



AUSTRALIAN UNITY LIMITED

Investor presentation – Series B
Australian Unity Bonds – Tranche 1



Important notice and disclaimer



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You should consider and read the Offer Documents in full (including information incorporated by reference) before deciding whether to invest in Bonds. A copy of the Offer Documents is available at www.australianunity.com.au/bonds. Applications for Bonds can only be made in the relevant application form in or accompanying the replacement Offer Documents (whether paper or electronic copy).

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Section 1

Overview of the Offer

Overview of the offer



Issuer	<ul style="list-style-type: none">• Australian Unity Limited ABN 23 087 648 888 (“Australian Unity”)- A national healthcare, financial services and retirement living organisation providing services to ~850,000 customers- Owned by and run for the benefit of ~300,000 members
Security	<ul style="list-style-type: none">• Series B Australian Unity Bonds – Tranche 1 (“Bonds”) are interest paying, unsubordinated and unsecured debt securities• The Bonds are being offered under the simple corporate bond regime
Offer size	<ul style="list-style-type: none">• \$200 million, with the ability to raise more or less
Use of proceeds	<ul style="list-style-type: none">• The proceeds of the Offer will be used for refinancing the Australian Unity Notes issued in 2011 (“2011 Notes”), partly financing the purchase of Home Care Service New South Wales (“Home Care NSW”) and for general corporate purposes..
Maturity date	15 December 2020 (unless Redeemed early)
Interest payment dates	<p>The first Interest Payment Date will be 14 April 2016. Interest will be paid quarterly in arrears on the following dates in each year as well as on the Maturity Date, or any earlier Redemption Date:</p> <ul style="list-style-type: none">- 14 January, 14 April, 14 July; and 14 October <p>If any of these scheduled dates is not a Business Day, then the Interest Payment Date will be the next Business Day and Interest will continue to accrue until that date.</p>
Interest rate	<p>Floating Interest Rate</p> <p>The Interest Rate is the sum of the Market Rate plus the Margin</p>
Margin	<p>The Margin is expected to be in the range of 2.80 percent to 2.90 percent per annum. The Margin may be outside that range</p> <p>The Margin will be determined by the Issuer following the completion of the Bookbuild. The Margin will be announced by Australian Unity on or around the Opening Date</p>
Offer structure	<ul style="list-style-type: none">• Reinvestment Offer• Institutional Offer• Member Offer• Broker Firm Offer
Bookbuild	<ul style="list-style-type: none">• Expected to take place on 16 November 2015
Joint arrangers	<ul style="list-style-type: none">• Evans and Partners Pty Ltd and National Australia Bank Limited
Joint lead managers	<ul style="list-style-type: none">• ANZ Securities Limited, Evans and Partners Pty Ltd and National Australia Bank Limited
Credit Rating	<ul style="list-style-type: none">• The Bonds have been assigned a BBB+ long-term Credit Rating by Australia Ratings
Listing	<ul style="list-style-type: none">• Application has been made for the Bonds to be quoted on ASX under the code ‘AYUHB’



Section 2

Overview of Australian Unity

Overview of Australian Unity



ESTABLISHED AND TRUSTED MUTUAL

- 175 year history and established listed bond issuer
- Trusted to provide healthcare, financial and retirement living services to ~850,000 customers
- Owned by and run for the benefit of ~300,000 members
- Profits reinvested for the wellbeing of members, customers and the general community
- \$543 million of members' funds (net assets of the Group attributable to members)

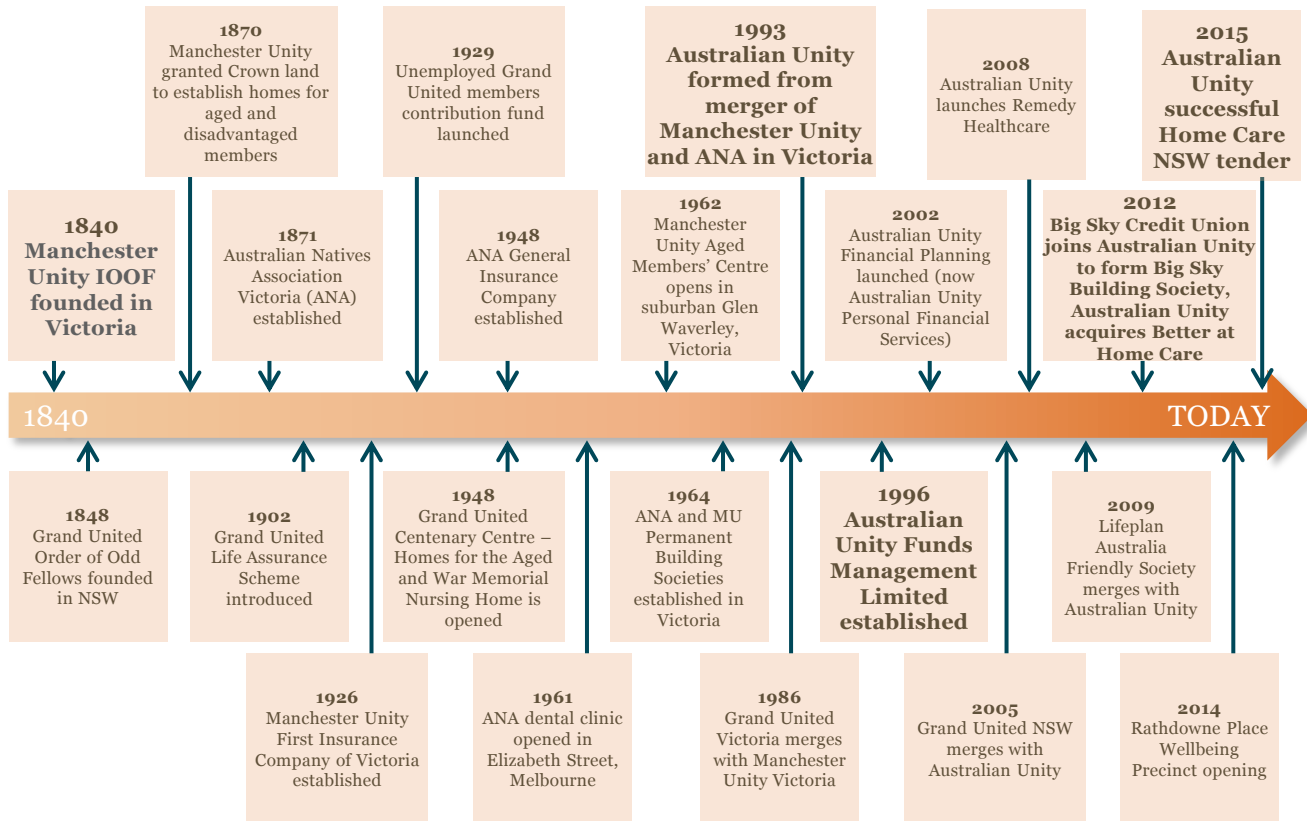
DIVERSE PORTFOLIO

- Uniquely diversified business mix with approximately half of group EBITDA¹ generated by business other than Private Health Insurance
- Operations in regulated and defensive growth markets, underpinned by an ageing population
- 6th largest private health insurer in Australia
- Number of well-capitalised, regulated subsidiaries including Australian Unity Healthcare and Big Sky building society

