

ASX Announcement

11 October 2021

Prospectus relating to a follow-on offer of Australian Unity Mutual Capital Instruments

Please find **attached** a prospectus relating to a follow-on offer of Australian Unity Mutual Capital Instruments.

-end-

This announcement has been authorised for distribution to the ASX by:

The Board of Australian Unity Limited

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Australian Unity MCI Offer Information Line

1800 810 827 (Monday to Friday 8:30am to 5:30pm)

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ASX code:

AYU

Securities on Issue:

AYUPA – 1,200,000
AYUHC – 1,150,192
AYUHD – 2,070,000

Issuer:

Australian Unity Limited
ACN 087 648 888

Enquiries:

Australian Unity Registry
1300 554 474

Contact details:

Australian Unity Limited
271 Spring Street
Melbourne VIC 3000
Tel: 13 29 39

The listing of Australian Unity Securities on the ASX does not affect Australian Unity Limited's status as a mutual organisation

United States unless they have been registered under the U.S. Securities Act (which Australian Unity has no intention or obligation to do or procure) or are offered and sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws.

Prospectus relating to an offer of Australian Unity Limited

Mutual Capital Instruments

at \$103 each to raise \$160 million, with the ability to raise more or less

11 October 2021



Issuer
Australian Unity Limited
ABN 23 087 648 888

Arrangers
Acacia Partners Pty Ltd

Joint Lead Managers
Acacia Partners Pty Ltd
E&P Corporate Advisory Pty Limited
Morgans Financial Limited
National Australia Bank Limited

Co-Managers
Bell Potter Securities Limited
Westpac Institutional Bank

Important notices

Prospectus

This Prospectus relates to the offer by Australian Unity Limited ABN 23 087 648 888 (“Issuer” or “Australian Unity”) of Australian Unity Limited mutual capital instruments (“Australian Unity MCIs”) in Australia to raise \$160 million, with the ability to raise more or less (“Offer”).

This Prospectus is dated 11 October 2021 and was lodged with the Australian Securities and Investments Commission (“ASIC”) on this date. This Prospectus expires 13 months after the date of the Prospectus and no Australian Unity MCIs will be issued on the basis of this Prospectus after that expiry date.

Neither ASIC nor ASX take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Transaction specific prospectus

This Prospectus is a transaction specific prospectus for an offer of Australian Unity MCIs and has been prepared in accordance with section 713 of the *Corporations Act 2001* (Cth) (“Corporations Act”).

This Prospectus is intended to be read in conjunction with the publicly available information in relation to Australian Unity including its continuous disclosure announcements lodged with the Australian Securities Exchange (“ASX”). In providing information in this Prospectus, regard has been had to the fact that Australian Unity is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and their professional advisers.

Offer

The Offer contained in this Prospectus is an offer by Australian Unity of 1.55 million Australian Unity MCIs at \$103 per Australian Unity MCI to raise \$160 million, with the ability to raise more or less. Refer to Sections 1 to 7 for further information.

Status of Australian Unity MCIs

Australian Unity MCIs are “MCIs” as defined in section 167AD of the Corporations Act.

Australian Unity MCIs are not deposit liabilities, are not protected accounts of Australian Unity Bank under the Banking Act, are not policy liabilities with any member of the Australian Unity Group under the Life Insurance Act and are not guaranteed or insured by any government, Governmental Agency or compensation scheme of Australia or any other jurisdiction. The Issuer is not an authorised deposit-taking institution authorised under the Banking Act (an “ADI”) and its obligations do not represent deposits or other liabilities of Australian Unity Bank.

Claims in respect of Australian Unity MCIs rank in accordance with the Terms and after all creditors of Australian Unity and ahead of only Non Shareholder Members.

No representations other than in this Prospectus

No person is authorised to provide any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by the Issuer or the Joint Lead Managers or any person associated with them. You should rely only on information in this Prospectus and the other documents referred to in Section 5.1.

Past performance information

The financial information provided in this Prospectus is for information purposes only and is not a forecast of performance to be expected in future periods. Past performance and trends should not be relied upon as being indicative of future performance and trends.

Prospectus does not provide investment advice

The information provided in this Prospectus is not investment or financial product advice (nor taxation, regulatory, accounting or legal advice) and is not a recommendation to participate in the Offer, and has been prepared without taking into account your investment objectives, financial situation or particular needs (including financial and taxation issues). It is important that you read this Prospectus in full before deciding whether to invest in Australian Unity MCIs and that you consider the risks that could affect the performance of Australian Unity MCIs. If you have any questions, you should seek advice from your financial adviser or other professional adviser before deciding whether to invest in Australian Unity MCIs.

Obtaining a Prospectus and Application Form

Electronic copies of this Prospectus, an Application Form and any documents incorporated by reference into those documents can be obtained from www.australianunity.com.au/mci during the Offer Period and following Completion. Paper copies of this Prospectus and any documents incorporated by reference into those documents can be obtained free of charge by calling the Australian Unity MCI Offer Information Line on 1800 810 827 (Monday to Friday 8:30am to 5:30pm).

Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings. These words and expressions are capitalised and are defined in Section 7 – Glossary.

The definitions specific to Australian Unity MCIs are in clause 15 of the Terms in Appendix A. If there is any inconsistency in definitions between those in the Prospectus and the Terms, the definitions in the Terms prevail.

A reference to \$ or cents in this Prospectus is a reference to Australian currency. A reference to time in this Prospectus is a reference to Melbourne, Victoria, Australia time.

Disclaimer

Except as required by law, and only to the extent so required, neither Australian Unity nor any Joint Lead Manager or any other person warrants or guarantees the future performance of Australian Unity, or any return on any investment made pursuant to this Prospectus.

Restrictions on foreign jurisdictions

The distribution of this Prospectus, and the offer of Australian Unity MCIs, may be restricted by law in certain jurisdictions. Persons who receive this Prospectus outside Australia must inform themselves about and observe all such restrictions. Nothing in this Prospectus is to be construed as authorising its distribution, or the offer of Australian Unity MCIs, in any jurisdiction other than Australia without the prior express approval of Australian Unity and the Joint Lead Managers, and Australian Unity does not accept any liability in that regard.

Further, Australian Unity MCIs may not be offered directly or indirectly, and neither this Prospectus nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable law or regulations.

Australian Unity reserves the right to offer Australian Unity MCIs under the Offer to investors outside Australia where to do so without a Prospectus or other formal document being prepared would not be in breach of the securities law requirements of the relevant jurisdiction.

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither this Prospectus nor any Application Forms or other materials relating to the Offer may be distributed in the United States. Applicants will be required to make certain representations, warranties and agreements regarding the foregoing and related matters when completing an Application Form to purchase Australian Unity MCIs.

No cooling off period

Investors should note that no cooling off rights (whether by law or otherwise) apply to an investment in Australian Unity MCIs. This means that, in most circumstances, Applicants may not withdraw their Applications once submitted.

Forward-looking statements

This Prospectus contains certain forward-looking statements and comments about future events, including the Issuer's expectations about the performance of the Issuer's business. Forward-looking statements can generally be identified by the use of forward-looking words such as 'expect', 'anticipate', 'likely', 'intend', 'should', 'could', 'may', 'predict', 'plan', 'propose', 'will', 'believe', 'forecast', 'estimate', 'target' and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements. Forward-looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward-looking statements will not be achieved. A number of important factors could cause the Issuer's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements, and many of these factors are beyond the Issuer's control. Forward-looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance and involve known and unknown risks, uncertainty and other factors, many of which are outside the control of the Issuer. As such, undue reliance should not be placed on any forward-looking statement.

No fiduciary

The Joint Lead Managers, their respective affiliates and their respective officers, directors, employees, partners, advisers or agents (the "Lead Manager Parties") are involved in a wide range of financial services and businesses in respect of which they may receive fees and other benefits and out of which conflicting interests or duties may arise. These services and businesses may include (without limitation) securities issuing, securities trading, brokerage activities, provision of retail, business, private, commercial and investment banking, investment management, corporate finance, credit and derivative, trading and research products and services or the provision of finance, including (without limitation) in respect of securities of, or loans to the Australian Unity Group entities, persons directly or indirectly involved with the Offer or interests associated with such persons. In the ordinary course of these activities, each of the Lead Manager Parties may at any time hold long or short positions and may trade or otherwise effect transactions, for its own account or the accounts of investors or any other party that may be involved in the Offer. In particular, it should be noted that National Australia Bank Limited (a Joint Lead Manager) is also a lender to members of the Australian Unity Group and has provided various facilities and other financial accommodation to members of the Australian Unity Group and as such its interests may conflict with the interests of Holders of Australian Unity MCIs.

Questions

If you have any questions about Australian Unity MCIs or the Offer, you should seek advice from your financial adviser or other professional adviser.

Where can I obtain further information about Australian Unity and Australian Unity MCIs?

Australian Unity is a disclosing entity for the purposes of the Corporations Act and as a result is subject to regular reporting and disclosure obligations under the Corporations Act and Listing Rules. In addition, Australian Unity must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about Australian Unity that a reasonable person would expect to have a material effect on the price or value of its securities including Australian Unity MCIs.

Copies of documents lodged by Australian Unity with ASX can be obtained from ASX's website at www.asx.com.au and from Australian Unity's website at www.australianunity.com.au/mci. Copies of documents lodged by Australian Unity with ASIC can be obtained from ASIC's website at www.asic.gov.au (a fee may apply). You should consider this information when making an investment decision about Australian Unity MCIs.

Australian Unity recommends that you seek guidance from your licensed financial adviser or other professional adviser before deciding whether to invest. ASIC has published guidance on how to choose a licensed adviser on its MoneySmart website. You can read this guidance by searching for the term 'choosing a financial adviser' at www.moneysmart.gov.au.

You should ensure that you understand the Terms and risks of investing in Australian Unity MCIs and consider whether Australian Unity MCIs are an appropriate investment for your particular circumstances.

Investments in Australian Unity MCIs are an investment in Australian Unity and may be affected by the ongoing performance, financial position and solvency of Australian Unity. Australian Unity MCIs are perpetual, fully paid, mutual capital instruments (as that term is defined in the Corporations Act). On a winding-up, Australian Unity MCIs rank for payment behind all creditors of Australian Unity, including holders of Australian Unity Bonds, but ahead of Non Shareholder Members.

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Letter from the Chair



11 October 2021

Dear Investor

Australian Unity, as a mutual entity with over 180 years of history and a strong commitment to the real wellbeing of its members, customers and employees, is pleased to offer you the opportunity to invest in Australian Unity MCIs.

On 24 December 2020, Australian Unity issued \$120 million of Australian Unity MCIs, becoming the first issuer of mutual capital instruments. Proceeds of this issue have delivered diversified expansion of Australian Unity Group's portfolio in line with the organisation's strategic priorities and strong social purpose. This included pursuing accelerated growth opportunities in healthy ageing precincts such as the Greengate residential communities portfolio.

Through this follow-on offer of Australian Unity MCIs, Australian Unity intends to raise \$160 million, with the ability to raise more or less. Australian Unity MCIs issued via the Offer will be fully fungible with existing Australian Unity MCIs currently quoted on ASX under the ASX code AYUPA.

The proceeds raised will form part of Australian Unity's ongoing capital management strategy and are intended to be used to support its ongoing efforts to pursue growth opportunities which are aligned with its core purpose of enabling people to thrive. These include pursuing near-term growth opportunities within the individual businesses as well as investing capital across the Australian Unity Group where third-party funding has historically been utilised. A portion of the proceeds will be used to repay debt facilities that were utilised for a number of recent strategic investments in social infrastructure. The use of proceeds may also extend to merger and acquisition opportunities across the Australian Unity Group operating platforms—including to increase investment in social infrastructure and to help support business consolidations in important mutual sectors such as private health insurance, banking and friendly societies.

Mutual capital instruments are financial instruments that have been created exclusively for mutual entities. They enable certain mutual entities, including Australian Unity, to access permanent capital without compromising their status as a mutual entity and to decrease their sole reliance on retained profits as a source of new capital.

Australian Unity MCIs are perpetual and fully paid shares issued by Australian Unity, offering investors non-cumulative and discretionary fixed-rate Dividends. Dividends are expected to be paid semi-annually in arrears and are expected to be fully franked. Subject to the non-cumulative and discretionary nature of the Dividends, the cash Dividend Rate is 5.00 per cent per annum. Given Australian Unity MCIs to be issued under this Prospectus are offered at a higher price (\$103) than the Face Value of \$100, the running yield at that Issue Price (assuming discretionary Dividends are paid in full) will be 4.85 per cent per annum or 6.93 per cent per annum on a gross basis.¹ The key features of Australian Unity MCIs are set out in Section 1 of this Prospectus.

There are important differences between Australian Unity MCIs and other securities with which you may be familiar. For example, while Australian Unity MCIs are shares, they do not confer any rights to participate in the profits or growth of Australian Unity, other than receipt of non-cumulative and discretionary Dividends at the fixed Dividend Rate. Also, Australian Unity MCIs rank behind all creditors of Australian Unity in the event of a winding-up, but ahead of the rights of Non Shareholder Members to the value of any determined but unpaid Dividends and repayment of the Face Value of the Australian Unity MCIs. Further information on how Australian Unity MCIs differ from other financial securities is set out in Section 2.2 of this Prospectus.

¹ This is based upon Australian Unity's current corporate tax rate of 30 per cent and assumes that the Dividends paid on Australian Unity MCIs are fully franked and that investors are able to fully benefit from attaching imputation credits. This gross rate will change if Australian Unity's corporate tax rate changes in the future.

Given the unique nature of mutual capital instruments and Australian Unity MCIs more specifically, it is important that investors understand and consider carefully the key risks associated with an investment of this type. These include, but are not limited to:

- **Permanent capital:** Australian Unity MCIs are perpetual shares with no rights for Holders to require repurchase or redemption by Australian Unity.
- **Market price volatility:** Due to the perpetual nature of Australian Unity MCIs, the market price is likely to be more sensitive to changes in interest rates than would be the case for a comparable investment of fixed term.
- **Discretionary, non-cumulative Dividends:** Dividends on Australian Unity MCIs are discretionary and non-cumulative. This means that there is no guarantee that Australian Unity MCIs will provide investors with a regular return.
- **Voting:** Reflecting Australian Unity's status as a mutual entity, the Constitution enshrines a limit of one vote per member for any member of Australian Unity. This approach will also apply to Holders, so that they will only have one vote at a general meeting of Australian Unity regardless of the number of Australian Unity MCIs which they hold. Holders will have only one vote at a general meeting of Australian Unity, even if they are also a Non Shareholder Member. In addition, Holders will not be able to vote on a Demutualisation.

This Prospectus contains further details of the Offer, Australian Unity's business, the industries in which Australian Unity operates, the financial and operating performance of Australian Unity, Terms of the Australian Unity MCIs and a description of the key risks associated with Australian Unity and an investment in Australian Unity MCIs. I encourage you to read the entire Prospectus carefully before deciding whether to participate in the Offer. If you have any questions about the Offer, please call the Australian Unity MCI Offer Information Line on 1800 810 827 (Monday to Friday – 8.30am to 5.30pm) or contact your financial adviser or other professional adviser.

On behalf of the Australian Unity Board, I invite you to consider this investment opportunity.

Yours sincerely



Peter Promnitz
Chair
Australian Unity Limited

Key dates

Key dates for the Offer	
Record date for determining Eligible Members for the Member Offer	23 September 2021
Record date for determining Eligible Securityholders (7:00pm) for the Securityholder Offer	23 September 2021
Lodgement of Prospectus with ASIC and opening date of the Offer ("Opening Date")	11 October 2021
Bookbuild to determine the Allocations to Syndicate Brokers and Institutional Investors	15 October 2021
Closing date of the Offer ("Closing Date")	29 October 2021
Issue Date	3 November 2021
Holding Statements despatched by the Registry	4 November 2021
Australian Unity MCIs issued under this Prospectus begin trading on ASX on a normal settlement basis	8 November 2021
Key dates for the Australian Unity MCIs	
First Dividend Payment Date for Australian Unity MCIs issued under this Prospectus	15 April 2022

Dates may change

The key dates for the Offer are indicative only and subject to change without notice. Australian Unity may, in consultation with the Joint Lead Managers, vary the timetable, including to close the Offer early, extend the Offer to accept late Applications (either generally or in particular cases), or to withdraw the Offer at any time prior to Issue (in all cases, subject to law). If any of the dates are changed, subsequent dates may also change.

Section 1

Investment overview



Investment overview

The following is an overview of Australian Unity, the key Terms of Australian Unity MCIs and the key benefits and risks of investing in Australian Unity MCIs. Detailed information about each of these is provided in the following sections of this Prospectus and it is important that you read this Prospectus and the Terms in full before deciding to invest in Australian Unity MCIs. If you have any questions, you should seek advice from your financial adviser or other professional adviser before deciding to invest.

The full Terms are contained in Appendix A. Rights and liabilities attaching to Australian Unity MCIs may also arise under the Corporations Act, the Listing Rules, the Constitution and other applicable laws.

Topics	Summary	Further information
1.1 Information about the Issuer		
Issuer	Australian Unity Limited ABN 23 087 648 888 (“Australian Unity”). Australian Unity is the issuer of the Australian Unity MCIs and the ultimate holding company of the Australian Unity Group.	Section 3
Mutual entity status	Australian Unity is a mutual entity limited by shares and guarantee. The only shares that Australian Unity has on issue are Australian Unity MCIs. Being a mutual entity, Australian Unity is governed by, and for the benefit of, its members (which includes Australian Unity MCI Holders). Only eligible customers, employees and holders of a mutual capital instrument issued by Australian Unity can become members of Australian Unity.	Section 3.1.3
Non-operating holding company	Australian Unity is registered as a non-operating holding company under section 28A(3) of the <i>Life Insurance Act 1995</i> (Cth) 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 financial obligations and to fund growth. Cash generated by the Australian Unity Group’s operating subsidiaries is made available by way of periodic dividends, returns of capital and/or intra-group loan arrangements. It is this pass-through of earnings that would allow for the payment of Dividends to Holders.	Section 3.1.4
Purpose	Australian Unity’s purpose — to help people thrive — underpins its diversified, but thematically linked, portfolio of health, wealth and care products and services that meet the wellbeing needs of its members and customers as well as deliver community and social value.	Section 3.1.2
Strategy	Australian Unity’s strategy is to build a commercial and sustainable portfolio of businesses that has long term alignment to wellbeing sectors, delivers strong growth in cash earnings and is delivered through a focus on members. To ensure Australian Unity has a balanced approach to its growth aspirations, plans are developed against its strategic pillars: <ul style="list-style-type: none"> • Put customers and members front and centre; • Create a great place to work; • Make a difference to the community; and • Deliver sustainable performance, including managing risk. 	Section 3.2.2

Investment overview *continued*

Topics	Summary	Further information
1.2 Purpose of the Offer		
Use of proceeds	<p>The Offer of Australian Unity MCIs forms part of Australian Unity's ongoing capital management strategy, with the proceeds of the Offer to be used for a range of opportunities across the Australian Unity Group.</p> <p>These include pursuing near-term growth opportunities within the individual businesses as well as investing capital across the Australian Unity Group where third-party funding has historically been utilised. A portion of the proceeds will be used to repay debt facilities that were utilised for a number of recent strategic investments in social infrastructure. The use of proceeds may also extend to merger and acquisition opportunities across the Australian Unity Group operating platforms—including to increase investment in social infrastructure and to help support business consolidations in important mutual sectors such as private health insurance, banking and friendly societies.</p>	Section 3.7.3
1.3 Key terms of the Australian Unity MCIs		
Security	Perpetual, fully paid mutual capital instruments ("Australian Unity MCIs").	
Issue size	\$160 million, with the ability to raise more or less.	
Issue Price	\$103 per Australian Unity MCI.	Appendix A (Clause 2)
Face Value	\$100 per Australian Unity MCI.	Appendix A (Clause 2)
Currency	Australian dollars.	Appendix A
Term	Perpetual.	
Dividend Rate	<ul style="list-style-type: none"> The Dividend Rate is 5.00 per cent per annum. Given Australian Unity MCIs to be issued under this Prospectus are offered at a higher price (\$103) than the Face Value of \$100, the running yield at that Issue Price (assuming discretionary Dividends are paid in full) will be 4.85 per cent per annum. The Dividends are expected to be fully franked. If a Dividend is unfranked, or partially franked, the Dividend will be grossed-up to compensate for the unfranked amount. 	Appendix A (Clauses 3.1 and 3.2)
Franking	The Issuer expects the Dividends will be fully franked.	Appendix A (Clause 3.2)
Dividend payments	<ul style="list-style-type: none"> Dividends are scheduled to be paid semi-annually in arrears on 15 April and 15 October each year. The first Dividend for the Australian Unity MCIs to be issued under this Prospectus is scheduled to be paid on 15 April 2022. 	Appendix A (Clause 3.1)
Discretionary and non-cumulative Dividends	<ul style="list-style-type: none"> Dividends are discretionary and non-cumulative. The Issuer may determine to pay no Dividend, a partial Dividend or an Optional Dividend. Dividends that are not paid do not accrue and will not subsequently be paid. Australian Unity will not be liable to Holders in respect of an unpaid Dividend. 	Appendix A (Clause 3.3)

Investment overview *continued*

Topics	Summary	Further information
Dividend restriction on other securities	<p>If a Dividend is not paid in full on a Dividend Payment Date, then until a Dividend is paid in full on a subsequent Dividend Payment Date (or all of the Australian Unity MCIs cease to be on issue) Australian Unity cannot, without the approval of a Special Resolution:</p> <ul style="list-style-type: none"> • declare or determine or pay a dividend; or • return any capital or undertake any buy-backs or repurchases, in relation to any other mutual capital instruments or other security or share of Australian Unity which ranks equally with or behind Australian Unity MCIs in respect of a return of capital on the winding up of Australian Unity. <p>This restriction on the payment of dividends on, return of capital on or the buy-back or repurchase of, other securities does not apply where Australian Unity is legally obliged to make the payment, return the capital, or complete or undertake the buy-back or repurchase at the time that the relevant Dividend is not paid to Holders in full on the relevant Dividend Payment Date.</p> <p>Currently, Australian Unity does not have on issue any other mutual capital instruments or any shares or securities that would activate this restriction.</p>	Appendix A (Clause 3.5)
Holder exit rights	A Holder has no right to request or require repurchase of Australian Unity MCIs.	
Issuer call rights	<p>The Issuer has the right to Repurchase Australian Unity MCIs in accordance with a Repurchase Notice given at any time if:</p> <ul style="list-style-type: none"> • a Tax Event occurs; or • a Regulatory Event occurs; or • a Demutualisation Event occurs. If a Demutualisation Event occurs, Australian Unity will be required to Repurchase Australian Unity MCIs before the Demutualisation takes effect. <p>On the Repurchase Date:</p> <ul style="list-style-type: none"> • the Final Dividend Payment (if any) will, at the absolute discretion of the Directors, be paid to the Holder; • each Australian Unity MCI will be Repurchased by Australian Unity for the Repurchase Amount which will be paid to the Holder; and • the Australian Unity MCIs will be cancelled and all rights conferred by the Australian Unity MCIs will cease. 	Appendix A (Clause 4)
Repurchase Amount	<p>In all Repurchases other than a Repurchase that has resulted from a Demutualisation Event, the Repurchase Amount will be the Face Value.</p> <p>In a Repurchase that has resulted from a Demutualisation Event, the Repurchase Amount will be the Face Value plus a 1% premium to the Face Value.</p>	Appendix A (Clause 15)

