

Australian Unity Bonds

Part B: Base Prospectus



Issuer

Australian Unity Limited ABN 23 087 648 888



Date of Base Prospectus: 9 November 2015

This Base Prospectus contains information that is relevant to all offers of simple corporate bonds ("Bonds") made by Australian Unity Limited during the period from 9 November 2015 to 9 November 2018 (the "Covered Period") subject to updates in the relevant Offer Specific Prospectus. To make an informed investment decision about a particular offer of Bonds, you must read this Base Prospectus together with the relevant Offer Specific Prospectus for the Tranche of Bonds you are considering investing in.

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1. **To make an informed investment decision about the Bonds, you should read the Offer Specific Prospectus and this Base Prospectus before investing.**

2. **About this Base Prospectus**

Australian Unity Limited (ABN 23 087 648 888) ("**Australian Unity**" or the "**Issuer**") may, from time to time, offer simple corporate bonds, which are unsecured and unsubordinated debt securities and are referred to in this Base Prospectus as Bonds. This Base Prospectus is dated 9 November 2015 and a copy was lodged with the Australian Securities and Investments Commission ("**ASIC**") on that date. This Base Prospectus will be the Base Prospectus for Bonds for three years from the time it is lodged with ASIC. There will be a separate Offer Specific Prospectus for each offer of Bonds during the life of this Base Prospectus. This Base Prospectus alone is not an offer of Bonds. The offer is contained in the Offer Specific Prospectus, this Base Prospectus and other information that is incorporated by reference into the Offer Specific Prospectus and this Base Prospectus. The Base Prospectus and the relevant Offer Specific Prospectus are together referred to in the Base Prospectus as the "Offer Documents". Neither ASIC nor ASX Limited ("**ASX**") take any responsibility for the contents of the Offer Documents or the merits of an investment in the Bonds. The Bonds are unsecured notes for the purposes of section 283BH of the Corporations Act.

3. **Documents relevant to the Bonds**

The Base Terms and the Trust Deed, which are incorporated by reference into this Base Prospectus, (see Section 3.6 ("**Trust Deed relating to Australian Unity**") of this Base Prospectus) are relevant to the Bonds and can be obtained from www.australianunity.com.au/bonds during the Covered Period.

Additional information about Australian Unity and the Bonds is publicly available through ASIC and ASX, or can be obtained from www.australianunity.com.au/bonds (see Section 2 ("**About the Bonds**") and Section 3 ("**About Australian Unity**") of this Base Prospectus).

4. **Obtaining the relevant Offer Specific Prospectus and other documents**

A link to electronic versions of the Offer Documents (and, during the Offer Period, the Application Form) and any other documents relevant to Australian Unity or the Bonds is at www.australianunity.com.au/bonds. If you access the relevant Offer Specific Prospectus and Base Prospectus electronically, the following conditions apply:

- you must download the entire Base Prospectus and the relevant Offer Specific Prospectus;
- your Application will only be valid where you have completed an Application Form that was attached to or accompanied by this Base Prospectus and the relevant Offer Specific Prospectus; and
- this Base Prospectus and the relevant Offer Specific Prospectus are available to you electronically only if you are accessing and downloading or printing the electronic copy of them in Australia.

Paper copies of this Base Prospectus and the relevant Offer Specific Prospectus 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).

5. **Applications for the Bonds**

Applications for the Bonds may only be made by filling out the Application Form accompanying the relevant Offer Specific Prospectus for that Tranche of Bonds during the period from the Opening Date to the Closing Date applicable to that offer (the relevant "**Offer Period**"). Information on who is eligible to apply for the Bonds and how to make an Application will be set out in the relevant Offer Specific Prospectus.

6. **Providing personal information**

You will be asked to provide personal information to Australian Unity (directly or via its agents) if you apply for the Bonds. See Section 5.2 ("**Privacy**") of this Base Prospectus for information on how Australian Unity and its agents collect, hold, and uses this personal information.

7. **Selling restrictions in foreign jurisdictions**

For details on the selling restriction that apply to the purchase of Bonds by investors in certain foreign jurisdictions, see Section 5.3 ("**Selling restrictions**") of this Base Prospectus.

8. **No representation other than in the Offer Documents**

No person is authorised to provide any information or to make any representation in connection with any Bonds that are 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.

9. **Defined words and expressions**

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

A reference to A\$ or Australian cents in the Offer Documents is a reference to Australian currency. A reference to time in the Offer Documents is a reference to Melbourne, Australia time unless otherwise stated.

10. **More information**

If you have any questions about the Bonds, you should seek advice from your financial advisor or other professional advisor. 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 to 5:30 pm AEST or AEDST (as applicable) during the Offer Period.

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**

ASIC and ASX have also published guidance for retail investors who are considering investing in bonds such as the Bonds. Information on where to obtain a copy of this guidance is set out in Section 2.2.1 ("**Other guidance from ASIC and ASX**") of this Base Prospectus.

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Section Two

About the Bonds

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More information on corporate 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.

2.1 Summary of the Programme

This Base Prospectus relates to a programme for the issuance of Bonds (“**Programme**”) established by Australian Unity under which Bonds may be issued in one or more series (each a “**Series**”) made up of one or more tranches (each a “**Tranche**”) during the Covered Period, subject to the publication of an Offer Specific Prospectus applicable to the relevant Tranche.

The relevant Offer Specific Prospectus will contain the terms and information specific to the Tranche, including:

- Face Value and Issue Price;
- Interest Rate;
- Interest Payment Dates;
- Issue Date;
- Maturity Date;
- Listing; and
- Selling restrictions.

Together with any other terms and conditions and information not set out in this Base Prospectus.

This Base Prospectus must be read together with the relevant Offer Specific Prospectus, which are together referred to as the “Offer Documents”. Details of where you can obtain a copy of the relevant Offer Specific Prospectus are set out on Australian Unity’s website at www.australianunity.com.au/bonds.

The following summary should be read in conjunction with the remainder of this Base Prospectus and the relevant Offer Specific Prospectus and any other documents incorporated by reference into the Offer Documents or referred to in the Offer Documents.

2.1.1 General

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| Issuer | Australian Unity Limited (ABN 23 087 648 888) | Section 3 of this Base Prospectus | 21 |
| Programme | <p>A simple corporate bond issuance programme under which Australian Unity may issue unsubordinated and unsecured simple corporate bonds (“Bonds”). The Bonds will be offered in one or more Series made up of one or more Tranches.</p> <p>Each Series of Bonds is likely to have different features from each other, including the Issue Date, Face Value, Maturity Date (which may not be later than 15 years after the Issue Date), Interest Rate, Interest Payment Dates and any other features described in the relevant Offer Specific Prospectus.</p> | Base Terms | |
| What is an Australian Unity Bond? | <p>An unsubordinated and unsecured debt obligation, issued by Australian Unity, which pays interest periodically. Each Australian Unity Bond is issued on and subject to the terms and conditions of the Series of Bonds set out in the Offer Documents and the Trust Deed.</p> | Base Terms | |
| Face Value and Issue Price | \$100 per Bond (unless a different amount is specified in the Offer Specific Prospectus). | Base Terms (Clause 1.3) | |
| Currency | Australian dollars. | | |
| Terms | The terms of the Bonds comprise the Base Terms as supplemented, amended, modified or replaced by the Offer Specific Terms set out in the relevant Offer Specific Prospectus. | <p>Base Terms</p> <p>Offer Specific Prospectus</p> | |

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| Key benefits | <ul style="list-style-type: none"> – Issued by Australian Unity – Regular payments of interest in cash which are calculated at either a fixed or a variable interest rate (comprised of a reference rate and a fixed margin) as specified in the relevant Offer Specific Prospectus – Interest is paid periodically (as specified in the relevant Offer Specific Prospectus) – Interest payments cannot be deferred by Australian Unity—they are not discretionary and must be paid on the Interest Payment Dates specified in the Offer Specific Prospectus – Will have a fixed term of up to a maximum of 15 years, as specified in the Offer Specific Prospectus – May be sold by investors on ASX prior to maturity, assuming there is a liquid market – Will rank equally with each other and at least equally with all other unsubordinated and unsecured creditors of Australian Unity. However, they rank behind any creditors mandatorily preferred by law and any secured creditors – Provide investors with an opportunity to diversify their investment portfolio <p>There are risks associated with investing in Australian Unity and the Bonds. These risks are outlined in Section 4 (“Key risks”) of this Base Prospectus. You must read the risk section along with the remainder of this Base Prospectus and the relevant Offer Specific Prospectus in full before deciding whether to invest in Bonds.</p> | Section 4 of this Base Prospectus | 33 |
| 2.1.2 Interest | | | |
| Interest is payable | The Bonds will pay Interest at either a fixed or floating Interest Rate which will be set out in the Offer Specific Prospectus. | Offer Specific Prospectus | |
| Interest Rate | <p>The Interest Rate for each Interest Period will be a fixed Interest Rate or a floating Interest Rate.</p> <p>If the Bonds have a fixed Interest Rate, the Interest Rate and the amount of Interest payable on each Interest Payment Date will be set out in the Offer Specific Terms.</p> <p>If the Bonds have a floating Interest Rate, the Interest Rate (expressed as a percentage per annum) for each Interest Period will be calculated according to the following formula:</p> <p>Interest Rate = Market Rate + Margin</p> <p>The Market Rate will be the “Bank Bill Rate” (or such other rate specified in the Offer Specific Terms) and the Margin will be the rate (expressed as a percentage per annum) which is specified in the Offer Specific Terms.</p> | Base Terms (Clause 2), Offer Specific Prospectus | |

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| Bank Bill Rate | <p>The Bank Bill Rate is the average mid-rate for prime bank eligible securities having a tenor closest to the Interest Period on the Bloomberg 'AFRS 1' screen page on the first day of each Interest Period.</p> <p>The Bank Bill Rate is a key benchmark interest rate for the Australian money market. It is currently based on an average of rates for the relevant period obtained from approved trading venues by the Australian Financial Markets Association.</p> <p>The Bank Bill Rate changes to reflect supply and demand within the cash and currency markets.</p> | <p>Definition of "Bank Bill Rate" in Section 6 ("Glossary")</p> | 51 |
| Calculation of Interest payable | <p>If a fixed interest payment amount is not specified in the Offer Specific Prospectus, Interest on each Bond for each Interest Period will be calculated using the following formula:</p> <p>Interest = Interest Rate x Face Value x Day Count Fraction</p> <p>where the Face Value, Interest Rate and Day Count Fraction are set out in the relevant Offer Specific Prospectus.</p> <p>Australian Unity will announce to ASX the applicable Interest Rate and the amount of Interest payable per Bond for each Interest Period.</p> <p>This announcement will be made as soon as practicable after Australian Unity makes its determination of the amount of Interest payable, but in any event, no later than the fourth Business Day of each Interest Period. The Interest Rate and Interest payable for an Interest Period will also be published on Australian Unity's website at www.australianunity.com.au/bonds.</p> | <p>Base Terms (Clause 2.5)</p> | |
| Interest payments are mandatory | <p>Interest payments are not deferrable and are mandatory. Failure to pay interest within 10 Business Days after the due date will constitute an Event of Default.</p> | <p>Base Terms (Clauses 2 and 6)</p> | |
| Interest Payment Dates | <p>Interest Payment Dates will be set out in the relevant Offer Specific Prospectus.</p> | <p>Offer Specific Prospectus</p> | |
| Interaction between the Interest Rate and the yield | <p>If a Series of Bonds pays a fixed Interest Rate, an increase in market interest rates may cause the trading price of the Bonds to fall more than an equivalent Bond that pays a floating Interest Rate. This may also affect the yield on the Bonds.</p> <p>If a Series of the Bonds pays a floating Interest Rate then the Interest Rate will fluctuate (both increase and decrease) over time with movements in the Market Rate. This may also affect the yield on the Bonds. Holders should refer to the ASX guidance (referred to in Section 2.2 of this Base Prospectus) which explains the measures of return on bonds generally.</p> | <p>Section 4 of this Base Prospectus</p> | 33 |