HOME CARE NSW ACQUISITION

- Agreement with NSW government for Australian Unity to acquire Home Care NSW for \$114 million (subject to adjustments)
- Home Care NSW provides in-home care services to ~50,000 elderly and disabled people across NSW
- Home Care NSW services are predominantly funded by Federal and NSW governments, with some co-contributions by the individuals themselves
- Acquisition in line with Australian Unity's strategy to offer a true continuum of client-directed care
- Significant revenue opportunities, cost savings and efficiency gains have been identified
- In the last financial year, Home Care NSW had revenues of ~\$234 million and 4,000 staff

Our 175 year history



Australian Unity at a glance



\$7.3
billion in funds
under management

\$5.9
billion in funds
under advice

6.5
million hours of
care provided
per annum¹

850,000
customers²

800,000
meals provided
annually³

225,000
health insurance
policies

40,000
nursing and
allied health
visits a year⁴

35,000
health coaching
and chronic disease
management hours
per year⁵

3,300
home care clients⁶

2,500
employees across
Australia⁷

2,200
residential aged care
places serviced with
allied health services
across NSW and Vic⁸

609
residential aged
care places
operated directly⁹

183
financial advisers

85%
employee
engagement score¹⁰

19
retirement
communities

12
industry groups or
policy institutes that
have an Australian
Unity executive as a
board member

6
major retirement and
aged care development
projects under
construction

175
years old

1 Across Australian Unity home care and aged care

4 By Remedy Healthcare (wholly-owned subsidiary)

7 Australian Unity Group

2 Total for Australian Unity Group

5 By Remedy Healthcare

8 By Remedy Healthcare

3 In Australian Unity owned aged care facilities

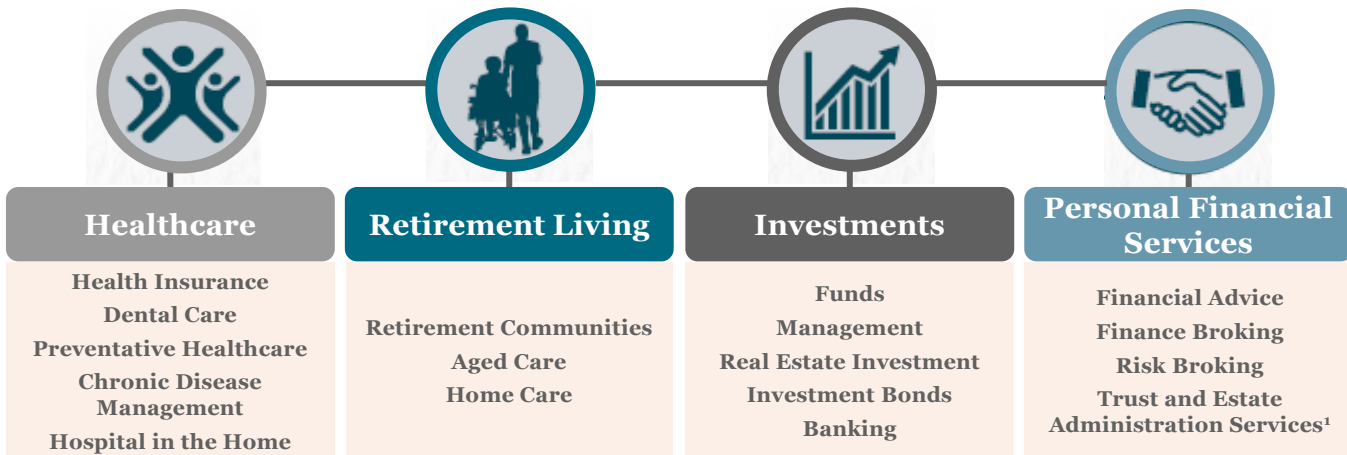
6 The existing Australian Unity Home Care business

9 By Australian Unity

10 Across all of Australian Unity

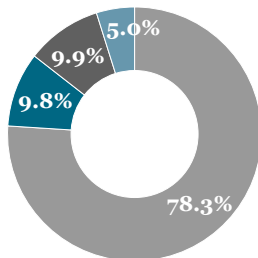
Diverse portfolio

- Our strategy is to build a leading, commercial, sustainable, portfolio of businesses that foster wellbeing
- The Australian Unity Group has a uniquely diversified portfolio across four principal business areas:



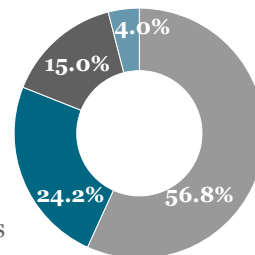
Revenue² Split FY15

- Healthcare
- Retirement Living
- Investments
- Personal Financial Services



EBITDA² Split FY15

- Healthcare
- Retirement Living
- Investments
- Personal Financial Services



Section 3

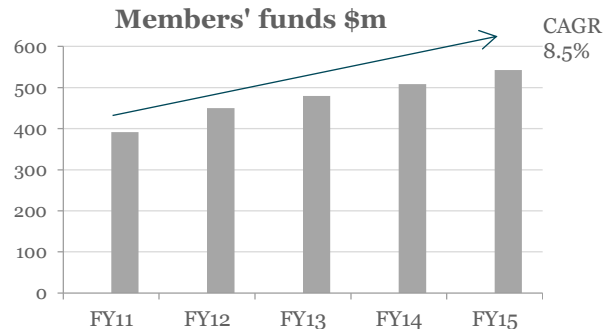
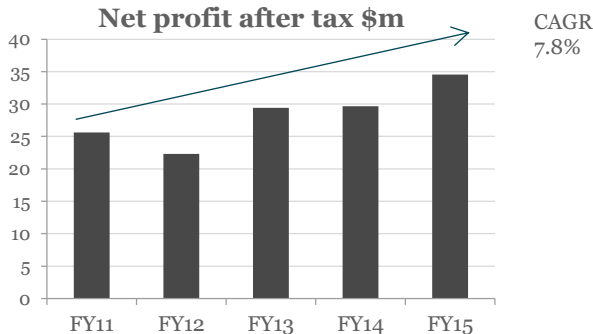
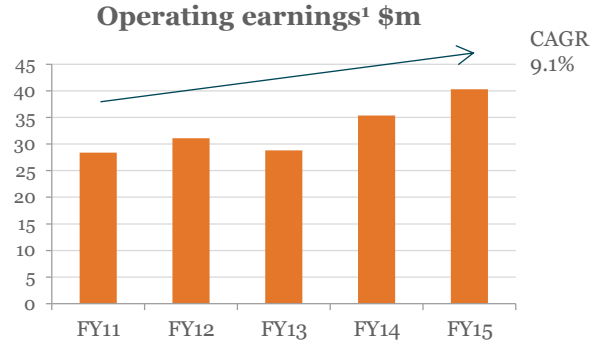
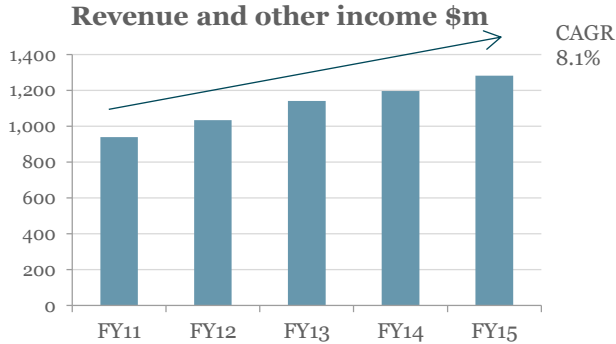
Financial information



