

Date of Offer Specific Prospectus: 9 November 2015

This Offer Specific Prospectus relates to the offer of "Series B Australian Unity Bonds – Tranche 1" simple corporate bonds by Australian Unity Limited (the "Offer") under the Base Prospectus dated 9 November 2015 ("Base Prospectus"). This Offer Specific Prospectus must be read together with the Base Prospectus.

The disclosure documents for the Offer consists of this Offer Specific Prospectus and the Base Prospectus.

Australian Unity Bonds

Part A: Offer specific prospectus for the issue of Series B Australian Unity Bonds – Tranche 1

Issuer

Australian Unity Limited ABN 23 087 648 888



Arrangers

Evans and Partners
National Australia Bank Limited

Joint Lead Managers

ANZ Securities Limited
Evans and Partners
National Australia Bank Limited

Co-managers

Australian Unity Funds Management
JBWere Limited

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1. This Offer Specific Prospectus is **not a summary** of the information contained in the Base Prospectus. You must read the Base Prospectus together with this Offer Specific Prospectus.
2. This Offer Specific Prospectus is only relevant for the offer of Series B Australian Unity Bonds – Tranche 1 (the “**Offer**”).
3. A Base Prospectus applies to this Offer.
4. This Offer Specific Prospectus provides Offer details, key dates and other relevant information for the Offer. The Base Prospectus provides additional information that is also critical to your investment decision. You should take all of the information in the Base Prospectus into consideration before making your decision in relation to the Offer.
5. **About this Offer Specific Prospectus**

This Offer Specific Prospectus relates to an offer by Australian Unity Limited (ABN 23 087 648 888) (“**Australian Unity**” or the “**Issuer**”) to issue \$200 million of Series B Australian Unity Bonds – Tranche 1 (“**Bonds**”), with the ability to raise more or less subject to a minimum issue amount of \$50 million, on the terms set out in this Offer Specific Prospectus and the Base Prospectus. This Offer Specific Prospectus and the Base Prospectus are together referred to as the “**Offer Documents**”.

This Offer Specific Prospectus is dated 9 November 2015 and was lodged with the Australian Securities and Investments Commission (“**ASIC**”) on that date. This Offer Specific Prospectus is only relevant to the Offer (i.e. the offer of the Bonds) and expires on the date which is 13 months after the date the document is lodged with ASIC. No Bonds will be issued on the basis of the Offer Documents after that date. The Bonds are unsecured notes for the purposes of section 283BH of the *Corporations Act*.
6. The Offer Documents, including any information referred to or incorporated by reference therein, contain important information. It is important that you read the Offer Documents in full before making a decision to invest in Bonds and consider the risks that could affect the performance of the Bonds. Information about Australian Unity can be found in Section 3 (“**About Australian Unity**”) of the Base Prospectus and is also available at www.australianunity.com.au/bonds.
7. You should rely only on information in the Offer Documents. No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in the Offer Documents. Any information or representation not contained in the Offer Documents may not be relied upon as having been authorised by Australian Unity or any other member of the Australian Unity Group in connection with the Offer.
8. **The Offer Documents do not provide financial product or investment advice**

The information contained in the Offer Documents does not constitute financial product or investment advice and has been prepared without taking into account your investment objectives, financial situation or particular needs (including financial and taxation issues). The Offer Documents are only relevant for investors or potential investors in the Bonds and should not be used for any other purpose.
9. **Obtaining the Base Prospectus and Application Form**

Paper copies of this Offer Specific Prospectus, the Base Prospectus, an Application Form and any documents incorporated by reference can be obtained free of charge by calling the Australian Unity Bonds Information Line on 1800 550 560 (within Australia) or +61 1800 550 560 (outside Australia) Monday to Friday 8:30 am to 5:30 pm (AEDST) during the Offer Period. Links to electronic copies may also be obtained from www.australianunity.com.au/bonds during the Offer Period and from www.australianunity.com.au/bonds following the completion of the Offer.
10. **Defined words and expressions**

Some words and expressions used in this Offer Specific Prospectus have defined meanings. These words and expressions are capitalised and are defined in Section 6 (“**Glossary**”) of the Base Prospectus.

ASIC guidance for corporate bond investors

To find out more about the pros and cons of investing in corporate bonds (such as the Bonds), visit ASIC’s MoneySmart website: www.moneysmart.gov.au

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More information on bonds (such as the Bonds) and things you should consider before making an investment decision can be found on ASIC's MoneySmart website at www.moneysmart.gov.au

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. Refer to Section 3.6 for further information about the Credit Rating and Product Complexity Indicator associated with Australian Unity Bonds and Section 3.7.3 for risks associated with Credit Ratings.

Key dates for the Offer

Reinvestment Record Date for determining Eligible 2011 Notes Holders (7:00 pm AEDST)	5 November 2015
Lodgement of 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 the Member Offer and Reinvestment Offer	4 December 2015
Closing Date for the Broker Firm Offer	11 December 2015
Issue Date	15 December 2015
Bonds commence trading on ASX on deferred settlement basis	16 December 2015
Holding Statements despatched by the Registry	17 December 2015
Bonds commence trading on ASX on normal settlement basis	18 December 2015

Key dates for the Bonds

First Interest Payment Date ¹	14 April 2016
Maturity Date	15 December 2020

Dates may change

The key dates for the Offer are indicative only and subject to change without notice. Australian Unity may, in agreement with the Joint Lead Managers, vary the timetable, including to close the Member Offer, the Reinvestment Offer or the Broker Firm Offer early, extend any one or all of them, or to withdraw any one or all of them at any time prior to Issue. If any of the dates are changed, subsequent dates may also change. If you decide to invest in the Bonds, you are encouraged to lodge your Application as soon as possible after the Opening Date.

Notes

¹ Interest 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.

2.1 Terms of the Offer of Bonds

The following terms (“**Offer Specific Terms**”), together with the terms set out in the Base Prospectus (as supplemented, amended, modified or replaced by the Offer Specific Terms) (“**Base Terms**”), are the terms and conditions of the Bonds and the Offer, the subject of this Offer Specific Prospectus (“**Terms**”). Unless otherwise specified, capitalised expressions in the Offer Specific Terms have the meanings given in the Base Terms.

Australian Unity expects that some of these terms will be updated following the Bookbuild, in a replacement Offer Specific Prospectus.