2.1.3 Term, Maturity, Redemption and Events of Default

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| Term / Maturity Date | The Bonds will have a fixed term of no more than 15 years and the Maturity Date will be specified in the relevant Offer Specific Prospectus. | Offer Specific Prospectus |
| Repayment of Face Value on the Maturity Date | <p>On the Maturity Date, Holders will receive:</p> <ul style="list-style-type: none"> – the Face Value; plus – the final payment of Interest for the period from (and including) the preceding Interest Payment Date to (but excluding) the Maturity Date, unless the Bonds are Redeemed early in the circumstances set out below. | Base Terms (Clause 5.1), Offer Specific Prospectus |
| Early Redemption rights for Australian Unity | <p>Australian Unity will have the right (but not the obligation) to Redeem all (but not some) of the Bonds prior to the Maturity Date on the occurrence of a Tax Event or a Change of Control Event or if a Clean Up Condition subsists.</p> <p>A “Tax Event” will occur if, as a result of a change in a law or in the application or interpretation of a law, there is a more than insubstantial risk that:</p> <ul style="list-style-type: none"> - any payment to a Holder under an Australian Unity Bond will be subject to an amount of withholding or deduction in respect of any Taxes or other governmental charges for which Australian Unity must pay an Additional Amount; or - payment of Interest will not be allowed as a deduction for the purposes of Australian Unity’s Australian tax. <p>A “Clean Up Condition” will subsist in respect of a Series if less than 10 percent of the aggregate Face Value of the Bonds of that Series remain on issue.</p> <p>In order to exercise the above Redemption rights, Australian Unity must satisfy certain notification and timing requirements which are set out in Clause 5 of the Base Terms (and may also be specified in the Offer Specific Terms).</p> <p>On Redemption, Holders will be paid the “Redemption Amount”, being the Face Value of each Bond and any accrued Interest to (but excluding) the Redemption Date.</p> <p>Early Redemption on the occurrence of a Change of Control Event is described below.</p> | <p>Base Terms (Clause 5.3, 5.4 and 5.5)</p> <p>Offer Specific Prospectus</p> |

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| <p>Early Redemption on the occurrence of a Change of Control Event</p> <p>If a Change of Control Event occurs, the Holders may, by passing a Holder Resolution, direct the Trustee to require Australian Unity to redeem all (but not some) of the Bonds of a Series. The Trustee is not bound to take action to require the Redemption unless a Holder Resolution has been passed and it has been indemnified in accordance with the Trust Deed. The Issuer also has an option to Redeem all (but not some) of the Bonds of a Series on the occurrence of a Change of Control Event.</p> <p>Broadly, a “Change of Control Event” will occur if either:</p> <ul style="list-style-type: none"> - Australian Unity is demutualised in accordance with its Constitution; or - if Australian Unity is demutualised but the Bonds of the Series are not Redeemed, there is a change (from the circumstances prevailing following the demutualisation) such that any person or persons acting together who control Australian Unity cease to have that control (or a person or persons acting together not having control of Australian Unity acquire control of Australian Unity). <p>Broadly, Australian Unity would be demutualised if its status as a mutual company changed to a company with shareholders and share capital. Refer to Section 3.2.2 of this Base Prospectus, which describes “Demutualisation”.</p> <p>A “Holder Resolution” is defined in Clause 12.4 of the Base Terms, and broadly means that more than 50 percent of Holders of the Bonds of the Series (or Holders of 50 percent of the Face Value of all outstanding Bonds of the Series) vote in favour of the resolution proposed.</p> <p>Australian Unity must inform Holders and make an announcement to ASX if a Change of Control Event occurs as soon as reasonably practicable after the occurrence.</p> <p>Clause 5.4 of the Base Terms sets out certain notification and timing requirements which apply in respect of a Redemption on the occurrence of a Change of Control Event. Such information may also be specified in the Offer Specific Terms.</p> | <p>Base Terms (Clause 5.4) and Section 3.2.2 of this Base Prospectus</p> <p>Holders should refer to the definitions of “Change of Control Event” and “Demutualisation” in Clause 12.4 of the Base Terms for further detail on what constitutes a change of control of Australian Unity.</p> | |
| <p>Repayment upon early Redemption</p> <p>If the Bonds are Redeemed before the Maturity Date, you will receive the Redemption Amount being:</p> <ul style="list-style-type: none"> - the Face Value; plus - the accrued Interest for the period from (and including) the preceding Interest Payment Date to (but excluding) the Redemption Date. | <p>Base Terms (Clause 5.3, 5.4 and 5.5)</p> <p>Offer Specific Prospectus</p> | |

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| Events of Default | <p>An “Event of Default” will occur in relation to a Series of Bonds if:</p> <ul style="list-style-type: none"> – Australian Unity fails to pay within 10 Business Days after the due date any amount payable by it under any Australian Unity Bond. – Australian Unity fails to comply with any of its other obligations under the terms of the Bonds or the Trust Deed and such failure remains unremedied for a period of 30 Business Days after Australian Unity has received written notice from the Trustee in respect of the failure. – An Insolvency Event occurs in respect of Australian Unity. – Australian Unity ceases or suspends the conduct of all of its business. <p>Any further Events of Default will be set out in the relevant Offer Specific Prospectus.</p> | Base Terms (Clause 6.1), Offer Specific Prospectus |
| Consequences of an Event of Default | <p>If an Event of Default occurs and is continuing in relation to the Bonds of a Series, the Trustee may in its discretion declare the Face Value (together with all accrued but unpaid Interest (if any)) to be immediately due and payable to the Holders.</p> <p>The Trustee is not bound to take the action referred to above in relation to an Event of Default unless it is directed by Special Resolution of Holders or requested in writing by the Holders, which hold in aggregate one half or more of the Face Value of the Bonds of the relevant Series then outstanding to do so (and has been indemnified as required under the Trust Deed and is not otherwise restricted by law from doing so).</p> <p>A “Special Resolution” is defined in Clause 12.4 of the Base Terms, and broadly means that at least 75 percent of Holders of the Bonds of the Series (or Holders of at least 75 percent of the Face Value of all outstanding Bonds of the Series) vote in favour of the resolution proposed.</p> | Base Terms (Clause 6.3) |
| Guarantee | <p>The payment obligations of the Issuer under the Bonds are not guaranteed by any Subsidiary of Australian Unity nor any other party.</p> | |

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| 2.1.4 Covenants – Negative pledge, gearing and restrictions on the incurrence of indebtedness by Subsidiaries of Australian Unity | | |
| 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:</p> <ul style="list-style-type: none"> - 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 percent of Total Equity. <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> <p>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.</p> | Base Terms (Clause 4.1) |
| Covenant Gearing Ratio limit (applies if specified in the Offer Specific Prospectus) | <p>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 (or the percentage specified in the Offer Specific Prospectus).</p> <p>The “Covenant Gearing Ratio” is as follows:</p> <p style="text-align: center;"><u>Gearing Ratio Debt</u></p> <p style="text-align: center;">Gearing Ratio Debt + Gearing Ratio Equity</p> <p>“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.</p> <p>“Gearing Ratio Equity” means Total Equity less ADI Equity.</p> <p>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 Funds equal liabilities of the Benefit Funds.</p> <p>A more detailed explanation of the Covenant Gearing Ratio is in section 3.8.2 of this Base Prospectus.</p> | Base Terms (Clause 4.2) |

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| Restrictions on Subsidiary Indebtedness | <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> <p>"Financial Indebtedness" is defined broadly in Clause 12.4 of the Base Terms.</p> <p>The covenant does not apply to the following:</p> <ul style="list-style-type: none"> - 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>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>References to "Australian Unity Group" above have the meaning given in Clause 12.4 of the Base Terms.</p> <p>"Limited Recourse Debt" is Financial Indebtedness of certain Subsidiaries of Australian Unity which is incurred in relation to the purchase, construction, development or operation of an asset (or the income or cashflow from those assets) or shares or units issued by that entity or those entities and the financier otherwise has no guarantee from any member of the Australian Unity Group (as defined in clause 12.4 of the Base Terms) which is not involved in the purchase, construction, development or operation of such asset or any security over any other assets of the Australian Unity Group, and includes a refinancing of any such Financial Indebtedness.</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> | <p>Base Terms (Clause 4.3), Offer Specific Prospectus</p> |
| 2.1.5 Security and ranking | | |
| Security | <p>The Bonds are unsecured. This means that they are not secured against any asset of Australian Unity or any of its Subsidiaries or any other person.</p> | <p>Base Terms (Clause 3), Offer Specific Prospectus</p> |

Ranking on a winding up of Australian Unity

On a winding up of Australian Unity, the Bonds of all Series will rank for payment of Face Value and accrued and unpaid Interest equally with each other and at least equally with all other unsubordinated and unsecured obligations of Australian Unity (other than any obligations preferred by mandatory provisions of applicable law, including employee entitlements and secured creditors).

The table below illustrates how the Bonds would rank on a winding up of Australian Unity:

| Type | Illustrative examples ² | |
|-----------------------------------|--|------------|
| Preferred and secured debt | Liabilities preferred by law including employee entitlements and secured creditors | |
| Unsubordinated and unsecured debt | Bank facilities, Bonds ³ and notes (including the Bonds), trade and general creditors | Bonds ← |
| Subordinated instruments | Any preference shares or other securities expressed to rank behind unsubordinated and unsecured debt | |
| Equity securities | Member interests in Australian Unity | |

Base Terms (Clause 3),
Offer Specific Prospectus

Australian Unity is a non-operating holding company and a substantial majority of its assets are its investments in other members of the Australian Unity Group. As a non-operating company, Australian Unity is dependent upon intercompany transfers of funds from other members of the Australian Unity Group to meet its obligations under the Terms.

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.

Information on the facility limits and amounts currently drawn down on Australian Unity Group's existing financing facilities will be set out in Section 3 of the relevant Offer Specific Prospectus.

Further issues of securities

Australian Unity may, from time to time, issue additional Series of Bonds in accordance with this Base Prospectus and the relevant Offer Specific Prospectus that will be issued at the time of that offering.

Australian Unity will use its reasonable endeavours to ensure that each Series of Bonds will be quoted on a stock exchange under a code specified in the relevant Offer Specific Prospectus.

Base Terms (Clauses 1.8 and 10.4)
Offer Specific Prospectus

Australian Unity also has the right to issue other securities that have the same or different terms and conditions to the Bonds. These securities may rank equally with or behind the Bonds.

² This diagram and the descriptions are simplified and illustrative only, and do not include every type of security or obligation that may be issued or entered into by Australian Unity, or every potential claim against Australian Unity in a winding up. Australian Unity will from time to time issue additional securities or incur other obligations that rank ahead of, equally with, or behind, the Bonds subject to the restrictions on the granting of security for Relevant Indebtness described in Section 2.1.4 (Negative Pledge).

³ The Trust Company (Australia) Limited has the benefit, on behalf of holders of the 2011 Notes, of a security interest in respect of the 2011 Notes which would be discharged and released upon repayment of the 2011 Notes in April 2016. The Bonds place only limited restrictions on Australian Unity granting security for other Indebtness as described under Section 2.1.4 (Negative Pledge).

