

180
YEARS

**Australian
Unity** 
Real Wellbeing

Prospectus relating to an offer of Australian Unity Limited

Mutual Capital Instruments

at \$100 each to raise \$105 million, with the ability to raise more or less

7 December 2020



Issuer
Australian Unity Limited
ABN 23 087 648 888

Financial Adviser
Acacia Partners Pty Ltd

**Arrangers and
Joint Lead Managers**
Acacia Partners Pty Ltd
Morgans Financial Limited
National Australia Bank Limited

Co-Manager
Bell Potter Securities Limited

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 \$105 million, with the ability to raise more or less (“Offer”).

This Prospectus is dated 7 December 2020 and was lodged with the Australian Securities and Investments Commission (“ASIC”) on this date. This is a replacement prospectus that replaces the prospectus dated and lodged with ASIC on 27 November 2020 (“Original Prospectus”). 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.

Offer

The Offer contained in this Prospectus is an initial public offer by Australian Unity of 1.05 million Australian Unity MCIs at \$100 per Australian Unity MCI to raise \$105 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 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.

Exposure Period

Under the Corporations Act, Australian Unity was prohibited from processing Applications in the seven days after lodgement of the Original Prospectus with ASIC on 27 November 2020 (“Exposure Period”).

The purpose of the Exposure Period was to enable the Prospectus to be examined by market participants before the raising of funds.

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 1300 494 861 (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 18 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

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. 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.

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 can be obtained from www.asx.com.au and Australian Unity's website at www.australianunity.com.au/mci.

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, including holders of Australian Unity Bonds, but ahead of Non Shareholder Members.

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Letter from the Chair



7 December 2020

Dear investor

As a mutual organisation with a core purpose of enabling people to thrive, Australian Unity has been committed to the real wellbeing of its members, customers, employees and the broader community since its beginnings 180 years ago. Today, this commitment is demonstrated through its health, wealth and care products and services that deliver community and social value as well as its ongoing aspirations to be bold, warm and honest in its dealings—these are the values that lay the foundation for Australian Unity's culture.

Over its 180 year journey, Australian Unity has grown organically and through strategic mergers and diversifications into new activities in order to build a portfolio of diversified, but thematically linked, businesses. Australian Unity continually evaluates opportunities to apply its purpose and values to new endeavours. Long-term demographic, social and political trends are generating a strong pipeline of such opportunities.

To support the ongoing, sustainable growth aligned with its core purpose, Australian Unity intends to raise \$105 million, with the ability to raise more or less, through the issue of Australian Unity MCIs. This 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. 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. 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. The opportunity to issue mutual capital instruments was created by the *Treasury Laws Amendment (Mutual Reforms) Act 2019* which came into effect in April 2019 with the intention of improving growth, innovation and competition in sectors where mutual entities operate. Australian Unity was a significant participant in the development of these new laws.

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 distributed 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 or 7.14 per cent per annum on a gross basis¹. Australian Unity MCIs are intended to be quoted on the ASX. 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.

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.

¹ This is based upon Australian Unity's current corporate tax rate of 30 per cent and assumes 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.

- **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 1300 494 861 (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 2020
Record date for determining Eligible Securityholders (7:00pm) for the Securityholder Offer	22 October 2020
Lodgement of Original Prospectus with ASIC	27 November 2020
Bookbuild to determine the Dividend Rate and Allocations to Syndicate Brokers and Institutional Investors	2 December 2020
Lodgement of this Prospectus with ASIC	7 December 2020
Opening date of the Offer ("Opening Date")	7 December 2020
Closing date of the Offer ("Closing Date")	21 December 2020
Issue Date	24 December 2020
Holding Statements despatched by the Registry	30 December 2020
Australian Unity MCIs begin trading on ASX on a normal settlement basis	4 January 2021

Key dates for the Australian Unity MCIs

First Dividend Payment Date	15 April 2021
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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. Currently, Australian Unity does not have any shares on issue. Being a mutual entity, Australian Unity is governed by, and for the benefit of, its members (which will include 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 foster individual and community wellbeing across its areas of operations in health, wealth and care. 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

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. 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 3.8.6
1.3 Key terms of the Australian Unity MCIs		
Security	Perpetual, fully paid mutual capital instruments ("Australian Unity MCIs").	
Issue size	\$105 million, with the ability to raise more or less.	
Issue price	\$100 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 in nature.	
Dividend Rate	<ul style="list-style-type: none"> The Dividend Rate is 5.00 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	Dividends are scheduled to be paid semi-annually in arrears on 15 April and 15 October. The first Dividend is scheduled to be paid on 15 April 2021.	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)

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)

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 <i>de minimis</i> 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 <i>de minimis</i> increase in its costs in connection with Australian Unity MCIs. 	Appendix A (Clause 15)

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 will 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; and• the amount of any Dividend due but unpaid. <p>The table below illustrates how the Australian Unity MCIs would rank on a winding-up of Australian Unity as at the date of this Prospectus, assuming that the Australian Unity MCIs have been issued:</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">Higher ranking ↑</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 B Australian Unity Bonds, 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>Lower ranking ↓</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	Higher ranking ↑	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 B Australian Unity Bonds, 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	Lower ranking ↓	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																				
Higher ranking ↑	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 B Australian Unity Bonds, 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																				
Lower ranking ↓	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.

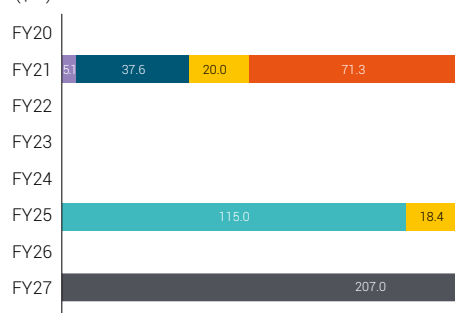
Investment overview *continued*

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 2020.

Drawn (\$m)



Australian Unity's existing external debt facilities as at 30 June 2020:

Facility	Amount Drawn
Revolving loan facility ^{1,2}	\$0.0m
Series B Australian Unity Bonds	\$71.3m
Series C Australian Unity Bonds	\$115.0m
Series D Australian Unity Bonds	\$207.0m

1 \$25.0m revolving loan facility maturing March 2021. Subsequent to 30 June 2020, the revolving loan facility limit was increased to \$45.0m and the maturity date extended to July 2022. \$20.0m was drawn under the facility as at 2 November 2020.

2 Subsequent to 30 June 2020, Australian Unity entered into an additional \$25.0m revolving loan facility, maturing October 2023. This facility was fully drawn as at 2 November 2022.

Existing interest-bearing obligations for Subsidiaries of the Australian Unity Group as at 30 June 2020:

Facility	Amount Drawn
Herston Quarter Redevelopment Project Loan ³	\$37.6m
ADI deposits (interest-bearing liabilities)	\$1,047.0m
Australian Unity Retirement Village Investment Notes ⁴	\$38.4m
Other external loans	\$5.1m

3 Loan facilities from a related entity for the development of the Herston Quarter health precinct in Brisbane, Queensland. The facilities are sized to cover development costs of the carpark and public domain assets at Herston Quarter that are scheduled for practical completion in Q2FY21 and are expected to be up to \$45 million.

4 On 1 August 2020, an additional net \$22.0m of Australian Unity Retirement Village Investment Notes were issued for general corporate purposes.

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)

Topics	Summary	Further information
Listing	<p>Australian Unity will apply for the quotation of the Australian Unity MCIs on the ASX.</p> <p>It is expected that the Australian Unity MCIs will be quoted under the code "AYUPA".</p>	
Governing law	Victoria, Australia.	Appendix A (Clause 14)
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; • 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

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 heightened regulatory scrutiny and complexity; • Private health insurance risks including rising medical costs, 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 aged care and home 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; • Australian Unity has no access to ordinary share capital; • Lack of access to capital or liquidity could negatively affect 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 the risk of losing customers due to a poor or inconsistent customer experience; • Customer harm, 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 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; • Failure to detect and prevent 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 deteriorate; • Large part of the workforce perform work in a variety of locations which may expose them to greater risk of workplace injuries; and • Inability to attract and retain a skilled and experienced workforce. 	Section 4.3

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, 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 (\$5,000).	Section 6.2.1

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 1300 494 861 (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 prior to and post Completion

An indication of the possible membership and relevant voting interests of classes of Australian Unity members at a general meeting of Australian Unity immediately prior to Completion and following Completion is summarised in the table below.

	Voting interests held prior to Completion ¹	Voting interests held at Completion
Non Shareholder Members	257,000	257,000
Australian Unity MCI Holders ²	–	1,000
Total	257,000	258,000

¹ Approximately, as at 30 June 2020.

² Assumes Australian Unity MCIs issued under the Offer are allocated to 1,000 Holders and that none of those Holders are Non Shareholder Members. The actual number of Holders may be higher or lower and will change once Australian Unity MCIs commence trading on ASX.

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 1300 494 861 (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. 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.

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.

Information about mutual capital instruments *continued*

	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.