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Issuer	Australian Unity Limited (ABN 23 087 648 888)	Section 3 of this Offer Specific Prospectus	13
		Base Prospectus (Section 3)	21
Series / Tranche	Series B, Tranche 1		
Series B Australian Unity Bonds – Tranche 1	Interest paying, unsubordinated and unsecured debt obligations, issued by Australian Unity.	Base Prospectus (Sections 2.1.2 and 2.1.5)	11 & 17
	Each Bond is issued on and subject to the provisions of the Trust Deed and the Terms.	Base Terms (Clauses 2 and 3)	
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.		
Face Value / Issue Price	\$100 per Bond		
Offer Structure	The Offer comprises: <ul style="list-style-type: none"> - Member Offer - Broker Firm Offer - Institutional Offer - Reinvestment Offer 	Offer Specific Prospectus	26
Minimum Application	50 Bonds for applicants under the Broker Firm Offer (\$5,000) and 20 Bonds for applicants under the Member Offer (\$2,000).		
Term	5 years		
Maturity Date	15 December 2020 (unless Redeemed early)		
No Guarantee	The payment obligations of the Issuer under the Bonds are not guaranteed by any subsidiary of Australian Unity nor any other person.		
Interest Rate	Floating Interest Rate.	Base Prospectus (Section 2.1.2),	11
	The Interest Rate is the sum of the Market Rate plus the Margin.	Base Terms (Clause 2)	
Market Rate	Bank Bill Rate for a three month period.		
Bank Bill Rate	Refer to Section 2.1.2 of the Base Prospectus which describes the Bank Bill Rate.	Base Prospectus (Section 2.1.2)	11

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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>		
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 - 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. Interest will continue to accrue until that date.</p>	Base Prospectus (Section 2.1.2)	11
Business Day Convention	Following Business Day Convention	Base Prospectus (Section 6), Glossary	51
Day Count Fraction	Actual/365 (Fixed)	Base Prospectus (Section 6), Glossary	51
Early Redemption	<p>Australian Unity will only have the right (but not the obligation) to Redeem the Bonds prior to the Maturity Date:</p> <ul style="list-style-type: none"> - following the occurrence of a Tax Event; - following the occurrence of a Change of Control Event; or - when a Clean Up Condition subsists. 	Base Prospectus (Section 2.1.3), Base Terms (Clause 5)	13
Early Redemption rights of Holders	Holders of 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).	Base Prospectus (Section 2.1.3), Base Terms (Clause 5.4)	13
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 any security interests in respect of syndicated or term loan arrangements within the limit described in Section 2.1.4 of the Base Prospectus.</p> <p>"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>	Base Prospectus (Section 2.1.4), Base Terms (Clause 4.1)	16
Covenant Gearing Ratio limit	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.	Base Prospectus (Section 2.1.4), Base Terms (Clause 4.2)	16

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Restrictions on Subsidiary Indebtedness	<p>Certain Subsidiaries of Australian Unity must not incur Financial Indebtedness, as described in Section 2.1.4 of the Base Prospectus.</p> <p>For the purposes of Clause 4.3(e) of the Base Terms, the following Subsidiary Financial Indebtedness is not subject to this restriction:</p> <ul style="list-style-type: none"> - Retirement Village Investment Notes issued by Australian Unity Finance Limited; - \$30 million subordinated capital notes issued by Australian Unity Health Limited (and any other such subordinated capital notes provided the outstanding aggregate principal amount does not exceed \$50 million); - \$5.1 million in loans between Grand United Centenary Centre Limited and Australian Unity Retirement Living Management Pty Ltd dated 31 August 2012; - \$49 million Carlton Residential Aged Care Facility Agreement between Australian Unity Retirement Development Management Pty Ltd in its capacity as responsible entity for the Australian Unity Carlton Aged Care Trust, Australian Unity Care Services Pty Ltd and Australian Unity Aged Care Investments Pty Ltd (borrowers) and Australia and New Zealand Banking Group Limited. 	<p>Base Prospectus (Section 2.1.4), Base Terms (Clause 4.3)</p>	17
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>	<p>Base Prospectus (Section 2.1.5 and 4.2.6), Base Terms (Clause 3)</p>	17
Events of Default	<p>Events of Default are set out in the Base Terms and described in the Base Prospectus and include non-payment of principal or interest, failure by Australian Unity to comply with certain other obligations, the insolvency of Australian Unity or the cessation or suspension by Australian Unity of the conduct of its business.</p>	<p>Base Prospectus (Section 2.1.3), Base Terms (Clause 6)</p>	15
Existing Security	<p>As at the date of this Offer Specific Prospectus, none of Australian Unity's existing financiers or investors have the benefit of any security granted by Australian Unity, apart from the security granted by Australian Unity to The Trust Company (Australia) Limited in respect of the 2011 Notes (which is excluded from the negative pledge as a "Permitted Encumbrance", see further Section 4.2(f)).</p>		
Fees and charges	<p>No fees, charges, brokerage, commission or stamp duty are payable by you on your application for the Bonds.</p> <p>You may be required to pay brokerage if you sell your Bonds after the Bonds are quoted on ASX.</p>		

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Fees and costs associated with the Offer	The total expenses of the Offer (including fees payable to the Joint Lead Managers, legal, accounting, tax, marketing, and administrative fees, as well as printing, advertising and other expenses related to the Offer) are expected to be A\$4.9m. All of these expenses have been, or will be, borne by Australian Unity out of the proceeds of the Offer.	Further details incorporated by reference (Section 3.8.4)	
Listing	Australian Unity has applied for the quotation of the Bonds on ASX. It is expected that the Bonds will be quoted under the code "AYUHB".		
Selling restrictions	Selling restrictions apply to the sale of Australian Unity Bonds in certain foreign jurisdictions.	Base Prospectus (Section 5.3)	47

If you have any questions about the Bonds or the Offer, you should seek advice from your financial adviser or other professional adviser. You can also call the Australian Unity Bonds information line on 1800 550 560 (within Australia) or +61 1800 550 560 (outside Australia) (Monday to Friday 8:30 am – 5:30 pm (AEDST)) during the Offer Period.

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Section Three

Offer specific information you should consider

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3.1 Business update

Acquisition of Home Care NSW

On 28 August 2015, Australian Unity announced the execution of an agreement with the New South Wales Government to transfer the Home Care Service of New South Wales (“**Home Care NSW**”) as a discrete entity to become part of the Australian Unity Group.

Home Care NSW provides in-home care services to approximately 50,000 clients across New South Wales and has approximately 4,000 employees. Australian Unity has provided home care services for more than ten years and has services in Victoria, New South Wales and Queensland. The transfer will result in Home Care NSW becoming one of the largest areas of operation within the Australian Unity Group and, in turn, Australian Unity will be one of the largest home care providers nationally.

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

Acquisition rationale and benefits to the Australian Unity Group

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 strategic goals	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, home care, 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 NSW 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 NSW is Australian Unity Group’s extensive range of services.

Project Albert

Australian Unity has announced plans to repurpose its head office and adjacent real estate assets in Albert Road, South Melbourne, Victoria into an aged care, retirement living and community wellbeing precinct. Australian Unity is in negotiations to enter into a lease for its new head office, to be situated in the Melbourne CBD. This project is aimed at delivering a solution for the housing of its central Melbourne workforce from 2018 onwards.

3.2 Use of proceeds of the Offer

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 NSW and for general corporate purposes.

3.3 Effect of the Offer on Australian Unity

Assuming the Offer raises \$200 million, there will be no material impact on the net assets of Australian Unity as the net cash raised (after transaction costs of \$4.9 million) from the issue of the Bonds will be held in cash or used to repay existing debt. However, it is expected that the Covenant Gearing Ratio will increase as a result of the settlement of Home Care NSW (estimated to be early 2016). 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.