Australian Unity 2015 financial highlights



- Track record of year-on-year revenue growth since 2011, underpinning strong profitability and increasing members' funds

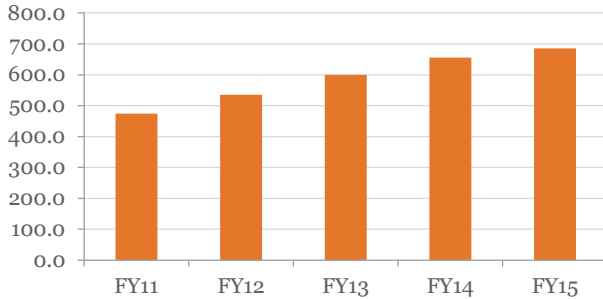


¹ Operating earnings: profit before tax attributable to members of Australian Unity less investment income, borrowing costs exclusive of accommodation bond interest reclassification and discontinued operations and business acquisition costs.

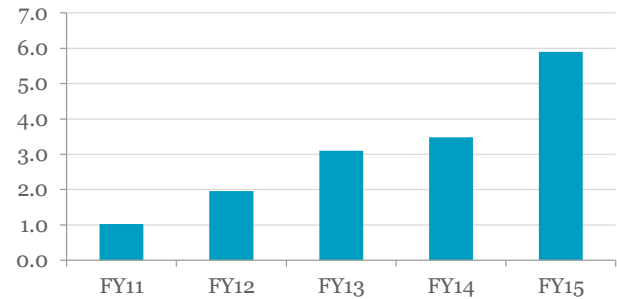
Australian Unity 2015 business highlights



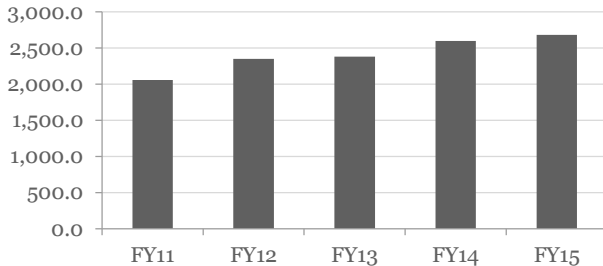
Health claims \$m



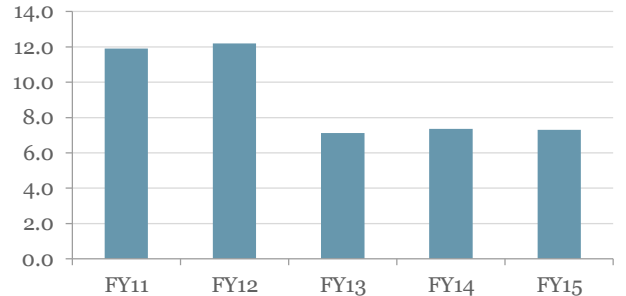
Funds under advice \$b



Retirement units and aged care beds



Funds under management \$b



Home Care NSW acquisition



On 28 August 2015, Australian Unity announced the execution of an agreement to transfer the Home Care NSW as a discreet entity to become part of the Australian Unity Group.

Home Care NSW provides in-home care services to ~50,000 clients across NSW and has ~4,000 employees and had revenues of ~\$234 million in FY14. Home Care services are predominantly funded by Federal and NSW governments, with some co-contributions by the individuals themselves. Home Care NSW's staff will transfer to Australian Unity with their existing employment terms and conditions set for two years for permanent staff and six months for casual staff.

Under the transfer agreement, Australian Unity will buy the Home Care NSW for \$114 million, subject to adjustments. The transfer is expected to be finalised by early 2016.

Acquisition rationale

Alignment to Australian Unity's social purpose	The Australian Unity Group operates with a strong social purpose, centred on providing solutions to the demographic challenges facing Australia from the ageing population and rise of chronic disease.
Alignment to Australian Unity's vision	To create Australia's leading home care business – one that offers a true continuum of client-directed care.
Complementary to existing portfolio	Australian Unity Group operates a portfolio of wellbeing-related businesses, including aged care, retirement living, health insurance, financial advice, estate and administration services, banking and investment products.
Scale opportunity	Meaningful scale in home care services and creates a platform for further growth.
Value creation	Home Care clients often transfer to other service providers when their needs change as their current provider is not always able to provide higher levels of care. One of the key benefits Australian Unity brings to clients of Home Care is Australian Unity Group's extensive range of services.

Rationale for Issuing the Bonds



Improved debt maturity profile

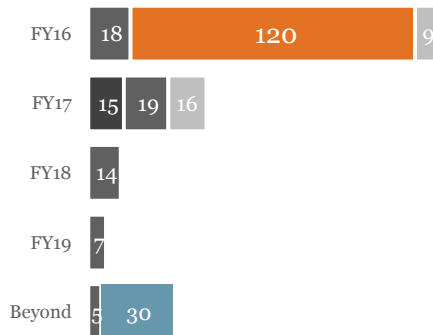
- The issue of the Bonds and the cancellation of the 2011 Notes under the Reinvestment offer will have the effect of lengthening the debt maturity profile of the Australian Unity Group.
- The resulting debt maturity profile may reduce Australian Unity's exposure to refinancing risk in the coming years.

Diversification of funding

- Maintains access to multiple sources of capital and frees up bank lines for at-call liquidity

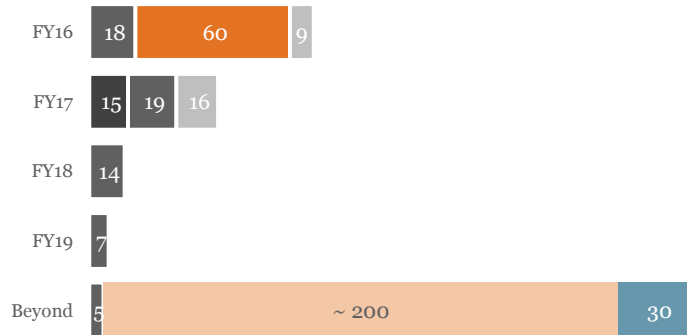
Debt maturity profile (\$ million) as at 30 June 2015¹

Prior to the issue



Debt maturity profile (\$ million) as at 30 June 2015¹

*Following the issue **



*Assumes \$60 million allocated under the Reinvestment Offer.

¹In addition, subsequent to 30 June 2015, Australian Unity has entered into an additional unsecured \$100 million bank facility maturing on 4 November 2016

Note: Debt maturity profile excludes the ADI, loans with related entities and lease liabilities.

Key financial ratios

- The table below sets out certain key financial ratios that are relevant to understanding Australian Unity's financial position. These ratios differ to those described in regulation 6D.2.06 of the Corporations Regulations.