Investment overview *continued*

Topics	Summary	Further information
Tax Event	<p>A Tax Event means the receipt by Australian Unity of an opinion from a reputable legal counsel or other tax adviser, experienced in such matters to the effect that, as a result of:</p> <ul style="list-style-type: none"> any amendment to, clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations thereunder) of any jurisdiction or any political sub-division or taxing authority thereof or therein affecting taxation; any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) ("Administrative Action"); or any amendment to, clarification of, or change (including any announced prospective change) in, the pronouncement that provides for a position with respect to an Administrative Action that differs from the theretofore generally accepted position, <p>(in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change (including any announced prospective change) or Administrative Action is made known), which is effective on or after the Issue Date, there is a risk that:</p> <ul style="list-style-type: none"> the Issuer would be exposed to more than a de minimis increase in its costs (including any amount of taxes, duties, assessments, costs or other government charges, the loss of any deductions or grossing-up for withholding tax) in relation to Australian Unity MCIs; an additional franking debit will arise in the franking account of the Issuer in respect of any Dividend; or any Dividend will not be a frankable distribution (within the meaning of Division 202 of the Tax Act). 	Appendix A (Clause 15)
Regulatory Event	<p>A Regulatory Event will occur when any amendment to, clarification of, or change (including any announcement of a prospective amendment, clarification or change) in, any law or regulation, the Listing Rules, or a statement, order or directive from APRA or any Governmental Agency, or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment, clarification, change or interpretation is effective or pronouncement, action or decision is announced on or after the first Issue Date, and the Directors in their absolute discretion determine that:</p> <ul style="list-style-type: none"> additional requirements in connection with the Australian Unity MCIs would be imposed on Australian Unity or the Australian Unity Group which the Directors in their absolute discretion determine, might have a material adverse effect on Australian Unity, the Australian Unity Group or Non Shareholder Members; to have any of the Australian Unity MCIs outstanding would be unlawful or impractical; or the Issuer would be exposed to a more than de minimis increase in its costs in connection with Australian Unity MCIs. 	Appendix A (Clause 15)

Investment overview *continued*

Topics	Summary	Further information																					
Demutualisation Event	A Demutualisation Event will occur when the members of Australian Unity (excluding Holders and the holders of any other mutual capital instrument, none of whom are entitled to vote on a Demutualisation) pass a resolution authorising the entry into, implementation of or carrying out of a Demutualisation. If a Demutualisation Event occurs, Australian Unity will be required to Repurchase Australian Unity MCIs before the Demutualisation takes effect.	Appendix A (Clause 15)																					
Ranking on a winding-up of Australian Unity	<p>In a winding-up, the Australian Unity MCIs rank for repayment behind all creditors of the Issuer, but ahead of ordinary shares (of which there are currently none on issue) and Non Shareholder Members and at least equally with any other class of mutual capital instrument (unless that class of mutual capital instrument was issued by Australian Unity with a priority on winding-up approved by a Special Resolution).</p> <p>In a winding-up of Australian Unity, Holders will be entitled to receive out of any assets of Australian Unity available for distribution to Holders in respect of each Australian Unity MCI held, a cash payment equal to:</p> <ul style="list-style-type: none">the Face Value; andthe amount of any Dividend due but unpaid. <p>The table below illustrates how the Australian Unity MCIs rank on a winding-up of Australian Unity as at the date of this Prospectus:</p> <table><tr><th></th><th>Type of instrument</th><th>Illustrative examples¹</th><th>Existing debt obligations and equity</th></tr><tr><td rowspan="4"><div>Higher ranking</div><div>↑</div></td><td>Secured debt</td><td>Employee entitlements and secured creditors</td><td>Employee entitlements</td></tr><tr><td>Unsubordinated and unsecured debt</td><td>Bank facilities, bonds and notes, trade and general creditors</td><td>Bank debt, Series C Australian Unity Bonds and Series D Australian Unity Bonds</td></tr><tr><td>Subordinated and unsecured debt</td><td>Subordinated and unsecured debt obligations</td><td>None</td></tr><tr><td>Preferred equity</td><td>Preference shares or other securities such as mutual capital instruments, expressed to rank behind creditors and ahead of ordinary equity and Non Shareholder Members</td><td>Australian Unity MCIs</td></tr><tr><td><div>Lower ranking</div><div>↓</div></td><td>Ordinary equity</td><td>Non Shareholder Member interests in Australian Unity²</td><td>Members' balances, reserves, retained profits</td></tr></table>		Type of instrument	Illustrative examples ¹	Existing debt obligations and equity	<div>Higher ranking</div> <div>↑</div>	Secured debt	Employee entitlements and secured creditors	Employee entitlements	Unsubordinated and unsecured debt	Bank facilities, bonds and notes, trade and general creditors	Bank debt, Series C Australian Unity Bonds and Series D Australian Unity Bonds	Subordinated and unsecured debt	Subordinated and unsecured debt obligations	None	Preferred equity	Preference shares or other securities such as mutual capital instruments, expressed to rank behind creditors and ahead of ordinary equity and Non Shareholder Members	Australian Unity MCIs	<div>Lower ranking</div> <div>↓</div>	Ordinary equity	Non Shareholder Member interests in Australian Unity ²	Members' balances, reserves, retained profits	Appendix A (Clause 5)
	Type of instrument	Illustrative examples ¹	Existing debt obligations and equity																				
<div>Higher ranking</div> <div>↑</div>	Secured debt	Employee entitlements and secured creditors	Employee entitlements																				
	Unsubordinated and unsecured debt	Bank facilities, bonds and notes, trade and general creditors	Bank debt, Series C Australian Unity Bonds and Series D Australian Unity Bonds																				
	Subordinated and unsecured debt	Subordinated and unsecured debt obligations	None																				
	Preferred equity	Preference shares or other securities such as mutual capital instruments, expressed to rank behind creditors and ahead of ordinary equity and Non Shareholder Members	Australian Unity MCIs																				
<div>Lower ranking</div> <div>↓</div>	Ordinary equity	Non Shareholder Member interests in Australian Unity ²	Members' balances, reserves, retained profits																				

¹ 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 may from time to time issue additional securities or incur other obligations that rank ahead of, equally with, or behind, the Australian Unity MCIs in accordance with the Terms.

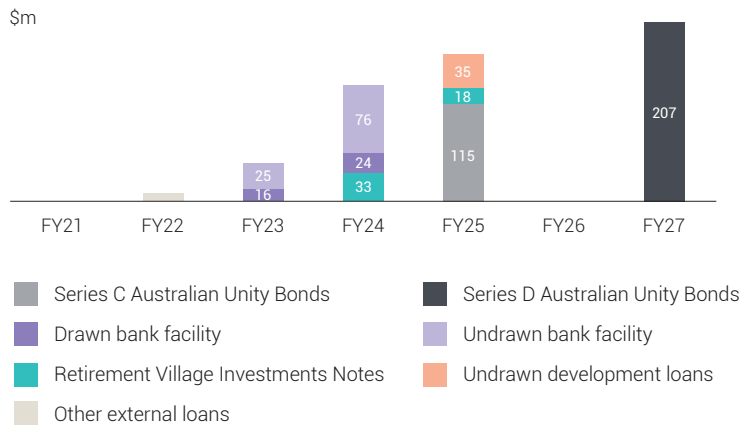
² Non Shareholder Members do not have any constitutional entitlement to any of the assets of Australian Unity on the winding-up of Australian Unity.

Investment overview *continued*

Topics	Summary	Further information
Subsidiary indebtedness	Certain Subsidiaries of Australian Unity have material external borrowings. The debt of Australian Unity's Subsidiaries is generally non-recourse to Australian Unity. Notwithstanding this, any default or lock-up at a Subsidiary level, including any authorised deposit-taking institutions, may still have important consequences for Australian Unity, including the potential to reduce cash flows to Australian Unity, cause Australian Unity to extend resources supporting the Subsidiary, cause a write-down in the value of Australian Unity's investments in its Subsidiaries and affect Australian Unity's ability to obtain funding. These consequences may affect Australian Unity's ability to pay Dividends to Holders.	

Australian Unity Group's debt maturity profile

The chart below sets out the maturity profile of the Australian Unity Group as at 30 June 2021.



Australian Unity's existing external debt facilities as at 30 June 2021:

Facility	Amount drawn
Bank facility ¹	\$40.6m
Series C Australian Unity Bonds	\$115.0m
Series D Australian Unity Bonds	\$207.0m

¹ Subsequent to 30 June 2021 an additional \$25m bank facility maturing July 2023 was established and \$100m of corporate facilities were drawn.

Existing interest-bearing obligations for Subsidiaries of the Australian Unity Group as at 30 June 2021:

Facility	Amount drawn
ADI deposits (interest-bearing liabilities)	\$884.8m
Australian Unity Retirement Village Investment Notes	\$51.6m
RBA term funding facilities	\$43.6m
Other external loans	\$5.1m

Investment overview *continued*

Topics	Summary	Further information
Further issues of securities	<p>The Issuer has the right to issue additional Australian Unity MCIs in the future in accordance with the Terms. The issue price of any additional Australian Unity MCIs will be determined by the Board and may be equal to the Face Value, more than the Face Value or less than the Face Value.</p> <p>The Issuer may also issue different series of mutual capital instruments on such terms as the Directors determine, including, but not limited to, different (but not in priority to Australian Unity MCIs) dividend rights, buy-back and capital reduction rights to Australian Unity MCIs, provided that those mutual capital instruments do not rank in priority to Australian Unity MCIs in respect of a payment of Dividends or a return of capital on the winding-up of Australian Unity. If Australian Unity proposes to issue a mutual capital instrument which will rank in priority to Australian Unity MCIs in respect of a payment of Dividends or a return of capital on the winding-up of Australian Unity, such an issue requires the approval of Holders by a Special Resolution. Such an issue will not constitute a variation of the rights attached to Australian Unity MCIs.</p>	Appendix A (Clause 5.1)
Voting rights	<p>Australian Unity MCIs allow Holders one vote at a general meeting of Australian Unity. A Holder will only have one vote at a general meeting of Australian Unity regardless of how many Australian Unity MCIs are held by the Holder.</p> <p>If the Holder is also entitled to vote at a general meeting of Australian Unity as a member of Australian Unity in any other capacity, that Holder will only have one vote at a general meeting of Australian Unity.</p> <p>Where a Holder is a joint holder of an Australian Unity MCI, only the first person named in the Register as a joint Holder is a member of Australian Unity and entitled to vote at a general meeting of Australian Unity.</p> <p>A Holder is not entitled to vote on a Demutualisation, on a proposal to wind up Australian Unity or on a resolution which seeks to amend these voting limitations.</p> <p>At any class meeting of Australian Unity MCIs, a Holder has a vote for each Australian Unity MCI held by the Holder. If more than one joint Holder votes in respect of an Australian Unity MCI at a class meeting, the vote of the joint Holder named first in the Register will be accepted to the exclusion of the votes of the other joint Holders.</p> <p>Australian Unity may suspend the voting rights of a Holder if Australian Unity reasonably determines that the Holder is holding Australian Unity MCIs for another person or has exercised or proposes to exercise any vote of an Australian Unity MCI on behalf of another person such that the other person is able to directly or indirectly control or influence the exercise of more than one vote at the AGM or a Special General Meeting.</p>	Appendix A (Clause 6)
Listing	Australian Unity MCIs issued under this Prospectus are expected to be quoted on ASX under the ASX code AYUPA, along with existing Australian Unity MCIs on issue.	
Governing law	Victoria, Australia.	Appendix A (Clause 14)

Investment overview *continued*

Topics	Summary	Further information
1.4 Key risks		
Key risks associated with Australian Unity MCIs	<p>Detailed information about each of the following risks is provided in Section 4 of this Prospectus.</p> <ul style="list-style-type: none"> • Australian Unity MCIs are perpetual instruments with no set maturity; • Subordinated ranking in a winding-up of Australian Unity; • The Dividend Rate is fixed whereas interest rates may vary; • The value of imputation credits may change; • The payment of any Dividends on Australian Unity MCIs is discretionary; • Australian Unity may not be able to pay Dividends on Australian Unity MCIs; • Australian Unity is a non-operating holding company and relies on transfers of funds from other members of the Australian Unity Group to meet its financial obligations; • Australian Unity MCIs may be suspended or delisted; • Australian Unity MCIs may be Repurchased under certain circumstances and the Repurchase Amount would be less than the Issue Price for Australian Unity MCIs offered under this Prospectus; • Australian Unity may incur further liabilities and undertake future issues of securities, including additional Australian Unity MCIs; • The market price of the Australian Unity MCIs may fluctuate due to various factors; • The market for Australian Unity MCIs may have limited liquidity; • The Terms may be amended in certain circumstances; • Limited impact of voting rights of Holders; • Interests of Holders may not be the same as the interests of other Australian Unity members; and • Tax consequences for Holders may depend on individual circumstances and are subject to change in laws. 	Section 4.2

Investment overview *continued*

Topics	Summary	Further information
Key risks associated with Australian Unity and the Australian Unity Group	<p>Detailed information about each of the following risks is provided in Section 4 of this Prospectus.</p> <ul style="list-style-type: none"> • Strategic and operational disruption due to the COVID-19 pandemic; • A significant portion of Australian Unity's revenue and cashflow is from private health insurance and aged care or in-home care services businesses; • A large part of the Australian Unity Group operates in heavily regulated industries and may be impacted by increased regulatory complexity and scrutiny; • Private health insurance viability risks including rising medical costs, adverse selection, rejection of application for change in premium rates and mispricing premiums; • Increases in operational costs, capital investment requirements, changes to funding models and increased regulation, particularly in the social infrastructure and disability service sectors; • Part of the Australian Unity Group's strategy is to invest in property and social infrastructure, which have a number of inherent risks associated with development projects; • Limited access to capital could negatively affect capital position and ability to fund business initiatives; • Investments of the Australian Unity Group may not yield returns as expected; • Failure of strategic and/or business decisions or impact of external events; • Inability to respond to rapidly changing customer preferences; • Increased competition and poor or inconsistent customer experience may result in loss of market share; • Customer mistreatment or injury, particularly in Australian Unity's aged care and home and disability services businesses, could result in reputational damage, sanctions and remediation costs; • Occupancy levels in residential aged care may not follow historical trends; • Levels of liquidity may not be sufficient to respond to an event that leads to the refund of a large proportion of residential aged care refundable accommodation deposits across Australian Unity's aged care facilities; • Errors may arise from a failure of internal controls; • Conduct risk could arise from the sale of products or the provision of services which are not appropriate to the needs of our customers; • Inappropriate detection and prevention of cyber security threats; • Systems may not be fit for purpose or could fail to operate reliably; • Credit defaults in the instance that Australian economic conditions worsen; • Large workforce could be exposed to risks or hazards that could lead to a workplace injury or illness; and • Inability to attract and retain a skilled and experienced workforce. 	Section 4.3

Investment overview *continued*

Topics	Summary	Further information
General risks	<p>Detailed information about each of the following risks is provided in Section 4 of this Prospectus.</p> <ul style="list-style-type: none"> • Australian Unity's financial position and earnings are significantly affected by general economic conditions in the domestic and international economies and the economic confidence of consumers and businesses; • Australian Unity's earnings are significantly affected by market risks including liquidity or funding risk, interest rate risk and currency risk; • Australian Unity's balance sheet may be affected by asset prices; • Issues of a varying nature may emerge that would give rise to reputational risk and cause harm to the Australian Unity Group's business dealings and prospects; • Exposure to the risk of litigation or disputes with various parties, such as contractual counterparties, competitors, members and customers; • Australian Unity is subject to taxation legislation to various jurisdictions and any significant adverse change in taxation law could have an adverse effect on the results of its operations; • The Australian Unity Group may be exposed to risks relating to climate change, both by way of physical risks to its property assets and potential risks associated with a transition to a low carbon economy; • There may be changes in Australian Accounting Standards which have an adverse financial impact on Australian Unity or the Australian Unity Group; and • Legal investment considerations may restrict certain investments. 	Section 4.4
1.5 Further information about the Offer		
Offer structure	<p>The Offer comprises:</p> <ul style="list-style-type: none"> • a Member Offer made to Eligible Members of Australian Unity; • a Securityholder Offer made to Eligible Securityholders of the Australian Unity Group; • a Broker Firm Offer made to clients of Syndicate Brokers, who are resident in Australia; and • an Institutional Offer to Institutional Investors. 	Section 6
How to apply	<p>Member Offer and Securityholder Offer Applicants should complete an Application Form and pay the Application Monies as described in Section 6.</p> <p>Broker Firm Applicants should contact their Syndicate Broker.</p> <p>Institutional Offer Applicants should contact the Joint Lead Managers.</p>	Section 6
Allocation policy	<p>Allocations for Member Offer and Securityholder Offer Applicants will be determined by Australian Unity and the Joint Lead Managers after the Closing Date. There is no specified proportion of the Offer that may be allocated to the Member Offer or the Securityholder Offer.</p> <p>The allocation policy for Broker Firm Applicants will be determined by the Syndicate Brokers.</p> <p>Allocations for Institutional Offer Applicants will be determined by Australian Unity in consultation with the Joint Lead Managers.</p>	Section 6.2.4
Minimum Application	50 Australian Unity MCIs (\$5,150).	Section 6.2.1

Investment overview *continued*

Topics	Summary	Further information
Brokerage and stamp duty	No brokerage or stamp duty is payable by you on your Application. You may be required to pay brokerage (and applicable GST) if you sell your Australian Unity MCIs on ASX after Australian Unity MCIs have been quoted on ASX.	Section 6.2.3
Tax implications of investment	A general description of the Australian taxation consequences of investing in Australian Unity MCIs is set out in the summary in Section 5.3. That discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, investors should seek independent advice in relation to their individual tax position.	Section 5.3
Confirmation of allocation	If you are an Applicant under the Member Offer, Securityholder Offer or Broker Firm Offer, you will be able to call the Australian Unity MCI Offer Information Line on 1800 810 827 (Monday to Friday – 8:30am to 5:30pm) to confirm your allocation. Applicants under the Broker Firm Offer will also be able to confirm their allocation through the Syndicate Broker from whom they received their allocation.	Section 6.4.1

1.6 Australian Unity membership and voting interests across member classes

Australian Unity's membership base and voting interests

Approximate voting interests¹ of classes of Australian Unity members at a general meeting of Australian Unity as at 23 September 2021 is summarised in the table below.

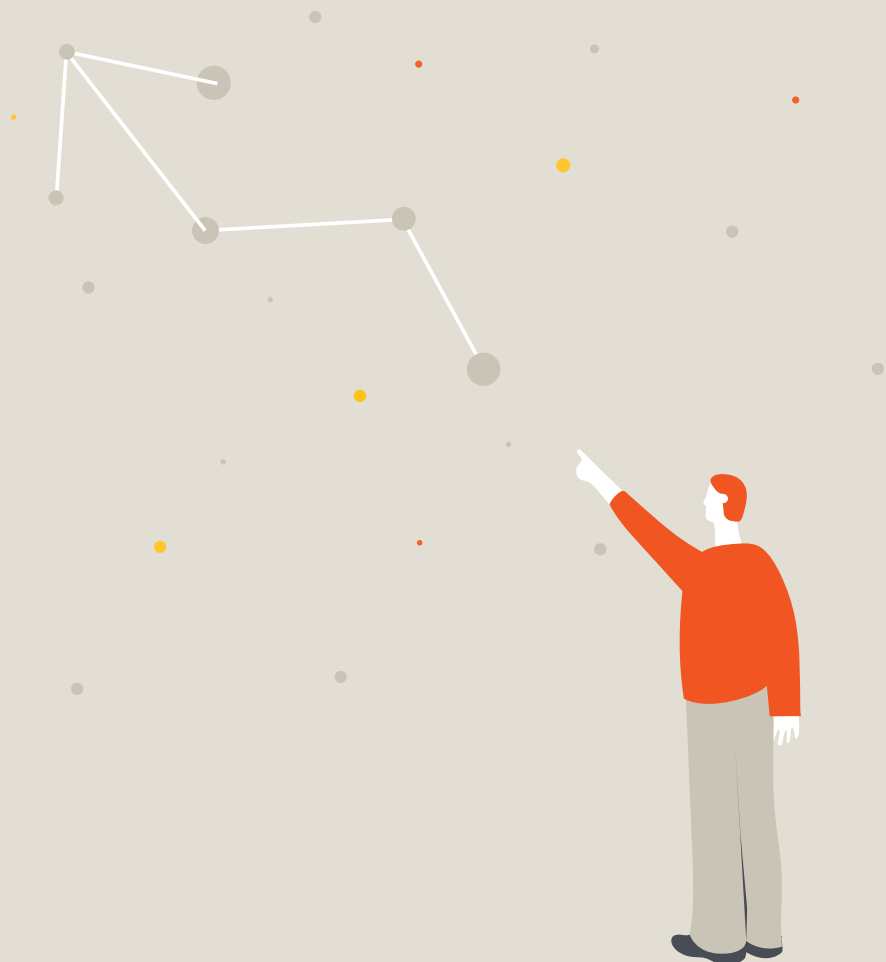
	Voting interests held at 23 September 2021 ¹
Non Shareholder Members	344,778
Australian Unity MCI Holders	516
Total	345,294

¹ Figures are approximate only. Voting interests are counted only where Australian Unity is able to verify identity and voting eligibility. It is possible that duplicate entries exist and that Non Shareholder Member voting interests may include some Australian Unity MCI Holders voting interests.

If you have any questions about Australian Unity MCIs or the Offer, you should seek advice from your financial adviser or other professional adviser. You can also call the Australian Unity MCI Offer Information Line on 1800 810 827 (Monday to Friday – 8:30am to 5:30pm). If you are a Broker Firm Applicant, you should contact your Syndicate Broker.

Section 2

Information about mutual capital instruments



Information about mutual capital instruments

2.1 Overview

Mutual capital instruments are a specific type of security that was developed to provide mutual entities with a means to raise permanent capital without giving up their status as a mutual entity. The issue of mutual capital instruments was made possible through legislation enacted in April 2019 to amend the Corporations Act. Australian Unity and some of the other major Australian mutual organisations participated in the development of the legislation.

The creation of mutual capital instruments as a security in the Corporations Act was the culmination of a process initiated by the Australian Government in 2015 that involved multiple stages. The outcome reflected the recognition by the Australian Government that mutual organisations make significant contributions across almost every area of the Australian economy, as well as providing a broad range of valuable social benefits. In this context, the Australian Government also recognised that the difficulties that mutual entities face in raising new capital was a primary barrier to the ability of mutual entities to invest, innovate, grow and compete. Mutual capital instruments were designed to address this barrier.

Under the Corporations Act, mutual capital instruments are classified as a type of share. However, there are important differences between Australian Unity MCIs and the more usual ordinary shares that are issued by public companies.

The differences include:

- Australian Unity MCI Holders have no right to access assets of Australian Unity in excess of the original Face Value and Dividends owed in the event that Australian Unity was wound up;
- Australian Unity MCI Holders have no right to vote on a winding-up of Australian Unity; and
- Australian Unity MCIs provide only one vote to the Holder at a general meeting of Australian Unity, regardless of how many Australian Unity MCIs the Holder holds.

