

**Closed for Applications**



# Retirement Village Investment Notes

**Replacement Prospectus:**

Series 4, Prospectus 2 dated 16 May 2017

It replaces a Prospectus dated 27 April 2017

Applications close 30 June 2017

## Retirement Village Investment Notes Series 4 Prospectus 2

Retirement Village Investment Notes – Series 4 ('Notes' or 'Series 4 Notes') comprised of Series 4 - Prospectus 1 and Series 4 - Prospectus 2 are issued by Australian Unity Finance Limited (ABN 35 114 646 070) ('Australian Unity Finance', 'AUFL', 'Issuer', or 'we'). Australian Unity Finance is the issuer of this Prospectus and takes full responsibility for it. The Notes offered under this Prospectus were originally issued under Retirement Village Investment Notes Series 4 Prospectus 1 dated 16 May 2014.

The Notes are secured notes for the purposes of Section 283BH of the Corporations Act 2001 (Cth), as modified by ASIC Class Order (CO 12/1482) *When debentures can be called secured notes*. The Secured Notes are not a bank deposit and Note holders could lose some or all of their money.

### Australian Unity Finance

Australian Unity Finance does not hold, and is not required to hold, an Australian Financial Services (AFS) Licence as the issue is being made pursuant to an agreement between Australian Unity Finance and Australian Unity Funds Management Limited (ABN 60 071 497 115, AFS Licence No. 234454) ('Australian Unity Funds Management') as the arranger in accordance with the licence conditions and authorisations of the AFS Licence held by Australian Unity Funds Management.

Australian Unity Finance relies upon an 'intermediary authorisation' for the purposes of Section 911A(2)(b) of the Corporations Act 2001 (Cth).

### Australian Unity Property

Australian Unity Property Limited (ABN 58 079 538 499, AFS Licence No. 234455) ('Australian Unity Property') is the trustee of the Australian Unity Retirement Village Trust #1 (AURVT#1) and Australian Unity Retirement Village Trust #2 (AURVT#2) (the 'Trusts').

### Australian Unity Limited subsidiaries

Australian Unity Finance, Australian Unity Retirement Living Investments Limited (ABN 27 114 646 098) ('Australian Unity Retirement Living Investments' or 'AURLIL'), Australian Unity Retirement Living Services Limited (ABN 17 085 317 595) ('Australian Unity Retirement Living Services' or 'AURLSL') and Australian Unity Funds Management are wholly owned subsidiaries of Australian Unity Limited (ABN 23 087 648 888) ('Australian Unity').

A reference to 'we', 'us' and 'our' in this document is a reference to Australian Unity Finance.

A reference to 'Australian Unity' in this document is a general description which covers those entities within the Australian Unity Group of companies undertaking investment activities, which includes Australian Unity Funds Management, Australian Unity Property, Australian Unity Finance and Australian Unity Retirement Living Investments.

### The Trust Company (Australia)

The Trust Company (Australia) Limited (ABN 21 000 000 993) ('Trustee') is the trustee of the Notes. The Trustee has consented to be named as Trustee in this Prospectus. However, the Trustee has not authorised or caused the issue of this Prospectus and was not involved in preparing, nor does it take responsibility for, this Prospectus (other than statements referring directly to the Trustee).

Other than the parts of this Prospectus which refer directly to the Trustee, the Trustee has not made any representations as to the truth or accuracy of the contents of this Prospectus. Other than the parts of this Prospectus which refer directly to the Trustee, the Trustee has relied upon the Issuer for the accuracy of the content of this Prospectus. The Trustee has no involvement in the approval of any related party loans. The Trustee does not make any representations as to the performance of the Issuer, the compliance with benchmarks, the maintenance of capital or any particular rate of return.

The Trustee can be contacted at the following address; Attention: Manager, Retail Securities, The Trust Company (Australia) Limited, Level 13, 123 Pitt Street, Sydney NSW 2000.

### About the Prospectus

A Melbourne business day is a business day on which Australian banks are open for business in Melbourne excluding Saturday, Sunday and Public Holidays.

Neither Australian Unity, nor any member of the Australian Unity Group of companies provides any guarantee or support for the payment of interest for, and the return of capital of, the Notes. You should consider this when assessing its suitability for your investment needs.

Australian Unity Finance reserves the right to withdraw the offer for these Notes at any time. It reserves the right to decline any application received (either in whole or part) in its absolute discretion.

This Prospectus expires 30 June 2017

This document can only be used by investors receiving it (electronically or otherwise) in Australia. It does not constitute an offer or invitation in any place outside Australia.

All amounts in this document are in Australian dollars (\$AUD).

This Prospectus is available in electronic format including via access to the Australian Unity website. If you receive it electronically, please ensure that you have received the entire document and Application Form. If you are unsure whether what you have received is complete in its entirety, please contact us on 13 29 39. Paper copies are available free of charge while the offer is open by calling 13 29 39.

A copy of this Prospectus has been lodged with Australian Securities and Investments Commission (ASIC) which takes no responsibility for its contents.

### Consent to be named

Australian Unity Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named.

Australian Unity Funds Management Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent for the inclusion of statement that the issue is being made pursuant to an agreement between it, as the arranger in accordance with the licence conditions and authorisations of its AFS Licence, and Australian Unity Finance

Australian Unity Property Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent for the inclusion of statement that it values the underlying assets in the Trusts bi-annually.

Australian Unity Retirement Living Investments Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent for the inclusion of statements regarding the investments it holds and loans it has entered into.

Australian Unity Retirement Living Services Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent for the inclusion of statements supplied, the investments it holds and loans it has entered into.

Each of the persons referred to above has not authorised or caused the issue of this Prospectus, makes no representation and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus other than references to its name or a statement included in this Prospectus with the consent of that person as specified above.

Ernst & Young has given, and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as the auditor of the Company for the financial statements for the financial years ended 30 June 2012, 30 June 2013, 30 June 2014, 30 June 2015 and 30 June 2016, in the form and context in which it is named. Ernst & Young has not authorised or caused the issue of this Prospectus, does not make or purport to make any statement in the Prospectus and have had no involvement in the preparation of any part of this Prospectus.

# Contents

---

Australian Unity	2
A snapshot of the Notes	3
ASIC Benchmarks	5
Features of the Notes	9
Directors of the Issuer	11
Financing arrangements	13
Investor protection	14
Understanding the risks of investing	16
Financial information	18
Additional information	26
Direct Debit Request ('DDR') Service Agreement	28
Anti-Money Laundering Laws and the Application Form	29
Completing the Application Form	31
Applying for different types of investment accounts	32
Application Form Checklist	33
Application Form - Part A	35
Application Form - Part B	45

---

## Replacement Prospectus:

**Series 4, Prospectus 2 dated 16 May 2017.**

**It replaces a Prospectus dated 27 April 2017.**

In summary, the changes from the Prospectus dated 27 April 2017 were:

- The entities named in this Prospectus have provided their consent.
- The auditors have consented to the provision of audited account information in this Prospectus.
- Notes have been included relating to the financial accounts included in this Prospectus which provide an explanation of changes between financial periods.
- Information regarding matters subsequent to the end of the financial year 30 June 2016 has been provided for the financial accounts included in this Prospectus.

## Australian Unity

Australian Unity focuses on improving the financial wellbeing of its investors and creating investments that are genuinely different to the rest of the market.

Australian Unity's progressive investment managers are always looking for better ways to manage money and have created a number of investment funds across all major asset classes including fixed interest, mortgages, property and equities.

### **Australian Unity Retirement Living Services**

Australian Unity Retirement Living Services Limited (AURLSL) (ABN 17 085 317 595) is a wholly owned subsidiary of Australian Unity Limited and employs over 1,600 staff and has a proven track record in the retirement living sector.

AURLSL is a major provider of accommodation and related services to retirees, operating retirement villages and aged care facilities in 10 locations in New South Wales and in 7 locations in Victoria, offering over 2,100 independent living units or apartments, 711 aged care beds and over 400 community care places as well as transitional and day respite care services.

Retirement village services range from completely independent living to assisted living in serviced apartments.

While estimates vary, it is considered that only 5% of the over 65 age group live in retirement villages. With the increasing consolidation in the sector leading to a greater focus on resident satisfaction and product quality, industry estimates indicate that retirement village living will continue to grow substantially over coming decades.

Australian Unity plans to increase the size of its retirement living business over the next few years. This growth strategy is underpinned by the rapidly rising demand for retirement and aged care accommodation in Australia.

These expansion plans demonstrate the commitment of Australian Unity to becoming an industry leader, differentiated by a commitment to quality and resident wellbeing.

## A snapshot of the Notes

Snapshot	Detail
Purpose of funds	<p>The purpose of this capital raising is to facilitate withdrawals from Notes issued under Series 4, Prospectus 1 that mature on 30 June 2017. Funds raised from the issue of Notes under this Prospectus will be used to redeem Notes from Series 4, Prospectus 1.</p> <p>The capital raised by Australian Unity Finance (AUFL) under Series 4 Prospectus 1 was lent to Australian Unity Retirement Living Investments (AURLIL) to finance the acquisition of units in the Australian Unity Retirement Village Trust #1 (AURVT#1) and Australian Unity Retirement Village Trust #2 (AURVT #2), which it continues to hold.</p> <p>AUFL, AURLIL and AURLSL are all related parties in the Australian Unity Group of companies.</p>
Security	<p>A Trustee has been appointed to hold certain security for the benefit of Note holders, and if required, to enforce the security for the repayment of the funds invested by Note holders. This security is provided by AUFL and consists of a registered first ranking security interest over:</p> <ul style="list-style-type: none"> <li>• the loan, made by AUFL to AURLIL;</li> <li>• an allotment of units held by AURLIL in AURVT#1 and AURVT #2; and</li> <li>• the right to receive money payable in connection with the loan and the security interest.</li> </ul> <p>The value of the assets supporting the security for all notes AUFL has issued is sufficient and is reasonably likely to be sufficient to repay the Notes and other liabilities that rank in priority, or have equal priority, to the Notes. However, there is a risk that Note holders could lose some or all of their money. Details of the assets underlying the security are provided in Benchmark 5 on page 6. Further information concerning AUFL's lending activities is provided in Benchmark 6 on page 7. Although these are secured Notes, they are not a bank deposit and Note holders could lose some or all of their money.</p>
Maximum amount to be raised in this prospectus	A\$4,300,000 (4,300,000Notes)
Issue price	\$1.00 per Note
Minimum investment	\$5,000 (5,000 Notes), and thereafter in multiples of \$1,000 (1,000 Notes)
Term	<p>2 years</p> <p>We are permitted to write to investors at any time to purchase the Notes, and make an early repayment in full before the Notes' maturity. We may offer in writing to extend the Notes for a further term prior to maturity. See below for your withdrawal rights.</p>
Maturity date	30 June 2019
Interest rate	5.00% per annum
Applications close	30 June 2017. Offer may be closed earlier than this date.
Interest calculation and payment	<p>Notes may be issued by AUFL at any time after having received applications, up to the closure date.</p> <p>Regardless of when Notes are issued:</p> <ul style="list-style-type: none"> <li>• Notes will be subject to the maturity dates specified above; and</li> <li>• Interest is calculated from the first Melbourne business day that your completed Application Form and application monies are accepted.</li> </ul> <p>Generally, you will receive four equal payments of interest each year over the term of the Notes. Your first interest payment may also include interest from the day we accept your application.</p> <p>Interest is normally paid within 14 days of the end of each quarter, ending on:</p> <p>31 March, 30 June, 30 September and 31 December.</p>
Fees	We do not charge or deduct any management, entry or exit fees from investments that remain invested for the full term.
Early withdrawal	Withdrawal prior to the maturity date will only be permitted solely at the discretion of AUFL. Usually an early withdrawal request is approved only in exceptional circumstances, such as death or extreme financial hardship. An early withdrawal fee may apply. See page 10 for details.

