control of Australian Unity and its respective Directors. Any of these risk factors may impact on Australian Unity's ability to pay Interest and repay the Face Value of \$100 per Australian Unity Note.

The list of risk factors below is not exhaustive. You should carefully consider the risk factors set out in this section 7, as well as the other information in this Prospectus, and consult your financial or professional adviser if you require financial advice before deciding whether to invest in Australian Unity Notes.

7.1 Risks associated with investing in Australian Unity Notes

7.1.1 Market price may fluctuate

The market price of Australian Unity Notes may fluctuate due to various factors, including general economic conditions (both domestic and international), investor perceptions, long-term inflation rates, movements in interest rates, movements in foreign exchange rates, movements in the price of future debt instruments issued by Australian Unity, movements in the general market for ASX and internationally listed securities and other factors that may affect the financial performance, position or creditworthiness of Australian Unity. These factors may adversely affect the market price of Australian Unity Notes and Australian Unity Notes could trade at a price below their Issue Price. In addition, these factors may adversely impact Australian Unity's ability to pay Interest or the Face Value due on the Australian Unity Notes.

7.1.2 No minimum amount to be raised

Australian Unity intends to raise approximately \$100 million of Australian Unity Notes with the ability to raise more or less. However, there is no minimum amount to be raised and the Offer is not underwritten. If the Offer is not fully subscribed, it may have an adverse impact on the market price and liquidity of Australian Unity Notes.

7.1.3 The liquidity of Australian Unity Notes may be low

Although Australian Unity Notes will be quoted on the ASX, the market for Australian Unity Notes may be less liquid than other securities issued by Australian Unity or other entities. Holders who wish to sell their Australian Unity Notes may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for Australian Unity Notes. There is no guarantee that Australian Unity Notes will remain continuously quoted on the ASX. However, a Holder may require Australian Unity to Redeem all the Australian Unity Notes held by that Holder if a Delisting Event occurs.

7.1.4 Ranking

The issue of the Australian Unity Notes is an unsecured note issue. Australian Unity has the power to give security over its assets in favour of its creditors. This includes Australian Unity's existing secured creditors and any future secured creditors of Australian Unity. In certain circumstances, Australian Unity may incur additional obligations that will rank ahead of the Australian Unity Notes—see sections 5.10, 7.1.5 and 7.2.8. In the event of a winding-up of Australian Unity, Holders' claims will rank behind those of secured creditors of Australian Unity (and creditors preferred by law) and will rank for payment equally with all other unsecured creditors. The repayment of liabilities (including principal and accrued interest) as they fall due, the amount repaid and the priority of repayment by Australian Unity to its creditors, will depend on the applicable Australian insolvency laws. There is a risk that in the event of a winding-up of Australian Unity, there could be insufficient funds to provide a return of capital to Holders.

Certain Financial Indebtedness incurred by the Subsidiaries of Australian Unity, as set out in the table in section 5.10.1, will also effectively rank ahead of the Australian Unity Notes in a winding-up as these claims would have to be met by the relevant Subsidiary before it could contribute or upstream any cash flow to its holding company or its ultimate holding company, Australian Unity.

7.1.5 Future Securities

Australian Unity is entitled to issue future notes that rank equally with the Australian Unity Notes issued under this Prospectus without the approval of Holders (subject to compliance with the Negative Pledge (see section 5.10.1) and Gearing Ratio (see section 5.10.2)). In addition, Australian Unity may issue other securities that rank for interest or capital payment in a winding-up of Australian Unity ahead, equally with or behind the Australian Unity Notes issued under this Prospectus without the approval of Holders (subject to compliance with the Negative Pledge (see section 5.10.1) and the Gearing Ratio (see section 5.10.2)).

Also, other entities may issue other securities with the same or different interest rates and on similar or different terms and conditions to the Australian Unity Notes issued under this Prospectus.

No prediction can be made as to the effect, if any, such future issues of securities by Australian Unity or other entities may have on the market price of the Australian Unity Notes on the ASX at any time.

7.1.6 Changes in interest rates

The Interest Rate on Australian Unity Notes for each Interest Period until the Maturity Date will be calculated by reference to the bank bill rate (a variable rate based on a three-month BBSW), which is influenced by a number of factors over time, plus a fixed percentage margin of 3.55 percent per annum. The Interest Rate will fluctuate (both increasing and decreasing) over time with movements of the bank bill rate. As the Interest Rate on Australian Unity Notes fluctuates, there is a risk that the Interest Rate may become less attractive when compared to the rates of return available on other securities in the market.

7.1.7 Default on payment of Interest and repayment of Face Value

Australian Unity may not be able to repay the Face Value owed and pay the Interest due on Australian Unity Notes if it is not Solvent at the time of, and immediately after, payment. In the event of a winding-up of Australian Unity, the claims of Holders against Australian Unity in respect of Australian Unity Notes will rank after the claims of Australian Unity's secured creditors and creditors preferred by law. This means that Holders could lose some or all of their money invested in the Australian Unity Notes.

7.1.8 Redemption by Australian Unity may be disadvantageous to Holders

Australian Unity has the right to Redeem all the Australian Unity Notes on the occurrence of a Tax Event, Regulatory Event, Liquidity Event or an Event of Default, in accordance with the Australian Unity Notes Terms. Australian Unity may also Redeem all the Australian Unity Notes at any time, and must Redeem all of the Australian Unity Notes on the occurrence of a Change of Control Event, however, in both cases Australian Unity must pay each Holder the Early Redemption Payment in addition to the Face Value of \$100 per Australian Unity Note and any Interest owing on the Australian Unity Notes.

Consequently, Holders may be required to accept a Redemption of their Australian Unity Notes at a time or price which they do not wish to accept and which may disadvantage Holders in light of market conditions or individual circumstances. If Australian Unity Notes are Redeemed before the Maturity Date, Interest will only be paid up until the date of such Redemption.

In addition, if on the occurrence of a Delisting Event, only some Holders request that all of their Australian Unity Notes be Redeemed, remaining Holders who have not elected to have all of their Australian Notes Redeemed may end up with a relatively illiquid trading parcel of Australian Unity Notes.

7.1.9 Holders have limited rights to request Redemption

A Holder may only Redeem all or some of the Australian Unity Notes it holds on the occurrence of a Delisting Event. The Trustee may also require the Issuer to Redeem all Australian Unity Notes on the occurrence of an Event of Default which is continuing (and the Trustee must require Redemption if required by an Ordinary Resolution of the Holders). The timing and occurrence of Redemption may not concur with the preference of individual Holders.

7.1.10 Credit Ratings may change

The Credit Rating of the Australian Unity Notes is subject to revision or change at any time in accordance with Australia Ratings' methodologies and procedures, and its Australian Financial Services Licence conditions. It may change as a result of, among other things, changes in the Australian Unity Group's operating and financial performance, capital structure or for some other reason which might not be known to Australia Ratings at the date of this Prospectus. The Credit Rating issued in respect of the Australian Unity Notes is a statement, opinion or research dealing with the ability of Australian Unity to meet its obligations under the Notes, and has been based on information provided to Australia Ratings.

A downgrade of the Credit Rating indicates a deterioration in Australia Ratings' opinion of the creditworthiness of the Australian Unity Notes. A deterioration of creditworthiness could make it more difficult for Australian Unity to source or seek external funding and this may have an adverse impact on the operating and financial performance of Australian Unity and its ability to pay Interest owed on the Australian Unity Notes or the Redemption Amount due on the Australian Unity Notes. A change in the Credit Rating of the Australian Unity Notes could also directly affect the market price and liquidity of the Australian Unity Notes.

The Credit Rating also may not reflect the potential impact of all risks related to the Australian Unity Notes, market and additional factors disclosed in this section 7 and other factors that may affect the actual value or trading value of the Australian Unity Notes or Australian Unity's financial position. The Credit Rating is not a "market" rating, nor is it a recommendation to buy, hold or sell securities (including the Australian Unity Notes), inasmuch as it does not comment as to market price or suitability for a particular investor. Additional information on Credit Ratings can be found in section 9.1.

7.1.11 Risks associated with an ASX listing

The liquidity of Australian Unity Notes is highly dependent on Australian Unity Notes remaining quoted on the ASX. The Australian Unity Notes Terms contain certain obligations on Australian Unity to use reasonable efforts to ensure that quotation of Australian Unity Notes on the ASX is maintained. There is a risk that Australian Unity Notes could be suspended from trading or removed from the official list of the ASX in a number of circumstances, including due to a failure to comply with the ASX Listing Rules.

7.1.12 Australian taxation consequences

Refer to section 8 for a summary of the tax consequences for potential Holders. The taxation summary is based on Australian tax law and administrative practice as at the date of this Prospectus. This summary is necessarily general in nature and is not intended to be definitive tax advice to Holders. Accordingly, each prospective Holder should seek their own tax advice, which is specific to their particular circumstances, as to the tax consequences of investing in, holding and disposing of Australian Unity Notes.

7.1.13 Regulatory classification

The regulatory classification of the Australian Unity Notes and the regulatory regime to which they are subject may change as a result of an amendment to, or clarification of, the laws, treaties or regulations to which the Australian Unity Notes are subject or the decision of a relevant legislative or regulatory body or authority.

If this occurs, and, in the opinion of a reputable legal or tax adviser, there is a not insubstantial risk that this would have an effect, such as an increase in taxation costs or duties or a change in the treatment of the Australian Unity Notes, it may provide grounds for Australian Unity to Redeem the Australian Unity Notes. It is likely that this would lead to Australian Unity Redeeming the Australian Unity Notes.

7.1.14 Limited role of Trustee

The Trustee acts in the interests of Holders of the Australian Unity Notes to the extent and in the manner defined in the Trust Deed. However, the Trustee's role under the Trust Deed is limited, subject to Chapter 2L of the *Corporations Act* and the terms of the Trust Deed, and the Trustee is entitled to rely upon a certificate signed by a Director of Australian Unity as to any facts or matter as conclusive evidence of that fact or matter. While the Trustee has agreed to meet its statutory duties under the *Corporations Act*, the Trustee has no obligation to provide to any person any information concerning the business, financial, condition, status or affairs of Australian Unity, investigate the adequacy, accuracy or completeness of any information provided by Australian Unity, assess, investigate or keep under review the business, financial, condition, status of affairs or monitor compliance by Australian Unity of its obligations under the Trust Deed or in relation to the Australian Unity Notes, other than as required by the *Corporations Act*.

7.2 Risks relating to the Australian Unity Group's businesses

7.2.1 Operational risk

Australian Unity is exposed to operational risks in relation to its business operations. Operational risk represents potential variations in earnings as a result of the ineffectiveness of protections afforded by systems, controls, processes and procedures associated with Australian Unity's day to day activities. Operational risks may also be realised by the failure of strategic and/or business decisions or external events. Operational risks are continuously monitored, assessed and managed via a mature risk management framework. Operational risks may have an adverse impact on the operating and financial performance of Australian Unity and the ability of Australian Unity to pay Interest owed on the Australian Unity Notes or the Redemption Amount due on the Australian Unity Notes.

7.2.2 Competition

There is substantial competition for the provision of private health insurance, retirement living and financial services in the markets in which the Australian Unity Group operates. The effect of competitive market conditions may have an adverse impact on the operating and financial performance of Australian Unity and its ability to pay Interest owed on the Australian Unity Notes or the Redemption Amount due on the Australian Unity Notes.

7.2.3 Compliance and regulatory environment

Private health insurance, retirement living, aged care facilities and financial service providers are subject to significant government policy, regulation and legislation relating to the accounting and taxation treatment of financial products, solvency standards and business practices. A change to, or failure to comply with, government policy, regulations or legislation may have an adverse impact on Australian Unity's ability to pay Interest owed on the Australian Unity Notes or the Redemption Amount due on the Australian Unity Notes. For example, there are potential regulatory changes aimed at reducing the cost of managed funds for consumers and health insurance which may negatively impact on Australian Unity's operating and financial performance.

7.2.4 Retirement Living

Property assets, in particular retirement living assets, are by their nature illiquid investments. Therefore, it may not be possible for the Australian Unity Group to dispose of assets in a timely manner. To the extent that the Australian Unity Group invests in properties for which there may only be a limited number of potential investors, the realisable value of those assets may be less than the full value indicated by the Australian Unity Group's expectations of future cash flows from the relevant properties.

Part of the Australian Unity Group's strategy is to identify, analyse and invest in property development projects. Property development projects have a number of inherent risks in addition to those associated with acquisitions generally, including an inability to obtain planning consents, unplanned significant increases in development costs, non-performance of any property development manager, contractor or subcontractor, project and construction delays, occupational health and safety issues and any change in the market conditions (including the emergence of competing projects) which may affect the value of the assets.

The Australian Unity Group will derive development revenue from the sale of retirement village units. The Australian Unity Group's financial performance may be adversely affected if there is any delay in selling developments, a failure to achieve expected sales prices or re-sales do not occur as expected because the average resident length of stay increases or because of difficult market conditions when a resident departs.

Resident preferences for retirement village assets are subject to change. Current preferences are no indication of future preferences. Although there is currently strong demand for a lifestyle based product, there is no assurance that this preference will be sustained in the future. In addition, over time, the Australian Unity Group may need to redevelop its existing villages as resident preferences change. This could adversely impact future costs and cash flows.

7.2.5 Aged care

Occupancy is a key driver of financial outcomes in the aged care sector. There is no assurance that occupancy levels at aged care facilities will follow historical occupancy trends at the Australian Unity Group's aged care facilities (they may be higher, remain static or be lower). In addition, the ongoing successful operation of the Australian Unity Group's aged care facilities will depend on access to appropriately qualified aged care and nursing staff.

7.2.6 Health Insurance

Health insurance providers face ongoing pressures on their margins, due to rising medical costs, diseases and an ageing population.

Further, health insurance premiums are required to be approved by the Minister for Health and Ageing under the *Private Health Insurance Act 2007* and in an approved form. Increases in premiums by the industry are typically within the annual rate rise approval cycle. Historically, the Australian Unity Group and other health funds have only raised premiums once a year. There is a risk that the Australian Unity Group's application for a change in its premium rates may be rejected by the Minister. Such a rejection may have a negative impact on Australian Unity's operating and financial performance. The Original Prospectus was lodged after completion of the 2011 premium increase approval process.

The Australian Unity Group's Health Insurance business is also subject to regulatory restrictions on selecting and pricing risk. However, this is partly mitigated by the Commonwealth Government's risk equalisation arrangements which apply to the registered health insurance industry in Australia. Under these arrangements all registered health insurers effectively provide risk equalisation support so that the industry as a whole shares the hospital costs of high risk groups irrespective of whether those claims are attributable to a policyholder of a particular fund. These risk equalisation arrangements support the policy of community rating to ensure health insurers do not discriminate between people on the basis of their health. Risk equalisation arrangements (and the previously operative reinsurance arrangements) have historically resulted in the Australian Unity Group receiving net contributions from the industry because of the older average age profile of its policyholders compared to other health insurers. The combination of the individual fund and the total industry actual results determines the actual contributions paid or received.

7.2.7 Future restructures, acquisitions or divestments

The Australian Unity Group may from time to time restructure, undertake strategic acquisitions of new assets, entities or businesses or sell, all or a part of, their respective assets or businesses. To finance such restructures or acquisitions, the Australian Unity Group may incur additional indebtedness and may seek to raise more capital. In such an event, the Australian Unity Group may face operational and financial risks in relation to a restructure or acquisition.

Whilst the Australian Unity Group does not anticipate that any restructure, acquisition or divestment would have a materially adverse effect on Australian Unity's debt repayment obligations to Holders, it is unable to provide any guarantee that such corporate events will not adversely affect Australian Unity's operational and financial performance.

7.2.8 Financial Indebtedness and other investments

Australian Unity may make additional investments through the acquisition of debt or equity instruments in listed and unlisted entities. This is because Australian Unity has the power to acquire or dispose of any real or personal property. Australian Unity may also incur further debts and obligations (including trade payables and future series of Australian Unity Notes).

To the extent that these further debts or obligations rank ahead or equally with the Australian Unity Notes, the holders of those obligations will be entitled to share pro rata with investors in any proceeds distributed in connection with any insolvency, liquidation, reorganisation, dissolution or other winding-up of Australian Unity. This may have the effect of reducing the amount of proceeds paid to Holders and, to the extent that the debt or obligations rank ahead of Australian Unity Notes, may result in the loss of some or all of the capital invested by Holders.

Potential consequences to investors in the event the Australian Unity Group underperforms financially include the following:

- Australian Unity may be unable to, or have difficulty in, satisfying its obligations under the Australian Unity Notes or other indebtedness (including as a consequence of it not being able to generate sufficient revenue, or not having sufficient sources of capital in the future, to satisfy all its debt obligations in addition to its working capital, capital expenditure and other general corporate activity requirements);
- existing covenants relating to Australian Unity's indebtedness may limit its ability to obtain additional financing for working capital, capital expenditures and other general corporate activities;
- Australian Unity may be more vulnerable to the impact of economic downturns and adverse developments in its business; and
- the increased leverage may make Australian Unity less flexible in planning for, or reacting to, changes in its business and industries in which it operates and place Australian Unity at a competitive disadvantage against competitors.

Australian Unity's ability to make scheduled Interest payments on, or to refinance its obligations with respect to its indebtedness, including the Australian Unity Notes, will depend on its financial and operating performance. If Australian Unity is unable to generate sufficient cash flow to satisfy its debt obligations, Australian Unity may have to undertake alternative financing plans, such as refinancing or restructuring of existing debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. Australian Unity cannot assure investors that any alternative financing plan would be possible or obtained on acceptable terms. Australian Unity's inability to generate sufficient cash flows to satisfy debt obligations, or to refinance indebtedness on commercially reasonable terms, could materially and adversely affect Australian Unity's ability to satisfy its obligations under the Australian Unity Notes. Australian Unity is agreeing to certain restrictions on its level of gearing, the granting of Security Interests (other than certain Permitted Security Interests) and the incurring of Financial Indebtedness by its Subsidiaries (other than certain specified exceptions) (see section 5.10.3). However, the existence of these restrictions does not detract or negate the risks described in this section 7.2.8.

7.3 General risks

7.3.1 General economic and financial market conditions

General economic conditions (both domestic and international), long-term inflation rates, exchange rate movements, interest rate movements and movements in the general market for ASX and internationally listed securities, investor perceptions and the Australian

Unity Group's financial position and earnings may adversely impact Australian Unity's ability to pay interest and repay the Face Value and may affect the price of Australian Unity Notes. As a result of the above mentioned factors, Australian Unity is unable to forecast the market price for Australian Unity Notes and they may trade on the ASX at a price that is below their Issue Price.

7.3.2 Market risks

Market risk is the risk of an adverse event in the financial markets that may result in a loss of earnings for Australian Unity and the Australian Unity Group.

Market risk includes exposures to liquidity or funding risk (that is, being unable to meet financial obligations as they fall due or over-reliance on a funding source whereby market or environmental changes limit access to that funding source and thereby increase overall funding costs or cause difficulty in raising funds).

Market risk also includes interest rate risk (that is, the potential for a change in interest rates to have an adverse impact on the interest related earnings of Australian Unity) and currency risk (that is, risks caused by fluctuations in foreign exchange rates).

Market risk may be managed through a diversity of funding sources, interest rate risk analytical tools as well as the use of interest rate derivatives.

7.3.3 Reputational risk

Issues of a varying nature may arise that would give rise to reputational risk and cause harm to the Australian Unity Group's business dealings and prospects. These issues include appropriately dealing with potential conflicts of interest, legal and regulatory requirements, issues of ethics, money laundering laws, trade sanctions legislation, privacy, information security policies, sales and trading practices and conduct by companies in which the Australian Unity Group holds strategic interests. Failure to address these issues appropriately could give rise to additional legal risk, subject Australian Unity and its Subsidiaries to regulatory actions, fines and penalties, or harm the reputation of Australian Unity or the Australian Unity Group among its members, customers and investors in the marketplace.