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| 2.1.6 Further information | | | |
| Payments and gross up | <p>Payments of Interest will be made to Holders registered at 5:00 pm on the Record Date (which is 8 calendar days prior to the Interest Payment Date unless another date is notified by Australian Unity). Payments of principal will be made to Holders registered at 10:00 am on the relevant Maturity Date or Redemption Date. Payments will be made by direct credit to the Holder's bank account, although Australian Unity has the right to decide to make payments by cheque.</p> <p>If Australian Unity is required to make a withholding or deduction in respect of taxes imposed in Australia in respect of the Bonds, Australian Unity will, subject to certain exceptions, pay Additional Amounts so that the Holders will receive the amounts they would otherwise have received if no withholding or deduction were required. Holders should be aware that if Australian Unity is required to pay an Additional Amount it will have the right to Redeem the Bonds (see Section 2.1.3 of this Base Prospectus).</p> | Base Terms (Clause 5, 8 and 9) | |
| No voting rights of Holders | Holders do not have a right to vote at meetings of members of Australian Unity. However, Holders are entitled to vote on certain matters that affect their rights under the Trust Deed. | Base Terms (Clause 10.2), Trust Deed | |
| Taxation implications | You should seek professional tax advice that takes into account your particular circumstances before deciding whether to invest in the Bonds. | Section 5 of this Base Prospectus | 43 |
| Listing | The Bonds are expected to be listed on the ASX. | Offer Specific Prospectus | |
| Amendment of Terms | <p>Australian Unity may, with the approval of the Trustee, but without the consent of Holders, amend the terms of a Series of Bonds if Australian Unity is of the opinion that the amendment is of a formal or technical or minor nature, is made to cure any ambiguity or correct any manifest or proven error, is necessary or expedient for the purposes of listing the Bonds, offering the Bonds for subscription or sale or complying with the provisions of any statute or the requirements of any statutory authority or other regulation, or in any other case where such amendment is not materially prejudicial to the interests of Holders of that particular Series as a whole.</p> <p>Other amendments to the terms of a Series of Bonds may be made with consent obtained through a properly convened meeting of Holders of that Series pursuant to the Base Terms and the Trust Deed.</p> | Base Terms (Clause 10.3) | |
| Trust Documents | <p>The terms and conditions of the Bonds are set out in the Trust Deed.</p> <p>The Trust Deed is incorporated by reference and is available from www.australianunity.com.au/bonds.</p> | <p>Section 5.5 of this Base Prospectus</p> <p>Base Terms</p> | 49 |
| Trustee | <p>The Trustee for Holders of the Bonds is Australian Executor Trustees Limited ACN 007 869 794.</p> <p>The Trustee holds on trust (for the benefit of Holders) the right to enforce Australian Unity's obligations in respect of the Bonds. The Trustee does not guarantee repayment of the Face Value of the Bonds or the payment of Interest on the Bonds.</p> | <p>Section 6 of this Base Prospectus</p> <p>Base Terms</p> | 51 |

| | | Further information | Page |
|-----------------------------|--|---|------|
| 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 a Stock Exchange. | Offer Specific Prospectus | |
| Selling restrictions | The distribution of the Offer Documents, the offer or sale of Australian Unity Bonds may be restricted by laws in certain jurisdictions. Certain selling restrictions are set out in Section 5.3 of this Base Prospectus. | Section 5.3 of this Base Prospectus | 47 |
| Governing law | Victoria, Australia. | Section 5.7 of this Base Prospectus, Base Terms (Clause 10) | 50 |

2.2 How a bond works

A bond is an agreement between a company and an investor that the investor will lend the company an amount of money, which the company will repay to the investor at the end of an agreed period. The “face value” of a bond represents the principal amount that the company has promised to repay to the investor and is the basis for the calculation of the interest payable on the bond. Generally, the issue price (ie, the amount that the investor pays the company for the bond) is the same amount as the face value (unless otherwise specified).

While the company is borrowing the money, the company will periodically pay interest to the investor. The amount of interest payable on each bond is equal to the face value multiplied by the agreed interest rate. Interest is payable periodically.

If bonds are listed on a stock exchange and an investor does not wish to hold the bonds for the whole term, the investor can sell them on the stock exchange. However, depending upon the price at which the bonds are trading on the stock exchange, the bonds may be sold for an amount more, less or equal to face value.

Bonds may be considered as part of a diversified investment plan. In an investment portfolio, bonds may perform a different role to conservative investments such as savings and deposit accounts, as the market value of bonds can go up and down depending on economic conditions and interest rates.

The main risks of investing in bonds include:

- the company issuing the bonds may experience financial difficulty, meaning it may not make interest payments when they are due;
- the company issuing the bonds may go out of business entirely, meaning that investors may not be repaid; and
- investors may not be able to sell their bonds on the stock exchange to exit the investment before the maturity date, or may only be able to do so at a loss if there are not enough willing buyers of the bonds.

2.2.1 Other guidance from ASIC and ASX

ASIC and ASX have published guidance for retail investors who are considering investing in bonds such as the Bonds.

ASIC’s guidance is called “Investing in corporate bonds?” and can be found at www.moneysmart.gov.au. Free copies of this publication can also be obtained by calling ASIC on 1300 300 630 (from Australia) or +61 3 5177 3988 (from outside Australia).

ASX’s guidance is called “Understanding Bonds” and can be found at <http://www.asx.com.au/products/bonds.htm>. Free copies of this publication can also be obtained by calling ASX on 131 279 (within Australia) or +61 2 9338 0000 (outside of Australia).

For a further explanation of how a bond works, please refer to www.moneysmart.gov.au.

2.2.2 Other guidance in this Base Prospectus

Bonds such as the Australian Unity Bonds have certain risks. You should read Section 4 (“**Risks**”) of this Base Prospectus for information about the key risks associated with the Bonds.



3.1 Information about Australian Unity and the Bonds

A publicly listed company must release financial reports and continuously disclose information that may have an impact on the price of its listed securities. This information is available publicly on the relevant market exchange. You should consider this information when making an investment decision about Bonds. While this information is important, it is not considered part of the disclosure document for the offer of Bonds using this Base Prospectus. Copies of documents lodged with ASIC in relation to Australian Unity may be obtained from, or inspected at an ASIC office. Copies of documents lodged with ASX can be obtained from www.asx.com.au.

In addition, the following information can be obtained from Australian Unity's website:

- Australian Unity's annual financial reports; and
- Continuous disclosure notices submitted by Australian Unity to ASX.

3.2 Business description

3.2.1 Overview

Australian Unity is the Issuer of the Bonds and the ultimate holding company of the Australian Unity Group.

The Australian Unity Group is an Australian healthcare, retirement living, investments and personal financial services organisation.

3.2.2 Mutual Organisation

Australian Unity is a mutual organisation limited by shares and guarantee and no shares are issued. Being a mutual, Australian Unity is governed by, and for the benefit of, its members. Only customers and staff are eligible to become members of Australian Unity. The Australian Unity Group's history as a mutual dates back 175 years.

Australian Unity has not issued share capital and so does not pay dividends to shareholders (as it does not have any). Profits are reinvested into the growth of wellbeing services and products.

Australian Unity would be "Demutualised" (within the meaning given in its constitution) if an arrangement is implemented which would have the purpose or effect of creating or issuing shares in Australian Unity, varying the rights of members of Australian Unity to the reserves of Australian Unity or its assets on a winding-up or to vote on a resolution or to terminate some or all rights of members.

3.2.3 The Australian Unity Group Portfolio

Australian Unity aims to engage millions of people to enjoy wellbeing and build a commercial and sustainable portfolio of businesses that foster wellbeing by assisting customers and members to be proactive about their physical, social and financial quality of life.

The Australian Unity Group portfolio is made up of many interconnected businesses held through a number of Subsidiary companies that deliver these wellbeing services. Cash generated by Australian Unity's operating Subsidiaries is made available to Australian Unity by way of periodic dividends, returns of capital and/or intra-group loan arrangements and is used by Australian Unity to fund growth and meet its liabilities.

The diagram below sets out the principal activities of each business area:

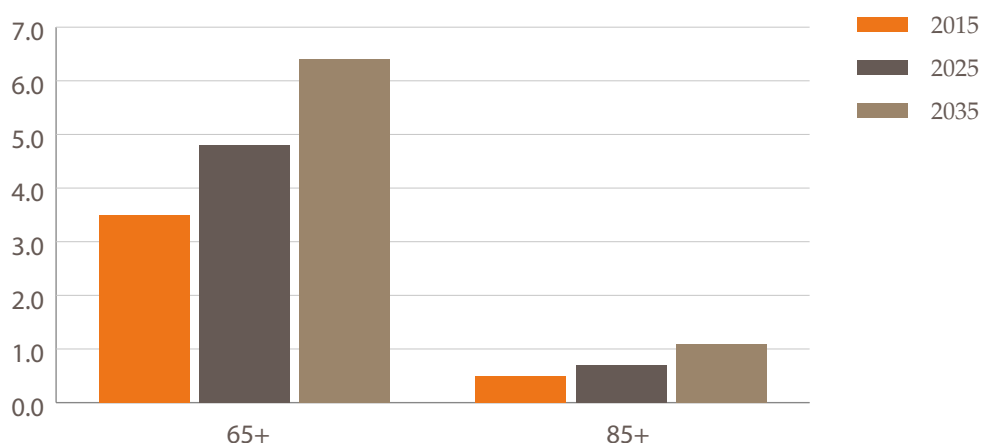


Link to ageing

The Australian Unity Group's portfolio of businesses aims to foster wellbeing throughout a customer's life.

According to the Australian Bureau of Statistics *Population Projections, 2012 (Base) to 2101* report, Australia's population is increasing and is getting older. The Australian Unity Group expects its core businesses to benefit from the underlying trend of ageing in Australia's population. These ageing trends, as estimated by the Australian Bureau of Statistics, are shown in the charts below.

Australia's increasing population of over 65s (m)



Source: ABS 3222.0 Population Projections, Australia, 2012 (base) to 2101

Regulation

Australian Unity Group's business operations are extensively regulated, including by the Australian Prudential Regulation Authority ("APRA") (health insurance, friendly society benefit funds (e.g. Lifeplan Funds Management), building society and life insurance), ASIC (corporate and financial services), ASX (the Bonds and the 2011 Notes), state regulators (retirement villages), Commonwealth regulators (private health insurance, aged care and home care) and the regulation of trade practices by the Australian Competition and Consumer Commission. Australian Unity is also registered as a non-operating holding company under subsection 28A(3) of the *Life Insurance Act 1995* (Cth) and regulated by APRA under that designation.

3.2.4 Healthcare

Australian Unity's Healthcare business combines the provision of health insurance with the delivery of healthcare services including dental, hospital in the home, rehabilitation in the home, chronic disease management and other preventative health services. The business is committed to helping members manage their health risk factors before they develop a chronic disease, to better manage their long term conditions, to better co-ordinate care and to get people from hospital into the comfort of their own home as soon as possible.

The key activities of Australian Unity Healthcare are detailed below:

- **Private Health Insurance**

Australian Unity operates a retail health insurance business and a specialist corporate health insurance business.

The retail health insurance business provides hospital cover and extras cover (or a combination) under the "Australian Unity" brand.

The corporate health insurance business operates under the "GU Health" brand and is focussed solely on providing health insurance products to corporates.

- **Allied Health**

The Allied Health business provides dental services, hospital substitution services, preventative health coaching and chronic disease management programs.

Australian Unity Group's Remedy Healthcare business offers health coaching, chronic disease management programs, early discharge services, hospital in the home and rehabilitation in the home for members and customers.

Services including general and advanced dental care as well as cosmetic dentistry are provided through dental clinics operating under the "Australian Unity" brand.

3.2.5 Retirement Living

The Australian Unity Group's Retirement Living business is an established operator of retirement communities, residential aged care and home care services. Australian Unity Group's approach is to provide a range of services from an integrated location, wherever possible. This approach means residents can continue to stay in the home and community of their choosing with access to the necessary care and wellbeing services they may require as they age.

The key activities of Retirement Living are detailed below:

- **Retirement Communities**

Australian Unity owns and operates a portfolio of retirement communities that provide independent accommodation in the form of studio and one to three bedroom units, villas and apartments.

- **Aged Care**

The Aged Care business provides accommodation and care to people who can no longer live independently due to health reasons, but who do not require acute hospital care.

- **Home Care**

Australian Unity is a provider of home care services through a range of government and privately funded packages across older Australians, veterans and people with disabilities. Services include: personal care, domestic help, meal preparation, transport, allied health services, respite care, medication management and community nursing.

3.2.6 Investments

Australian Unity 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.

The key activities of Australian Unity Investments are detailed below:

- **Funds Management**
The Australian Unity Group offers expertise in fixed interest and Australian, global and Asian microcap equity investments through joint venture arrangements with specialist asset managers.
- **Real Estate Investment**
Australian Unity offers investors exposure to real estate investments through a range of property trusts.
- **Investment Bonds**
Lifeplan Australia Friendly Society Ltd, a Subsidiary of Australian Unity, is a leading provider of investment bonds (being investments issued under the *Life Insurance Act 1995* (Cth) which may offer tax efficiency to some investors), funeral bonds and education savings plans.
- **Big Sky**
Big Sky is an ADI which originates both home loans and retail deposit products as well as offering financial advice to its customers.

3.2.7 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.