Snapshot	Detail
<b>Withdrawal at maturity</b>	<p>We may extend the term prior to the maturity date by notifying you in writing at least four months before maturity date, together with all the information you need on how to withdraw. Should you wish to withdraw at that time, you will have an unrestricted opportunity to do so. You must notify us in writing of your election to withdraw no later than three months before the end of the Notes' scheduled maturity date.</p> <p>Should you not notify us that you wish to withdraw, the maturity date of your Notes will automatically extend to the extended maturity date as notified to you in writing. There are limited withdrawal rights, see page 10 for details. The interest rate payable for the extended term may vary from the interest rate noted above.</p>
<b>Risks</b>	<p>An investment in the notes is subject to risks. This includes interest rate, term, borrower, retirement village operations, liquidity and regulatory risk. See pages 16 to 17 for more information. You need to understand these risks and we encourage you to seek professional financial advice if you are unsure of any aspect of this investment.</p>
<b>ASIC Benchmarks</b>	<p>Benchmark 1 (Equity ratio): We meet this benchmark.  Benchmark 2 (Liquidity): We meet this benchmark.  Benchmark 3 (Rollovers): We meet this benchmark.  Benchmarks 4 and 5 (Debt Maturity and Loan portfolio): We meet this benchmark.  Benchmark 6 (Related party transactions): We meet this benchmark.  Benchmark 7 (Valuations): We do not meet this benchmark.  Benchmark 8 (Lending principles – loan-to-valuation ratios): We do not meet this benchmark.  See 'ASIC Benchmarks' on pages 5 to 8 for more information.</p>
<b>Key financial information</b>	<p>Key financial information is explained in 'ASIC Benchmarks' provided on pages 5 to 8:</p> <ul style="list-style-type: none"> <li>• Benchmark 1: Equity ratio</li> <li>• Benchmark 8: Loan-to valuation ratios</li> </ul> <p>and in 'Financial information' on page 18 to 25:</p> <ul style="list-style-type: none"> <li>• AUFL: Assets to Liabilities Ratio</li> <li>• AURLIL: Net Assets to Loan Ratio</li> </ul>

## ASIC Benchmarks

The Australian Securities and Investments Commission (ASIC) has issued a set of benchmarks under Regulatory Guide 69: Debentures and notes: *Improving disclosure for retail investors*, to help you understand and assess unlisted debentures and notes, such as these Notes. The benchmarks, including how the Notes measure against them, are set out below. This information has been provided to assist you in better understanding the nature of this investment. You should consider each of these benchmarks separately before making a decision to invest in the Notes.

In accordance with continuous disclosure obligations, we will maintain benchmark information for the Notes on our website, which will be updated at regular intervals and upon any material changes to the Notes.

The Notes are classified as secured notes for the purposes of Section 283BH of the Corporations Act 2001 as modified by ASIC Class Order (CO 12/1482). Although these Notes are secured notes, they are not a bank deposit and investors could lose some or all of their money.

All information in the 'ASIC Benchmarks' section is as 28 February 2017 unless otherwise specified and is based on unaudited accounts.

### Benchmark 1: Equity Ratio

**This benchmark requires issuers of debentures to have a minimum equity ratio (defined as total equity divided by total liabilities + total equity) of 8%, where they are not engaged in property development activities.**

We meet this benchmark as we have an equity ratio of 14.5% as at 28 February 2017 which exceeds the minimum requirement of 8%.

As at 29 February 2016 the rate was 12.6%. We expect that we will continue to meet this benchmark as the value of equity is expected to remain steady or increase over time, ensuring we have sufficient capital to cover liabilities.

### Benchmark 2: Liquidity

**This benchmark requires issuers to 'have cash flow estimates for the next three months' and to 'ensure that at all times they have cash or cash equivalents sufficient to meet projected cash needs over the next three months'.**

We meet this benchmark and expect that we will continue to meet this benchmark, as we prepare estimates of cash flows three months ahead to ensure that at all times we hold cash or cash equivalents sufficient to meet projected cash needs over the next three months.

To help ensure that at all times cash on hand or cash equivalents remains sufficient to meet projected cash needs over the next three months, AURLIL holds approximately \$5.40 million (as at 28 February 2017) of cash, both directly and in the entities it owns, which is available to cover any shortfall in cash flows it receives from AURVT #1 and AURVT#2 (Trusts) should short term shortfalls in distributions from these Trusts occur.

We do not have a policy of matching loan terms with investment maturities as the underlying assets are long term businesses and are not realised at the end of loan terms.

In estimating cash flows, we take into account a reasonable estimate of rollovers based on previous experience. Material assumptions underlying cash flow projections include analysis of past maturities and consideration of budget projections, however, we exclude new fundraising and new lending business.

In the three months prior to 28 February 2017, Notes rolled over amounted to \$2.022m and comprised:

- \$1.288m from Series 1 which matured on 30 November 2016; and
- \$0.734m from Series 2 which matured on 31 December 2016.

The maturities also resulted in the repayment of \$0.03m from Series 1 and \$0.036m from Series 2.

Historically greater than 75% of Notes have been rolled over at maturity. As such, generally we use a conservative estimate of rollovers for the purposes of calculating the cash flows of 75% where actual numbers are not yet available. Any changes to the interest rate offered on the Notes do not significantly impact net cash flow as the interest inflows are always 0.25% higher than interest outflows.

Cash flows for the three months to 31 May 2017 are estimated to be as follows:

AUFL	
Estimated Inflows	\$0.919m
Estimated Out Flows	\$(0.853)m
Estimated Net Cash Flow	\$0.066m

There is no maturity of Notes in the three months to 31 May 2017.

On 30 June 2017, Notes due to mature include:

- Series 3 Notes worth \$6.321m, of which 65% is continuing for a further term; and
- Series 4 Notes worth \$10m, of which 57% is continuing for a further term.

### Benchmark 3: Rollovers

**This benchmark requires issuers to clearly disclose their approach to rollovers.**

We meet this benchmark and expect that we will continue to meet this benchmark, as we outline our approach to rollovers in this Prospectus. Rollovers do not happen automatically, however we may decide to extend the maturity date of the Notes. We may extend the term by notifying Note holders in writing at least four months prior to the maturity date, letting them know the proposed interest rate and the maturity date for the extended term should Noteholders wish to hold the Notes for the extended period. At that time, we will also refer Note holders to the most recent Continuous Disclosure Notice on our website, in relation to the Notes. Where this occurs, unless the Note holder notifies us no later than three months before the maturity date that they wish to withdraw, they will hold the Notes for the extended period.

## Benchmarks 4 & 5: Debt Maturity and Loan portfolio

These benchmarks require issuers to disclose the maturity profile of interest bearing liabilities including term and value and interest rates or average interest rates applicable to their debts. They also require issuers who on-lend funds to disclose the current nature of their loan portfolio.

We meet these benchmarks and expect to continue to meet these benchmarks. We understand the importance of a transparent loan portfolio.

The nature of the loan portfolio as at 28 February 2017 was as follows:

Interest bearing debt	Years to maturity	Interest rate %p.a.	Value \$m
Series 1	0.75	5.60	6.770
	0.75	6.50	8.598
	0.75	7.50	0.620
	1.75	5.15	1.288
	2.75	7.50	5.408
Series 2	0.84	6.50	4.118
	1.08	6.10	2.912
	1.84	5.15	0.734
Series 3	0.33	6.50	6.321
	0.84	7.50	0.315
	1.08	6.10	4.514
	2.84	7.50	0.015
Series 4	0.33	6.50	10.00

## What is the maturity profile of the interest bearing assets by term and value?

The maturity profile of the interest bearing assets as at 28 February 2017:

Interest bearing assets	Years to maturity	Interest rate %p.a.	Value \$m
Series 1	0.75	5.85	6.770
	0.75	6.75	8.598
	0.75	7.75	0.620
	1.75	5.40	1.288
	2.75	7.75	5.408
Series 2	0.84	6.75	4.118
	1.08	6.35	2.912
	1.84	5.40	0.734
Series 3	0.33	6.75	6.321
	0.84	7.75	0.315
	1.08	6.35	4.514
Series 4	2.84	7.75	0.015
Series 4	0.33	6.75	10.00

## How many loans are in the portfolio and what is the value of them?

As at 28 February 2017, there are four loans between AUFL and AURLIL:

- \$22,684,000;
- \$7,764,000;
- \$11,165,238.99; and
- \$10,000,000.

## What proportion of the total loan monies are lent on a 'secured' basis and what is the nature of the security?

All of the Notes are secured by first ranking security interests held by the Trustee for the benefit of Note holders, over:

- each of the loans made by AUFL to AURLIL;
- specified allotments of units held by AURLIL in the Trusts as follows:
  - Series 1 Notes and Series 2 Notes are secured by specified allotments of units held by AURLIL in AURVT #1;
  - Series 3 Notes are secured by a specified allotment of units held by AURLIL in AURVT #2;
  - Series 4 Notes are secured by specified allotments of units held by AURLIL in AURVT #1 and AURVT #2; and
- the right to receive money payable in connection with each of the loans and the security interests.



### How are the loans classified by activity and geographic region?

\$22.684 million funded by Series 1 Notes has been used by AURLIL to invest in units in AURVT #1, which owns and operates retirement villages and aged care facilities in Victoria and New South Wales.

\$7.764 million funded by Series 2 Notes has been lent by AURLIL to AURLSL to expand its retirement living business in Victoria and New South Wales.

\$11.165 million funded by Series 3 Notes has been used by AURLIL to invest in units in AURVT #2, which owns and operates retirement villages in New South Wales.

\$10.00 million funded by Series 4 Notes has been used by AURLIL to invest in units in AURVT #1, which owns and operates retirement villages and aged care facilities in Victoria and New South Wales, and in AURVT #2, which owns and operates retirement villages in New South Wales.

These tables show the retirement village assets of AURVT #1 and AURVT #2. However, security is not held directly over these assets.