Financial ratio	FY13	FY14	FY15
Covenant Gearing Ratio = $\frac{\text{Gearing Ratio Debt}}{\text{Gearing Ratio Debt} + \text{Gearing Ratio Equity}}$	34.9%	37.3%	31.5%
AU interest cover Ratio = $\frac{\text{Adjusted EBITDA}}{\text{Adjusted interest expense}}$	3.9x	4.1x	4.6x
ADI tier 1 Capital Ratio	16.0%	14.3%	14.2%

- The Covenant Gearing Ratio* applies as a covenant to the Bonds. So long as any Bonds are outstanding, Australian Unity will ensure that, on each 30 June and 31 December, the covenant gearing ratio* is not greater than 50 percent.
- Assuming that \$100 million of net additional borrowings has been undertaken to fund the acquisition and that the acquisition had been completed on 30 June 2015, and that the acquisition results in no change to the net assets of Australian Unity, then the Covenant Gearing Ratio would increase to 39.9 percent from 31.5 percent.

*As defined in the Bonds Base Terms (Clause 4.2).

The Adjusted interest expense in the calculation of the AU Interest Cover Ratio excludes the net interest income of Big Sky and the Benefit Funds, and any interest from time to time on any loans by the management fund to the Benefit Funds.

An explanation of how the prescribed ratios and how the adjusted ratios are calculated is available on Australian Unity's website www.australianunitybonds.com

Business segment highlights

Healthcare

- Combines the provision of health insurance with the delivery of healthcare services, including dental services, hospital in the home, rehabilitation in the home, chronic disease management, integrated care and other preventative health services

225,000
health insurance
policies

Systems upgrade

Up 3.9
percent
from
FY14

7,240
new patients in Remedy
coaching and home
based programs

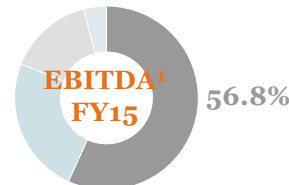
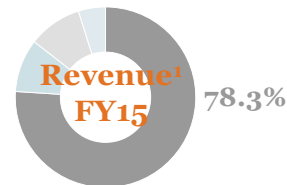
**Members Own
Health Funds
(MOHF)**

**Overseas visitor
health cover**

27,788
GU Health
members

**Physio Connect,
Frankston,
Victoria**

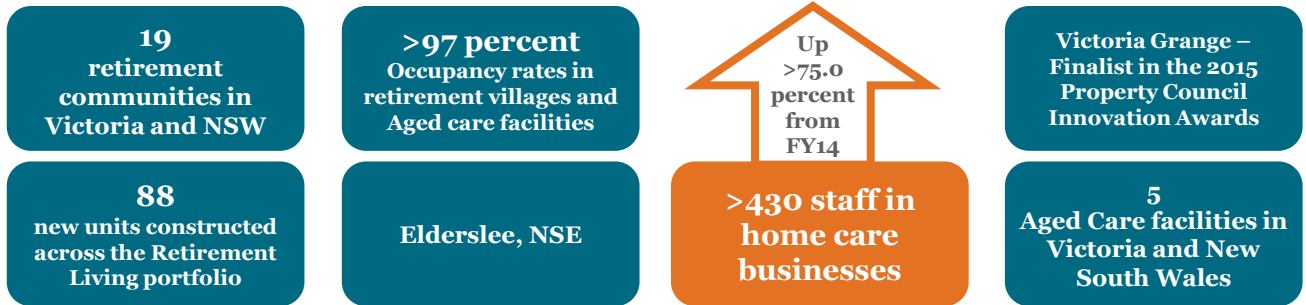
- Improvement in the corporate health fund's performance following a year of strong policy growth and pricing adjustments necessary to address the profitability challenges experienced in the previous year.
- Improvement in the underwriting margin in the retail health insurance fund.
- Strong result in the dental business, with 9.2 percent year on year increase in number of patient visits, from 56,439 (2014) to 61,638 (2015).



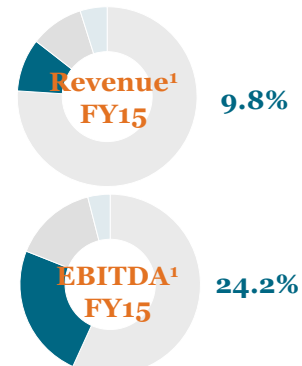
Business segment highlights

Retirement Living

- The Australian Unity Group's Retirement Living business is an established operator of retirement communities, residential aged care and home care services.



- The retirement living portfolio consists of 2,074 (2014: 1,986) independent living units and 609 (2014: 613) operational aged care beds
- 19.7 percent increase in revenue from prior year, positive outcome despite the closure of Wahroonga Aged Care Facility for total redevelopment (Campbell Place).
- Gains from opening the Rathdowne Place in Carlton (Victoria), Peninsula Grange Aged Care in Mornington (Victoria) and continued growth in Home Care businesses.



Business segment highlights

Investments

- Aims to enhance financial wellbeing through the provision of a broad range of products for borrowing and lending, personal investment, superannuation, retirement and life events, to individuals, financial advisers and institutions.

\$7.3 billion
Funds under
management stable

**Waurm Ponds
Shopping Centre
expansion**

**Up 31.0
percent
from
FY14**

10.8 percent
growth in
Big Sky loan book

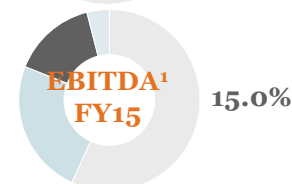
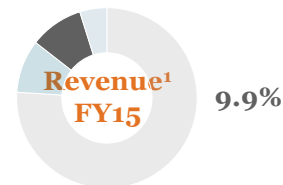
5.2 percent
Overall return on
group investment
assets

\$1.9 billion
Lifeplan funds
under management
and administration

**Sales of
education
solutions**

**Owenlaw Trust
Limited
acquisition**

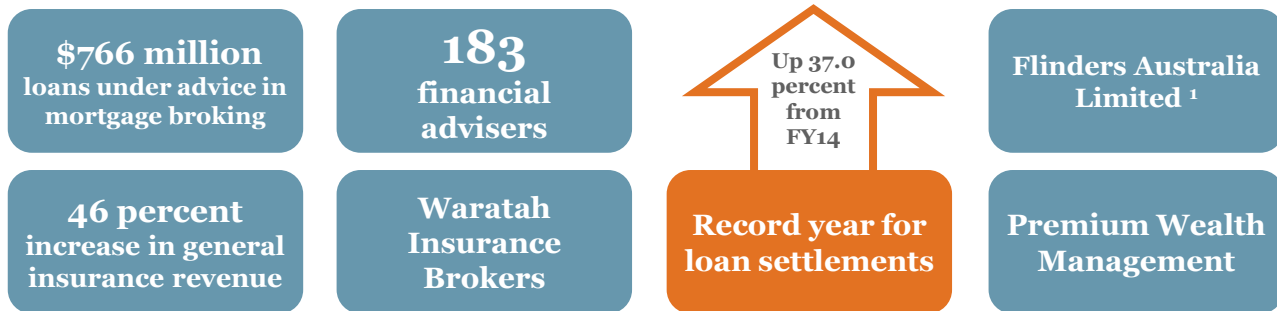
- Funds under management, administration and advice were at \$8.7 billion (2014: \$8.5 billion).
- Appointed BNP Paribas Securities Services as its custodian and administrator.
- Funeral Plan Management (FPM) broadened its business strategy to include a Business-to-Consumer proposition and further enhanced its online business management platform for Funeral Directors.
- Big Sky Building Society achieved a BBB rating from Standards and Poor's in July 2015.