7.3.4 Litigation

From time to time, the Australian Unity Group may be exposed to the risk of litigation or disputes with various parties, such as counterparties, members and customers. Litigation risks include, but are not limited to, customer/member claims and disputes in relation to material investments, products, memberships or other contracts. As well as the risk of financial damage, such claims also carry a risk of damage to the reputation of Australian Unity and the Australian Unity Group. Although the Australian Unity Group holds professional liability insurance, this insurance may not cover all potential claims or may not be adequate to indemnify the Australian Unity Group for all liability that may be incurred or loss which may be suffered.

Losses, liability or legal expenses as a result of litigation proceedings could have a material adverse effect on the Australian Unity Group's business and financial performance. Whilst the Australian Unity Group may from time to time make certain provisions against the possibility of adverse outcomes, there is no guarantee that the provisioned amounts (if any) will adequately cover any such loss suffered or liability incurred.

7.3.5 Taxation

The Australian Unity Group is subject to taxation legislation in the various jurisdictions in which it has operations and conducts business. Any significant change in taxation law or its interpretation and application by an administrative body could have an adverse effect on the results of its operations. The Australian Unity Group manages taxation risk, in relation to specific transactions, by obtaining opinions from taxation specialists and/or rulings from revenue authorities. The Australian Unity Group employs a proactive approach to managing potential disputes with revenue authorities. Either directly or in conjunction with professional and industry bodies, the Australian Unity Group also engages in consultation with revenue authorities in relation to potential changes in law.

7.3.6 Changes in Australian Accounting Standards

The Australian Unity Group is subject to the usual business risks that there may be changes in Australian Accounting Standards which have an adverse financial impact on Australian Unity or the Australian Unity Group.

7.3.7 Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult their legal advisers to determine whether and to what extent (i) the Australian Unity Notes are legal investments for them; and (ii) other restrictions apply to its purchase or any proposed use as collateral of the Australian Unity Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Australian Unity Notes under any applicable risk based capital or similar rules.

7.4 Other risks

The above risks are not exhaustive of the risks faced by potential investors in Australian Unity Notes. The risks outlined above and other risks may materially affect the future value and performance of Australian Unity Notes. Accordingly, no assurances or guarantees of future performance, profitability, Interest or return of the Face Value are given by Australian Unity in respect of Australian Unity Notes. You should consult your financial or professional adviser in light of your own particular investment objectives, financial circumstances and particular needs before deciding whether to apply for Australian Unity Notes.



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The Directors
Australian Unity Limited

C/O Mr Tony Connon
Chief Financial Officer
Australian Unity Limited
114 Albert Road
South Melbourne VIC 3205

11 March 2011

Dear Directors

Australian Unity Unsecured Debt Obligations Tax Section for inclusion in Prospectus

This letter has been prepared for inclusion in a prospectus (the **Prospectus**) dated 11 March 2011 by Australian Unity Limited (**Australian Unity**) offering **Australian Unity Notes** to the public (**Investors**).

Expressions defined in the Prospectus have the same meaning in this letter.

The following is a general summary of the Australian tax consequences for Investors who are residents for Australian tax purposes and do not invest in the Australian Unity Notes in carrying on a business at or through a permanent establishment *outside* of Australia.

This letter is based on current Australian tax law, interpretations of the law and administrative practice prevailing at the time of this letter.

It is important to note that the information in this letter is general in nature. The tax consequences of an Investor acquiring, holding and disposing of the Australian Unity Notes can vary depending on the individual circumstances of the Investor. Investors should seek their own independent advice on the tax consequences of acquiring, holding and disposing of the Australian Unity Notes based upon their own specific circumstances.

KPMG's Tax practice is not licensed to provide financial product advice under the *Corporations Act* and taxation is only one of the matters that must be considered when making a decision on a financial product. Investors should consider taking advice from an Australian Financial Services Licence holder before making any decision to invest in the Australian Unity Notes.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



1 Background

Based on our review of the document titled “Terms – Australian Unity Notes”, we understand that the following facts and assumptions are relevant to the Australian Unity Notes offering:

- 1) Australian Unity is an Australian resident company for Australian tax purposes.
- 2) Australian Unity proposes to issue approximately 1,000,000 Australian Unity Notes at a face value of A\$100 per note.
- 3) The Australian Unity Notes are to be listed on the Australian Securities Exchange (**ASX**) as debt securities.
- 4) The purpose of issuing the Australian Unity Notes is partly to repay Australian Unity’s debts and to provide for general working capital and business purposes.
- 5) The Australian Unity Notes are unsecured interest bearing securities, ranking equally amongst themselves and at least equally with all other unsecured obligations of Australian Unity (other than those obligations mandatorily preferred by law).
- 6) The Australian Unity Notes will mature in 5 years, subject to early redemption in certain circumstances.
- 7) The Australian Unity Notes will be denominated in Australian dollars.
- 8) The applicable interest rate on the Australian Unity Notes will be a floating rate based on the three-month bank bill rate plus a fixed margin.
- 9) The interest rate will be calculated on the first Business Day of each quarterly Interest Period.
- 10) Interest payments on the Australian Unity Notes will be made quarterly in arrears on each Interest Payment Date until the earlier of redemption or maturity.
- 11) The Australian Unity Notes do not qualify an Investor to be a Member of Australian Unity and do not carry any rights of conversion into the equity of Australian Unity.
- 12) The Australian Unity Notes offering will be open to both Australian tax residents and non-residents. However, the comments contained in this letter are applicable to Australian tax residents *only*.

Our advice is based on our understanding of the above facts and assumptions. Please advise us as soon as possible if any of the above facts or assumptions are incorrect or inaccurate in any way as it may alter our analysis and conclusions below.



2 Australian tax consequences of investing in the Australian Unity Notes

2.1 Receipt of interest

The Australian Unity Notes will be debt interests for Australian debt and equity rule purposes and hence interest paid on the Australian Unity Notes will be treated as interest in nature.

Interest paid by Australian Unity to Investors will be assessable income of the Investors. Whether interest should be assessed on a cash receipts or accruals basis depends on the individual tax position of the Investors.

Interest received by Investors who are individuals will ordinarily be assessed on a cash receipt basis.

Taxation of Financial Arrangements

The Taxation of Financial Arrangements (**TOFA**) rules, effective from 1 July 2010 (unless early adoption has been elected), contain new tax-timing rules for certain taxpayers bringing to account gains and losses from financial arrangements. Individuals are excluded from the application of the TOFA regime, subject to exceptions that are not relevant to the Australian Unity Notes.

Where an Investor is subject to the TOFA rules, interest will be assessed on a compounding accruals basis unless the Investor elects to apply one of the TOFA elective methods in respect of the Australian Unity Notes.

When there is a change in the interest rate applicable to the Australian Unity Notes during an income year, Investors may be required to re-estimate the amount of interest to be included in their assessable income for that income year.

TOFA is a very complex regime. Investors are recommended to seek their own professional advice in relation to the application of the TOFA rules in respect of their holding of the Australian Unity Notes.

2.2 Disposal/Redemption of the Australian Unity Notes

The Australian Unity Notes should constitute “traditional securities” for Australian tax purposes. On this basis, any gain or loss arising from the disposal/redemption of the Australian Unity Notes should be assessable or deductible, respectively, to Investors in the income year in which the disposal/redemption occurs.

The disposal/redemption of the Australian Unity Notes should also give rise to a Capital Gains Tax (**CGT**) event. However, to the extent that any gain or loss from the disposal/redemption has been included as assessable income or as an allowable deduction, any capital gain or capital loss will be disregarded.



TOFA

If Investors are subject to the TOFA rules, they are required to make a balancing adjustment on the disposal/redemption of their Australian Unity Notes, from which a gain or a loss may arise. The Investors should include in their assessable income or allowable deductions the amount of the gain or the loss in the income year in which the balancing adjustment is made.

2.3 Tax File Number withholding tax

Investors are not required to quote their Tax File Number (TFN) (or Australian Business Number (ABN) where relevant) to Australian Unity. However, if an Investor does not provide Australian Unity with their TFN (or ABN where relevant), Australian Unity may be required to withhold Australian tax at the maximum marginal tax rate from any interest payment and remit the amount withheld to the Australian Taxation Office unless the Investor otherwise provides proof of certain appropriate TFN withholding exemptions.

An Investor should be able to claim a tax credit/rebate in their income tax return in respect of any TFN withholding tax withheld on an interest payment.

2.4 Goods and Services Tax

Investors will not be liable for Goods and Services Tax (GST) on the issue, disposal or redemption of the Australian Unity Notes on the basis that the supply of the Australian Unity Notes constitutes an input taxed financial supply. Investors will generally not be entitled to claim full input tax credits for the GST included in the costs incurred in connection with the issue, disposal or redemption of the Australian Unity Notes. Investors who are registered for GST may be entitled to a 75% reduced input tax credit for GST included in certain limited costs, such as brokerage, incurred in connection with the issue, disposal or redemption of the Australian Unity Notes.

GST will not be payable in respect of the payment of interest or principal by Australian Unity.

2.5 Stamp duty

Investors will not be liable to stamp duty in any Australian state or territory on the issue, disposal or redemption of the Australian Unity Notes.

3 Disclaimer

General tax reform

Our income tax advice is based on current taxation law as at the date our advice is provided. You will appreciate that the tax law is frequently being changed, both prospectively and retrospectively. A number of key tax reform measures have been implemented, a number of other key reforms have been deferred and the status of some key reforms remains unclear at this stage.



*Australian Unity Limited
Australian Unity Unsecured Debt Obligations
Tax Section for inclusion in Prospectus
11 March 2011*

Unless special arrangements are made, this advice will not be updated to take account of subsequent changes to the tax legislation, case law, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of taxation authorities. It is your responsibility to take further advice, if you are to rely on our advice at a later date.

Third party

We are, of course, unable to give any guarantee that our interpretation will ultimately be sustained in the event of challenge by the Australian Commissioner of Taxation.

These comments are made specifically in response to your request for advice on behalf of Australian Unity Limited. Accordingly, neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person or company other than Australian Unity Limited for any errors or omissions in the advice given, however caused.

FSRA warning

KPMG's Tax practice is not licensed to provide financial product advice under the Corporations Act and taxation is only one of the matters that must be considered when making a decision on a financial product. You should consider taking advice from an Australian Financial Services Licence holder before making any decision on a financial product.

Yours faithfully

A handwritten signature in black ink that reads 'John Salvaris'.

John Salvaris
Partner

For personal use only

9. Additional information

This section sets out a number of other matters that may not have been addressed in detail elsewhere in this Prospectus. These include the rights attaching to Australian Unity Notes, information on the Credit Rating associated with the Australian Unity Notes, a summary of the Trust Deed and Offer Management Agreement, the disclosure of interests of the Directors and advisers and the relief that regulators have granted to Australian Unity in respect of the Offer.

9.1 Information about Credit Ratings and Product Complexity Indicator

9.1.1 About Australia Ratings

Australia Ratings was established in 2010 and is licensed by ASIC to issue Credit Ratings for use in the retail and wholesale financial markets. The Managing Director of Australia Ratings was the former Managing Director for Standard & Poor's in Australia & New Zealand from 2000—2008 and the four other analysts of Australia Ratings are former Standard & Poor's ratings analysts.

The activities of Australia Ratings are overseen by its three person Board which includes two non-executive directors with significant financial markets experience. For more information visit www.australiaratings.com

9.1.1.1 Credit Ratings

A Credit Rating is a statement, opinion or research dealing with the creditworthiness of a body or the

ability of an issuer of a financial product to meet its obligations under the financial product.

Australia Ratings assigns Credit Ratings to differentiate the degree of credit worthiness of organisations and debt securities available to investors in the Australian financial market. Credit Ratings are assigned on a long-term and short-term rating scale. A long-term Credit Rating is assigned to an organisation or fixed income product where the term of the investment or financial exposure is greater than 12 months and a short-term Credit Rating is assigned where the period of the financial exposure or term of the debt security is less than 12 months.

Australia Ratings assigns long-term ratings from 'AAA' to 'C'. The ratings from 'AA' to 'C' may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories. Australia Ratings' rating scale is set out below:

Creditworthiness Classification	Long-term categories include	Short-term categories include
High	'AAA', 'AA', 'A'	'a-1', 'a-2',
Intermediate	'BBB', 'BB'	'a-3'
Low	'B', 'CCC', 'CC', 'C'	'b', 'c',

9.1.1.2 Product Complexity Indicators

A Product Complexity Indicator is a colour coded indicator that helps differentiate debt securities which may have similar credit attributes by highlighting to potential investors the nature of the security in terms of complexity or non-standard features that could give rise to unanticipated variability or change in the returns from the investment.

Australia Ratings assigns a Product Complexity Indicator to debt securities by using a colour spectrum similar to that used to provide warnings to the public in other non-financial circumstances (for example, bush fire warnings). Australia Ratings assigns Product Complexity Indicators ranging from 'Green' to 'Red'.

9.1.2 Credit Rating assigned to the Australian Unity Notes

Australia Ratings has assigned a long-term Credit Rating of BBB+ to the Australian Unity Notes to be issued, subject to no material changes occurring to the transaction structure or documentation.

According to Australia Ratings, a Credit Rating of BBB+ represents a moderate degree of creditworthiness with adequate credit attributes. A BBB+ rating represents a good capacity to meet financial obligations in a timely manner. Credit Ratings are statements of opinion, not statements of fact or recommendations to buy or hold securities. Credit Ratings may be changed, withdrawn or suspended at any time.

9.1.3 Product Complexity Indicator assigned to the Australian Unity Notes

Australian Ratings has assigned a 'Green' Product Complexity Indicator to the Australian Unity Notes to be issued, subject to no material changes occurring to the transaction structure or documentation.

According to Australia Ratings, a 'Green' Product Complexity Indicator represents a simple financial product and reflects that the Australian Unity Notes Terms are simple and straightforward for a retail investor to understand.

Product Complexity Indicators are statements of opinion, not statements of fact or recommendations to buy or hold securities. Product Complexity Indicators may be changed, withdrawn or suspended at any time.

9.1.4 Australia Ratings' Disclaimer

Australia Ratings has made every effort to ensure the accuracy and reliability of the Credit Rating and Product Complexity Indicator as disclosed in this Prospectus. The Credit Rating and Product Complexity Indicator assigned are based on information provided to Australia Ratings or which was obtained from sources which it believed to be accurate and reliable at the time of the assignment of the rating. Australia Ratings does not guarantee the completeness and accuracy of the rating and it is possible that subsequent material events or information may come to light after the publication of the Credit Rating which are not known to Australia Ratings and which may have a material impact on the Credit Rating assigned.

9.2 Information—Disclosure and availability

Following the issue of the Australian Unity Notes, Australian Unity will be a disclosing entity for the purposes of the *Corporations Act* and will be subject to regular reporting and disclosure obligations under the *Corporations Act* and the ASX Listing Rules.

These obligations require that the ASX be continuously notified of information about specific events and matters as they arise so that the ASX may make the information available to the stock market conducted by the ASX. In particular, subject to certain exceptions, the ASX must be notified immediately of any information of which Australian Unity becomes aware and which a reasonable person would expect to have a material effect on the price or value of Australian Unity Notes. That information will then be available from the ASX.

Australian Unity will be required to prepare and lodge with the ASX and ASIC yearly financial statements accompanied by a directors' declaration and report and an auditor's report. Half yearly accounts and any accompanying audit review for Australian Unity will be lodged with ASIC and the ASX. Copies will be provided to the Trustee.

Australian Unity will also be required to prepare and provide the Trustee and ASIC with quarterly reports in accordance with the requirements of section 283BF of the *Corporations Act*.

Copies of documents lodged with ASIC in relation to Australian Unity may be obtained from, or inspected at, an ASIC office. Copies of documents lodged with the ASX can be obtained from www.asx.com.au

If you wish to receive an email when Australian Unity announces or publishes new information about the Australian Unity Notes or itself, you can register your details with the Registry following the completion of the Offer Period.

9.3 Compliance with Chapter 2M of the Corporations Act

As at the date of this Prospectus, Australian Unity has complied with the provisions of Chapter 2M of the *Corporations Act* as they apply to Australian Unity.

9.4 Rights and Liabilities attaching to Australian Unity Notes

The rights and liabilities attaching to Australian Unity Notes are contained in the Trust Deed and the Australian Unity Notes Terms. The Terms are set out in full in Appendix A of this Prospectus and the Trust Deed is summarised in section 9.5. Rights and liabilities attaching to Australian Unity Notes may also arise under the *Corporations Act*, ASX Listing Rules, ASX Settlement Operating Rules, Australian Unity's Constitution and other laws. These are not covered in this summary, except where expressly indicated.

9.5 Summary of the Trust Deed

Australian Unity has entered into the Trust Deed dated 28 February 2011 with the Trustee. All Holders and Australian Unity are bound by the terms of the Trust Deed. A copy of the Trust Deed can be obtained free of charge by any person who requests it during the Offer Period by calling the Australian Unity Limited Notes Information Line on 1800 209 118 between 8:30 am and 5:30 pm, Monday to Friday. In addition, the Issuer must provide a copy of the Trust Deed to a Holder on request. The following is a summary of only the principal provisions of the Trust Deed.

9.5.1 Appointment of Trustee

The Trustee has been appointed under the Trust Deed and holds on trust for the Holders and itself upon the terms of the Trust Deed:

- the right to enforce the Issuer's duty to repay the Face Value of, and any Interest payable on, the Australian Unity Notes and to pay all other amounts payable, under Australian Unity Notes;
- any charge or security for repayment (if applicable);
- the right to enforce all other duties of the Issuer under the Terms, the provisions of the Trust Deed and Chapter 2L of the *Corporations Act*; and
- any other property held on the trust established by the Trust Deed (including, without limitation, the benefit of any covenants, undertakings, representations, warranties, rights, powers, benefits or remedies in favour of the Trustee under the Trust Deed).

9.5.2 Issue of Australian Unity Notes

Australian Unity may issue Australian Unity Notes to any person on the terms of the Trust Deed and the Australian Unity Notes Terms. Australian Unity must, in accordance with the Trust Deed and the Australian Unity Note Terms repay each Holder the Face Value of \$100 per Australian Unity Note and Interest in respect of the Australian Unity Notes.

9.5.3 Covenants

Australian Unity covenants with the Trustee that it will:

- pay the amounts due and payable in respect of Australian Unity Notes in accordance with the Trust Deed and the Australian Unity Notes Terms;
- promptly notify the Trustee if it becomes aware that any material condition of the Trust Deed cannot be fulfilled or of the occurrence of an event (including a breach of the Trust Deed, the Australian Unity Note Terms or Chapter 2L of the *Corporations Act*) which would require the Trustee to issue a notice of default;
- comply with the Trust Deed (including the Australian Unity Notes Terms), the *Corporations Act*, the ASX Listing Rules, the ASX Settlement Operating Rules and any law binding on it in respect of the Australian Unity Notes;
- use its best endeavours to ensure Australian Unity Notes are quoted on the ASX and that such quotation is maintained;
- provide the Trustee with a valuation of its assets and business when requested by the Trustee for the purpose of ensuring the Trustee can comply with Chapter 2L of the *Corporations Act*;
- provide the Trustee with copies of:
 - Australian Unity’s audited annual financial statements within 120 days after the close of each of its financial years and a copy of Australian Unity’s audit reviewed half-yearly financial statements within 90 days after the first half of each of its financial years;
 - all reports and releases made by Australian Unity to the ASX (if any);
 - all documents and notices given to Holders; and
 - any other information reasonably required by the Trustee for the purposes of the Trust Deed; and
- ensure that any financial statements provided to the Trustee comply with current accounting practice and give a true and fair view of the matters with which they deal.

Australian Unity must also comply with its reporting obligations to the Trustee, ASIC and Holders under the *Corporations Act*, including section 283BF.

Australian Unity will provide the Trustee with copies of any documentation, forms or reports which are lodged with ASIC and which are material to the Trustee’s role as trustee of the Australian Unity Notes Trust. This information must be provided to the Trustee at the same time as it is given to ASIC.