The key activities of Australian Unity Personal Financial Services are detailed below:

- **Financial Planning**
Financial services are provided to retail clients and to employers and employer groups, predominately on a fee-for-service basis. Australian Unity provides personal financial advice on a range of matters such as investments, securities, margin lending and superannuation. Employers and employer groups are also provided with financial advice in relation to investments within corporate superannuation funds and group insurance arrangements.
- **Finance Broking**
Mortgage and finance broking services are provided to clients for personal (home loans, investment loans, car loans) and commercial (equipment finance, commercial loans, business loans) purposes.
- **General Insurance**
Australian Unity Group's general insurance broking service enables it to provide individual clients, businesses and corporations with insurance products, such as home and contents, travel, motor vehicle, consumer credit, caravan and boat insurance as well as commercial products, such as property, professional indemnity, liability, marine and business insurance.
- **Trust and Estate Administration Services**
Australian Unity Personal Financial Services also operates a trust and estate administration services business that provides services to executors by assisting in the administration of deceased estates, as administrator for clients who cease to have legal capacity, in the form of estate planning and probate administration. At the date of this document, the business has applied to become a licensed trustee company with ASIC.

3.3 Directors and senior management

3.3.1 Board of Directors

Australian Unity's Board of Directors comprises:

- **Glenn Barnes** – Chairman
- **Rohan Mead** – Group Managing Director and CEO
- **Peter Promnitz** – Non-Executive Director, Deputy Chairman and Chairman-Designate
- **Melinda Cilento** – Non-Executive Director
- **Eve Crestani** – Non-Executive Director
- **Stephen Maitland** – Non-Executive Director
- **Su McCluskey** – Non-Executive Director
- **Greg Willcock** – Non-Executive Director

Information on Australian Unity's Directors is regularly updated on Australian Unity's website at www.australianunity.com.au/about-us/membership-and-governance/governance/board-of-directors and is updated in each annual report lodged by Australian Unity with the ASX.

3.3.2 Senior Management

Australian Unity Group's group leadership team is led by a Managing Director and Chief Executive, who is supported by a senior management team made up of the various divisional heads and strategic business unit chief executives. As at the date of this document, Australian Unity's group leadership team is as follows:

- **Rohan Mead** – Group Managing Director and CEO
- **David Bryant** – Chief Executive Officer, Investments and Chief Investment Officer
- **Anthony Connon** – Strategic Adviser to the Group Managing Director
- **Steve Davis** – Chief Executive Officer, Personal Financial Services
- **Verran Fehlberg** – General Counsel, Company Secretary and Chief Risk Officer
- **Amanda Hagan** – Chief Executive Officer, Healthcare
- **Kimina Lyall** – Group Executive, Corporate Development
- **Kevin McCoy** – Chief Financial Officer
- **Derek McMillan** – Chief Executive Officer, Retirement Living
- **Jane Petersen** – Group Executive, Human Resources
- **Tahir Tanveer** – Group Executive, Business Technology

Information on Australian Unity's Group Leadership Team is regularly updated on Australian Unity's website at www.australianunity.com.au/about-us/membership-and-governance/governance/group-leadership and is updated in each year's annual report.

3.4 Business Strategy

Australian Unity Group's strategy is to build a leading, commercial, sustainable, portfolio of businesses that foster wellbeing. This includes:

- developing longer term plans to extend the reach of services and products that serve the wellbeing needs of Australians;
- influencing public policy in positive and constructive ways;
- optimising the management and operation of existing businesses to achieve continued organic growth and operational efficiencies; and
- building a financially strong company with a balanced approach to risk.

As part of this overall approach, Australian Unity aims to play a part in addressing the "social infrastructure challenge" arising from the ageing population, marked increases in chronic disease and insufficient retirement savings.

3.5 Governance arrangements

Good corporate governance is a fundamental aspect of the Australian Unity Group's culture and business practices, with the key facets of the Australian Unity's Group Governance Structure being outlined below:

Australian Unity Board of Directors

- Comprises a majority of directors who are non-executive and judged to be independent by the board.
- The Board's responsibility is outlined in the Board Charter and includes items such as: appointment of the Group Managing Director, approval of the Australian Unity Group's business strategies, approval of delegates and approval of Group policies.

Board Committees

- Various Board Committees are established for the purpose of advising the Group's Leadership Team and maintaining appropriate standards.
- As at the date of this document, the Board has four Board Committees being: the Audit and Compliance, Risk, Investment and Human Resources, Remuneration and Nominations Committee (the "**HR Committee**"). Please refer to Australian Unity's website for updated information on the Board Committees.

Remuneration

- Australian Unity's Remuneration Policy, which was developed by the Board on the advice of the HR Committee, sets out the framework for rewarding all directors, officers and employees of the Australian Unity Group.

Audit

- The Australian Unity Group has both internal and external auditors.
- The role of Australian Unity's Internal Audit Group is to provide independent, objective assurance and consulting services to the Australian Unity Group's operations.
- The role of Australian Unity's External Auditor is to conduct an audit of the Australian Unity Group's financial report and report to members in accordance with the *Corporations Act*.

Regulatory Framework

For further information on the Governance Arrangements of Australian Unity, please refer to Australian Unity's annual report released in September or October of each year as available on www.australianunity.com.au/annualreports.

3.6 Trust Deed relating to Australian Unity

The Trust Deed dated 9 November 2015 is the agreement between Australian Unity and the Trustee in relation to the Trustee's role. It has been incorporated by reference and as such forms part of the Offer of the Bonds. It is available at www.australianunity.com.au/bonds.

The Trust Deed constitutes the Bonds. Australian Unity has undertaken to the Trustee to pay amounts due and payable in respect of each Bond in accordance with the Trust Deed. Australian Unity makes a number of covenants with the Trustee for the benefit of Holders including to comply with its obligations under the Bonds and Chapter 2L of the *Corporations Act*.

3.7 Role of the Trustee

The *Corporations Act* requires that when debt securities such as the Bonds are offered and a prospectus is required, Australian Unity must appoint a trustee to help protect the interests of investors and to facilitate the ongoing monitoring of Australian Unity. An issuer is obliged to report regularly to the trustee, including quarterly reports, information about security interests and half-yearly and annual financial reports.

Australian Unity has appointed Australian Executor Trustees Limited (ACN 007 869 794) as the Trustee for Holders of the Bonds. Under the Trust Deed, the Trustee holds on trust (for the benefit of Holders) the right to enforce Australian Unity's obligations in respect of the Bonds. The Trustee has the power to call meetings of the Holders and provide information to and make recommendations to the Holders. The Trustee is not responsible for monitoring any breach of the Trust Deed, the occurrence of any Event of Default under the Terms, Australian Unity's compliance with the Trust Deed or Australian Unity's businesses except as required by law. In this regard, the Trustee has a statutory duty to exercise reasonable diligence to ascertain:

- (a) whether the property of Australian Unity that is or should be available (whether by way of security or otherwise) will be sufficient to repay the amount deposited or lent when it becomes due; and
- (b) whether Australian Unity has committed any breach of the Terms, the provisions of the Trust Deed or Chapter 2L of the *Corporations Act*.

3.8 Financial information

3.8.1 Financial statements

Australian Unity's annual reports contain the consolidated statement of comprehensive income and consolidated balance sheet for each financial year end and are available from Australian Unity's website at <http://www.australianunity.com.au/annualreports>.

3.8.2 Key Financial ratios

Corporations Act Prescribed Ratios

The *Corporations Act* requires Australian Unity to disclose certain Key Financial Ratios, calculated in accordance with Corporations Regulation 6D.2.06, that are relevant to Australian Unity. These are a Gearing Ratio (total liabilities divided by total equity), a Working Capital Ratio (current assets divided by current liabilities) and an Interest Cover Ratio (EBITDA divided by net interest expense), in each case for the consolidated Australian Unity Group.

The prescribed Key Financial Ratios are not used as the basis for the covenants which are included in the Terms (described in Section 2.1.4), so any change in the prescribed Key Financial Ratios does not affect the rights of Holders.

Australian Unity does not consider the prescribed Key Financial Ratios to be a reliable measure of the capacity of Australian Unity to meet its obligations to Holders under the Bonds. A better measure of Australian Unity's ability to meet its obligations under the Bonds is given by the Covenant Gearing Ratio and the AU Interest Cover Ratio (both of which exclude the financial position of Big Sky and the Benefit Funds, among other things).

The Covenant Gearing Ratio is the gearing ratio typically used by the business and for certain of Australian Unity's credit facilities, and in particular, is a provision of the Bonds. The AU Interest Cover Ratio is the interest cover ratio typically used by the business and for certain of Australian Unity's credit facilities.

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

The prescribed Key Financial Ratios must take into account the financial position of Big Sky and the Benefit Funds (as consolidated Subsidiaries of the Australian Unity Group). However:

- Big Sky is an ADI which is funded by taking in deposits. Many of these deposits are on-demand (that is, they are current liabilities of Big Sky). Big Sky then lends money as mortgages (which are non-current assets). Big Sky aims to profit from lending money (that is, it earns more in interest than it pays out) and this has a significant impact on the Gearing Ratio (which is very high), Working Capital Ratio (which is low) and Interest Cover Ratio (which is negative).
- Prudent levels of gearing and solvency in an ADI such as Big Sky are regulated by prudential regulations through a prescribed capital adequacy ratio which must be maintained and a liquidity standard with which Big Sky must comply.
- The Benefit Funds are funds established under the Life Insurance Act and are in the business of providing life insurance. Life insurance companies are regulated under the Life Insurance Act. Prudential standards made under the Act require the Benefit Funds to maintain net assets at certain levels and limit their borrowings. The *Life Insurance Act* requires assets in each Benefit Fund to be held for the benefit of claimants on that Benefit Fund, and restricts the ability of any surplus to be distributed to the Australian Unity Group.

- Big Sky and the Benefit Funds do not provide guarantees of other members of the Australian Unity Group (and other members of the Australian Unity Group do not provide guarantees of Big Sky or the Benefit Funds).

The financial position of each of Big Sky and the Benefits Funds meets the requirements of prudential regulation and they are expected to meet their obligations on a stand-alone basis.

Gearing Ratio

The Gearing Ratio is calculated in accordance with Regulation 6D.2.06(3) of the Corporations Regulations and is as follows:

$$\text{Gearing Ratio} = \frac{\text{Total liabilities}}{\text{Total equity}}$$

The Gearing Ratio provides an indication of a company's ability to repay its debts and focuses on the balance sheet of the company. The application of the Gearing Ratio to Australian Unity is not reliable because of the distortions produced by the ADIs and Benefit Funds (described below).

Covenant Gearing Ratio

The Covenant Gearing Ratio is a covenant included in the Terms of the Bonds.

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

The Covenant Gearing Ratio also excludes non-interest bearing liabilities to provide a more accurate measure of the extent to which Australian Unity actively borrows in financial markets to fund its growth plans. In general, liabilities can be considered as either operational in nature or borrowings. In the case of Australian Unity, operational liabilities may include items such as trade and other payables, deferred tax liabilities, refundable accommodation deposits and resident loan liabilities, while borrowings may include items such as bank facilities, Australian Unity Bonds and interest bearing Retirement Village Investment Notes. Please refer to each year's Australian Unity Annual Report for further information on operational liabilities and borrowings.

Junior Ranking Obligations, such as subordinated debt, are also included in the calculation of the Covenant Gearing Ratio as equity, as these will rank behind the Bonds in a winding up of Australian Unity.

An increase in the Covenant Gearing Ratio may indicate that Australian Unity's leverage has increased, and the ability to repay the Bonds at maturity has diminished. An increase in the Covenant Gearing Ratio over the percentage specified in the Offer Specific Terms may also indicate an increase in the likelihood of Australian Unity otherwise defaulting under the Terms.

Comparison of the Gearing Ratio to the Covenant Gearing Ratio

| | Gearing Ratio | Covenant Gearing Ratio |
|---------------------------------|--|---|
| Basis | Calculated in accordance with regulation 6D.2.06(3) | Calculated in accordance with Clause 4.2 of the Base Terms |
| Formula | $\frac{\text{Total liabilities}}{\text{Total equity}}$ | $\frac{\text{Gearing Ratio Debt}}{\text{Gearing Ratio Debt} + \text{Gearing Ratio Equity}}$ |
| Ratio as at 30 June 2015 | 697.9% | 31.5% |
| Calculation (Numerator) | Total Liabilities | Total Liabilities ⁴ Add: Consolidated guarantees ⁵ Subtract: ADI guarantees ⁶ Benefit fund policyholder liabilities ⁷ ADI interest bearing liabilities ⁸ Other (non-interest bearing) liabilities ⁹ AUL Cash ¹⁰ Interest bearing liabilities which are Junior Ranking Obligations ¹¹ Equals: Gearing Ratio Debt |
| Denominator | Equity | Equity ¹² Add: Junior Ranking Obligations ¹³ Subtract: ADI equity ¹⁴ Equals: Gearing Ratio Equity Add: Gearing Ratio Debt Equals: Denominator |

⁴ The calculation of both ratios begins with Total Liabilities sourced from the AUL consolidated balance sheet.