AURVT #1		
State	No. of Retirement Villages	Value (\$m) (31 December 2016)
NSW	2	67.9
VIC	1	22.5

AURVT #2		
State	No. of Retirement Villages	Value (\$m) (31 December 2016)
NSW	3	87.2

### What proportions of the loans are in default or arrears?

The loans funded by Series 1 Notes, Series 2 Notes, Series 3 Notes, and Series 4 Notes are not in default or arrears, and have not been at any time since the loans were established.

### What proportion of the total loan monies have been lent to our largest borrower? And 10 largest borrowers?

All of the loan monies funded by Series 1 Notes have been lent to AURLIL.

All of the loan monies funded by Series 2 Notes have been lent to AURLIL, which on-lent all of the loan monies to AURLSL.

All of the loan monies funded by Series 3 Notes have been lent to AURLIL.

All of the loan monies funded by Series 4 Notes have been lent to AURLIL.

As the loan money is lent to two parties, the loan portfolio is not diversified. This may raise the risk that a single negative event affecting one loan will increase the risk for the overall loan portfolio.

### What proportions of the loans are subject to legal proceedings?

There are no loans subject to legal proceedings.

### Benchmark 6: Related party transactions

**This benchmark requires issuers who on-lend funds to disclose their approach to related party transactions and any policy the Issuer has regarding related party lending, including how many loans they have made to related parties, the value of those loans, the value of loans as a percentage of total assets, and the assessment and approval process they follow with related party loans when loans are advanced, varied or extended (e.g. are they subject to the approval of the Trustee?).**

We meet this benchmark and expect to continue to meet this benchmark.

The proceeds raised by AUFL from issuing Notes have been lent to related parties:

- Proceeds from Series 1, 3 and 4 Notes have been lent to AURLIL;
- Proceeds from Series 2 Notes have been lent to AURLIL, which then on-lent to AURLSL.

As at 28 February 2017, the loans totalled \$51,613,238.99, equating to 29.05% of the total valuation of the retirement village assets (31 December 2016) of the Trusts.

Investors should refer to Benchmarks 4 and 5 for further details on specific loans. The terms of the loans funded by the Notes are detailed in a loan agreement, and the loans have been entered into on arm's length and commercial terms. Note holder approval is not required for these arrangements.

All other transactions we enter into in relation to the Notes, including those with related parties, are on arm's length and commercial terms. Entities within the Australian Unity Group of companies may provide registry, accounting, underwriting and tax services in relation to the Notes for fees charged at commercial rates. The value of related party transactions is reported yearly as part of AUFL's annual financial report. A copy of this report is available free of charge by contacting Australian Unity on 13 29 39.

Policies and guidelines are in place to manage the risk of any actual or perceived conflict of interest as a result of a related party transaction. Related party transactions with Australian Unity Group entities are reviewed and approved by senior management with clearly identified governance policies and guidelines. This reduces the risk that they may not be conducted with the same rigour as transactions with independent parties. Related party loans are not subject to the approval of the Trustee.

## Benchmark 7: Valuations

**This benchmark for property valuations, where an issuer is involved in or lends money for property-related activities, includes a number of requirements, including for example, requiring the issuer to establish a panel of valuers, ensuring that no one valuer conducts more than a third of the issuer's valuation work, etc.**

We do not meet this benchmark as the Issuer does not use property valuers for these valuations, and therefore has not established a panel of valuers for valuations.

Australian Unity Property (AUPL) values the underlying assets in the Trusts bi-annually on a 'going concern' basis, and any changes are reflected in the net asset values of the Trusts which are reported monthly.

Series 1 Notes and Series 2 Notes are secured by first ranking security interests, held by the Trustee for the benefit of Note holders, over:

- the loans made by AUFL to AURLIL;
- allotments of units held by AURLIL in AURVT #1; and
- the right to receive money payable in connection with the loans and the security interests.

Series 3 Notes are secured by first ranking security interests, held by the Trustee for the benefit of Note holders, over:

- the loan made by AUFL to AURLIL;
- an allotment of units held by AURLIL in AURVT #2; and
- the right to receive money payable in connection with the loan and the security interests.

Series 4 Notes are secured by first ranking security interests, held by the Trustee for the benefit of Note holders, over:

- the loan made by AUFL to AURLIL;
- an allotment of units held by AURLIL in AURVT#1 and AURVT #2; and
- the right to receive money payable in connection with the loan and the security interests.

The underlying assets of AURVT#1 and the AURVT #2 – the physical retirement village properties - are not security for any of the Notes Series.

## Benchmark 8: Lending principles - loan-to-valuation ratios

**This benchmark requires loan-to-valuation ratios to not exceed 80%, where an issuer on-lends money in relation to property-related activities and the loan does not relate to property development.**

We do not meet this benchmark as we do not meet Benchmark 7.

To calculate the loan-to-value ratios below, we use valuations of the Trusts as described in Benchmark 7. The ratios of the loans to the market value of AURLIL's units in each of the Trusts are within the benchmark maximum of 80%. The lower the number the less vulnerable the investment is to any decline in market conditions.

Trust	Loan-to-value Ratio (as at 28 February 2017)
AURVT #1	47.79%
AURVT #2	24.41%

## Features of the Notes

### Purpose

This Prospectus invites applications for investment in secured notes which are a loan from you to AUFL. We are obliged to pay you accrued interest on the loan quarterly and to repay to you the principal of the loan at maturity.

The purpose of this capital raising is to facilitate withdrawals from Notes issued under Series 4, Prospectus 1 that mature on 30 June 2017. Funds raised from the issue of Notes under this Prospectus will be used to redeem Notes from Series 4, Prospectus 1. The capital raised by AUFL under Series 4 Prospectus 1 was lent to AURLIL to finance the acquisition of units in AURVT #1 and AURVT#2, which it continues to hold.

AUFL, AURLIL and AURLSL are all related parties in the Australian Unity Group of companies.

More details of the structure of financing arrangements between AUFL and AURLIL are set out in the 'Financing arrangements' section on page 13.

### Security

The Notes are classified as 'secured notes' under the Corporations Act 2001 (Cth), as modified by ASIC Class Order (CO 12/1482) *When debentures can be called secured notes*.

The Notes are issued under a Trust Deed, dated 13 October 2005, which contains the terms and conditions on which applications for investment may be accepted, and contains a number of binding conditions on AUFL for your protection. More information about the Trust Deed is set out on page 14 in 'Investor protection'.

The loan made by AUFL to AURLIL in relation to Series 4 Notes is also subject to contractual arrangements and obligations between the various parties including a loan agreement and a first ranking security interest. More information about these arrangements is set out on page 15 under the 'Investor protection' section.

The Trustee has been appointed as independent trustee to hold certain security for the benefit of Note holders, and if necessary to enforce the security for the repayment of the funds invested by Note holders. This security consists of a first ranking security interest over:

- the loan made by AUFL to AURLIL;
- an allotment of units held by AURLIL in AURVT #1 and AURVT #2; and
- the right to receive money payable in connection with the loan and the security interest.

The value of the assets supporting the security for all the Notes which AUFL has issued is sufficient and is reasonably likely to be sufficient to repay the Notes and other liabilities that rank in priority, or have equal priority, to the Notes. However, there is the risk that Note holders could lose some or all of their money.

The security the Trustee holds for the benefit of Note holders can be affected by the financial position or performance of AUFL. Refer to "Retirement village operations risk" on page 16 for more information.

### Applications to invest

The maximum amount to be raised under this Prospectus will be A\$4,300,000 (4,300,000 Notes).

The issue price for a Note is \$1.00. The minimum investment amount is \$5,000 (5,000 Notes), and thereafter in multiples of \$1,000 (1,000 Notes).

You can make an investment in the Notes by completing the Application Form at the back of this Prospectus and sending it to us along with a cheque or with completed direct debit details. Pending the issue of Notes to an investor, the application monies will be held in a trust account that complies with the Corporations Act.

No applications will be accepted on the basis of this Prospectus later than 30 June 2017. We may close this offer of Notes earlier than this date. If the Notes you have applied for are fully subscribed by the date on which we receive your Application Form and application monies, your application monies will be returned to you.

The 14 day cooling off period that applies to investors for some financial products does not apply to this investment.

### Interest rate and term offered

#### Interest rate

- 5.00% per annum

#### Maturity date

- 30 June 2019

We are permitted to write to investors at any time to purchase the Notes, and make an early repayment in full before the Notes' maturity.

### Interest calculations

The interest rate is quoted as a 'per annum' rate. It is calculated from the first Melbourne business day that your completed Application Form and application monies are accepted by us until the end of the term.

### Interest payment frequency

Interest is paid quarterly in arrears, based on a quarter of the 'per annum' interest rate. There is no deferred interest payment or interest reinvestment option available.

Interest is normally paid within 14 days of the end of each quarter, ending on: 31 March, 30 June, 30 September, and 31 December. Your first interest payment may also include interest from the day we accept your Application Form and application monies.

### Payments only by direct credit

Interest payments and the repayment of your principal will only be made by direct credit into the account specified by you in the Application Form or as advised to us in writing. We cannot pay by cheque.

If you do not nominate an Australian financial institution account (or your payment is not accepted into your nominated Australian financial institution account), payments will be invested on your behalf in the Australian Unity Wholesale Cash Fund (ARSN 111 933 361), until you notify us otherwise.

## Early withdrawal

We are not required to accept withdrawal requests before the end of the term or any other further term should the term of your Notes be extended for a further term. We may accept an early withdrawal request in whole or in part at our absolute discretion, but generally only in exceptional circumstances. An early withdrawal fee may apply if early withdrawal were permitted, see 'Fees and expenses' for the amount of the fee.

## Transfers

You have the flexibility to transfer your Notes to another person prior to the end of the term, free of charge, by completing a standard transfer form. A copy can be obtained by telephoning Australian Unity on 13 29 39.

The Notes may only be transferred in lots of 1,000 Notes. Any transfer registered by AUFL prior to the payment of interest for the quarter will result in all of that quarter's interest being paid to the new holder of the Notes.

## Withdrawal at maturity

At maturity, we will repay the principal in full together with any final interest payment, within 14 days.

## Term extensions or rollovers

We may extend the term or any further term by notifying you in writing at least four months prior to the scheduled maturity date, letting you know the proposed interest rate and the maturity date for the extended term.

If you do not wish to invest for the extended term, simply notify us in writing three months prior to the maturity date letting us know that you wish to withdraw. Should you wish to withdraw, you will have an opportunity to do so at the scheduled maturity of your Notes by giving three months' notice as described above.

However, if you do not notify us that you wish to withdraw you will be taken to have agreed to an extension of your Notes for the additional term at the interest rate notified by us, and you will not be able to withdraw before the end of the extended term other than in accordance with the information under the heading 'Early withdrawal' above.

## Fees and expenses

We do not charge or deduct any entry, exit or management fees from your investment in the Notes if you hold them for the full term.