However, there is a critical feature that Australian Unity MCIs do have in common with ordinary shares; Australian Unity MCIs are permanent capital. Australian Unity MCIs have no maturity date and Holders have no right to seek repayment of the Face Value by Australian Unity. Australian Unity may in limited circumstances decide to Repurchase Australian Unity MCIs in accordance with their Terms or in accordance with the capital return or share buy-back rules of the Corporations Act. Therefore, the only way that a Holder should expect to recover their capital invested in Australian Unity MCIs is through a sale to another investor. There is no guarantee that such a sale will be able to occur or that all of the capital invested will be recovered.

The financial return expected to be provided by Australian Unity to investors in Australian Unity MCIs is in the form of semi-annual discretionary and non-cumulative Dividends. The annual Dividend Rate is 5.00 per cent per annum on the Face Value of the Australian Unity MCIs. Given Australian Unity MCIs to be issued under this Prospectus are offered at a higher price (\$103) than the Face Value of \$100, the yield at that Issue Price (assuming discretionary Dividends are paid in full) will be 4.85 per cent per annum. Further information about how and when Dividends will be paid is set out in the Terms in Appendix A.

More information about how a mutual capital instrument compares with certain other financial securities is set out in Section 2.2 below.

Information about mutual capital instruments *continued*

2.2 Differences between mutual capital instruments and certain other securities

Mutual capital instruments are unique securities and there are differences between them and other securities in which you may have invested. The table below highlights some of the key differences between Australian Unity MCIs and other securities with which you may be more familiar. You should consider these differences in the light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding whether to invest in Australian Unity MCIs.

	Senior bonds	Australian bank Tier 1 hybrid instruments	Australian Unity MCIs	Ordinary shares
Legal form	Notes	Notes	Type of share	Shares
Security	Secured or unsecured	Unsecured and subordinated	None	None
Term	Fixed term – typically less than 10 years	Typically perpetual (no maturity date) but subject to issuer call options and mandatory conversion dates ¹	Perpetual (no maturity date) unless bought back or the subject of a capital return	Perpetual (no maturity date) unless bought back or the subject of a capital return
Interest or dividend rate	Floating or fixed	Typically floating	Fixed	Variable
Franking	Unfranked	Frankable, subject to the availability of franking credits	Frankable, subject to the availability of franking credits	Frankable, subject to the availability of franking credits
Interest or dividend payment dates	Quarterly (usually)	Quarterly (usually)	Semi-annually in accordance with the Terms	Semi-annually (usually)
Interest or dividend is deferrable	No	Interest is discretionary and not cumulative and may not be paid in certain circumstances	Dividends are discretionary and not cumulative and may not be paid in certain circumstances	Dividends are discretionary and not cumulative and may not be paid in certain circumstances
Dividend stopper	No ²	Yes	Yes ³	n/a
Holder redemption rights	Typically, on certain events such as a change of control	None	None	None
Issuer redemption/conversion rights	Tax event, change of control event and clean up event	Issuer calls, mandatory conversion dates, tax event, regulatory event or change of control event	Tax Event, Regulatory Event or Demutualisation Event	None
Loss absorption event	No	Yes	No	No
Transferable	Yes, if quoted on ASX	Yes, if quoted on ASX	Yes, if quoted on ASX	Yes, if quoted on ASX
Voting rights at general meetings	No	No	One vote per Holder at a meeting of Australian Unity ⁴	Voting interest proportionate with economic interest
Ranking	Typically ranks in priority to all creditors other than those preferred by law	Typically subordinated to all other creditors but in preference to equity ⁵	Subordinated to all creditors but in preference to Non Shareholder Members' equity ⁶	Subordinated to all creditors and higher ranking securities

¹ Subject to specific share price tests.

² Interest payments are mandatory.

³ Currently, Australian Unity does not have on issue any other mutual capital instruments or any shares or securities that would activate this restriction.

⁴ Holders and the holders of any other mutual capital instrument issued by Australian Unity will not be entitled to vote on a Demutualisation, on a proposal to wind up Australian Unity or on a resolution which seeks to amend these voting limitations.

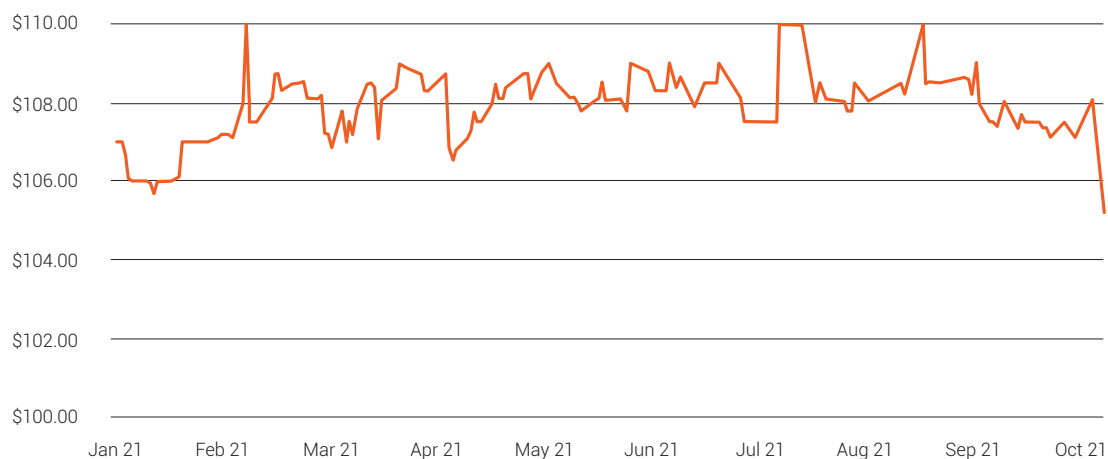
⁵ Typically rank in preference to equity, equally amongst themselves and with other equal ranking instruments and behind other creditors including depositors and Tier 2 capital instrument holders.

⁶ See Section 1.3 "Ranking on a winding-up of Australian Unity" for further discussion.

Information about mutual capital instruments *continued*

2.3 Australian Unity MCI trading price history

Australian Unity MCIs began trading on the ASX on 4 January 2021 under the ASX code AYUPA. Since that time Australian Unity MCIs have traded ex-dividend twice. On 6 April 2021, Australian Unity MCIs traded ex-dividend in relation to a fully franked Dividend of \$1.53 and on 6 October 2021 Australian Unity MCIs traded ex-dividend in relation to a fully franked Dividend of \$2.51. The chart below illustrates the trading price history of Australian Unity MCIs since issue.



Section 3

Information about Australian Unity



Information about Australian Unity

3.1 Business description

3.1.1 Overview

Australian Unity traces its history back to 1840, when eight people came together in a Melbourne pub to form a friendly society to help fellow Australians in times of hardship.

Since those humble beginnings 180 years ago, the Australian Unity Group has grown to an organisation of some 7,000 employees providing health, wealth and care products and services that meet the wellbeing needs of its members and customers, and delivering community and social value.

This growth can largely be attributed to Australian Unity's continued commercial and financial discipline, resulting in the historical generation of profits which have been reinvested in the organisation over time to the further benefit of members.

3.1.2 Social purpose and impact

The purpose of the Australian Unity Group is to support individuals and communities to thrive through the delivery of wellbeing products and smart solutions. With over 180 years of history and a 20 year partnership with Deakin University delivering the Australian Unity Wellbeing Index, Australian Unity knows that there is more to real wellbeing than physical health. Seeking to deliver value to members, customers, employees and the broader community is a hallmark of the Australian Unity Group. This commitment is demonstrated not only in Australian Unity's current portfolio of products and services that matter most to people's wellbeing, but also through its continued efforts to have a strong focus on delivering community and social value.

Beyond its social impact, Australian Unity also seeks to meet the environmental and governance expectations of the communities in which it operates. As an organisation, it endeavours to minimise any adverse environmental impact of its operations, enhance its sustainability and implement good corporate governance and sound risk management practices that are fundamental to its culture and business.

By way of example, the Australian Unity Group manages a well-established suite of sustainable funds which are informed by its responsible investment beliefs. Consistent with the Australian Unity Group's values and purpose, these beliefs guide the investment focus of the funds toward promoting positive social, environmental and governance outcomes. Some examples of Australian Unity's environmentally sustainable and directed investment initiatives include:

- In 2020 Australian Unity launched a Green Bond Fund with the Clean Energy Finance Corporation, as a cornerstone investor – the fund invests in green, sustainable and social bonds with the aim of reducing carbon emissions;
- Australian Unity Group entities' direct exposure to companies with a material fossil fuels exposure has been reduced to approximately 0.1 per cent across a portfolio of approximately \$950 million; and
- Australian Unity's property business takes a proactive approach to sustainable energy, water and waste management practices across all assets and works with industry partners to design sustainable and accessible built environments for communities and tenants.

3.1.3 Mutual entity

Australian Unity is a mutual entity comprising over 400,000 members and is limited by shares and guarantee. As at the date of this Prospectus, no ordinary shares are on issue and all of the members of Australian Unity are Non Shareholder Members or Shareholder Members who hold Australian Unity MCIs. The Non Shareholder Members are eligible customers and employees of Australian Unity. The liability under the guarantee of the Non Shareholder Members is limited to a contribution on the winding-up of Australian Unity of \$1 per member while being a current member and within one year afterwards. Being a mutual entity, Australian Unity is governed by, and for the benefit of, its members.

Holders of Australian Unity MCIs are members of Australian Unity, however, Holders will not be liable to contribute a guarantee payment on the winding-up of Australian Unity. Being a Holder of Australian Unity MCIs does not necessarily entitle the Holder to receive any particular member benefits or service offerings of the Australian Unity Group unless Australian Unity determines otherwise. Holders of Australian Unity MCIs may also need to provide further personal information to Australian Unity to enable Australian Unity to verify their identity and voting eligibility at Australian Unity's general meetings.

The Constitution provides that the Board will, subject to Australian Unity complying with its obligations under the Terms, give preference to the interests of Non Shareholder Members over the interests of the holders of mutual capital instruments.

Information about Australian Unity *continued*

Prior to the issue of Australian Unity MCIs in December 2020, Australian Unity had not issued share capital, and had never paid dividends to shareholders (as it had not had any shareholders). Profits had been reinvested into the growth of services, products and assets for the benefit of current and future members. This has also resulted in Australian Unity having a franking credit balance of approximately \$47.3 million as at 30 June 2021.

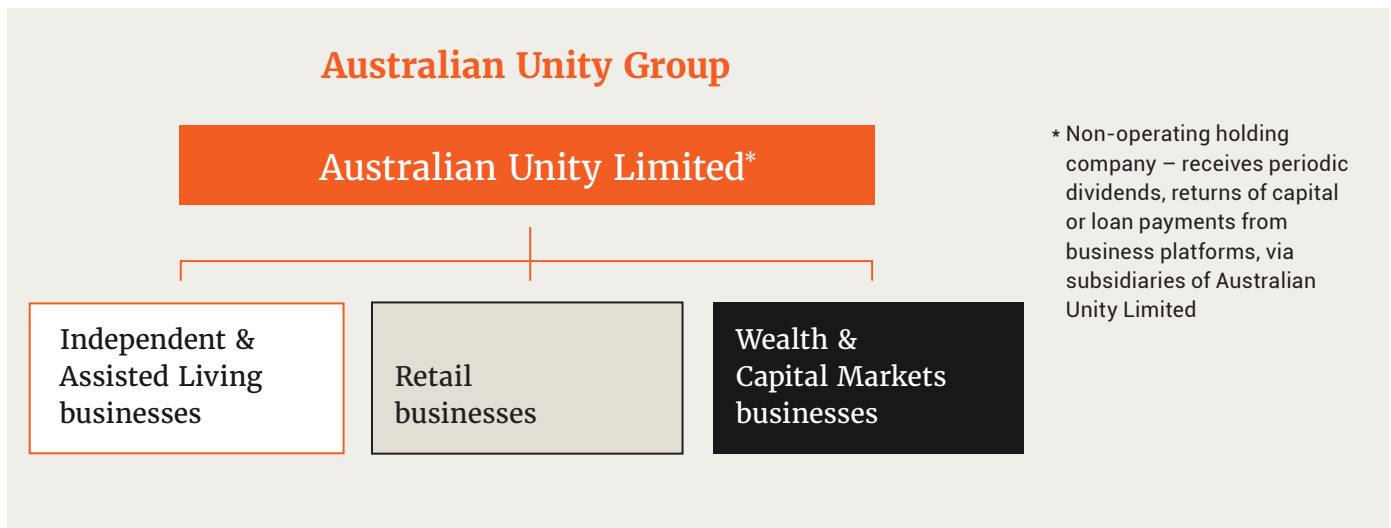
As at the date of this Prospectus, no plans have been made for the demutualisation of Australian Unity. Australian Unity would be “Demutualised” (within the meaning given in its Constitution) if an arrangement is implemented that would have the purpose or effect of creating or issuing shares in Australian Unity (other than mutual capital instruments), varying the rights of members of Australian Unity (other than a member who is a member only because of holding mutual capital instruments) to the reserves of Australian Unity or its assets on a winding-up, or to vote on a resolution other than by the issue of a mutual capital instrument or in accordance with the terms of issue of a mutual capital instrument, or to terminate some or all rights of members except where permitted by its Constitution. The Constitution prohibits the terms of any mutual capital instrument issued by Australian Unity from providing any entitlement to vote on a Demutualisation. Holders and the holders of any other mutual capital instrument issued by Australian Unity will not be entitled to vote on a Demutualisation.

3.1.4 Australian Unity Group structure

Australian Unity is the ultimate holding company of the Australian Unity Group. Australian Unity is registered as a non-operating holding company under section 28A(3) of the *Life Insurance Act 1995* (Cth) and a substantial majority of its assets are its investments in other members of the Australian Unity Group.

The Australian Unity Group’s thematically linked and interconnected businesses are held through a number of wholly-owned and closely-held subsidiaries. Cash generated by the Australian Unity Group’s operating subsidiaries is made available by way of periodic dividends, returns of capital and/or intra-group loan arrangements, and is used to fund growth and meet liabilities. It is this pass-through of earnings that would allow for the payment of Dividends to Holders.

Figure 1. Australian Unity Group structure



Information about Australian Unity *continued*

3.1.5 Australian Unity Group portfolio

Australian Unity Group's portfolio is segmented into three business divisions, which it calls 'platforms', being Independent & Assisted Living, Retail and Wealth & Capital Markets. Figure 2 below sets out the principal activities, key metrics and relative financial contribution of each business platform.

Figure 2. Australian Unity Group business platforms

	Independent & Assisted Living	Retail	Wealth & Capital Markets
Principal activities	Residential communities (including aged care) Home care services Disability services Indigenous services Health services	Health insurance Banking	Advice Investments Property (including social infrastructure) Life & Super Trustee services

3.2 Business strategy

3.2.1 Meeting Australia's future wellbeing needs

The Australian Unity Group's strategic agenda reflects a growing demand amongst its members and customers for valued health, wealth and care products and services — a trend that is expected to continue as Australia's population both grows and ages.

Figure 3. Australia's growing population

Total population (millions)

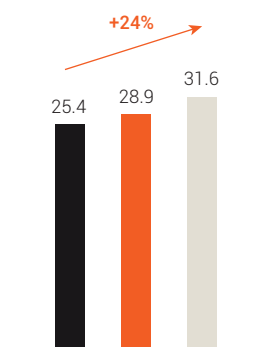
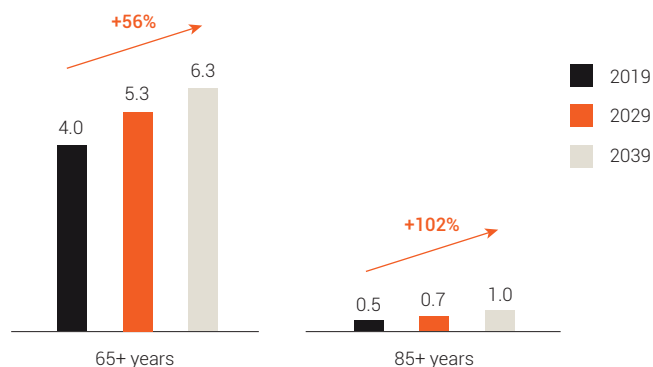


Figure 4. Australia's ageing population

Population by age group (millions)



Source: ABS 3222.0 Population Projections, Australia, 2017 (base) to 2066.

Information about Australian Unity *continued*

Australian Unity's aged care and home care services — and its smaller but growing health care service — are expected to be in increasing demand as this trend accelerates. At a macro-level, the connectedness of the Australian Unity Group's operations through its three business platforms allows Australian Unity to take a holistic approach to planning and delivering both the hard (i.e. property assets) and soft (i.e. human services) infrastructure required to address these challenges. An example of this integrated approach is demonstrated through the work of Australian Unity's property business, within the Wealth & Capital Markets platform, and residential communities business, within the Independent & Assisted Living platform, on the re-development of Australian Unity Group's former head office in South Melbourne, Victoria into a wellbeing precinct for older members of the community.

Outside health and aged care services, Australian Unity endeavours to provide customers and members with integrated products, services and smart solutions in areas such as personal health (i.e. insurance and telehealth services) and wealth and finance (i.e. investments, advice and banking). In the face of economic uncertainty and social upheaval, these offerings can contribute positively to personal wellbeing, as reflected in people's perceptions of their own health, safety, personal relationships, standard of living, achievement in life, community connectedness, and future security.

3.2.2 Australian Unity Group strategy

In 2021, Australian Unity conducted a review of the Australian Unity Group's ten year vision. This review reaffirmed Australian Unity's vision of becoming an industry leading modern mutual with a commercial and sustainable portfolio of businesses. The strategic objectives of the Australian Unity Group's portfolio include long term alignment to the wellbeing sectors and delivery of strong growth in cash earnings, achieved through a focus on members and broader societal needs. This vision anticipates both organic and inorganic growth across the portfolio. The near-term strategic agenda has a focus on accelerating Australian Unity's social infrastructure position, leveraging its unique position providing ageing support and services both in home and residential, as well as the delivery of innovative health and financial wellbeing products and services to members and customers. Social infrastructure projects such as the Herston Quarter Health Precinct demonstrate Australian Unity's commitment to this strategic agenda.

Herston Quarter Health Precinct – a \$1.1 billion social infrastructure development

In February 2017, Australian Unity signed a series of agreements with the Queensland Government to develop Herston Quarter. This \$1.1 billion social infrastructure project has been part funded by the Australian Unity Group and Australian Unity's Healthcare Property Trust, which is one of Australia's largest unlisted healthcare property funds with \$2.6 billion of gross assets. Australian Unity believes that Herston Quarter should serve as a useful additional model for governments seeking to mobilise private sector capacity for the delivery of much-needed social infrastructure.

Project overview

- the completed 182 bed, Surgical, Treatment and Rehabilitation Service ("STARS"), providing specialist care for rehabilitation, elective surgery, endoscopy and outpatient services
- refurbishment and adaptive reuse of iconic heritage buildings including returning the Lady Lamington buildings to student accommodation, consistent with their original use
- new private hospital incorporating medical suites, commercial space and potential for biomedical space
- residential and commercial accommodation
- complementary retail, food and beverage services
- triple the number of carparks currently available on the site
- a new childcare centre
- a variety of attractive, accessible and comfortable public spaces for visitors, staff and residents to enjoy

Information about Australian Unity *continued*

The Australian Unity Group strategy is also structured around four pillars:



These strategic pillars keep Australian Unity aligned and ensure the organisation remains balanced, with a focus on both financial and non-financial results. The pillars apply at the Australian Unity Group level and span across all business operations, connecting each of the Australian Unity Group's day-to-day activities to a shared purpose and strategy.

Information about Australian Unity *continued*

3.3 Community & Social Value framework

In line with its strong social purpose, Australian Unity has developed a framework for understanding, articulating and measuring the community and social value of what it does.

This Community & Social Value (“CSV”) framework defines and seeks to measure performance across three areas of impact: Lifelong Wellness, Economic Empowerment, and Strong Communities, with a focus on specific social outcomes for each area. The Australian Unity Group is currently measuring the social impact delivered by its activities, focused on each of its priority outcomes, with a view to launching its first Impact Report in late 2021.

The CSV framework is underpinned by Australian Unity’s partnership with Deakin University on the Australian Unity Wellbeing Index. Celebrating its 20th anniversary in 2021, the Australian Unity Wellbeing Index measures how satisfied Australians are with life across a range of areas — standard of living, health, achievement, personal relationships, safety, community connection and future security.

Figure 5. Australian Unity’s CSV framework



Information about Australian Unity *continued*

3.4 Profile of Australian Unity Group's business platforms

Below is an overview of Australian Unity's business units and their underlying operational activities.

3.4.1 Independent & Assisted Living

The Independent & Assisted Living ("IAL") platform operates retirement communities and provides aged care, allied health and disability services. The platform offers preventative health and chronic disease management services through a wholly-owned subsidiary Remedy Healthcare, and direct healthcare services through dental clinics. These businesses are interconnected, seeking to deliver a continuum of care and service that addresses the daily needs of its customers.

The key activities of the IAL platform are detailed below:

- **Residential Communities (including aged care)**
The Australian Unity Group owns and operates a portfolio of retirement communities that provide independent living accommodation across Victoria, New South Wales and Queensland. Such accommodation is generally provided under a loan/lease arrangement, with residents able to choose from a wide range of studio and one to three-bedroom units, villas and apartments across different locations. IAL also operates residential aged care services, which are each co-located with an Australian Unity Group retirement community. These services provide care and accommodation to people who can no longer live independently.
- **Home Care Services**
The Australian Unity Group provides a variety of in-home care services through a range of government and privately funded programs to enable older Australians to enjoy independence and live life the way they choose in their own home.
- **Disability Services**
Like the Home Care Services business, Disability Services provides specialised care services for people living with disability, including personal care, domestic assistance, meal preparation, transport and allied health services.
- **Indigenous Services**
The Australian Unity Group operates a number of Indigenous Services offerings, including Aboriginal Home Care, through which Indigenous staff offer tailored and culturally sensitive home and disability services, and Healing Minds which provides confidential phone-based coaching for mental and emotional wellbeing to customers who identify as Aboriginal or Torres Strait Islander.
- **Health Services**
This business offers allied health services and operates dental clinics. Remedy Healthcare, as part of the Australian Unity Group, offers health coaching, chronic disease management programs, early discharge services and in-home hospital substitution and rehabilitation services for its customers. Remedy Healthcare also operates a joint venture known as Ramsay Connect, which provides coordinated care during and after a patient's hospitalisation aimed at advancing Australian Unity's strategic ambition of providing quality hospital substitution services in lower-cost settings. There are also several dental centres which operate within Victoria under the "Australian Unity" brand.

Information about Australian Unity *continued*

3.4.2 Retail

The Retail platform encompasses Australian Unity's private health insurance and banking businesses. With a combined focus on the needs of members and broader community value, the Retail platform provides packages and solutions that contribute to solving affordability challenges and to meet the contemporary needs of Australians.

The key activities of the Retail platform are detailed below:

- **Health Insurance**
The Australian Unity Group operates a retail health insurance fund that provides its customers with access to a range of health insurance products. These products provide insurance against a range of costs not covered by Medicare, including hospital accommodation, certain medical procedures, theatre fees, prostheses and through Extras cover a range of allied health treatments including dental, optical, physiotherapy, chiropractic and remedial massage treatments.
- **Banking**
Through Australian Unity Bank, an Authorised Deposit-Taking Institution, the Retail business also offers a wide range of personal banking services such as owner-occupied and investor home loans, personal loans, credit cards, everyday transaction accounts, savings accounts and term deposits. The banking business also offers a general insurance service that enables the Retail platform to arrange general insurance products for individuals and business customers.