3.4 Key financial ratios

Sources of financial information

This section describes some of the key financial indicators that will help you assess the financial position and strength of Australian Unity. In addition to these key financial indicators, you should also consider Australian Unity's financial statements available from Australian Unity's 2015 Annual Report.

You must refer to section 3.8.2 of the Base Prospectus which describes the Key Financial Ratios.

The tables below set out:

- the prescribed Key Financial Ratios (Gearing Ratio, Interest Cover Ratio and Working Capital Ratio) which are calculated on the basis prescribed by the Corporations Act and Corporations Regulation 6D.2.06;
- the Covenant Gearing Ratio, which is the gearing ratio typically used by the business and for certain of Australian Unity's credit facilities and, in particular, which is a provision of the Base Terms;
- the AU Interest Cover Ratio which is the interest cover ratio typically used by the business and for certain of Australian Unity's credit facilities; and
- the ADI Tier 1 Capital Ratio.

The ratios are based on financial information for the financial years ended 30 June 2013, 30 June 2014 and 30 June 2015 and on the basis of applicable accounting standards in force as at those dates. For ongoing reporting of these ratios the amount of debt included in the Covenant Gearing Ratio will continue to be calculated by reference to the Australian Accounting Standards in place as at the date of the Base Prospectus, unless Australian Unity decides to determine the amount of debt in accordance with current applicable accounting standards and notifies the Holders of that decision. As a result, a change in accounting standards may cause movements in the prescribed Gearing Ratio but will not change the calculation of the Covenant Gearing Ratio (unless Australian Unity decides to determine the amount of the debt in accordance with current applicable accounting standards).

Prescribed Key Financial Ratios

Financial ratio	FY13	FY14	FY15
Gearing Ratio (prescribed)	698.6%	708.8%	697.9%
Working Capital Ratio (prescribed)	1.61x	1.58x	1.32x
Interest Cover Ratio (prescribed)*	(5.76)x	(9.24)x	(8.26)x

* In the case of Australian Unity, a negative Interest Cover Ratio indicates that interest income exceeds interest expense.

Important note: the Gearing Ratio, Working Capital Ratio and Interest Cover Ratio set out above are calculated on the prescribed basis. The intended purpose of this requirement is to give an indication of the capacity of an issuer to meet its obligations to Holders under the Bonds.

Section three Offer specific information you should consider (continued)

However, Australian Unity does not consider the prescribed Gearing Ratio and Interest Cover Ratio to be a reliable measure of the capacity of Australian Unity to meet its obligations to Holders under the Bonds. Australian Unity uses other financial ratios in its business, described below, and reports to investors on the basis of those ratios.

Refer to Section 3.8.2 of the Base Prospectus under the heading “Corporations Act Prescribed Ratios” for further information.

Other Relevant Financial Ratios

Financial ratio	FY13	FY14	FY15
Covenant Gearing Ratio	34.9%	37.3%	31.5%
AU Interest Cover Ratio	3.94x	4.13x	4.57x
ADI Tier 1 Capital Ratio	16.0%	14.3%	14.2%

Impact of the ADI and Benefit Funds on prescribed Key Financial Ratios

The Australian Unity Group comprises a diversified group of businesses offering healthcare, investments, financial services and retirement solutions. It includes an ADI (Big Sky) and Benefit Funds. These are prudentially regulated businesses, and as a result their assets and revenues are not generally available to meet obligations of other parts of the Australian Unity Group.

ADIs tend to be highly leveraged with high gearing ratios, because they receive deposits, and will tend to have a low Working Capital Ratio.

ADIs and Benefit Funds earn significant interest income which normally creates negative interest cover ratios.

These outcomes are appropriate for an ADI and Benefit Funds, but distort those ratios when combined with the rest of the Australian Unity Group.

Relevance of prudential regulation

Prudential standards require Big Sky to maintain levels of capital which are designed to ensure that it can meet its liabilities from its own resources, and Big Sky's obligations are not guaranteed by other members of the Australian Unity Group.

The *Life Insurance Act* restricts relevant revenues, expenses, assets and liabilities of the Benefit Funds being available to other members of the Australian Unity Group. However, the equity represented by a management fund held in the subsidiary that holds the Benefit Funds is potentially available to support other Australian Unity Group obligations, if regulatory capital requirements are met and consents obtained.

Adjustments to the prescribed Key Financial Ratios

As a result of the factors described above, Australian Unity adjusts the ratios that it uses in its business for Big Sky and the Benefit Funds.

Like many companies, Australian Unity also reflects only “interest bearing” liabilities in its gearing ratio, and makes other adjustments that were agreed when negotiating its banking facilities.

This methodology produces gearing ratios and interest cover ratios that are different to the prescribed Key Financial Ratios.

Australian Unity believes that the Covenant Gearing Ratio and the AU Interest Cover Ratio are better measures of Australian Unity's ability to meet its obligations under the Bonds.

The Covenant Gearing Ratio

Gearing ratios focus on balance sheet positions, and measure a company's ability to repay its debts. The Gearing Ratio is distorted by the inclusion within the Australian Unity Group of a highly leveraged entity such as an ADI.

The Covenant Gearing Ratio is the ratio referred to in the covenant in the Bonds that sets a gearing ratio limit. It is adjusted so that it indicates the level of debt ranking equally with or senior to the Bonds.

The Covenant Gearing Ratio excludes the financial position of Big Sky and the Benefit Funds, which are subject to prudential requirements, but includes the equity represented by the management fund held to support the Benefit Funds as the Benefit Funds already meet prudential requirements.

The Covenant Gearing Ratio also excludes non-interest bearing liabilities. In general, liabilities can be considered as either operational in nature or as borrowings. Non-interest bearing liabilities are excluded so that the Covenant Gearing Ratio measures the extent to which Australian Unity actively borrows in financial markets to fund its growth plans. Operational liabilities are not included in the calculation of the Gearing Ratio Debt so that it can derive a measure of the extent to which Australian Unity's businesses are funded by borrowings. The Covenant Gearing Ratio also includes Junior Ranking Obligations (which rank below the Bonds in a winding up) as Total Equity.

More information about these adjustments to the Covenant Gearing Ratio is set out in Section 3.8.2 of the Base Prospectus.

The AU Interest Cover Ratio

Interest cover ratios focus on cashflow and measure a company's capacity to service interest on its borrowings from its earnings, and as a result can be distorted by parts of the Australian Unity Group that earn interest income that is not readily available for that purpose.

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 (described above) to the Benefit Funds.

The other businesses of Australian Unity earn interest on their cash and cash equivalent assets, and this interest income is also excluded. In the case of Australian Unity, the inclusion of net interest income from the ADI operations and Benefit Funds and other interest income results in a negative net interest expense because interest income will normally exceed interest expense. The exclusion of these interest income components provides a better insight into Australian Unity's interest obligations.


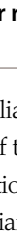
Refer to Section 3.8.2 of the Base Prospectus under the heading "AU Interest Cover Ratio" for further information.