9.5.4 Trustee’s powers

The following provisions describing the Trustee’s powers are subject to the Trustee’s obligations under Chapter 2L of the *Corporations Act*.

The Trustee must act honestly and in good faith and comply with all laws in performing its duties and in the exercise of its discretions under the Trust Deed.

Subject to the Trust Deed, the Trustee has all the powers in relation to the Trust established under the Trust Deed that it is legally possible for a natural person or corporation to have.

The Trustee may delegate to its related body corporate or any other person to do anything that the Trustee may lawfully delegate (on such terms and conditions as the Trustee may think fit) including holding trust property and executing documents on its behalf.

The Trustee may determine (i) the exercise of its powers, authorities and discretions at its absolute discretion; and (ii) as between itself and Holders, all questions and matters of doubt arising in relation to the Trust Deed (and such determinations shall be conclusive and binding unless a court determines otherwise).

The Trustee may hold Australian Unity Notes, contract with Holders, deal in any capacity with Australian Unity, contract with itself in any capacity other than as Trustee and act in any capacity in relation to any other trusts.

Except where expressly provided for in the Trust Deed or the *Corporations Act*, the Trustee is not required to keep itself informed as to the performance by Australian Unity of its obligations under the Trust Deed or provide information to a Holder.

The Trustee acts in the interests of Holders of the Australian Unity Notes to the extent and in the manner defined in the Trust Deed. However, the Trustee’s role under the Trust Deed is limited and the Trustee is entitled to rely upon a certificate signed by a Director of Australian Unity as to any facts or matter as conclusive evidence of that fact or matter.

The Trustee has no obligation to monitor Australian Unity’s financial position, including the capacity of Australian Unity to fulfil its obligations under the Trust Deed or in relation to the Australian Unity Notes, other than as required by the *Corporations Act*.

In this regard, the Trustee is subject to certain statutory duties imposed on it under Chapter 2L of the *Corporations Act* including to:

- exercise reasonable diligence to ascertain whether:
 - the property of Australian Unity that is or should be available will be sufficient to repay the amounts lent by Holders in respect of the Australian Unity Notes; and
 - Australian Unity has breached the Terms, Trust Deed or the provisions of Chapter 2L of the *Corporations Act*, and
- unless the Trustee is satisfied that the breach is not material, do everything in its power to ensure Australian Unity remedies such breach.

9.5.5 Default

Australian Unity must promptly notify the Trustee in writing if it becomes aware that any material condition of the Trust Deed cannot be fulfilled or after it becomes aware of the occurrence of an event which would require the Trustee to give a notice of default, such notice to be given not later than 5 Business Days after Australian Unity becoming so aware.

In respect of an Event of Default, the Trustee must take action to enforce the Trust Deed or the Australian Unity Notes where directed by Holders representing greater than 50 percent of the aggregate Face Value of all Australian Unity Notes outstanding. Subject to a direction by Holders as described above, the Trustee

may (but is not required to) take action in respect of an Event of Default. In addition, the Trustee may (but is not required to) act independently of a direction from Holders.

Section 283DA(h) of the *Corporations Act* provides that, where the Trustee is of the opinion that the directions from such a resolution of Holders are inconsistent with the Terms, the Trust Deed, the *Corporations Act* or applicable law or are otherwise objectionable, and has either obtained or is in the process of obtaining a court order setting aside the direction, the Trustee need not act in accordance with those directions.

In addition the Trustee need not act until (i) it is first placed in funds which are, in the Trustee's reasonable opinion, sufficient to cover the costs associated with taking the action required and (ii) the Trustee is indemnified to the Trustee's reasonable satisfaction, as provided in the Trust Deed.

The Holders may only take action against Australian Unity to enforce the amount due and payable in respect of Australian Unity Notes on issue if the Trustee has been directed by Holders representing greater than 50 percent of the aggregate Face Value of all Australian Unity Notes on issue and the Trustee fails to do so within 30 Business Days from notification of that direction.

9.5.6 Fees and expenses

Australian Unity must pay to the Trustee a fee as agreed from time to time in respect of the Trustee's services under the Trust Deed. If the Trustee takes any enforcement action in relation to the Trust Deed, Australian Unity must pay the Trustee on demand such additional remuneration as is commensurate with any additional duties and responsibilities performed by the Trustee. Unless otherwise agreed, such payment is to be calculated on a time basis at reasonable hourly rates.

Australian Unity must pay all costs and expenses (including legal costs) reasonably incurred by the Trustee in:

- negotiating, preparing and executing the Trust Deed and any subsequent consent, agreement, approval, waiver or amendment relating to the Trust Deed; and
- exercising, enforcing or preserving rights (or attempting to do so) under the Trust Deed.

9.5.7 Liability and indemnity

The following provisions apply to the maximum extent permitted by section 283DB of the *Corporations Act*.

The Trustee is indemnified by Australian Unity in respect of all fees, costs, losses, liabilities and expenses incurred but the indemnity does not extend to such costs and liabilities arising out of the Trustee's fraud, gross negligence, breach of trust, breach of section 283DA of the *Corporations Act* or any taxes imposed on the Trustee's remuneration for its services as trustee.

The Trustee will have no liability other than to the extent the liability is able to be satisfied out of the trust fund. This limitation does not apply to any liability to the extent that it is not satisfied because there is a reduction in the extent of the Trustee's indemnification as a result of the Trustee's fraud, gross negligence,

breach of trust or breach of section 283DA of the *Corporations Act*.

Australian Unity and the Holders may not sue the Trustee in any capacity other than as trustee of the Trust.

Australian Unity and the Holders waive their rights and release the Trustee from any personal liability they may suffer as a consequence of a failure of the Trustee to perform its obligations under the Trust Deed, which cannot be paid out of any property held by the Trustee as trustee of the Australian Unity Notes Trust.

9.5.8 Retirement

The Trustee may retire at any time by giving 60 days notice in writing to Australian Unity. The power to appoint a new trustee is vested in Australian Unity. If Australian Unity has not appointed a new trustee within 60 days of the Trustee having given notice of its desire to retire, the retiring Trustee may appoint a new trustee.

9.5.9 Replacement of Trustee

The Holders may by an Ordinary Resolution and 60 days notice remove the Trustee.

Australian Unity may remove the Trustee on 30 days notice where it reasonably forms the view the Trustee has not performed its obligations under the Trust Deed or has acted negligently or fraudulently.

Australian Unity may immediately remove the Trustee where the Trustee is wound up, becomes insolvent, ceases to exist, cannot be an eligible trustee or has failed or refused to act as trustee.

The Trustee is, subject to the provisions of the Trust Deed, released from its obligations, covenants and liabilities under the Trust Deed arising after the date it is removed. In addition, any rights accrued before the removal remain unaffected (including any fees owed to the Trustee).

9.5.10 Register

Australian Unity will establish and maintain a register in respect of Australian Unity Notes.

9.5.11 Meetings of Holders

Meetings of Holders must be carried out in accordance with the provisions of the Trust Deed and the *Corporations Act*. A meeting of Holders may be called at any time by the Trustee and Australian Unity. A meeting of Holders must be convened by Australian Unity where a written request has been made by Holders representing at least 10 percent of the aggregate Face Value of Australian Unity Notes on issue to consider the financial statements that were laid before the last preceding annual general meeting of Australian Unity or to give the Trustee directions in relation to the exercise of the Trustee's powers.

At least 10 Business Days notice (15 Business Days notice for a special resolution) must be given to the Trustee, Australian Unity and the Holders, by the party convening the meeting. The quorum for any meeting is at least two persons holding or represented by attorney or proxy, at least 10 percent of the Australian Unity Notes.

If a quorum is not present within half an hour from the time appointed for the meeting, the meeting will be adjourned to such day and time as the chairperson directs. At an adjourned meeting, the Holders who are present either in person or by proxy (and with whatever value of Australian Unity Notes represented) constitute a quorum and are entitled to pass the resolution.

At any meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded by the chairperson, the Trustee, Australian Unity or at least 5 persons present or represented by attorney or proxy, holding at least 5 percent of the aggregate Face Value of the Australian Unity Notes.

On a show of hands, every Holder who is present shall have one vote and on a poll every Holder who is present shall have one vote for every Australian Unity Note held. In case of equality of votes, the chairperson of a meeting has a casting vote in addition to their votes (if any) as a Holder both on a show of hands and on a poll.

A resolution passed at a meeting shall be binding on all Holders.

The Trustee may nominate the chairperson of any meeting.

9.5.12 Alteration

Australian Unity and the Trustee may (in their absolute discretion) alter the Trust Deed if:

- each is of the opinion that such alteration is:
 - of a formal or technical nature,
 - made to cure any ambiguity or manifest error,
 - expedient for the purpose of listing or retaining any listing of Australian Unity Notes, necessary to comply with any law; or
 - to evidence the succession of another person to Australian Unity; or
- if the alteration is considered by the Trustee not to be materially prejudicial to the interests of the Holders; or
- made with the authorisation of a Holders' resolution (depending on the alteration).

9.5.13 Discharge and release

Australian Unity will be discharged and released from its liabilities, obligations and covenants under the Trust Deed and the Trustee must terminate the trust under the Trust Deed if required by Australian Unity, when:

- all amounts due and payable in respect of the Trust Deed and any Australian Unity Notes have been paid;
- Australian Unity procures the Registry to give written notice to the Trustee that all Australian Unity Notes have been Redeemed or are no longer subject to the Trust Deed;
- Australian Unity furnishes the Trustee with a written statement that it will not create any more Australian Unity Notes under the Trust Deed;
- Australian Unity has made payment of all fees, costs, charges and expenses properly incurred by the Trustee;

- the Trustee is satisfied in its reasonable opinion that Australian Unity has fulfilled all of its obligations under the Trust Deed; and
- Australian Unity furnishes the Trustee with an auditor's certificate that all amounts due and payable in respect of the Trust Deed and any Australian Unity Notes have been paid in full.

On termination of the Australian Unity Notes Trust, the Trustee will be released from any liability arising under or in connection with the Trust Deed.

9.5.14 Applicable law

The Trust Deed is governed by the laws of the State of Victoria.

9.6 Arrangements between Australian Unity and Joint Lead Managers and Joint Bookrunners in relation to the Offer

9.6.1 Summary

Australian Unity and the Joint Lead Managers and Joint Bookrunners entered into an offer management agreement on 28 February 2011. Under the Offer Management Agreement, Australian Unity appointed Westpac and Evans & Partners as the joint lead managers and joint bookrunners for the Offer.

The Joint Lead Managers and Joint Bookrunners have agreed under the Offer Management Agreement to conduct the Bookbuild for the purpose of setting the Margin and determining the Allocation of Australian Unity Notes to Institutional Investors and Participating Brokers (where applicable).

9.6.2 Fees and expenses

Australian Unity will pay a management fee to the Joint Lead Managers of (i) 1.5 percent of the aggregate amount raised (if any) under the Member Offer, Employee Offer and in relation to all proceeds raised by Australian Unity Funds Management Limited as co-manager to the Offer; and (ii) 2.5 percent of all other amounts raised under the Offer, to be shared equally by the Joint Lead Managers. In addition, if (i) Australian Unity withdraws the Offer or the Prospectus; (ii) it is reasonably likely that the Offer, had it proceeded at the Issue Price, would have raised an amount not less than 90 percent of \$80 million; and (iii) a member of the Australian Unity Group subsequently issues debentures or other debt securities having substantially similar terms to the Australian Unity Notes to (among others) retail investors within three months after termination of the engagement of the Joint Lead Managers, Australian Unity must pay the management fee referred to above to the Joint Lead Managers as though the Offer had been completed and 90 percent of \$80 million had been raised. Australian Unity will also pay the costs, charges and expenses incidental to the Offer, including the Joint Lead Managers' legal costs (up to a maximum of \$30,000 exclusive of GST) and any reasonable agreed out of pocket expenses of the Joint Lead Managers. The Joint Lead Managers are responsible for all fees and commissions payable to the Participating Brokers, any co-managers and certain institutional investors.

9.6.3 Representations and warranties

Customary and usual representations and warranties are given by the parties in relation to matters such as the power to enter into the Offer Management Agreement, corporate authority and approvals and Australian Unity's compliance with the *Corporations Act* and ASX Listing Rules in relation to making the Offer. Australian Unity gives a number of further representations and warranties, including that the Prospectus will not contain any untrue, inaccurate, misleading or deceptive statements or omissions.

9.6.4 Termination events

9.6.4.1 Termination events not subject to materiality

Each Joint Lead Manager may terminate the Offer Management Agreement, without cost or liability to that Joint Lead Manager, by giving a written notice of termination to Australian Unity and the other Joint Lead Manager if any of the following occurs:

- at 4:00 pm on two consecutive Business Days, the average mid-rate for the iTraxx Australian Index of a term of five years is 35 percent or more above its level as at the close of business on the Business Day immediately before the date of the Offer Management Agreement;
- the ASX/S&P 200 Index falls by 12.5 percent or more from its level at the time this agreement is entered into between the parties and is at or below that level at the close of trading on two consecutive Business Days;
- a change or proposed change in the law or adoption by ASIC of any regulations or policy which:
 - does or is likely to prohibit, restrict or regulate the Offer;
 - would in the reasonable judgment of the Joint Lead Managers have a material adverse effect on the ability of the Joint Lead Managers to promote the Offer; or
 - would materially reduce the level or likely level of valid Applications.
- Australian Unity fails to lodge this Prospectus with ASIC or withdraws this Prospectus or the Offer;
- ASX does not approve the admission of Australian Unity to the official list of ASX or the quotation of the Australian Unity Notes on ASX or fails to give such approval before the date the Australian Unity Notes are scheduled to be quoted on the ASX;
- Australian Unity:
 - disposes, or agrees to dispose of the whole, or a substantial part, of its business or property other than as contemplated in the Prospectus; or
 - ceases or threatens to cease to carry on business, in either case without the prior consent of the Joint Lead Managers;
- there is a material omission, or a misleading or deceptive statement, in the Prospectus, or it is unlikely that a forecast in the Prospectus will be met, or the Prospectus does not comply with all applicable laws, regulations and Listing Rules;
- a statement in any confirmation certificate given under the Offer Management Agreement is untrue or incorrect in a material respect;
- any information supplied by or on behalf of Australian Unity to the Joint Lead Managers in relation to the Australian Unity Notes, Australian Unity or the Offer is materially untrue, incorrect, misleading or deceptive;
- a Joint Lead Manager reasonably forms the view that a supplementary or replacement document must be lodged with ASIC under section 719 of the *Corporations Act* and Australian Unity fails to do so;
- ASIC:
 - applies for an order under section 1324B of the *Corporations Act* in relation to the Prospectus and the application is not dismissed or withdrawn before the Issue Date;
 - gives notice of intention to hold a hearing in relation to the Prospectus or makes an interim order under section 739(3) of the *Corporations Act*; or
 - applies for an order under Part 9.5 in relation to the Prospectus or commences any investigation or hearing under Part 3 of the ASIC Act 2001 (Cth) in relation to the Prospectus;
- a person whose consent is required to being named in the Prospectus withdraws their consent;
- any person gives a notice under section 730 of the *Corporations Act* in relation to the Prospectus;
- a Director of Australian Unity (or other Australian Unity Group members) is charged with an indictable offence relating to a financial or corporate matter or is disqualified from managing a corporation;
- any governmental agency commences any public action against a member of the Australian Unity Group (including Australian Unity) or any of the members' directors in their capacity as directors of the member;
- a member of the Australian Unity Group (including Australian Unity) or a director of the member engages in any fraudulent conduct or activity;
- insolvency of a member of the Australian Unity Group (including Australian Unity), except to the extent that the insolvency relates to the member of the Australian Unity Group acting as trustee or custodian;
- Australian Unity charges, or agrees to charge, the whole, or a substantial part, of its business or property (other than as disclosed in the Prospectus);
- any event set out in the timetable on page five of the Prospectus is delayed for more than two Business Days, except a delay caused by ASIC extending the exposure period in accordance with section 727(3) of the *Corporations Act*;
- there is a suspension or limitation in trading in all securities quoted or listed on ASX, the New York Stock Exchange or the London Stock Exchange for at least one day on which that exchange is open for trading;
- the authorities declare a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom, or there is a disruption in commercial banking or securities settlement or clearance services in those places;

- any adverse change or disruption to the financial markets of, political or economic conditions of, or currency exchange rates or controls in, Australia, the United States of America or the United Kingdom, or the international financial markets or any adverse change in national or international political, financial or economic conditions; or
- a prospective adverse change in taxation affecting Australian Unity or the Australian Unity Notes.

9.6.4.2 Termination events subject to materiality

If a Joint Lead Manager determines reasonably and in good faith that the event (i) could create a material liability for the Joint Lead Manager under any law or regulation or (ii) has or would have had a material adverse effect on:

- the Offer or completion of the Offer (which will occur when all of the Australian Unity Notes have been issued in accordance with this Prospectus); or
- if the event occurs after the Margin has been determined and Australian Unity Notes have been allocated to Institutional Investors, the likely price at which the Australian Unity Notes will trade on ASX within the first 2 weeks of trading,

then a Joint Lead Manager may terminate the Offer Management Agreement, without cost or liability to that Joint Lead Manager, by giving a written notice of termination to Australian Unity and the other Joint Lead Manager if any of the following occurs:

- Australian Unity (or a member of the Australian Unity Group) breaches or terminates a significant or material contract referred to in section 9 of this Prospectus, without the consent of the Joint Lead Managers;
- Australian Unity is in default of any material terms and conditions under the Offer Management Agreement or breaches any warranty, undertaking or covenant made or given by Australian Unity under the Offer Management Agreement (subject to the ability of Australian Unity to remedy that default or breach);
- Australian Unity alters its capital structure other than as contemplated in the Prospectus, without the prior written consent of the Joint Lead Managers;
- the Constitution of Australian Unity, the Trust Deed or the Australian Unity Notes Terms is amended other than as contemplated under this Prospectus, without the prior written consent of the Joint Lead Managers;
- an outbreak, or a major escalation, of hostilities or a major act of terrorism in Australia, New Zealand, the United Kingdom, the United States of America or a number of other jurisdictions;
- a material adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of Australian Unity;
- a change to the board of directors of Australian Unity or a change to the group executive (currently comprising Rohan Mead, David Bryant, Anthony Connon, Amanda Hagan and Derek McMillan); or

- there is a Tax Event or announcement of a prospective Tax Event.

9.6.5 Indemnity

Subject to certain exclusions relating to, among other things, fraud, wilful default, material breach of the Offer Management Agreement and gross negligence of the indemnified parties (to the extent not caused or contributed to by Australian Unity), Australian Unity indemnifies the Joint Lead Managers and certain affiliated parties against certain liabilities and losses incurred or sustained directly or indirectly as a result of certain events occurring in connection with the Offer.

9.7 Arrangements between Joint Lead Managers and Co-managers in relation to the Offer

Under the Offer Management Agreement, subject to the prior consent of Australian Unity, each Joint Lead Manager may at any time appoint co-managers to its respective proportion of the Offer. It is intended that each Joint Lead Manager will appoint Australian Unity Funds Management Limited as a Co-manager, however, no fees or commissions will be payable by the Joint Lead Managers to the Co-manager.

9.8 Section 283BH description

Australian Unity Notes are 'unsecured notes' for the purposes of section 283BH of the *Corporations Act* which requires debt instruments that are offered to investors with disclosure under chapter 6D of the *Corporations Act* to be described as either "mortgage debentures", "debentures" or "unsecured notes". Such debt instruments may only be described as "mortgage debentures" or "debentures" if certain conditions are met. In any other case, they must be described as "unsecured notes".

Debt instruments can only be described as mortgage debentures or debentures if they are secured by a first mortgage given to the trustee over land vested in the borrower or guarantors, which mortgage is registered or has been lodged for registration and the total amount secured by mortgages over that land which rank equal with the mortgage does not exceed 60 percent of the value of the interest of the borrower or guarantor in that land as shown in a valuation included in the disclosure document.