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Section 3

Information about Australian Unity



Information about Australian Unity

3.1 Overview

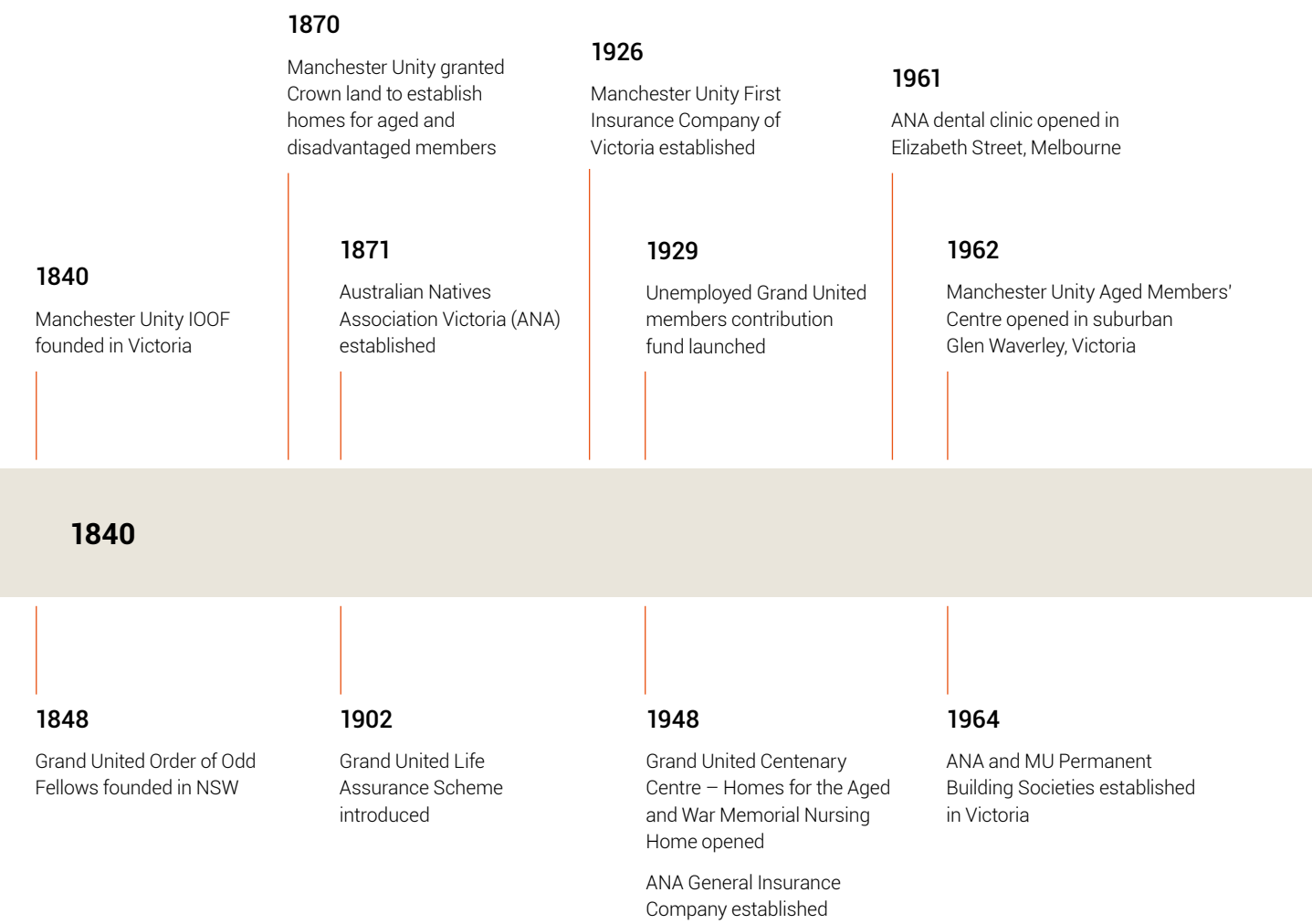
3.1.1 History

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.

Figure 1. 180 year history



Information about Australian Unity *continued*



Grand United Order of Oddfellows NSW

1993

Australian Unity formed from merger with Manchester Unity and ANA in Victoria

2008

Australian Unity launched Remedy Healthcare

2015

Australian Unity Personal Financial Services acquired Flinders Australia Limited

2002

Australian Unity Financial Planning launched (now Australian Unity Personal Financial Services)

2012

Big Sky Credit Union joined Australian Unity to form Big Sky Building Society, Australian Unity acquired Better at Home Care

2016

Australian Unity announced as preferred tenderer to develop \$1.1b Herston Quarter health precinct in Queensland

TODAY

1996

Australian Unity Fund Management Limited established

2009

Lifepan Australia Friendly Society merged with Australian Unity

2016

Australian Unity acquired Home Care Services of NSW

2020

180 years of Australian Unity

1986

Grand United Victoria merged with Manchester Unity Victoria

2005

Grand United NSW merged with Australian Unity

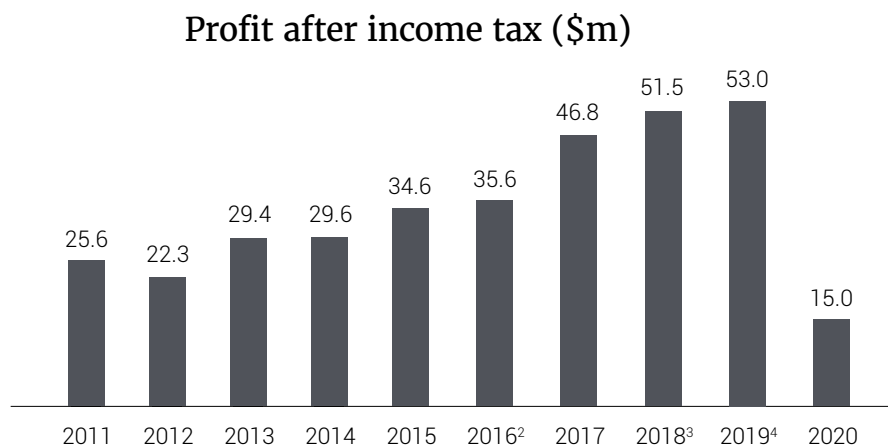
2014

Rathdowne Place Wellbeing Precinct opened

2018

Big Sky Building Society rebranded to Australian Unity Bank

Figure 2. Track record of profitable growth over the past decade¹



In FY2020, the Australian Unity Group's operating results were significantly impacted by the COVID-19 pandemic. The estimated direct and indirect impacts from the COVID-19 pandemic reduced net profit before income tax by approximately \$26.0 million. The results were also impacted by \$7.0 million in costs associated with the head office moving to leased premises and some \$5.4 million in additional timing-related costs due to the inception of the new accounting standard on leases.

The impacts of the COVID-19 pandemic in FY2020 included deferral of private health insurance premium increases; customer cancellations of home care, disability, dental and healthcare services; reduced funds under management; reduced lending and property services activity fees; costs of additional personal protective equipment and related consumables; increased expected credit loss provisioning; cost containment (including some restructuring costs) undertaken in response to these pandemic effects; partially offset by some additional government funding receipts. Many of these factors are relative, based on earnings reductions compared to pre-COVID-19 levels of activity or value, but if the COVID-19 pandemic had not occurred, these levels of activity or value may still have declined.

With the COVID-19 pandemic continuing there will be further effects in FY2021, including the deferral of private health insurance premium increases and undertaking increased provisioning in response to the pandemic effects, including for deferred private health insurance claims. These effects will likely be evident in the interim results for the half year ending 31 December 2020, noting that, historically, the first half of the financial year has typically made a smaller contribution toward the overall annual result than the second half for Australian Unity.



Australian Unity Head Office, 271 Spring Street, Melbourne

¹ This financial information is provided 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.

² The FY2016 result was impacted by integration and additional funding costs associated with the transfer to the Australian Unity Group of the home care operations of the NSW Government (Home Care NSW).

³ Included in the FY2018 result was a profit from discontinued operations of \$66.9 million from the divestment of the Australian Unity Group's corporate health insurance subsidiary, Grand United Corporate Health Limited (GUCH) completed 31 October 2017. During this period the Australian Unity Group also announced an extensive business transformation program to support the continued delivery of trusted goods and services in line with rapidly changing community needs. Therefore, the FY2018 results also included \$14.7 million of costs arising from the transformation program. The result was also adversely impacted by capital management initiatives designed to proactively enhance the Australian Unity Group's balance sheet resilience, including accelerated depreciation and amortisation of some capitalised assets (\$35.9 million).

⁴ The FY2019 result benefitted from legal settlements received by the Life & Super business.

Figure 3. Australian Unity in 2020¹



¹ As at 30 June 2020.

² Assets and funds under management advice, including developments and associated debt facilities.

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. Based on its 180 year history and 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.

Since its origins, Australian Unity has supported Australians, including through times of war, financial upheaval and natural disaster—as well as in the recovery and rebuilding efforts that followed those shattering events. Beyond the provision of products and services, Australian Unity has been instrumental in advocating for public policy that it believes will benefit society—from the federation of an independent nation to a national disability insurance scheme.

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 in conjunction with the Clean Energy Finance Corporation, which invests in green, sustainable and social bonds with the aim of reducing carbon emissions;
- Australian Unity Group entities' exposure to fossil fuels has been reduced to approximately 0.1 per cent across a portfolio of approximately \$800 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 approximately 260,000 members and is limited by shares and guarantee. As at the date of this Prospectus, no shares are on issue and all of the members of Australian Unity are Non Shareholder Members. 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 will be 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.

The Offer contained in this Prospectus is the first time that Australian Unity has offered a mutual capital instrument or provided for persons other than eligible customers and employees of Australian Unity to become members of Australian Unity.

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.

As Australian Unity has not issued share capital prior to the proposed issue of Australian Unity MCIs, it has never paid dividends to shareholders (as it has not had any shareholders). Profits have been reinvested into the growth of services and 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 \$37.5 million as at 30 June 2020.

Information about Australian Unity *continued*

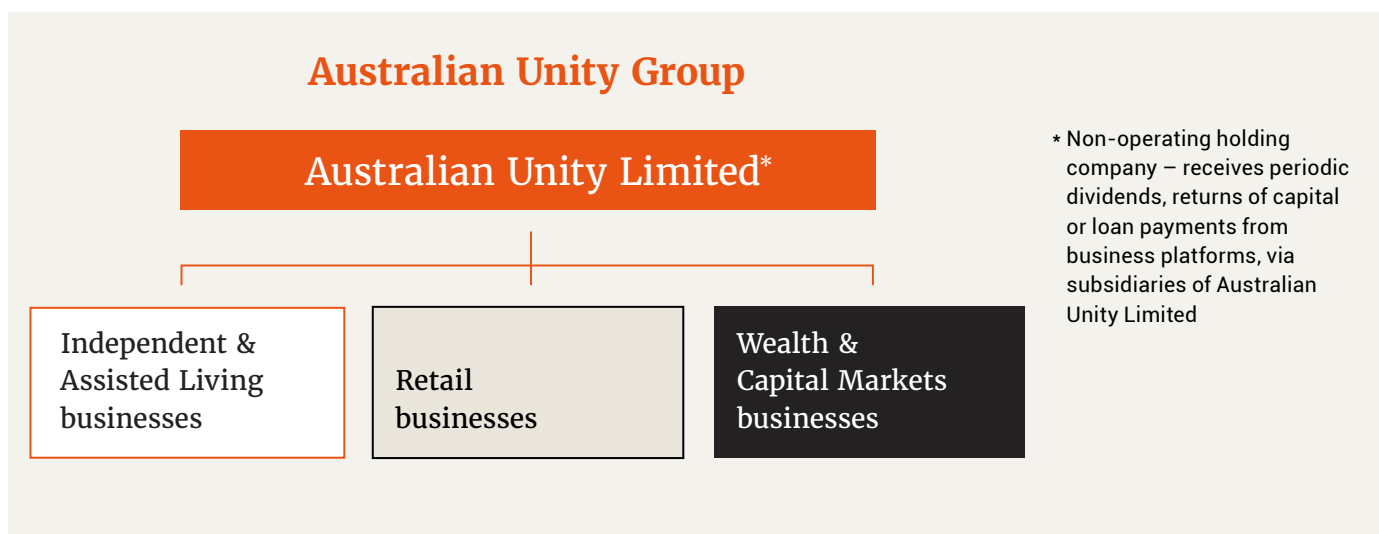
As at the date of this Prospectus, no plans have been made for the demutualisation of Australian Unity. Australian Unity would be “Demutualised” (within the meaning given in its Constitution) if an arrangement is implemented that would have the purpose or effect of creating or issuing shares in Australian 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 4. Australian Unity Group structure



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 5 below sets out the principal activities, key metrics and relative financial contribution of each business platform.