Details of adjustments and calculations

The method for calculating these adjusted ratios and the adjustments compared to the prescribed formulae are set out in Section 3.8.2 of the Base Prospectus, and the relevant calculations are incorporated by reference into this Offer Specific Prospectus and available at Australian Unity's website www.australianunity.com.au/bonds.

3.5 Details of ranking and other debt on issue

Illustration of ranking upon winding up

	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) ²
Higher ranking 	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, Australian Unity Notes, the Bonds	\$0 / \$60m / \$200m
	Subordinated, unsecured debt and hybrid instruments	None	None
Lower ranking 	Ordinary equity	Members' balances, Reserves, Retained profits	\$502.8m

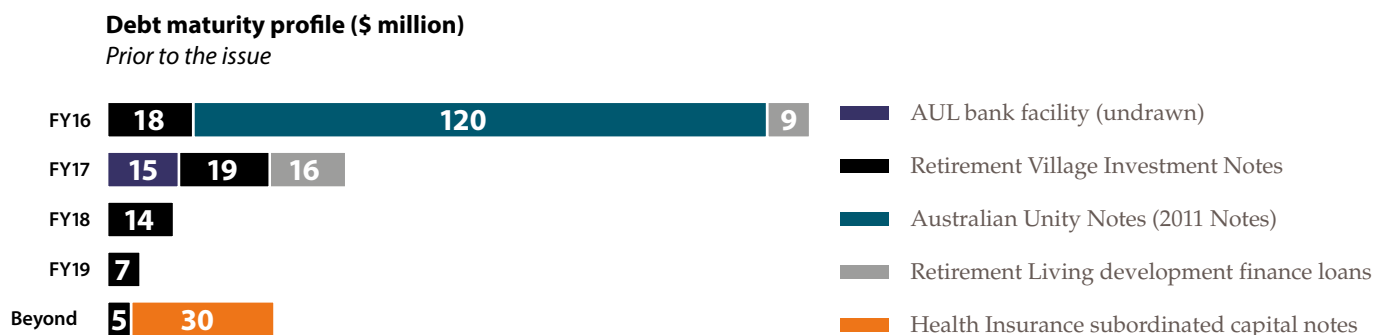
Australian Unity currently has no secured debt (except for the security interest granted in respect of the 2011 Notes – see Section 2.1.4 of the Base Prospectus) and no unsecured debt which ranks ahead of the Bonds, however, the Bonds place only limited restrictions on Australian Unity granting security for other indebtedness (see Section 2.1.4 of the Base Prospectus). Certain subsidiaries of Australian Unity have external borrowings. The debt of Australian Unity's subsidiaries is generally non-recourse to Australian Unity. Notwithstanding this, any default at a subsidiary level, including any ADI, may still have important consequences for Australian Unity, including the potential to reduce cash flows to Australian Unity, cause Australian Unity to extend resources

² 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.

Section three Offer specific information you should consider (continued)

supporting the subsidiary, cause a write-down in the value of Australian Unity's investments in its subsidiaries and affect Australian Unity's ability to obtain credit. These consequences may affect Australian Unity's ability to meet its obligations in respect of the Bonds.

Most of Australian Unity's claims on its Subsidiaries rank behind creditors of those Subsidiaries and the Bonds are not guaranteed by a Subsidiary so no Holder has a claim on any Subsidiary. The chart below sets out the maturity profile of Australian Unity and its Subsidiary external debt facilities including capital markets debt as at 30 June 2015. It does not include any adjustment for the issue of the Bonds or the purchase or cancellation of any 2011 Notes resulting from the offer to holders of 2011 Notes to subscribe for Bonds using proceeds from the 2011 Notes, which is described in section 4.2 ("**2011 Reinvestment Offer**").



Australian Unity's existing external debt facilities and their maturities are as follows as at 30 June 2015:

Facility	Amount drawn	Maturity
Bank facility (\$15m)	\$0m	March 2017
Australian Unity Notes due 2016	\$120m	April 2016

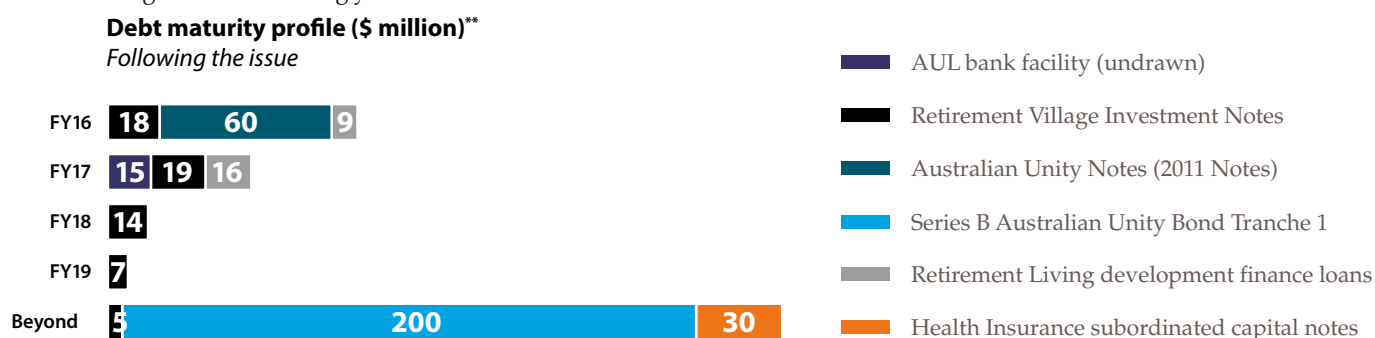
In addition, subsequent to 30 June 2015, Australian Unity has entered into an additional unsecured \$100 million bank facility maturing on 4 November 2016.

The existing interest bearing debt obligations and their maturities for subsidiaries of Australian Unity are as follows as at 30 June 2015:

Facility	Amount drawn	Maturity
Health insurance subordinated capital notes*	\$30.0m	11 July 2023
Retirement Living development finance loans	\$25.3m	June 2016 to August 2017
ADI deposits (interest bearing liabilities)	\$698.5m	On demand subject to notice
Retirement Village Investment Notes	\$63.2m	November 2015 to December 2023
Other external loans	\$5.1m	Rolling three month
Guarantees	\$6.8m	December 2015 to January 2023

* First call date is 11 July 2018.

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.



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

3.6 Credit Rating and Product Complexity Indicator

3.6.1 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. For more information visit www.australiaratings.com.

3.6.2 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'

3.6.3 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'.

3.6.4 Credit Rating assigned to the Australian Unity Bonds

Australia Ratings has assigned a long-term Credit Rating of BBB+ to the Bonds, 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.

3.6.5 Product Complexity Indicator assigned to the Australian Unity Bonds

Australia Ratings has assigned a 'Green' Product Complexity Indicator to the Bonds, 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 terms of the Bonds 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.

3.6.6 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.

Information in this section 3.6 has been supplied by Australia Ratings. To the extent permitted by law, Australian Unity takes no responsibility for this information.

3.7 Key risks update

A detailed outline of risks relating to Australian Unity Bonds and Australian Unity Group's business is contained in Section 4 ("Key risks") of the Base Prospectus. You should read the Base Prospectus in full before deciding whether to invest in the Bonds.