3.4.3 Wealth & Capital Markets

The Wealth & Capital Markets ("W&CM") platform comprises advice, investments, life & super, property and trustee services. The strategic purpose of W&CM is to link Australian Unity's valuable efforts in helping Australians secure their financial wellbeing with the social, capital and infrastructure needs of their communities. W&CM's expertise in property, particularly social infrastructure assets such as healthcare, retirement villages and aged care facilities, combined with its long experience in sourcing funds in equity and debt capital markets, means it is well placed to play a meaningful role in addressing Australia's social infrastructure challenge. The W&CM platform has investment expertise in cash, fixed interest securities, listed property securities and Australian shares, coupled with market-leading products in investment bonds, funeral bonds and education savings plans. In addition, the business works with advisers and industry partners to provide professional advice and trustee services that support clients' financial wellbeing.

The key activities of the Australian Unity Group's W&CM platform are detailed below:

- **Advice**
The advice business is focused on helping clients to improve their financial wellbeing and assisting them to achieve their long-term lifestyle goals. Financial services are provided to retail clients and to employers and employer groups, predominately on a fee-for-service basis. Through its employed advisers and self-employed authorised representatives, the advice business provides personal financial advice on a range of matters such as investments, superannuation and insurance.
- **Investments**
The Australian Unity Group offers expertise in cash, fixed interest and listed property investments, and Australian equities and private equity investments through joint venture arrangements with specialist asset managers.
- **Property (including social infrastructure)**
The Australian Unity Group offers a range of property trusts which provide investors with exposure to real estate investments in sectors including commercial, healthcare and social infrastructure. The property business also manages the retirement living and aged care development portfolio of the Australian Unity Group in conjunction with the IAL platform. A key long-term project of the property business is the development of the landmark \$1.1 billion Herston Quarter Health Precinct in Brisbane (as described in Section 3.2.2). The development, management and funds management roles that the property business has deployed in relation to this health precinct highlights the expertise that the business platform has in relation to social infrastructure assets.
- **Life & Super**
Life & Super is a leading provider of investment bonds (being investments issued under the Life Insurance Act which may offer tax efficiency to some investors), funeral bonds and education savings plans.
- **Trustee services**
Australian Unity Trustees Limited, a Subsidiary of Australian Unity, is a licensed trustee company that operates in several states of Australia. It provides services including estate planning and administration, wills and assistance to executors, taxation and legal services and the administration of the financial needs of protected persons.

Information about Australian Unity *continued*

3.5 Key people

3.5.1 Board of Directors

The Directors bring to the Board relevant expertise and skills, including industry and business knowledge, financial management and corporate governance experience. As at the date of this Prospectus, Australian Unity's Board of Directors comprises:

- **Peter Promnitz** – Chair and Non-Executive Director
- **Rohan Mead** – Group Managing Director and Chief Executive Officer
- **Lisa Chung** – Non-Executive Director
- **Melinda Cilento** – Non-Executive Director
- **Paul Kirk** – Non-Executive Director
- **Su McCluskey** – Non-Executive Director
- **Julien Playoust** – 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-governance/board-policies-charter and is updated in each annual report lodged by Australian Unity with the ASX.

3.5.2 Senior management team

Australian Unity Group's senior management team is set out below. As at the date of this Prospectus, Australian Unity Group's senior management team comprises:

- **Rohan Mead** – Group Managing Director & Chief Executive Officer
- **Kevin McCoy** – Chief Executive Officer, Independent & Assisted Living
- **Esther Kerr-Smith** – Chief Executive Officer, Wealth & Capital Markets
- **Christine Yates** – Chief Executive Officer, Retail
- **Darren Mann** – Group Executive, Finance & Strategy and Chief Financial Officer
- **David Lumb** – Acting Group Executive, Customer, Digital & Technology
- **Melinda Honig** – General Counsel, Company Secretary, Group Executive, Governance and Chief Risk Officer
- **Prue Bowden** – Group Executive, People & Culture

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

Information about Australian Unity *continued*

3.6 Corporate governance

Good corporate governance and sound risk management practices are a fundamental part of the culture and business of the Australian Unity Group.

3.6.1 Australian Unity Board

The Australian Unity Board is responsible for the governance of the Australian Unity Group and ensures that the Australian Unity Group implements risk management frameworks that create a sound risk culture. It comprises a majority of Directors who are non-executive and judged to be independent by the Board. Board members are required to possess a range of personal qualities such as honesty and integrity, strategic insight, capacity to probe, question and challenge, and the ability to inspire. 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 and setting the risk appetite within which it expects management and the Australian Unity Group to operate.

3.6.2 Board committees

The Board has established committees to assist it with monitoring and advising the management of the Australian Unity Group. The Chair of Australian Unity is a member of each Board committee. As at the date of this Prospectus, the Board has four Board committees being the Audit Committee, Risk & Compliance Committee, Investment Committee, and People, Culture & Remuneration Committee. Please refer to Australian Unity's annual report for updated information on the Board Committees and their compositions.

3.6.3 People, culture and remuneration

The Australian Unity Group's Remuneration Policy, which was developed by the Board on the advice of the People, Culture & Remuneration Committee, sets out the framework for rewarding all Directors, officers and employees of the Australian Unity Group. The People, Culture & Remuneration Committee oversees the frameworks that enable the appropriate culture, workforce engagement, workplace diversity and representation of values, talent management and succession across the Australian Unity Group.

3.6.4 Audit arrangements

The Australian Unity Group has both internal and external auditors. The primary role of Australian Unity's Internal Audit Group is to report to the Audit Committee on internal audit matters and provide independent, objective assurance and consulting services to the Australian Unity Group's operations. The primary 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.

3.6.5 Risk management

The Australian Unity Group has implemented a risk management framework which represents the totality of systems, structures, policies, processes and people that identify, assess, mitigate and monitor internal and external sources of risk that could have a material impact on the Australian Unity Group's operations. The Board is also responsible for setting the risk appetite within which management and the Australian Unity Group is expected to operate, and for determining the risk management strategy which defines Australian Unity's key risk areas and how they are managed. The Board is committed to developing a sound risk culture and sets the level of risk that the Australian Unity Group is willing to take, and each business is required to set its strategic objectives within that risk appetite. As a part of the Enterprise Risk Management Framework, all businesses implement strategies to mitigate risks to a level consistent with the risk appetite of the Australian Unity Group.

The Australian Unity Group applies a 'three lines of defence' model to deliver enterprise risk management, whereby business and support functions have primary accountability for ownership of risk management; a separate Risk & Compliance function is responsible for developing and monitoring the application of policies and procedures to support risk and compliance management; and Internal Audit provides assurance on the effectiveness of internal controls and risk management practices.

Information about Australian Unity *continued*

3.6.6 Compliance

The Australian Unity Group has implemented a compliance framework which provides a broad management system to facilitate achieving compliance obligations, the protection and enhancement of the Australian Unity brand and reputation with its various stakeholders, and outlines the various roles and responsibilities with respect to ensuring compliant outcomes.

3.6.7 Regulatory framework

The Australian Unity Group's business operations are extensively regulated, including by APRA, ASIC, Australian Competition and Consumer Commission and ASX. Australian Unity is registered as a non-operating holding company under subsection 28A(3) of the Life Insurance Act and regulated by APRA under that designation. The Australian Unity Group is also subject to oversight by various State and Commonwealth regulators across its operations and workforce including the Department of Health, the Australian Taxation Office, the Fair Work Ombudsman, the Workplace Gender Equality Agency, the Australian Transaction Reports and Analysis Centre ("AUSTRAC"), the Office of the Australian Information Commissioner ("OAIC") and other work health and safety regulators.

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/about-us/annual-reports.

3.6.8 Capital, funding and liquidity management

The Board's policy is to maintain a strong capital base so as to maintain member, stakeholder, creditor and market confidence and to sustain future development of the organisation.

Capital management plays a central role in managing risk to create member value, while responding to the needs of all stakeholders including Australian Unity's members, customers, investors, lenders and regulators. The appropriate level of capital is determined by the Board, having regard to both regulatory and economic considerations.

Prudential regulations require a number of entities within the Australian Unity Group to maintain certain levels of capital, including the Australian Unity Group's banking, private health insurance and Benefit Fund operations. The Board adopts a conservative approach to managing prudential capital requirements to maintain capital in excess of prudential requirements at all times. For Australian Unity Group entities that are not subject to specific regulatory capital requirements, capital risk management is determined in conjunction with the abovementioned considerations, and the economic, operational and capital needs of the business.

Australian Unity relies on external debt markets for a portion of funding and has policies and plans in place to monitor and review the Australian Unity Group's capital and liquidity position. The Australian Unity Group manages liquidity risk by continuously monitoring forecast and actual cashflows and, where possible, endeavouring to match the maturity profiles of its financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets.

Information about Australian Unity *continued*

3.7 Financial information

3.7.1 Introduction

You should focus on and carefully consider the financial position of Australian Unity when deciding whether to invest in Australian Unity MCIs.

Australian Unity's full consolidated financial report for the year ended 30 June 2021 can be obtained from www.australianunity.com.au/about-us/annual-reports during the Offer Period and after the Issue Date.

Australian Unity's financial reports prepared in the future will be available from www.australianunity.com.au/about-us/annual-reports.

The financial information presented in this section has been presented in abbreviated form. It does not contain all of the disclosures usually provided in an annual report prepared in accordance with the Corporations Act. Further detail on current key accounting policies for Australian Unity can be found in the 2021 financial report which can be obtained from www.australianunity.com.au/about-us/annual-reports.

3.7.2 Basis of preparation

(a) Historical financial information

The summary historical financial information in Section 3.7.3 has been derived from Australian Unity's audited financial statements for the year ended 30 June 2021. The historical financial information presented has, except as otherwise noted, been prepared in accordance with the measurement and recognition requirements, but not the disclosure requirements, of the Australian Accounting Standards (AAS) and other mandatory reporting requirements in Australia. The financial statements for the year ended 30 June 2021 have been audited by PricewaterhouseCoopers which issued an unqualified audit opinion in respect of these statements.

(b) Pro forma consolidated balance sheet

The pro forma consolidated balance sheet presented in Section 3.7.3 reflects the impact of acquisitions of a further interest in Australian Unity Healthcare Property Trust ("AUHPT") and the acquisition of Greengate Partnership Pty Ltd ("Greengate") and associated debt drawdowns; and the impact of the Offer on Australian Unity's consolidated statement of financial position as at 30 June 2021. Apart from the adjustments outlined in the notes to the pro forma consolidated balance sheet, no adjustments have been made to the historical financial information of Australian Unity. The accounting policies adopted for the purposes of the pro forma consolidated balance sheet are based on its current accounting policies and income and expense treatments as outlined in the financial statements for the year ended 30 June 2021.

(c) General

Australian Unity is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules, including an obligation to lodge half-yearly and annual financial reports with ASIC. The Board is responsible for approving Australian Unity's financial reports. More detailed financial information is available in Australian Unity's annual report for the year ended 30 June 2021. A copy of this report can be obtained from www.australianunity.com.au/about-us/annual-reports. Statements and announcements to be lodged during the term of the Offer can also be obtained from www.asx.com.au.

Information about Australian Unity *continued*

3.7.3 Impact of the Offer

The net proceeds of the Offer will be used for a range of opportunities across the Australian Unity Group. These include pursuing near-term growth opportunities within the individual businesses as well as investing capital across the Australian Unity Group where third-party funding has historically been utilised. A portion of the proceeds will be used to repay debt facilities that were utilised for a number of recent strategic investments in social infrastructure. The use of proceeds may also extend to merger and acquisition opportunities across the Australian Unity Group operating platforms—including to increase investment in social infrastructure and to help support business consolidations in important mutual sectors such as private health insurance, banking and friendly societies.

It is estimated that the Offer will have a net impact on the Issuer's balance sheet of \$156.2 million. The following pro forma adjustments show the changes that would be made to the Issuer's consolidated balance sheet for the year ended 30 June 2021 assuming the Offer was completed, \$160.0 million of Australian Unity MCIs were issued and approximate issue costs of \$5.5 million were incurred, on 30 June 2021. A deferred tax asset of \$1.7 million is recognised on the issue costs.

The pro forma consolidated balance sheet reflects the impact of acquisitions of a further interest in AUHPT and the acquisition of Greengate and associated debt drawdowns.

The pro forma consolidated balance sheet has been adjusted for the acquisition of Greengate on 7 July 2021 for \$95.0 million, less an upfront deposit of \$4.8 million paid in FY2021. Greengate includes three recently-built and fully operational vertical co-located retirement village and residential aged care precincts (two in Sydney and one in Brisbane) as well as a prime development site in Brisbane that has approval for a vertical retirement village and residential aged care precinct. The three operational sites have added 253 independent living units and 225 residential aged care beds to the Australian Unity Group's Independent and Assisted Living portfolio. The acquisition is part of the Australian Unity Group's strategy of pursuing accelerated growth opportunities in healthy ageing precincts and has added presence in favourable geographic locations and increased economic scale.

Under AASB3 'Business Combinations', the purchase price is required to be allocated to the assets and liabilities acquired. Any excess of the fair value of the consideration given, and the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed will be recorded as an intangible asset. The acquirer is allowed a period of 12 months from the acquisition date to finalise the purchase price allocation. At this stage an exercise has not been performed to allocate the purchase price to the identifiable assets and liabilities. A preliminary purchase price allocation will occur prior to the release of the interim report for the half year ended 31 December 2021.

For the purposes of preparing the pro forma consolidated balance sheet, it has been assumed that the carrying value of \$29.8 million assets and liabilities shown in the Greengate unaudited management accounts as at 30 June 2021 are equal to their fair value and the balance of \$65.2 million is allocated to goodwill. The upfront deposit of \$4.8 million has accordingly been reclassified. Changes to the assumed allocation of the purchase price will impact the amounts of depreciation, amortisation and potentially impairment charges recorded in the income statement in the future.

The pro forma consolidated balance sheet has also been adjusted for a further net investment of \$67.0 million by Australian Unity in AUHPT via a premium cash offer made to existing AUHPT investors and related transactions. The actual balance sheet for the year ended 30 June 2021 already includes the impact of Australian Unity's contribution of \$20.0 million as a cornerstone investor in AUHPT's \$320.0 million capital raising (announced 9 June 2021).

The pro forma consolidated balance sheet has also been adjusted for funding of these transactions with cash consideration supplemented by the drawing of \$100.0 million from debt facilities.

Information about Australian Unity *continued*

Pro forma consolidated balance sheet

	2021 \$m	Pro forma adjustments for acquisitions \$m	Pro forma adjustments for the impact of the Offer \$m	Pro forma \$m
ASSETS				
Current assets				
Cash and cash equivalents	1,008.7	(21.9)	54.5	1,041.3
Trade and other receivables	130.0	8.3		138.3
Current tax assets	0.0			0.0
Loans and advances	21.1			21.1
Financial assets at fair value through profit or loss	2,305.4			2,305.4
Other financial assets at amortised cost	47.3			47.3
Other current assets	45.8			45.8
Total current assets	3,558.3	(13.6)	54.5	3,599.2
Non-current assets				
Loans and advances	886.2			886.2
Financial assets at fair value through profit or loss	48.5	67.0		115.5
Investments in associates and joint ventures	21.4	(4.8)		16.6
Investment properties	1,652.7	223.2		1,875.9
Property, plant and equipment	323.8	81.6		405.4
Right of use assets	110.9			110.9
Intangible assets	313.8	66.2 ¹		380.0
Other non-current assets	11.8			11.8
Total non-current assets	3,369.1	433.2		3,802.3
Total assets	6,927.4	419.6	54.5	7,401.5
LIABILITIES				
Current liabilities				
Trade and other payables	187.5	5.2		192.7
Borrowings	1,019.0			1,019.0
Lease liabilities	16.0			16.0
Current tax liabilities	6.2			6.2
Provisions	167.0	1.6		168.6
Other current liabilities	1,526.6	307.5		1,834.1
Benefit fund policy liabilities	348.2			348.2
Total current liabilities	3,270.5	314.3		3,584.8
Non-current liabilities				
Borrowings	461.8	100.0	(100.0)	461.8
Lease liabilities	109.3	3.5		112.8
Deferred tax liabilities	96.2	1.8	(1.7)	96.3
Provisions	6.6			6.6
Other non-current liabilities	2.1			2.1
Benefit fund policy liabilities	2,114.4			2,114.4
Total non-current liabilities	2,790.4	105.3	(101.7)	2,794.0
Total liabilities	6,060.9	419.6	(101.7)	6,378.8
Net assets	866.5		156.2	1,022.7
EQUITY				
Members' balances	255.9			255.9
Mutual Capital Instruments	117.0		156.2	273.2
Reserves	7.1			7.1
Retained earnings	486.5			486.5
Equity attributable to members of Australian Unity Limited	866.5		156.2	1,022.7
Total equity	866.5		156.2	1,022.7

1 Includes \$1.0 million of pre-acquisition intangible assets within the Greengate entities.

Information about Australian Unity *continued*

3.7.4 Australian Unity MCI dividend policy

The payment of any Dividend on Australian Unity MCIs is discretionary and subject to the Directors in their absolute discretion determining that Australian Unity pay the Dividend, pay a partial Dividend or pay an Optional Dividend. Australian Unity has established a dividend policy which sets out all relevant factors which the Board may take into consideration when exercising this discretion, including:

- the requirements of sections 254T and 245WA of the Corporations Act;
- the operating and financial conditions of the Australian Unity Group as a whole;
- the capital and liquidity position of the Australian Unity Group as a whole, including future funding requirements and capital management initiatives;
- the outlook for the Australian Unity Group's businesses, including expectations around short-term and long-term viability;
- the value to Australian Unity of the capital provided by Holders and rewarding investment in the capital of Australian Unity in a commercially responsible manner, having regard to both the risks inherent in such investments and Australian Unity's need to maintain access to capital in the future;
- the consequences of not paying a Dividend in full or at least a partial Dividend; and
- the interests of Australian Unity's members as a whole, including Holders and Non Shareholder Members.

3.7.5 Australian Unity MCI Dividend Payout Ratio

The Australian Unity MCI Dividend Payout Ratio is calculated to express Australian Unity MCI Dividends payable for the year as a percentage of profit after income tax. The Australian Unity MCI Dividend Payout Ratio indicates the level of current year profits required to support the Australian Unity MCI Dividends. An Australian Unity MCI Dividend Payout Ratio above 100 per cent implies current year profit after income tax is not sufficient, and would expect Australian Unity to access retained earnings for the full Dividends payable to be made. The Australian Unity MCI Dividend Payout Ratio is calculated as:

Australian Unity MCI Dividends payable for the year

Profit after income tax

Noting that any Dividend payable in respect of Australian Unity MCIs will be subject to the discretion of the Board in any Dividend Period, provided below is a calculation of the Australian Unity MCI Dividend Payout Ratio on a pro forma basis for the last financial year.

\$m	FY21
Pro forma Australian Unity MCI Dividends payable for the year ¹	13.8
Profit after income tax	32.9
Pro forma Australian Unity MCI Dividend Payout Ratio ¹	42%

¹ Assumes an issue size of \$160.0 million, total Australian Unity MCIs on issue of \$275.3 million and a Dividend Rate of 5.0%.

Section 4

Key risks of Australian Unity MCIs



Key risks of Australian Unity MCIs

4.1 Introduction

There are three types of risks which could affect the performance of Australian Unity MCIs:

- risks associated with Australian Unity MCIs specifically;
- risks associated with Australian Unity's businesses that may affect Australian Unity MCIs; and
- general risks.

If you have any questions about these risks, you should seek advice from your financial adviser or other professional adviser before deciding to invest in Australian Unity MCIs.

The risks described in this section are not exhaustive and there may be other risks which may affect the performance of Australian Unity MCIs.

Further, there can be no guarantee that Australian Unity will achieve its stated objectives, that it will meet trading performance or financial results guidance that it may provide to the market, or that any forward-looking statements contained in this Prospectus will be realised or otherwise eventuate.

4.2 Risks associated with Australian Unity MCIs specifically

4.2.1 Australian Unity MCIs are perpetual instruments with no set maturity

Australian Unity MCIs are perpetual instruments and have no maturity date. Holders are not able to request or require Repurchase of Australian Unity MCIs. As a result, Holders should be prepared to hold their Australian Unity MCIs for an indefinite period of time.

Holders may seek to realise their investment in Australian Unity MCIs by selling on ASX but there is no guarantee that they will be able to do so, or do so at a price acceptable to them, and the price may be less than the Issue Price. Brokerage may also be payable if Holders sell their Australian Unity MCIs on ASX.

4.2.2 Subordinated ranking in a winding-up of Australian Unity

Australian Unity MCIs are not debt instruments. Holders will rank behind all creditors of Australian Unity, including holders of Australian Unity Bonds, but ahead of the interests of Non Shareholder Members. Australian Unity MCIs may rank equally with, behind or ahead of, other series of mutual capital instruments or other securities issued by Australian Unity in the future. In the event of a winding-up of Australian Unity, Holders will be entitled to the Face Value for each Australian Unity MCI held and any Dividends which are due but unpaid.

If there is a shortfall of funds on a winding-up of Australian Unity to pay the amounts above, Holders will not receive a full return of capital, and may not receive any payment of the amount to which they would otherwise be entitled.

4.2.3 The Dividend Rate is fixed whereas interest rates may vary

The Dividend Rate for the discretionary Dividend on Australian Unity MCIs is a fixed rate. Future market interest rates are influenced by a number of factors and may fluctuate over time. Investors in Australian Unity MCIs will not benefit from any increase in market interest rates via an increase in Dividends as they would under a floating rate instrument. If there is an increase in market interest rates, there is a risk that Australian Unity MCIs may become a less attractive investment compared to investments where the rates of return are based on a floating rate. As a result, in a rising interest rate market, the price at which Australian Unity MCIs trade may be expected to decline.

4.2.4 The value of imputation credits may change

Under the current dividend imputation system, the quantum of imputation credits associated with a Dividend is based on the prevailing corporate tax rate. If the corporate tax rate was reduced, the value of imputation credits and therefore of the Dividend received by Holders would decline.

Key risks of Australian Unity MCIs *continued*

4.2.5 The payment of any Dividends on Australian Unity MCIs is discretionary

Australian Unity MCIs are not debt instruments and Dividends are not the same as interest payments. The payment of any Dividends is discretionary and subject to the Directors in their absolute discretion determining that Australian Unity pay the Dividend or part of the Dividend. Australian Unity may not pay a Dividend unless to do so is fair and reasonable to its members, including Non Shareholder Members, as a whole and the payment of Dividends may be restricted by law. Based on these factors there is a risk that a Dividend may not be paid or not paid in full. Dividends are non-cumulative and therefore Australian Unity is not required to make up any unpaid Dividend in subsequent periods. Australian Unity will not be liable to Holders in respect of an unpaid Dividend.

As the payment of Dividends is discretionary, Holders of Australian Unity MCIs may not receive a regular, or any, return on their investment in Australian Unity MCIs. In addition, if the Board determines not to pay a Dividend in respect of any given Dividend Period, or any Dividend determined is lower than market expectations, this will be likely to have an adverse effect on the market price of the Australian Unity MCIs.