⁵ Australian Unity provides financial guarantees to certain parties in exceptional circumstances and subject to specific board approval. Under the Covenant Gearing Ratio, the numerator is increased to include the maximum amount that could be paid if guarantees are called on.

⁶ To the extent that Australian Unity's ADI operations provide financial guarantees they will be excluded from the Covenant Gearing Ratio on the same basis that interest bearing liabilities are excluded.

⁷ In accordance with Australian Accounting Standards the revenues, expenses, assets and liabilities of benefit funds managed by the Australian Unity Group are included in the consolidated financial statements and hence captured in the definition of Total Liabilities used in the Gearing Ratio. Liabilities relating to the Benefit Funds that are managed by the Australian Unity Group are excluded from the Covenant Gearing Ratio, as in contrast to the accounting treatment, the revenues, expenses, assets and liabilities of Benefit Funds are not attributable or available to the members of the Australian Unity Group.

⁸ The interest bearing liabilities associated with the Australian Unity Group's ADI operations are excluded from the Covenant Gearing Ratio. This is because ADIs operate with higher levels of borrowings than would be appropriate for the broader Australian Unity Group and as such limit the usefulness of this metric. In order to enable investors to assess the funding position of the Australian Unity Group's ADI operations we separately disclose a Tier 1 Capital Ratio for the Group's ADI(s).

⁹ Non-interest bearing liabilities are excluded as they diminish the usefulness of the ratio in considering the extent to which the Australian Unity Group is funded by debt.

¹⁰ The numerator is reduced by the amount of cash held in the Issuer's account that is not encumbered or held in trust for third parties (this does not include cash held by the issuer's operating subsidiaries).

¹¹ The numerator is adjusted to reflect the benefit of any interest bearing liabilities that, like equity, rank for repayment after Australian Unity Bonds.

¹² The calculation of the denominator of both ratios begins with Total Equity sourced from the AUL consolidated balance sheet. As Benefit Fund assets equal Benefit Fund liabilities, Total Equity excludes any Benefit Fund component.

¹³ The denominator is adjusted to reflect the benefit of any interest bearing liabilities that, like equity, rank for repayment after the Bonds.

¹⁴ Equity associated with the Australian Unity Group's ADI operations is excluded from the Covenant Gearing Ratio to balance the exclusion of liabilities associated with the ADI operations set out in 8 above. The funding of the ADI is considered in the separately disclosed Tier 1 Capital Ratio for the Australian Unity Group's ADIs.

ADI Tier 1 Capital Ratio

As mentioned above, an ADI is required to hold capital in line with applicable prudential requirements. An ADI is required to report various capital ratios including the Tier 1 Capital Ratio. The Tier 1 Capital Ratio represents the amount of capital that an ADI holds as a percentage of its risk weighted assets. The Tier 1 Capital Ratio of any ADI of the Australian Unity Group will be included in the relevant Offer Specific Prospectus.

Working Capital Ratio

The Working Capital Ratio is calculated in accordance with Regulation 6D.2.06(4) of the Corporations Regulations and is as follows:

$$\text{Working Capital ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Australian Unity's Working Capital Ratio as at 30 June 2015 was 1.32x.

The Working Capital Ratio indicates whether an issuer has sufficient short term assets to meet its short term liabilities. Generally, a higher ratio indicates a greater ability to meet liabilities over the short term, including unexpected liabilities. However, businesses which include an ADI tend to have a lower working capital ratio. The Working Capital Ratio is not included as a term of the Bonds.

Interest Cover Ratio

The Interest Cover Ratio is calculated in accordance with Regulation 6D.2.06(5) of the Corporations Regulations and is as follows.

$$\text{Interest Cover Ratio} = \frac{\text{EBITDA}}{\text{Net interest expense}}$$

The Interest Cover Ratio provides an indication of Australian Unity's ability to meet its interest payments from earnings. Generally, a low ratio may indicate that Australian Unity could face difficulties in servicing its debt if earnings decrease or interest rates increase. In the case of Australian Unity, the application of this ratio may result in negative values as interest income typically exceeds interest expense.

AU Interest Cover Ratio

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.

The other businesses within the Australian Unity Group earn interest on their cash and cash equivalent assets, and this net 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 value 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.

The AU Interest Cover Ratio is not included in the Terms of the Bonds. Some form of interest cover ratio is included as a covenant in Australian Unity's bank debt facilities.

A decrease in the AU Interest Cover Ratio may also indicate that Australian Unity's ability to make interest payments under the Bonds has diminished (because of a decrease in its interest coverage position).

Comparison of the Interest Cover Ratio to the AU Interest Cover Ratio

| | Interest Cover Ratio | AU Interest Cover Ratio (adjusted) |
|----------------------------------|--|---|
| Basis | Calculated in accordance with regulation 6D.2.06(5) | Calculated to provide debt service obligation capability to investors |
| Formula | $\frac{\text{EBITDA}}{\text{Net interest expense}}$ | $\frac{\text{Adjusted EBITDA}}{\text{Adjusted interest expense}}$ |
| Ratio as at 30 June 2015 | (8.26)x | 4.57x |
| Calculation (Numerator) | <p>Net profit before tax</p> <p>Add: Depreciation and amortisation</p> <p>Subtract: Net interest income (per below)</p> <p>Equals: EBITDA</p> | <p>Net profit before tax</p> <p>Add: Adjusted interest expense (per below) Depreciation and amortisation</p> <p>Subtract: Benefit fund net profit before tax¹⁵</p> <p>Equals: Adjusted EBITDA</p> |
| Calculation (Denominator) | <p>ADI net interest income</p> <p>Add: Benefit Fund net interest income Other net interest expense</p> <p>Equals: Net interest expense</p> | <p>Net interest income¹⁶</p> <p>Subtract: ADI net interest income¹⁷ Benefit Fund net interest income¹⁷ Other interest income¹⁷</p> <p>Equals: Adjusted interest expense</p> |

¹⁵ In accordance with Australian Accounting Standards the revenues, expenses, assets and liabilities of benefit funds managed by the Australian Unity Group are included in the consolidated financial statements and hence captured in the definition of net profit before tax used in the Interest Cover Ratio. Profits relating to the benefit funds that are managed by the Australian Unity Group are excluded from the AU Interest Cover Ratio, as in contrast to the accounting treatment, the revenues, expenses, assets and liabilities of benefit funds are not attributable to the members of the Australian Unity Group.

¹⁶ Australian Unity's interest income normally exceeds its interest expense.

¹⁷ The business model of an ADI involves generating a spread between interest paid out on its liabilities, such as deposits and interest earned on assets such as home loans. The excess revenue produced by an ADI typically results in net interest income. The Benefit Funds similarly normally generate net interest income. In addition, the other businesses of Australian Unity earn interest on their cash and cash equivalent assets. The inclusion of net interest income from the ADI operations and Benefit Funds and other interest income may result in a negative value Interest Cover Ratio where interest income exceeds interest expense in the consolidated statement of comprehensive income.

B

Section Four

Risks

SECTION 1

SECTION 2

SECTION 3

SECTION 4

SECTION 1

SECTION 2

SECTION 3

SECTION 4

SECTION 5

SECTION 6

4.1 Introduction

Before investing in the Bonds, you should consider whether the Bonds are a suitable investment for you. The MoneySmart website (www.moneysmart.gov.au) is run by ASIC to help people make smart choices about their personal finances. In particular, it includes guidance for retail investors who are considering investing in bonds.

You should be aware that there are risks associated with the Australian Unity businesses and an investment in Australian Unity generally. Australian Unity Group's business and financial performance may affect the ability of Australian Unity to fulfil its obligations under, or in respect of, the Terms, the credit quality of Australian Unity, and hence the Bonds themselves. General economic factors may also affect an investment in Australian Unity or the performance of Australian Unity.

Many of these risks are outside the control of the Directors and Australian Unity, including some of the risk factors set out in this section and other matters mentioned in the Offer Documents. This Section 4 is not intended to list every risk that may be associated with an investment in Australian Unity and the Bonds. You should seek your own professional advice on such matters.

4.2 Main risks associated with the Bonds

The main risks of investing in the Bonds are:

- Australian Unity may experience financial difficulty, such that they cannot make interest payments when they are due;
- Australian Unity may go out of business entirely, in which case investors will not be repaid; and
- investors may not be able to sell the Bonds on the ASX or the relevant securities exchange on which the Bonds are listed to exit their investment before their maturity date, or may only be able to do so at a loss.

4.2.1 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.

It is possible that the Bonds may trade at a market price below their Face Value. If the Bonds trade at a market price below the amount at which you acquired them, there is a risk that if you sell them prior to the Maturity Date, you may lose some of the money you invested.

4.2.2 Liquidity of the Bonds

Australian Unity has applied for the Bonds to be quoted 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.

4.2.3 Changes in the Interest Rate payable

For any Series of 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.

If a Series of Bonds is issued with a fixed interest rate, the Interest Rate for each Interest Period will be fixed and not vary over time. As the Market Rate fluctuates, there is a risk that the Interest Rate may become less attractive when compared to the rates of return available on other securities, which could decrease the trading price of fixed rate Bonds.

4.2.4 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 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.

4.2.5 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. Other than the change of control put option described in Section 2.1.3 of this Base Prospectus, Holders will have no right to require Australian Unity to Redeem the Bonds, including where the Bonds are no longer admitted to quotation on a stock exchange (although Australian Unity does have an obligation to use its reasonable endeavours to maintain the quotation of the Bonds on a stock exchange).

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

Each series of 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).

Subject to the relevant Covenant Gearing Ratio specified in the Offer Specific Prospectus, Australian Unity may incur additional obligations that may rank ahead of the Bonds. Pursuant to the negative pledge in the Terms, Australian Unity will not secure any "Relevant Indebtedness" without according the same security (or an equal ranking security) to the Bonds. "Relevant Indebtedness" broadly means debt securities issued by Australian Unity (including the Bonds of another Series) which are quoted on a stock exchange and indebtedness owing under syndicated or term loan arrangements. The negative pledge does not restrict Australian Unity from granting security for a debt which is not Relevant Indebtedness or for indebtedness owing under syndicated or term loan arrangements within the limit described in Section 2.1.4 of this Base Prospectus. Holders should also be aware that a security interest in respect of the 2011 Notes has been granted which is excluded from the negative pledge. See Section 2.1.4 of this Base Prospectus.

If there is a shortfall of funds on a winding-up to pay the amounts above, there is a risk that Holders will not receive the full payment (or any part thereof) to which they are otherwise entitled.

Australian Unity is a non-operating holding company. A substantial majority of its assets are its investments in other members of the Australian Unity Group. As a non-operating company, Australian Unity is dependent upon intercompany transfers of funds from other members of the Australian Unity Group to meet its obligations under the Terms. The ability of these entities to make payments to Australian Unity may be restricted by, among other things, applicable laws as well as agreements to which those entities may be a party, including capital adequacy requirements that apply to Big Sky and the Benefit Funds. Therefore Australian Unity's ability to make payments in respect of the Bonds may be limited.

4.2.7 Unless specified in the relevant Offer Specific Prospectus, 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 Bonds 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.

Refer to Section 2 ("About the Bonds") of this Base Prospectus and Clause 5 of the Base Terms for information relating to the events that may trigger an early redemption of the Bonds.

4.2.8 Unless specified in the relevant Offer Specific Prospectus, 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.

To realise your investment prior to Redemption or the Maturity Date, you can sell your Bonds on the ASX, or the relevant market exchange on which the Bonds are listed, at the prevailing market price. However, depending on market conditions at the time, the Bonds may be trading at a market price below the Face Value for that particular Series, and/or the market for the Bonds may not be liquid and you will not be able to sell your Bonds.