In addition to the risks described in Section 4 of the Base Prospectus, investors should consider the following risks.

3.7.1 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 (as illustrated in Section 3.2). This may include paying down subsidiary level debt on issue (which is set out in Section 3.5) in the short term and funding other acquisitions and developments in the medium term.

3.7.2 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.

3.7.3 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.

A change in the Credit Rating of the Bonds could also directly affect the market price and liquidity of the Bonds.

The Credit Rating also may not reflect the potential impact of all risks related to the Bonds, market and additional factors disclosed in section 4 of the Base Prospectus and other factors that may affect the actual value or trading value of the Bonds 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 Bonds), in as much 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 3.6.

3.8 Other information

3.8.1 No material breaches of loan covenants or debt obligations

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

3.8.2 Base Prospectus is up-to-date

Other than the specific information contained in this Offer Specific Prospectus, all information in the Base Prospectus remains current as at the date of this Offer Specific Prospectus.

You must read the Base Prospectus in conjunction with this Offer Specific Prospectus.

3.8.3 Australian Unity Board Renewal and Refreshment

On 28 July 2015, Mr Glenn Barnes announced his intention to retire from Australian Unity's Board of Directors with retirement taking effect on or around 31 March 2016. As at the date of this document, Mr Peter Promnitz is Deputy Chairman and Chairman-Designate.

3.8.4 Other Important Information

The following documents have been incorporated by reference and as such form part of the Offer Specific Prospectus.

A link to the following materials is on Australian Unity's website www.australianunity.com.au/bonds and a copy of each document can be obtained free of charge by calling the Australian Unity Bonds Information Line on 1800 550 560 (within Australia) or +61 1800 550 560 (outside Australia) Monday to Friday 8:30 am to 5:30 pm (AEDST) during the Offer Period.

- **Offer Specific Terms**, which were filed with ASIC on 9 November 2015. The Terms consist of the Base Terms as supplemented, amended, modified or replaced by the Offer Specific Terms;
- **Consents to be named**. This is a list of the consents from relevant parties that Australian Unity can name them in this Offer Specific Prospectus, filed with ASIC on 9 November 2015;
- **Summary of interests and benefits**. This is a summary of the interests of certain persons involved in the Offer and the fees they are being paid, including the Directors and relevant advisers, filed with ASIC on 9 November 2015. Directors are permitted to participate in the Offer; and
- **Australia Ratings Financial Services Guide**. This is a financial services guide supplied by Australia Ratings in respect of the credit ratings advice in this Offer Specific Prospectus. To the extent permitted by law, Australian Unity takes no responsibility for the content of the Australia Ratings Financial Services Guide.

Under the law, Australian Unity must immediately disclose any information which would have a material impact on the trading price of its debt securities. This information is publicly available through ASIC and ASX. You should consider this information when making an investment decision in relation to the Bonds.

It is important that you read the Base Prospectus and this Offer Specific Prospectus before you make any decision to invest in the Bonds.

3.8.5 Cornerstone Investor Fees

Certain Institutional Investors have, prior to the lodgement of this Offer Specific Prospectus, committed to the Joint Lead Managers to apply for Bonds on the same terms as all other investors. The Joint Lead Managers will pay these Institutional Investors (but not any other investors that subsequently give commitments to invest under the Bookbuild) 0.50 percent of the amount they commit to which is then allocated to them.

3.8.6 Trustee's Liability

The Trustee, being Australian Executor Trustees Limited:

- (a) has not made any statement or purported to make any statement in the Offer Documents or any statement on which a statement in the Offer Documents is based, other than as specified below;
- (b) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation or any statement regarding, and takes no responsibility for, any part of the Offer Documents, or any statements in, or omissions from the Offer Documents, other than the references to its name and the statement(s) and/or report(s) (if any) specified below and included in the Offer Documents with its written consent;
- (c) has given and has not, before the lodgement of the Offer Documents with ASIC, withdrawn its written consent:
 - to be named in the Offer Documents in the form and context in which it is named; and
 - to the inclusion in the Offer Documents of the statement(s) and/or report(s) (if any) by that person in the form and context in which they appear in the Offer Documents;
- (d) does not, nor does any related person, make any representation as to the truth and accuracy of the contents of the Offer Documents;
- (e) has relied on Australian Unity for the accuracy of the contents of the Offer Documents; and
- (f) does not, nor does any related person, make any representation or warranty as to the performance of Bonds or the payment of interest or the redemption of Bonds.

The interest payments on Bonds are obligations of Australian Unity and are not guaranteed by the Trustee or any of its directors, employees, officers, affiliates, agents, advisers, intermediaries, related body corporate or any other entity.

The obligation to redeem Bonds in accordance with their terms is a direct obligation of Australian Unity. Neither the Trustee nor any of its directors, employees, officers, affiliates, agents, advisers, intermediaries, related body corporate or any other entity guarantees the redemption of or prepayment of any principal under Bonds.

The Trustee is not responsible for monitoring Australian Unity's compliance with the Trust Deed nor Australian Unity's business.

3.8.7 Trustee's Privacy Policy

The Trustee may collect your personal information for the primary purpose of providing trustee services to Australian Unity and for ancillary purposes detailed in its privacy policy. The Trustee may disclose your personal information, such as your name and contact details, along with your account information to its related bodies corporate, Australian Unity, professional advisors, the land titles office and/or as otherwise instructed by Australian Unity. The Trustee is also permitted to collect and disclose your personal information when required or authorised to do so by law. The Trustee is not likely to disclose your personal information to overseas recipients. Your personal information will be used in accordance with the Trustee's privacy policy. The privacy policy contains information about how you may access or correct your personal information held by the Trustee and how you may complain about a breach of the Australian Privacy Principles. You may obtain a copy of the privacy policy at www.aetlimited.com.au/privacy.

3.8.8 Acknowledgements

Each person who applies to participate in the Offer, or submits an Application Form will be deemed to have:

- acknowledged having personally received a paper or electronic copy of this Offer Specific Prospectus and the Base Prospectus (and any supplementary or replacement document) accompanying the Application Form and having read them all in full;
- acknowledged that the Applicant(s) understand the Terms and have had an opportunity to consider the suitability of an investment in the Bonds with their professional advisers;
- agreed to be bound by the Terms;