Figure 5. Australian Unity Group business platforms

	Independent & Assisted Living	Retail	Wealth & Capital Markets	Corporate functions	Australian Unity Group
Principal activities	<ul style="list-style-type: none"> • Home & disability services • Aboriginal services • Health services • Residential communities, including aged care 	<ul style="list-style-type: none"> • Health insurance • Banking 	<ul style="list-style-type: none"> • Advice • Investments • Property (including social infrastructure) • Life & Super • Trustee services 	<ul style="list-style-type: none"> • Shared services • Fraternal activities • Management of properties and other strategic investments • Group liquidity 	
Employees^{1,2}	5,713	325	316	500	6,854
Total assets²	\$764.1m	\$1,539.6m	\$328.1m	\$434.9m	\$3,066.7m
Total liabilities²	\$426.7m	\$1,292.6m	\$137.3m	\$486.8m	\$2,343.4m
Net assets²	\$337.4m	\$247.0m	\$190.8m	\$(51.9)m	\$723.3m
Revenue³	\$496.4m	\$709.5m	\$170.5m	\$(15.8)m ⁵	\$1,360.5m
Adjusted EBITDA^{3,4}	\$66.1m	\$61.2m	\$32.8m	\$(75.7)m	\$84.5m
Contribution to Adjusted EBITDA⁴ of operating business³	41%	38%	21%	-	-

1 Presented on a headcount basis.

2 As at 30 June 2020.

3 FY2020.

4 Adjusted EBITDA: the measure the Australian Unity Group uses in assessing the operating performance of its business segments. This measurement basis excludes the effects of tax, depreciation and amortisation, interest on external borrowings and investment income. It also excludes Australian Unity Group overheads and other material non-recurring expenditure.

5 Corporate functions revenue is negative primarily due to payments to business platforms for services such as investment management fees, which form part of the business platform revenue activities.

3.2 Business strategy

3.2.1 Meeting Australia's future wellbeing needs

Australian Unity'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 6. Australia's growing population

Total population (millions)

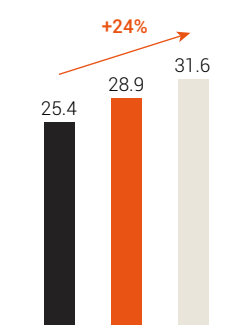
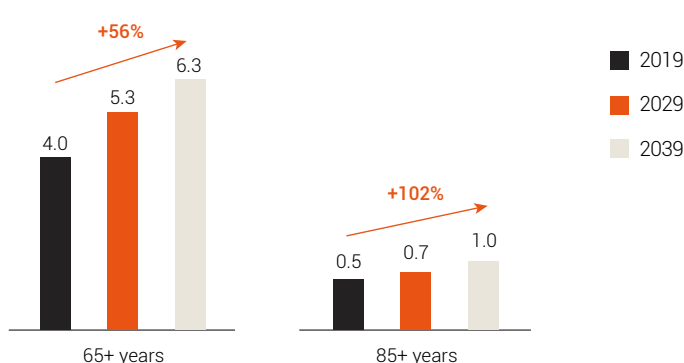


Figure 7. Australia's ageing population

Population by age group (millions)



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

Research undertaken by PricewaterhouseCoopers Consulting (Australia) Pty Ltd ("PwC Consulting") and commissioned by Australian Unity in 2018, found that a rapidly ageing population and millions of Australians living with chronic illness are combining to accelerate demand for health and aged care services, threatening the sustainability of the system and viability of government budgets. By 2025, investment of up to an additional \$24 billion in capital costs and \$13 billion per annum in operating costs are expected to be required in order to meet projected gaps in residential aged care, community aged care, and hospital beds.

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 Herston Quarter Health Precinct development in Brisbane, Queensland.

1 Practical Innovation: Closing the Social Infrastructure Gap in Health & Ageing, PwC Consulting (commissioned by Australian Unity), February 2018.

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 includes the development of a public hospital, private hospital, aged care and retirement living as well as student accommodation. The 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 \$2.2 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

2 hospitals (one public, one private)	3 commercial car parks	Better Together®	Heritage buildings
HPT Queensland Government	International Parking Group	Australian Unity	Australian Unity
\$2.2b Healthcare Property Trust	16 structured car parks across 8 major Australian public hospitals	Retirement living and residential aged care operated under Better Together®	Funded predominately through an Australian Unity Social Infrastructure fund

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.

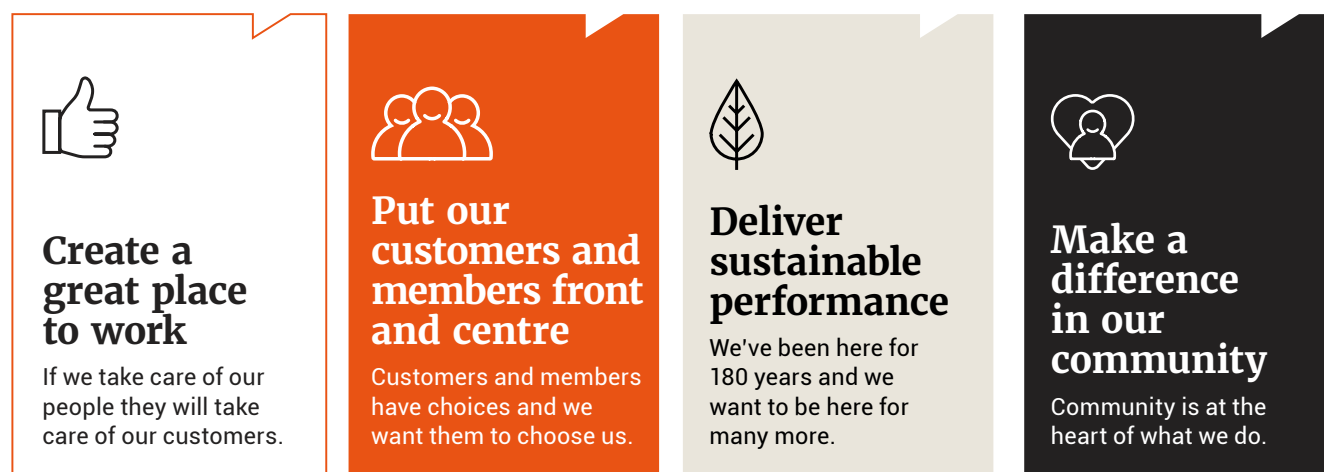


Artist impression of the Herston Quarter Health Precinct

3.2.2 Australian Unity Group strategy

Australian Unity's strategic agenda will continue to shape Australian Unity as a provider of products, services and smart solutions that benefit customers, members and the community while also delivering commercial returns to further expand and grow the organisation and delivering value to members. It will also assist in building a commercial and sustainable portfolio of businesses that foster individual and community wellbeing.

The Australian Unity Group strategy is 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.

By way of near-term strategic priorities at the Australian Unity Group level, the organisation is focussed on reducing its overall reliance on the private health insurance business, while also responding to the anticipated rapid growth in demand for person-centred human services and social infrastructure. This may 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. Australian Unity may also pursue 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.

Maintaining tight financial discipline, generating enhanced cash earnings and undertaking active capital, funding and liquidity management are also core priorities, particularly in light of current trading conditions including the impact of the COVID-19 pandemic. The near-term strategic priorities of each business platform are outlined in Section 3.4 below.

As the operations grow and develop over time, the Australian Unity Group strategy and strategic pillars will continue to focus on a shared set of priorities to ensure the right resources are mobilised at the right time across the Australian Unity Group to seize growth opportunities as and when they arise and to further benefit the organisation.

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 Wellbeing, Economic Empowerment, and Strong Communities.

The CSV framework is underpinned by Australian Unity's partnership with Deakin University on the Australian Unity Wellbeing Index. Celebrating its 20th annual survey in 2020, 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. As Australian Unity implements its CSV framework, the Australian Unity Wellbeing Index methodology will be integrated into how its community and social impact is measured and reported.

Figure 8. Australian Unity's CSV framework



Lifelong wellness

Individuals and communities have more choice and control over the care they received and remain healthier for longer – and the standard of care across the sector increases.

In FY2020, Australian Unity's Remedy Healthcare business provided its MindStep® program to more than 300 participants. Built around low intensity cognitive behavioural therapy, MindStep® is a six-week, phone and internet-based program that empowers participants to manage their depression and anxiety on their own terms and in the privacy of their own home. More than 60 per cent of MindStep® participants recovered within three months, compared to a benchmark self-recovery rate over three months of 23 per cent for untreated patients.

Remedy Healthcare also expanded its telehealth and in-home services to enable participating health fund members to receive or continue treatment and care at home. Overall, Remedy Healthcare's telehealth and in-home health services prevented approximately 50,000 days in hospital and approximately \$37 million in health costs relative to in-hospital provision.



Economic empowerment

Individuals and communities are better prepared for the future – both in terms of their financial security and financial resilience. Feelings of economic inclusion are not isolated to specific groups or cohorts.