4.2.9 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.

No prediction can be made as to the effect, if any, of any future issuance of debt securities by Australian Unity on the market price or liquidity of the Bonds.

4.2.10 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.

4.2.11 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.

In addition, if any changes in taxation law or the interpretation or application of law by the courts or taxation authorities result in any payment to a Holder being subject to an amount of withholding or deduction in respect of any taxes or governmental charges or in the payment of interest on the Bonds not being allowed as a deduction to Australian Unity, then Australian Unity is entitled to Redeem the Bonds.

4.3 Key business risks associated with Australian Unity and the Australian Unity Group

4.3.1 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 those proceeds ahead of Holders and this may result in the loss of some or all of the capital invested by Holders.

Although the Terms of the Bonds contain a negative pledge which means that Australian Unity will not secure any "Relevant Indebtedness" without according the same security (or an equal ranking security) to the Bonds, the negative pledge places

only limited restrictions on Australian Unity granting security for other indebtedness. This is because Relevant Indebtedness is limited (broadly) to the debt securities quoted on a stock exchange and to indebtedness owing under syndicated or term loan arrangements. Further security for syndicated or term loan arrangements may be granted if it falls within the limit described in Section 2.1.4 of this Base Prospectus. The negative pledge also permits the security interest granted in respect of the 2011 Notes (see Section 2.1.4 of this Base Prospectus).

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

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

Australian Unity's ability to make scheduled Interest payments on, or to repay its obligations with respect to its indebtedness, including the Bonds, will depend on its financial and operating performance. If Australian Unity is unable to generate sufficient cash flow to satisfy its debt obligations, Australian Unity may have to undertake alternative financing plans, such as refinancing or restructuring of existing debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. Australian Unity cannot assure investors that any alternative financing plan would be possible or obtained on acceptable terms. Australian Unity's inability to generate sufficient cash flows to satisfy debt obligations, or to refinance indebtedness on commercially reasonable terms, could materially and adversely affect Australian Unity's ability to satisfy its obligations under the Bonds.

Australian Unity is agreeing to certain restrictions on its level of gearing, the granting of security over Relevant Indebtedness (other than the security interest described in Section 2.1.4 above) and the incurrence of Financial Indebtedness by its Subsidiaries (other than certain specified exceptions) (see Section 2.1.4). However, the existence of these restrictions does not detract from or negate the risks described in this Section 4.3.1.

4.3.2 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.

4.3.3 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.

4.3.4 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.

4.3.5 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.

4.3.6 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.

4.3.7 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.

Most incoming residents typically fund their retirement unit or villa through the sale of their family home. A downturn in the residential property market is likely to impact the time on market and the price at which Australian Unity can sell down its developments or for established villages, limit the amount of capital gain in which Australian Unity shares upon unit turnover.

4.3.8 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.

Should Australia's ageing population not grow at forecast rates, this may result in a lower occupancy rate for Australian Unity Group's aged care facilities.

4.3.9 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.

4.3.10 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.

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

Private health insurers also face risks associated with the design and pricing of products. Premiums for Australian Unity Group’s private health insurance (PHI) products are priced in advance of each 12-month premium period based on Australian Unity Group’s forecasts for the 12-month premium period. These forecasts are typically developed several months before the fixed premium period begins based on historical data and anticipated future trends, and involve a significant degree of judgement.

If Australian Unity misprices the premium for a PHI product by pricing the product too low, the product may be less profitable, unprofitable or loss-making until or unless the mispricing is corrected or the product design or features are changed. Although the PHI Act allows insurers to apply to the Minister for Health for PHI product premium increases at any time, the current practice is for insurers to apply once annually (in November), with the approved premiums then applying for a 12-month period from 1 April the following year. Changes can be made to benefits at any time with appropriate notice to policyholders if the change is detrimental.

If PHI product premiums are too high, this may result in the loss of policyholders. Alternatively, policyholders may stay with Australian Unity but downgrade the level of their PHI cover to lower-margin PHI products. An inadequate increase in PHI premiums in one year may require a higher catch-up increase in PHI premiums in the subsequent year which may result in a loss of policyholders.

4.3.11 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).

A significant decline in the Australian housing market or property valuations could adversely affect Big Sky’s home mortgage lending portfolio. If Big Sky’s financial value was seriously affected, that could adversely impact on the value of Australian Unity’s net assets.

4.3.12 Future restructures, acquisitions or divestments

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

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

4.4 General risks

4.4.1 General economic and financial market conditions

General economic conditions (both domestic and international), long-term inflation rates, exchange rate movements, interest rate movements and movements in the general market for ASX and internationally listed securities, investor perceptions and the Australian Unity Group's financial position and earnings may adversely impact Australian Unity's ability to pay interest and repay the Face Value and may affect the price of the Bonds. As a result of the above mentioned factors, Australian Unity is unable to forecast the market price for the Bonds and they may trade on the ASX at a price that is below Face Value.

4.4.2 Market risks

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

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

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

4.4.3 Reputational risk

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

4.4.4 Litigation

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

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

4.4.5 Taxation

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

4.4.6 Changes in Australian Accounting Standards

The Australian Unity Group is subject to the usual business risks that there may be changes in Australian Accounting Standards which have an adverse financial impact on Australian Unity or the Australian Unity Group. Holders should be aware that the Gearing Ratio Debt in the calculation of Covenant Gearing Ratio will be determined by reference to figures from the accounts of Australian Unity prepared on the basis of the Australian Accounting Standards in place as at the date of the Base Prospectus (unless Australian Unity notifies Holders and the Trustee that such figures will instead be determined in accordance with Australian Accounting Standards in place at the time of the determination).

4.4.7 Legal investment considerations may restrict certain investments

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

4.5 Other risks

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

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Section Five

Other information you should consider



SECTION 1

SECTION 2

SECTION 3

SECTION 4

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SECTION 6

5.1 Summary of information on tax consequences of investing in the Bonds

The following is a summary of the Australian withholding tax treatment under the *Income Tax Assessment Acts* of 1936 and 1997 of Australia (together, “**Australian Tax Act**”) and the *Tax Administration Act* 1953 of Australia (“**TAA**”), of payments of interest (as defined under *Australian Tax Act*) by the Issuer on the Bonds and certain other Australian tax matters.

This summary applies to Holders that are residents of Australia and certain entities that are not residents of Australia. This summary is not exhaustive and you should seek advice from your tax adviser or other professional adviser before deciding to invest in Bonds. In particular, the advice does not deal with Holders who acquire or hold their Bonds outside their country of tax residence (for example through a permanent establishment) or Holders who hold the Bonds on behalf of other persons. In addition, this summary does not deal with the position of certain classes of Holders including, without limitation, dealers in securities, custodians or Holders who otherwise hold Bonds as assets used in carrying on a business of share trading, banking or investment.

This summary is not intended to be, nor should it be construed as being, investment, legal or tax advice to any particular Holder.

This summary is based on Australian tax laws and regulations, interpretations of such laws and regulations, and administrative practice as at the date of this Base Prospectus. Prospective Holders of the Bonds should also be aware that particular terms of issue of any Series of Bonds may affect the tax treatment of that Series of Bonds. Information regarding taxes in respect of the Bonds may also be set out in an Offer Specific Prospectus. More information on the tax implications associated with investing in bonds can be found on the Australian Taxation Office’s website www.ato.gov.au.

5.1.1 Interest

The *Australian Tax Act* characterises securities as either “debt interests” (for all entities) or “equity interests” (for companies), including for the purposes of interest withholding tax (“IWT”) imposed under Division 11A of Part III of the *Australian Tax Act*. For Australian IWT purposes, “interest” is defined to include amounts in the nature of, or in substitution for, interest and certain other amounts. The Issuer intends that the Bonds will be characterised as “debt interests” for the purposes of the tests contained in Division 974 and that the returns paid on the Bonds be “interest” for the purpose of section 128F of the *Australian Tax Act*.

a. Resident Holders

Australian residents are generally required to include any Interest in their assessable income each year. Whether these amounts should be recognised as assessable income on a cash receipts or accruals basis (including whether they are subject to Division 230 – see the summary below) will depend on the individual circumstances of the Holder. Australian residents holding their Bonds and receiving payments of Interest in Australia should not be subject to IWT.

b. Non-resident Holders

Non-resident Holders will generally be subject to IWT at the rate of 10 percent on any Interest they receive. IWT is a final tax and non-resident Holders should not be subject to any other Australian tax such as income tax.

Australian Unity intends to issue the Bonds in a manner which will satisfy the requirements of section 128F of the *Australian Tax Act*. If Australian Unity satisfies the requirements of section 128F, then payments of Interest to non-resident Holders (that are not “Offshore Associates” of Australian Unity) should not be subject to IWT and should not be subject to any other tax such as income tax in Australia.

5.1.2 Disposal of the Bonds

a. Australian resident Holders

The Australian Unity Bonds are intended to be “traditional securities” for the purposes of the *Australian Tax Act*. In relation to a traditional security, Australian resident Holders that are not subject to Division 230 are generally required to include any gain from a disposal in their assessable income in the income tax year in which a disposal occurs. Such a gain will be equal to the difference between the consideration for the disposal and acquisition of the traditional security (plus any relevant costs associated with the acquisition or disposal). Losses may be included as an allowable deduction in respect of taxable income in the income tax year in which the disposal occurs.

If a capital gains tax event should also occur on the disposal of a traditional security, any such capital gain or capital loss will be disregarded to the extent to which that gain or loss is included either as assessable income or an allowable deduction.

b. Non-Australian resident Holders

Non-resident Holders may be subject to Australian income tax on any gain realised on the disposal of their Bonds (depending upon whether or not that gain has an Australian source). However, a non-resident Holder may be eligible for relief from Australian income tax if that Holder is entitled to the benefit of a double tax agreement between Australia and the non-resident Holder’s country of residence (for tax purposes).

5.1.3 Application of Division 230

Division 230 of the *Australian Tax Act* contains tax-timing rules for certain taxpayers for bringing to account gains and losses from certain “financial arrangements”. However, Division 230 does not apply in relation to traditional securities to certain taxpayers, including individuals and certain other entities (e.g. certain superannuation entities and managed investment schemes) which satisfy various turnover or asset threshold tests, unless they make an election that Division 230 applies to all of their “financial arrangements”.

If payments of Interest are exempt from IWT under section 128F of the *Tax Act 1936*, Division 230 will not operate to override this exemption.

5.1.4 Payment of Additional Amounts

As set out in more detail in the Base Terms for the Bonds, and unless expressly provided to the contrary in the relevant Offer Specific Terms, if the Issuer is at any time required by law to withhold or deduct an amount in respect of Taxes imposed in Australia in respect of the Bonds, the Issuer must, subject to certain exceptions, pay Additional Amounts so that after making the deduction and further deductions applicable, the Holder is entitled to receive (at the time the payment is due) the amount it would have received if no withholdings or deductions had been required to be made. If the Issuer is compelled by law in relation to any Bonds to withhold or deduct an amount in respect of which Additional Amounts must be paid, the Issuer will have the option to redeem the Bonds in accordance with the Base Terms.

5.1.5 Death duties

No Bonds will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death.

5.1.6 Additional withholdings from certain payments to non-residents

The Governor-General may make regulations requiring withholding from certain payments to non-residents of Australia (other than payments of interest and other amounts which are already subject to the current IWT rules or specifically exempt from those rules). Regulations may only be made if the responsible Minister is satisfied the specified payments are of a kind that could reasonably relate to assessable income of foreign residents. The possible application of any future regulations to the proceeds of any sale of the Bonds will need to be monitored.

5.1.7 Supply withholding tax

Payments in respect of the Bonds can be made free and clear of any “supply withholding tax”.

5.1.8 Provision of TFN and/or ABN

The TAA can impose withholding tax (currently at the rate of 49 percent) on the payment of interest on certain types of registered securities, such as the Bonds.

However, where a Holder has provided Australian Unity with their TFN or, in certain circumstances, their ABN, or has notified Australian Unity that they are exempt from providing this information, Australian Unity is not required to withhold any amount on account of tax from payments of interest to the Holder.

A Holder may choose not to provide his or her TFN or ABN to Australian Unity.