4.2.6 Ability to pay Dividends on Australian Unity MCIs

The ability of Australian Unity to pay Dividends is dependent on its financial performance. Australian Unity's ability to pay a fully or partly-franked Dividend is also contingent on it generating a taxable profit. Financial performance and profits may fluctuate, making the reliable forecasting and payment and franking of Dividends difficult and unpredictable.

No guarantee can be given concerning the future earnings of Australian Unity, nor the earnings or return on investment of its portfolio of businesses. As a strategic objective of Australian Unity is to deliver sustainable performance, there may be periods in respect of which Dividends may be low or are not paid at all.

4.2.7 Australian Unity depends on transfers of funds from other members of the Australian Unity Group to meet its financial obligations

As a non-operating company, Australian Unity is reliant upon intercompany transfers of funds from other members of the Australian Unity Group to meet its financial obligations.

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 Australian Unity Bank, the private health insurance business and the Benefit Funds. Therefore, Australian Unity's ability to make Dividend payments in respect of the Australian Unity MCIs may be limited.

In addition, if a Subsidiary of Australian Unity is wound up, the claims of Australian Unity on its Subsidiaries in respect of its investment in those Subsidiaries may rank behind the claims of creditors of those Subsidiaries. It follows that the assets of Australian Unity available to pay Holders are limited to what remains after the payment of the claims of creditors of those Subsidiaries.

4.2.8 Australian Unity MCIs may be suspended or delisted

The Terms contain certain obligations on Australian Unity to use reasonable endeavours to ensure that the Australian Unity MCIs remain quoted on ASX (or another securities exchange) while they are on issue. There is a risk that trading in Australian Unity MCIs could be suspended or could cease to be quoted in certain circumstances, including if Australian Unity fails to comply with applicable Listing Rules. As a result of any such suspension or cessation of quotation, the liquidity of Australian Unity MCIs may be substantially impacted. Holders do not have a right to require the Repurchase of the Australian Unity MCIs in these circumstances.

4.2.9 Australian Unity may Repurchase Australian Unity MCIs under certain circumstances

Australian Unity has the right to Repurchase Australian Unity MCIs in accordance with a Repurchase Notice given at any time if:

- a Tax Event occurs; or
- a Regulatory Event occurs; or
- a Demutualisation Event occurs. If a Demutualisation Event occurs, Australian Unity will be required to Repurchase Australian Unity MCIs before the Demutualisation takes effect.

There is a risk that the Repurchase Amount may be less than the then current market value of Australian Unity MCIs, or the timing of such Repurchase may not accord with a Holder's individual financial circumstances or tax position. In any event the Repurchase Amount would be less than the Issue Price for Australian Unity MCIs offered under this Prospectus.

Key risks of Australian Unity MCIs *continued*

4.2.10 Future incurrence of liabilities and future issuance of securities, including additional Australian Unity MCIs

While Australian Unity MCIs are on issue, there are no restrictions on Australian Unity incurring any debt or other obligations ranking ahead of Australian Unity MCIs, except other classes of mutual capital instruments which rank ahead of Australian Unity MCIs on the return of capital and payment of dividends on the winding-up of Australian Unity. There are also no restrictions on Australian Unity issuing additional Australian Unity MCIs or further instruments that rank equally with Australian Unity MCIs. There is a risk that the incurrence of any such debt obligations or other obligations ranking ahead of Australian Unity MCIs or the issue of further instruments, including any class of mutual capital instruments that rank equally with Australian Unity MCIs may reduce the amount available to pay Dividends, the amount (if any) recoverable by Holders on a winding-up of Australian Unity, or have an adverse impact on the market price of Australian Unity MCIs or the liquidity of that market. There is also a risk that Australian Unity's ability to service the payment of Dividends on the Australian Unity MCIs may be impacted if Australian Unity were to issue additional Australian Unity MCIs.

4.2.11 Market price of the Australian Unity MCIs

The market price of Australian Unity MCIs may fluctuate due to various factors, including investor perceptions, worldwide economic conditions, interest rates, credit spreads, movements in the market price of other equity or debt issued by Australian Unity or the mutual industry, and factors that may affect Australian Unity's financial position and trading results and other factors beyond the control of Australian Unity and its Directors.

Australian Unity MCIs may trade at a market price below the Issue Price. As a result, Holders who wish to sell their Australian Unity MCIs may be unable to do so at an acceptable price (if at all). Markets are volatile and the volatility of markets may change from time to time. Volatility risk is the potential for fluctuations in the price of securities, sometimes markedly and over a short period. During periods of elevated volatility investors typically seek higher returns, which may impact the price at which Australian Unity MCIs are traded.

Unlike most debt and hybrid securities, Australian Unity MCIs are perpetual securities. As a consequence, the market price of Australian Unity MCIs is likely to be more sensitive to changes in interest rates than would be the case for a comparable investment of a fixed term.

4.2.12 Liquidity of the Australian Unity MCIs

Australian Unity MCIs issued under this prospectus will be quoted on ASX with existing Australian Unity MCIs under the ASX code AYUPA. However, there is no certainty that the market will be liquid.

The liquidity of the market for the Australian Unity MCIs may be impacted by a number of factors, including changes in law such as the new product design and distribution obligations that came into force in October 2021. The impact of those obligations is untested but they may affect the liquidity of funding instruments (including securities such as Australian Unity MCIs) if they lead to a material reduction in future issuance volumes or secondary market trading activity by investors.

Insufficient liquidity may have a severely adverse effect on the market price of Australian Unity MCIs; the market price may be less than the Issue Price. Holders may not be able to sell their Australian Unity MCIs easily, at all, or at an acceptable price. The extent of liquidity may also affect the volatility of the market price of Australian Unity MCIs.

4.2.13 The Terms may be amended in certain circumstances

The Terms may be amended if the amendment has been approved by a Special Resolution and, in limited cases, without the need for any approval of Holders. There is a risk that such amendments will occur, and that some Holders may not agree with those amendments.

4.2.14 Limited impact of voting rights

Reflecting Australian Unity's status as a mutual entity the Constitution enshrines a limit of one vote per member for any member of Australian Unity. This approach will also apply to Holders, so that a Holder will only have one vote at a general meeting of Australian Unity regardless of the number of Australian Unity MCIs which they hold. In addition, Holders will not be entitled to vote on a Demutualisation of Australian Unity, on a proposal to wind up Australian Unity or on a resolution which seeks to amend these voting limitations. Holders will have only one vote at a general meeting of Australian Unity, even if they are also a Non Shareholder Member. Where a Holder is a joint holder of an Australian Unity MCI, only the first person named in the Register as a joint Holder is a member of Australian Unity and entitled to vote at a general meeting of Australian Unity. There is a risk as a consequence of these limited voting rights that a Holder or Holders as a class of members of Australian Unity will not be able to influence matters requiring Australian Unity member approval in a manner proportionate to their economic investment in Australian Unity.

Key risks of Australian Unity MCIs *continued*

4.2.15 Interests of Holders may not be the same as the interests of other Australian Unity members

Being a mutual entity, Australian Unity is governed by, and for the benefit of, all of its members. While Holders are members, only eligible customers and employees are able to become Non-Shareholder Members of Australian Unity. The interests of Non Shareholder Members may at times conflict with the interests of the Holders.

The Constitution provides that the Board will, subject to Australian Unity complying with its obligations under the Terms, give preference to the interests of Non Shareholder Members over the interests of the holders of mutual capital instruments.

Decisions may be made, either by the Board or by a vote of Non Shareholder Members, that may negatively impact the interests of Holders, including resulting in a lower or no Dividends being paid, and/or a reduction in the price at which the Australian Unity MCIs trade, or the Repurchase of Australian Unity MCIs in accordance with the Terms.

4.2.16 Tax consequences for Holders

A general description of the Australian taxation consequences of investing in Australian Unity MCIs is set out in Section 5.3. That discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, investors should seek independent advice in relation to their individual tax position.

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

4.3 Risks associated with Australian Unity and the Australian Unity Group

4.3.1 Strategic and operational disruption due to the COVID-19 pandemic

The Australian Unity Group faces a variety of risks as a result of the COVID-19 pandemic, ranging from significantly changed economic conditions which could impact the value of our property portfolio and investment income, to a potential reduction in demand for, and profitability of, its products and services. There are also heightened health and safety risks to our employees and customers, particularly in our Independent & Assisted Living businesses. These circumstances could adversely impact the Australian Unity Group including its financial performance and ability to pay Dividends.

4.3.2 Over reliance on certain businesses or funding sources

A significant portion of the Australian Unity Group's revenue and cashflow is from private health insurance or businesses supported by government funding, such as aged care or in-home care services. Adverse changes to the business conditions in the private health insurance industry or aged care or in-home care services, including changes to government policy, laws, regulations and regulatory expectations, economic activity and the demand for Australian Unity's products and services, could adversely impact Australian Unity's financial performance which may impact its ability to pay Dividends.

4.3.3 Increased regulatory complexity and scrutiny

Australian Unity operates a wide range of business activities which are subject to different laws and regulatory requirements. As regulatory standards and expectations are constantly changing, increased regulation and supervision could adversely affect Australian Unity's business activities. This could require changes to Australian Unity's business model, products or services and incurrence of significant costs to implement change and the potential for fines and reputational damage if the regulatory changes are not managed appropriately.

4.3.4 Private health insurance viability risks

There are inherent risks associated with operating a private health insurance business such as rising medical costs, adverse selection, having an application for a change in premium rates rejected and mispricing premiums or under-estimating claims. These circumstances could adversely impact the Australian Unity Group including its financial performance and ability to pay Dividends.

The government encourages participation by the public in private health insurance through a number of incentives. Adverse changes to the level of these incentives would likely lead to a reduction in membership.

The value proposition of Australian Unity's private health insurance business depends on the agreements it enters into with private hospitals and other relevant healthcare providers. Failure to have satisfactory agreements in place may impact the attractiveness of private health insurance products offered by the Australian Unity Group and may adversely affect Australian Unity's operating and financial performance.

Key risks of Australian Unity MCIs *continued*

4.3.5 Increases in operational costs and capital investment requirements

The Australian Unity Group may be exposed to increases in operational costs, capital investment requirements, changes to funding models and increased regulation, particularly in the social infrastructure and disability service sectors. These circumstances could adversely impact the Australian Unity Group including its financial performance and ability to pay Dividends.

4.3.6 Investment in property and social infrastructure

A part of the Australian Unity Group's strategy is to invest in the development of social infrastructure. Property developments have a number of inherent risks including planning and development approvals, increases in development costs, non-performance of contractors or sub-contractors, project and construction delays, occupational health & safety issues and any change in the market conditions. The occurrence of these risks could adversely impact the Australian Unity Group including its financial performance and ability to pay Dividends.

4.3.7 Limited access to capital

Australian Unity is a mutual entity limited by shares and guarantee. Australian Unity has no ordinary shares on offer and is unable to issue ordinary shares to raise new capital other than following Non Shareholder Member approval in accordance with the Demutualisation provisions in the Constitution. Australian Unity relies on external debt markets for a portion of its funding and can raise equity via the issuance of mutual capital instruments, although as the mutual capital instrument is a novel instrument there is no established deep market. A change in the economic environment could result in reduced access to capital, difficulty in raising equity or increased costs of funding. This could negatively affect Australian Unity's capital position and its ability to fund business initiatives. As a consequence, in the event that Australian Unity were to incur losses that may put in jeopardy its capacity to pay Dividends or, ultimately, the Face Value in the event of a winding-up, Australian Unity would not be able to easily access new ordinary share capital to improve its financial position and its capacity to service its financial obligations.

4.3.8 Investments may not yield returns as expected

Australian Unity's investments in new business ventures, projects or other investment vehicles may generate inherently uncertain returns and may not achieve the expected return on capital due to the performance of the underlying businesses, their operational and financial circumstances, profits, earnings and cashflows and general economic impacts, market conditions and government policy risks. This could adversely impact the financial performance of the Australian Unity Group and Australian Unity's ability to pay Dividends.

4.3.9 Failure of strategic and/or business decisions or external events

Australian Unity considers and implements a range of initiatives to meet its strategic ambitions. Failure of strategic and/or business decisions or the impact of external events may have an adverse impact on the operating and financial performance of the Australian Unity Group and Australian Unity's ability to pay Dividends.

4.3.10 Inability to respond to change

Australian Unity operates in markets where customer product demands are rapidly changing and preferences have been shifting to digital channels. If Australian Unity is not successful in adapting its products and services to meet changing customer preferences, it may lose customers to its competition which would adversely impact its financial performance and ability to pay Dividends.

Key risks of Australian Unity MCIs *continued*

4.3.11 Increased competition and poor and inconsistent member or customer experience

Australian Unity operates in a competitive environment and it is becoming easier for customers to move to its competitors. If Australian Unity is unable to compete effectively in its various businesses and markets by ensuring a strong and consistent offer to its members and customers, it may lose market share to its competitors. This could adversely impact the Australian Unity Group including its financial performance and ability to pay Dividends.

4.3.12 Customer mistreatment or injury

Australian Unity provides high-trust services such as health and aged care services in the community and operates in highly regulated industries. An event such as customer mistreatment or injury could result in sanctions from relevant regulators, reduced government funding, reputational damage and remediation costs. These circumstances could adversely impact the Australian Unity Group including its financial performance and ability to pay Dividends.

4.3.13 Occupancy levels in residential aged care

There is no guarantee that occupancy levels at aged care facilities will follow historical occupancy trends at the Australian Unity Group's aged care facilities. In addition, a downturn in the residential property market may affect the ability of potential incoming residents to sell their home at the cost required to pay the 'Refundable Accommodation Deposit' required to enter a facility. These circumstances could adversely impact the Australian Unity Group including its financial performance and ability to pay Dividends.

4.3.14 Liquidity demands

There is a risk that Australian Unity's liquidity and funding plans fail to operate effectively, or there may be factors outside Australian Unity's control which could adversely affect these plans.

The Australian Unity Group's investments may not be readily converted to cash, or that levels of liquidity may not be sufficient to respond to a specific demand. In particular, an event that leads to the refund of a large proportion of refundable accommodation deposits across the Australian Unity Group's aged care facilities may place significant demands on Australian Unity's liquidity and funding position.

These circumstances could adversely impact the Australian Unity Group including its financial performance and ability to pay Dividends.

4.3.15 Errors arising from the failure of internal controls

Australian Unity operates in a complex financial and regulatory environment and maintains a diverse range of products and services. There is a risk that its internal controls may be inadequate or not operate as intended, exposing Australian Unity to errors and financial loss and reputational damage. These circumstances could adversely impact the Australian Unity Group including its financial performance and ability to pay Dividends.

4.3.16 Inappropriate or illegal behaviour

Conduct risk could arise from the sale of products or provision of services that do not meet the needs of Australian Unity's customers through poor sales practices or failing to provide the product or service as agreed. The occurrence of these events could adversely impact the Australian Unity Group including its reputation and its financial performance and ability to pay Dividends.

4.3.17 Inappropriate detection and prevention of cyber security threats

All of Australian Unity's business units are reliant on traditional and emerging technologies to deliver products and services. Cyber security risk is on the rise due to increasing dependence on technology and the growing frequency, sophistication and severity of attacks. If the systems Australian Unity has to detect and prevent cyber-attacks fail, Australian Unity could experience unauthorised access or loss of confidential information or business disruption as a result of system unavailability. The occurrence of these events could adversely impact the Australian Unity Group including its reputation and its financial performance and ability to pay Dividends.

4.3.18 Systems being not fit for purpose

The useability and reliability of Australian Unity's systems is an important element of how its workforce perform their day to day activities and the level of service provided to its members and customers. If Australian Unity's systems fail to operate reliably and as needed there is a risk that this may adversely affect its members or customers resulting in inefficiencies, errors and potential reputational damage. The occurrence of these events could adversely impact the Australian Unity Group including its reputation and its financial performance and ability to pay Dividends.

Key risks of Australian Unity MCIs *continued*

4.3.19 Credit defaults

Australian Unity provides lending to counterparties in its retail bank, primarily in relation to residential home loans. Australian Unity also holds securities and deposits with a number of other institutions. If Australian economic conditions were to worsen, a proportion of Australian Unity's customers and counterparties could experience financial stress resulting in higher levels of default across the lending portfolio which could adversely impact the financial performance of the Australian Unity Group and its ability to pay Dividends.

4.3.20 Workplace hazards and risks that could lead to a workplace injury or illness

Australian Unity has a large workforce across the group that could be exposed to risks or hazards that could lead to a workplace injury or illness. Given the variability of Australian Unity's workforce, business activities, locations, conditions and types of care delivered, key risks and hazards include manual tasks, ergonomics, slips, trips, falls, driving, mental health and occupational violence. The occurrence of these events could adversely impact the Australian Unity Group including its reputation and its financial performance and its ability to pay Dividends.

4.3.21 Inability to attract and retain a skilled and experienced workforce

Australian Unity is reliant on its valued employees and the skills and experience they possess to effectively service its members and customers. If Australian Unity can't access appropriately skilled people or effectively retain its current employees, Australian Unity may experience workforce constraints that adversely impact its business and financial performance. This may adversely impact its business and financial performance which could adversely impact the ability to pay Dividends.

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, changes in domestic or international fiscal, monetary, regulatory and other government policies, changes in investor perceptions, geo-political conditions and the Australian Unity Group's financial position and earnings may adversely impact Australian Unity's ability to declare and pay Dividends to Holders, and may affect the market price of the Australian Unity MCIs. As a result of the above-mentioned factors, Australian Unity is unable to forecast the market price for the Australian Unity MCIs and they may trade on ASX at a price that is below the Issue Price.

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 Asset price risk

Australian Unity's balance sheet includes material investment in property and other asset classes. The market value of these classes of asset may fluctuate and such fluctuations may result in impairment charges being recognised against those assets. 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 willing 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.

Key risks of Australian Unity MCIs *continued*

4.4.4 Reputational risk

Issues of a varying nature may emerge 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, wage review, 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 among its members, customers, employees and Holders.

4.4.5 Litigation

From time to time, the Australian Unity Group may be exposed to litigation or disputes with various parties, such as contractual counterparties, competitors, members and customers. Litigation and disputes may include, but are not limited to, customer/member claims, and disputes in relation to material investments, operations, products, memberships or other contracts.

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 and its ability to pay Dividends. Additionally, litigation involving the Australian Unity Group can also damage its reputation. Whilst the Australian Unity Group holds professional liability insurance and may from time to time make certain provisions against the possibility of adverse outcomes, there is no guarantee that the insurance will be sufficient to cover all potential claims or that the provisioned amounts (if any) will adequately cover any such loss suffered or liability incurred.

4.4.6 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.

4.4.7 Climate change

The Australian Unity Group may be exposed to risks relating to climate change, both by way of physical risks to its property assets and potential risks associated with a transition to a low carbon economy.

4.4.8 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.

4.4.9 Legal investment considerations may restrict certain investments

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

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Section 5

Other information



Other information

5.1 Other documents relevant to the Offer

5.1.1 Constitution

The Constitution can be obtained from www.australianunity.com.au/about-us/membership-governance during the Offer Period and after the Issue Date.

Australian Unity has proposed an amendment to the Constitution which will be considered by members at the 2021 Annual General Meeting on 27 October 2021. A copy of the Notice of Meeting is available on the ASX website at www.asx.com.au and from Australian Unity at www.australianunity.com.au/media-centre/asx-announcements. The proposed amendment is to provide ongoing flexibility to Australian Unity to issue future Australian Unity MCIs within the same series of mutual capital instruments. The amendment of the Constitution is not a condition to the offer of Australian Unity MCIs under this Prospectus.

5.1.2 Financial statements

The Issuer's full consolidated financial report for the full year ended 30 June 2021 can be obtained from www.australianunity.com.au/about-us/annual-reports during the Offer Period and after the Issue Date.

5.1.3 Offer Management Agreement

The Arranger and Joint Lead Managers have entered into an agreement with the Issuer to manage the Offer. This agreement is called the Offer Management Agreement. A summary of the Offer Management Agreement can be obtained from www.australianunity.com.au/mci during the Offer Period and after the Issue Date.

5.1.4 Terms

The terms of issue of the Australian Unity MCIs are set out in Appendix A.

5.2 Incorporation by reference

The Issuer has lodged a summary of the Offer Management Agreement with ASIC and the information in that document is incorporated by reference into this Prospectus. The Issuer will provide a copy of that document free of charge to any person who requests a copy during the Offer Period.

5.3 Summary of Australian tax consequences for Holders

5.3.1 Introduction

The following is a summary of the Australian tax consequences for certain Australian resident Holders and non-Australian resident Holders who subscribe for Australian Unity MCIs under the Offer.

This summary is not exhaustive and you should seek advice from your financial or other professional adviser before deciding to invest in Australian Unity MCIs. In particular, this summary does not consider the consequences for Holders who:

- acquire Australian Unity MCIs otherwise than under the Offer;
- hold Australian Unity MCIs in a business of share trading, dealing in securities or otherwise hold their Australian Unity MCIs on revenue account or as trading stock;
- are subject to the "taxation of financial arrangements" provisions in Division 230 of the Tax Act in relation to their holding of Australian Unity MCIs; and/or
- as a non-Australian resident, hold Australian Unity MCIs through a permanent establishment in Australia.

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 Prospectus.

Other information *continued*

5.3.2 Class ruling sought on Australian Unity MCIs

Australian Unity has applied to the ATO for a public class ruling confirming certain Australian income tax consequences for Australian resident Holders. In accordance with usual practice, a class ruling will only be issued after the issue of the Australian Unity MCIs and will not become operative until it is published in the Government Gazette.

When issued, copies of the class ruling will be available from www.ato.gov.au and from www.australianunity.com.au/mci.

It is expected that, when issued, the class ruling will:

- only be binding on the Commissioner of Taxation if the Offer is carried out in the specific manner described in the class ruling;
- only apply to Australian resident Holders that are within the class of entities specified in the class ruling, which is expected to be Australian resident Holders who acquire their Australian Unity MCIs through the Offer and hold them on capital account for tax purposes (the class ruling is not expected to apply to Australian resident Holders who hold their Australian Unity MCIs as trading stock or on revenue account);
- only rule on taxation laws applicable at the date the class ruling is issued;
- not consider the tax consequences of a Repurchase;
- not consider the taxation treatment of distributions received by partnerships or trustee investors; and
- not consider the tax consequences for Australian resident Holders for whom gains and losses from Australian Unity MCIs are subject to the “taxation of financial arrangements” provisions in Division 230 of the Tax Act (Division 230 generally will not apply to the financial arrangements of individuals, unless an election has been made to apply the Division).

Class rulings are split into two main parts, being (i) the ruling section where the ATO provides a ruling on the application of the law, and (ii) an explanation section which contains more detailed analysis in support of the ruling. Only the ruling section is binding on the ATO. The explanation section is not binding.

5.3.3 Dividends on Australian Unity MCIs

Australian Unity MCIs should be characterised as equity interests for Australian income tax purposes.

(a) Australian resident Holders

Dividends should be treated as dividends that are frankable.

Generally, provided that a Holder is a “qualified person” and the ATO does not make a determination under the dividend streaming rules to deny the benefit of the franking credits to the Holder, the Holder:

- should include the amount of the Dividend as well as an amount equal to the franking credits attached to the Dividend in the Holder’s assessable income in the income year in which the Holder receives the Dividend; and
- should qualify for a tax offset equal to the franking credits attached to the Dividend which can be applied against the Holder’s income tax liability for the relevant income year.