- declared that all details and statements in their Application Form are complete and accurate;
- consented to the use and disclosure of the Applicant's(s') personal information as described in section 5.2 of the Base Prospectus, and understood and agreed that the use and disclosure of the Applicant's(s') personal information applies to any personal information collected by Australian Unity and any entity in the Australian Unity Group in the course of the Applicant's(s') relationship with Australian Unity and any entity in the Australian Unity Group;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that once Australian Unity or the Registry receives an Application form it may not be withdrawn, except as allowed by law;
- applied for the number of Bonds at the Australian dollar amount shown on the Application Form;
- agreed to being allocated the number of Bonds applied for (or a lower number allocated in a way described in this Offer Specific Prospectus), or no Bonds at all;
- authorised Australian Unity and the Joint Lead Managers and their respective officers or agents, to do anything on the Applicant's(s') behalf necessary for Bonds to be allocated to the applicant(s), including to act on instructions received by the Registry upon using the contact details in the Application Form, acknowledged that the information contained in this Offer Specific Prospectus (or any supplementary or replacement document) is not investment advice or a recommendation that Bonds are suitable for the Applicant(s), given the Applicant's(s') investment objectives, financial situation or particular needs;
- declared that the Applicant(s) is an Australian resident or otherwise a person to whom the offer of Bonds can be made, and Bonds issued, in accordance with Section 4.1 of this Offer Specific Prospectus;
- acknowledged that Bonds have not been, and will not be, registered pursuant to the securities laws of any other jurisdiction outside Australia; and
- acknowledged that Bonds are not protected accounts, bank deposit liabilities or policy liabilities of Australian Unity or any member of the Australian Unity Group and are not protected accounts under the Banking Act or policies with any member of the Australian Unity Group under the *Life Insurance Act* and that investments are subject to investment risk, including possible delays in repayment and loss of income and principal invested.

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Section Four

How to apply



SECTION 1

SECTION 2

SECTION 3

SECTION 4

SECTION 1

SECTION 2

SECTION 3

SECTION 4

SECTION 5

SECTION 6

4.1 Applying for the Bonds

You may apply for the Bonds under one of the following Offer:

Offer tranches	Who can Apply	When to Apply	How to Apply
Member Offer	Eligible Members	<p>Applications will only be accepted during the Offer Period, which is expected to commence on 17 November 2015. The Closing Date for the Member Offer is 4 December 2015.</p> <p>Your online Application or paper Application Form must be completed and Application Monies must be received by the Registry by the Closing Date.</p>	<p>You can apply online at www.australianunity.com.au/bonds</p> <p>Instructions on how to complete your Application are provided online.</p> <p>You will be required to provide your entitlement number which gives you the entitlement to apply under the Member Offer.</p> <p>Should you wish to apply by paper Application, you can request a free paper copy of this Prospectus and a Member Offer Application Form or by contacting the Offer Information Line on 1800 550 560 (within Australia) or +61 1800 550 560 (International) Monday to Friday 8:30 am to 5:30 pm (AEDST) during the Offer Period. You will be required to provide your Member entitlement number. Instructions on how to complete the Application Form are set out in the form. When applying via a paper Application Form you may pay for the Bonds using cheque(s) and/or money order(s). Your completed Member Offer Application Form and Application Payment must be received by the Registry by the Closing Date for the Member Offer which is 5:00 pm (AEDST) on 4 December 2015.</p>
Institutional Offer	Institutional Investors – that is an investor who was invited by the Joint Lead Managers to bid for the Bonds, who is not a Broker Firm Applicant	Institutional investors should contact the Joint Lead Managers for instructions on participating in the Bookbuild.	Applications and settlement procedures for Institutional Investors will be advised by the Joint Lead Managers.
Broker Firm Offer	Australian resident retail clients of a Syndicate Broker invited by the Syndicate Broker to participate through the Broker Firm Offer	<p>Applications will only be accepted during the Offer Period, which is expected to commence on 17 November 2015.</p> <p>The Closing Date for the Broker Firm Offer is 11 December 2015.</p> <p>Your completed Application Form and Application Monies must be received by your Syndicate Broker in accordance with arrangements made between you and your Syndicate Broker.</p>	<p>You must contact your Syndicate Broker for instructions about how to complete your Application.</p> <p>You must not return your Application to the Registry or Australian Unity.</p>

Offer tranches	Who can Apply	When to Apply	How to Apply
Reinvestment Offer	Eligible Australian Unity Notes holders (see Section 4.2(c))	<p>Completed Reinvestment Offer Application Forms must be received by the Registry by the Closing Date for the Offer, which is expected to be 5:00 pm (AEDST) on 4 December 2015 (in either hard copy or online).</p> <p>If you are a client of a Syndicate Broker, you should contact your Syndicate Broker for information about participating in the Reinvestment Offer.</p>	<p>You can apply online at www.australianunity.com.au/bonds</p> <p>Instructions on how to complete your Application are provided online.</p> <p>You will be required to provide your entitlement number which gives you the entitlement to apply under the Reinvestment Offer.</p> <p>Should you wish to apply by paper Application, you can request a free paper copy of this Prospectus and a Reinvestment Offer Application Form or by contacting the Offer Information Line on 1800 550 560 (within Australia) or +61 1800 550 560 (International) Monday to Friday 8:30 am to 5:30 pm (AEDST) during the Offer Period. You will be required to provide your entitlement number. Instructions on how to complete the Application Form are set out in the form. Your completed Reinvestment Offer Application Form must be received by the Registry by the Closing Date for the Reinvestment Offer which is 5:00 pm (AEDST) during the Offer Period on 4 December 2015.</p>

4.2 2011 Notes Reinvestment Offer

The 2011 Notes are unsecured and unsubordinated debt securities which were issued by Australian Unity to retail investors in 2011. The 2011 Notes trade on ASX under the code "AYUHA".

(a) Eligibility to participate in the Reinvestment Offer

The following holders of the 2011 Notes are eligible to participate in the Reinvestment Offer ("**Eligible 2011 Notes holders**"):

- registered holders of the 2011 Notes trading on ASX at 7:00 pm (AEDST) on 5 November 2015 (the "Reinvestment Record Date");
- holders who are shown on the register of holders of 2011 Notes 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.

(b) What is the Reinvestment Offer?³

The Reinvestment Offer is an offer available to Eligible 2011 Notes holders to apply for Bonds and fund their subscription for Bonds by selling to Australian Unity some or all of their 2011 Notes.

2011 Notes which are not sold to Australian Unity under the Reinvestment Offer will be redeemed for cash on 14 April 2016 (the scheduled maturity date of the 2011 Notes) at which time holders of 2011 Notes who do not participate in the Reinvestment Offer will receive the face value plus any accrued and unpaid interest to that date for each 2011 Note held.

³ Note – Australian Unity has obtained certain technical ASIC relief from Division 5A of Part 7.9 of the Corporations Act in relation to the Reinvestment Offer.

Section four How to apply (continued)

The Reinvestment Offer is not a simple rollover into a similar investment. The 2011 Notes and the Bonds, while having a number of similar features, have different benefits and risks, which must be evaluated independently (see section (f) below). The key differences include the following:

- The current margin on the 2011 Notes is 3.55 percent per annum. As a consequence of the change in market conditions since 2011 when the 2011 Notes were issued, the Margin for the Bonds (expected to be in the range of 2.80 - 2.90 percent)⁴ is less than the margin on the 2011 Notes.
- The level of gearing (calculated in accordance with the Covenant Gearing Ratio) that Australian Unity will undertake not to exceed under the Bonds is 50 percent, as opposed to 45 percent under the 2011 Notes and there have been changes to the definition of equity which broaden it to include obligations which are subordinated to the Bonds (of which there are currently none).
- There is a less restrictive negative pledge in the Bonds (compared with the 2011 Notes).
- The Maturity Date for the Bonds is 15 December 2020. The maturity date for the 2011 Notes is 14 April 2016.