Debt instruments may also be described as debentures if they are secured by a charge in favour of the trustee over the whole or any part of the tangible property of the borrower or guarantors and the tangible property is sufficient and reasonably likely to be sufficient to meet the liabilities of the debt instrument that have been or may be incurred and that rank in priority to or equally with that liability.

As Australian Unity Notes cannot be described as mortgage debentures or debentures, for the purposes of section 283BH, they are unsecured notes for the purposes of that section of the *Corporations Act*.

However, there are various limitations imposed on Australian Unity with respect to granting security over its assets and the gearing of its debt.

Australian Unity must comply with the Gearing Ratio (see section 5.10.2) and the restriction on granting security (other than Permitted Security Interests (see section 5.10.3)), when incurring new debt.

Neither Australian Unity nor any other member of the Australian Unity Group may grant security for any Financial Indebtedness (without also providing to the Holders the same security, security that is in substance equal ranking security or such other security as is approved by a Special Resolution), other than certain Permitted Security Interests (see section 5.10.3).

There are additional restrictions on Subsidiaries of Australian Unity incurring finance debt. That is, in addition to the Gearing Ratio and Negative Pledge, no Subsidiary of Australian Unity may incur Financial Indebtedness (other than certain specified exceptions (see section 5.10.1) unless it guarantees to the Holders repayment of the Australian Unity Notes.

9.9 Directors' Interests

As at the date of this Prospectus, no Director of Australian Unity holds any Australian Unity Notes or any other securities issued by Australian Unity.

Other than as set out in this Prospectus, no Director or proposed Director holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Australian Unity;
- the Offer; or
- any property acquired or proposed to be acquired by Australian Unity in connection with the formation or promotion of Australian Unity or the Offer.

Other than as set out in this Prospectus, at the time of lodgement of this Prospectus with ASIC, no one has paid or agreed to pay any amount and no one has given or agreed to give any benefit, to any Director or proposed Director:

- to induce that person to become, or qualify as a Director; or
- for services provided by that person in connection with the formation or promotion of the Issuer or the Offer.

9.9.1 Participation in the Offer

Directors of Australian Unity and their associates may participate in, and be issued Australian Unity Notes under, the Offer.

9.9.2 Remuneration

9.9.2.1 Managing Director

The Constitution of Australian Unity provides that the remuneration of executive Directors (including the Managing Director) is to be fixed by the Board from time to time by way of fixed salary or an incentive scheme or by way of the provision of other benefits determined by the Board or by any or all of those means.

The Managing Director of Australian Unity is employed pursuant to an employment contract which does not specify a fixed term of employment. The Managing Director's remuneration (including gross salary, incentive payments, superannuation and benefits) for services provided to Australian Unity for the previous two years ending 28 February 2011 is \$2,791,054. The Managing Director is also entitled to be reimbursed for all reasonable out-of-pocket expenses properly incurred by the Managing Director in carrying out his duties under the employment contract.

Pursuant to the Managing Director's employment contract:

- the Managing Director may terminate his employment by giving 6 months' written notice to Australian Unity;
- if there is a significant adverse change to the Managing Director's employment (including in relation to his duties and responsibilities) and the change is not mutually agreed between Australian Unity and the Managing Director, the Managing Director may terminate his employment by giving written notice to Australian Unity within 3 months of the change;
- Australian Unity may terminate the Managing Director's employment by giving 12 months' written notice to the Managing Director.

If the Managing Director's employment is terminated, he will be entitled to payment of his outstanding salary, unpaid bonuses, accrued annual leave, long service leave and other statutory entitlements. The Managing Director may also receive a bonus in respect of the financial year in which his employment is terminated.

9.9.2.2 Non-executive Directors

The Constitution of Australian Unity provides that non-executive Directors are to be paid fees as remuneration for their services as Directors, subject to the aggregate fees not exceeding the annual sum last approved at a general meeting. The annual sum payable to non-executive Directors that was last approved by Australian Unity at its annual general meeting was \$1.2 million.

Directors appointed at or before Australian Unity's 2004 annual general meeting are entitled to a retirement allowance. Accordingly, each of Alan Castleman, Eve Crestani and Ian Ferres are entitled to receive a retirement allowance. As at 30 June 2010, the aggregate allowance amounted to \$944,702, as disclosed in the Australian Unity Group's 2010 annual report.

Directors are also entitled to be reimbursed for all travelling and other expenses they incur in attending to Australian Unity's affairs, including attending and returning from general meetings of Australian Unity or meetings of the Directors or of committees of the Directors.

9.9.3 Deeds of access, indemnity and insurance

Australian Unity has executed a deed of access, indemnity and insurance in favour of each Director.

Under this deed, a Director is entitled (among other things) to be indemnified (to the maximum extent permitted by law) against liabilities incurred as a Director of Australian Unity. Directors are also permitted to be indemnified by Australian Unity under the Constitution and Australian Unity may enter into and pay premiums on directors and officers insurance policies for their benefit.

9.10 Consents

Each Director of Australian Unity has given and has not, before the lodgement of this Prospectus, withdrawn their written consent to the lodgement of this Prospectus with ASIC.

Each of the parties who are named below:

1. has not made any statement in this Prospectus or any statement on which a statement is made in this Prospectus is based, other than as specified in paragraphs 4 to 8 below;
2. has not authorised or caused the issue of any part of this Prospectus;
3. makes no representation or warranty, express or implied, as to the fairness, accuracy or completeness of the information contained in this Prospectus;
4. to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements made in, or omissions from, this Prospectus, other than as specified in paragraphs 5 to 8 below and excludes and disclaims all liability for any damage, loss (including direct, indirect or

consequential loss), cost or expense that may be incurred by you as a result of this Prospectus being inaccurate or incomplete in any way for any reason;

5. has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
6. in the case of Ernst & Young, has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of the Investigating Accountant's Report in the form and context in which it appears in section 6;
7. in the case of KPMG, has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of the Australian taxation summary in the form and context in which it appears in section 8;
8. in the case of Link Market Services Limited, has no involvement in the preparation of the Prospectus other than being named as Registry; and
9. in the case of Australia Ratings, has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to all statements by it or said to be based on statements by it in the form and context in which they are included. The statements are in the sections titled 'Important Notices', 'About the Australian Unity Group', 'Key Features of Australian Unity Notes' and 'Corporate Directory' and sections 1.2, 5.11, 7.1.10, 9.1, 9.10, 9.11 and Appendix B of this Prospectus.

Role	Consenting Parties
Joint Lead Managers and Joint Bookrunners	Evans & Partners and Westpac
Trustee	The Trust Company (Australia) Limited
Financial Adviser	Greenhill Caliburn
Investigating Accountant & Auditor	Ernst & Young
Tax Adviser	KPMG
Legal Adviser	Minter Ellison
Registry	Link Market Services Limited
Credit Rating Agency	Australia Ratings

9.11 Interests of Advisers

The Joint Lead Managers and Joint Bookrunners are entitled to the fees set out in section 9.6.

Greenhill Caliburn has acted as financial adviser to Australian Unity in relation to the Offer. In aggregate, Australian Unity has paid or agreed to pay Greenhill Caliburn approximately \$1.0 million (excluding GST and disbursements) for these services to the date of this Prospectus. Further amounts may be paid to Greenhill Caliburn in accordance with its normal charges.

Minter Ellison has acted as Australian legal adviser to Australian Unity in relation to this Prospectus and the Offer and have performed work in relation to drafting the Terms, advised on the due diligence and verification program and performed due diligence required on legal

matters. In aggregate, Australian Unity has paid or agreed to pay Minter Ellison approximately \$0.6 million (excluding GST and disbursements) for these services to the date of this Prospectus. Further amounts may be paid to Minter Ellison in accordance with its normal time-based charges.

Ernst & Young has acted as investigating accountant in relation to the Offer and is the auditor of Australian Unity. In aggregate, Australian Unity has paid or agreed to pay Ernst & Young approximately \$0.4 million (excluding GST and disbursements) for services provided by Ernst & Young in its capacity as investigating accountant in relation to the Offer to the date of this Prospectus. Further amounts may be paid to Ernst & Young in accordance with its normal time-based charges.

KPMG has acted as Australian tax adviser to Australian Unity in relation to the Offer and has performed due diligence required on taxation matters and prepared the Australian taxation summary contained in section 8. In aggregate, Australian Unity has paid or agreed to pay KPMG approximately \$30,000 (excluding GST and disbursements) for these services to the date of this Prospectus. Further amounts may be paid to KPMG in accordance with its normal time-based charges.

The Trust Company (Australia) Limited is acting as the trustee for Holders under the Trust Deed. Australian Unity estimates that it will pay an establishment fee of \$10,000 (plus GST) and an ongoing fee of \$40,000 (plus GST) per annum during which the Australian Unity Notes are outstanding (assuming the value of the Australian Unity Notes on issue does not exceed \$100 million). The annual fee payable to The Trust Company (Australia) Limited is indexed to the Australian consumer price index and is also subject to volume based increases (that is, additional fees are payable if the amount of Australian Unity Notes on issue exceeds \$100 million). The Trust Company (Australia) Limited is also entitled to be reimbursed out of the Australian Unity Notes Trust for disbursements incurred by it in the course of acting as Trustee, as well as for certain legal expenses.

Australia Ratings has provided credit rating services in relation to the Offer. In aggregate, Australian Unity has paid or agreed to pay Australia Ratings an initial rating fee of \$35,000 and an annual surveillance fee of \$24,000 per annum during which the Australian Unity Notes are outstanding (excluding GST and disbursements).

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, a promoter of Australian Unity or the Joint Lead Managers and Joint Bookrunners:

- has, at the time of lodgement of this Prospectus with ASIC, or has had at any time during the two years before lodgement of this Prospectus with ASIC, any interest in:
 - the formation or promotion of Australian Unity;
 - the Offer; or
 - any property acquired or proposed to be acquired by Australian Unity in connection with the formation or promotion of Australian Unity or the Offer; or
- has been paid, or agreed to be paid, any amount, nor has any benefit been given or agreed to be given to any such person or services provided by them, in connection with the formation or promotion of Australian Unity or the Offer.

9.12 Litigation

The Directors are not aware of any current or threatened litigation which Australian Unity or the Australian Unity Group is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Australian Unity or the Australian Unity Group.

9.13 ASX in-principle confirmation

Australian Unity has received in-principle confirmation from the ASX that it would be likely to consider that Australian Unity's structure and the obligations and rights of any persons in connection with Australian Unity Notes are appropriate for the purposes of ASX Listing Rule 1.8 Condition 3(d).

9.14 Governing law

This Prospectus, the Offer and the contracts formed on acceptance of Applications under the Offer are governed by the laws in force in the State of Victoria and Australian Unity and each applicant for Australian Unity Notes submits to the non-exclusive jurisdiction of the courts of Victoria.

9.15 Expenses of the Offer

The estimated amount of expenses of the Offer is approximately \$4.5 million (excluding GST)⁸. This amount includes fees payable to the Joint Lead Managers, legal, financial, accounting, tax, listing, as well as registry, advertising, printing, distribution and other expenses related to this Prospectus.

⁸ This estimate has been calculated on the basis that \$100 million is raised under the Offer.

A. Australian Unity Notes Terms

1. Form of Australian Unity Notes

1.1 Constitution under Trust Deed

Australian Unity Notes are debt obligations of the Issuer constituted by, and owing under, the Trust Deed.

1.2 Form

Australian Unity Notes are issued in registered form by entry in the Register.

1.3 Face Value

Australian Unity Notes are each issued fully paid with a Face Value of \$100.00.

1.4 Currency

Australian Unity Notes are denominated in Australian dollars.

1.5 Clearing System

The rights of a person holding an interest in Australian Unity Notes are subject to the rules and regulations of the Clearing System.

1.6 No certificates

No certificates will be issued to Holders unless the Issuer determines that certificates should be available or are required by any applicable law.

1.7 ASX quotation

The Issuer must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure that Australian Unity Notes are, and until Redeemed remain, quoted on ASX.

1.8 No other rights

Australian Unity Notes confer no rights on a Holder:

- (a) to become a member of the Issuer;
- (b) to vote at any meeting of members of the Issuer;
- (c) to subscribe for or participate in any new securities of the Issuer on any basis; or
- (d) to participate otherwise in the profits or property of the Issuer or any other member of the Australian Unity Group, except as set out in these Terms or the Trust Deed.

2. Interest

2.1 Interest

- (a) Each Australian Unity Note bears interest (Interest) on its Face Value from (and including) its Issue Date to (but excluding) its Maturity Date or any Redemption Date at the Interest Rate.

- (b) Interest is payable in arrears on each Interest Payment Date.

2.2 Interest Rate determination

- (a) The Interest Rate payable in respect of an Australian Unity Note must be calculated by the Issuer in accordance with these Terms.
- (b) The Interest Rate applicable to an Australian Unity Note for each Interest Period (expressed as a percentage per annum) is calculated according to the following formula:

$$\text{Interest Rate} = \text{Market Rate} + \text{Margin}$$

where:

Market Rate means the Bank Bill Rate.

Margin means a rate (expressed as a percentage per annum) determined in accordance with the Bookbuild as described in the Prospectus.

- (c) If, in respect of an Interest Period, the Issuer is unable to determine a rate in accordance with this clause 2.2, the Interest Rate for the Interest Period is the Interest Rate applicable to the Australian Unity Notes during the immediately preceding Interest Period.

3. General provisions applicable to Interest

3.1 Calculation of Interest Rate and Interest payable

- (a) The Issuer must, as soon as practicable in each Interest Period for each Australian Unity Note, calculate the amount of Interest payable for that Interest Period in respect of the Face Value of each Australian Unity Note.
- (b) The amount of Interest payable on each Australian Unity Note for an Interest Period is calculated according to the following formula:

$$\text{Interest payable} = \frac{\text{Interest Rate} \times \text{A\$100} \times \text{N}}{365}$$

where:

N means, in respect of:

- (i) the first Interest Payment Date in respect of an Australian Unity Note, the number of days from, and including, its Issue Date to, but excluding, that first Interest Payment Date; and
- (ii) each subsequent Interest Payment Date, the number of days from, and including, the preceding Interest Payment Date to, but excluding, that Interest Payment Date or, in the case of the last Interest Period, the Maturity Date or Redemption Date.

3.2 Notification of Interest Rate, Interest payable and other items

- (a) The Issuer must notify the Trustee, the Registrar and ASX (and any other stock exchange or other relevant authority on which Australian Unity Notes are quoted) of:

- (i) for each Interest Period, the Interest Rate and the amount of Interest payable; and
 - (ii) any amendment to the Interest Rate or the amount referred to in sub-paragraph (i) arising from any extension or reduction in any Interest Period or calculation period.
- (b) The Issuer must give notice under this clause 3.2 as soon as practicable after it makes its calculations. However, it must give notice of the Interest Rate and the amount of Interest on each Australian Unity Note for the Interest Period by the fourth Business Day of that Interest Period.
- (c) The Issuer may amend its calculation or determination of any amount, item or date (or make appropriate alternative arrangements by way of adjustment) as a result of the extension or reduction of the Interest Period or calculation period without prior notice but must notify the Trustee, the Registrar, ASX and any other stock exchange or other relevant authority on which Australian Unity Notes are quoted promptly after doing so.

3.3 Determination final

The determination by the Issuer of all amounts, rates and dates falling to be calculated or determined by it under these Terms is, in the absence of manifest or proven error, final and binding on the Issuer, the Trustee, the Registrar and each Holder.

3.4 Calculations

For the purposes of any calculations required under these Terms:

- (a) all percentages resulting from the calculations must be rounded, if necessary, to the nearest ten-thousandth of a percentage point (with 0.00005% being rounded up to 0.0001%);
- (b) all figures must be rounded to four decimal places (with 0.00005 being rounded up to 0.0001); and
- (c) all amounts that are due and payable must be rounded to the nearest one Australian cent (with 0.5 of a cent being rounded up to 1 cent).

4. Redemption and purchase

4.1 Scheduled redemption

Each Australian Unity Note is Redeemable by the Issuer on the Maturity Date at its Face Value unless:

- (a) the Australian Unity Note has been previously Redeemed; or
- (b) the Australian Unity Note has been purchased by the Issuer and cancelled.

4.2 Early redemption by Issuer for taxation reasons—increased payments

If, as a result of any change in or amendment to, the laws of a Relevant Tax Jurisdiction, or any change in their application or official or judicial interpretation, which change becomes effective after the Issue Date,

the Issuer is required to pay an Additional Amount, the Issuer may Redeem all (but not some) of the Australian Unity Notes in whole before their Maturity Date at their Face Value together with any Interest accrued on those Australian Unity Notes to (but excluding) the Redemption Date.

However, the Issuer may only do so if:

- (a) the Issuer has given at least 10 Business Days' (and no more than 45 Business Days') notice to the Trustee, the Registrar, the Holders and ASX (and any other stock exchange or other relevant authority on which Australian Unity Notes are quoted);
- (b) before the Issuer gives the notice under paragraph (a), the Trustee and Registrar have each received:
 - (i) a certificate signed by two Directors or a Director and a secretary of the Issuer; and
 - (ii) an opinion of independent legal advisers of recognised standing in the jurisdiction of incorporation of the Issuer and in the Relevant Tax Jurisdiction, that the Issuer would be required under clause 10.2(b) to increase the amount of the next payment due in respect of Australian Unity Notes;
- (c) the proposed Redemption Date is an Interest Payment Date; and
- (d) no notice of Redemption is given earlier than 45 Business Days before the final scheduled Interest Payment Date occurring before the earliest date on which the Issuer would be obliged to pay any Additional Amount.

4.3 Early redemption by Issuer for taxation reasons—loss of deductibility

If, as a result of any change in, or amendment to, applicable laws, or any change in their application or official or judicial interpretation, which change becomes effective after the Issue Date, payment of Interest on a Australian Unity Note is not, or may not, be allowed as a deduction for the purposes of the Issuer's Australian income tax liability calculation, the Issuer may Redeem all (but not some) of the Australian Unity Notes in whole before their Maturity Date at their Face Value together with any Interest accrued on the Australian Unity Notes to (but excluding) the Redemption Date.

However, the Issuer may only do so if:

- (a) the Issuer has given at least 10 Business Days' (and no more than 45 Business Days') notice to the Trustee, the Registrar, the Holders and ASX (and any other stock exchange or other relevant authority on which Australian Unity Notes are quoted);
- (b) before the Issuer gives the notice under paragraph (a), the Trustee and the Registrar have each received:
 - (i) a certificate signed by two Directors or a Director and a secretary of the Issuer; and
 - (ii) an opinion of independent legal or tax advisers of recognised standing in the jurisdiction of incorporation of the Issuer,

that, as a result of any change in, or amendment to, applicable laws, or any change in their application or official or judicial interpretation, which change becomes effective after the Issue Date, payment of Interest on an Australian Unity Note is not, or may not, be allowed as a deduction for the purposes of the Issuer's Australian income tax liability calculation;

- (c) the proposed Redemption Date is an Interest Payment Date; and
- (d) no notice of Redemption is given earlier than 45 Business Days before the final scheduled Interest Payment Date occurring before the earliest date on which the Issuer is not, or may not, be allowed to claim payment of Interest as a deduction for the purposes of its Australian income tax.

4.4 Early redemption by Issuer for regulatory reasons

If, as a result of a change in, or amendment to, applicable law, or any change in their application or official or judicial interpretation, which change becomes effective after the Issue Date, additional requirements which the Directors determine in their absolute discretion to be unacceptable would be imposed on the Issuer in respect of Australian Unity Notes, the Issuer may Redeem all (but not some) of the Australian Unity Notes in whole before their Maturity Date at its Face Value together with any Interest accrued on the Australian Unity Notes to (but excluding) the Redemption Date.