An early withdrawal fee may apply if we accept a withdrawal request before the end of the term. AUFL may deduct from your principal an amount of up to 50% of the interest payable for the term of the Notes, should the withdrawal request be accepted.

Should we extend the term, then the early withdrawal fee will only apply from the original maturity date to the maturity date of the extended term. We will confirm this fee in writing to you before we accept your early withdrawal request.

## Duties and taxes

Any bank or Government fees, duties or taxes incurred in connection with any investment under this Prospectus may be deducted from either or both of the interest paid, or the capital returned to you.

Refer to page 26 for more information on taxation.

## Taxation

The interest payments you receive will generally be treated as assessable income and will need to be included in your annual income tax return for the financial year in which the interest payments are received.

Each year you will receive a statement providing details of your assessable income in relation to the Notes for the preceding 12 months to 30 June to assist you in preparing your income tax return. Refer to page 26 for more information on taxation.

## Stock exchange listing

AUFL does not propose to apply to have the Notes listed for quotation on the Australian Securities Exchange Limited (ASX) or any other market on which the Notes may be traded.

## Trustee remuneration

The Trustee receives remuneration and is reimbursed for expenses in accordance with the terms of the Trust Deed. Remuneration of \$50,972 (excludes GST) for the year to 30 June 2016 was paid to the Trustee. The Trustee has no other interest in the promotion of the Notes and no amounts have been paid, or agree to be paid to the Trustee to induce it to act in that or another capacity, or for other services rendered by it in connection to the Notes.

## Related party transactions

All transactions we enter into in relation to the Notes, including those with related parties, are conducted on arm's length and commercial terms. Consequently, neither Trustee nor Note holder approval has been sought for these arrangements. AUFL's business is to finance the activities of related companies, which in turn may invest in assets including retirement villages, retirement village unit trusts and retirement village related investments managed by related companies.

Related companies will usually earn fees or investment returns in respect of the assets and investments. These fees will usually comprise establishment fees, ongoing management fees and deferred management fees. The amount of those fees will vary from time to time. Similarly, companies within the Australian Unity Group of companies may earn fees in respect of the acquisition or management of any property where the deposit for the acquisition of the property is ultimately financed by AUFL. The value of related party transactions is reported yearly as part of AUFL's annual financial report. A copy of this report is available free of charge by contacting Australian Unity on 13 29 39.

## Directors of the Issuer

### **Rohan Mead, AMP (Harvard) Group Managing Director & CEO**

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 also deputy chairman of Platypus Asset Management, 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 the Centre for Independent Studies, a director of the Business Council of Co-Operatives and Mutuals Limited (BCCM) and the Australian Brandenburg Orchestra. Prior to joining Australian Unity, Mr Mead was employed by Perpetual Trustees Australia Limited (1996-2003) in a range of senior roles. Mr Mead has not held any directorships of listed entities in addition to those set out above during the last three years.

### **David Bryant, FAICD, F Fin, FAIM CEO, Wealth & Chief Investment Officer**

Mr Bryant joined Australian Unity in 2004. He is Chief Executive Officer for Wealth and Chief Investment Officer for the Australian Unity Group. He is responsible for Australian Unity's financial services, investment and banking activities in Australia. He is a board member of many of its operating entities and Investment Joint Venture subsidiaries. Prior to joining Australian Unity in 2004, Mr Bryant was Chief Operating Officer at Perpetual Personal Financial Services, and has held senior roles in financial services, asset consulting, and banking, for both Australian and international organisations. His various roles have encompassed responsibilities for business across the Asia Pacific region. Mr Bryant is a director of the Australian Financial Services Council, co-chair of its Advice Board Committee and a member of its Policy Agenda Committee.

### **Kevin McCoy, BCom, H Dip Acc, CA, PMP, GAICD Chief Financial Officer**

Mr McCoy joined Australian Unity in April 2012 and became Chief Financial Officer in March 2014. He was previously Group Executive - Strategic Business Development and Deputy CFO, and was responsible for the effective execution of strategic initiatives, treasury, capital management and organisation-wide performance measures. He previously 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 recent merger with Big Sky Credit Union. Other major consulting clients included Westpac where he managed the merger with St. George in 2008, the IPO of BTIM in 2007, the acquisition of RAMS in 2007 and the sale of the Custody business to HSBC in 2006. Mr McCoy has more than 15 years' experience in senior finance and project management roles primarily in the finance industry. He is a member of the Institute of Chartered Accountants and is also an accredited project management professional (PMP) through the Project Management Institute.

### **Greg Willcock, BComm, FCPA, FAICD, MAIM, F Fin**

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, chairman of the Risk Committee and a member of the Audit and Compliance Committee. Mr Willcock is 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 33 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 Bank of Australia in the areas of risk management, strategy and change management. Mr Willcock has not held any directorships of listed entities in addition to those set out above during the last three years.

### **Su McCluskey, BComm, FCPA, MAICD**

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, Chairman of the Human Resources, Remuneration and Nominations Committee and a member of the Audit and Compliance Committee and the Investment Committee. Ms McCluskey is the immediate past Chief Executive Officer of the Regional Australia Institute. She is a member of the Ministerial Advisory Council on Skilled Migration. Ms McCluskey was also a member of the Harper Review of Competition Policy and the Regional Telecommunications Independent Review Committee. Ms McCluskey was previously the CEO of the Council of Rural Research and Development Corporations and the Executive Director of the Office of Best Practice Regulation. Ms McCluskey 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. Ms McCluskey has not held any directorships of listed entities in addition to those set out above during the last three years.

### **Paul Kirk, B Ec, ACA, RITA, MAICD**

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, Chairman of the Audit & Compliance Committee and a member of the Human Resources Remuneration and Nominations Committee. Mr Kirk is currently Managing Director and Founder of Collins Pitt. He is also a director of the Transport Accident Commission and the St Kilda Football Club. He is a member of the Audit & Risk Committee of Monash University. 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 & restructuring, profit improvement, M&A, strategic advice, risk and governance, forensic accounting and insolvency management. Following this, Mr Kirk worked for two years as a Special Advisor for Lazard Australia. Mr Kirk has not held any directorships of listed entities in addition to those set out above during the last three years.

### **Interests of the directors of the Issuer**

None of the directors of AUFL (or any firm in which a director has an interest) holds an interest (or has held an interest in the last two years) in:

- the promotion of the Issuer; or
- assets proposed to be acquired by the Issuer in connection with its promotion on this offer except as explained below.

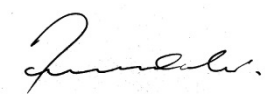
Each of David Bryant, Kevin McCoy and Rohan Mead, are employees of a company in the Australian Unity Group. The employment contracts for each of these directors contain terms for their remuneration under which performance bonuses may be paid in respect of the financial performance of Australian Unity. The success of this issue of Notes may affect the financial performance of Australian Unity, and therefore be a factor in making bonus determinations under those employment contracts.

Directors of AUFL may acquire Notes under this Prospectus but are not required to hold Notes.

Details of the remuneration of AUFL directors are available in the AUFL annual financial report for the year ended 30 June 2016. A copy of this report is available free of charge by contacting Australian Unity on 13 29 39.

### **Consents of directors**

The directors of AUFL have given, and not withdrawn as at the date of this Prospectus, their consent to the issue of this Prospectus. This Prospectus has been signed by Mr David Bryant, on behalf of AUFL.



**David Bryant**  
**Director – Australian Unity Finance Limited**

## Financing arrangements

### How the funds raised are used

AURLSL develops and operates retirement villages and aged care facilities in New South Wales and Victoria.

AURLSL has in place a growth strategy which is underpinned by the rapidly rising demand for retirement villages and aged care facilities across Australia.

The purpose of this capital raising is to facilitate withdrawals from Notes issued under Series 4, Prospectus 1 that mature on 30 June 2017. Funds raised from the issue of Notes to under this Prospectus will be used to redeem Notes from Series 4, Prospectus 1.

The capital raised by AUFL under Series 4 Prospectus 1 was lent to AURLIL to finance the acquisition of units in AURVT #1 and AURVT#2, which it continues to hold.

AUFL, AURLIL and AURLS are all related parties in the Australian Unity Group of companies.

### Australian Unity Retirement Living Investments

The assets of AURLIL include units in two trusts, AURVT #1 and AURVT #2.

AURLIL, through its unit holdings, derives income from retirement villages and related assets and may participate in any capital growth in the value of the assets. It is this income that supports interest payments to Note holders.

AUFL holds a first ranking security interest over an allotment of units in AURVT #2 as part of the security arrangements for the loan to AURLIL.

AURVT #1 owns and operates the following:

#### Willandra Village

Located at Cromer, New South Wales, Willandra Village comprises 225 self-care units and 36 serviced apartments.

#### Willandra Bungalows

Located at Cromer, New South Wales, Willandra Bungalows provides a clubhouse and various recreational facilities to accompany 90 self-care individual two and three bedroom bungalow style accommodation units.

#### Walmsley Friendship Village

Located at Kilsyth in Victoria, Walmsley Friendship Village comprises 198 villa style one and two bedroom units, and caters for retirees looking to live independently in stand-alone accommodation. Facilities include a barbecue area, billiards room and a croquet court.

AURVT #2 owns and operates the following:

#### Constitution Hill Retirement Village

One of the largest retirement communities in New South Wales, Constitution Hill is located in Northmead and consists of 425 independent living units ranging in size from one to three bedrooms. The village offers a range of community facilities for its residents including an indoor swimming pool, spa, cinema, library, snooker tables, hair salon, coffee shop, art and craft rooms, and an outdoor bowling green. Constitution Hill village is co-located with a Residential Aged Care facility owned by the Australian Unity Healthcare Property Trust (ARSN 092 755 318).

### Karagi Court

Karagi Court is located on the Central Coast of New South Wales in Bateau Bay and is made up of 68 independent living units ranging in size from studio to two bedrooms.

### Kiah Lodge

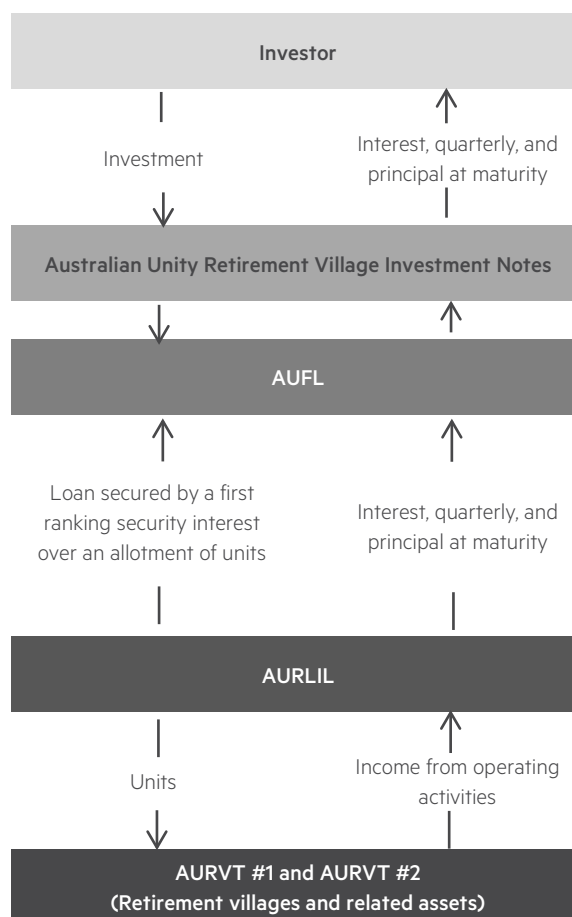
Kiah Lodge is also situated in the coastal town of Bateau Bay, New South Wales. The village consists of 81 independent living units. The units range in size from studio to two bedrooms.