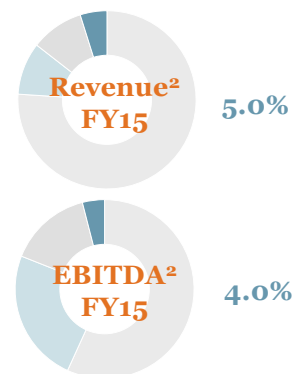
Business segment highlights

Personal Financial Services

- Australian Unity provides professional strategic fee-for-service advice to help its clients improve their current financial position and ultimately achieve their long term lifestyle goals.



- Funds under advice increased by 70.2 percent to \$5.9 billion (2014: \$3.5 billion).
- Acquisition of Premium Wealth Management in December 2014, an independent financial advisory licensee primarily owned by its advisers and containing a significant number of larger accounting practices.
- Acquired Waratah Insurance Broker in March 2015, an independent Sydney-based general insurance broker, a major step for the business towards building a significant presence in the general insurance broking space.



¹ Flinders Australia was acquired on 1 July 2015

² Aggregate revenue, adjusted EBITDA percentage and assets excludes corporate functions and eliminations



Section 4

Key risks

Key risks



A detailed outline of risks relating to the Bonds and Australian Unity Group's business is contained in Section 4 of the Base Prospectus and Section 3 of the Offer Specific Prospectus. All potential investors should read both the Base Prospectus and the Offer Specific Prospectus in full before deciding whether to invest in the Bonds and they should not rely on this presentation.

Main Risks associated with the Bonds include:

Market price of the Bonds

The market price of the Bonds may fluctuate due to various factors including general movements in interest rates, credit margins, the Australian and international investment markets, international economic conditions, changes in inflation rates and inflationary expectations, the market price of any other Australian Unity debt, factors that affect Australian Unity's financial position and performance or credit worthiness, global geo-political events and hostilities, investor perceptions and other factors beyond the control of Australian Unity and its Directors.

Liquidity of the Bonds

Australian Unity has applied for the Bonds to be listed on ASX. However, the Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may be less liquid than the market for other securities. If Holders wish to sell their Bonds, they may be unable to do so easily or at an acceptable market price, or at all if insufficient liquidity exists in the market for the Bonds.

Changes in the Interest Rate payable

For any Series of the Bonds issued with a floating interest rate, the Interest Rate for each Interest Period will be calculated on the first Business Day of that Interest Period by reference to a Market Rate, which will be influenced by a number of factors and varies over time. The Interest Rate will fluctuate (both increase and decrease) over time with movement in the Market Rate.

Australian Unity may default on payment of Face Value or Interest

Depending upon its performance and financial position, Australian Unity's cash flows and capital resources may not be sufficient to pay some or all of the Face Value or Interest due on the Bonds as and when payable under their terms. Australian Unity's ability to repay the Face Value when due and payable may also be affected by the state of credit markets and the availability of replacement finance on acceptable terms.

The Bonds have limited Events of Default and put options

The only circumstances in which the Trustee may (under the direction of Holders) accelerate payment of the Bonds are where Australian Unity fails to make a payment on the Bonds (which is not remedied within 10 Business Days after the due date), fails to comply with other obligations under the Terms or the Trust Deed (which is not remedied for 30 Business Days after the Trustee has given notice of the failure), becomes insolvent or ceases or suspends the conduct of all of its business.

Restrictions on Holders' rights and ranking in a winding-up

The Bonds will be unsecured and unsubordinated. In the event of a winding-up of Australian Unity, assuming the Bonds have not been previously Redeemed, Holders will be entitled to be paid the Redemption Amount for each outstanding Australian Unity Bond.

The claim for this amount ranks behind any secured creditors of Australian Unity and any other creditors preferred by law, such as employees. It ranks ahead of obligations which by their terms or at law rank behind the Bonds (including subordinated instruments and members' interests in Australian Unity), and equally with other Bonds and any other obligations of Australian Unity which by their terms or at law rank equally with the Bonds (such as general and trade creditors of Australian Unity).

There is a risk of early Redemption by Australian Unity

The Bonds may be Redeemed early by Australian Unity in certain circumstances, including following certain changes in taxation law (a "Tax Event"), a Change of Control Event, or where less than 10 percent of the Series of Australian Unity remain on issue (this is a "Clean Up Condition"). In the event of an early Redemption of the Bonds, you may not receive the returns you expected to receive on the Bonds (if held until maturity) by investing the proceeds in alternative investment opportunities at that time.

Key risks (continued)



Main Risks associated with the Bonds include (continued):

Holders may only collectively request early Redemption following a Change of Control Event

Holders of the Bonds have the option to require Australian Unity to Redeem their Bonds prior to the Maturity Date upon the occurrence of a Change of Control Event, but only if they pass a Holder Resolution in favour of exercising that option. Individual Holders have no right to require Redemption of Bonds in any circumstances. A redemption in these circumstances may not coincide with an individual Holder's preference.

Future issues of securities by Australian Unity

Australian Unity has the right to create and issue any class of debt securities, including an additional Series of Bonds, without the approval of Holders. An investment in Bonds carries no right to participate in any future issue of debt securities by Australian Unity.

Corporate actions

The Terms do not provide Holders with any rights in the event that Australian Unity undertakes any transactions that may involve the restructure of the Australian Unity Group, such as asset disposals or acquisitions, or other corporate transactions. Any such transactions would only give rise to rights for Holders if they constituted a Change of Control Event.

Taxation considerations

Holders should be aware that future changes in taxation law, including changes in interpretation or application of the law by the courts or taxation authorities, may affect the taxation treatment of an investment in Bonds, or the holding and disposal of Bonds.

The acquisition of Home Care NSW may not proceed

There is a risk the acquisition of Home Care NSW will not proceed due to the default of a party or a failure to meet a condition precedent to completion by either the New South Wales Government or Australian Unity, even though a binding contract exists. If the acquisition did not proceed, Australian Unity would use the proceeds from the issue of the Bonds that have not been used to refinance the 2011 Notes for general corporate purposes. This may include paying down subsidiary level debt on issue) in the short term and funding other acquisitions and developments in the medium term.

The integration of Home Care NSW may not be successful

Australian Unity intends to incur indebtedness, including the Bonds and potentially additional debt facilities, to finance the acquisition of Home Care NSW. The performance of Home Care NSW after the acquisition is subject to numerous factors, including:

- retention of the customer base;
- retention of referral networks;
- retention of staff;
- integration of the workforce into the Australian Unity Group; and
- challenges arising from transition from government ownership to the Australian Unity Group.

The performance of Home Care NSW under the Australian Unity Group's ownership may impact on Australian Unity's ability to satisfy financial obligations under its indebtedness. Whilst the Directors of Australian Unity consider that the anticipated level of gearing following the acquisition is appropriate in the context of Australian Unity's size, strategy and current activities, an increase in borrowings may increase financial risk and exposure to changes in interest rates. Increased gearing associated with the acquisition of Home Care NSW may constrain the ability of Australian Unity to raise additional indebtedness used to undertake acquisitions and business expansion.