However, the Issuer may only do so if:

- (a) the Issuer has given at least 10 Business Days' (and no more than 45 Business Days') notice to the Trustee, the Registrar, the Holders and ASX (and any other stock exchange or other relevant authority on which Australian Unity Notes are quoted);
- (b) before the Issuer gives the notice under paragraph (a), the Trustee and the Registrar have each received:
 - (i) a certificate signed by two Directors or a Director and a secretary of the Issuer; and
 - (ii) an opinion of independent legal advisers of recognised standing in the jurisdiction of incorporation of the Issuer (such legal advisers to be acceptable to the Trustee, acting reasonably),

that as a result of a change in, or amendment to, applicable law, or any change in their application or official or judicial interpretation, which change becomes effective after the Issue Date, additional requirements would be imposed on the Issuer in respect of Australian Unity Notes;

- (c) the proposed Redemption Date is an Interest Payment Date; and
- (d) no notice of Redemption is given earlier than 45 Business Days before the final scheduled Interest Payment Date occurring before the earliest date on which the Issuer would be subject to additional requirements.

4.5 Early Redemption by Issuer where a Clean Up Condition subsists

- (a) If a Clean Up Condition subsists, the Issuer may Redeem all (but not some) of the Australian Unity Notes in whole before their Maturity Date at their Face Value together with any Interest accrued on the Australian Unity Notes to (but excluding) the applicable Redemption Date.
- (b) However, the Issuer may only do so if:
 - (i) the Issuer has given at least 10 Business Days' (and no more than 45 Business Days') notice to the Trustee, the Registrar, the Holders and ASX (and any other stock exchange or other relevant authority on which Australian Unity Notes are quoted); and
 - (ii) the proposed Redemption Date is an Interest Payment Date.

4.6 Early Redemption at the option of the Issuer

- (a) The Issuer may Redeem all (but not some) of the Australian Unity Notes in whole before their Maturity Date by paying to each Holder of Australian Unity Notes:
 - (i) the Face Value of the Australian Unity Notes, together with any Interest accrued on the Australian Unity Notes to (but excluding) the applicable Redemption Date; plus
 - (ii) the Early Redemption Payment.
- (b) However, the Issuer may only do so if:
 - (i) the Issuer has given at least 10 Business Days' (and no more than 45 Business Days') notice to the Trustee, the Registrar, the Holders and ASX (and any other stock exchange or other relevant authority on which Australian Unity Notes are quoted); and
 - (ii) the proposed Redemption Date is an Interest Payment Date.
- (c) For the avoidance of doubt, if an event referred to in clauses 4.2, 4.3, 4.4, 4.5, 4.7 or 4.8 occurs at any time after the Issuer has given the notice referred to in clause 4.6(b)(i) and up to and including the Redemption Date, the Issuer will nevertheless, in accordance with clause 4.6(b)(ii), pay the Early Redemption Payment.

4.7 Early Redemption on a Change of Control Event

- (a) If a Change of Control Event occurs, then:
 - (i) the Issuer must give notice to the Trustee, the Registrar, Holders and the ASX of the occurrence of the Change of Control Event as soon as practicable after becoming aware of the event specifying the date on which the Change of Control occurred; and
 - (ii) the Issuer must Redeem all (but not some) of the Australian Unity Notes in whole, no later than 45 Business Days after the date on which the Change of Control occurred, by paying to each Holder of Australian Unity Notes:

- (A) the Face Value of the Australian Unity Notes, together with any Interest accrued on the Australian Unity Notes to (but excluding) the applicable Redemption Date; plus
 - (B) the Early Redemption Payment.
- (b) The Issuer must give at least 10 Business Days' (and no more than 45 Business Days') notice of the Redemption to the Trustee, the Registrar and ASX (and any other stock exchange or other relevant authority on which the Australian Unity Notes are quoted).

4.8 Early Redemption by Holders following a Delisting Event

If a Delisting Event occurs, then:

- (a) the Holder of any Australian Unity Notes may require the Issuer to Redeem all (but not some) of the Australian Unity Notes held by that Holder on the Delisting Redemption Date at their Face Value together with any Interest accrued on the Australian Unity Notes to (but excluding) the applicable Delisting Redemption Date;
- (b) promptly after the occurrence of the Delisting Event, the Issuer must notify the Trustee of the Delisting Event and must consult with the Trustee in good faith in respect of that Delisting Event; and
- (c) the Issuer must notify Holders of the occurrence of the Delisting Event as soon as practicable after becoming aware of the event and consultation with the Trustee in accordance with paragraph (b) specifying the date on which the Delisting Event occurred (Delisting Notice). The Delisting Notice will contain a statement informing Holders of their entitlement to exercise their rights to require Redemption of the Australian Unity Notes pursuant to this clause 4.8 and will also specify:
 - (i) all information concerning the Delisting Event that is material to the Holders;
 - (ii) the closing price of the Australian Unity Notes on the day that the Australian Unity Notes were trading on the ASX immediately prior to the occurrence of the Delisting Event;
 - (iii) the form of the exercise notice (Delisting Redemption Exercise Notice);
 - (iv) the last day of the Delisting Redemption Period; and
 - (v) such other information relating to the Delisting Event as the Trustee may reasonably require.
- (d) to exercise its right under paragraph (a), a Holder must deliver to the Registrar (as agent for the Issuer) a duly completed and signed Delisting Redemption Exercise Notice at any time during the Delisting Redemption Period.

4.9 Effect of notice of redemption

Any notice of Redemption given under this clause 4 is irrevocable.

4.10 Late payment

If an amount is not paid under this clause 4 when due, then Interest continues to accrue on the unpaid amount (both before and after any demand or judgment) at the last applicable Interest Rate until the date on which payment is made to the Holder.

4.11 Purchase

- (a) The Issuer, any of its Related Bodies Corporate or any third party nominated by the Issuer may, at any time, purchase Australian Unity Notes in the open market or otherwise and at any price.
- (b) If purchases are made by tender for the Australian Unity Notes by the Issuer or any of its Related Bodies Corporate, tenders must be available to all Holders alike.
- (c) Australian Unity Notes purchased under this clause 4.11 may be held, resold or cancelled at the discretion of the purchaser (and, if Australian Unity Notes are to be cancelled, the Issuer), subject to compliance with any applicable law or requirement of ASX (and any stock exchange or other relevant authority on which Australian Unity Notes are quoted).

5. Status and ranking

5.1 Status

The Australian Unity Notes at all times constitute direct and unsecured obligations of the Issuer.

5.2 Ranking

Australian Unity Notes of all Series rank equally without any preference among themselves (including, without any preference by reason of Issue Date) and at least equally with all other unsubordinated and unsecured obligations of the Issuer (other than any obligations preferred by mandatory provisions of applicable law).

6. Undertakings

6.1 Gearing

While any of the Australian Unity Notes remain outstanding, the Issuer will ensure that, on each 30 June and 31 December occurring after the Issue Date, the aggregate (without double counting) of Consolidated Interest Bearing Liabilities and Australian Unity Guarantees (minus Lifeplan Australia Building Society Liabilities and Lifeplan Australia Building Society Guarantees) divided by the aggregate of Consolidated Interest Bearing Liabilities and Australian Unity Guarantees (minus Lifeplan Australia Building Society Liabilities and Lifeplan Australia Building Society Guarantees) plus Total Equity (minus the equity of Lifeplan Australia Building Society), is less than 45%.

6.2 Negative pledge

While any of the Australian Unity Notes remain outstanding, the Issuer must ensure that no member of the Australian Unity Group will create or allow to exist a Security Interest over any of its assets, other than

a Permitted Security Interest, without also according to the Australian Unity Notes either the same security, security that is in substance equal ranking security or such other security as is approved by a Special Resolution of Holders.

6.3 Restriction on Subsidiary Financial Indebtedness

While any of the Australian Unity Notes remain outstanding, the Issuer must ensure that no member of the Australian Unity Group outside the Obligor Group will incur any present or future Financial Indebtedness except under or in respect of:

- (a) the Westpac Cash Advance Facility (until the proceeds of the Australian Unity Notes are applied to repay that facility);
- (b) Financial Indebtedness to develop or in connection with developing the Carlton Project for an aggregate principal amount not exceeding \$45,000,000 plus a bank guarantee not exceeding \$2,000,000 provided to the Victorian Government in relation to the Carlton Project;
- (c) any present or future Retirement Village Investment Notes issued by AUFL provided the recourse of the holders of those notes is limited to the assets of AUFL and AURLIL;
- (d) the \$25,000,000 subordinated capital notes issued by Australian Unity Health Limited (AUHL) (and any other subordinated capital notes issued by AUHL on the same or similar terms provided the outstanding aggregate principal amount does not exceed \$40,000,000 (including the \$25,000,000 on issue at the date of the Trust Deed));
- (e) any present or future Limited Recourse Debt;
- (f) any future Financial Indebtedness which is subordinated to the Australian Unity Notes under a subordination agreement or arrangement on terms reasonably acceptable to the Trustee;
- (g) the \$10,000,000 subordinated preferential units issued by Australian Unity Aged Care Trust #1, Australian Unity Aged Care Trust #2 and Australian Unity Aged Care Trust #3 and held by Grand Unity Centenary Centre Limited as at the date of the Trust Deed;
- (h) any present or future deposits with, and any other Financial Indebtedness incurred by, Lifeplan Australia Building Society;
- (i) any present or future Financial Indebtedness owed by one member of the Australian Unity Group to another member of the Australian Unity Group;
- (j) any future Financial Indebtedness incurred to refinance any of the Financial Indebtedness referred to in sub-paragraphs (a) to (i) above, so long as the principal amount of the relevant Financial Indebtedness that is being refinanced is not increased or its ranking materially improved;
- (k) any other present or future Financial Indebtedness not referred to in sub-paragraphs (a) to (i) above provided the aggregate principal amount of such

Financial Indebtedness incurred by a member of the Australian Unity Group in aggregate is not more than 10% of the Total Equity.

7. Events of Default

7.1 Events of Default

An Event of Default occurs in relation to Australian Unity Notes if:

- (a) **(non-payment)** the Issuer fails to pay on the due date any amount payable by it under any Australian Unity Note and, where the sole reason for the default is a technical or administrative difficulty within the banking system being used to effect payment, such default is not remedied within 5 Business Days;
- (b) **(breach of Trust Deed)** the Issuer fails to comply with any of its other obligations under the Trust Deed and such failure remains unremedied for a period of 15 Business Days after the Issuer has received written notice from the Trustee in respect of the failure;
- (c) **(misrepresentation)** a representation given in the Prospectus is untrue, incorrect or misleading in a material respect and the underlying matter or circumstances to which the representation relates is or are unremedied for 45 Business Days after the Issuer has received written notice from the Trustee in respect of the misrepresentation;
- (d) **(insolvency)** an Insolvency Event occurs in respect of the Issuer;
- (e) **(cessation of business)** the Issuer ceases or suspends the conduct of all of its business; or
- (f) **(unlawfulness)** at any time, it is unlawful for the Issuer to perform any of its payment obligations under the Australian Unity Notes.

7.2 Notification

If an Event of Default occurs, the Issuer must, promptly after becoming aware of it, notify the Trustee and the Registrar of the occurrence of the Event of Default (specifying details of it) and use its reasonable endeavours to promptly notify the Holders and ASX (and any other stock exchange or other relevant authority on which Australian Unity Notes are quoted) of the occurrence of the Event of Default.

7.3 Consequences of an Event of Default

- (a) If any Event of Default occurs and is continuing in relation to the Australian Unity Notes, then the Trustee may declare by notice to the Issuer (with a copy to the Holders and the Registrar) that all Australian Unity Notes are to be Redeemed at their Face Value (together with any accrued Interest) immediately or on such other date specified in that notice.
- (b) The Trustee shall not be bound to take any of the actions referred to in paragraph (a) above to enforce the obligations of the Issuer in respect of

Australian Unity Notes or any other proceedings or action pursuant to or in connection with the Trust Deed or Australian Unity Notes unless:

- (i) it shall have been so directed by a resolution of the Holders of the relevant Australian Unity Notes or so requested in writing by the Holders representing greater than 50% of the aggregate Face Value of all Australian Unity Notes outstanding; and
 - (ii) it shall have been placed in funds which are, in the trustee's reasonable opinion, sufficient to cover the costs it may incur including legal costs on a solicitor and own client basis (by way of advance payment or otherwise) to its satisfaction and indemnified to the Trustee's reasonable satisfaction, as provided in the Trust Deed.
- (c) If any Event of Default occurs and is continuing, the Issuer may Redeem all (but not some) of the Australian Unity Notes in whole before their Maturity Date at their Face Value together with any Interest accrued on the Australian Unity Notes to (but excluding) the applicable Redemption Date. However, the Issuer may only Redeem Australian Unity Notes if the Issuer has given at least 5 Business Days' (and no more than 45 Business Days') notice to the Trustee, the Registrar and ASX (and any other stock exchange or other relevant authority on which the Australian Unity Notes are quoted).

8. Title and transfer of Australian Unity Notes

8.1 Title

Title to Australian Unity Notes passes when details of the transfer are entered in the Register.

8.2 Effect of entries in Register

Each entry in the Register in respect of an Australian Unity Note constitutes:

- (a) an unconditional and irrevocable undertaking by the Issuer to the Holder to pay principal, interest and any other amount in accordance with these Terms; and
- (b) an entitlement to the other benefits given to Holders under these Terms and the Trust Deed in respect of the Australian Unity Note.

For the avoidance of doubt, an entry in the Register does not make the Holder a member of the Issuer or confer rights on a Holder to become a member of the Issuer.

8.3 Register conclusive as to ownership

Entries in the Register in relation to an Australian Unity Note constitute conclusive evidence that the person so entered is the absolute owner of the Australian Unity Note subject to correction for fraud or error.

8.4 Non-recognition of interests

Except as required by law, the Issuer, the Trustee and the Registrar must treat the person whose name is entered in the Register as the holder of an Australian Unity Note as the absolute owner of that Australian Unity Note. This clause 8.4 applies whether or not an Australian Unity Note is overdue and despite any notice of ownership, trust or interest in the Australian Unity Note.

8.5 Joint holders

Where two or more persons are entered in the Register as the joint holders of an Australian Unity Note then they are taken to hold the Australian Unity Note as joint tenants with rights of survivorship, but the Registrar is not bound to register more than four persons as joint holders of any Australian Unity Note.

8.6 Transfers in whole

Australian Unity Notes may be transferred in whole but not in part.

8.7 Transfer

A Holder may, subject to this clause 8.7, transfer any Australian Unity Notes:

- (a) by a proper ASTC transfer according to the ASX Settlement Operating Rules;
- (b) by a proper transfer under any other computerised or electronic system recognised by the Corporations Act;
- (c) under any other method of transfer which operates in relation to the trading of securities on any securities exchange outside Australia on which Australian Unity Notes are quoted; or
- (d) by any proper or sufficient instrument of transfer of marketable securities under applicable law.

The Issuer must not charge any fee on the transfer of an Australian Unity Note.

8.8 Market obligations

The Issuer must comply with all Applicable Regulations and any other relevant obligations imposed on it in relation to the transfer of an Australian Unity Note.

8.9 Issuer may request holding lock or refuse to register transfer

If Australian Unity Notes are quoted on ASX, and if permitted to do so by the ASX Listing Rules and the Corporations Act, the Issuer may:

- (a) request the CS Facility Operator or the Registrar, as the case may be, to apply a holding lock to prevent a transfer of Australian Unity Notes approved by and registered on the CS Facility's electronic sub-register or Australian Unity Notes registered on an issuer-sponsored sub-register, as the case may be; or
- (b) refuse to register a transfer of Australian Unity Notes.

8.10 Issuer must request holding lock or refuse to register transfer

- (a) The Issuer must request the CS Facility Operator or the Registrar, as the case may be, to apply a holding lock to prevent a transfer of Australian Unity Notes approved by and registered on the CS Facility's electronic sub-register or Australian Unity Notes registered on an issuer-sponsored sub-register, as the case may be, if the Corporations Act, the ASX Listing Rules or the terms of a Restriction Agreement require the Issuer to do so.
- (b) The Issuer must refuse to register any transfer of Australian Unity Notes if the Corporations Act, the ASX Listing Rules or the terms of a Restriction Agreement require the Issuer to do so.
- (c) During a breach of the ASX Listing Rules relating to Restricted Securities, or a breach of a Restriction Agreement, the Holder of the Restricted Securities is not entitled to any Interest (or other distribution on), or voting rights in respect of, the Restricted Securities.

8.11 Notice of holding lock and refusal to register transfer

If, in the exercise of its rights under clauses 8.9 and 8.10, the Issuer requests the application of a holding lock to prevent a transfer of Australian Unity Notes or refuses to register a transfer of Australian Unity Notes, it must, within five Business Days after the date the holding lock is requested or the refusal to register a transfer, give written notice of the request or refusal to the Holder, to the transferee and the broker lodging the transfer, if any. Failure to give such notice does not, however, invalidate the decision of the Issuer.

8.12 Delivery of instrument

If an instrument is used to transfer the Australian Unity Notes according to clause 8.7, it must be delivered to the Registrar, together with such evidence (if any) as the Registrar reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the Australian Unity Notes.

8.13 Refusal to register

- (a) The Issuer may only refuse to register a transfer of any Australian Unity Notes if such registration would contravene or is forbidden by Applicable Regulation or the Terms.
- (b) If the Issuer refuses to register a transfer, the Issuer must give the lodging party notice of the refusal and the reasons for it within five Business Days after the date on which the transfer was delivered to the Registrar.

8.14 Transferor to remain Holder until registration

A transferor of an Australian Unity Note remains the Holder in respect of that Australian Unity Note until the transfer is registered and the name of the transferee is entered in the Register.

8.15 Effect of transfer

Upon registration and entry of the transferee in the Register the transferor ceases to be entitled to future benefits under the Trust Deed in respect of the transferred Australian Unity Notes and the transferee becomes so entitled in accordance with clause 8.2.

8.16 Estates

A person becoming entitled to an Australian Unity Note as a consequence of the death or bankruptcy of a Holder or of a vesting order or a person administering the estate of a Holder may, upon producing such evidence as to that entitlement or status as the Registrar considers sufficient, transfer the Australian Unity Note or, if so entitled, become registered as the holder of the Australian Unity Note.

8.17 Transfer of unidentified Australian Unity Notes

Where the transferor executes a transfer of less than all Australian Unity Notes registered in its name, and the specific Australian Unity Notes to be transferred are not identified, the Registrar may register the transfer in respect of such of the Australian Unity Notes registered in the name of the transferor as the Registrar thinks fit, provided the aggregate of the Face Value of all the Australian Unity Notes registered as having been transferred equals the aggregate of the Face Value of all the Australian Unity Notes expressed to be transferred in the transfer.

9. Payments

9.1 Summary of payment provisions

Payments in respect of Australian Unity Notes will be made in accordance with this clause 9.

9.2 Payments subject to law

All payments are subject to applicable law, but without prejudice to the provisions of clause 10.

9.3 Payments on Business Days

If a payment:

- (a) is due on an Australian Unity Note on a day which is not a Business Day then the due date for payment will be postponed to the first following day that is a Business Day; or
- (b) is to be made to an account on a Business Day on which banks are not open for general banking business in the place in which the account is located, then the due date for payment will be the first following day on which banks are open for general banking business in that place,

in either case, the Holder is not entitled to any additional payment in respect of that delay.

9.4 Payment of principal

Payments of principal will be made to each person registered at 10.00 am on the payment date as the Holder of an Australian Unity Note.

9.5 Payment of Interest

Payments of Interest in respect of an Australian Unity Note will be made to each person registered at 7.00 pm on the Record Date as the holder of that Australian Unity Note.

9.6 Payments to accounts

Monies payable by the Issuer to a Holder may be paid in any manner the Issuer decides, including by any method of direct credit determined by the Issuer to the Holder or Holders shown on the Register or to such person or place selected by them.

9.7 Payments by cheque

The Issuer may decide that payments in respect of the Australian Unity Notes will be made by cheque sent by prepaid post on the payment date, at the risk of the registered Holder, to the Holder (or to the first named joint holder of the Australian Unity Note) at its address appearing in the Register at:

- (a) 7:00 pm on the Record Date with respect to payment or Interest; and
- (b) 10:00 am on the payment date with respect to payment of the principal.