### Australian Unity Retirement Living Services

AURLSL derives income from a range of activities including the management of well-established retirement villages and related assets, as well as the development of new retirement villages.

### Financing structure

The structure of the financing arrangements between AUFL and AURLIL is set out in the diagram below.



## Investor protection

### Security for your investment

The Notes are classified as 'secured notes' under the Corporations Act 2001 (Cth) as modified by ASIC Class Order (CO 12/1482).

The Notes are issued under a Trust Deed which contains a number of binding conditions on AUFL for your protection.

The loans made by AUFL to AURLIL are also subject to contractual arrangements and obligations between the two parties, including a loan agreement and a first ranking security interest over certain assets of AURLIL.

Refer to 'Key terms of Loan Agreement between AUFL and AURLIL and additional security arrangement on page 15. In addition, the Trustee has been appointed to hold certain security for the benefit of Note holders, and if necessary to enforce the security for the repayment of the funds invested by Note holders. This security consists of a first ranking security interest, registered with Personal Property Securities Register, over:

- the loan made by AUFL to AURLIL;
- an allotment of units held by AURLIL in AURVT #1 AURVT #2; and
- the right to receive money payable in connection with the loan and the security interest.

Refer to 'Trustee and Trust Deed' on page 14 for more information.

The value of the assets supporting the security for all the Notes issued by AUFL is sufficient and is reasonably likely to be sufficient to repay the Notes and other liabilities that rank in priority, or have equal priority, to the Notes.

Details of the assets underlying the security are provided in Benchmark 5 on page 6. Further information concerning AUFL's lending activities is provided in Benchmark 6 on page 7.

### Trustee and Trust Deed

AUFL has appointed The Trust Company (Australia) Limited (the Trustee) as the independent trustee of the Notes.

This issue of Notes is subject to a Trust Deed and the Corporations Act 2001 (Cth). They set out the powers and duties of the Trustee to ensure that certain obligations are met by AUFL in relation to the issue of the Notes.

The Trust Deed contains certain protections for the interests of Note holders in the Notes.

For example, AUFL is not permitted to issue Notes unless it has:

- total eligible assets of at least 110% of its total weighted liabilities; and
- sufficient liquid assets to pay six months interest in respect of the liability for the Notes.

AUFL is prohibited from creating any liability which would have priority over the interests of Note holders.

At each quarter's end, when interest payments are due, these financial tests must be met by AUFL. If AUFL was unable to satisfy these tests, a notice of the breach would be issued by the Trustee, giving 30 days' notice to rectify the breach. A failure to do so would constitute an event of default.

In addition, AUFL is required to promptly notify the Trustee if it should become aware of a breach of the financial tests referred to above. It must issue a quarterly report to the Trustee which confirms that the financial covenants have been met, and which states whether it has any reason to believe that the financial covenants may not be met for the following quarter.

The statements in this Prospectus only provide a summary of some of the provisions of the Trust Deed. You can inspect a copy of the Trust Deed at our Melbourne office at any time between 9:00am and 5:00pm on a Melbourne business day.

The Trustee has consented to be named as Trustee in this Prospectus. However, the Trustee has not authorised or caused the issue of this Prospectus and was not involved in preparing, nor does it take responsibility for, this Prospectus (other than statements referring directly to the Trustee). Other than the parts of this Prospectus which refer directly to the Trustee, the Trustee has not made any representations as to the truth or accuracy of the contents of this Prospectus. Other than the parts of this Prospectus which refer directly to the Trustee, the Trustee has relied upon the Issuer for the accuracy of the content of this Prospectus. The Trustee has no involvement in the approval of any related party loans. The Trustee does not make any representations as to the performance of the Issuer, the compliance with benchmarks, the maintenance of capital or any particular rate of return.

### Defaults and how they are handled

Examples of events of default include, if:

- AUFL fails to pay any amount due within 20 business days including payment of interest and repayment of your principal;
- AUFL breaches any material provision of the terms under which the Notes are issued and the breach is not rectified within 30 business days after service of a notice from the Trustee;
- a defined insolvency event occurs in respect of AUFL (including the appointment of a liquidator, receiver or administrator, or a person appointed to manage the affairs of AUFL); or
- AUFL creates, or allows to exist, an encumbrance over any property which is subject to the security arrangements.

If an event of default occurs, the Trustee must, if directed by an extraordinary resolution passed at a meeting of Note holders, amongst other things, give written notice to AUFL, requiring it to immediately repay all outstanding and accrued interest on the Notes, together with the capital amount due. A meeting of Note holders may be convened by a request in writing from not less than 10% of the aggregate of all Notes on issue or the Notes of a Series. A notice of the meeting is then required to be provided to Note holders at least 21 days in advance of the meeting to inform them of the day, time, and place of the meeting. For an extraordinary resolution to be passed at such a meeting, not less than 75% of the votes cast must vote in favour of the resolution. The time this process takes may impact the Trustee's ability to recover, which may mean you do not receive repayment of your capital in full.

Interest will accrue on any unpaid amount from the original due date for payment until the unpaid amount has been repaid in full, at the same interest rate.



In addition, at any time after an event of default has occurred, the Trustee can take any of the following enforcement actions:

- appoint a receiver of the security;
- undertake the functions of a receiver;
- require AUFL to act exclusively in accordance with the Trustee's directions; or
- take any other action to enforce the security.

### **Key terms of Loan Agreement between AUFL and AURLIL and additional security arrangement**

The loan from AUFL to AURLIL is subject to a loan agreement detailing the amount available, how the funds may be used, and the obligations of AURLIL.

AUFL also holds a first ranking security interest, registered with the Registrar of Personal Property Securities, over an allotment of units held by AURLIL in AURVT #1 and AURVT #2 as security for the loan.

The loan agreement contains certain protections for AUFL, for example:

- AURLIL must make interest payments and repay the principal within seven days of the due date for payment;
- AURLIL must ensure the market value of the units, held as security for the loan, in AURVT #1 and AURVT #2 are at least 110% of the total amount owing under the loan agreement;
- AURLIL is prohibited from creating any encumbrance over the security interests held as security for the loan which would have priority over the interests of AUFL;
- AURLIL must not become insolvent; and
- AURLIL must remain a wholly owned subsidiary of Australian Unity.

At each quarter's end, when interest payments are due, these tests must be met by AURLIL and reported to AUFL so that AUFL can regularly monitor the security of the loan funds advanced.

A failure by AURLIL to meet its required obligations under the loan agreement can amount to an event of default, which would enable AUFL to accelerate the repayment of all amounts owing, and to exercise its rights of enforcement under the security interest over the loan.

### **Ranking and issue of new notes**

Investments under this Prospectus will rank equally with all other Notes that have been issued by AUFL.

While there are Notes outstanding, and subject to the restrictions in the Trust Deed, AUFL may issue other Notes, whether or not on the same terms and conditions as this issue.

# Understanding the risks of investing

## What is risk?

'Risk' can generally refer to the variability and volatility of an investment return and the likelihood of incurring a loss on your investment.

All investments come with a degree of risk. You will need to determine how much risk you are able, or willing, to tolerate. The main risks of investing include a decrease in the value of your investment, a fluctuation or a decrease in the amount of income generated from the investment, or a lower than expected rate of return.

These risks can arise from various circumstances, including:

- changes to Government policies relating to tax or economics that may have adverse impacts on investment markets or the tax treatment of investment returns ('regulatory risk'); and
- changes to social, economic (e.g. inflation and interest rates), political, commercial and technological environments or to market sentiment, that may make certain investments less attractive ('market risk').

It is commonly accepted that there is a relationship between the level of return generated by an investment and its level of risk. The spectrum below shows the five main types of investments according to their relationship between risk and return for you to consider.

Cash      Fixed Interest /Mortgages      Property      Equities



*Lower risk, but normally a lower return over a longer term*

*Higher risk, but normally a higher return over a longer term*

If the security of your money is your highest concern when selecting investments, you should choose an investment with lower risk, bearing in mind that your return may be lower in the long-term. Conversely, if your focus is towards achieving higher returns, you will need to be comfortable with the fluctuations in the value of your investment before selecting an investment with higher risk.

## Risks relevant to this investment

A secured note is a type of fixed interest investment. It is a loan from you to the borrower (AUFL) at a fixed rate of interest, and for a defined term.

This is achieved by you purchasing a note that has been issued by the borrower, which is an obligation on the borrower to pay you accrued interest on the loan, and to repay to you the principal of the loan at the end of the term.

### Interest rate risk

The rate of interest paid by the borrower is fixed for the term, whereas market interest rates may vary. There is a risk that market interest rates may go up over the term and be higher than that paid by the borrower to you as a Note holder. The interest rate applied for the term of the Notes is listed on page 3. Should we extend the term of the Notes upon maturity, the interest rate offered at that time may be different.

### Term risk

Generally, you cannot withdraw your investment before the end of the term. Except in exceptional circumstances, you will be required to hold the Notes for their full term. We may extend the term of the Notes by notice in writing at least four months before the scheduled maturity date. Unless you notify us in writing no later than three months before the maturity date that you wish to withdraw your investment, you will be taken to have agreed to extend your Notes for the further term and at the interest rate specified in our notice. See "Early withdrawal" on page 10 for further details.

### Borrower risk

There is a risk that the borrower may not be able to meet its obligations to pay you interest, and to repay your principal in full or at all, that is, there is a risk that investors could lose some or all of their money.

The borrower's capacity to meet its obligations is affected by the performance of AURLSL. Risk relating to the performance of AURLSL is outlined in the "Retirement village operations risk" section on page 16. The Notes are not secured against any direct property assets (e.g. land) of the borrower, and in the event of a default on the part of the borrower there is a risk that the amount of capital repaid to you could be delayed and/or reduced. See page 14 "Defaults and how they are handled" for more detailed information.

### Retirement village operations risk

AURLIL derives income from its investment in retirement villages and related assets. This income supports interest payments to Note holders. There is the risk that operation of the underlying retirement villages and related assets does not deliver sufficient income to enable AURLIL to meet its repayment obligations to AUFL. However, AURLIL holds an amount of cash which is available to support its cash flows from the Trusts should short term shortfalls in distributions from those Trusts occur.