Additional risk disclosure in relation to Credit Rating

The Credit Rating of the Bonds 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 Bonds is a statement, an opinion or research dealing with the ability of Australian Unity to meet its obligations under the Bonds, 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 Bonds. 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 Bonds or the Redemption Amount due on the Bonds.

Key risks (continued)



Risks associated with the Australian Unity Group business include:

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 Bonds) which may have terms which are more favourable to the investors or financiers than the Bonds.

To the extent that these further debts or obligations rank equally with the Bonds, 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. To the extent that the debt or obligations rank ahead of the Bonds they will be entitled to their proceeds ahead of Holders and this may result in the loss of some or all of the capital invested by Holders.

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 Group'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 Bonds or the Redemption Amount due on the Bonds.

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 Bonds or the Redemption Amount due on the Bonds.

Compliance and regulatory environment

A number of Australian Unity's businesses are directly or indirectly reliant upon government funding. There is a risk that budgetary constraints or policy decisions may result in changes to future funding arrangements, including reductions in the level of funding. Private health insurance, retirement living, aged care, homecare 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 Bonds or the Redemption Amount due on the Bonds.

Retirement Living

Property assets, in particular retirement communities and aged care 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 purchasers or buyers, 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.

Development

Part of the Australian Unity Group's strategy is to invest in the development of retirement and aged care communities. Property development projects have a number of inherent risks in addition to those associated with the operation of developed properties generally, including increases in development costs, non-performance of contractors or subcontractors, 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.

Key risks (continued)



Risks associated with the Australian Unity Group business include (continued):

Retirement Communities

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 or failure in selling down developments, a failure to achieve expected sales prices or re-sales do not occur as expected because there are difficult market conditions when a resident departs. Resident preferences for retirement village assets are subject to change. Although there is currently strong demand for Australian Unity Group's retirement communities, 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 older existing villages as resident preferences change. This could adversely impact future costs and cash flows.

Residential and aged care

Occupancy (that is, the number of occupied beds) 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.

Although accommodation payments can be made via daily payments, lump sum deposits or supported by the Commonwealth, incoming residents typically fund their accommodation in a facility by selling their family home. A downturn in the residential property market may affect the ability of potential incoming residents to sell their own homes or sell them at prices that allow them to provide upfront deposits known as Refundable Accommodation Deposits ("RADs"). RADs generally become refundable within 14 days of departure (subject to grant of probate of a Resident's will). The value and number of new RADs received may be reduced by this or other factors and the mix between RADs and daily payments known as Daily Accommodation Payments ("DAPs") may change in response to market conditions.

Home Care

Home care financial outcomes rely upon the efficient deployment of appropriately skilled staff to support the care and lifestyle needs of clients in their homes. Client care and support costs are largely funded by government programs, however increasingly, means-tested co-contributions apply. Risks exist in the ability of providers to recruit and retain skilled staff to support the diversity of clients and their needs.

Health Insurance

Private health insurers face ongoing pressures on their margins due to rising medical costs, the rise of chronic 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 (Cth) ("the **PHI Act**") 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. In addition, there are also government policies that support the retention of younger policyholders, for example, the Medicare Levy Surcharge ("**MLS**") and Lifetime Health Cover ("**LHC**"). Higher income earners are obliged to pay the **MLS** if they earn over a certain threshold and do not have appropriate private patient hospital cover. The **LHC** incentivises younger people to take out, and maintain, private patient hospital cover earlier in life.

Big Sky

As an ADI with a core focus on mortgage lending and deposit raising, the performance of Big Sky is dependent on the state of the Australian economy, consumer and investor confidence and prevailing market conditions.

As a retail lender, Big Sky is exposed to credit risk, primarily in relation to residential home loans. Credit risk is the potential for loss arising from failure of a debtor or counterparty to meet their contractual obligations (including loans).

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.



Section 5

Offer summary

Key terms and conditions



Issuer Series	Australian Unity Limited ABN 23 087 648 888 (“Australian Unity”) Series B – Tranche 1
Series B Australian Unity Bonds – Tranche 1	Interest paying, unsubordinated and unsecured debt obligations, issued by Australian Unity Each Bond is issued on and subject to the provisions of the Trust Deed and the Terms.
Offer size	\$200 million, with the ability to raise more or less The minimum Offer size is \$50 million. If total application monies received are less than \$50 million, then no Bonds will be issued under the Offer.
Interest rate	Floating Interest Rate The Interest Rate is the sum of the Market Rate plus the Margin
Market rate	Bank Bill Rate for a three month period
Margin	The Margin is expected to be in the range of 2.80 percent to 2.90 percent per annum. The Margin may be outside that range. The Margin will be determined by the Issuer following the completion of the Bookbuild. The Margin will be announced by Australian Unity on or around the Opening Date.
Interest payment dates	The first Interest Payment Date will be 14 April 2016. Interest will be paid quarterly in arrears on the following dates for each year as well as on the Maturity Date, or any earlier Redemption Date: - 14 January, 14 April, 14 July; and 14 October If any of these scheduled dates is not a Business Day, then the Interest Payment Date will be the next Business Day and Interest will continue to accrue until that date.
Credit rating and product complexity indicator	The Bonds have been assigned a BBB+ long-term Credit Rating by Australia Ratings, although Australian Unity itself is not rated by Australia Ratings. Australia Ratings has also assigned a ‘Green’ Product Complexity Indicator to the Bonds.
Term	5 years
Maturity date	15 December 2020 (unless Redeemed early)
Early Redemption	Australian Unity will only have the right (but not the obligation) to Redeem the Bonds prior to the Maturity Date following the occurrence of a Tax Event or a Change of Control Event or when a Clean Up Condition subsists.
Early Redemption rights of Holders	Holders of the Bonds will only have the right to vote to require Redemption prior to the Maturity Date following the occurrence of a Change of Control Event (which requires a Holder Resolution to be passed in favour of Redemption).

Note: This is a brief summary of the Bonds terms and conditions only. Potential investors should refer to the Base Prospectus and Offer Specific Prospectus for the full terms.