In FY2020, almost 2,000 Australians started saving for their future via Australian Unity's new 10Invest product. 10Invest is a simple, low cost investment bond that offers tax effectiveness not available through traditional savings and investment products. More than 80 per cent of these investments include a regular savings plan, helping people improve their financial resilience and plan for their futures.



Strong communities

Community members feel socially connected, supported and have a sense of purpose. Their communities are resilient and set-up to meet the changing needs of the population.

Approximately 70 per cent of Australian Unity's aged care homes – and all new residential communities – are designed and operated under its Better Together® model. To improve resident wellbeing, the guidelines for this model of care include higher staff-to-resident ratios, consistency of staff rostered to each household of residents, short distances to living spaces and meals prepared within the household. Research by Dyer et al, undertaken in 2018, has shown that this type of model can improve the quality of life for residents, with outcomes including a 73 per cent lower chance of an emergency department presentation, a 52 per cent lower chance of being prescribed a potentially inappropriate medication, and a 68 per cent lower rate of hospital admission.

3.4 Profile of Australian Unity Group's business platforms

Below is an overview of Australian Unity's business units, their underlying operational activities, business models and the sectors in which they operate.

3.4.1 Independent & Assisted Living

(a) Business activities

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:

- **Home & Disability Services**

The Australian Unity Group has two Subsidiaries which hold the necessary licences to provide in-home care services through a range of government and privately funded programs across older Australians, veterans and people with disabilities. Services include personal care, domestic assistance, meal preparation, transport, allied health services, respite, support and community nursing.

- **Aboriginal Services**

Aboriginal Home Care operates as a separate and distinct business within the Australian Unity Group, through which similar services to those offered by Home & Disability Services are provided to Indigenous customers by Indigenous staff of the Australian Unity Group.

- **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. There are also several dental centres which operate within Victoria under the "Australian Unity" brand.

- **Residential Communities, including aged care**

The Australian Unity Group owns and operates a portfolio of retirement communities that provide independent living accommodation across Victoria and New South Wales. 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.

(b) Business model and primary revenue sources

The IAL platform sources the majority of its revenue from Government programs. These revenues fund IAL's provision of a range of services to ageing, disability, veteran and Indigenous customers either in-home, to support them to live independently, or within an aged care facility. Services provided include domestic assistance, personal care, allied health, social support, community nursing, respite care, meals and transport. These Government programs include:

- Commonwealth Home Support Program (CHSP);
- Home Care Packages (HCP);
- National Disability Insurance Scheme (NDIS);
- Aged Care Funding (ACFI); and
- Department of Veteran Affairs (Home Care and Community Nursing).

A smaller portion of IAL revenue is sourced from individual customers, corporates and other third parties including private health insurance funds. This revenue relates to services provided directly to customers and includes aged care, fee-for-service, allied health and dental services.

The primary costs associated with the IAL platform are workforce, including delivering a safe working environment, operational costs, including personal protective equipment which has been materially increased as a result of the COVID-19 pandemic, and the development and maintenance costs associated with the residential communities business.

Information about Australian Unity *continued*

(c) Key industry thematics and market positioning

The markets within which IAL businesses operate continue to undergo changes across a number of settings, including those relating to policy and market environments as summarised below.

Policy

- Single Aged Care Quality Standards for residential, home and remote care implemented on 1 July 2019;
- New Australian Retirement Village Accreditation Scheme (ARVAS) compliance standards implemented on 1 January 2020;
- The ongoing Royal Commission into Aged Care Quality and Safety;
- The ongoing Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability; and
- Possible NSW legislative changes for retirement living, including a compulsory buy-back scheme.

Market

- Changing consumer preferences and expectations around retirement and ageing;
- Challenged community perception around the aged care industry, exacerbated by the ongoing Royal Commission into Aged Care Quality and Safety (and the COVID-19 pandemic);
- Decreasing private health insurance participation and increasing focus on hospital avoidance services;
- Increasing diversification of revenue sources including fee-for-service, Hospital in Residential Care, Hospital in the Home and health insurance; and
- The emergence of new entrants with disruptive platforms and technologies.

These changes continue to impact customer needs, customers' expectations of their service providers and the way in which customers think about value. These market forces also impact IAL's workforce and their career expectations.

Importantly, IAL is well connected with the key industry groups and Parliamentary and public service stakeholders across the sectors it operates in. Further, IAL has market-leading understanding of the underlying economic drivers in each of these sectors. IAL will continue to help guide and advocate for customer-centric Government policy responses across the extensive range of issues currently being discussed and examined across the industry.

(d) Strategic priorities and growth opportunities

Australian Unity believes significant growth opportunities exist in IAL. Key strategic near-term priorities for IAL include:

- Continuing to transform its approach to employee wellbeing and safety as a point of differentiation in a challenging labour market, including significantly reducing employee illness and injuries and improving employee care in these moments that matter.
- Implementing a workforce strategy that transforms the community's perception of the seniors' living industry, reframes the qualification and skills framework, defines career pathways, revises the industrial relations framework and attracts and retains a growing workforce.
- Facilitating the continuum of care proposition through cross-platform integration of clinical services and promoting the continuum of accommodation proposition through retirement, assisted living, residential care and memory support options.
- Continuing growth of Home Care Packages and community-based healthcare services.
- Evolving Better Together® into a health and wellbeing services and accommodation model that will support baby boomers in where they choose to live and the services they will require.
- Ramping up of recently opened residential communities (Sienna Grange and Racecourse Grange) towards optimal occupancy levels and progressing existing development sites.
- Continuing to expand Remedy Healthcare operations through Home Care Services and Ramsay Connect.
- Continuing to grow the Indigenous Services business and meet the community's varied needs.

3.4.2 Retail

(a) Business activities

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.

(b) Business model and primary revenue sources

The primary revenue sources of the Retail platform are monthly health insurance premiums and loan interest payments paid by retail customers. The business also receives investment income on invested capital. Health insurance premiums are normally reviewed annually and regulatory approval must be obtained to increase those premiums.

For the health insurance business, the main costs are the payment of insurance benefits on behalf of members, and to a lesser degree operational costs. While the fund sets the type of claims that are permitted under each policy type based on defined clinical categories, the cost of the claims is a function of increasing costs of healthcare which are currently growing at a faster rate than premium growth. Health insurance works within a community rated system – each member pays the same premium for the product they hold, regardless of age or health status or claims profile. The fund continues to explore opportunities to address high claims inflation where possible, including through innovative solutions and partnerships, including with Remedy Healthcare, a wholly-owned subsidiary.

For the banking business, the key cost is interest paid to depositors on savings accounts and term deposits.

(c) Key industry thematics and market positioning

Market

- Over recent years private health insurance coverage amongst the Australian population has been in a net decline. There has been a decrease in the number of younger lower-claiming policyholders and an increase in the number of higher-claiming older policyholders. This is placing continued pressure on health insurance premium affordability and highlights the need for urgent and effective government reform, including addressing of underlying cost drivers and promotion of the health benefits in health insurance cover, to take pressure off the public health system.
- More recently, the impact of the COVID-19 pandemic on the private health insurance value proposition and the emerging economic uncertainty together with the closure of international borders are all affecting both resident and overseas policyholder growth.
- The Australian banking industry is also facing challenges associated with the current recession and the broader impact of the COVID-19 pandemic. Government stimulus spending, the policy position of the Reserve Bank of Australia and the speed of the economic recovery will be key factors to stemming the impact of potential credit losses and lower system credit growth as a result of current and emerging economic impacts of the COVID-19 pandemic.
- The current lower interest rate environment which is forecast to remain for an extended period of time creates pressure on the net interest margins of the business.

Information about Australian Unity *continued*

Competitive positioning

- The health fund had 176,578 policyholders (including overseas visitor cover policyholders) at 30 June 2020 and is the sixth largest fund by number of private health insurance policies across a sector which includes 37 registered health funds comprised of a small number of large funds and a long tail of smaller participants.
- Given the pressure on funds from a cost, volume and capital perspective, as well as uncertainty around sector reform, it is anticipated that there will be a level of consolidation across the sector, particularly involving smaller players. This position is supported by commentary from APRA over the past twelve months.
- As at 30 June 2020, Australian Unity Bank had approximately 24,500 customers and during the year its total assets grew by \$247.9 million to \$1,133.9 million.
- Despite challenging conditions within the retail banking sector and a competitive market, Australian Unity Bank achieved a 23.6 per cent increase in the loan book year-on-year (while maintaining lending standards), which was around eight times the industry credit growth for the financial year.

(d) Strategic priorities and growth opportunities

The Retail platform strategy centres around the delivery of customer value propositions across both the health insurance and banking businesses.

Health insurance

Key strategic near-term priorities for the health insurance business include:

- Implementing an enhanced customer value proposition which seeks to tailor products and services to niche customer segments to attract and retain members.
- Supporting policyholders during the COVID-19 pandemic.
- Addressing key industry challenges of affordability pressures and changing demography by increasing direct distribution channels, targeted partnering with healthcare providers and increasing access for out-of-hospital programs for members.
- Seeking opportunities to build further scale in the business by participating in anticipated consolidation within the mutual sector.

Banking

Key strategic near-term priorities for the banking business include:

- Building on the strong momentum over recent years, with strategic focus on sustainable growth via the 'banking that's good for you' customer value proposition – a program of work that identified the benefits to the customers beyond the product itself.
- Delivering strong lending growth by continuing to build selective relationships in the third party (mortgage broking) channel and concurrently target chosen segments via direct channels, while also growing its general insurance market presence.
- Progressing the strategic partnership with Allianz, providing the bank customers with a broader range of insurance products and services.

3.4.3 Wealth & Capital Markets

(a) Business activities

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 3.2.1). 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.

(b) Business model and primary revenue sources

The primary revenue sources of W&CM include funds and asset management fees along with advice and trustee service fees, with the key customers being a mixture of institutional and retail investors and clients. The key costs of this business primarily comprise salaries and people-related costs. This key cost area aligns to the assets of the platform, being its people and strategic intellectual property held across a diverse range of areas including social infrastructure, debt and capital markets, 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.

Information about Australian Unity *continued*

(c) Key industry thematic and market positioning

Market

- Despite the challenging economic conditions resulting from the COVID-19 pandemic, the investment opportunities for the W&CM business continue to be relevant and the relatively stable funds and asset management revenues, particularly in the growing social infrastructure segment, provide a solid market background for continued growth.
- Over recent years, the industry has experienced unprecedented levels of regulator activity, with significant regulatory reforms, particularly in the advice industry, leading to additional cost-to-serve pressures but also resulting in increased consolidation opportunities.
- The current lower interest rate environment which is forecast to remain for an extended period of time creates pressure on the margins in the life & super business.