Cheques sent to the nominated address of a Holder will be taken to have been received by the Holder on the payment date and, no further amount will be payable by the Issuer in respect of the Australian Unity Notes as a result of the Holder not receiving payment on the due date.

9.8 Unsuccessful attempts to pay

Subject to applicable law and the ASX Listing Rules, where the Issuer:

- (a) decides that an amount is to be paid to a Holder by a method of direct credit and the Holder has not given a direction as to where amounts are to be paid by that method;
- (b) attempts to pay an amount to a Holder by direct credit, electronic transfer of funds or any other means and the transfer is unsuccessful;
- (c) has made reasonable efforts to locate a Holder but is unable to do so; or
- (d) has issued a cheque which has not been presented within six months of its date, then the Issuer may cancel such cheque,

then, in each case, the amount is to be held by the Issuer for the Holder in a non-interest bearing deposit with a bank selected by the Issuer until the Holder or any legal personal representative of the Holder claims the amount or the amount is paid by the Issuer according to the legislation relating to unclaimed moneys.

9.9 Payment to joint Holders

A payment to any one of joint Holders will discharge the Issuer's liability in respect of the payment.

10. Taxation

10.1 No set-off, counterclaim or deductions

All payments in respect of the Australian Unity Notes must be made in full without set-off or counterclaim, and without any withholding or deduction in respect of Taxes, unless prohibited by law.

10.2 Withholding tax

Subject to clause 10.3, if a law requires the Issuer to withhold or deduct an amount in respect of Taxes from a payment in respect of Australian Unity Notes such that the Holder would not actually receive on the due date the full amount provided for under the Australian Unity Notes, then:

- (a) the Issuer agrees to deduct the amount for the Taxes (and any further withholding or deduction applicable to any further payment due under paragraph (b) below); and
- (b) if the amount deducted or withheld is in respect of Taxes imposed by a Relevant Tax Jurisdiction, the Issuer will pay an additional amount so that after making the deduction and further deductions applicable to additional amounts payable under this clause 10.2, each Holder is entitled to receive (at the time the payment is due) the amount it would have received if no deductions or withholdings had been required to be made.

10.3 Withholding tax exemptions

No Additional Amounts are payable under clause 10.2(b) in respect of any Australian Unity Note:

- (a) to, or to a third party on behalf of, a Holder who is liable to such Taxes in respect of such Australian Unity Note by reason of the person having some connection with a Relevant Tax Jurisdiction other than the mere holding of such Australian Unity Note or receipt of payment in respect of the Australian Unity Note provided that a Holder shall not be regarded as having a connection with Australia for the reason that the Holder is a resident of Australia within the meaning of the Australian Tax Act where, and to the extent that, such taxes are payable by reason of section 128B(2A) of the Australian Tax Act;
- (b) to, or to a third party on behalf of, a Holder who could lawfully avoid (but has not so avoided) such Taxes by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or similar case for exemption to any tax authority;
- (c) to, or to a third party on behalf of, a Holder who is an Offshore Associate and not acting in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme within the meaning of the Corporations Act; or

- (d) to, or to a third party on behalf of an Australian resident Holder or a non-resident Holder carrying on business in Australia at or through a permanent establishment of the non-resident in Australia, if the Holder has not supplied an appropriate tax file number, an Australian business number or other exemption details.

11. General

11.1 Time limit for claims

A claim against the Issuer for a payment under an Australian Unity Note is void unless made within 5 years from the date on which payment first became due.

11.2 Voting

The Trust Deed contains provisions for convening meetings of the Holders to consider any matter affecting their interests including certain variations of these Terms which require the consent of the Holders.

11.3 General provisions applicable to alterations and amendments

General provisions applicable to alterations and amendments to these Terms are set out in clause 18 of the Trust Deed.

11.4 Notices

The Trust Deed contains provisions for the giving of notices.

11.5 Further issues

The Issuer may from time to time, without the consent of the Holders, issue further notes having the same Terms as Australian Unity Notes in all respects (or in all respects except for the Issue Date and the first payment of interest for such new notes) so as to form part of the same series or issue any other notes, shares or any other form or type of securities, or incur or guarantee any indebtedness upon such terms as it may think fit in its sole discretion.

11.6 Governing law

These Terms and the Australian Unity Notes are governed by the laws in force in Victoria.

12. Interpretation and definitions

12.1 Interpretation

In these Terms, except where the context otherwise requires:

- the singular includes the plural and vice versa, and a gender includes other genders;
- another grammatical form of a defined word or expression has a corresponding meaning;
- a reference to a document includes all schedules or annexes to it;

- a reference to a clause or paragraph is to a clause or paragraph of these Terms;
- a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- a reference to 'Australian dollars', '\$' or 'Australian cent' is a reference to the lawful currency of Australia;
- a reference to time is to Melbourne time;
- a reference to a person includes a reference to the person's executors, administrators, successors and permitted assigns and substitutes;
- a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- a reference to a statute, ordinance, code, rule, directive or law (however described) includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions;
- any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- an Event of Default is subsisting if it has not been remedied or waived in writing; and
- headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of these Terms.

12.2 Definitions

Section 1.2 of the Trust Deed applies to these Terms and, in these Terms, these meanings apply unless the contrary intention appears:

Additional Amount means an additional amount payable by the Issuer under clause 10.2;

Applicable Regulation means such provisions of the ASX Listing Rules, the ASX Settlement Operating Rules, the Corporations Act and any regulations or rules pursuant under or pursuant to any such provisions as may be applicable to the transfer of an Australian Unity Note;

ASTC means the ASX Settlement Pty Ltd (ABN 49 008 504 532);

ASX Settlement Operating Rules means the settlement rules of ASTC as amended or replaced from time to time;

ASX means ASX Limited (ABN 98 003 624 691) or the securities market operated by it, as the context requires;

ASX Listing Rules means the listing rules of ASX;

AUFL means Australian Unity Finance Limited (ABN 35 114 646 070);

Australian Unity Group means the Issuer and its Subsidiaries but excludes any Subsidiary in its capacity as trustee or responsible entity of a Relevant Trust or Scheme;

Australian Unity Guarantees means, on a consolidated basis for the Australian Unity Group, all actual or contingent debt or other monetary liabilities (including by way of counter-indemnity) of or incurred by a member of the Australian Unity Group in respect of (but only to the extent of the outstanding available or undrawn amounts under) any bank guarantee, standby letter of credit or other Guarantee issued or granted by a financial institution at the request of a member of the Australian Unity Group for the payment of a debt;

AURLIL means Australian Unity Retirement Living Investments Limited (ABN 27 114 646 098);

Australian Tax Act means the *Income Tax Assessment Act 1936* (Cth) and, where applicable, the *Income Tax Assessment Act 1997* (Cth);

Australian Unity Note means a debt obligation denominated in Australian dollars and issued, or to be issued, by the Issuer which is constituted by, and owing under, the Trust Deed, the details of which are recorded in, and evidenced by, entry in the Register;

Balance Sheet means the balance sheet of the consolidated Australian Unity Group shown in the latest audited financial statements or half year financial statements of the Issuer;

Bank Bill Rate means, for an Interest Period, the average mid-rate for Bills having a tenor of three months as displayed on the 'BBSW' page of the Reuters Monitor System (or its successor or replacement page) on the first Business Day of the Interest Period. However, if the average mid rate is not displayed by 10.30am on that day, or if it is displayed but the Issuer determines that there is an obvious error in that rate, **Bank Bill Rate** means the rate determined by the Issuer in good faith at approximately 10.30am on that day, having regard, to the extent possible, to the rates otherwise bid and offered for bank accepted Bills of that tenor at or around that time (including any displayed on the 'BBSY' or 'BBSW' page of the Reuters Monitor System);

Banking Act means the *Banking Act 1959* (Cth);

Bill has the meaning it has in the *Bills of Exchange Act 1909* (Cth) and a reference to the acceptance of a Bill is to be interpreted in accordance with that Act;

Business Day means a day which is a business day within the meaning of the ASX Listing Rules;

Carlton Project means the proposed Wellbeing Precinct in Carlton, Victoria;

Change of Control Event occurs when the Members pass a special resolution pursuant to Rule 3.5 of the Constitution authorising the entry into, implementation of or carrying out of a Demutualisation by the Issuer;

Clean Up Condition means, in respect of a Series, that, at any time, the aggregate Face Value of the Australian Unity Notes of that Series that have not been Redeemed is less than 10% of the aggregate Face Value of the Australian Unity Notes originally issued under that Series on the Issue Date;

Clearing System means the Clearing House Electronic Sub-register System operated by ASTC or any other applicable securities trading and/or clearance system;

Consolidated Interest Bearing Liabilities means the total interest bearing liabilities of the Australian Unity Group on a consolidated basis as set out in the latest Balance Sheet;

A person has a **Controlling Interest** in a trust, managed investment scheme or comparable arrangement (Trust) if the person has a relevant interest (as defined in the Corporations Act) in total in more than 50% of the issued units or other interests in the Trust (regardless of whether those units or other interests do or do not have voting rights);

Constitution means the constitution of the Issuer, as amended from time to time;

Corporations Act means the *Corporations Act 2001* (Cth);

Costs includes costs, charges and expenses;

CS Facility has the same meaning as 'prescribed CS Facility' in the Corporations Act;

CS Facility Operator means the operator of a CS Facility;

Delisting Event will occur if:

- (a) the Australian Unity Notes cease to be quoted or admitted to trading on the ASX; or
- (b) trading of the Australian Unity Notes on the ASX is suspended for a period of more than 15 consecutive Business Days;

Delisting Redemption Date means the date that is 20 Business Days after the expiry of the Delisting Redemption Period;

Delisting Redemption Period means the period beginning on the date the Issuer provides the notification described in clause 4.8(b) and ending 20 Business Days from that date;

Demutualisation means any arrangement which would have the purpose or effect of:

- (a) creating or issuing shares in the Issuer; or
- (b) the Issuer agreeing to create or issue shares in it; or
- (c) varying the rights of Members, or a class of Members, to:
 - (i) the reserves of the Issuer;
 - (ii) the assets of the Issuer on a winding up; or
 - (iii) vote on any kind of resolution of Members or a class of Members; or
- (d) transferring, exhausting, surrendering, cancelling or terminating some or all rights of Members (including the complete resignation of membership, whether in exchange for value or not); and

includes:

- (e) any arrangement that would have the purpose or effect of authorising any of the matters set out in paragraphs (a) to (d);
- (f) any proposed modification or repeal of any part of Rule 3.5 of the Constitution (which sets out the procedure to effect a Demutualisation of the Issuer); but

excludes:

- (g) an agreement for a Demutualisation entered into by the Issuer and authorised by the board of the Issuer, provided that the agreement is conditional upon, and that the Demutualisation may only be carried out with, authorisation under Rule 3.5 of the Constitution;

Directors means some or all of the directors of the Issuer acting as a board;

Early Redemption Payment means:

- (a) if an Australian Unity Note is Redeemed under clause 4.6 or 4.7 before the first anniversary of the Issue Date, an additional amount of \$5 payable on the Redemption Date for each Australian Unity Note;
- (b) if an Australian Unity Note is Redeemed under clause 4.6 or 4.7 on or after the first anniversary of the Issue Date but before the second anniversary of the Issue Date, an additional amount of \$4 payable on the Redemption Date for each Australian Unity Note;
- (c) if an Australian Unity Note is Redeemed under clause 4.6 or 4.7 on or after the second anniversary of the Issue Date but prior to the Maturity Date, an additional amount of \$2 payable on the Redemption Date for each Australian Unity Note;

Event of Default means the happening of any event set out in clause 7;

Face Value means the nominal principal amount of each Australian Unity Note, being \$100.00;

Financial Indebtedness means any actual or contingent debt or other monetary liability arising in respect of money borrowed or raised or any financial accommodation provided, including in respect of any:

- (a) bill of exchange, bond, debenture, note or similar instrument;
- (b) acceptance, endorsement or discounting arrangement;
- (c) Guarantee granted by a financial institution guaranteeing the payment of a debt (the guaranteed debt), in which case the guaranteed debt will not be included;
- (d) finance lease;
- (e) obligation to deliver goods or provide services paid for in advance by any financier or in relation to any other financing transaction;
- (f) cash advance; or
- (g) deferred purchase price (for more than 90 days) of an asset or service;

but excluding (for the avoidance of doubt) in respect of any operating lease. Where these Terms require the amount of any Financial Indebtedness to be determined or calculated, for Financial Indebtedness comprising a swap, option, hedge, forward, futures or similar transaction which is subject to netting, the net, and not the gross, amount payable by the relevant party will be counted;

Guarantee means a guarantee, indemnity, letter of credit, letter of comfort having binding effect or any other obligation or irrevocable offer:

- (a) to provide funds (whether by the advance or payment of money, the purchase of or subscription for shares or other securities, the purchase of assets or services, or otherwise) for the payment or discharge of;
- (b) to indemnify any person against the consequences of default in the payment of; or
- (c) to be responsible for, an obligation or monetary liability of another person, distribution, or the solvency or financial condition of another person;

Holder means, in respect of an Australian Unity Note, the person from time to time whose name is entered on the Register as the holder of that Australian Unity Note;

Insolvency Event occurs in relation to a body corporate if:

- (a) it is (or states that it is) insolvent (as defined in the Corporations Act); or
- (b) it is in liquidation, in provisional liquidation, under administration (other than in circumstances where the appointment of the administrator is stayed, withdrawn, dismissed or terminated within 30 Business Days) or wound up (each as defined in the *Corporations Act*);

Interest has the meaning given in clause 2.1;

Interest Payment Date means, in respect of an Australian Unity Note:

- (a) each 14 April, 14 July, 14 October, 14 January in each year with the first Interest Payment Date being 14 July 2011;
- (b) any Maturity Date; and
- (c) any Redemption Date;

Interest Period means, for an Australian Unity Note, each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date. However:

- (a) the first Interest Period commences on (and includes) its Issue Date; and
- (b) the final Interest Period ends on (but excludes) the Maturity Date or the Redemption Date;

Interest Rate means, in respect of an Interest Period, for an Australian Unity Note, the interest rate (expressed as a percentage per annum) payable in respect of that Australian Unity Note calculated or determined in accordance with clause 2.2;

Issue Date means, in respect of an Australian Unity Note, the date on which that Australian Unity Note is issued;

Issuer means Australian Unity Limited (ABN 23 087 648 888);

Lifepan Australia Building Society means Lifepan Australia Building Society Limited (ABN 30 087 652 079, AFSL 237994);

Lifepan Australia Building Society Guarantees means all actual or contingent debt or other monetary liabilities (including by way of counter-indemnity) of or incurred by Lifepan Australia Building Society in respect of (but only to the extent of the outstanding available or undrawn amounts under) any bank guarantee, standby letter of credit or other Guarantee

issued or granted by a financial institution at the request of Lifeplan for the payment of a debt;

Lifeplan Australia Building Society Liabilities means the interest bearing liabilities of Lifeplan Australia Building Society;

Limited Recourse Debt means Financial Indebtedness incurred or owed by one or more entities (including a trust) for or in respect of the purchase, construction, development or operation of an asset or assets where the financier's recourse is limited to those assets (or the income or cashflow from those assets) or shares or units issued by that entity or those entities and the financier otherwise has no Guarantee from any other member of the Australian Unity Group or any security over any other assets of the Australian Unity Group. It includes, without limitation:

- (a) the \$7,800,000 facility provided by Bendigo and Adelaide Bank Limited to Australian Unity Retirement Development Management Pty Limited as trustee for The Australian Unity Victoria Grange Development Trust for the purposes of developing the Victoria Grange Retirement Village;
- (b) the \$742,500 facility provided by Bendigo and Adelaide Bank Limited to Australian Unity Retirement Development Management Pty Limited as trustee for The Australian Unity Sienna Grange Development Trust for the purposes of developing the Sienna Grange Retirement Village;
- (c) the \$19,000,000 facility provided by Bendigo and Adelaide Bank to Australian Unity Retirement Development Management Pty Limited as trustee for The Australian Unity Mornington Development Trust for the purposes of developing the Peninsula Grange Retirement Village; and
- (d) the \$8,500,000 facility provided by National Australia Bank Ltd to Australian Unity Greenfields Pty Limited for the purposes of a residential sub-division in Cranbourne, Victoria;

Maturity Date means 14 April 2016;

Meeting Provisions means the rules relating to meetings of Holders contained in schedule 2 to the Trust Deed;

Member means a person entered in the register of members as a member, for the time being, of the Issuer;

Obligor Group means:

- (a) until such time as paragraph (b) applies, the Issuer alone; or
- (b) if one or more Subsidiaries of the Issuer provides a guarantee and indemnity in favour of the Trustee for all moneys owing in respect of the Australian Unity Notes, the Issuer and each such Subsidiary that has provided such a guarantee and indemnity;

Offer means the initial invitation under the Prospectus made by the Issuer for persons to subscribe for Australian Unity Notes;

Offshore Associate means an associate (as defined in section 128F of the Australian Tax Act) of the Issuer that is either:

- (a) a non-resident of Australia which does not acquire Australian Unity Notes in carrying on a business at or through a permanent establishment in Australia; or

- (b) a resident of Australia that acquires Australian Unity Notes in carrying on a business at or through a permanent establishment outside Australia;

Permitted Security Interest means, in relation to a member of the Australian Unity Group, as the case may be, any of the following:

- (a) liens, rights of retention and statutory charges arising by operation of law in the ordinary course of business where the related indebtedness is not more than 60 days overdue or is being contested in good faith and appropriately provisioned;
- (b) any Security Interest over any asset that is currently security for the facility provided under the Westpac Cash Advance Facility;
- (c) any Security Interest provided in relation to the Carlton Project on arms' length terms; or
- (d) any Security Interest over the assets of a member of the Australian Unity Group where:
 - (i) such member became a Subsidiary of the Issuer after the date of the Trust Deed and such Security Interest was not created in contemplation of that member becoming a Subsidiary of the Issuer; and
 - (ii) the money secured by that Security Interest is paid or repaid either in accordance with the terms applicable to such payment as those terms were in effect at the time the member of the Australian Unity Group became a Subsidiary of the Issuer or at such earlier time as that member elects;
- (e) any Security Interest granted by AUFL or AURLIL for the Retirement Village Investment Notes issued by AUFL;
- (f) any Security Interest for Limited Recourse Debt; and
- (g) any other Security Interest not referred to in subparagraphs (a) to (f) above provided the aggregate value of assets subject to such Security Interests is not more than 10% of the Total Equity.