Key terms and conditions



Covenant gearing ratio	While any Bonds remain outstanding, the Issuer will ensure that, on each 30 June and 31 December occurring after the Issue Date, the Covenant Gearing Ratio is not greater than 50 percent
Negative pledge	<p>Australian Unity will not secure any “Relevant Indebtedness” without according the same security (or an equal ranking security) to the Bonds. Some security interests are excluded from the negative pledge – including the “Existing Security” on the following page and the security interests in respect of syndicated or term loan arrangements within the limit described in Section 2.1.4 of the Base Prospectus. “Relevant Indebtedness” broadly means debt securities issued by Australian Unity (including Bonds of another Series) which are quoted on a stock exchange and indebtedness owing under syndicated or term loan arrangements.</p> <p>No Subsidiary of Australian Unity will incur Financial Indebtedness (other than in certain circumstances set out in the Base Terms and the Offer Specific Terms. The restriction does not apply to Subsidiaries which are, broadly, trusts which are funded by the public or external investors and in respect of which an Australian Unity Group entity does not have a relevant interest in more than 50 percent of the issued units.</p>
Restrictions on subsidiary indebtedness	<p>The covenant does not apply to the following Financial Indebtedness: Limited Recourse Debt, Financial Indebtedness owed by one member of the Australian Unity Group to another member of the Australian Unity Group, certain Financial Indebtedness of an entity which becomes a member of the Australian Unity Group after the Issue Date, any other present or future Financial Indebtedness not referred to above provided the aggregate principal amount is not more than 10 percent of Total Equity, any other present or future Financial Indebtedness specified in the Offer Specific Terms.</p> <p>The covenant also does not apply to any ADI that is a member of the Australian Unity Group (which, as at the date of this Base Prospectus, means Big Sky).</p> <p>This undertaking is intended to limit the extent to which the Holders are structurally subordinated to other financial creditors of the Australian Unity Group.</p>
Ranking on winding up	<p>A Holder’s claim will rank equally with holders of other Series of Bonds, equally with claims of all other unsubordinated and unsecured creditors (other than any obligations preferred by mandatory provisions of applicable law, including employee entitlements and secured creditors) A Holder’s claim will rank ahead of all holders of subordinated instruments and member interests in Australian Unity.</p> <p>Holders’ claims are subject to structural subordination which is explained in the Base Prospectus.</p>
Face value	\$100 per Bond.
Minimum application	50 Bonds for applicants under the Broker Firm Offer (\$5,000) and 20 Bonds for applicants under the Member Offer (\$2,000).
Fees and charges	No fees, charges, brokerage, commission or stamp duty is payable by you on your application for the Bonds. You may be required to pay brokerage if you sell your Bonds after the Bonds are quoted on ASX.
Listing	<p>Australian Unity has applied for the quotation of the Bonds on ASX.</p> <p>It is expected that the Bonds will be quoted under the code “AYUHB”.</p>

Note: This is a brief summary of the Bonds terms and conditions only. Potential investors should refer to the Offer Specific and Base Prospectus for the full terms.

Comparison of 2011 Notes and Bonds



Feature	2011 Notes	Bonds
Issuer	<ul style="list-style-type: none"> Australian Unity Limited 	<ul style="list-style-type: none"> Australian Unity Limited
Guarantor	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> None
Legal form	<ul style="list-style-type: none"> Unsecured debt obligations 	<ul style="list-style-type: none"> Unsecured debt obligations
Issue Price	<ul style="list-style-type: none"> \$100 per 2011 Note 	<ul style="list-style-type: none"> \$100 per the Bonds
Term	<ul style="list-style-type: none"> 5 years 	<ul style="list-style-type: none"> 5 years
Early redemption (at Issuer's option)	<ul style="list-style-type: none"> Yes, for taxation or regulatory reasons on a change of control or if less than 10% remain on issue 	<ul style="list-style-type: none"> Yes, for taxation reasons, on a change of control or if less than 10% remain on issue
Margin	<ul style="list-style-type: none"> 3.55% 	<ul style="list-style-type: none"> Expected to be in the range of 2.80 – 2.90% ¹
Interest rate	<ul style="list-style-type: none"> Floating 	<ul style="list-style-type: none"> Floating
Interest payments	<ul style="list-style-type: none"> Mandatory, not deferrable 	<ul style="list-style-type: none"> Mandatory, not deferrable
Payment frequency	<ul style="list-style-type: none"> Quarterly 	<ul style="list-style-type: none"> Quarterly
Transferable	<ul style="list-style-type: none"> Yes – quoted on ASX 	<ul style="list-style-type: none"> Yes – to be quoted on ASX
Gearing covenant	<ul style="list-style-type: none"> 45%, although the trustee of the 2011 Notes has agreed to an amendment to the gearing covenant so that the cash proceeds of the Bonds (which would otherwise adversely affect the gearing covenant) are carved out of the gearing ratio – security is being granted by Australian Unity to the trustee, The Trust Company (Australia) Limited over the bank account into which those cash proceeds will be deposited (until any 2011 Notes which remain on issue have been paid out) 	<ul style="list-style-type: none"> 50% (and there are changes to the basis of computation of the covenant)
Negative Pledge	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes (but less restrictive on Australian Unity than in 2011 Notes – it only applies to similar capital markets indebtedness and indebtedness under syndicated or term loan arrangements)
Restrictions on subsidiary indebtedness	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes
Holder early redemption rights	<ul style="list-style-type: none"> Only on a Delisting Event – redemption occurs automatically on a change of control 	<ul style="list-style-type: none"> Only on a change of control of Australian Unity (and provided that a Holder Resolution is passed in favour of requiring redemption)

¹The margin may be set outside this range

Detailed overview of the undertakings outlined in Section 6 (Appendix)

Note: This is a brief summary of the 2011 Notes and the Bonds terms and conditions only. Potential investors should refer to the Offer Specific and Base Prospectus for the full terms.

Ranking of Australian Unity Bonds



Illustration of ranking upon winding up of Australian Unity

	Type of instrument	Existing debt obligations and equity	Amount drawn as at 30 June 2015, adjusted for the amount to be raised under the Offer (\$200m)*
<p>Higher ranking</p> <p>Lower ranking</p>	Secured debt	None (except for the 2011 Notes which will be secured on the cash proceeds of issue of the Bonds)	None
	Unsubordinated unsecured debt	Bank debt, 2011 Notes and the Bonds	\$0 / \$60m / \$200m
	Subordinated, unsecured debt and hybrid instruments	None	None
	Ordinary equity	Members balances, reserves, retained profits	\$502.8m

*Discretion is reserved for the Offer size to be greater or lesser than this amount. Assumes \$60 million allocated under the Reinvestment Offer and the cancellation of the same amount of 2011 notes..

Note: This is a brief summary of the Bonds terms and conditions only. Potential investors should refer to the Offer Specific and Base Prospectus for the full terms.

Reinvestment offer for Eligible holders of the 2011 Notes



What is the Reinvestment Offer?

The Reinvestment Offer is not a simple rollover into a similar investment. 2011 Notes and the Bonds, while having a number of similar features, have different benefits and risks, which must be evaluated independently.

Reinvestment offer proceeds

Eligible 2011 Notes holders who elect to participate in the Reinvestment Offer will sell their 2011 Notes to Australian Unity as the “Accrued Interest Amount” and the “Further Amount” per 2011 Note sold to Australian Unity. The “Accrued Interest Amount” is an amount per 2011 Note payable to each Eligible 2011 Note holder who elects to participate in the Reinvestment Offer in compensation for the interest the holder would have received for the 62 day period from (and including) 14 October 2015 to (but excluding) the Issue Date for the Bonds (the “Stub Period”). The Accrued Interest Amount will be calculated on the basis of the market rate applicable to the 2011 Notes on 14 October 2015 plus a margin of 3.55 percent per annum for the Stub Period. Assuming the Issue Date is 15 December 2015 and based on an interest rate applicable to the Stub Period of 5.70 percent per annum, the Accrued Interest Amount would be \$0.9682 per 2011 Note. The “Further Amount” is an amount per 2011 Note payable to each Eligible 2011 Notes holder who elects to participate in the Reinvestment Offer in compensation for the difference in margin between the 2011 Notes and the Bonds for the period from the Issue Date to the 2011 Notes maturity date. Assuming the Issue Date is 15 December 2015 and based on a margin on the Bonds of 2.80 percent per annum and the margin on the Australian Unity Notes being 3.55 percent per annum, the Further Amount would be \$0.2486 per 2011 Note.