The operating and financial performance of AURLSL is dependent on the value of the retirement village properties as well as the turnover of units at the retirement villages. A significant decline in the value of the retirement village properties or the turnover of units would have a material adverse effect on the operating and financial performance of AURLSL and impact the value of the Trusts. This in turn would impact the ability of AUFL to meet its interest obligations to you as a Note holder.

### Liquidity risk

A circumstance may arise where a significant number of Note holders wish to withdraw at maturity and we do not have the liquid assets available to meet withdrawal requests. In such a situation, we would seek to raise replacement capital, however there is a risk that we may not be able to do so.

### **Regulatory risk**

The operation of retirement villages is subject to Government regulatory risk. Any change in Government policy towards retirement villages may impact the operating and financial performance of AURLSL and AURLIL's investment in the Trusts. This in turn would impact the ability of AUFL to meet its interest obligations to you as a Note holder.

### **How we manage risk**

We are unable to eliminate all investment risks, but we do analyse, manage and aim to reduce the impact of risks through the use of carefully considered investment guidelines and processes.

### **How you can manage your risk**

In managing your risk, we recommend that you:

- seek your own professional advice to help you understand how your current financial situation, and your investment objectives, affect the selection of investments that you can make;
- consider your investment timeframe, your investment objectives and your risk tolerance; and
- diversify your investments to help reduce risk and the volatility of investment returns.

## Financial information

### Australian Unity Finance Limited: Summary balance sheet information derived from the financial statements

	Half-year ended	Year ended				
	31-Dec-16	30-Jun-16	30-Jun-15	30-Jun-14	30-Jun-13	30-Jun-12
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Assets</b>						
Cash and deposits at call	3,211	2,457	8,901	18,099	8,444	8,345
Trade and other receivables	130	133	180	180	191	207
AURLIL loan <sup>1</sup>	51,613	56,323	70,264	61,800	61,800	61,800
Financial assets at fair value through profit and loss <sup>2</sup>	6,839	6,908	-	-	-	-
Deferred Tax Asset	-	-	3	6	15	6
<b>Total Assets</b>	<b>61,793</b>	<b>65,821</b>	<b>79,348</b>	<b>80,085</b>	<b>70,450</b>	<b>70,358</b>
<b>Liabilities</b>						
Trade and other payables	(653)	(741)	(1,016)	(1,805)	(994)	(1,170)
Notes on issue <sup>3</sup>	(51,882) <sup>+</sup>	(56,323)	(70,264)	(70,394)	(61,800)	(61,800)
Deferred tax liabilities	(614)	(157)	-	-	-	-
<b>Total Liabilities</b>	<b>(53,149)</b>	<b>(57,221)</b>	<b>(71,280)</b>	<b>(72,199)</b>	<b>(62,794)</b>	<b>(62,970)</b>
<b>Net Assets</b>	<b>8,644</b>	<b>8,600</b>	<b>8,068</b>	<b>7,886</b>	<b>7,656</b>	<b>7,388</b>
<b>Shareholder's Equity</b>						
Share Capital	6,000	6,000	6,000	6,000	6,000	6,000
Retained Earnings	2,644	2,600	2,068	1,886	1,656	1,388
<b>Total Shareholder's Equity</b>	<b>8,644</b>	<b>8,600</b>	<b>8,068</b>	<b>7,886</b>	<b>7,656</b>	<b>7,388</b>
<b>Assets to Liabilities Ratio (minimum of 1.1)</b>	<b>1.16</b>	<b>1.15</b>	<b>1.11</b>	<b>1.11</b>	<b>1.12</b>	<b>1.12</b>

<sup>1</sup> Consists of interest bearing Notes amounting to \$51.613m and non-interest bearing Notes amounting to \$0.269m; the non-interest bearing Notes were repaid to Note holders in January 2017.

The above balance sheets have been extracted from the audited financial statements for each reported period.

For the balance sheets as at 30 June 2012 to 30 June 2016, this financial information has been derived from the financial statements of AUFL for the financial years ended 30 June 2012, 30 June 2013, 30 June 2014, 30 June 2015 and 30 June 2016, as applicable, which were audited by Ernst & Young.

For the balance sheet as at 31 December 2016, the auditor, PricewaterhouseCoopers, has consented to the use of this information in the form presented above and has not withdrawn this consent as at the date this prospectus is lodged with ASIC.

The following notes did not form part of the audited financial statements from which the above balance sheets have been derived.

#### Note 1 AURLIL loan

The loan receivable from AURLIL is interest bearing, with interest payable at a rate which is 0.25% above the interest rate payable to holders of the RVINs used to fund this loan. Changes in this balance mirror the changes in the RVINs issued over the periods reported above.

#### Note 2 – Financial assets at fair value through profit and loss

This balance represents an investment in a fund managed by a related entity. Changes in this balance comprise movements in the fair value of the investment.

#### Note 3 – Notes on issue

These balances represent RVINs on issue. Changes in this balance represent redemptions of RVINs during the periods reported above.

## Australian Unity Finance Limited: Statements of comprehensive income

	Half-year ended	Year ended				
	31-Dec-16	30-Jun-16	30-Jun-15	30-Jun-14	30-Jun-13	30-Jun-12
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Revenue and other income <sup>1</sup>	1,839	4,969	5,580	5,287	5,511	5,727
Expenses, excluding finance costs	(81)	(114)	(139)	(103)	(103)	(96)
Finance costs <sup>2</sup>	(1,695)	(4,095)	(5,181)	(4,855)	(5,025)	(5,201)
<b>Profit before income tax</b>	<b>63</b>	<b>760</b>	<b>260</b>	<b>329</b>	<b>383</b>	<b>430</b>
Income tax expense	(19)	(228)	(78)	(99)	(115)	(129)
<b>Profit after income tax</b>	<b>44</b>	<b>532</b>	<b>182</b>	<b>230</b>	<b>268</b>	<b>301</b>
<b>Total comprehensive income for the year</b>	<b>44</b>	<b>532</b>	<b>182</b>	<b>230</b>	<b>268</b>	<b>301</b>
<b>Profit is attributable to:</b>						
Owners of AUFL	44	532	182	230	268	301
<b>Total comprehensive income is attributable to:</b>						
Owners of AUFL	44	532	182	230	268	301

The above statements of comprehensive income have been extracted from the audited financial statements for each reported period.

For the statements of comprehensive income for the years ended 30 June 2012 to 30 June 2016, this financial information has been derived from financial statements of AUFL for the financial years ended 30 June 2012, 30 June 2013, 30 June 2014, 30 June 2015 and 30 June 2016, as applicable, which were audited by Ernst & Young.

For the half-year ended 31 December 2016, the auditor, PricewaterhouseCoopers, has consented to the use of this information in the form presented above. The following notes did not form part of the audited financial statements from which the above statements of comprehensive income have been derived.

### Note 1 – Revenue and other income

Revenue and other income comprises interest income on the AURLIL loan, fair value gains on financial assets at fair value through profit and loss and bank interest income. Movements in revenue and other income over the periods reported above comprise the effect of changes in interest rates arising from the rollover of RVINs, changes in interest income as a result of new RVIN issues and redemptions and changes in the fair value of financial assets at fair value through profit and loss.

### Note 2 – Finance costs

These expenses represent interest on RVINs. Changes in finance costs over the periods reported above comprise the effect of changes in interest rates arising from the rollover of RVINs and changes in interest expense as a result of new RVIN issues and redemptions.

**Australian Unity Retirement Living Investments Limited: Summary balance sheet information derived from the audited financial statements**

Year ended	30-Jun-16	30-Jun-15	30-Jun-14	30-Jun-13	30-Jun-12
	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Assets</b>					
Cash and deposits at call	1,326	1,824	1,757	1,757	1,322
Trade and other receivables <sup>1</sup>	2	9,365	5,022	3,876	3,984
Loan receivable from AURLSL <sup>2</sup>	22,679	21,779	770	7,800	7,800
Loan receivable from Australian Unity Limited	-	-	7,030	-	3,200
Units in AURVT #1 at cost	41,863	41,863	39,663	39,663	34,488
Units in AURVT #2 at cost	42,339	42,339	42,339	42,339	44,339
Deferred tax assets	1	-	-	-	-
<b>Total Assets</b>	<b>108,210</b>	<b>117,170</b>	<b>96,581</b>	<b>95,435</b>	<b>95,133</b>
<b>Liabilities</b>					
Trade and other payables	(480)	(1,443)	(2,996)	(3,378)	(5,136)
AUFL loan <sup>3</sup>	(56,323)*	(70,264)	(61,800)	(61,800)	(61,800)
Deferred tax liabilities	-	-	(1)	-	-
<b>Total Liabilities</b>	<b>(56,803)</b>	<b>(71,707)</b>	<b>(64,797)</b>	<b>(65,178)</b>	<b>(66,936)</b>
<b>Net Assets</b>	<b>51,407</b>	<b>45,463</b>	<b>31,784</b>	<b>30,257</b>	<b>28,197</b>
<b>Shareholder's Equity</b>					
Share Capital <sup>4</sup>	43,643	36,892	27,029	28,830	27,172
Retained Earnings	7,764	8,571	4,755	1,427	1,025
<b>Total Shareholder's Equity</b>	<b>51,407</b>	<b>45,463</b>	<b>31,784</b>	<b>30,257</b>	<b>28,197</b>
<b>Net Assets to Loan Ratio</b> = Net assets of AURVT #1 + AURVT #2 (held by AURLIL)/loan to AUFL	<b>2.34<sup>~</sup></b>	<b>1.80</b>	1.90	1.85	1.77
AURVT #1 Valuations (Net assets as per accounts)	69,419	66,210	61,366	59,664	55,568
Market value of loan security based on units on issue in AURVT #1	48,018	48,018	48,018	42,392	42,392
AURVT #2 Valuations (Net assets as per accounts)	62,110	60,275	56,244	54,679	53,593
Market value of loan security based on units on issue in AURVT #2	21,197	36,274	45,842	44,339	44,339

\* Consists of interest bearing loans amounting to \$51.912m and non-interest bearing loans amounting to \$4.411m; the non-interest bearing loans were repaid in July 2016.

<sup>~</sup> The calculation of this ratio includes \$4.411m of loans which were repaid in July 2016.

For the balances sheets as at 30 June 2012 to 30 June 2016, this financial information has been derived from the financial statements of AURLIL for the financial years ended 30 June 2012, 30 June 2013, 30 June 2014, 30 June 2015 and 30 June 2016, as applicable, which were audited by Ernst & Young.

The following notes did not form part of the audited financial statements from which the above balance sheets have been derived.

**Note 1 – Trade and other receivables**

These balances comprise distributions receivable from related entities. Movements in these balances arise from changes in amounts distributed and the timing of receipt of distributions.