For the avoidance of doubt, the aggregate of the above paragraph (g) does not include security for the facility provided under the Westpac Cash Advance Facility;

Prospectus means the prospectus for the Offer including these Terms;

Record Date means, for payment of Interest:

- (a) subject to paragraph (b) below, the date which is eight calendar days before the applicable Interest Payment Date; or
- (b) such other date as is determined by the Issuer in its absolute discretion, and communicated to ASX not less than eight calendar days before the Record Date which would have been determined under paragraph (a) above; or

such other date as may be required by, or agreed with, ASX;

Redemption means the redemption of an Australian Unity Note in accordance with clause 4 and the words Redeem, Redeemable and Redeemed bear their corresponding meanings;

Redemption Date means, in respect of an Australian Unity Note, the date, other than the Maturity Date, on which the Australian Unity Note is Redeemed in whole;

Register means the register of Holders (established and maintained under clause 16 of the Trust Deed) and, where appropriate, the term Register includes:

- (a) a sub-register maintained by or for the Issuer under the Corporations Act, the Listing Rules or ASX Settlement Operating Rules; and
- (b) any branch register;

Registrar means Link Market Services Limited ABN 54 083 214 537 or any other person appointed by the Issuer (with such appointment notified to the Trustee) to maintain the Register and perform any payment and other duties as specified in that agreement;

Related Body Corporate has the meaning given in the Corporations Act;

Relevant Tax Jurisdiction means Australia, or any relevant political sub-division;

Relevant Trust or Scheme means a trust, managed investment scheme or other comparable arrangement in respect of which moneys have been raised from the public or that has otherwise been established bona fide for or with a view to, and in which there are, investors, beneficiaries, objects of trust or other scheme participants external to the Australian Unity Group (including any sub-trust or other Subsidiary of such a trust, managed investment scheme or other comparable arrangement), other than a trust, managed investment scheme or other comparable arrangement in which an entity of the Australian Unity Group (that is not a Relevant Trust or Scheme or acting in the capacity of trustee or responsible entity of a Relevant Trust or Scheme) has a Controlling Interest of more than 50%;

Restriction Agreement means an agreement which is required to be concluded under Chapter 9 of the ASX Listing Rules or in voluntarily concluded between the Issuer and one or more Holders;

Restricted Securities has the same meaning as in the ASX Listing Rules and extends to Australian Unity Notes which are subject to voluntary restrictions by agreement between the Issuer and one or more Holders;

Security Interest means any mortgage, pledge, lien or charge or any security or preferential interest or arrangement of any kind or any other right of, or arrangement with, any creditor to have its claims satisfied in priority to other creditors with, or from the proceeds of, any asset, including any retention of title other than in the ordinary course of business and any charge or lien arising by operation of law;

Series means a series of Australian Unity Notes issued under the Trust Deed;

Special Resolution means:

- (a) a resolution passed at a meeting of the Holders duly called and held under the Meeting Provisions:
 - (i) by at least 75% of the persons voting on a show of hands (unless paragraph (b) below applies); or
 - (ii) if a poll is duly demanded, then by a majority consisting of at least 75% of the votes cast; or

- (b) a resolution passed by postal ballot or written resolution by Holders representing (in aggregate) at least 75% of the principal amount then outstanding of all of the Australian Unity Notes;

Subsidiary has the meaning given in the Corporations Act, but an entity will also be taken to be a Subsidiary of an entity if it is controlled by that entity (as defined in section 50AA of the Corporations Act) and, without limitation:

- (a) a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share; and
- (b) an entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation.

For the avoidance of doubt, none of the following is or will be deemed to be a Subsidiary of a member of the Australian Unity Group:

- (c) a Relevant Trust or Scheme;
- (d) Grand United Centenary Centre Limited (a charitable organisation which is not included in the Australian Unity Group consolidated accounts);
- (e) Australian Unity Foundation Limited (a charitable organisation which is not included in the Australian Unity Group consolidated accounts),

or, until such time as the following entities are fully acquired by the Australian Unity Group and consolidated into the Australian Unity Group balance sheet:

- (f) Lifestyle Manor Anglesea Pty Limited; and
- (g) Lifestyle Manor Bondi Pty Limited;

Taxes means taxes, levies, imposts, charges and duties (including stamp and transaction duties) imposed by any authority together with any related interest, penalties, fines and expenses in connection with them, except if imposed on, or calculated having regard to the net income of the Holder;

Terms means, in relation to an Australian Unity Note, the terms and conditions of that Australian Unity Note as set out in schedule 1 to the Trust Deed;

Total Equity means the total member equity of the Australian Unity Group on a consolidated basis as set out in the latest Balance Sheet;

Trustee means The Trust Company (Australia) Limited (ACN 000 000 993);

Trust Deed means the deed entitled 'Trust Deed relating to the Australian Unity Notes Trust' between the Issuer and the Trustee and dated on or about 28 February 2011; and

Westpac Cash Advance Facility means the A\$50,000,000 secured cash advance facility provided under the facility agreement dated 15 June 2007 between Westpac Banking Corporation, Australian Unity Capital Management Limited (as borrower) and each entity listed in schedule 2 to that agreement (as guarantors, including the Issuer) (as amended and restated).

B. Glossary

The following is a glossary of terms used throughout this Prospectus. The definitions specific to Australian Unity Notes are in clause 12.2 of the Australian Unity Notes Terms in Appendix A.

\$, A\$, AUD or dollars	Australian dollar currency
ABN	Australian Business Number
Acorn Capital	Acorn Capital Limited (ABN 51 082 694 531)
Acorn Capital Wholesale Microcap Trust	Acorn Capital Wholesale Microcap Trust established by a deed poll dated 17 November 2000, as amended or varied
Adjusted EBITDA	earnings before interest, tax, depreciation, amortisation, investment income and other non-recurring expenditure
AFSL	Australian Financial Services Licence
Allocation	the number of Australian Unity Notes allocated under this Prospectus to: <ul style="list-style-type: none"> • Member Applicants, Employee Applicants and General Applicants at the end of the Offer Period; and • Syndicate Brokers and Institutional Investors through the Bookbuild
Altius Asset Management	Altius Asset Management Pty Limited (ACN 148 000 355)
Applicant	a person who submits an Application
Application	a valid application made under this Prospectus by using the applicable Application Form to apply for a specified number of Australian Unity Notes
Application Form	each of the paper and electronic application forms included in or accompanying this Prospectus upon which an Application may be made, being: <ul style="list-style-type: none"> • the general Application Form, included in or accompanying this Prospectus, provided by Australian Unity upon request or accessible on-line via www.australianunity.com.au/australianunitynotes, and which is to be used by General Applicants; • the personalised Member Application Form, included in or accompanying this Prospectus, provided by Australian Unity to Member Applicants upon request or accessible on-line via www.australianunity.com.au/australianunitynotes (by providing the Member's Entitlement Number), and which is to be used by Member Applicants; • the personalised Employee Application Form, included in or accompanying this Prospectus, provided by Australian Unity to Employee Applicants upon request or accessible on-line via www.australianunity.com.au/australianunitynotes (by providing the relevant employee's Entitlement Number), and which is to be used by Employee Applicants who are employees of the Australian Unity Group; and • the direct relative Application Form, included in or accompanying this Prospectus, provided by Australian Unity to Employee Applicants upon request or accessible on-line via www.australianunity.com.au/australianunitynotes (by providing the relevant employee's Entitlement Number), and which is to be used by Employee Applicants who are directly related to employees of the Australian Unity Group
Application Payment	the monies payable on each Application, calculated as the number of Australian Unity Notes applied for multiplied by the Face Value
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires
ASX Listing Rules	the listing rules of the ASX, as amended or replaced from time to time and with any modification or waivers which the ASX may grant to Australian Unity generally or from time to time

ASX Settlement Operating Rules	the settlement rules of ASX Settlement Pty Limited (ABN 49 008 504 532) as amended or replaced from time to time
AU Bondi Trust	AU Bondi Trust established by trust deed dated 27 November 2007, as amended or varied
AUFL	Australian Unity Finance Limited (ABN 35 114 646 070)
AUN	Australian Unity Nominees Pty Limited (ABN 37 006 803 041)
AURDM	Australian Unity Retirement Development Management Pty Limited (ABN 81 131 224 578)
AURLIL	Australian Unity Retirement Living Investments Limited (ABN 27 114 646 098)
AURLS	Australian Unity Retirement Living Services Limited (ABN 17 085 317 595)
Australia Ratings	Australia Ratings Pty Limited (ABN 90 141 393 375)
Australian Accounting Standards	accounting standards (as defined in section 9 of the <i>Corporations Act</i>) as they apply for a reporting entity and any other generally accepted accounting principles and practices in Australia (to the extent they are not inconsistent with the accounting standards) other than any accounting standard that Australian Unity reasonably determines will not apply
Australian Unity	Australian Unity Limited (ABN 23 087 648 888)
Australian Unity Aged Care Trust #1	Australian Unity Aged Care Trust #1 established by a deed poll dated 25 July 2007, as amended or varied
Australian Unity Aged Care Trust #2	Australian Unity Aged Care Trust #2 established by a deed poll dated 25 July 2007, as amended or varied
Australian Unity Aged Care Trust #3	Australian Unity Aged Care Trust #3 established by a deed poll dated 20 December 2007, as amended or varied
Australian Unity Aged Care Trust #4	Australian Unity Aged Care Trust #4 established by a deed poll dated 28 May 2008, as amended or varied
Australian Unity Capital Management Limited	Australian Unity Capital Management Limited (ABN 89 087 648 726)
Australian Unity Foundation	Australian Unity Foundation Limited (ACN 119 493 971)
Australian Unity Greenfields Pty Limited	Australian Unity Greenfields Pty Limited (ABN 62 067 070 026)
Australian Unity Group	<p>the group of companies comprising Australian Unity and its wholly-owned and closely-held Subsidiaries.</p> <p>For the purposes of the descriptions of debt in the Australian Unity Group (including ranking of such debt) and undertakings relating to debt (including the Gearing Ratio and the restrictions on granting Security Interests and Subsidiary Financial Indebtedness described in section 5.10), a reference to the 'Australian Unity Group' means the group of companies comprising Australian Unity and its Subsidiaries but excludes any Subsidiary in its capacity as trustee or responsible entity of a Relevant Trust or Scheme</p>
Australian Unity Guarantees	has the meaning given to that term in the relevant Terms (see clause 12.2 of Terms)
Australian Unity Health Limited	Australian Unity Health Limited (ABN 13 078 722 568)
Australian Unity Investment Trust	Australian Unity Investment Trust established by a deed poll dated 19 June 2001, as amended or varied
Australian Unity Investments Platypus Australian Equities Trust	Australian Unity Investments Platypus Australian Equities Trust established by a deed poll dated 11 April 2006, as amended or varied
Australian Unity Notes or Notes	Australian dollar denominated unsecured notes issued by Australian Unity under this Prospectus

Australian Unity Notes Terms or Terms	the full terms of issue of Australian Unity Notes (as set out in Appendix A), either separately or collectively as the context requires
Australian Unity Notes Trust	the trust established under the Trust Deed
Australian Unity Retirement Development No. 2 Pty Limited	Australian Unity Retirement Development No. 2 Pty Limited (ABN 51 131 346 711)
Australian Unity Retirement Living Management Pty Limited	Australian Unity Retirement Living Management Pty Limited (ABN 97 003 434 115)
Australian Unity Retirement Village Trust #1	Australian Unity Retirement Village Trust #1 established by a deed poll dated 19 August 2003, as amended or varied
Australian Unity Retirement Village Trust #2	Australian Unity Retirement Village Trust #2 established by a deed poll dated 8 November 2006, as amended or varied
Australian Unity Retirement Village Trust #7	Australian Unity Retirement Village Trust #7 established by a deed poll dated 28 May 2008, as amended or varied
Balance Sheet	the balance sheet of the consolidated Australian Unity Group shown in the latest annual audited financial statements or half year financial statements of the Issuer
Banking Act	<i>Banking Act 1959</i> (Cth)
BBSW	has the meaning given to the term 'Bank Bill Rate' in the relevant Terms (see clause 12.2 of Terms)
Benefit Fund	investment/assurance fund offered by a friendly society providing defined benefits out of defined contributions and segregated assets
Board	the board of directors of Australian Unity
Bookbuild	the separate processes described in section 2.1.6.2 to determine the Margin and the firm Allocations for the Australian Unity Notes
Broker Firm Applicant	an Australian resident client of a Syndicate Broker under the Broker Firm Offer
Broker Firm Offer	the invitation made to Broker Firm Applicants to apply for an Allocation of Australian Unity Notes from the relevant Syndicate Broker under this Prospectus
Business Day	a day which is a business day within the meaning of the ASX Listing Rules
Change of Control Event	has the meaning given to that term in the relevant Terms (see clause 12.2 of Terms)
CHESS	Clearing House Electronic Subregister System operated by an associate of the ASX
Closing Date	the last day on which Applications will be accepted under the Offer, expected to be: <ul style="list-style-type: none"> • 5:00 pm (Melbourne time) on 5 April 2011 for the Member Offer and Employee Offer; • 5:00 pm (Melbourne time) on 7 April 2011 for the General Offer; and • 5:00 pm (Melbourne time) on 8 April 2011 for the Broker Firm Offer Australian Unity may close the Offer early without notice
Co-manager	Australian Unity Funds Management Limited (ABN 60 071 497 115)
Consolidated Interest Bearing Liabilities	has the meaning given to that term in the relevant Terms (see clause 12.2 of Terms)
Constitution	the constitution of Australian Unity, as amended from time to time
Corporations Act	<i>Corporations Act 2001</i> (Cth)

Credit Rating(s)	a statement(s), opinion(s) or research dealing with: <ul style="list-style-type: none"> the creditworthiness of a body; or the ability of an issuer of a financial product to meet its obligations under the financial product
Delisting Event	has the meaning given to that term in the relevant Terms (see clause 12.2 of Terms)
Demutualisation	any arrangement which would have the purpose or effect of: <ol style="list-style-type: none"> creating or issuing shares in Australian Unity; or Australian Unity agreeing to create or issue shares in it; or varying the rights of Members, or a class of Members, to: <ol style="list-style-type: none"> the reserves of Australian Unity; the assets of Australian Unity on a winding up; or vote on any kind of resolution of Members or a class of Members; or transferring, exhausting, surrendering, cancelling or terminating some or all rights of Members (including the complete resignation of membership, whether in exchange for value or not); and includes: <ol style="list-style-type: none"> any arrangement that would have the purpose or effect of authorising any of the matters set out in paragraphs (a) to (d); any proposed modification or repeal of any part of rule 3.5 of the Constitution (which sets out the procedure to effect a demutualisation of Australian Unity); but excludes: <ol style="list-style-type: none"> an agreement for a demutualisation entered into by Australian Unity and authorised by the Board, provided that the agreement is conditional upon, and that the demutualisation may only be carried out with, authorisation under rule 3.5 of the Constitution
Directors	some or all of the directors of Australian Unity acting as a board
Early Redemption Payment	for each Australian Unity Note: <ol style="list-style-type: none"> \$5 if Redemption occurs before the first anniversary of the Issue Date; \$4 if Redemption occurs on or after the first anniversary of the Issue Date but before the second anniversary of the Issue Date; and \$2 if Redemption occurs on or after the second anniversary of the Issue Date.
Employee Applicant	an employee of the Australian Unity Group (or a person directly related to the employee) as determined by the Board, who is employed at 5:00 pm (Melbourne time) on 8 February 2011, and is resident in Australia
Employee Offer	the invitation to Employee Applicants to apply for Australian Unity Notes under this Prospectus
Entitlement Number	the individual entitlement number allocated by Australian Unity to each Member Applicant and Employee Applicant in respect of the Offer
Evans & Partners	Evans and Partners Pty Limited (ABN 85 125 338 785)
Event of Default	has the meaning given to that term in the relevant Terms (see clause 12.2 of Terms)
Expiry Date	the date which is 13 months after the date of the Original Prospectus
Exposure Period	the seven day period after the date on which the Original Prospectus was lodged with ASIC during which the <i>Corporations Act</i> prohibits the acceptance of Applications. This period may be extended by ASIC by up to a further seven days
Face Value or Issue Price	\$100 per Australian Unity Note
Financial Indebtedness	has the meaning given to that term in the relevant Terms (see clause 12.2 of Terms)

Gearing Ratio	the ratio set out in section 5.10.2 of this Prospectus and clause 6.1 of Terms
General Applicant	an Australian resident who is not a Member Applicant, Employee Applicant, Broker Firm Applicant or an Institutional Investor who participated in the Institutional Offer
General Offer	the invitation to General Applicants to apply for Australian Unity Notes under this Prospectus
Grand United Centenary Centre Limited	Grand United Centenary Centre Limited (ABN 74 096 906 964)
Grand United Corporate Health Limited	Grand United Corporate Health Limited (ABN 99 002 985 033)
Grand United Friendly Society Limited	Australian Unity Capital Management Limited (ABN 89 087 648 726) (formerly Grand United Friendly Society Limited)
Grand United RVO Pty Limited	Grand United RVO Pty Limited (ABN 38 113 090 430)
GST	the goods and services tax as defined in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth)
Health Providers Australia Pty Limited	Health Providers Australia Pty Limited (ABN 71 079 782 746)
Holder	a person registered in a Register as a holder of Australian Unity Notes
Holding Statement	a statement issued to Holders by the Registry which sets out the details of Australian Unity Notes allotted to them under the Offer
Institutional Investor	an investor (whether an Australian resident or not) to whom Australian Unity Notes are able to be offered under applicable laws without the need for any prospectus, registration or other formality (other than a registration or formality with which Australian Unity is willing to comply) including a person to whom offers of securities can be made without the need for a lodged prospectus, who has been invited by the Joint Lead Managers to bid for Australian Unity Notes in the Bookbuild and who is not a Broker Firm Applicant
Institutional Offer	the invitation to certain Institutional Investors to bid for Australian Unity Notes in the Bookbuild
Interest	has the meaning given to that term in the relevant Terms (see clauses 2.1 and 12.2 of Terms)
Interest Payment Date	the first interest payment date is on 14 July 2011 and quarterly thereafter on 14 January, 14 April, 14 July and 14 October of each year and any Maturity Date or Redemption Date, however, if any of these scheduled dates is not a Business Day, then the due date for payment of Interest will be postponed to the next Business Day
Interest Period	each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date. However: <ul style="list-style-type: none"> the first Interest Period commences on (and includes) the Issue Date; and the final Interest Period ends on (but excludes) the Maturity Date or the Redemption Date
Interest Rate	has the meaning given to that term in the relevant Terms (see clause 12.2 of Terms)
Investigating Accountant	Ernst & Young
Issue Date	the date Australian Unity Notes are issued to Holders under this Prospectus, expected to be 14 April 2011. If the Issuer closes the Offer early this date may change without notice
Issue Price or Face value	\$100 per Australian Unity Note
Issuer	Australian Unity Limited (ABN 23 087 648 888)
Joint Bookrunners	Evans & Partners and Westpac
Joint Lead Managers	Evans & Partners and Westpac

Lifepan Australia Building Society	Lifepan Australia Building Society Limited (ABN 30 087 652 079, AFSL 237994). Refer to section 3.3.2.1 for further details
Lifepan Australia Building Society Guarantees	has the meaning given to that term in the relevant Terms (see clause 12.2 of Terms)
Lifepan Australia Building Society Liabilities	has the meaning given to that term in the relevant Terms (see clause 12.2 of Terms)
Lifepan Australia Friendly Society Limited	Lifepan Australia Friendly Society Limited (ABN 78 087 649 492)
Lifestyle Manor Anglesea Pty Limited	Lifestyle Manor Anglesea Pty Limited (ABN 63 114 898 181)
Lifestyle Manor Bondi Pty Limited	Lifestyle Manor Bondi Pty Limited (ABN 61 107 908 234)
Listing Rules	ASX Listing Rules, either separately or collectively as the context requires
Margin	3.55 percent per annum
Maturity Date	the maturity date of Australian Unity Notes, being 14 April 2016
Member	a person listed on Australian Unity's register of members
Member Applicant	a Member shown on Australian Unity's register of members as at 5:00 pm (Melbourne time) on 8 February 2011, with an address in Australia
Member Offer	the invitation to Member Applicants to apply for Australian Unity Notes under this Prospectus
Members' Funds	net assets of the Australian Unity Group attributable to Members
Negative Pledge	While any of the Australian Unity Notes remain outstanding, the Issuer must ensure that no member of the Australian Unity Group will create or allow to exist a Security Interest over any of its assets, other than a Permitted Security Interest, without also according to the Australian Unity Notes either the same security, security that is in substance equal ranking security or such other security as is approved by a Special Resolution of Holders
Notes or Australian Unity Notes	Australian dollar denominated unsecured notes issued by Australian Unity under this Prospectus
Offer	the offer by Australian Unity to raise approximately \$100 million through the issue of Australian Unity Notes with the ability to raise more or less
Offer Management Agreement	the offer management agreement entered into between Australian Unity and the Joint Lead Managers, as summarised in section 9.6
Offer Period	the period from the Opening Date to the Closing Date, being the period when Applications for the Offer can be lodged
Opening Date	the day the Offer opens, being 11 March 2011
Operating Earnings	profit before tax less investment income, borrowing costs and discontinued operations
Ordinary Resolution	a resolution passed at a meeting duly called and held (or by postal ballot) in accordance with the meeting provisions in schedule 2 of the Trust Deed and: <ul style="list-style-type: none"> (a) carried by a majority consisting of greater than 50% of the persons voting at the meeting on a show of hands; (b) if a poll is duly demanded, by a majority consisting of the Holders representing greater than 50% of the aggregate Face Value of all Australian Unity Notes, who are present at the meeting in person, by attorney, by proxy or by representative; or (c) if the meeting is by postal ballot, by a majority consisting of the Holders representing greater than 50% of the Face Value of all of the Australian Unity Notes
Original Prospectus	the original prospectus that was lodged with ASIC on 3 March 2011, which has been replaced by this Replacement Prospectus