Eligibility to participate in the Reinvestment Offer

The following holders of the Australian Notes Unity are eligible to participate in the Reinvestment Offer (“**Eligible Australian Unity Notes holders**”):

- registered holders of the Australian Notes Unity trading on ASX at 7.00 pm on 5 November 2015 (the “Reinvestment Record Date”);
- holders who are shown on the register of holders of Australian Notes Unity as having an address in Australia (or another jurisdiction to which Australian Unity determines to extend the Reinvestment Offer); and
- holders who are not in the United States or a US Person, acting as a nominee for, or for the account or benefit of, a US Person, and who are not otherwise prevented from receiving the Offer under the laws of any jurisdiction as determined by Australian Unity.

Options for eligible Australian Unity Note holders

- Option 1** – Apply under the Reinvestment offer to sell all of your 2011 Notes to fund your subscription for the Bonds;
- Option 2** – Apply under the Reinvestment offer to sell only some of your 2011 Notes to fund your subscription for the Bonds;
- Option 3** – You may choose to sell or dispose of your 2011 Notes on market (in which case, you may have to pay brokerage) at the prevailing market price, which may be higher or lower than the price you would receive if you were to sell all your 2011 Notes to Australian Unity through the Reinvestment Offer and use the proceeds as you determine;
- Option 4** – Take no action and the 2011 Notes will mature on 16 April 2016, at which time Australian Unity must redeem all outstanding 2011 Notes. At the maturity date, Australian Unity must pay outstanding 2011 Note holders the Face Value of \$100 per Note, plus any outstanding interest due.

Note: This is a brief summary of the Reinvestment Offer terms and conditions only. Potential investors should refer to the Offer Specific Prospectus for the full terms.

Key dates for the Offer



Reinvestment Record date for determining eligible Australian Unity Noteholders (7.00pm Sydney time)	5 November 2015
Lodgement of the Offer Specific prospectus with ASIC	9 November 2015
Bookbuild to determine Margin and Allocations to Syndicate Brokers and Institutional Investors	16 November 2015
Opening Date for the Offer and lodgement of Replacement Offer Specific Prospectus with ASIC	17 November 2015
Closing date for Member Offer and Reinvestment Offer	4 December 2015
Closing date for Broker Firm Offer	11 December 2015
Issue date	15 December 2015
The Bonds commence trading on ASX on deferred settlement basis	16 December 2015
Holding statements despatched by Registry	17 December 2015
The Bonds commence trading on ASX on normal settlement basis	18 December 2015

Key dates for the Bonds

Stub Period for Reinvestment Offer from (and including) 14 October 2015 to (but excluding) 15 December 2015	
First interest payment date ¹	14 April 2016
Maturity date	15 December 2020

Note: The key dates above are indicative only and may change without notice.

¹Interest is scheduled to be paid on the quarterly Interest Payment Dates, until the Maturity Date or any earlier Redemption Date. If any of these scheduled dates is not a Business Day, then the Interest Payment Date will be the next Business Day. The first Interest Payment Date will be 14 April 2016.

Key contacts



Name	Title	Phone	Email
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Section 6

Appendix



Undertakings comparison of 2011 Notes and Bonds



2011 Notes

Bonds

Gearing ratio

While any of the 2011 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 percent.

So long as any Bonds of a Series are outstanding, Australian Unity will ensure that, on each 30 June and 31 December, the Covenant Gearing Ratio is not greater than 50 percent.

The “Covenant Gearing Ratio” is as follows:

Gearing Ratio Debt / Gearing Ratio Debt + Gearing Ratio Equity

- “Gearing Ratio Debt” means the sum of Consolidated Interest Bearing Liabilities and Australian Unity Guarantees, less ADI Interest Bearing Liabilities, ADI Guarantees, Benefit Fund Interest Bearing Liabilities, Junior Ranking Obligations and AUL Cash.
- “Gearing Ratio Equity” means Total Equity less ADI Equity.

This covenant is designed to limit the proportion of debt funding of the Australian Unity Group, excluding cash held by Australian Unity, debt of Big Sky and any other ADI of the Australian Unity Group and any debt of the Benefit Funds and debt in respect of Junior Ranking Obligations. As at the date of this Base Prospectus, the Benefit Funds have no debt and no equity because they are not permitted to incur debt and assets of the Benefit Fund equal liabilities of the Benefit Fund.

No Subsidiary of Australian Unity will incur Financial Indebtedness (other than in certain circumstances set out in the Base Terms and the Offer Specific Terms. The restriction does not apply to Subsidiaries which are, broadly, trusts which are funded by the public or external investors and in respect of which an Australian Unity Group entity does not have a relevant interest in more than 50 percent of the issued units.

The covenant does not apply to the following Financial Indebtedness: Limited Recourse Debt, Financial Indebtedness owed by one member of the Australian Unity Group to another member of the Australian Unity Group, certain Financial Indebtedness of an entity which becomes a member of the Australian Unity Group after the Issue Date, any other present or future Financial Indebtedness not referred to above provided the aggregate principal amount is not more than 10 percent of Total Equity, any other present or future Financial Indebtedness specified in the Offer Specific Terms.

The covenant also does not apply to any ADI that is a member of the Australian Unity Group (which, as at the date of this Base Prospectus, means Big Sky).

This undertaking is intended to limit the extent to which the Holders are structurally subordinated to other financial creditors of the Australian Unity Group.

Australian Unity will not secure any “Relevant Indebtedness” without acceding the same security (or an equal ranking security) to the Bonds. Some security interests are excluded from the negative pledge: a security interest granted by Australian Unity to The Trust Company (Australia) Limited (acting as trustee) securing Australian Unity’s obligations in respect of the 2011 Notes ; and a security interest granted by Australian Unity securing indebtedness owing under syndicated or loan term arrangements where at the time that the security interest is granted the aggregate principal amount of any such indebtedness secured by all such security interests is not more than 10% of Total Equity.

“Relevant Indebtedness” broadly means debt securities issued by Australian Unity (including Bonds of another Series) which are quoted on a stock exchange or an indebtedness owing under syndicated or term loan arrangements. The Bonds do not restrict Australian Unity from granting security for debt which is not Relevant Indebtedness, or for indebtedness owing under syndicated or term loan arrangements within the limit described above.

Restrictions on subsidiary indebtedness

No member of the Australian Unity Group will grant security for any Financial Indebtedness without also providing the same or equal ranking security to the Holders except under or in respect of: (a) the Westpac Cash Advance Facility; (b) Financial Indebtedness to develop or in connection with developing the Carlton Project for an aggregate principal amount not exceeding \$45 million; (c) any present or future Retirement Village Investment Notes issued by AUFL; (d) the \$25 million subordinated capital notes issued by Australian Unity Health Limited (e) any present or future deposits with Lifeplan; & (f) any other Financial Indebtedness incurred by a member of the Australian Unity Group in aggregate is not more than 10 percent of the Total Equity

Negative pledge

While any of the 2011 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 2011 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.