A Holder that is an individual or complying superannuation fund may be entitled to a cash tax refund from the ATO if the tax offset equal to the franking credits attached to the Dividend exceeds the tax payable on the Holder’s total taxable income. A Holder that is a company will not be entitled to a tax refund of excess franking credits. Rather, surplus franking credits may be converted into a tax loss which can be carried forward to future years (subject to the Holder satisfying certain loss carry forward rules).

A Holder will be a “qualified person” if both the “holding period rule” and the “related payments rule” are satisfied.

Other information *continued*

Generally:

- to satisfy the “holding period rule”, a Holder must have held Australian Unity MCIs “at risk” for a continuous period of at least 45 days (excluding the day of disposal) within a period beginning on the day after the day on which the Australian Unity MCIs are acquired and ending on the 45th day after they become ex-dividend. To be held “at risk”, a Holder must retain 30 per cent or more of the risks and benefits associated with holding Australian Unity MCIs. Where a Holder undertakes risk management strategies in relation to Australian Unity MCIs (e.g., by the use of limited recourse loans, options or other derivatives), the Holder’s ability to satisfy the “at risk” requirement of the “holding period rule” may be affected; and
- under the “related payments rule”, a Holder who is obliged to make a “related payment” (essentially a payment passing on the benefit of the Dividend) in respect of a Dividend must hold the Australian Unity MCIs “at risk” for at least 45 days (not including the days of acquisition and disposal) within each period beginning 45 days before, and ending 45 days after, the Australian Unity MCIs become ex-dividend.

The ATO ruled in class ruling CR 2021/8 that the holding period for the Australian Unity MCIs issued on 24 December 2020 is 45 days as referred to above, and Australian Unity expects that the holding period for the Australian Unity MCIs issued pursuant to this Prospectus will also be 45 days. This is to be addressed in the class ruling currently being sought by Australian Unity. If the holding period is not 45 days, it will instead be 90 days.

A Holder who is an individual is automatically treated as a “qualified person” for these purposes if the total amount of the tax offsets in respect of all franked amounts to which the Holder is entitled in an income year does not exceed A\$5,000. This is referred to as the “small shareholder rule”. However, a Holder will not be a “qualified person” under the small shareholder rule if “related payments” have been made, or will be made, by the Holder in respect of such amounts.

There are anti-avoidance rules which can deny the benefit of franking credits to Holders in certain situations. The most significant is in section 177EA of the Tax Act. Having regard to precedent Court decisions, the ATO’s current practices and class ruling CR 2021/8 in relation to the Australian Unity MCIs on 24 December 2020, the ATO is not expected to apply either section 177EA or other anti-avoidance rules to dividends paid on Australian Unity MCIs, subject to the particular circumstances of a Holder.

(b) Non-Australian resident Holders

Dividends should not be subject to Australian non-resident withholding tax to the extent the Dividends are franked.

To the extent an unfranked Dividend is paid to non-Australian resident Holders, withholding tax will be payable.

The rate of withholding tax is 30 per cent. However, non-Australian resident Holders may be entitled to a reduction in the rate of withholding tax if they are a resident in a country which has a double taxation agreement with Australia.

Other information *continued*

5.3.4 Disposals of Australian Unity MCIs

(a) Australian resident Holders

On disposal (including on-market disposal, Repurchase or resale) of Australian Unity MCIs, Australian resident Holders will be required to include any gain in their assessable incomes in the income tax year in which the disposal occurs. The gain will generally be equal to the proceeds from the disposal less the cost of acquisition of the Australian Unity MCIs. In the case of a Repurchase the Tax Act may replace the proceeds from the disposal with the market value of the Australian Unity MCIs, determined on the assumption that the Repurchase did not occur. Holders should seek their own advice in this respect.

As Australian Unity MCIs are not “traditional securities”, qualifying Holders (individuals, trusts and complying superannuation funds) who have held the Australian Unity MCIs for at least 12 months prior to disposal may be eligible for the CGT discount concession on any capital gain made on disposal.

The Federal Government has announced forthcoming legislation to the effect that “managed investment trusts” (MITs) and “attribution MITs” (AMITs) will no longer be entitled to the CGT discount at the trust level. The change is to apply to income years commencing at least three months after Royal Assent to the legislation. MITs and AMITs that derive capital gains will continue to be able to distribute those amounts as capital gains that may be subject to the CGT discount in the hands of beneficiaries who are entitled to the CGT discount.

Any loss on the disposal (including an on-market disposal) of Australian Unity MCIs should give rise to a capital loss for Holders under the CGT rules in the Tax Act. Capital losses are generally only deductible against capital gains, but can be carried forward for use in a later year.

If an Australian resident Holder realises a loss from an off-market disposal of Australian Unity MCIs, they should seek their own advice as to whether a loss is allowed in their circumstances.

(b) Non-Australian resident Holders

As Australian Unity MCIs are not “traditional securities”, non-Australian resident Holders should generally not be taxable on any gain realised on disposal of their Australian Unity MCIs (as Australian Unity MCIs should generally not be “taxable Australian property”).

5.3.5 Provision of TFN and/or ABN

The Taxation Administration Act 1953 (Cth) imposes withholding tax (currently at the rate of 47 per cent) on the payment of distributions on certain types of investments such as the unfranked part (if any) of Dividends.

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.

Provision of a TFN or ABN to Australian Unity is not compulsory.

5.3.6 GST

GST is not payable on the issue, receipt, disposal, exchange, redemption or resale of Australian Unity MCIs.

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

Other information *continued*

5.4 US Persons

Australian Unity MCIs have not been and will not be registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. They may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, any US Person, unless an exemption from such registration applies. Any offer, sale or resale of Australian Unity MCIs within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if made prior to 40 days after the Closing Date or if purchased by a dealer in the Offer.

The Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any US Person. Neither this Prospectus nor any Application Forms or other materials relating to the Offer may be distributed in the United States.

Each Applicant in the Offer will be taken to have represented, warranted and agreed on behalf of itself and each person for whom it is applying for Australian Unity MCIs as follows:

- it is not located in the United States at the time of application and it is not, and is not acting for the account or benefit of, any US Persons;
- it has not distributed this Prospectus or any other written materials concerning the Offer to any person in the United States or to any US Persons; and
- it understands that the Australian Unity MCIs have not been and will not be registered under the US Securities Act and may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, any US Person, unless an exemption from such registration applies.

5.5 Consents to be named

Each of the parties named below has given its written consent to be named in this Prospectus in the form and context in which it is named and has not, at the date of this Prospectus, withdrawn its consent:

- Each Arranger, Joint Lead Manager and Co-Manager;
- Herbert Smith Freehills;
- Greenwoods & Herbert Smith Freehills;
- PricewaterhouseCoopers; and
- Link Market Services Limited.

None of those parties has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based. None of those parties, nor any of their respective related bodies corporate, affiliates, directors, employees or agents, has authorised or caused the issue of this Prospectus, does not make any offer of Australian Unity MCIs, and expressly disclaims all liability in respect of, makes no representations, warranties or undertakings, express or implied, regarding, and accepts no responsibility or liability for, any statements in, or omissions from, this Prospectus. This applies to the maximum extent permitted by law and does not apply to any matter to the extent to which consent is given.

Other information *continued*

5.6 Interests of advisers

The Issuer will pay to the Arranger and Joint Lead Managers an aggregate fee of approximately \$3.5 million plus expenses, based on certain assumptions in relation to the final Offer size and the allocation of Australian Unity MCIs between the Member Offer, Securityholder Offer, Broker Firm Offer and Institutional Offer. More detail of the fees payable to the Arranger, Joint Lead Managers and other Syndicate Brokers is outlined in the summary of the Offer Management Agreement referred to in Section 5.1.3.

The Arranger and Joint Lead Managers will pay (out of their own fees) Syndicate Brokers a selling fee of 1.0 per cent of their Broker Firm Allocation.

Fees payable by the Issuer to the Arranger and Joint Lead Managers and by the Arranger and Joint Lead Managers to Syndicate Brokers are exclusive of any GST.

The Arranger and Joint Lead Managers reserve the right to aggregate Applications that appear to be multiple Applications from the same Applicant.

Herbert Smith Freehills is acting as legal adviser to the Issuer in relation to the Offer. In respect of this work, the Issuer estimates that approximately \$286,000 (excluding disbursements and GST) will be payable to Herbert Smith Freehills. Further amounts may be paid to Herbert Smith Freehills under its normal time-based charges.

Greenwoods & Herbert Smith Freehills Pty Limited is acting as tax adviser to the Issuer in relation to the Offer. In respect of this work, the Issuer estimates that approximately \$60,000 (excluding disbursements and GST) will be payable to Greenwoods & Herbert Smith Freehills Pty Limited. Further amounts may be paid to Greenwoods & Herbert Smith Freehills Pty Limited under its normal time-based charges.

5.7 Cornerstone investors

Certain Institutional Investors have, prior to the lodgement of this Prospectus on 11 October 2021, committed to the Arranger to apply for Australian Unity MCIs on the same terms as all other investors. The Arranger will pay these Institutional Investors (but not any other investors that subsequently give commitments to invest under the Bookbuild (refer Section 6.2.4)):

- 0.25 per cent of the amount equal to the Issue Price multiplied by the number of Australian Unity MCIs they committed to and that is then Allocated to them; and
- up to a further 0.25 per cent of the amount equal to the Issue Price multiplied by the number of Australian Unity MCIs Allocated to them, payable provided they continue to hold that Allocation for three months after the Issue Date.

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

5.8 Interests of Directors

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

- the formation or promotion of the Issuer;
- property acquired or proposed to be acquired by the Issuer in connection with its formation or promotion, or in connection with the Offer; or
- the Offer, and no amount (whether in cash, Australian Unity MCIs or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to the Directors for services in connection with the formation or promotion of the Issuer or the Offer.

Other information *continued*

5.8.1 Holdings of Australian Unity MCIs

The Directors have the following interests in Australian Unity MCIs, either directly or indirectly as at the date of the Prospectus:

Directors	No. of Australian Unity MCIs
Rohan Mead	2,000
Lisa Chung	750
Su McCluskey	1,600

5.8.2 Remuneration

Details of the remuneration paid to Directors can be found in Australian Unity's Remuneration Report contained in Australian Unity's annual report for the financial year ended 30 June 2021. The table below summarises the Director's remuneration which was paid for the financial year ended 30 June 2021:

Directors	Total remuneration
Peter Promnitz	\$326,995
Rohan Mead	\$2,127,478
Lisa Chung	\$163,192
Melinda Cilento	\$162,969
Paul Kirk	\$201,242
Su McCluskey	\$163,027
Julien Playoust	\$163,452
Greg Willcock ¹	\$164,230

¹ In addition to the amount above, Mr Greg Willcock received director fees totalling \$93,649 from Australian Unity Real Estate Limited, a related entity, during the relevant periods.

5.9 Dealings in Australian Unity MCIs

Subject to applicable legal requirements:

- members of the Australian Unity Group, their directors and employees may subscribe for, purchase or resell Australian Unity MCIs from time to time;
- the Board may consider granting variable compensation outcomes for eligible employees through the purchase or new issuance of Australian Unity MCIs, subject to financial and non-financial performance measures; and
- the Joint Lead Managers, their directors and employees may subscribe for, purchase or resell Australian Unity MCIs from time to time.

5.10 Personal information

If you lodge an Application, the Issuer and Joint Lead Managers will collect information about you. The Issuer and Joint Lead Managers will use this information to process your Application, identify you, administer your Australian Unity MCIs and keep in touch with you in relation to your Australian Unity MCIs. The Issuer may also use this information to determine your eligibility for membership of Australian Unity and where eligible, send you information relating to member benefits.

The Issuer may also collect, use and store your information in accordance with its privacy policy, available at: www.australianunity.com.au/privacy-policy.

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

Other information *continued*

The Issuer and Joint Lead Managers may share your information with its subsidiaries and related companies to:

- enable the Australian Unity Group to have an integrated view of its customers and investors; and
- provide you with information about Australian Unity Group's products and services.

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

The Issuer and Joint Lead Managers will also disclose this information if required or permitted to do so by law (e.g. taxation laws, social security laws or court orders) or the rules of ASX or if you consent to or request the disclosure.

If you think the Issuer's or Joint Lead Managers' records of your personal information are incorrect or out of date, you can contact the Issuer and Joint Lead Managers and request that the information be corrected. Subject to certain exceptions, you may access your information at any time by contacting the Registry in writing. Fees may apply for such access but the Issuer does not intend to charge a fee.

You may choose not to provide your personal information or to limit the information you provide, in which case the Issuer and Joint Lead Managers may not be able to process your Application, administer your Australian Unity MCIs, or make payments to you.

5.11 Reporting and disclosure obligations

This Prospectus is a transaction specific prospectus issued by Australian Unity in accordance with section 713 of the Corporations Act on the basis that Australian Unity MCIs are continuously quoted securities for the purposes of the Corporations Act.

Australian Unity is a disclosing entity for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require that Australian Unity prepare both full year and half year financial statements and a report on its operations during the relevant accounting period accompanied by an audit or review report prepared by its auditor. Copies of these documents and other documents lodged with ASIC by Australian Unity may be obtained from, or inspected at, an ASIC office.

Australian Unity has an obligation under the Listing Rules to notify ASX immediately of any information concerning Australian Unity of which it becomes aware and which a reasonable person would expect to have a material effect on the price or value of Australian Unity MCIs unless exceptions from disclosure apply under the Listing Rules. ASX maintains records of company announcements for all companies listed on ASX. Australian Unity's announcements may be viewed on ASX's website (www.asx.com.au).

Section 713 of the Corporations Act enables a company to issue a transaction specific prospectus where the securities offered are continuously quoted securities (within the meaning of that term in the Corporations Act). This generally means that the relevant securities are in a class of securities that were quoted securities at all times during the 3 months before the date of the prospectus and that, during the 12 months before the date of the prospectus, the issuing company was not exempted from the continuous disclosure regime and disclosing entity requirements provided for under the Corporations Act and the Listing Rules.

The content requirements for a transaction specific prospectus under section 713 of the Corporations Act require that the prospectus contain:

- information regarding the effect of the Offer on Australian Unity;
- information regarding the rights and liabilities attaching to the Australian Unity MCIs;
- statements detailing that, as a disclosing entity, Australian Unity is subject to regular reporting and disclosure obligations, and that copies of documents lodged with ASIC in relation to Australian Unity may be obtained from, or inspected at, an ASIC office; and
- a statement informing people of their right to obtain a copy of certain financial documents and continuous disclosure notices, and noting that copies will be provided free of charge if requested during the application period for the prospectus.

To meet the specific disclosure requirements for a transaction specific prospectus set out in section 713(5) of the Corporations Act, the prospectus must also incorporate information if such information:

- has been excluded from a continuous disclosure notice in accordance with the Listing Rules; and
- is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - the assets and liabilities, financial position and performance, profits and losses and prospects of the body; and
 - the rights and liabilities attaching to the securities being offered.

The prospectus must contain this information only to the extent to which it is reasonable for investors and their professional advisors to expect to find such information in the prospectus.

Australian Unity, as a disclosing entity under the Corporations Act, states that:

- it is subject to regular reporting and disclosure obligations;
- copies of documents lodged with ASIC in relation to Australian Unity may be obtained from, or inspected at, an ASIC office;
- it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - Australian Unity's annual financial report for the year ended 30 June 2021; and
 - any continuous disclosure notices given by Australian Unity after the lodgement of Australian Unity's annual financial report for the year ended 30 June 2021 and before the lodgement of this Prospectus.

Details of documents lodged with ASX since the lodgement of Australian Unity's annual financial report for the year ended 30 June 2021 before the lodgement of this Prospectus are set out in the following table:

Date	Announcement title
7 September 2021	Australian Unity FY2021 Annual Results Announcement
7 September 2021	Australian Unity FY21 Full Year Statutory Accounts
7 September 2021	Australian Unity FY21 Full Year Investor Update Presentation
7 September 2021	Dividend/Distribution - AYUPA
8 September 2021	Notice of Annual General Meeting and Proxy Form
23 September 2021	Australian Unity Limited 2021 Annual Report

5.12 Photographs and diagrams

The assets depicted in photographs in this Prospectus are assets of Australian Unity unless otherwise stated. Diagrams appearing in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of the Prospectus.

5.13 Governing law

This 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 exclusive jurisdiction of the courts of Victoria, Australia.

5.14 Consent of Directors

This Prospectus is authorised by each Director who has consented to its lodgement with ASIC.

Section 6

How to apply



How to apply

6.1 Obtaining a Prospectus and Application Form

An electronic version of this Prospectus with an Application Form will be available at www.australianunity.com.au/mci during the Offer Period and following Completion.

This Prospectus is available to you electronically only if you are accessing and downloading or printing the electronic copy of the Prospectus in Australia. If you access this Prospectus electronically, you must download the entire Prospectus.

From 5 October 2021, the Corporations Act imposes obligations on Australian Unity to determine an appropriate Target Market for Australian Unity MCIs and to take steps that are reasonably likely to result in Australian Unity MCIs being distributed to investors that are within the Target Market. Australian Unity welcomes this new legislation, as financial wellbeing for ordinary Australians underpins its strategic purpose. Australian Unity has made a Target Market Determination (“TMD”) for Australian Unity MCIs as required under this new legislation and will take reasonable steps to ensure that distribution of Australian Unity MCIs is conducted in accordance with the TMD. A copy of the TMD is available at www.australianunity.com.au/mci.

The Offer comprises:

- a Member Offer;
- a Securityholder Offer;
- a Broker Firm Offer; and
- an Institutional Offer.

The instructions for lodging your Application and accompanying Application Monies vary depending on whether you apply under the Member Offer, Securityholder Offer, Broker Firm Offer or the Institutional Offer.

Eligible Members and Eligible Securityholders who have received a copy of the Prospectus in its electronic form may, during the Offer Period, request a paper copy of the Prospectus free of charge, by contacting the Australian Unity MCI Offer Information Line on 1800 810 827 (Monday to Friday – 8:30am to 5:30pm). However, Eligible Members who wish to participate in the Member Offer and Eligible Securityholders who wish to participate in the Securityholder Offer must complete the electronic Application Form available at www.australianunity.com.au/mci and make a BPAY® payment in respect of the required Application Monies before the end of the Offer Period. In light of delays to postal services caused by the COVID-19 pandemic, there is a risk that paper Application Forms and payments via cheque may not be received before the end of the Offer Period.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, a printed copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

6.1.1 Applying under the Member Offer

The Member Offer is available to Eligible Members of Australian Unity. You are an Eligible Member of Australian Unity if as at 23 September 2021 you were a financial member within the meaning of the Constitution and you are a person within the Target Market (as defined in the TMD) with a registered address in Australia.

Any applicant through the Member Offer will be required to complete a questionnaire available at www.australianunity.com.au/mci to determine if they fit within the Target Market and are thereby able to participate in the Offer. Australian Unity encourages you to speak to a financial adviser to assist you to determine if Australian Unity MCIs are suitable for you. If an applicant through the Member Offer does not fit within the Target Market they will not be able to apply through the Member Offer.

Eligible Members are required to apply using the electronic Application Form available at www.australianunity.com.au/mci and complete their Application by making a BPAY® payment. Instructions on how to complete the Application Form are set out in the form. When applying, you will be required to provide your reference number. The reference number is included in the letter or email sent to Eligible Members. If you are an Eligible Member and have not received a letter or email, you can obtain your reference number by contacting the Australian Unity MCI Offer Information Line on 1800 810 827 (Monday to Friday – 8:30am to 5:30pm) with your name and other identifying information.

If you have any questions about Australian Unity MCIs or the Offer, you should seek advice from your financial adviser or other professional adviser.

How to apply *continued*

6.1.2 Applying under the Securityholder Offer

The Securityholder Offer is available to Eligible Securityholders of the Australian Unity Group. You are an Eligible Securityholder if as at 7:00pm on 23 September 2021 you are on the register of Australian Unity Bonds or Australian Unity Retirement Village Investment Notes and you are a person within the Target Market (as defined in the TMD) with a registered address in Australia.

Any applicant through the Securityholder Offer will be required to complete a questionnaire available at www.australianunity.com.au/mci to determine if they fit within the Target Market and are thereby able to participate in the Offer. Australian Unity encourages you to speak to a financial adviser to assist you to determine if Australian Unity MCIs are suitable for you. If an applicant through the Securityholder Offer does not fit within the Target Market they will not be able to apply through the Securityholder Offer.

Eligible Securityholders are required to apply using the electronic Application Form available at www.australianunity.com.au/mci and complete their Application by making a BPAY® payment. Instructions on how to complete the Application Form are set out in the form. When applying, you will be required to provide your reference number. The reference number is included on the letter or email sent to Eligible Securityholders.

If you have any questions about Australian Unity MCIs or the Offer, you should seek advice from your financial adviser or other professional adviser.

6.1.3 Applying under the Broker Firm Offer

The Broker Firm Offer is available to investors with a registered address in Australia who are clients of a Syndicate Broker, including Eligible Members and Eligible Securityholders. If you are applying under the Broker Firm Offer, you should contact the Syndicate Broker who has offered you an allocation in the Broker Firm Offer for information about how and when to lodge your Application and accompanying Application Monies. Generally, you will lodge your Application with your Syndicate Broker.

6.1.4 Applying under the Institutional Offer

The Institutional Offer is available to Institutional Investors. If you are an Institutional Investor, you must apply to participate in the Institutional Offer by contacting the Arranger who will provide additional information about how to Apply. The Issuer reserves the right to not accept Applications that appear to be Applications from Institutional Investors where they have not been received through the Arranger.

6.2 Completing and lodging your Application

6.2.1 Minimum Application

The amount you have to pay for each Australian Unity MCI is \$103.

Applications under the Offer must be for a minimum of 50 Australian Unity MCIs, which is a minimum investment of \$5,150.

6.2.2 Lodging your Application

If you are applying under the Broker Firm Offer, you should contact the Syndicate Broker who has offered you a Broker Firm Allocation for information about how and when to lodge your Application. Generally, you will lodge your Application with your Syndicate Broker. The Issuer, the Registry and the Joint Lead Managers take no responsibility for any acts or omissions by your Syndicate Broker in connection with your Application.

If you are applying under the Member Offer or the Securityholder Offer, you are required to lodge your Application at www.australianunity.com.au/mci. Applications and Application Monies must be received by 5.00pm (Melbourne time) on the Closing Date which is expected to be 29 October 2021.

Applications and Application Monies will not be accepted at the Issuer's registered office.

6.2.3 No brokerage or stamp duty

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

How to apply *continued*

6.2.4 Allocation policy and refunds

Bookbuild

A Bookbuild is a process that will be conducted by the Joint Lead Managers.

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

Member Offer

Australian Unity will endeavour to provide Applicants under the Member Offer with an allocation of Australian Unity MCIs however Australian Unity does not guarantee any minimum allocation and the extent of any allocation will ultimately depend on the total level of Applications under the Offer.

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

Securityholder Offer

Australian Unity will endeavour to provide Applicants under the Securityholder Offer with an allocation of Australian Unity MCIs however Australian Unity does not guarantee any minimum allocation and the extent of any allocation will ultimately depend on the total level of Applications under the Offer.