Eligible 2011 Notes holders who elect to participate in the Reinvestment Offer will sell their 2011 Notes to Australian Unity for \$100 plus 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 2011 Notes being 3.55 percent per annum, the Further Amount would be \$0.2486 per 2011 Note.

\$100 of the proceeds of the sale of a 2011 Note to Australian Unity will be applied to fund the subscription for a Bond and the participating Eligible 2011 Notes holder will receive an amount per 2011 Note sold equal to the sum of the Accrued Interest Amount and the Further Amount.

(c) Options available to Eligible 2011 Notes holders

Option	Action Eligible 2011 Notes holders may take to implement their preferred option
Option 1 – Apply under the Reinvestment Offer to sell all of your 2011 Notes to fund your subscription for Bonds	<p>If you are an Eligible 2011 Notes holder, you may sell all of the 2011 Notes you held on the Reinvestment Record Date to Australian Unity to fund your subscription for Bonds.</p> <p>To choose this option, you must select ‘Option A – Full Reinvestment’ on your personalised paper or online Reinvestment Offer Application Form.</p> <p>If you hold a greater or lesser number of 2011 Notes than shown on the personalised Reinvestment Offer Application Form, and you select the full reinvestment option, you will be taken to have applied for the sale to Australian Unity of the lower of the number of 2011 Notes specified on your personalised Reinvestment Offer Application Form and the number of 2011 Notes registered in your name on the Closing Date of the Offer, expected to be 4 December 2015.</p> <p>In addition to participating in the Reinvestment Offer, an Eligible 2011 Notes holder wishing to increase its investment may apply for Bonds under the Member Offer (if an Eligible Member) or the Broker Firm Offer (if a client of a Syndicate Broker).</p>

⁴ Note – the margin may be set outside this range.

Option 2 – Apply under the Reinvestment Offer to sell only some of your 2011 Notes to fund your subscription for Bonds

If you are an Eligible 2011 Notes holder, you may choose to sell only some of the 2011 Notes you held on the Reinvestment Record Date to Australian Unity to fund your subscription for Bonds.

To choose this option, you must select 'Option B – Partial Reinvestment' and specify the number of 2011 Notes to be sold to Australian Unity on your personalised paper or online Reinvestment Offer Application Form.

If you own 50 2011 Notes or fewer, you must apply to sell all of your 2011 Notes to Australian Unity to participate in the Reinvestment Offer. If you own more than 50 2011 Notes, you must apply to sell a minimum of 50 2011 Notes to Australian Unity to participate in the Reinvestment Offer.

If you hold a lesser number of 2011 Notes than you elect to sell to Australian Unity on your personalised Reinvestment Form, you will be taken to have applied for the sale of the lower of the number of 2011 Notes you held on the Reinvestment Record Date and the number of 2011 Notes registered in your name on the Closing Date of the Reinvestment Offer, expected to be 4 December 2015.

Option 3 – Sell your 2011 Notes on market

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. To choose this option, you should contact your broker.

If you sell your 2011 Notes on market and use the proceeds to apply for Bonds, you will need to apply under the Member Offer or Broker Firm Offer and there is a risk you may not receive the level of allocation you may have through participation in the Reinvestment Offer.

The market price of 2011 Notes is subject to change from time to time. As at the close of trading on 6 November 2015, the market price per 2011 Note was \$101. Up-to-date information about the market price of 2011 Notes can be obtained from asx.com.au (ASX code "AYUHA").

If you sell your 2011 Notes on market you may have to pay brokerage and your ability to sell and the price at which you sell your 2011 Notes depends on the liquidity of the market and the trading price at that time.

Option 4 – take no action

You are not required to participate in the Reinvestment Offer, or to sell your 2011 Notes on market and as such, you are not required to take any action.

(d) Eligible 2011 Notes holders who are also clients of Syndicate Brokers

Eligible 2011 Notes holders who are an Australian resident client of a Syndicate Broker may apply for Bonds through the Reinvestment Offer under the Broker Firm Offer. You should contact your Syndicate Broker for instructions on how to apply under the Broker Firm Offer.

(e) Ineligible holders of 2011 Notes

If you are a holder of the 2011 Notes with a registered address outside Australia on the Reinvestment Record Date (or you otherwise do not fulfil the requirements set out in section (b) above), then you are ineligible to participate in the Reinvestment Offer. In these circumstances, you are limited to Options 3 or 4 in the table in section (c) above.

(f) Comparison between 2011 Notes and Bonds

There are a number of key differences between 2011 Notes and Bonds. A comparison of the key features of 2011 Notes and Bonds is set out in summary form below. This comparison is not exhaustive.

Feature	2011 Notes	Bonds
Issuer	Australian Unity Limited	Australian Unity Limited
Guarantor	None	None
Legal form	Unsecured debt obligations	Unsecured debt obligations
Issue Price	\$100 per 2011 Note	\$100 per Bond
Term	5 years	5 years
Early redemption (at Issuer's option)	Yes, for taxation or regulatory reasons on a change of control or if less than 10% remain on issue	Yes, for taxation reasons, on a change of control or if less than 10% remain on issue

Section four How to apply (continued)

Margin	3.55%	Expected to be in the range of 2.80 – 2.90% ⁵
Interest rate	Floating	Floating
Interest payments	Mandatory, not deferrable	Mandatory, not deferrable
Payment frequency	Quarterly	Quarterly
Transferable	Yes – quoted on ASX	Yes – to be quoted on ASX
Gearing covenant	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)	50% (and there are changes to the basis of computation of the covenant)
Negative Pledge	Yes	Yes (but less restrictive on Australian Unity than in 2011 Notes – it only applies to similar capital markets indebtedness and indebtedness owing under syndicated or term loan arrangements)
Restrictions on subsidiary indebtedness	Yes	Yes
Holder early redemption rights	Only on a Delisting Event—redemption occurs automatically on a change of control	Only on a change of control of Australian Unity (and provided that a Holder Resolution is passed in favour of requiring redemption)

(g) Risks associated with participating in the Reinvestment Offer

Once you apply to participate in the Reinvestment Offer, you will not be able to sell your 2011 Notes on market. If you apply to participate in the Reinvestment Offer, it is your responsibility to ensure that you do not sell or dispose of any of those 2011 Notes in respect of which you have applied to participate, other than as part of the Reinvestment Offer.

If you apply to participate in the Reinvestment Offer you are taken to agree to a holding lock being placed on the 2011 Notes you have elected to sell, pending completion of the Reinvestment Offer—but it is your obligation to ensure that you do not transfer those 2011 Notes. If you do, the number of Bonds you may be allocated will be reduced to the extent the required number of 2011 Notes are not available on the Closing Date of the Reinvestment Offer.

Once you have submitted an Application Form under the Reinvestment Offer, you will not be able to successfully deal with those 2011 Notes unless the holding lock which will be placed on those 2011 Notes is released (which will only occur if the Offer does not proceed).