**Note 2 – Loan receivable from AURLSL**

The loan receivable from AURLSL is interest bearing and earns interest at a rate which is 0.25% above the interest rate payable on the AUFL loan. Movements in this balance arise from changes in amounts advanced and loan repayments during each period reported above.

**Note 3 – AUFL loan**

The loan payable to AUFL is interest bearing, with interest payable at a rate which is 0.25% above the interest rate payable by AUFL to holders of the RVINs used to fund this advance by AUFL to AURLIL. Changes in this balance mirror the changes in the RVINs issued by AUFL over the periods reported above.

**Note 4 – Shareholder Capital**

These balances represent equity contributed by the parent entity. Changes in these balances arise from the issue of additional shares to the parent entity and the buyback of shares from the parent entity.

**Matters subsequent to the end of the financial year 30 June 2016**

The AURLIL directors resolved for AURLIL to make additional investments in its subsidiaries, accept capital returns from its subsidiaries, issue ordinary shares to its parent entity and pay a dividend to its parent entity as follows:

- subscribe for units to the value of \$4,000,000 in AURVT1;
- accept capital returns of up to \$10,700,000 from AURVT1
- subscribe for units to the value of \$1,585,000 in AURVT2;
- accept capital returns of up to \$3,600,000 from AURVT2
- issue ordinary shares to the value of \$3,711,000 to Australian Unity Limited
- pay a dividend to the value of up to \$8,000,000 to Australian Unity Limited

## Australian Unity Retirement Living Investments Limited: Statements of comprehensive income

Year ended	30-Jun-16	30-Jun-15	30-Jun-14	30-Jun-13	30-Jun-12
	\$000's	\$000's	\$000's	\$000's	\$000's
Revenue and other income	8,168	8,509	9,306	6,563	5,297
Expenses, excluding finance costs <sup>1</sup>	(4,870)	(527)	(2,818)	(3,216)	(4,500)
Finance costs	(4,413)	(5,534)	(5,261)	(5,167)	(5,344)
<b>Profit/(Loss) before income tax</b>	<b>(1,115)</b>	<b>2,448</b>	<b>1,227</b>	<b>(1,820)</b>	<b>(4,547)</b>
Income tax benefit <sup>2</sup>	2,316	1,368	2,101	2,222	2,616
<b>Profit/(Loss) after income tax</b>	<b>1,201</b>	<b>3,816</b>	<b>3,328</b>	<b>402</b>	<b>(1,931)</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>1,201</b>	<b>3,816</b>	<b>3,328</b>	<b>402</b>	<b>(1,931)</b>
<b>Profit/(Loss) after income tax for the year is attributable to:</b>					
Owners of AURLIL	1,201	3,816	3,328	402	(1,931)
<b>Total comprehensive income/ (loss) for the year is attributable to:</b>					
Owners of AURLIL	1,201	3,816	3,328	402	(1,931)

For the statements of comprehensive income for the years ended 30 June 2012 to 30 June 2016, this financial information has been derived from the financial statements of AURLIL for the financial years ended 30 June 2012, 30 June 2013, 30 June 2014, 30 June 2015 and 30 June 2016, as applicable, which were audited by Ernst & Young.

The following notes did not form part of the audited financial statements from which the above statements of comprehensive income have been derived.

### Note 1 – Expenses, excluding finance costs

These expenses represent management fees charged by related entities for services provided to AURLIL. Movements in these expenses arise due to levels of activity during each period reported above.

### Note 2 – Income tax benefit

The audited financial statements of AURLIL are prepared on a stand-alone basis and do not include the consolidation of controlled entities. As a result, the revenue and other income of AURLIL includes distributions from controlled entities which are members of the same income tax consolidated tax group. As such, these distributions are non-assessable in the hands of AURLIL, resulting in a tax expense for AURLIL that differs from the statutory rate of 30%; this has resulted in an income tax benefit in each period reported above.



**Australian Unity Retirement Living Services Limited: Summary balance sheet information derived from the audited financial statements**

Year ended	30-Jun-16	30-Jun-15	30-Jun-14	30-Jun-13	30-Jun-12
	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Assets – Current Assets</b>					
Cash and cash equivalents	92	118	161	522	267
Trade and other receivables <sup>1</sup>	1,987	4,956	579	2,978	7,794
Inventories	-	-	-	-	3
Loans, advances and receivables <sup>2</sup>	51,874	44,993	22,062	3,900	14,335
<b>Total Current Assets</b>	<b>53,953</b>	<b>50,067</b>	<b>22,802</b>	<b>7,400</b>	<b>22,399</b>
<b>Assets – Non-Current Assets</b>					
Loans, advances and receivables	31,346	31,317	30,653	37,393	37,395
Investments in subsidiaries	142,207	141,096	113,061	145,436	154,933
Property, plant and equipment	2,385	1,594	1,431	4,471	3,722
Investment properties	1,449	432	218	3,334	3,512
Deferred tax assets	2,497	2,412	1,756	1,565	1,313
Intangible assets	2,163	889	447	103	158
Investment in Joint Ventures <sup>3</sup>	7,312	4,500	-	-	-
<b>Total Non-Current Assets</b>	<b>189,359</b>	<b>182,240</b>	<b>147,566</b>	<b>192,302</b>	<b>201,033</b>
<b>Total Assets</b>	<b>243,312</b>	<b>232,307</b>	<b>170,368</b>	<b>199,702</b>	<b>223,432</b>
<b>Liabilities – Current Liabilities</b>					
Trade and other payables	(3,543)	(1,727)	(6,038)	(12,839)	(2,069)
Interest bearing liabilities <sup>4</sup>	(36,000)	(52,030)	(29,092)	(3,085)	(49,146)
Non-interest bearing liabilities <sup>5</sup>	(56,555)	(3,800)	(3,800)	(39,937)	(5,700)
Provisions	(344)	(224)	(78)	(202)	(27)
<b>Total Current Liabilities</b>	<b>(96,442)</b>	<b>(57,781)</b>	<b>(39,008)</b>	<b>(56,063)</b>	<b>(56,942)</b>
<b>Liabilities – Non-Current Liabilities</b>					
Interest bearing liabilities	(16,394)	(16,394)	(770)	(7,800)	(7,800)
<b>Total Non-Current Liabilities</b>	<b>(16,394)</b>	<b>(16,394)</b>	<b>(770)</b>	<b>(7,800)</b>	<b>(7,800)</b>
<b>Total Liabilities</b>	<b>(112,836)</b>	<b>(74,715)</b>	<b>(39,778)</b>	<b>(63,863)</b>	<b>(64,742)</b>
<b>Net Assets</b>	<b>130,476</b>	<b>158,132</b>	<b>130,590</b>	<b>135,839</b>	<b>158,690</b>
<b>Equity</b>					
Contributed equity <sup>6</sup>	158,475	184,873	161,558	162,658	177,819
Accumulated losses	(27,999)	(26,741)	(30,968)	(26,819)	(19,129)
<b>Total Equity</b>	<b>130,476</b>	<b>158,132</b>	<b>130,590</b>	<b>135,839</b>	<b>158,690</b>

For the balance sheets as at 30 June 2012 to 30 June 2016, this financial information has been derived from the financial statements of AURLSL for the financial years ended 30 June 2012, 30 June 2013, 30 June 2014, 30 June 2015 and 30 June 2016, as applicable, which were audited by Ernst & Young. The following notes did not form part of the audited financial statements from which the above balance sheets have been derived.

**Note 1 – Trade and other receivables**

These balances primarily comprise prepayment of operating expenses and distributions receivable from related entities. Movements in these balances arise from changes in amounts distributed, the timing of receipt of distributions and changes in timing and amount of prepaid operating expenses.

**Note 2 – Loans, advances and receivables**

These balances comprise non-interest bearing loans to related entities. Movements in these balances arise from changes in amounts advanced and loan repayments during each period reported above.

**Note 3 – Investment in joint ventures**

Investment in joint ventures comprises the carrying value of investments in joint venture entities involved in the development of retirement villages.

Changes in this balance reflect the impact of new investments in each year.

**Note 4 – Interest bearing liabilities**

These balances comprise interest bearing loans payable to related entities. Movements in these balances arise from changes in amounts advanced and loan repayments during each period reported above.

**Note 5 – Non- interest bearing liabilities**

These balances comprise non-interest bearing loans payable to related entities. Movements in these balances arise from changes in amounts advanced and loan repayments during each period reported above.

**Note 6 – Contributed equity**

These balances represent equity contributed by the parent entity. Changes in these balances arise from the issue of additional shares to the parent entity and the buyback of shares from the parent entity.

**Matters subsequent to the end of the financial year 30 June 2016**

The AURLSL directors have resolved for AURLSL to make additional investments in its subsidiaries and accept capital returns from its subsidiaries, and issue ordinary shares to its parent entity as follows:

- subscribe for ordinary shares to the value of \$5,960,000 in Australian Unity Care Services Pty Ltd
- subscribe for units to the value of \$5,250,000 in Australian Unity Campbell Place Retirement Village Land Trust
- accept capital returns of \$6,000,000 from The Australian Unity Mornington Development Trust
- accept capital returns of \$3,800,000 from Australian Unity Bondi Trust
- accept capital returns of \$5,210,000 from Australian Unity Aged Care Trust #2
- issue ordinary shares to the value of \$700,000 to Australian Unity Limited
- accept capital returns of \$206,482 from Greglea Village Management subscribe for ordinary shares to the value of \$6,500,000 in Australian Unity Retirement Living Management Pty Ltd

## Australian Unity Retirement Living Services Limited: Statements of comprehensive income

Year ended	30-Jun-16	30-Jun-15	30-Jun-14	30-Jun-13	30-Jun-12
	\$000's	\$000's	\$000's	\$000's	\$000's
Revenue and other income	13,124	11,868	1,643	4,311	6,379
Expenses, excluding finance costs <sup>1</sup>	(12,543)	(1,352)	(5,220)	(14,020)	(12,495)
Finance costs <sup>2</sup>	(5,875)	(7,006)	(1,971)	(2,119)	(7,331)
<b>Profit/Loss before income tax</b>	<b>(5,294)</b>	<b>3,510</b>	<b>(5,548)</b>	<b>(11,828)</b>	<b>(13,447)</b>
Income tax benefit <sup>3</sup>	4,036	717	1,399	4,138	4,928
<b>Profit/Loss after income tax</b>	<b>(1,258)</b>	<b>4,227</b>	<b>(4,149)</b>	<b>(7,690)</b>	<b>(8,519)</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>(1,258)</b>	<b>4,227</b>	<b>(4,149)</b>	<b>(7,690)</b>	<b>(8,519)</b>
<b>Profit/(Loss) after income tax for the year is attributable to:</b>					
Owners of AURLSL	(1,258)	4,227	(4,149)	(7,690)	(8,519)
<b>Total comprehensive income/(loss) for the year is attributable to:</b>					
Owners of AURLSL	(1,258)	4,227	(4,149)	(7,690)	(8,519)

For the statements of comprehensive income for the years ended 30 June 2012 to 30 June 2016, this financial information has been derived from the financial statements of AURLSL for the financial years ended 30 June 2012, 30 June 2013, 30 June 2014, 30 June 2015 and 30 June 2016, as applicable, which were audited by Ernst & Young.