Competitive positioning

- W&CM has a broad yet focused range of businesses, and a material and growing presence in the funding, development and management of Australia's social infrastructure which is forecast to continue to grow.
- Specifically, W&CM brings to the market the combined operational, market, property and policy experience and insights of the Australian Unity Group's diversified portfolio, ensuring the investment and service offerings provide integrated solutions to community and customer needs. W&CM is well positioned to act as a suitable partner for long-term value creation, as demonstrated by the Herston Quarter project.
- W&CM is a market leader in the Life & Super space as Australia's largest investment, education and funeral bonds provider.
- Quality and contemporary trustees and advice offerings in highly disrupted markets are key in delivering economic empowerment and financial wellbeing and are complementary to the care and health services that the Australian Unity Group offers to the community.

(d) Strategic priorities and growth opportunities

W&CM continues to seek to deliver differentiated products and services designed to preserve and improve the financial wellbeing and economic empowerment of customers. Key strategic near-term priorities include:

- Continuing to seek out opportunities for the platform to offer customers valuable investment and financial outcomes that support economic empowerment and deliver increased community and social value.
- Focusing on optimising the Herston Quarter project as it demonstrates Australian Unity's transformative response to Australia's social infrastructure challenge.
- Expanding funding to, and provision of, specialist disability accommodation and affordable and accessible accommodation, being further examples of the value that Australian Unity can bring to community groups to improve real wellbeing outcomes.
- Responding to growing community demand for high-quality, location-appropriate healthcare through W&CM's healthcare property trusts and sponsorship of new healthcare innovation and investment opportunities.
- Maintaining and enhancing W&CM's positioning to benefit from the collective impact of rising and better-planned wealth accumulation, the challenges and opportunities presented by Australia's ageing population, the changing regulatory landscape and community expectations.
- Identifying and increasing collaboration with other parts of the Australian Unity Group where synergies exist to improve the wellbeing and economic empowerment of the community.

3.5 Employees

3.5.1 Employee base

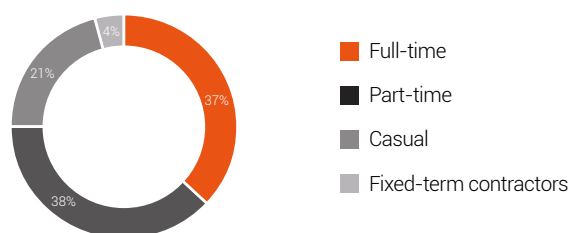
As at 30 June 2020, Australian Unity had approximately 7,000 employees who were primarily based in New South Wales and Victoria. This workforce is managed by a number of key personnel who have extensive human resource and industry experience. Of Australian Unity's employees, more than 3,400 are care workers who deliver home care services to aged, Indigenous and disability customers.

Australian Unity's employment framework, including its recruitment strategies, are underpinned by inclusion, anti-discrimination and equal opportunity policies. These policies are aimed at sustaining and strengthening the representation of women in management, with a focus on achieving meaningful gender diversity across all levels of management and identifying and actively addressing workplace factors that support people's ability to feel included (such as flexible working arrangements to balance family and other care commitments). Importantly, Australian Unity believes that when its workforce reflects the diversity of its customers, it can better support the communities it connects with.

Australian Unity's standalone Aboriginal Home Care business also employs more than 300 people — many of whom identify as Aboriginal or Torres Strait Islander. This makes Australian Unity one of the largest employers of Aboriginal women in New South Wales.

Given the breadth and nature of its operations, Australian Unity maintains an appropriate mix of full-time, part-time and casual employees, as well as fixed-term contractors, with a continued focus on a predominately permanent workforce as highlighted by Figure 9 below.

Figure 9. Australian Unity employee mix as at 30 June 2020¹



3.5.2 Corporate culture and employee relations

Australian Unity believes that the positive culture of its organisation is key to its capability to deliver products and services that provide community value and help people thrive.

In its dealings with employees, customers and with the communities it connects with, Australian Unity aspires to be bold, warm and honest – these are the values that are the foundation of its culture. Importantly, these values assist Australian Unity in its endeavours to provide a workplace where employees feel valued and included.

Australian Unity assesses and rewards performance and the potential of its people according to individual capability and contribution to the business, irrespective of gender, background or individual difference. Monitoring of remuneration is performed to ensure pay parity outcomes between men and women performing equivalent roles with similar achievements.

As a growing organisation, Australian Unity understands the importance of investing in its employees to develop their capabilities. Australian Unity has a comprehensive performance and learning framework that supports the development of its employees' careers and given its breadth of operations across health, wealth and care services, Australian Unity provides career opportunities which are numerous and diverse.

Australian Unity's learning and development programs are designed to support its people and leaders deliver quality outcomes for customers across the Australian Unity Group. Learning and development programs are aligned and assessed against how well they support the services offered by the Australian Unity Group and are continually updated based on feedback from customers and the strategic requirements of the businesses.

Australian Unity also offers employees a broad range of benefits drawn from its portfolio of wellbeing and services. Australian

¹ Calculated on a full-time equivalent basis.

Information about Australian Unity *continued*

Unity employees are valued and it is believed that by offering access to Australian Unity's products and services, it enables them to experience the products and services first hand, building greater customer advocacy.

These benefits include a variety of offers ranging from attractive rewards programs, subsidised financial advice, banking and health insurance products, to employee wellbeing and health programs, flu shots and access to mental health and employee assistance programs.

3.5.3 Workplace health and safety

As a company focused on real wellbeing, Australian Unity's approach to safety culture, injury prevention practices and the way it takes care of its people when they are injured at work, is reflective of its values and employment promise.

Australian Unity believes providing a safe workplace is vital to the wellbeing of its people. Due to the nature of Australian Unity's workforce and working environments, it has a diverse risk profile. Employees work in environments ranging from offices and clinics to residential aged care facilities and customers' homes. With a large proportion of employees working remotely, the health and safety challenges of Australian Unity's workforce are a key priority.

Australian Unity is a group self-insurer for workers' compensation in New South Wales and has developed inhouse capabilities in employee care and injury management. As part of its 'Safer Me' program, Australian Unity has invested in the implementation of new technology solutions to support its safety management policies and procedures, and developing a strong reporting culture, early intervention and proactive return to work management practices.

3.6 Key people

3.6.1 Board of Directors

The Directors bring to the Board relevant expertise and skills, including industry and business knowledge, financial management and corporate governance experience.



Peter Promnitz

BSc (Hons), AIAA, FAICD
Chair

Mr Promnitz was appointed Chair of the board of Australian Unity Limited on 30 March 2016. He has been a Director since 1 January 2013 and was appointed Deputy Chair on 28 July 2015. He is Chair of NULIS Nominees (Australia) Limited, Warakirri Asset Management Limited, Warakirri Holdings Pty Ltd and Flinders Investment Partners Limited. Mr Promnitz was previously Chair of ASX-listed company SFG Australia Limited and a director of Warakirri Dairies Pty Ltd.

Mr Promnitz is a qualified actuary. He was formerly Region Head for Mercer in Asia Pacific, a member of the global Mercer Executive Committee and Chair of Marsh & McLennan Companies Inc. in Australia, roles he retired from in December 2012. Prior to these senior executive roles his business experience includes a diverse career in financial services in Australia and New Zealand. He has led investment, superannuation, actuarial and human resource consulting businesses in both executive and non-executive capacities with a personal focus on clients, diversity and governance.



Rohan Mead

Group Managing
Director & Chief
Executive Officer

Mr Mead was appointed Group Managing Director of Australian Unity Limited on 1 July 2004. As Group Managing Director, he is a member of subsidiary boards and most committees. Mr Mead is chairman of the Business Council of Australia's Healthy Australia task force and a member of its Indigenous Engagement task force. He is also a director of Platypus Asset Management, the Business Council of Co-Operatives and Mutuals Limited (BCCM) and the Centre for Independent Studies. Prior to joining Australian Unity, Mr Mead was employed by Perpetual Trustees Australia Limited (1996–2003) in a range of senior roles.

Information about Australian Unity *continued*



Lisa Chung

AM, LLB, FIML, FAICD
Non-Executive Director

Ms Chung was appointed to the board of Australian Unity Limited on 30 June 2017. She is a director of a number of Australian Unity Limited subsidiaries, Chair of the People, Culture & Remuneration Committee and a member of the Audit Committee, Investment Committee and Risk & Compliance Committee. Ms Chung is currently Chair of The Front Project and a director of Artspace/Visual Arts Centre Limited.

Prior to this, Ms Chung was a partner specialising in commercial property and infrastructure at Maddocks Lawyers and at Blake Dawson (now Ashurst) where she also held various senior management roles and was an elected member of the firm's board. Ms Chung completed the Advanced Management Program at INSEAD in France in 2004. She was previously the chairman of Urbis Pty Limited and The Benevolent Society, a non-executive director of APN Outdoor Limited and Deputy President of Trustees of the Museum of Applied Arts and Sciences.



Melinda Cilento

BA, BEc (Hons), MEc, GAICD
Non-Executive Director

Ms Cilento was appointed to the board of Australian Unity Limited on 1 May 2014. She is a director of a number of Australian Unity Limited subsidiaries, Chair of the Investment Committee and a member of the People, Culture & Remuneration Committee and the Risk & Compliance Committee. She is also Co-Chair of Reconciliation Australia, and until 1 May 2019 was a director of Woodside Petroleum.

In addition to her directorships, Ms Cilento is the Chief Executive Officer of the Committee for Economic Development of Australia and a member of Chief Executive Women. She has previously been a Commissioner with the Productivity Commission, and worked for eight years with Australia's leading CEOs at the Business Council of Australia, including four years as Deputy Chief Executive. Prior to joining the Business Council of Australia, Ms Cilento was Head of Economics at Invesco Australia.

Ms Cilento has also worked with the Federal Treasury and International Monetary Fund in Washington D.C. She was a director of Wesfarmers General Insurance until June 2014.