If you elect to participate in the Reinvestment Offer but the Offer (including the Reinvestment Offer) does not proceed, those 2011 Notes that you elected to sell to Australian Unity to fund a subscription for Bonds will be released from the holding lock as soon as practicable.

Once released, you may sell your 2011 Notes on ASX at the prevailing market price subject to the liquidity of that market. Any application payment in respect of additional Bonds will be refunded to you. 2011 Notes not sold to Australian Unity under the Reinvestment Offer (and not sold on the ASX) will remain outstanding until redeemed by Australian Unity in April 2016.

(h) Brokerage and stamp duty

No brokerage or stamp duty is payable on the sale of your 2011 Notes to Australian Unity under the Reinvestment Offer or on your Application for Bonds. 2011 Notes holders who choose to sell their 2011 Notes on market may be required to pay any applicable brokerage.

⁵ Note – the margin may be set outside this range.

4.3 Minimum application

The amount you have to pay for each Bond is \$100. The minimum application size for Applicants under the Institutional Offer and Broker Firm Offer is 50 Bonds (\$5,000). The minimum application size for Applicants under the Member Offer is 20 Bonds (\$2,000).

4.4 No brokerage or stamp duty

You do not have to pay brokerage or stamp duty on your Application for Bonds. However, you may have to pay brokerage (and applicable GST) on any subsequent purchases or sales of Bonds on the ASX.

4.5 Exposure Period

The *Corporations Act* prohibits Australian Unity from processing Applications to subscribe for Bonds under the Offer Documents in the seven day period after the lodgement date of this Offer Specific Prospectus (“Exposure Period”). This period may be extended by ASIC by up to a further seven days.

This period is to enable this Offer Specific Prospectus (and the Base Prospectus) to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

4.6 Allocation policy and refunds

Bookbuild

The Bookbuild is a process that will be conducted by the Joint Lead Managers before the Opening Date.

In this process, the Bookbuild participants are invited to lodge bids for Bonds. On the basis of those bids, Australian Unity, in consultation with the Joint Lead Managers, will determine the margin and the firm allocations to Bookbuild participants, being Syndicate Brokers and certain Institutional Investors.

Australian Unity may change the size of the Offer following the close of the Bookbuild.

Member Offer

If possible, having regard to the total level of Applications under the Offer, Australian Unity will endeavour to provide Applicants under the Member Offer with an Allocation of at least 100 Bonds or such lesser amount as is applied for. However, Australian Unity does not guarantee any minimum Allocation under the Member Offer and the extent of any Allocation will ultimately depend on the total level of Applications under the Offer and the level of applications under the Reinvestment Offer.

Australian Unity has the absolute discretion to determine the method and extent of the Allocation to Applicants under the Member Offer.

In particular, Australian Unity, in consultation with the Joint Lead Managers, reserves the right (at its discretion) to:

- allocate to any Eligible Member all Bonds for which they have applied; or
- allocate to any Eligible Member a lesser number of Bonds for which they have applied, or none at all.

Broker Firm Offer

If you have applied under the Broker Firm Offer, your Syndicate Broker is responsible for determining your Allocation from their Broker Firm Allocation. Australian Unity takes no responsibility for any allocation, scale-back or rejection that is decided by your Syndicate Broker.

Institutional Offer

Allocations to Institutional Investors will be determined by Australian Unity in consultation with the Joint Lead Managers following the Bookbuild.

Reinvestment Offer

Applications under the Reinvestment Offer will be treated with priority when received, but may be limited by the overall size of the Offer and any earlier allocations of Bonds under the Bookbuild.

Refunds

Until the Bonds are Issued, Australian Unity will hold the Application Monies in a trust account. The account will be established and kept solely for the purpose of depositing Application Monies and dealing with those funds.

If you are not Allocated any Bonds or less than the number of Bonds you applied for, you will receive a refund cheque as soon as practicable after the Closing Date. No interest will be payable on Application Monies which are refunded. Any interest earned in the trust will be retained by Australian Unity.

4.7 Issue and quotation of Bonds

It is expected that the Bonds will be quoted on the ASX under the ASX code AYUHB. If ASX does not grant permission for the Bonds to be quoted by the Issue Date, the Bonds will not be Issued and all Application Monies will be refunded (without interest) as soon as practicable.

4.8 Trading and Holding Statements

(a) Commencement of trading of Bonds on ASX

It is expected that the Bonds will begin trading on ASX on a deferred settlement basis on Wednesday, 16 December 2015. Trading on a deferred settlement basis occurs when Holding Statements have not yet been despatched and it is not possible to settle trades on a trade date plus three business days (T+3) basis. The trade is settled on a date specified by ASX.

It is expected that the Bonds will begin trading on ASX on a normal settlement basis on 18 December 2015.

It is your responsibility to determine your holding of Bonds before trading to avoid the risk of selling Bonds you do not own. You should check your holding by asking your broker or by calling Link Market Services.

(b) Holding Statements

Australian Unity will apply for the Bonds to participate in CHESS and, if accepted, no certificates will be issued. Instead, a Holding Statement will be mailed to Holders. If your holding of the Bonds changes, you will receive an updated Holding Statement.

(c) Provision of TFN and/or ABN

When your Holding Statement is mailed, you will also be mailed a form on which to provide your TFN and/or ABN should you wish to do so (see Section 5.1.8 ("**Provision of TFN and/or ABN**") of the Base Prospectus).

(d) Provision of bank account details for payments

Interest will be paid in Australian dollars by direct credit into nominated Australian financial institution accounts (excluding credit card accounts), for Holders with a registered address in Australia. For all other Holders, Interest will be paid by Australian dollar cheque. When your Holding Statement is mailed, you will also be mailed a form on which to provide your bank account details for payments of Face Value and Interest.

Corporate directory

Registered Office of the Issuer

Australian Unity Limited
114 Albert Road
South Melbourne VIC 3205

www.australianunity.com.au

Trustee

Australian Executor Trustees Limited
Level 22
207 Kent Street
Sydney NSW 2000

Legal Adviser

King & Wood Mallesons
Level 61, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Auditors

Ernst & Young
Level 23, 8 Exhibition Street
Melbourne VIC 3000

Registry

Link Market Services Limited
Level 1, 333 Collins Street
Melbourne VIC 3000

Arrangers and Joint Lead Managers

Evans and Partners Pty Ltd
Mayfair Building, 171 Collins Street
Melbourne VIC 3000

National Australia Bank Limited
Level 25, 255 George Street
Sydney NSW 2000

Joint Lead Manager

ANZ Securities Limited
Level 9, 833 Collins Street
Docklands VIC 3008

Co-Manager

Australian Unity Funds Management Limited
114 Albert Road
South Melbourne VIC 3205

Co-Manager

JBWere Limited
Level 16, 101 Collins Street,
Melbourne VIC 3000

Australian Unity Bonds Information Line

1800 550 560 (within Australia)
+61 1800 550 560 (outside Australia)
8:30 am to 5:30 pm (AEDST), Monday to Friday during the Offer Period

Website

www.australianunity.com.au/bonds