If payments of interest are exempt from IWT under section 128F of the Australian Tax Act or otherwise subject to IWT, then non-resident Holders should not be subject to any withholding tax under these rules.

5.1.9 Garnishee directions

The Australian Commissioner of Taxation may give a direction requiring the Issuer to deduct from any payment to a Holder of the Bonds any amount in respect of Australian tax payable by a Holder. If the Issuer is served with such a direction, then the Issuer will comply with that direction and make any deduction required by that direction.

5.1.10 GST

GST is not payable on the issue, receipt, disposal or redemption of the Bonds.

GST is not payable in relation to the payment of Face Value or Interest by Australian Unity.

5.1.11 Stamp duty

No stamp duty should be payable on the issue, receipt, disposal or redemption of the Bonds.

5.1.12 FATCA

The *Foreign Account Tax Compliance Act* provisions of the U.S. Hiring Incentives to Restore Employment Act of 2010 ("**FATCA**") establish a new due diligence, reporting and withholding regime. FATCA aims to detect U.S. taxpayers who use accounts with "foreign financial institutions" ("**FFIs**") to conceal income and assets from the U.S. Internal Revenue Service ("**IRS**").

Under FATCA, a 30 percent withholding may be imposed (i) in respect of certain U.S. source payments, (ii) from 1 January 2017 in respect of gross proceeds from the sale of assets that give rise to U.S. source interest or dividends and (iii) from 1 January 2017, at the earliest, in respect of "foreign passthru payments" (a term which is not yet defined under FATCA), which are, in each case, paid to or in respect of entities that fail to meet certain certification or reporting requirements ("**FATCA withholding**").

Financial institutions through which payments on the Bonds are made may be required to withhold on account of FATCA. A withholding may be required if (i) an investor does not provide information sufficient for the Issuer or the relevant financial institution to determine whether the investor is subject to FATCA withholding or (ii) an FFI to or through which payments on the Bonds are made is a "non-participating FFI".

FATCA withholding is not expected to apply if the Bonds are treated as debt for U.S. federal income tax purposes and the grandfathering provisions from withholding under FATCA are applicable. The grandfathering provisions require, amongst other things, that the Bonds are issued on or before the date that is six months after the date on which final regulations defining the term "foreign passthru payment" are filed with the U.S. Federal Register.

Further, Australia and the United States signed an intergovernmental agreement ("**Australian IGA**") in respect of FATCA on 28 April 2014. The Australian Government has enacted legislation amending, among other things, the TAA to give effect to the Australian IGA ("**Australian Amendments**"). Under the Australian Amendments, Australian FFIs will generally be able to be treated as "deemed compliant" with FATCA. Depending on the nature of the relevant FFI, FATCA withholding may not be required from payments made with respect to the Bonds other than in certain prescribed circumstances. Under the Australian Amendments, an FFI may be required to provide the Australian Taxation Office with information on financial accounts (for example, the Bonds) held by U.S. persons and recalcitrant account holders and on payments made to non-participating FFIs. The Australian Taxation Office is required to provide that information to the IRS.

In the event that any amount is required to be withheld or deducted from a payment on the Bonds as a result of FATCA, pursuant to the terms and conditions of the Bonds, no additional amounts will be paid by the Issuer as a result of the deduction or withholding.

FATCA is particularly complex legislation. The above description is based in part on U.S. Treasury regulations published on 28 January 2013 and 6 March 2014, official guidance and the Australian Amendments, all of which are subject to change.

Investors should consult their own tax advisers to determine how these rules may apply to them under the Bonds.

5.2 Privacy

5.2.1 General

If you lodge an Application, Australian Unity will collect information about you. Australian Unity will use this information to process your Application, administer your Bonds and keep in touch with you in relation to your Bonds. Your information may also be shared with the Australian Unity Group so that you can be told about products, facilities or services offered or distributed by the Australian Unity Group or other matters concerning the Australian Unity Group that Australian Unity thinks may be of interest to you.

Australian Unity may disclose this information for these purposes to its subsidiaries and companies on a confidential basis, as well as to agents, contractors and third party service providers that provide services on its or their behalf (e.g. the Registry and a printing firm or mailhouse engaged to print and mail statements to you). Some of these parties may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

If you used a financial adviser who recommended your investment in the Bonds (as indicated on your Application Form), Australian Unity may disclose details of your holding to that adviser.

Australian Unity will also disclose this information if required or permitted to do so by law or if you consent to or request the disclosure.

If you think Australian Unity's records of your personal information are incorrect or out of date, you can contact Australian Unity and request that your personal information be corrected. Subject to certain exceptions, you may access your personal information at any time by contacting the Registry in writing (subject to any requirements that the Registry may have). Australian Unity is permitted to charge a fee for such access, but does not intend to do so.

You may choose not to provide your personal information or to limit the information you provide, in which case Australian Unity may not be able to process your Application, administer your Bonds, or make payments to you.

5.2.2 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.

5.3 Selling restrictions

The distribution of the Offer Documents (including electronic copies) in jurisdictions outside Australia may be restricted by law. If you come into possession of the Offer Documents in jurisdiction outside Australia, you should seek advice on, and observe any such restrictions. If you fail to comply with such restrictions, that failure may constitute a violation of applicable securities law. Australian Unity disclaims all liabilities to such persons. The Offer Documents and the Bonds have not been and will not be, registered in any jurisdiction other than Australia. In particular, the Bonds have not been and will not be registered under the United States Securities Act of 1933 (US Securities Act), as amended or the securities laws of any state of the United States and may not be offered or re-sold in the United States or to or for the account or benefit of US Persons except in transactions exempt from the registration requirements of the US Securities Act. The Offers and the possession or distribution of the Offer Documents may be further subject to the specific restrictions set out in the relevant Offer Specific Prospectus.

Hong Kong

WARNING: The Offer Documents have not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor have they been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the “SFO”). No action has been taken in Hong Kong to authorise or register the Offer Documents or to permit the distribution of the Offer Documents or any documents issued in connection with it. Accordingly, the Bonds have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO).

No advertisement, invitation or document relating to the Bonds has been or will be issued in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Bonds may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of the Offer Documents have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of the Offer Documents, you should obtain independent professional advice.

Singapore

The Offer Documents and any other materials relating to the Bonds have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, the Offer Documents and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Bonds, may not be issued, circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

The Offer Documents have been given to you on the basis that you are (i) an “institutional investor” (as defined in the SFA) or (ii) a “relevant person” (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return the Offer Documents immediately. You may not forward or circulate the Offer Documents to any other person in Singapore.

Any offer is not made to you with a view to the Bonds being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Bonds. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

New Zealand

Bonds may not be offered in contravention of the Financial Markets Conduct Act 2013 of New Zealand (or any statutory modification or re-enactment of, or statutory substitution for, that Act) (“**NZ FMCA**”).

Australian Unity does not intend that Bonds be offered for issue or sale in circumstances requiring disclosure under Part 3 of the NZ FMCA.

Accordingly, no disclosure document has been or will be lodged or provided under the NZ FMCA.

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered, delivered or sold, and will not offer, deliver or sell, directly or indirectly, any Bonds; and
- (b) it has not distributed and will not distribute, directly or indirectly, the Offer Documents or any information or other material that may constitute an advertisement (as defined in the NZ FMCA, as applicable) in relation to any offer of the Bonds,

in each case in New Zealand other than:

- (a) to a person who is an investment business within the meaning of Clause 37 of Schedule 1 of the NZ FMCA; or
- (b) to a person who is large within the meaning of Clause 39 of Schedule 1 of the NZ FMCA; or

- (c) to a person who is a government agency within the meaning of Clause 40 of Schedule 1 of the NZ FMCA; or
- (d) in other circumstances where there is no contravention of the NZ FMCA, provided that Bonds may not be offered or transferred to any “eligible investors” (as defined in the NZ FMCA) or any person in reliance on such person satisfying the investment activity criteria specified in Clause 38 of Schedule 1 to the NZ FMCA.

5.4 Dealings in Australian Unity Bonds

Australian Unity or any member of the Australian Unity Group may subscribe for, purchase or resell the Bonds or cancel repurchased Bonds from time to time.

5.5 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 the Bonds.

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

5.6 Materials incorporated by reference

The following is a list of material referred to, but not set out in full, in this Base Prospectus. This material (or relevant extracts of the material) is incorporated by reference and, as such, forms part of any offer of bonds covered by this Base Prospectus.

A link to the following materials are available from 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 AEST or AEDST (as applicable) during each Offer Period:

- **Information on Australian Unity's Directors** which is set out in the section titled "Directors' report", paragraph "Information on directors" of Australian Unity's annual report for 2015, Australian Unity's annual report for 2015, which was filed with ASX on 21 September 2015;
- **Information on Australian Unity's Senior Management** which is set out in section 2 of the Remuneration Report contained in Australian Unity's annual report for 2015, which was filed with ASX on 21 September 2015;
- **Information on Australian Unity's Corporate Arrangements** which is set out in the section titled "Governance statement" of Australian Unity's annual report for 2015, which was filed with ASX on 21 September 2015;
- **Trust Deed**, which was filed with ASIC on 9 November 2015. The Bonds will be constituted under the Trust Deed, which also contains the agreement between the Issuer and the Trustee in relation to the Trustee's role, and the circumstances in which the Trustee can or must act in the interests of Holders;
- **Base Terms** (which are included as a schedule to the Trust Deed) were filed with ASIC on 9 November 2015. The Base Terms are the terms and conditions of the Bonds as referred to in the Base Prospectus. The Base Terms will be supplemented, amended, modified or replaced by the Offer Specific Terms published in the relevant Offer Specific Prospectus; and
- **Financial Ratios Worked Example**. This sets out a worked example showing the calculation of the Covenant Gearing Ratio and Interest Cover Ratio (adjusted) compared to the equivalent financial ratios prescribed by the Corporations Regulations. This document was filed with ASIC on 9 November 2015.

5.7 Governing law

This Base Prospectus, any Offer Specific Prospectus and the contracts that arise from the acceptance of Applications are governed by the law applicable in Victoria, Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Victoria.



| Term | Meaning |
|------------------------------------|---|
| \$, A\$, AUD or dollars | Australian dollar currency |
| 2011 Notes | Australian Unity Notes issued in 2011 |
| ABN | Australian Business Number |
| Actual/365 (Fixed) | The meaning given in the definition of “Day Count Fraction” Clause 12.4 of the Base Terms. |
| Additional Amount | An additional amount payable by the Issuer under Clause 9.2 (“Withholding tax gross up”) of the Base Terms. |
| ADI | An authorised deposit taking institution authorised under the <i>Banking Act 1959</i> (Cth). |
| ADI Equity | The equity in any ADI that is a member of the Australian Unity Group (as such amount may be adjusted in accordance with Clause 4.4 of the Base Terms). |
| ADI Guarantees | The meaning given in Clause 12.4 of the Base Terms. |
| ADI Tier 1 Capital Ratio | The meaning given in Section 3.8.2 of this Base Prospectus. |
| Allocation | The number of Bonds allocated under the offer for each Tranche of Bonds to Applicants under each Offer tranche (as specified in the relevant Offer Specific Prospectus). Allocate has a corresponding meaning. |
| Applicant | A person who lodges an Application Form in accordance with the relevant Offer Specific Prospectus. |
| Application | A valid application for a particular Tranche of Bonds, as specified in the Offer Specific Prospectus, made through a completed Application Form in accordance with the relevant Offer Specific Prospectus. |
| Application Form | A paper or electronic form (as the context requires) attached to, or accompanying, an Offer Specific Prospectus upon which an Application for Bonds may be made. |
| Application Monies | The amount payable on each Application, being the Face Value multiplied by the number of Bonds applied for. |
| APRA | Australian Prudential Regulation Authority |
| Arrangers | Refer to the front cover of the relevant Offer Specific Prospectus |
| ASIC | Australian Securities and Investments Commission |
| ASIC Guide | The guide published by ASIC entitled ‘Investing in corporate bonds?’ which can be found at www.moneysmart.gov.au |
| ASX | ASX Limited ABN 98 008 624 691 or the securities market operated by it (as the context requires). |
| ASX Listing Rules | The listing rules of ASX, with any modification or waivers which ASX may grant (as the context requires). |
| AUL Cash | The meaning given in Clause 12.4 of the Base Terms |
| Australian Tax Act | Both the <i>Income Tax Assessment Acts of 1936 and 1997 of Australia</i> |
| Australian Unity | Australian Unity Limited (ABN 23 087 648 888) |
| Australian Unity Guarantees | The meaning given in Clause 12.4 of the Base Terms |
| Australian Unity Group | Australian Unity and each of its Subsidiaries |
| Bank Bill Rate | For an Interest Period, the rate for prime bank eligible securities having a tenor closest to the Interest Period which is designated as the “AVG MID” on the Reuters BBSW screen page at approximately 10:15 am on the first day of the Interest Period. However, if such rate does not appear on the Bloomberg ‘AFRS 1’ screen page by 10:30 am on that day, or if it does appear but the Issuer determines that there is an obvious error in that rate, “Bank Bill Rate” means the rate for that day will be the rate determined by the Issuer having regard to comparable indices then available. |