Paul Kirk

BEc, ACA, RITA, MAICD
Non-Executive Director

Mr Kirk was appointed to the board of Australian Unity Limited on 1 February 2016. He is a director of a number of Australian Unity Limited subsidiaries, Chair of the Audit Committee and a member of the People, Culture & Remuneration Committee. Mr Kirk is currently Managing Director and Founder of Collins Pitt Associates and is a director of the St Kilda Football Club.

He is a member of the Audit & Risk and Investment Advisory Committees of Monash University. Mr Kirk was previously a director of the Melbourne Festival, Worksafe Victoria, Transport Accident Commission and the Victorian Registration and Qualifications Authority.

Prior to this, Mr Kirk held a number of senior positions both overseas and in Australia with the major accountancy firm, PricewaterhouseCoopers, specialising in the area of corporate advice, turnaround and restructuring, profit improvement, M&A, strategic advice, risk and governance, forensic accounting and insolvency management. Following this, he worked for two years as a Special Advisor for Lazard Australia.

Information about Australian Unity *continued*



Su McCluskey

BCom, FCPA, MAICD
Non-Executive Director

Ms McCluskey was appointed to the board of Australian Unity Limited on 1 September 2015. She is a director of a number of Australian Unity Limited subsidiaries, Chair of the Risk & Compliance Committee and a member of the Audit Committee, the Investment Committee and the People, Culture & Remuneration Committee.

Ms McCluskey is also a director of The Foundation for Young Australians, the Australasian Pork Research Institute, the NSW Rice Marketing Board and Energy Renaissance. Ms McCluskey is a Commissioner for the National COVID-19 Commission Advisory Board and the Commission for International Agricultural Research. She was a member of the Charities Review, the Harper Review of Competition Policy and the Regional Telecommunications Review.

Ms McCluskey was previously the Chief Executive Officer of the Regional Australia Institute and the Executive Director of the Office of Best Practice Regulation. She has held senior positions with the Business Council of Australia, the National Farmers' Federation and the Australian Taxation Office. She is also a beef cattle farmer.



Julien Playoust

BSc (Arch), BArch (Hons),
MBA, FAICD
Non-Executive Director

Mr Playoust was appointed to the board of Australian Unity Limited on 1 February 2020. He has more than 25 years' experience as a director in public and private companies, including ASX-100, SME and not-for-profit organisations. He is passionate about sustainable business models for economic and social good and the arts, and is a proponent of design thinking, diversity and cross-disciplinary skills.

Mr Playoust has worked across multiple sectors, including property, professional and financial services, media, agriculture, consumer discretionary, energy, technology and the arts – focusing on business transformation, mergers and acquisitions, capital raising and portfolio management.

He has been the Chief Executive Officer and Managing Director of AEH Group since 2003. Past appointments include: Non-Executive Director of ASX-listed Tatts Group Limited, MCM Entertainment Group Limited and Australian Renewable Fuels Limited; Director of TimeOut Group Australia and Venutra Health, and; Member of the UNSW Art & Advisory Board and the National Gallery of Australia Foundation Board. He has worked with AMP, NAB and Accenture.

Mr Playoust is currently Deputy Chairman of the Art Gallery of NSW Foundation and Chairman of the Financial Committee; Chairman of the Investment Committee of The Nature Conservancy, and; member of the Alumni Leaders Group of the UNSW Business School.

Mr Playoust is a Fellow of the Australian Institute of Company Directors and Member of the Australian Institute of Managers and Leaders. He holds a Master of Business Administration (AGSM) from UNSW, Bachelor of Architecture (First Class Honours) and Bachelor of Science from Sydney University, and Company Director Course Diploma from the Australian Institute of Company Directors.

Information about Australian Unity *continued*



Gregory Willcock

BCom, FCPA, FAICD,
MAIM, FFin
Non-Executive Director

Mr Willcock was appointed to the board of Australian Unity Limited on 1 March 2012. He is a director of a number of Australian Unity Limited subsidiaries and a member of the Risk & Compliance Committee and the Audit Committee.

Mr Willcock is also a director of Australian Unity Investments Real Estate Limited which is the responsible entity for the listed Australian Unity Office Fund. Mr Willcock has over 36 years' experience in banking and financial services in Australia, United States of America and the United Kingdom including seven years in general management roles at National Australia Bank in the areas of risk management, strategy and change management.

Mr Willcock was previously a director of the Customer Owned Banking Association (COBA) and was a director and chairman of Big Sky Credit Union.

3.6.2 Senior management team

Australian Unity Group's senior management team is set out below.



Rohan Mead

Group Managing
Director & Chief
Executive Officer

Mr Mead was appointed Group Managing Director of Australian Unity Limited on 1 July 2004. As Group Managing Director, he is a member of subsidiary boards and most committees. Mr Mead is chairman of the Business Council of Australia's Healthy Australia task force and a member of its Indigenous Engagement task force. He is also a director of Platypus Asset Management, the Business Council of Co-Operatives and Mutuals Limited (BCCM) and the Centre for Independent Studies. Prior to joining Australian Unity, Mr Mead was employed by Perpetual Trustees Australia Limited (1996–2003) in a range of senior roles.



Kevin McCoy

Chief Executive Officer—
Independent & Assisted
Living

Mr McCoy joined Australian Unity in April 2012 and became Chief Executive Officer—Independent & Assisted Living in July 2017. His previous roles at Australian Unity included Chief Financial Officer, Group Executive—Strategic Business Development and Deputy Chief Financial Officer —positions that have seen him hold responsibility for the effective execution of strategic initiatives, treasury, capital management and organisation-wide performance measures.

Prior to joining Australian Unity, Mr McCoy had a successful consulting relationship with Australian Unity, having project managed the merger with Grand United in 2005, the sale of the General Insurance business in 2007 and the merger with Big Sky Credit Union in 2012. Mr McCoy's other major consulting clients included Westpac, where he managed the merger with St George in 2008, the IPO of BT Investment Management in 2007, the acquisition of RAMS in 2007 and the sale of the bank's Custody business to HSBC in 2006. Mr McCoy is a member of the Institute of Chartered Accountants and is also an accredited project management professional (PMP) through the Project Management Institute.

Information about Australian Unity *continued*



Esther Kerr-Smith
Chief Executive Officer—
Wealth & Capital Markets

Ms Kerr-Smith joined Australian Unity in September 2017. Ms Kerr-Smith is Chief Executive Officer for Wealth & Capital Markets for the Australian Unity Group. Ms Kerr-Smith is responsible for all of Australian Unity's financial services and investment activities, spanning investment management, advice, trustee services, life and superannuation, as well as the Group's property, development and capital management activities. Ms Kerr-Smith is also a board member of many of its operating entities.

Prior to joining Australian Unity in 2017, Ms Kerr-Smith's previous experience covers financial services, infrastructure and human services design and delivery. Ms Kerr-Smith was a senior executive with the National Disability Insurance Agency – leading the market stewardship and commissioning functions – and has held senior roles at strategy consulting firm Boston Consulting Group and within Macquarie Group's infrastructure division.



Christine Yates
Chief Executive Officer—
Retail
(from August 2020)

Ms Yates joined Australian Unity in August 2020. She is Chief Executive Officer of the Australian Unity Retail platform, which brings together Australian Unity's private health insurance, banking, and general insurance and broking businesses. Ms Yates is a Director of Australian Unity Bank Limited and Australian Unity Health Limited.

Prior to joining Australian Unity, Ms Yates had an extensive career as a banking executive with over 25 years' experience across investment and institutional banking, private banking, wealth management and insurance. Ms Yates began her career at Deloitte as a Chartered Accountant before moving to the banking industry. Prior to joining Australian Unity she was the Chief Customer Officer for Private, Wealth and Insurance at BNZ, a subsidiary of the NAB Group.



Darren Mann
Group Executive—
Finance & Strategy and
Chief Financial Officer

Mr Mann joined Australian Unity in April 2012. Mr Mann is currently the Group Executive – Finance & Strategy and Chief Financial Officer, having previously been the Deputy Head of Finance and Group Treasurer. Mr Mann has oversight of the Group's statutory, management and tax reporting along with treasury and capital management.

Prior to joining Australian Unity, Mr Mann worked in the United Kingdom for ten years on large scale migration projects for Lloyds TSB, Royal Bank of Scotland and Merrill Lynch Investment Managers.

Mr Mann commenced his professional career becoming a Chartered Accountant while working at KPMG Melbourne and also Foster's Group Limited.

Information about Australian Unity *continued*



Melinda Honig

General Counsel,
Company Secretary, Chief
Risk Officer and Group
Executive—Governance

Ms Honig joined Australian Unity in February 2016. In her role as Group Executive – Governance, Ms Honig is responsible for managing the Group’s Legal, Compliance, Risk, and Secretariat function. She is also secretary for all Group subsidiary boards.

Prior to joining Australian Unity, Ms Honig worked for GE for 15 years, five of those years with GE Capital in the role of General Counsel, overseeing the provision of legal services to GE Capital’s commercial finance, consumer finance and insurance businesses in Australia and New Zealand. Ms Honig brings to Australian Unity her executive experience in legal, compliance and company secretary functions, and has worked abroad as Counsel for GE Indonesia in operations which included transportation, energy and GE Capital. Prior to joining GE, Ms Honig was at KPMG for 5 years where she also undertook her legal training in tax.



Prue Bowden

Group Executive—People
& Culture

Ms Bowden joined Australian Unity in February 2017. Ms Bowden led the Group's transformation agenda to reshape the enterprise operating model, putting the customer front and centre and driving new and more efficient ways of working. In September 2018, Ms Bowden was appointed to Group Executive – People & Culture. She is responsible for leading the Group's people function including culture and capability, performance and remuneration, workplace health and safety, shared services and internal communications. Ms Bowden also leads the Group's inclusion and diversity, workplace giving and employee wellbeing strategy.

Prior to joining Australian Unity, Ms Bowden was the Director of People Solutions Group Pty Ltd, a boutique consulting firm focused on operating model design and transformational change. Ms Bowden brings to Australian Unity diverse industry experience, having successfully led people functions in complex commercial environments in banking, insurance, media and healthcare. Previous clients and employers include News Limited, Suncorp, ANZ and Ramsay Health Care.

3.7 Corporate governance

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

3.7.1 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.

3.7.2 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.

3.7.3 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.

3.7.4 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.

3.7.5 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.

3.7.6 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.

3.7.7 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.

3.7.8 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.