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

Broker Firm Offer

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

Institutional Offer

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

Refunds

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

If you are not allocated any Australian Unity MCIs or you are allocated less than the number of Australian Unity MCIs you applied for, you will receive a refund payment (without interest) as soon as practicable after the Closing Date.

6.3 Issue and quotation of Australian Unity MCIs

If ASX does not grant permission for Australian Unity MCIs to be quoted by the Issue Date, Australian Unity MCIs will not be Issued and all Application Monies will be refunded (without interest) as soon as practicable.

Australian Unity MCIs issued under this Prospectus are expected to be quoted on ASX under the ASX code AYUPA, along with existing Australian Unity MCIs on issue.

How to apply *continued*

6.4 Trading and Holding Statements

6.4.1 Commencement of trading of Australian Unity MCIs on ASX

It is expected that Australian Unity MCIs issued under this Prospectus will begin trading on ASX on a normal settlement basis on 8 November 2021. It is your responsibility to determine your holding of Australian Unity MCIs before trading to avoid the risk of selling Australian Unity MCIs you do not own.

You should check your holding by asking your Syndicate Broker or calling the Australian Unity MCI Offer Information Line on 1800 810 827 (Monday to Friday – 8.30am to 5.30pm) from the Issue Date.

Australian Unity, the Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, if you sell Australian Unity MCIs before receiving your Holding Statement, even if you obtained details of your holding from the Australian Unity MCI Offer Information Line on 1800 810 827 (Monday to Friday – 8.30am to 5.30pm) or confirmed your firm allocation through a Syndicate Broker.

6.4.2 Holding Statements

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

6.4.3 Provision of TFN and/or ABN

When your Holding Statement is mailed, you will receive a welcome letter which will outline how to provide your TFN and/or ABN should you wish to do so (see Section 5.3.5 “Provision of TFN and/or ABN”).

6.4.4 Provision of bank account details for Dividend payments

When your Holding Statement is mailed, you will receive a welcome letter which will outline how to provide your bank account details for Dividend payments.

6.4.5 US Persons

Restrictions applying to US Person are outlined in Section 5.4 “US Persons”.

6.5 Discretion regarding the Offer

Australian Unity reserves the right not to proceed with the Offer or any part of it at any time before the issue of Australian Unity MCIs to successful Applicants.

If Australian Unity withdraws the Offer, Australian Unity MCIs will not be issued and all relevant Application Monies will be refunded (without interest).

Australian Unity and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Australian Unity MCIs than applied or bid for.

Investors should also note that no cooling off rights (whether by law or otherwise) apply to an investment in Australian Unity MCIs. This means that, in most circumstances, Applicants may not withdraw their applications once submitted.

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Section 7

Glossary



Glossary

This provides a glossary of key terms and abbreviations used throughout this Prospectus and the Application Form. There is also a list of further defined terms in clause 15.1 of the Terms in Appendix A.

Terms	Definition
ABN	Australian Business Number as defined in <i>A New Tax System (Australian Business Number) Act 1999</i> (Cth)
AGM	Has the same meaning as in the Constitution
Allocation	The number of Australian Unity MCIs allocated under this Prospectus to Applicants under the Member Offer, Securityholder Offer, Broker Firm Offer and Institutional Offer. Allocated has a corresponding meaning
Applicant	A person who lodges an Application Form in accordance with this Prospectus
Application	An application for Australian Unity MCIs made through a completed Application Form in accordance with this Prospectus
Application Form	An electronic or paper form (as the context requires) attached to, or accompanying, this Prospectus, or available at www.australianunity.com.au/mci , upon which an application for Australian Unity MCIs may be made
Application Monies	The amount payable on each Application, being the Issue Price multiplied by the number of Australian Unity MCIs applied for
APRA	Australian Prudential Regulation Authority
Arranger	Acacia Partners Pty Ltd (ABN 49 607 046 391)
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires
ATO	Australian Taxation Office
Australian Unity	Australian Unity Limited (ABN 23 087 648 888)
Australian Unity Bank	Australian Unity Bank Limited (ABN 30 087 652 079)
Australian Unity Bonds	The Series C Australian Unity Bonds and Series D Australian Unity Bonds quoted on ASX
Australian Unity Group	The group of companies comprising Australian Unity and each of its Subsidiaries
Australian Unity MCI Offer Information Line	1800 810 827 (Monday to Friday – 8:30am to 5:30pm)
Australian Unity MCIs or MCIs	A fully paid mutual capital instrument (as that term is defined in the Corporations Act) in the capital of Australian Unity issued on the Terms
Australian Unity Retirement Village Investment Notes	The Australian Unity Retirement Village Investment Notes Series 5 and Australian Unity Retirement Village Notes Series 6
Benefit Funds	The benefit funds operated under the Life Insurance Act through any Subsidiary of Australian Unity
Board	The board of directors of Australian Unity acting as a board
Bookbuild	The process described in Section 6.2.4
Broker Firm Allocation	The Allocation allocated to a Syndicate Broker through the Bookbuild process
Broker Firm Offer	The offer as described in Section 6 – How to Apply
Business Day	A day which is (i) a business day within the meaning of the ASX Listing Rules, and (ii) for the purposes of calculation or payment of a Dividend, a date on which banks are open for general business in Melbourne
CGT	Capital gains tax
Chair	The chair of the Board
CHESS	Clearing House Electronic Subregister System, operated by ASX Settlement Pty Limited (ABN 49 008 504 532)
Closing Date	Refer to the “Key Dates” section of this Prospectus

Glossary *continued*

Terms	Definition
Co-Managers	Bell Potter Securities Limited (ABN 25 006 390 772) and Westpac Institutional Bank, a division of Westpac Banking Corporation (ABN 33 007 457 141)
Completion	Completion of the issue of Australian Unity MCIs to Applicants pursuant to the Offer
Constitution	The constitution of Australian Unity as amended
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Demutualisation	Has the same meaning as in the Constitution
Demutualisation Event	When the Members pass a resolution authorising the entry into, implementation of or carrying out of a Demutualisation by Australian Unity
Director	A director of Australian Unity
Dividend	A dividend in the amount determined in accordance with clause 3.1 of the Terms
Dividend Payment Date	In respect of each Australian Unity MCI 15 April and 15 October each year, and also the Repurchase Date. If any of these Dividend Payment Dates is not a Business Day, then the payment will be made in accordance with clause 3.4(d) of the Terms. The next Dividend Payment Date is 15 April 2022
Dividend Period	Each period commencing on (and including) a Dividend Payment Date and ending on (but excluding) the next Dividend Payment Date, whether or not a Dividend is paid on that date. However: <ul style="list-style-type: none"> (a) the first Dividend Period commences on (and includes) the Issue Date; (b) the first Dividend Period for an Australian Unity MCI issued after the Issue Date commences on (and includes) the previous Dividend Payment Date and ends on (but excludes) the next Dividend Payment Date, unless Australian Unity in its absolute discretion determines otherwise; and (c) the final Dividend Period ends on (but excludes) the Repurchase Date
Dividend Rate	The dividend rate for the Australian Unity MCIs
Eligible Member	An Eligible Member as referred to in Section 6.1.1 of this Prospectus
Eligible Securityholder	An Eligible Securityholder as referred to in Section 6.1.2 of this Prospectus
Exchange	ASX or such other body that is determined by the Directors to be Australian Unity's primary securities exchange for the purposes of this definition
Face Value	Has the meaning given in clause 2 of the Terms
Final Dividend Payment	The Dividend calculated for the final Dividend Period ending on the Repurchase Date, whether or not that Dividend is paid
Governmental Agency	Any government or any government department, governmental, semi-governmental, administrative, fiscal, judicial, investigative, review or regulatory body, department, commission, authority, tribunal, agency, stock exchange or entity in any jurisdiction relevant to Australian Unity
GST	The goods and services tax as defined in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth)
Holder	A person whose name is entered in the Register as the holder of an Australian Unity MCI and, in the case of joint Holders for the purpose of clause 6(c) of the Terms, means the person named first in the Register
Holding Statement	A statement issued to Holders by the Registry which sets out the number of Australian Unity MCIs issued to that Holder
Institutional Investor	An investor to whom Australian Unity MCIs 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 the Issuer is willing to comply with)
Institutional Offer	The institutional offer referred to in Section 6.1.4 of this Prospectus

Glossary *continued*

Terms	Definition
Issue Date	The first date on which Australian Unity MCIs are issued
Issue Price	The issue price for Australian Unity MCIs, being \$103 per Australian Unity MCI
Issuer	Australian Unity Limited (ABN 23 087 648 888)
Joint Lead Managers	Acacia Partners Pty Ltd (ABN 49 607 046 391), E&P Corporate Advisory Pty Limited (ABN 21 137 980 520), Morgans Financial Limited (ABN 49 010 669 726) and National Australia Bank Limited (ABN 12 004 044 937)
Life Insurance Act	<i>Life Insurance Act 1995</i> (Cth)
Listing Rules	The listing rules of the Exchange, as they apply to Australian Unity
Member	Has the same meaning as in the Constitution
Member Offer	The Member Offer referred to in Section 6.1.1 of this Prospectus
Non Shareholder Member	Has the same meaning as in the Constitution
Offer	The offer of Australian Unity MCIs under this Prospectus by the Issuer to raise \$160 million, with the ability to raise more or less. The offer comprises the Member Offer, Securityholder Offer, Broker Firm Offer and Institutional Offer
Offer Management Agreement	The offer management agreement entered into between Australian Unity, the Arranger and Joint Lead Managers as described in Section 5.1.3
Offer Period	The period from the Opening Date to the Closing Date
Opening Date	Refer to the “Key Dates” section of this Prospectus
Optional Dividend	Any amount additional to a Dividend that the Directors in their absolute discretion determine to pay to Holders as a dividend
Prospectus	This Prospectus (including the electronic form of this Prospectus) as supplemented or replaced
Register	The register of Australian Unity MCIs maintained by the Registry and includes any CHES sub-register (as defined in the Listing Rules)
Registry	Link Market Services Limited (ABN 54 083 214 537), or any other registry that maintains the Register
Regulatory Event	<p>Any amendment to, clarification of, or change (including any announcement of a prospective amendment, clarification or change) in, any law or regulation, the Listing Rules, or a statement, order or directive from APRA or any Governmental Agency, or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment, clarification, change or interpretation is effective or pronouncement, action or decision is announced on or after the first Issue Date, and the Directors in their absolute discretion determine that:</p> <ul style="list-style-type: none"> (a) additional requirements in connection with the Australian Unity MCIs would be imposed on Australian Unity or the Australian Unity Group which the Directors in their absolute discretion determine, might have a material adverse effect on Australian Unity, the Australian Unity Group or Non Shareholder Members; (b) to have any of the Australian Unity MCIs outstanding would be unlawful or impractical; or (c) Australian Unity would be exposed to a more than de minimis increase in its costs in connection with Australian Unity MCIs
Repurchase	The buy back, or cancellation through a capital reduction of Australian Unity MCIs, at Australian Unity’s discretion

Glossary *continued*

Terms	Definition
Repurchase Amount	Means: <ul style="list-style-type: none"> (a) in all Repurchases other than a Repurchase that has resulted from a Demutualisation Event, the Face Value; and (b) in a Repurchase that has resulted from a Demutualisation Event, the Face Value plus a 1% premium to the Face Value
Repurchase Date	The date referred to in clause 4.2 of the Terms
Repurchase Notice	The notice that may be issued by Australian Unity under clause 4.1 of the Terms
Securityholder Offer	The Securityholder Offer referred to in Section 6.1.2 of this Prospectus
Special General Meeting	Has the same meaning as in the Constitution
Special Resolution	A resolution that has been passed by at least 75 per cent of the votes cast by Holders entitled to vote on the resolution
Subsidiaries	Has the meaning given to that term in Division 6 of Part 1.2 of the Corporations Act
Syndicate Broker	Any participating organisation of ASX selected by the Joint Lead Managers to participate in the Bookbuild, including the Co-Managers
Target Market	Has the same meaning as in the target market determination available at www.australianunity.com.au/mci
Tax Act	<i>Income Tax Assessment Act 1936</i> (Cth) or <i>Income Tax Assessment Act 1997</i> (Cth), as the case may be
Tax Event	Means the receipt by Australian Unity of an opinion from a reputable legal counsel or other tax adviser, experienced in such matters to the effect that, as a result of: <ul style="list-style-type: none"> (a) any amendment to, clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations thereunder) of any jurisdiction or any political sub-division or taxing authority thereof or therein affecting taxation; (b) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (“Administrative Action”); or (c) any amendment to, clarification of, or change (including any announced prospective change) in, the pronouncement that provides for a position with respect to an Administrative Action that differs from the theretofore generally accepted position, (in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change (including any announced prospective change) or Administrative Action is made known), which is effective on or after the Issue Date, there is a risk that: <ul style="list-style-type: none"> (d) Australian Unity would be exposed to more than a de minimis increase in its costs (including any amount of taxes, duties, assessments, costs or other government charges, the loss of any deductions or grossing-up for withholding tax) in relation to Australian Unity MCIs; (e) an additional franking debit will arise in the franking account of Australian Unity in respect of any Dividend; or (f) any Dividend will not be a frankable distribution (within the meaning of Division 202 of the Tax Act)

Glossary *continued*

Terms	Definition
Terms	The terms of issue of the Australian Unity MCIs as set out in Appendix A
TFN	Tax File Number
US Person	Has the meaning given in Rule 902(k) under the US Securities Act
US Securities Act	<i>United States Securities Act of 1933</i> , as amended

Appendix A

Terms of Australian Unity MCIs



Terms of Australian Unity MCIs

1 Terms

These Terms set out the general terms and conditions of MCIs.

2 Face value and issue price

- (a) The face value of each MCI is \$100 (Face Value).
- (b) The issue price of each MCI will be determined by the Directors in their absolute discretion and may be the Face Value, more than the Face Value or less than the Face Value.
- (c) MCIs must be issued fully paid.

3 Dividend

3.1 Dividend

Subject to these Terms (including, but not limited to, clause 3.3), the Dividend payable on each MCI for each Dividend Period is payable in arrears on each Dividend Payment Date and is calculated according to the following formula:

$$\text{Dividend} = \frac{(\text{Dividend Rate} \times \text{Face Value} \times N)}{365}$$

where

Dividend Rate means 5.00 percent per annum; and

N means, in respect of a Dividend Period, the number of days in that Dividend Period.

3.2 Adjustment to calculation of a Dividend for franking

If any Dividend is not franked to 100% under Part 3-6 of the Tax Act, the Dividend will be calculated according to the following formula:

$$\text{Dividend} = \frac{D}{1 - [T * (1 - F)]}$$

where

D means the Dividend calculated under clause 3.1;

T means the Australian corporate tax rate applicable to the franking account of Australian Unity on the relevant Dividend Payment Date (expressed as a decimal); and

F means the franking percentage (as defined in Part 3-6 of the Tax Act) applicable to the franking account of Australian Unity on the relevant Dividend Payment Date (expressed as a decimal).

3.3 Dividends are discretionary and non-cumulative

- (a) Notwithstanding any other provision of these Terms, the payment of any Dividend is discretionary and subject to the Directors in their absolute discretion determining that Australian Unity pay the Dividend.
- (b) The Directors may in their absolute discretion determine that Australian Unity pay only part of a Dividend.
- (c) The Directors may in their absolute discretion determine that Australian Unity pay an Optional Dividend.
- (d) Australian Unity must notify the Exchange at least five Business Days before the relevant Record Date (or, if later, as soon as the Directors determine that Australian Unity will not pay the Dividend) if payment of any Dividend will not be made.
- (e) Dividends are non-cumulative. If all or any part of a Dividend is not paid, Australian Unity has no liability to pay that Dividend, or any part of that Dividend, and a Holder has no claim or entitlement against Australian Unity or any other person in respect of the non-payment. No interest or other amount accrues on any unpaid Dividend, or any unpaid part of a Dividend, and a Holder has no claim or entitlement in respect of interest or any other amount on any unpaid Dividend or any unpaid part of a Dividend.

Terms of Australian Unity MCIs *continued*

3.4 Payment

- (a) A Dividend or Optional Dividend is only payable to the person registered at 7:00pm (Melbourne time) on the Record Date for that Dividend or Optional Dividend as the Holder.
- (b) Any amount which is payable to a Holder in respect of an MCI will, unless Australian Unity determines otherwise, be paid by direct credit into a nominated account at an Australian financial institution.
- (c) If a Holder fails to nominate an account for the purpose of clause 3.4(b) or the payment into the nominated account fails, the amount may be deposited by Australian Unity into a bank account maintained by Australian Unity or the Registry until the Holder nominates an account, or in the case of a failure of the nominated account, an alternative account. An amount so deposited shall be taken to have been duly paid to the Holder and shall not bear interest. Any interest accruing on any such account shall be paid to Australian Unity.
- (d) If any payment:
 - (1) is due on a day which is not a Business Day, then the due date for payment will be the next Business Day; or
 - (2) is to be made to an account on a Business Day on which banks are not open for general banking business in the place in which the account is located, then the due date for payment will be the next day on which banks are open for general banking business in that place.

No additional amount is payable in respect of any delay in payment.
- (e) For the purposes of making any payment in respect of a Holder's aggregate holding of MCIs, any fraction of a cent will be disregarded.
- (f) A payment made under this clause 3.4 to any one joint Holder of an MCI will discharge Australian Unity's liability to all joint Holders of that MCI.

3.5 Dividend restriction

- (a) If any Dividend is not paid to Holders in full on the relevant Dividend Payment Date, then, subject to clause 3.5(b), Australian Unity must not, without the approval of a Special Resolution:
 - (1) declare or determine or pay a dividend; or
 - (2) return any capital or undertake any buy-backs or repurchases,

in relation to any mutual capital instruments (as that term is defined in the Corporations Act) or other security or share of Australian Unity which ranks equally with or behind MCIs in respect of a return of capital on the winding up of Australian Unity, unless the amount of any unpaid Dividend is paid in full within five Business Days of that Dividend Payment Date. If, on a subsequent Dividend Payment Date a Dividend is paid in full, or if all MCIs have been Repurchased or otherwise cease to be on issue, then these restrictions cease to apply.
- (b) Clause 3.5(a) does not restrict Australian Unity paying any dividend, returning any capital or undertaking any buy-back or repurchases which Australian Unity is legally obliged to pay, return, complete or undertake at the time that the relevant Dividend is not paid to Holders in full on the relevant Dividend Payment Date.

3.6 Deductions and gross-up

- (a) All payments made by Australian Unity in respect of MCIs must be made without any withholding or deduction in respect of Taxes, unless the withholding or deduction is required by law or permitted by this clause 3.6.
- (b) Australian Unity may deduct from any Dividend, Optional Dividend or other amount payable to a Holder in respect of an MCI, the amount of any withholding or other Tax required by any law, treaty, regulation or official administrative pronouncement to be deducted in respect of such amount. If any withholding or deduction arises, Australian Unity will not be required to pay any further amounts on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Holder for or in respect of any such withholding or deduction.
- (c) Australian Unity will pay the full amount deducted under clause 3.6(b) to the relevant revenue authority within the time allowed for such payment without incurring penalty under the applicable law or otherwise.

Terms of Australian Unity MCIs *continued*

3.7 Determination final

Australian Unity's determination of all dates, rates and amounts under these Terms is, in the absence of wilful default, bad faith or manifest error, final and binding on Australian Unity, the Registry and each Holder.

3.8 Calculations

For the purposes of any calculations required under these Terms:

- (a) all percentages resulting from the calculations must be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005% being rounded up to 0.00001%);
- (b) all figures must be rounded to four decimal places (with 0.00005 being rounded up to 0.0001); and
- (c) all amounts that are due and payable must be rounded to the nearest one Australian cent (with one half of an Australian cent being rounded up to one Australian cent).

4 Repurchase

4.1 Repurchase Notice

- (a) Australian Unity may, subject to clause 4.1(b), issue a Repurchase Notice.
- (b) A Repurchase Notice may only be issued:
 - (1) at any time after a Tax Event or Regulatory Event occurs; or
 - (2) at the same time as, or at any time after, the issue by Australian Unity of a notice of meeting which contains a resolution seeking Member approval of a Demutualisation.
- (c) A Repurchase Notice issued as a consequence of a Tax Event or a Regulatory Event is irrevocable.

4.2 Repurchase Date

- (a) The Repurchase Notice must set out the proposed Repurchase Date or details of the manner in which Australian Unity will determine the Repurchase Date, which in the case of a Repurchase that will result from a Demutualisation Event must be a date after the Demutualisation Event has occurred, but before the Demutualisation has occurred.
- (b) On the Repurchase Date:
 - (1) the Final Dividend Payment (if any) will at the absolute discretion of the Directors be paid to the Holder;
 - (2) each MCI will be Repurchased by Australian Unity for the Repurchase Amount which will be paid to the Holder; and
 - (3) the MCIs will be cancelled and all rights conferred by the MCIs will cease.
- (c) A payment made under this clause 4.2 to any one joint Holder of an MCI will discharge Australian Unity's liability to all joint Holders of that MCI.

4.3 Holder approval

- (a) If Australian Unity has determined that the Repurchase is to be effected by a buy-back of MCIs, each Holder is taken irrevocably to offer to sell all of its MCIs to Australian Unity on the Repurchase Date for the Repurchase Amount of each MCI (Holder Offer).
- (b) Australian Unity may accept a Holder Offer by giving notice to the Holder. Australian Unity or any other Appointed Person may receive Australian Unity's acceptance of the Holder Offer and execute the relevant agreement on behalf of the Holder.
- (c) If Australian Unity has determined that the Repurchase is to be effected by a capital reduction and cancellation of MCIs, each Holder is taken irrevocably to agree to the capital reduction and the cancellation of all of its MCIs on the Repurchase Date for the Repurchase Amount of each MCI.
- (d) If Australian Unity determines to Repurchase MCIs, each Holder must:
 - (1) vote in favour (subject to compliance with the law and to the extent that the Holder is entitled to do so) or otherwise abstain from any required resolution;
 - (2) provide all documentation and execute any authorisation or power necessary; and
 - (3) take all other action necessary or desirable, to effect the Repurchase.

Terms of Australian Unity MCIs *continued*

4.4 Final Dividend

For the avoidance of doubt, Repurchase may occur even if Australian Unity does not pay the Final Dividend Payment.

4.5 Warranty

Each Holder is deemed, when MCIs are Repurchased, to warrant and represent to Australian Unity that the Holder owns such MCIs, that such MCIs are free and unencumbered and that the Holder has not sold, alienated, donated or otherwise disposed of such MCIs.

5 MCI general rights

5.1 Ranking

- (a) MCIs rank equally amongst themselves in all respects.
- (b) Australian Unity may issue further mutual capital instruments (as that term is defined in the Corporations Act) on such terms as the Directors determine, including, but not limited to, different (but not in priority to MCIs) dividend rights, buy-back and capital reduction rights to MCIs, provided that those mutual capital instruments do not rank in priority to MCIs in respect of a payment of Dividends or a return of capital on the winding-up of Australian Unity. Such an issue does not constitute a variation or cancellation of the rights attached to MCIs and does not require the approval of Holders.
- (c) Australian Unity must not issue any mutual capital instruments (as that term is defined in the Corporations Act) which rank in priority to MCIs in respect of a payment of Dividends or a return of capital on the winding-up of Australian Unity, without first obtaining the approval of Holders by a Special Resolution. Such an issue does not constitute a variation of the rights attached to MCIs.