| Term | Meaning |
|--|--|
| Base Prospectus | This base prospectus which was lodged with ASIC on 9 November 2015 |
| Base Terms | The base terms of the Bonds as incorporated by reference in this Base Prospectus and available on the Australian Unity website www.australianunitybonds.com.au . |
| Benefit Fund Interest Bearing Liabilities | The meaning given in Clause 12.4 of the Base Terms |
| Benefit Funds | The benefit funds operated under the <i>Life Insurance Act</i> through any Subsidiary of Australian Unity. |
| Big Sky | Big Sky Building Society Ltd (ABN 30 087 652 079) |
| Board | The board of directors of Australian Unity acting as a board |
| Board Charter | The Australian Unity Board Charter dated 26 February 2014 |
| Bookbuild | The process through which Syndicate Brokers and Institutional Investors bid for a firm Allocation of a particular Series of Bonds. |
| Bonds | "Simple corporate bonds" to be offered by the Issuer under this Base Prospectus and the relevant Offer Specific Prospectus pursuant to sections 713A-713E of the Corporations Act. |
| Broker Firm Allocation | The Allocation allocated to a Syndicate Broker through the Bookbuild process. |
| Broker Firm Offer | The offer as in the relevant Offer Specific Prospectus. |
| Business Day | A day which is a Business Day within the meaning of the ASX Listing Rules and for the purposes of calculation or payment of Interest or any other amount, a day on which banks are open for business in Melbourne, Victoria. |
| Change of Control Event | The meaning given in Clause 12.4 of the Base Terms |
| CHESS | Clearing House Electronic Subregister System |
| Clean Up Condition | Has the meaning given in Clause 12.4 of the Base Terms |
| Closing Date | Refer to the "Key dates" Section of the relevant Offer Specific Prospectus |
| Co-Managers | Refer to the front cover of the relevant Offer Specific Prospectus |
| Consolidated Interest Bearing Liabilities | The meaning given in Clause 12.4 of the Base Terms |
| Corporations Act | <i>Corporations Act 2001 (Cth)</i> |
| Corporations Regulations | Corporations Regulations 2001 |
| Covenant Financial Ratios | Covenant Gearing Ratio |
| Covenant Gearing Ratio | The meaning given in Section 3.8 of this Base Prospectus |
| Covered Period | From 9 November 2015 to 9 November 2018 |
| Credit Rating | The credit rating assigned to the relevant Series of Bonds |
| DAPs | Daily Accommodation Payments |
| Demutualisation | The meaning given in Clause 12.4 of the Base Terms |
| Director | Director of Australian Unity |
| Eligible Member | Member as at member register dated 22 October 2015 |
| Event of Default | The happening of any of the events set out in Clause 6.1 of the Base Terms |
| Face Value | Refer to the relevant Offer Specific Prospectus |
| FATCA | <i>Foreign Account Tax Compliance Act</i> provisions of the U.S. Hiring Incentives to Restore Employment Act of 2010. |

| Term | Meaning |
|-------------------------------|---|
| FFIs | Foreign financial institutions |
| Financial Indebtedness | The meaning given in Clause 12.4 of the Base Terms |
| Gearing Ratio | The meaning given in regulation 6D.2.06 of the Corporations Regulations and as described in Section 3.8.2 of this Base Prospectus. |
| Gearing Ratio Debt | 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 | Total Equity less the ADIs Equity |
| General Offer | The offer as described in the relevant Offer Specific Prospectus |
| GST | The goods and services tax as defined in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> |
| HIN | Holder Identification Number |
| Holder | A registered holder of Bonds |
| Holder Resolution | Broadly, that more than 50 percent of Holders of the Bonds of a Series (or Holders of more than 50 percent of the Face Value of all outstanding Bonds of the Series) vote in favour of the resolution proposed. |
| Holding Statement | A statement issued to Holders by the Registry which sets out the number of Bonds issued to that Holder. |
| Home Care NSW | Home Care Service of New South Wales |
| HR Committee | Australian Unity's Human Resources, Remuneration and Nominations Committee |
| Insolvency Events | The meaning given in Clause 12.4 of the Base Terms |
| Institutional Investor | An investor to whom the Bonds are able to be offered under applicable laws without the need for any prospectus, registration or other formality (other than a registration or formality which Australian Unity is willing to comply with) and who has been invited by the Joint Lead Managers to bid for the Bonds. |
| Institutional Offer | The offer as described in the relevant Offer Specific Prospectus |
| Interest | Interest payable on each Bond |
| Interest Cover Ratio | The meaning given in regulation 6D.2.06 of the Corporations Regulations and as described in Section 3.8 of this Base Prospectus. |
| Interest Payment Dates | Refer to the relevant Offer Specific Prospectus |
| Interest Period | Each period commencing on (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date. However: a. the first Interest Period commences on (and includes) the Issue Date; and b. the final Interest Period ends on (but excludes) the Maturity Date or a Redemption Date. |
| Interest Rate | Refer to the relevant Offer Specific Prospectus |
| IRS | U.S. Internal Revenue Service |
| Issue | The process of issuing Bonds of a particular Series to Holders. Issue and Issued have corresponding meanings |
| Issuer | Australian Unity Limited (ABN 23 087 648 888) |
| Issue Date | In respect of a Bond, the date specified in the Offer Specific Terms as the date on which the Bond is, or is to be, Issued. |
| Issue Price | The price at which a Tranche of Bonds are issued |

| Term | Meaning |
|---|---|
| IWT | Interest withholding tax |
| Joint Lead Managers | Refer to the relevant Offer Specific Prospectus |
| Junior Ranking Obligation | Any equity or subordinated debt obligation of the Issuer which in a winding up of the Issuer would rank behind the Issuer's obligations under the Bonds. |
| Life Insurance Act | <i>Life Insurance Act 1995 (Cth)</i> |
| Limited Recourse Debt | The meaning given in Clause 12.4 of the Base Terms |
| Market Rate | The meaning given in Clause 2.4(a) of the Base Terms |
| Margin | Refer to the relevant Offer Specific Prospectus |
| Maturity Date | Refer to the relevant Offer Specific Prospectus |
| Member Offer | The Offer as described in the Offer Specific Prospectus |
| Modified Following Business Day Convention | The date is postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date is brought forward to the first preceding day that is a Business Day. |
| NZ FMCA | <i>Financial Markets Conduct Act 2013</i> of New Zealand (or any statutory modification or re-enactment of, or statutory substitution for, that Act). |
| Offer | The offer made by Australian Unity under this Base Prospectus and the relevant Offer Specific Prospectus of a particular Tranche of Bonds to raise the amount stated in the relevant Offer Specific Prospectus. |
| Offer Documents | The Base Prospectus and the relevant Offer Specific Prospectus |
| Offer Manager Agreement | Offer management agreement entered into between Australian Unity and the Joint Lead Managers relating to the relevant Offer. |
| Offer Period | The period from the Opening Date to the Closing Date |
| Offer Specific Prospectus | The Offer Specific Prospectus relating to an Offer of a Tranche of Bonds |
| Offer Specific Terms | The offer specific terms of a tranche of Bonds contained in the relevant Offer Specific Prospectus. |
| Offshore Associate | <p>An associate (as defined in section 128F of the Australian Tax Act) of the Issuer that is either:</p> <p>(a) a non-resident of Australia which does not acquire the Bonds in carrying on a business at or through a permanent establishment in Australia; or</p> <p>(b) a resident of Australia that acquires the Bonds in carrying on a business at or through a permanent establishment outside Australia.</p> |
| Opening Date | Refer to the "Key dates" Section of the relevant Offer Specific Prospectus |
| Participating Brokers | Any participating organisation of ASX invited by the Joint Lead Managers to participate in the Bookbuild. |
| Programme | A programme for the issuance of Bonds |
| RADs | Refundable Accommodation Deposits |
| RBA Bond Basis | The meaning given in the definition of "Day Count Fraction" Clause 12.4 of the Base Terms. |
| Redemption | In relation to an Australian Unity Bond, to redeem that Australian Unity Bond in accordance with Clause 5 of the Base Terms. "Redeem" and "Redeemed" have corresponding meanings. |
| Redemption Amount | In respect of a Bond, the Face Value plus the accrued Interest for the period from (and including) the preceding Interest Payment Date to (but excluding) the Redemption Date. |

| Term | Meaning |
|------------------------------|---|
| Redemption Date | In respect of a Bond, the Maturity Date or any earlier date specified by the Issue as the Redemption Date in accordance with the Terms. |
| Register | The register of Bonds maintained by the Registry on Australian Unity's behalf and including any subregister established and maintained in CHESS. |
| Registry | Link Market Services Limited or such other person as may be appointed registrar of the Bonds from time to time. |
| Reinvestment Offer | The offer to holders of 2011 Notes to subscribe for Bonds using proceeds from the 2011 Notes. |
| Related Person | Directors, employees, officers, affiliates, agents, advisors, intermediaries and related bodies corporate. |
| Relevant Indebtedness | Debt securities issued by Australian Unity (including the Bonds of another Series) which are quoted on a stock exchange, but does not include any secured credit facilities of Australian Unity or its Subsidiaries. |
| Series | A series of Bonds issued on identical terms (other than, to the extent applicable, their Face Value, Interest Rate, Interest Payment Dates, Issue Date, and Maturity Date). |
| SFA | Securities and Futures Act of Singapore |
| SFO | Securities and Futures Ordinance of the Laws of Hong Kong |
| Special Resolution | More than 75 percent of Holders of the Bonds (or Holders of 75 percent of the Face Value of all outstanding Bonds of the Series) vote in favour of the resolution proposed. |
| SRN | Securityholder Reference Number |
| Subsidiary | The meaning given to that term in Part 1.2 of Division 6 of the <i>Corporations Act</i> |
| Syndicate Broker | Any of the Joint Lead Managers, Co-Managers and Participating Brokers |
| TAA | <i>Tax Administration Act</i> 1953 of Australia |
| Tax | Any tax, levy, impost, charge or duty (including stamp and transaction duties) imposed by any authority and any related interest, penalty, fine or expense in connection with it, except if imposed on, or calculated having regard to, the net income of the Holder. |
| Tax Act 1936 | <i>Income Tax Assessment Act, 1936 (Cth)</i> |
| Tax Act 1997 | <i>Income Tax Assessment Act, 1997 (Cth)</i> |
| Tax Event | The meaning given in Clause 12.4 of the Base Terms |
| Terms | The full terms of each Series of Bonds as set out in the Base Terms as supplemented, amended, replaced or as modified by the terms of a particular Tranche of Bonds set out in the relevant Offer Specific Prospectus. |
| TFN | Tax File Number |
| Total Equity | (Without double counting) total equity of the Australian Unity Group on a consolidated basis as set out in the Australian Unity Group Balance Sheet plus the aggregate amount of any Junior Ranking Obligations. |
| Tranche | An Offer of Bonds specified as such in the applicable Offer Specific Prospectus |
| Trust Deed | The trust deed dated 9 November between Australian Unity and the Trustee, pursuant to which the Bonds may be issued (as amended or supplemented from time to time). |
| Trustee | Australian Executor Trustees Limited (ACN 007 869 794) or such other trustee as may hold office as trustee under the Trust Deed from time to time. |
| Working Capital Ratio | The meaning given in regulation 6D.2.06 of the Corporations Regulations and as described in Section 3.8 of this Base Prospectus. |