Participating Broker	any participating organisation of the ASX selected by the Joint Lead Managers to participate in the Bookbuild
Permitted Security Interest	has the meaning given to that term in the relevant Terms (see clause 12.2 of Terms)
Platypus Asset Management	Platypus Asset Management Pty Limited (ABN 33 118 016 087)
Privacy Act	<i>Privacy Act 1988</i> (Cth)
Product Complexity Indicator	has the meaning given to it in section 9.1.1.2
Prospectus or Replacement Prospectus	this prospectus that was lodged with ASIC on 11 March 2011 and that replaces the Original Prospectus
Prudential Standards	the prudential standards issued by APRA, which define and document APRA's framework for assessing, among other things, capital adequacy
Record Date	has the meaning given to that term in the relevant Terms (see clause 12.2 of Terms)
Redemption	the redemption of an Australian Unity Note in accordance with clause 4 of Terms Redeem, Redeemable and Redeemed have corresponding Meanings
Redemption Amount	in respect of an Australian Unity Note, the Face Value payable on Redemption of that Australian Unity Note in accordance with the Terms
Redemption Date	in respect of an Australian Unity Note, the date on which the Australian Unity Note is Redeemed in whole prior to the Maturity Date in accordance with the Terms
Register	the official register of Australian Unity Notes (if issued), being maintained by the Registry on Australian Unity's behalf and including any subregister established and maintained under CHES
Registry	Link Market Services Limited (ABN 54 083 214 537) or any other registry that Australian Unity appoints to maintain the Register
Regulatory Event	occurs when additional requirements are imposed on Australian Unity as a result of a change in, or amendments to, applicable law (including any change in the application or judicial interpretation of such law) which the Directors determine (in their absolute discretion) to be unacceptable to Australian Unity For the full definition—see clause 4.4 of Terms
Relevant Trust or Scheme	has the meaning given to that term in the relevant Terms (see clause 12.2 of Terms)
Remedy Healthcare Group Pty Limited	Remedy Healthcare Group Pty Limited (ABN 57 132 864 316)
Replacement Prospectus or Prospectus	the prospectus that was lodged with ASIC on 11 March 2011 and that replaces the Original Prospectus
RVINs	the Retirement Village Investment Notes issued by AUFL
Scheme or Relevant Trust	has the meaning given to that term in the relevant Terms (see clause 12.2 of Terms)
Security Interest	has the meaning given to that term in the relevant Terms (see clause 12.2 of Terms)
Seres Asset Management	Seres Asset Management Limited (CR No. 1343965)
Solvency or Solvent	an entity is solvent when it is able to pay its debts when they fall due
Special Resolution	has the meaning given to that term in the relevant Terms (see clause 12.2 of Terms)

Subsidiary	<p>has the meaning given to that term in the relevant Terms (see clause 12.2 of Terms).</p> <p>For the avoidance of doubt, it excludes:</p> <ul style="list-style-type: none"> • a Relevant Trust or Scheme; • Grand United Centenary Centre Limited (a charitable organisation which is not included in the Australian Unity Group consolidated accounts); • Australian Unity Foundation (a charitable organisation which is not included in the Australian Unity Group consolidated accounts), <p>or, until such time as the following entities are fully acquired by the Australian Unity Group and consolidated into the Australian Unity Group balance sheet:</p> <ul style="list-style-type: none"> • Lifestyle Manor Anglesea Pty Limited; and • Lifestyle Manor Bondi Pty Limited
Syndicate Broker	any of the Joint Lead Managers, Co-manager or Participating Brokers
Tax Event	<p>occurs when Australian Unity has received legal advice that, as a result of change in law or its application becoming effective after the Issue Date, Australian Unity would be:</p> <ul style="list-style-type: none"> • required to pay additional amounts of tax under clause 10.2 of Terms; or • the payments of Interest under the Australian Unity Notes may not be allowed as a deduction for the purposes of Australian Unity's Australian income tax <p>For the full definition—see clauses 4.2 and 4.3 of Terms</p>
Terms or Australian Unity Notes Terms	the full terms of issue of Australian Unity Notes (as set out in Appendix A), either separately or collectively as the context requires
TFN	Australian Tax File Number
The Australian Unity Mornington Development Trust	The Australian Unity Mornington Development Trust established by a deed poll dated 28 May 2008, as amended or varied
The Australian Unity Sienna Grange Development Trust	The Australian Unity Sienna Grange Development Trust established by a deed poll dated 25 July 2007, as amended or varied
The Australian Unity Victoria Grange Development Trust	The Australian Unity Victoria Grange Development Trust established by a deed poll dated 25 July 2007, as amended or varied
Total Equity	has the meaning given to that term in the relevant Terms (see clause 12.2 of Terms)
Trust Deed	the trust deed (including all schedules and annexures to the trust deed, including the Terms) entered into by Australian Unity and the Trustee under which the Trustee agrees to act as trustee for Holders, a summary of which is included in Section 9.5
Trustee	The Trust Company (Australia) Limited (ACN 000 000 993)
US Person	has the meaning given in Regulation S of the <i>US Securities Act</i>
US Securities Act	<i>United States Securities Act of 1933</i> , as amended
Vianova Asset Management	Vianova Asset Management Pty Limited (ABN 89 112 965 616)
Vianova Strategic Fixed Interest Trust (Wholesale)	Vianova Strategic Fixed Interest Trust (Wholesale) established by a deed poll dated 13 October 2005, as amended or varied
Westpac	Westpac Institutional Bank, a division of Westpac Banking Corporation (ABN 33 007 457 141, AFSL 233714)
Westpac Cash Advance Facility	the \$50 million secured cash advance facility provided under the facility agreement dated 15 June 2007 between Westpac, Australian Unity Capital Management Limited (as borrower) and each entity listed in schedule 2 to that agreement (as guarantors, including the Issuer) (as amended and restated)
Wingate Asset Management	Wingate Asset Management Pty Limited (ABN 67 130 534 342)



Australian Unity Limited
ABN 23 087 648 888

Broker code

Adviser code

Broker stamp

GENERAL APPLICATION FORM FOR AUSTRALIAN UNITY NOTES OFFER

This Application Form is for Australian Unity Notes issued by Australian Unity Limited under the Offer on the terms set out in the Prospectus dated Friday, 11 March 2011. Capitalised words used in this Application Form have the meanings given to them in the Prospectus. You must apply for a minimum of 50 Australian Unity Notes, thereafter in multiples of 10 Australian Unity Notes. This Application Form and your cheque or money order must be received by the Registry before **5:00 pm (Melbourne time) on Thursday, 7 April 2011.**

The Prospectus contains information relevant to a decision to invest in Australian Unity Notes and you should read the entire Prospectus and any supplementary or replacement Prospectus carefully before applying for Australian Unity Notes. This Application Form must not be distributed unless it is included in, or accompanied by, a copy of the Prospectus dated Friday, 11 March 2011. Any person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus and any supplementary document. No Australian Unity Notes will be issued on the basis of the Prospectus 13 months after the date of the original Prospectus dated Thursday, 3 March 2011. If you are unclear in relation to any aspect of this Offer, please contact your financial or other professional adviser without delay. It is important that you complete this Application Form correctly. If you are unsure how to complete it, please call the Australian Unity Notes Information Line on the number provided overleaf.

If you are an Employee Applicant, please use the employee application form.

If you are a Member Applicant, please use the member application form.

If you have made an Application using the online Application Form, you do not need to complete this Application Form.

Please see the back of this form for completion guidelines.

Number of Australian Unity Notes applied for	Issue Price per Australian Unity Note	Application Payment
<input type="text"/>	at \$100.00	B \$ <input type="text"/>
		0 0 . 0 0

(minimum of 50 Australian Unity Notes, thereafter in multiples of 10 Australian Unity Notes)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant Surname/Company Name

Title	First Name	Middle Name
<input type="text"/>	<input type="text"/>	<input type="text"/>

Joint Applicant #2 – Surname

Title	First Name	Middle Name
<input type="text"/>	<input type="text"/>	<input type="text"/>

Designated account e.g. <Super Fund> (or Joint Applicant #3)

Unit Number/Level	Street Number	Street Name
<input type="text"/>	<input type="text"/>	<input type="text"/>

Suburb/City or Town	State/Territory	Postcode
<input type="text"/>	<input type="text"/>	<input type="text"/>

CHES HIN (if you want to add this holding to a specific CHES holder, write the number here)

X <input type="text"/>	<i>Please note: if you supply a CHES HIN but the name and address details on this Application Form do not correspond exactly with the registration details held at CHES, your Application will be deemed to be made without the CHES HIN and any Australian Unity Notes issued as a result of the Offer will be issued and held on the issuer sponsored sub-registry.</i>
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Contact Number – Business Hours	Contact Name (PRINT)
(<input type="text"/>) <input type="text"/>	<input type="text"/>

PAYMENT DETAILS

If you apply for Australian Unity Notes using this paper Application Form, you must pay the Application Payment by cheque or money order. Cheque or money order should be made payable to "Australian Unity Notes Offer" in Australian currency and cheques should be crossed "Not Negotiable". Cash payments will not be accepted.

Cheque or Money Order Number	BSB	Account Number
<input type="text"/>	<input type="text"/>	<input type="text"/>

If you wish to pay via BPAY® you should log onto www.australianunity.com.au/australianunitynotes and complete an online Application Form. Should you choose to pay via BPAY® DO NOT post your Application Form. Your Application will be submitted electronically as part of the online application process.

GENERAL OFFER: LODGEMENT INSTRUCTIONS

This Application Form and your cheque or money order must be received before 5:00 pm (Melbourne time) on Thursday, 7 April 2011 at the Registry as follows:

Mailing address: Australian Unity Notes Offer, C/- Link Market Services Limited, GPO Box 3560, Sydney, NSW, 2001; or

Hand delivery: Australian Unity Notes Offer, C/- Link Market Services Limited, Level 1, 333 Collins Street, Melbourne; or
Australian Unity Notes Offer, C/- Link Market Services Limited, Level 12, 680 George Street, Sydney.

BROKER FIRM OFFER: YOU SHOULD CONTACT YOUR SYNDICATE BROKER FOR INFORMATION ON HOW TO SUBMIT YOUR APPLICATION AND APPLICATION PAYMENT.

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For personal use only

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. You do not need to sign this form. These instructions are cross-referenced to each section of the form. The Securities to which this Application Form relates are Australian Unity Notes. Further details about the Australian Unity Notes are contained in the Prospectus dated Friday, 11 March 2011.

If you have questions about the Application Form, please call the Australian Unity Notes Information Line on 1800 209 118 (Monday to Friday – between 8:30 am and 5:30 pm, Melbourne time).

The Prospectus contains important information about investing in Australian Unity Notes. You should read the Prospectus before deciding whether to apply for Australian Unity Notes.

- A Insert the number of Australian Unity Notes you wish to apply for. The Application must be for a minimum of 50 Australian Unity Notes (\$5,000) and thereafter in multiples of 10 Australian Unity Notes (\$1,000). You may receive all of the Australian Unity Notes applied for or a lesser number or no Australian Unity Notes at all.
 - B Insert the relevant Application Payment. To calculate your Application Payment, multiply the number of Australian Unity Notes applied for by the Issue Price of \$100.00. Please make sure the amount of your cheque or money order equals this amount.
 - C Write the full name you wish to appear on the register. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for guidance on the correct registrable names.
 - D Please enter your postal address for all correspondence. All communications to you from Australian Unity Limited and the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
 - E If you are already a CHESSE participant or sponsored by a CHESSE participant, write your Holder Identification Number (HIN) here. If the name and address recorded on CHESSE for this HIN is different to the details given on this form, your Australian Unity Notes will be issued and held on the issuer sponsored sub-register.
 - F Please enter your contact details in case we need to contact you about your Application.
 - G Please complete the details of your cheque or money order in this section. The total amount should agree with the amount shown in section B. Your cheque or money order must be drawn on an Australian branch of a financial institution in Australian currency and made payable to "Australian Unity Notes Offer". Cheques should be crossed "Not Negotiable". Sufficient cleared funds should be held in your account, as dishonoured cheques are likely to result in your Application being rejected. Pin (do not staple) your cheque or money order to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be issued. Cheques or money orders must not be post dated. If the Application Payment is for any reason not received in full, Australian Unity may treat you as applying for as many Australian Unity Notes as the cleared monies will pay for, subject to that number being not less than 50 Australian Unity Notes. Your Application Payment must be received by the Registry before 5:00 pm (Melbourne time) on Thursday, 7 April 2011. If you receive a firm allocation of Australian Unity Notes from your Syndicate Broker make your cheque or money order payable to your Syndicate Broker in accordance with their instructions.
- 2 am/are at least 18 years of age if I/we am/are an individual and have full legal capacity and power to perform all my/our rights and obligations under this Application;
 - 3 accept the terms of the Offer as set out in the Prospectus and this Application Form, and accept and agree to be bound by the Terms of Australian Unity Notes as amended from time to time;
 - 4 am/are in compliance with all laws of the Commonwealth of Australia;
 - 5 acknowledge that once Australian Unity receives this form, I/we may not withdraw it;
 - 6 represent and warrant that:
 - (a) I am / we are not in the United States (US), I am / we are not a US Person, I am / we are not acting for the account or benefit of another person who is a US Person or any other foreign person who is not permitted under the terms of the Offer to participate and I/we will not offer, sell or resell Australian Unity Notes in the United States (US) or to, or for the account or benefit of, any US Person; and
 - (b) I/we received a copy of the Prospectus and this Application Form in Australia;
 - 7 represent and warrant that the law of any other place does not prohibit me/us from being given the Prospectus and any replacement or supplementary Prospectus or making an Application on this Application Form;
 - 8 represent and warrant that all details and statements in the Application Form are complete and accurate;
 - 9 apply for the number of Australian Unity Notes set out on this Application Form and agree to being issued such number of Australian Unity Notes or a lesser number allowed under the Prospectus or no Australian Unity Notes at all;
 - 10 acknowledge that the information contained in the Prospectus (and any supplementary or replacement prospectus) and this Application Form is not investment advice or a recommendation that Australian Unity Notes are suitable for me/us and information in the Prospectus is provided without taking into account my/our investment objectives, financial situation or particular needs;
 - 11 acknowledge and declare that I/we authorise Australian Unity to use and disclose my/our personal information in the manner set out in Section 2.4.3 of the Prospectus;
 - 12 authorise Australian Unity, the Joint Lead Managers and their respective affiliates, to do anything on my/our behalf necessary for Australian Unity Notes to be allocated to me/us, including to act on instructions received by the Registry upon using the contact details in Sections D or F;
 - 13 understand that a decision to treat my/our Application as valid, and how to construe, amend or complete it, is valid; and
 - 14 if ASX does not grant permission for Australian Unity Notes to be quoted within three months after the date of the Prospectus, Australian Unity Notes will not be issued and all Application Payments will be refunded (without interest) as soon as practicable.

Declaration and acknowledgements

By submitting this Application Form I/we:

- 1 represent and warrant that I/we have personally received a paper or electronic copy of the Prospectus (and any replacement or supplementary Prospectus) accompanying this Application Form and have read them in full;

IMPORTANT NOTICE IF YOU OBTAINED AN ELECTRONIC COPY OF THE PROPECTUS

The Prospectus which accompanies this Application Form contains important information about investing in Australian Unity Notes. You should read the Prospectus carefully before completing this Application Form. A paper copy of the electronic Prospectus and this Application Form will be provided free of charge to any person in Australia by calling the Australian Unity Notes Information Line on 1800 209 118 (Monday to Friday – between 8:30 am and 5:30 pm, Melbourne time) during the Offer Period. The Australian Securities and Investment Commission requires that a person who gives another person access to an electronic Application Form must at the same time and by the same means give that person access to the Prospectus and any supplementary document. This Application Form is included in the Prospectus. If you apply for Australian Unity Notes online on the basis of the Application Form accompanying the electronic Prospectus, you are deemed to declare to Australian Unity that you have received personally the electronic Prospectus, or a print out of it, together with the Application Form before applying for Australian Unity Notes. No Australian Unity Notes will be issued on the basis of the Prospectus 13 months after the date of the original Prospectus dated Thursday, 3 March 2011.

PRIVACY STATEMENT

Link Market Services advises that Chapter 2C of the *Corporations Act 2001* requires information about you (including your name, address and details of the Australian Unity Notes you hold) to be included in a public register. This information must continue to be included in Australian Unity's public register if you cease to be a Holder. These statutory obligations are not altered by the *Privacy Amendment (Private Sector) Act 2000*. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to Australian Unity and related companies within the Australian Unity Group and their agents, contractor and third party service providers, or as otherwise required or permitted by law. You can obtain access to your personal information by contacting the Registry at the address or telephone number shown on this form. Australian Unity's privacy policy is available at www.australianunity.com.au/au/info/privacy.asp or by contacting 13 29 32.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Australian Unity Notes. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Samantha Jane Sample	S J Sample
Company Use Company's full title, not abbreviations	Sample Family Pty Ltd	Sample Family P/L or Sample Family Co.
Joint Holdings Use full and complete names	Mr Samuel John Sample and Ms Samantha Jane Sample	Samuel & Samantha Sample
Trusts Use the trustee(s) personal name(s)	Mrs Samantha Jane Sample <Samantha Sample A/C>	Samantha Sample Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Samantha Jane Sample and Mr Samuel John Sample <Est Harold Sample A/C>	Estate of late Harold Sample or Harold Sample Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Samantha Jane Sample <Henry Sample>	Master Henry Sample
Partnerships Use the partners' personal names	Mr John Samuel Sample and Mr Samuel John Sample <John Sample and Son A/C>	John Sample & Son
Long Names	Mr Samuel Craig John Sample-Jones	Mr Samuel C J Sample Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Samuel Craig Sample <XYZ Wine Club A/C>	XYZ Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

Corporate directory

<p>Issuer Australian Unity Limited 114 Albert Road South Melbourne VIC 3205 www.australianunity.com.au</p>	<p>Joint Lead Managers and Joint Bookrunners Westpac Institutional Bank Westpac Place, 275 Kent Street Sydney NSW 2000</p>
<p>Trustee The Trust Company (Australia) Limited Level 3, 530 Collins Street Melbourne VIC 3000</p>	<p>Evans and Partners Pty Limited 32 Jolimont Terrace East Melbourne VIC 3002</p>
<p>Legal Adviser Minter Ellison Rialto Towers Level 23, 525 Collins Street Melbourne VIC 3000</p>	<p>Co-manager Australian Unity Funds Management Limited 114 Albert Road South Melbourne VIC 3205</p>
<p>Tax Adviser KPMG 147 Collins Street Melbourne VIC 3000</p>	<p>Financial Adviser Greenhill Caliburn Level 30, 101 Collins Street Melbourne VIC 3000</p>
<p>Investigating Accountant Ernst & Young 8 Exhibition Street Melbourne VIC 3000</p>	<p>Credit Rating Agency Australia Ratings Pty Limited Mezzanine 6, 181 William Street Melbourne VIC 3000</p>
<p>Registry Link Market Services Limited Level 1, 333 Collins Street Melbourne VIC 3000</p>	
<p>Australian Unity Notes Information Line 1800 209 118 8:30 am to 5:30 pm (Melbourne time), Monday to Friday</p> <p>Website www.australianunity.com.au/australianunitynotes</p>	

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