5.2 No set-off

- (a) Australian Unity has no right to set-off any amounts owing by it to a Holder in respect of MCIs against any claims owing by the Holder to Australian Unity.
- (b) No Holder has any right to set-off any amounts owing by it to Australian Unity or a member of the Australian Unity Group against any claims owing by Australian Unity or another member of the Australian Unity Group to such Holder.

5.3 Winding-up

On the winding-up of Australian Unity, Holders will be entitled to receive out of the assets of Australian Unity available for distribution to shareholders of Australian Unity, in respect of each MCI held, a cash payment (Winding-Up Amount) equal to:

- (a) the amount of any Dividend due but unpaid; and
- (b) the Face Value,

before any return of capital or distribution is made to holders of ordinary shares or any other class of securities or shares ranking behind MCIs, or to Non Shareholder Members. A payment made under this clause 5.3 to any one joint Holder of an MCI will discharge Australian Unity's liability to all joint Holders of that MCI.

5.4 Shortfall on winding-up of Australian Unity

If, upon a return of capital on the winding-up of Australian Unity, there are insufficient funds to pay in full the amounts referred to in clause 5.3 and any amounts payable in respect of any other shares in Australian Unity ranking as to such distribution equally with the MCIs on a winding-up of Australian Unity, Holders and the holders of any such other shares will share in any distribution of assets of Australian Unity in proportion to the amounts to which they respectively are entitled.

5.5 No participation in surplus assets

MCIs do not confer on Holders any further right to participate in the surplus assets of Australian Unity on the winding-up of Australian Unity beyond payment of the Winding-Up Amount.

5.6 Participation in new issues

MCIs confer no rights to subscribe for new securities of Australian Unity or to participate in any bonus issues of securities of Australian Unity.

5.7 No other rights

MCIs do not confer on Holders any right to participate in profits or property except as set out in these Terms.

Terms of Australian Unity MCIs *continued*

6 Voting rights

- (a) Holders may attend and speak at the AGM and Special General Meetings.
- (b) An MCI does not entitle its Holder to vote on a Demutualisation, on a proposal to wind up Australian Unity or on a resolution referred to in rule 3.4(l) of the Constitution.
- (c) Each Holder has one vote only on a resolution at the AGM or a Special General Meeting. For the avoidance of doubt, if a Holder is also a Non Shareholder Member the Holder has one vote only.
- (d) The provisions of the Constitution relating to general meetings apply, with necessary changes, to any meeting of Holders as if that meeting were a general meeting except that:
 - (1) a quorum is at least 2 Holders present in person or by proxy and entitled to vote or, if there is only one Holder entitled to vote at that meeting, that Holder;
 - (2) any resolution at the meeting must be decided on a poll;
 - (3) on a poll, every Holder present and entitled to vote has one vote for each MCI held as at the Record Time; and
 - (4) if more than one joint Holder tenders a vote in respect of the relevant MCI, the vote of the joint Holder named first in the Register who tenders a vote, whether in person or by proxy, must be accepted to the exclusion of the votes of the other joint Holders.
- (e) Australian Unity may suspend the voting rights of any Holder if Australian Unity reasonably determines that the Holder:
 - (1) is holding MCIs in whole or part for, on account of, to the benefit of or on behalf of any person; or
 - (2) has exercised, is exercising or is proposing to exercise any vote of an MCI for, on account of, to the benefit of or on behalf of any person,
 such that that person is able to directly or indirectly control or influence the exercise of more than one vote at the AGM or a Special General Meeting.

7 Non-resident Holders

- (a) Where MCIs are held by or on behalf of a person resident outside Australia, then, despite anything to the contrary contained in these Terms, it is a condition precedent to any right of the Holder to receive payment of any money in respect of those MCIs, that all necessary Authorisations (if any) which may then be required are obtained by the Holder at the cost of the Holder and any other statutory requirements are satisfied.
- (b) Where Australian Unity is not satisfied that all necessary Authorisations and other statutory requirements have been obtained or otherwise satisfied, any amount that would be otherwise payable to the non-resident Holder will be deposited by Australian Unity into an account in Australian Unity's name established for that purpose and held by Australian Unity until Australian Unity is satisfied that all necessary Authorisations and other statutory requirements have been obtained or otherwise satisfied. An amount so deposited shall be taken to have been duly paid to the Holder and shall not bear interest. Any interest accruing on any such account shall be paid to Australian Unity.
- (c) For the purposes of clause 7(a), **Authorisation** includes any consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, approval, direction, declaration, authority or exemption from, by or with any government or any Governmental Agency.

8 Indemnity

- (a) Whenever in consequence of:
 - (1) the death of a Holder;
 - (2) the non-payment of any Tax payable by a Holder;
 - (3) the non-payment of any stamp duty or other duty by the legal personal representative of a Holder or its estate; or
 - (4) any other thing in relation to MCIs or a Holder,

Terms of Australian Unity MCIs *continued*

any law of any country or place, imposes or purports to impose any liability of any nature whatever on Australian Unity to make any payment to any Governmental Agency, Australian Unity will, if it suffers a loss in respect of that liability, be indemnified by that Holder and its legal personal representative, and any monies paid by Australian Unity in respect of that liability may be recovered from that Holder and/or the Holder's legal personal representative as a debt due to Australian Unity which will have a lien in respect of those monies upon MCIs held by that Holder or its legal personal representative and upon any monies payable in relation to such MCIs.

- (b) Nothing in clause 8(a) will prejudice or affect any right or remedy which any such law may confer or purport to confer on Australian Unity.

9 Power of attorney

Each Holder irrevocably:

- (a) appoints Australian Unity, each of its Authorised Officers and any liquidator, administrator or statutory manager of Australian Unity (each an Appointed Person) severally to be the attorney of the Holder with power in the name and on behalf of the Holder to do all such acts and things including signing all documents or transfers as may in the opinion of the Appointed Person be necessary or desirable to be done in order for the Holder to observe or perform the Holder's obligations under these Terms, including, but not limited to, effecting, recording or perfecting the Repurchase of any MCI or exercising any voting power in relation to any consent or approval required for the Repurchase of any MCI; and
- (b) authorises and directs Australian Unity to make such entries in the Register, including amendments and additions to the Register, which Australian Unity considers necessary or desirable to record the Repurchase of any MCI and to record that on that Repurchase the Holder ceases to be registered as the holder of the MCI.

The power of attorney given in this clause 9 is given for valuable consideration and to secure the performance by the Holder of the Holder's obligations under these Terms and is irrevocable.

10 Title and transfer of MCIs

- (a) Each entry in the Register of a person as a Holder constitutes:
 - (1) conclusive evidence of that person's:
 - (a) absolute ownership of that MCI;
 - (b) entitlement to the other benefits given to Holders under these Terms in respect of MCIs; and
 - (2) an undertaking by Australian Unity to pay Dividends and any other amount in accordance with these Terms, subject to correction of the Register for fraud or error.
- (b) Except as required by law or otherwise in accordance with these Terms, Australian Unity and the Registry must treat the person whose name is entered in the Register as a Holder as the absolute owner of that MCI. This clause applies despite any notice of ownership, trust or interest in that MCI. No recognition of any trust, encumbrance or interest shall be entered on the Register.
- (c) Where two or more persons are entered in the Register as joint Holders, they are taken to hold that MCI as joint tenants with rights of survivorship. The Registry is not bound to register more than three persons as joint Holders of any MCI.
- (d) No certificates will be issued to Holders unless Australian Unity is required to provide certificates by any applicable law or regulation.
- (e) A Holder may transfer MCIs:
 - (1) while MCIs are registered with CHESS, in accordance with the rules and regulations of CHESS; or
 - (2) at any other time:
 - (A) by a proper transfer under any other applicable computerised or electronic system recognised by the Corporations Act; or
 - (B) by any proper or sufficient instrument of transfer of marketable securities under applicable law, provided such instrument is delivered to the Registry with any evidence the Registry reasonably requires to prove title to or the right to transfer MCIs.
- (f) Title to MCIs passes when details of the transfer are entered in the Register.
- (g) MCIs may be transferred in whole but not in part.

Terms of Australian Unity MCIs *continued*

- (h) Australian Unity must comply with all Transfer Regulations and any other relevant obligations imposed on it in relation to the transfer of MCIs.
- (i) Australian Unity must not charge any fee on the transfer of MCIs.
- (j) The Holder is responsible for any stamp duty or other similar taxes which are payable in any jurisdiction in connection with a transfer, assignment or other dealing with MCIs.
- (k) Upon registration and entry of the transferee in the Register, the transferor ceases to be entitled to future benefits under these Terms in respect of the transferred MCIs.
- (l) Subject to Transfer Regulations, Australian Unity may determine that transfers of some or all MCIs will not be registered during any period reasonably specified by it.
- (m) Subject to clause 10(l), Australian Unity may only refuse to register a transfer of MCIs if permitted by, or if such registration would contravene or is forbidden by, Transfer Regulations or the Terms.
- (n) If Australian Unity refuses to register a transfer, Australian Unity must give the lodging party notice of the refusal and the reasons for it within five Business Days after the date on which the transfer was delivered to the Registry.
- (o) A person who becomes entitled to an MCI because of a Transmission Event may, on producing any evidence Australian Unity or the Registry may request to prove that person's entitlement to the MCI, choose:
 - (1) to be registered as the holder of the MCI by signing and giving Australian Unity or the Registry a written notice stating that choice; or
 - (2) to nominate some other person to be registered as the transferee of the MCI by executing or effecting in some other way a transfer of the MCI to that other person.

11 Amendments to the Terms

11.1 Amendment without consent

Subject to complying with all applicable laws, Australian Unity may, without the authority, assent or approval of Holders, amend these Terms where the amendment or addition is, in the opinion of Australian Unity:

- (a) made to cure any ambiguity, correct any manifest error or correct or supplement any defective provision of these Terms;
- (b) of a formal, minor or technical nature;
- (c) necessary or expedient for the purpose of
 - (1) enabling MCIs to be listed for quotation, or to retain quotation, on any securities exchange or to be offered for subscription or for sale under the laws for the time being in force in any place; or
 - (2) complying with the provisions of any statute, the requirements of any statutory authority, the Listing Rules or the listing or quotation requirements of any securities exchange on which Australian Unity may propose to seek a listing or quotation of MCIs; or
- (d) not materially prejudicial to the interests of Holders as a whole.

For the purposes of determining whether an amendment is not materially prejudicial to the interests of Holders as a whole, the taxation consequences to Holders (or any class of Holders) and other special consequences which are personal to a Holder (or any class of Holders) do not need to be taken into account.

11.2 Amendment by Special Resolution

Without limiting clause 11.1, Australian Unity may **amend** or add to these Terms if the **amendment** or addition has been approved by a Special Resolution.

11.3 Meaning of amend

In clauses 11.1 and 11.2, **amend** includes modify, cancel, alter or add to and **amendment** has a corresponding meaning.

Terms of Australian Unity MCIs *continued*

12 Quotation

Australian Unity must use all reasonable endeavours and furnish all documents, information and undertakings as may be reasonably necessary in order to procure and maintain, at its own expense, quotation for MCIs on the Exchange.

13 Notices

Where Australian Unity is required to give a notice in relation to any act, matter or determination, the accidental omission to give that notice does not affect the validity of that act, matter or determination.

14 Governing law

14.1 Governing law

These Terms are governed by the law in force in the State of Victoria, Australia.

14.2 Jurisdiction

Australian Unity submits to the non-exclusive jurisdiction of the courts of the State of Victoria, Australia for the purpose of any legal proceedings arising out of the Terms.

15 Definitions and interpretation

15.1 Definitions

The following expressions shall have the following meanings:

AGM has the same meaning as in the Constitution.

APRA means the Australian Prudential Regulation Authority.

ASX means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires.

ASX Settlement Operating Rules means the operating rules of ASX Settlement Pty Limited (ABN 49 008 504 532) and, to the extent that they are applicable, the operating rules of the ASX and the operating rules of ASX Clear Pty Limited.

Australian Unity means Australian Unity Limited (ABN 23 087 648 888).

Australian Unity Group means the group of companies comprising Australian Unity and each of its Subsidiaries.

Authorised Officer means each director and secretary of Australian Unity and any person delegated, on the authority of the Directors, to exercise the power of attorney conferred by clause 9.

Business Day means a day which is (i) a business day within the meaning of the ASX Listing Rules, and (ii) for the purposes of calculation or payment of a Dividend, a date on which banks are open for general business in Melbourne.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

Constitution means the constitution of Australian Unity as amended.

Corporations Act means the Corporations Act 2001 (Cth).

Demutualisation has the same meaning as in the Constitution.

Demutualisation Event means when the Members pass a resolution authorising the entry into, implementation of or carrying out of a Demutualisation by Australian Unity.

Directors means some or all of the directors of Australian Unity acting as a board.

Dividend means a dividend in the amount determined in accordance with clause 3.1 and 3.2.

Dividend Payment Date means in respect of each MCI 15 April and 15 October each year, and also the Repurchase Date. If any of these Dividend Payment Dates is not a Business Day, then the payment will be made in accordance with clause 3.4(d). The first Dividend Payment Date is 15 April 2021.

Terms of Australian Unity MCIs *continued*

Dividend Period means each period commencing on (and including) a Dividend Payment Date and ending on (but excluding) the next Dividend Payment Date, whether or not a Dividend is paid on that date. However:

- (a) the first Dividend Period commences on (and includes) the Issue Date;
- (b) the first Dividend Period for an MCI issued after the Issue Date commences on (and includes) the previous Dividend Payment Date and ends on (but excludes) the next Dividend Payment Date, unless Australian Unity in its absolute discretion determines otherwise; and
- (c) the final Dividend Period ends on (but excludes) the Repurchase Date.

Dividend Rate has the meaning given in clause 3.1.

Exchange means ASX or such other body that is determined by the Directors to be Australian Unity's primary securities exchange for the purposes of this definition.

Face Value has the meaning given in clause 2.

Final Dividend Payment means the Dividend calculated for the final Dividend Period ending on the Repurchase Date, whether or not that Dividend is paid.

Governmental Agency means any government or any government department, governmental, semi-governmental, administrative, fiscal, judicial, investigative, review or regulatory body, department, commission, authority, tribunal, agency, stock exchange or entity in any jurisdiction relevant to Australian Unity.

Holder means a person whose name is entered in the Register as the holder of an MCI and, in the case of joint Holders for the purpose of clause 6(c), means the person named first in the Register.

Issue Date means the first date on which MCIs are issued.

Listing Rules means the listing rules of the Exchange as they apply to the company.

MCI means a fully paid mutual capital instrument (as that term is defined in the Corporations Act) in the capital of Australian Unity issued on these Terms.

Member has the same meaning as in the Constitution.

Non Shareholder Member has the same meaning as in the Constitution.

Optional Dividend means any amount additional to a Dividend that the Directors in their absolute discretion determine to pay to Holders as a dividend.

Record Date means, for the payment of a Dividend:

- (a) the date that is eight calendar days prior to the relevant Dividend Payment Date; or
 - (b) such other date as determined by Australian Unity in its absolute discretion and notified to the Exchange;
- or in either case such other date as may be required by, or agreed with, the Exchange.

The Record Date for the payment of an Optional Dividend is the date prior to the payment of the Optional Dividend that is determined by Australian Unity in its absolute discretion and which Australian Unity notifies to Holders by issuing an announcement to the Exchange not less than five Business Days before the record date.

Record Time means:

- (a) in the case of a meeting for which the caller of the meeting has decided, under the Corporations Act, that MCIs are to be taken to be held by the persons who held them at a specified time before the meeting: that time; and
- (b) in any other case, 48 hours before the relevant meeting, or, if this time would fall on a trading day, 7:00pm (Melbourne time) on that day or such other time specified in the ASX Settlement Operating Rules.

Register means the register of MCIs maintained by the Registry and includes any CHESS sub-register (as defined in the Listing Rules).

Terms of Australian Unity MCIs *continued*

Registry means Link Market Services Limited (ABN 54 083 214 537) or any other registry that maintains the Register.

Regulatory Event means any amendment to, clarification of, or change (including any announcement of a prospective amendment, clarification or change) in, any law or regulation, the Listing Rules, or a statement, order or directive from APRA or any Governmental Agency, or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment, clarification, change or interpretation is effective or pronouncement, action or decision is announced on or after the first Issue Date, and the Directors in their absolute discretion determine that:

- (a) additional requirements in connection with the MCIs would be imposed on Australian Unity or the Australian Unity Group which the Directors in their absolute discretion determine, might have a material adverse effect on Australian Unity, the Australian Unity Group or Non Shareholder Members;
- (b) to have any of the MCIs outstanding would be unlawful or impractical; or
- (c) Australian Unity would be exposed to a more than *de minimis* increase in its costs in connection with MCIs.

Repurchase means the buy back, or cancellation through a capital reduction of MCIs, at Australian Unity's discretion.

Repurchase Amount means:

- (a) in all Repurchases other than a Repurchase that has resulted from a Demutualisation Event, the Face Value; and
- (b) in a Repurchase that has resulted from a Demutualisation Event, the Face Value plus a 1% premium to the Face Value.

Repurchase Date means the date referred to in clause 4.2.

Repurchase Notice means the notice that may be issued by Australian Unity under clause 4.1.

Special General Meeting has the same meaning as in the Constitution.

Special Resolution means a resolution that has been passed by at least 75% of the votes cast by Holders entitled to vote on the resolution.

Subsidiaries has the meaning given to that term in Division 6 of Part 1.2 of the Corporations Act.

Tax means:

- (a) any tax, including GST, levy, charge, impost, duty, fee, deduction, compulsory loan or withholding; or
- (b) any income, stamp or transaction duty, tax or charge,

which is assessed, levied, imposed or collected by any Governmental Agency and includes, but is not limited to, any interest, fine, penalty, charge, fee or other amount imposed on or in respect of any of the above.

Tax Act means the *Income Tax Assessment Act 1936* of Australia or the *Income Tax Assessment Act 1997* of Australia, as the case may be.

Terms of Australian Unity MCIs *continued*

Tax Event means the receipt by Australian Unity of an opinion from a reputable legal counsel or other tax adviser, experienced in such matters to the effect that, as a result of:

- (a) any amendment to, clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations thereunder) of any jurisdiction or any political sub-division or taxing authority thereof or therein affecting taxation;
- (b) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (**Administrative Action**); or
- (c) any amendment to, clarification of, or change (including any announced prospective change) in, the pronouncement that provides for a position with respect to an Administrative Action that differs from the theretofore generally accepted position,

(in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change (including any announced prospective change) or Administrative Action is made known), which is effective on or after the Issue Date, there is a risk that:

- (d) Australian Unity would be exposed to more than a *de minimis* increase in its costs (including any amount of taxes, duties, assessments, costs or other government charges, the loss of any deductions or grossing-up for withholding tax) in relation to MCIs;
- (e) an additional franking debit will arise in the franking account of Australian Unity in respect of any Dividend; or
- (f) any Dividend will not be a frankable distribution (within the meaning of Division 202 of the Tax Act).

Terms means these terms of issue of MCIs.

Transfer Regulation means the Listing Rules, ASX Settlement Operating Rules, the rules and regulations of CHES, the Corporations Act and any rules or regulations made under or pursuant to them.

Transmission Event has the same meaning as in the Constitution.

15.2 Interpretation

- (a) Unless otherwise specified in these Terms, notices may be given by Australian Unity to a Holder in the manner prescribed by the Constitution for the giving of notices and the relevant provisions of the Constitution apply with all necessary modification to notices to Holders.
- (b) Definitions and interpretation under the Constitution will also apply to these Terms unless the contrary intention is expressed.
- (c) Unless otherwise specified, a reference to a clause is a reference to a clause of these Terms.
- (d) Unless the contrary intention appears, an expression in these Terms that deals with a matter dealt with by a provision of the Listing Rules or the ASX Settlement Operating Rules has the same meaning as in that provision.
- (e) Headings (including those in brackets at the beginning of clauses) are for convenience only and do not affect the interpretation of these Terms.
- (f) Australian dollars, dollars, \$, A\$ or cent are references to the lawful currency of Australia.
- (g) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (h) The singular includes the plural and vice versa.
- (i) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

Corporate directory



Corporate directory

Issuer

Australian Unity Limited
ABN 23 087 648 888
Level 15, 271 Spring Street
Melbourne VIC 3000

Arranger

Acacia Partners Pty Ltd
Level 39, 55 Collins Street
Melbourne VIC 3000

Joint Lead Managers

Acacia Partners Pty Ltd
Level 39, 55 Collins Street
Melbourne VIC 3000

E&P Corporate Advisory Pty Limited
Level 32, 1 O'Connell Street
Sydney NSW 2000

Morgans Financial Limited
Level 29, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

National Australia Bank Limited
Level 6, 2 Carrington Street
Sydney NSW 2000

Co-Managers

Bell Potter Securities Limited
Level 38, Aurora Place
88 Phillip Street
Sydney NSW 2000

Westpac Institutional Bank
Level 2, Westpac Place
275 Kent Street
Sydney NSW 2000

Legal Adviser

Herbert Smith Freehills
Level 24, 80 Collins Street
Melbourne VIC 3000

Auditor

PricewaterhouseCoopers
2 Riverside Quay
Southbank VIC 3006

Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Your Guide to the Application Form

This Application Form relates to Australian Unity MCIs. Further details about Australian Unity MCIs are contained in the Prospectus. The Prospectus expires 13 months after the date of the Prospectus. While the Prospectus is current, Australian Unity will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request to any Broker Firm Applicant until the end of the Offer Period.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in Australian Unity MCIs. You should read the Prospectus carefully and in its entirety before applying for Australian Unity MCIs.

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

- A** Insert the number of Australian Unity MCIs you wish to apply for. The Application must be for a minimum of 50 Australian Unity MCIs. You may be issued all of the Australian Unity MCIs applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Australian Unity MCIs applied for by the Issue Price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Australian Unity MCI Holders. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Australian Unity will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Australian Unity and the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Australian Unity MCIs will be issued to Australian Unity's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
- If you receive a firm allocation of Australian Unity MCIs from your Broker make your cheque payable to your Broker in accordance with their instructions.

ACCEPTANCE OF THE OFFER

By returning this Application Form with your Application Monies to your Broker in accordance with their instructions:

- you represent and warrant that you have read and understood the Prospectus (including the Important Notices section and section 6 (How to Apply)) to which this Application Form relates in full, you declare that this Application is completed and lodged according to the Prospectus and subject to the declarations, statements and acknowledgements on this Application Form and you make the warranties, representations and acknowledgements contained in the Prospectus and this Application Form;

- you declare that you are in Australia, an Australian resident, and that the laws of any other place do not prohibit you from being given the Prospectus (including any supplementary or replacement prospectus) or making an application on this Application Form or being issued Australian Unity MCIs;

- you agree to be registered as the holder of Australian Unity MCIs issued to you and agree to be bound by the Constitution of Australian Unity; and

- you provide authorisation for Australian Unity, the Registry and the Joint Lead Managers to do anything on your behalf necessary for Australian Unity MCIs to be allotted to you.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Australian Unity MCIs. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Est Harold Post A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

For Real Wellbeing Since 1840

T 13 29 39

E memberrelations@australianunity.com.au

W australianunity.com.au

271 Spring Street
Melbourne VIC 3000

Australian Unity Limited ABN 23 087 648 888