3.8 Financial information

3.8.1 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 consolidated statements of comprehensive income, balance sheets and cash flow for the full years ended 30 June 2018, 30 June 2019 and 30 June 2020 are summarised in Sections 3.8.3 to 3.8.5 below.

The full consolidated financial reports for the full years ended 30 June 2018, 30 June 2019 and 30 June 2020 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 2020 financial report which can be obtained from www.australianunity.com.au/about-us/annual-reports.

3.8.2 Basis of preparation

(a) Historical financial information

The summary historical financial information in Sections 3.8.3 to 3.8.5 has been derived from Australian Unity's audited financial statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020. 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 years ended 30 June 2018, 30 June 2019 and 30 June 2020 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 3.8.6 reflects the impact of the Offer on Australian Unity's consolidated statement of financial position as at 30 June 2020. 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. In particular, no adjustments have been made to allow for subsequent events or trading since 30 June 2020 unless specifically mentioned. 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 2020.

(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 reports for the years ended 30 June 2018, 30 June 2019 and 30 June 2020. A copy of these reports 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*

3.8.3 Consolidated statement of comprehensive income

The following table sets out Australian Unity Group's consolidated results for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

	FY18 \$m	FY19 \$m	FY20 \$m
Continuing operations			
Revenue and other income	1,486.7	1,608.7	1,412.7
Expenses, excluding finance costs	(1,484.2)	(1,493.7)	(1,382.1)
Operating profit	2.5	115.0	30.6
Finance costs	(20.5)	(17.8)	(41.1)
Share of net profit/(loss) of joint ventures	(0.1)	(0.0)	0.9
Profit/(loss) before income tax	(18.1)	97.2	(9.6)
Income tax benefit/(expense)	2.8	(44.2)	24.6
Profit/(loss) from continuing operations	(15.3)	53.0	15.0
Discontinued operations			
Profit from discontinued operations	66.8	0.0	0.0
Profit after income tax	51.5	53.0	15.0
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Cash flow hedges	0.9	(4.2)	(7.7)
Income tax relating to this item	(0.3)	1.5	2.3
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of post-employment benefit obligations	0.5	0.2	0.7
Other comprehensive income for the year, net of tax	1.1	(2.5)	(4.7)
Total comprehensive income for the year	52.6	50.5	10.3
Profit for the year attributable to:			
Members of Australian Unity Limited	51.5	53.0	15.0
Total comprehensive income for the year attributable to:			
Members of Australian Unity Limited	52.6	50.5	10.3
Total comprehensive income for the year attributable to members of Australian Unity Limited arises from:			
Continuing operations	(14.2)	50.5	10.3
Discontinued operations	66.8	0.0	0.0
	52.6	50.5	10.3

Information about Australian Unity *continued*

3.8.4 Consolidated balance sheet

The following table sets out Australian Unity Group's summarised consolidated balance sheets as at 30 June 2018, 30 June 2019 and 30 June 2020.

	2018 \$m	2019 \$m	2020 \$m
ASSETS			
Current assets			
Cash and cash equivalents	1,011.0	944.8	1,036.7
Trade and other receivables	136.5	111.8	102.7
Current tax assets	0.0	0.0	3.8
Loans and advances	11.9	15.0	22.0
Financial assets at fair value through profit or loss	1,784.6	1,982.7	2,070.7
Other financial assets at amortised cost	61.7	56.9	47.0
Other current assets	24.0	31.3	33.4
Total current assets	3,029.7	3,142.5	3,316.3
Non-current assets			
Loans and advances	643.5	725.8	893.8
Financial assets at fair value through profit or loss	30.5	21.4	13.1
Investments in associates and joint ventures	27.4	15.4	17.4
Investment properties	1,169.4	1,327.6	1,489.2
Property, plant and equipment	217.3	250.6	305.6
Right-of-use assets	0.0	0.0	115.9
Intangible assets	329.0	323.8	313.5
Other non-current assets	10.0	9.5	11.7
Total non-current assets	2,427.1	2,674.1	3,160.2
Total assets	5,456.8	5,816.6	6,476.5
LIABILITIES			
Current liabilities			
Trade and other payables	134.7	190.4	175.4
Borrowings	738.8	815.6	1,141.6
Lease liabilities	0.0	0.0	16.8
Current tax liabilities	31.8	19.5	0.0
Provisions	118.1	119.9	148.9
Other current liabilities	1,204.0	1,275.8	1,403.2
Benefit fund policy liabilities	320.4	364.3	268.2
Total current liabilities	2,547.8	2,785.5	3,154.1
Non-current liabilities			
Borrowings	300.0	303.3	373.9
Lease liabilities	0.0	0.0	111.8
Deferred tax liabilities	66.7	86.0	72.1
Provisions	4.5	4.8	5.7
Other non-current liabilities	2.2	6.1	12.9
Benefit fund policy liabilities	1,862.0	1,912.5	2,022.7
Total non-current liabilities	2,235.4	2,312.7	2,599.1
Total liabilities	4,783.2	5,098.2	5,753.2
Net assets	673.6	718.4	723.3
EQUITY			
Members' balances	255.9	255.9	255.9
Reserves	5.5	3.0	(1.7)
Retained earnings	412.2	459.5	469.1
Equity attributable to members of Australian Unity Limited	673.6	718.4	723.3
Total equity	673.6	718.4	723.3

Information about Australian Unity *continued*

3.8.5 Consolidated cash flow statement

The following table sets out Australian Unity Group's consolidated cash flow statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

	FY18 \$m	FY19 \$m	FY20 \$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)	1,372.2	1,324.9	1,353.6
Payments to suppliers and employees (inclusive of goods and services tax)	(727.4)	(710.5)	(780.4)
Health insurance claims and benefits paid	(599.7)	(543.3)	(519.2)
Life investment contracts - Contributions received	324.7	344.0	284.6
Life investment contracts - Withdrawals	(314.6)	(363.3)	(267.3)
Life insurance - Premiums received	0.3	0.3	0.2
Life insurance - Policy claims paid	(8.9)	(1.1)	(0.9)
Net receipts/(payments) of loans asset	43.4	(86.0)	(177.7)
Net receipts/(payments) of deposits liability	(49.8)	99.6	240.8
Interest received	37.5	39.6	37.5
Dividends and distributions received	8.3	12.6	12.9
Interest and finance charges paid	(31.0)	(29.1)	(37.1)
Income tax refunds/(payments)	21.7	(26.5)	(5.1)
Net cash inflow from operating activities	76.7	61.2	141.9
Cash flows from investing activities			
Payments for business combination, net of cash receipt	(4.9)	(9.3)	0.0
Payments for investments	(855.7)	(934.3)	(925.2)
Payments for investment properties	(90.4)	(118.4)	(131.5)
Payments for property, plant and equipment	(43.2)	(29.2)	(78.7)
Payments for intangible assets	(10.3)	(17.2)	(19.2)
Payments for investments in associates and joint ventures	(3.7)	(2.9)	(1.9)
Receipts from investments	850.2	928.2	835.0
Proceeds from sale of a subsidiary, net of cash held by the subsidiary	81.6	0.0	0.0
Dividends received from joint ventures	0.5	0.8	1.1
Proceeds from sale of a joint venture investment	0.0	0.0	0.1
Receipts from joint venture's capital returns	0.0	7.4	0.0
Proceeds from disposal of intangible assets	0.0	0.0	10.1
Net cash outflow from investing activities	(75.9)	(174.9)	(310.2)
Cash flows from financing activities			
Receipts from borrowings	7.4	11.1	181.4
Payments of borrowings	(15.4)	(32.0)	(21.7)
Net receipts from refundable lease deposits and resident liabilities	124.5	68.4	100.5
Net cash inflow from financing activities	116.5	47.5	260.2
Net increase/(decrease) in cash and cash equivalents	117.3	(66.2)	91.9
Cash and cash equivalents at the beginning of the year	893.7	1,011.0	944.8
Cash and cash equivalents at the end of the year	1,011.0	944.8	1,036.7
Cash flows from discontinued operations	82.9	0.0	0.0

Information about Australian Unity *continued*

3.8.6 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. 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 \$102.2 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 2020 assuming the Offer was completed, \$105.0 million of Australian Unity MCIs were issued and approximate issue costs of \$4.0 million were incurred, on 30 June 2020.

(a) Pro forma consolidated balance sheet

	2020 \$m	Pro forma adjustments \$m	Pro forma \$m
ASSETS			
Current assets			
Cash and cash equivalents	1,036.7	101.0	1,137.7
Trade and other receivables	102.7		102.7
Current tax assets	3.8		3.8
Loans and advances	22.0		22.0
Financial assets at fair value through profit or loss	2,070.7		2,070.7
Other financial assets at amortised cost	47.0		47.0
Other current assets	33.4		33.4
Total current assets	3,316.3	101.0	3,417.3
Non-current assets			
Loans and advances	893.8		893.8
Financial assets at fair value through profit or loss	13.1		13.1
Investments in associates and joint ventures	17.4		17.4
Investment properties	1,489.2		1,489.2
Property, plant and equipment	305.6		305.6
Right-of-use assets	115.9		115.9
Intangible assets	313.5		313.5
Other non-current assets	11.7		11.7
Total non-current assets	3,160.2	0.0	3,160.2
Total assets	6,476.5	101.0	6,577.5
LIABILITIES			
Current liabilities			
Trade and other payables	175.4		175.4
Borrowings	1,141.6		1,141.6
Lease liabilities	16.8		16.8
Provisions	148.9		148.9
Other current liabilities	1,403.2		1,403.2
Benefit fund policy liabilities	268.2		268.2
Total current liabilities	3,154.1	0.0	3,154.1
Non-current liabilities			
Borrowings	373.9		373.9
Lease liabilities	111.8		111.8
Deferred tax liabilities	72.1	(1.2)	70.9
Provisions	5.7		5.7
Other non-current liabilities	12.9		12.9
Benefit fund policy liabilities	2,022.7		2,022.7
Total non-current liabilities	2,599.1	(1.2)	2,597.9
Total liabilities	5,753.2	(1.2)	5,752.0
Net assets	723.3	102.2	825.5
EQUITY			
Members' balances	255.9		255.9
Mutual capital instruments	0.0	102.2	102.2
Reserves	(1.7)		(1.7)
Retained earnings	469.1		469.1
Equity attributable to members of Australian Unity Limited	723.3	102.2	825.5
Total equity	723.3	102.2	825.5

3.8.7 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 254WA 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.

3.8.8 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 three financial years based on the results presented in Section 3.8.3.

\$m	FY18	FY19	FY20
Pro forma Australian Unity MCI Dividends payable for the year ¹	5.3	5.3	5.3
Profit after income tax	51.5	53.0	15.0
Pro forma Australian Unity MCI Dividend Payout Ratio ¹	10.2%	9.9%	35.1%

¹ Assumes an issue size of \$105 million and a Dividend Rate of 5.0%.

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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 will be a fixed rate set from the Issue Date. 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, Australian Unity MCIs may trade at a discount to their Face Value.

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.

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 will apply for Australian Unity MCIs to be quoted on ASX. However, Australian Unity MCIs will have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. 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. These range from short-term and ongoing increases in costs, and significantly changed economic conditions which could impact the value of the property portfolio and investment income, to a potential reduction in demand for, and profitability of, products and services. There are also heightened health and safety risks to our employees and customers, particularly in its 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.

4.3.3 Businesses operate in sectors which are subject to increasing regulatory scrutiny and complexity

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 from regulators could adversely affect Australian Unity's business activities, requiring changes to its business model, products or services and incurring significant costs if the regulatory changes are not managed appropriately.

4.3.4 Private health insurance risks such as rising medical costs, rejection of application for change in premium rates and mispricing premiums

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

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 aged care and home 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 Australian Unity has no access to ordinary share 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. 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 Lack of capital or liquidity

Australian Unity relies on external debt markets for a portion of its funding. A change in the economic environment could result in reduced access to capital or increased costs of funding. This could negatively affect Australian Unity's capital and liquidity position and its ability to fund business initiatives and to pay Dividends.

4.3.9 Investments may not yield returns as expected

Australian Unity regularly invests capital in existing and new business ventures and projects. These investments 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.

4.3.10 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.

4.3.11 Inability to respond to change

Australian Unity operates in industries 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 which would adversely impact its financial performance and ability to pay Dividends.

4.3.12 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.

4.3.13 Customer harm

Australian Unity provides high-trust services such as aged care and operates in highly regulated industries. An event such as customer harm 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.

Key risks of Australian Unity MCIs *continued*

4.3.14 Occupancy levels in residential aged care

There is no assurance that occupancy levels at aged care facilities will follow historical occupancy trends at the Australian Unity Group's aged care facilities. 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.

4.3.15 Liquidity demands

Australian Unity's liquidity and funding plans are designed to ensure that Australian Unity Group entities are able to meet their debts and other obligations as and when they fall due. However, there is a risk that such plans fail to operate effectively, or there may be factors outside Australian Unity's control which could adversely affect these plans.

There is a risk that 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.

4.3.16 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.

4.3.17 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.

4.3.18 Failure to detect and prevent 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.

4.3.19 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, the level of service provided to its members and customers and the effective operation of corporate head office functions. If Australian Unity's systems fail to operate reliably and as needed there is a risk that this may adversely affect its members, customers or employees resulting in regulatory non-compliance or 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.

4.3.20 Credit defaults

Australian Unity provides lending to counterparties in its retail bank, primarily in relation to residential home loans. If Australian economic conditions were to deteriorate, a proportion of Australian Unity's customers 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.

Key risks of Australian Unity MCIs *continued*

4.3.21 Workplace injuries or conditions

Australian Unity has a large workforce within its Independent & Assisted Living platform who perform their work at aged care facilities, retirement communities or at a variety of other locations for home care and disability services, including residential homes. Given the variability of locations, conditions and types of care delivered, Australian Unity's workforce may be subject to muscular or skeletal injuries, slips, trips, falls, driving accidents, mental stress or 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.

4.3.22 Inability to attract and retain a skilled and experienced workforce

Australian Unity relies on its employees and the skills and experience they possess to effectively service its members and customers. If Australian Unity doesn't recruit and retain appropriately skilled people, monitor employee satisfaction, manage their workload, reward performance and provide a suitable corporate culture it may experience a high turnover of staff or loss of key persons that adversely impacts 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 (including any identified through reviews and inquiries currently being undertaken in the industries in which the Australian Unity Group operates, including the Royal Commission into Aged Care Quality and Safety and the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with a Disability) 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 (including any arising from the Royal Commissions noted above), 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 the risk of litigation or disputes with various parties, such as contractual counterparties, members and customers. Litigation risks include, but are not limited to, customer/member claims and disputes in relation to material investments, products, memberships or other contracts.

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.

5.1.2 Financial statements

The Issuer's full consolidated financial reports for the full years ended 30 June 2018, 30 June 2019 and 30 June 2020 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 Arrangers 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.

5.2 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.

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;

Other information *continued*

- 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.

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.

While Australian Unity expects that the holding period for Australian Unity MCIs will be 45 days as referred to above, this is ultimately a matter which will be confirmed in the class ruling 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 and the ATO’s current practices, 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.

Other information *continued*

(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.

5.3.4 Disposals of Australian Unity MCIs

(a) Australian resident Holders

On disposal (including on-market disposal, redemption 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.

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 that “managed investment trusts” (MITs) and “attribution MITs” (AMITs) will no longer be entitled to the CGT discount at the trust level from 1 July 2020. 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.

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 Consulting (Australia) Pty Ltd;
- 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 regarding, and takes no responsibility 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.

5.6 Interests of advisers

The Issuer will pay to the Financial Adviser and Arrangers and Joint Lead Managers an aggregate fee of approximately \$2.25 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 Financial Adviser, Arrangers, 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 Arrangers 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 Arrangers and Joint Lead Managers and by the Arrangers and Joint Lead Managers to Syndicate Brokers are exclusive of any GST.

The Arrangers 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 \$435,000 (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 \$75,000 (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 the Original Prospectus on 27 November 2020, committed to the Arrangers and Joint Lead Managers to apply for Australian Unity MCIs on the same terms as all other investors. The Arrangers and Joint Lead Managers 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
- 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 Arrangers and Joint Lead Managers to Institutional Investors, in the manner contemplated above, will be out of the fees paid to the Arrangers and Joint Lead Managers by Australian Unity under the Offer.

5.8 Interests of the 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.

The following Directors have agreed to apply for Australian Unity MCIs:

- Rohan Mead – 2,000 Australian Unity MCIs; and
- Lisa Chung – 750 Australian Unity MCIs.

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; 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.

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 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.

5.12 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.

5.13 Consent of Directors

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

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Section 6

How to apply



How to apply

6.1 Obtaining a Prospectus and Application Form

During the Offer Period, an electronic version of this Prospectus with an Application Form will be available at www.australianunity.com.au/mci.

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.

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 1300 494 861 (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 2020 you were a financial member within the meaning of the Constitution, with a registered address in Australia.

As noted above, 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 entitlement number. The entitlement number is included on the postcard or email sent to Eligible Members. If you are an Eligible Member and have not received a postcard or email, you can obtain your entitlement number by contacting the Australian Unity MCI Offer Information Line on 1300 494 861 (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.

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 22 October 2020 you are on the register of Australian Unity Bonds or Australian Unity Retirement Village Investment Notes with a registered address in Australia.

As noted above, 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 entitlement number. The entitlement 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.

How to apply *continued*

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 Joint Lead Managers 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 Joint Lead Managers.

6.2 Completing and lodging your Application

6.2.1 Minimum Application

The amount you have to pay for each Australian Unity MCI is \$100.

Applications under the Offer must be for a minimum of 50 Australian Unity MCIs, which is a minimum investment of \$5,000.

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 21 December 2020.

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.

6.2.4 Allocation policy and refunds

Bookbuild

The Bookbuild process was conducted by the Joint Lead Managers before the Opening Date.

In this process, the Bookbuild participants were invited to lodge bids for Australian Unity MCIs. On the basis of those bids, Australian Unity, in consultation with the Joint Lead Managers determined the Dividend Rate for Australian Unity MCIs and 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.

How to apply *continued*

Broker Firm Offer

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

Institutional Offer

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

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.

It is expected that Australian Unity MCIs will be quoted under code "AYUPA".

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 will begin trading on ASX on a normal settlement basis on 4 January 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 1300 494 861 (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 1300 494 861 (Monday to Friday – 8:30am to 5:30pm) or confirmed your firm allocation through a Syndicate Broker.

How to apply *continued*

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 Face Value multiplied by the number of Australian Unity MCIs applied for
APRA	Australian Prudential Regulation Authority
Arrangers	Acacia Partners Pty Ltd (ABN 49 607 046 391), Morgans Financial Limited (ABN 49 010 669 726) and National Australia Bank Limited (ABN 12 004 044 937)
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 B Australian Unity Bonds, 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	1300 494 861 (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 1, Australian Unity Retirement Village Investment Notes Series 2, 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

Terms	Definition
CHES	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
Co-Manager	Bell Potter Securities Limited (ABN 25 006 390 772)
Completion	Completion of the issue of Australian Unity MCIs to Applicants pursuant to the Offer
Constitution	The constitution of Australian Unity Limited 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 first Dividend Payment Date is 15 April 2021
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
Exposure Period	The seven day period commencing after the date the Original Prospectus was lodged with ASIC
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

Terms	Definition
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
Issue Date	The first date on which Australian Unity MCIs are issued
Issue Price	The issue price for Australian Unity MCIs, being \$100 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), 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 \$105 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 Arrangers 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
Original Prospectus	The prospectus dated 27 November 2020 and lodged with ASIC on that day, which was replaced with this Prospectus
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 <i>de minimis</i> 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

Terms	Definition
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	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-Manager
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: (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 <i>de minimis</i> 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)
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

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180
YEARS

Australian
Unity 
Real Wellbeing

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 per cent 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.

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 to 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.

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.

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.

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 CHES, in accordance with the rules and regulations of CHES; 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.

Terms of Australian Unity MCIs *continued*

- (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.
- (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.

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.

Terms of Australian Unity MCIs *continued*

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.

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.

Terms of Australian Unity MCIs *continued*

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

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.

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 CHESS, 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.

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YEARS

Australian
Unity 
Real Wellbeing

Corporate directory



Corporate directory

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Co-Manager

Bell Potter Securities Limited
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Legal Adviser

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Melbourne VIC 3000

Auditor

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Registry

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