The following notes did not form part of the audited financial statements from which the above statements of comprehensive income have been derived.

### Note 1 – Expenses, excluding finance costs

These expenses represent the operating expenses of AURLSL, net of costs which are able to be recovered from related entities. Movements in these expenses arise due to levels of activity during each period reported above as well as fluctuations in the amount of costs which are recoverable from related entities.

### Note 2 – Finance Costs

These expenses relate to interest paid in relation to interest bearing loans from related entities. Changes in finance costs over the periods reported above comprise the effect of changes in interest rates and changes in loan balances.

### Note 3 – Income tax benefit

The audited financial statements of AURLSL are prepared on a stand-alone basis and do not include the consolidation of controlled entities. As a result, the revenue and other income of AURLSL includes distributions from controlled entities which are members of the same income tax consolidated tax group. As such, these distributions are non-assessable in the hands of AURLSL, resulting in a tax expense for AURLSL that differs from the statutory rate of 30%; this has resulted in an income tax benefit in each period reported above.

### WARNING: Past performance is not a guide to future performance.

A copy of the latest consolidated Annual Report for Australian Unity Limited and the entities it controlled at the end of, or during, the last financial year is available on our website in the 'About Australian Unity' section at [australianunity.com.au](http://australianunity.com.au), or by contacting us on 13 29 39 during business hours.

## Additional information

### Taxation

Some tax implications of investing in the Notes are explained below. It is intended to be a brief guide only and does not purport to be a complete statement of the relevant tax law, nor does it take into account your individual circumstances. Accordingly, we strongly recommend that you seek independent professional taxation advice on the tax implications of investing in the Notes relevant to your specific circumstances.

The following summary is intended for Australian resident investors and generally applies to Note holders who hold their investment for the purpose of realising a long-term return (that is, hold their investment on capital account for tax purposes). This summary does not consider the tax implications for those investors who hold their investment in the Notes on revenue account, as an isolated investment made with profit making intent or as trading stock. It is based on our interpretation of the current Australian tax laws at the date of publication of this document, including applicable case law and published guidance by the Australian Taxation Office, which may be subject to change.

#### While you hold your investment

Interest payments you receive from investing in the Notes will generally be treated as your assessable income. You will need to include them in your income tax return.

To assist you to complete your income tax return, you will receive an annual tax statement from us. This statement will provide you with details of the interest payment to be included in your tax return.

#### When you withdraw

Generally, the Notes are regarded as 'traditional securities' for tax purposes. In the ordinary course of events, no income tax gain or loss arises on their sale or redemption in circumstances where the realised amount is the same as the face value of the Notes. Where a sale or redemption at market value realises an amount greater or less than the face value of the Notes, an assessable or deductible amount may need to be included in your income tax return.

#### Taxation of Financial Arrangements

In addition to the above, the Taxation of Financial Arrangements (TOFA) rules may apply. The rules could impact how taxpayers calculate returns, including gains and losses from certain financial arrangements. The TOFA rules do not automatically apply to all investors (e.g. individuals are excluded from the application of the TOFA regime). Please note that TOFA contains very complex rules. Investors are recommended to seek their own professional advice as to whether the TOFA rules have any application to their respective investments.

#### Non-residents

This summary does not consider the Australian income tax implications for non-resident investors. However, it is noted that the Australian tax law imposes obligations on AUFL to withhold tax on distributions paid to non-residents for Australian tax purposes. If you are not an Australian resident for tax purposes, withholding tax will be deducted from your interest payments at the prescribed rate.

### TFN Withholding Tax

If you are an Australian resident, you may choose whether or not to provide a Tax File Number (TFN) or Australian Business Number. If neither is quoted and no relevant exemption information is provided, we are required to withhold tax on your interest payments at the highest marginal tax rate plus levies.

### Goods and Services Tax (GST)

The acquisition, redemption and transfer of the Notes should not be subject to GST. Interest payments should also not give rise to any GST consequences.

### Australian tax reform

Australia is in the process of ongoing taxation reform. There is considerable uncertainty as to the breadth and ultimate impact of the reforms. It is an investor's responsibility to monitor tax reform developments that may impact on their investment in the Notes.

### Keeping you informed

To help keep you informed of your investment, we will send you the following:

Communication	Frequency
Confirmation of your initial application	At the time of the transaction
Tax statement showing full taxation details	Annually
Distribution Statement	Quarterly

Notes will be issued by registering you as a Note holder. No certificate will be issued for the Notes.

You can request from us a copy of the annual financial reports most recently lodged with ASIC and, if available, any half-yearly financial report and continuous disclosure notices that have been lodged after the annual reports but before the date of this Prospectus. We are required to send you a copy (free of charge) within five business days of receiving your request.

### Changing your personal details

It is important that we maintain accurate records about you. Please inform us of any changes to your personal details as soon as possible.

You can change your personal details, such as mailing address, phone/mobile number or email address, by sending us a request by mail, by logging onto your account on our website portal, emailing us at [investments@australianunity.com.au](mailto:investments@australianunity.com.au) or contacting us on 13 29 39.

Please ensure that you provide us with the following information when requesting a change of personal details:

- your account number;
- the full name on your account;
- the change(s) you are requesting;
- a contact name and daytime phone/mobile number in case we need to contact you; and
- where the request is made by mail, ensure each signatory to the account signs the request.

## Providing instructions via fax and email

We offer a fax and email service that allows you to send us instructions on your account. Any instructions which are submitted to us by email or fax must have your signature or that of an authorised signatory on your account.

By using our service, you are taken to have agreed and understood that neither we nor any part of the Australian Unity Group of companies accept any responsibility or liability for any payment or action we make based on any instruction (even if not genuine) that we receive by fax or email bearing your account number, a signature which is apparently yours, or that of an authorised signatory on your account.

This means that you cannot make a claim for such a thing as a fraudulent fax or email redemption request made by someone who has access to your account number and a copy of your signature.

Any use of the service is entirely at your own risk.

## Your personal information

We intend to meet any requirements imposed on AUFL to provide personal information to the Australian Government in accordance with the Australian Government's participation in Automatic Exchange of Information (AEOI) regimes.

Currently, Australia's obligations under AEOI regimes include Australian legislation designed to give effect to the Foreign Account Tax Compliance Act (FATCA) agreement between Australia and the United States. As such, AUFL is registered with the United States authorities and may be required to collect certain information from you, report payments made in respect of your investment and retain information to meet record keeping requirements.

We collect your personal information for the following purposes:

- to administer and provide products and services and to manage our relationship with you;
- to process transactions;
- to answer queries and for security purposes;
- to develop products and services;
- to meet regulatory requirements; and
- to allow the Australian Unity Group of companies to market products and services to you (subject to your right to opt-out of receiving various direct marketing materials at any time).

In managing your account, we may need to disclose your personal information to:

- your financial adviser, either directly or through other service providers (such as platform software) with which we may have arrangements with;
- reputable service providers who may carry out functions associated with our products and services on our behalf (e.g. mailing houses who conduct mailings for us);
- our Australian financial institution to initiate the drawing from or payment to your nominated Australian financial institution account (where you have selected the direct debit or credit facility); and
- a third party, as required by law.

You are entitled to access information we have about you. You should notify us immediately if any of the information we hold about you changes, so that we can ensure that your information is always complete, accurate and up to date. If you do not provide the information requested

on the Application Form, we may be unable to process your application request.

If a financial adviser's details appear on the Application Form, you authorise us to give information relating to your account and investments to your financial adviser and acknowledge that your financial adviser is your agent for the purpose of receiving this information.

Your personal information will be collected, used and disclosed by us in accordance with our Privacy Policy and in accordance with the law. You can obtain a copy of our Privacy Policy via our website [australianunity.com.au/privacy-policy](http://australianunity.com.au/privacy-policy) or by telephone 13 29 39.

If you have any complaints or questions about the privacy of your personal information, please contact our Privacy Officer by writing to:

**Privacy Officer**  
**Australian Unity**  
**114 Albert Road**  
**South Melbourne VIC 3205**

If we do not address your complaint to your satisfaction, you may write to the Privacy Commissioner at:

**Office of the Australian Information Commissioner**  
**GPO Box 5218**  
**Sydney NSW 2001**

## Dispute Resolution

We take complaints seriously and aim to resolve them as quickly as possible. If you would like to make a complaint you can call us on 13 29 39, email us at [investments@australianunity.com.au](mailto:investments@australianunity.com.au) or write to us at the following address:

**Manager – Investor Services**  
**Australian Unity**  
**114 Albert Road**  
**South Melbourne VIC 3205**

We will promptly acknowledge your complaint within 10 business days, investigate it and decide in a timely manner what action needs to be taken. We will notify you of our decision within 45 days after receipt of the complaint, together with any remedies that are available, or other avenues of appeal against the decision.

If you are then not satisfied with our handling of your complaint, you may contact:

**Financial Ombudsman Service**  
**GPO Box 3**  
**Melbourne VIC 3001**  
**Phone: 1300 78 08 08**  
**Fax: (03) 9613 6399**  
**Website: <http://www.fos.org.au>**  
**Email: [info@fos.org.au](mailto:info@fos.org.au)**

This service operates as an independent body for the industry, to determine unresolved complaints. There is no cost to you for using this service.

# Direct Debit Request (DDR) Service Agreement

## Our commitment to you

- Where you request a one off debit, the payment will be drawn from your nominated account on the date we accept your application.
- Where the due date for a drawing falls on a non-business day, it will be drawn from your account on the next Melbourne business day.
- We will provide you with at least 14 days' notice when we intend to make changes to the initial terms of the arrangement.
- We will terminate your direct debit arrangement if two consecutive payments are dishonoured or if you close your account.
- We will keep the details of your nominated account and Australian financial institution private and confidential.
- We will investigate and deal promptly with any queries, claims or complaints regarding debits.

## Your commitment to us

- It is your responsibility to check with your nominated Australian financial institution to confirm that direct debits are available on your account.
- It is your responsibility to ensure that the authorisation at Section 5 'Direct Debit Request for investments to your account' authorisation at Section 5 of the Application Form matches the signing instructions on your nominated Australian financial institution account.
- It is your responsibility to ensure that there are sufficient cleared funds in the nominated Australian financial institution account on the drawing date.
- It is your responsibility to cover any charges resulting from the use of the direct debit program. This may include transaction fees charged by us or your nominated Australian financial institution due to dishonoured drawings.

## Changes to the arrangement

If you want to make changes to the drawing arrangements, please notify us in writing at least five business days prior to your next scheduled drawing date. These changes may include:

- deferring the drawing;
- altering the schedule;
- stopping an individual debit;
- suspending the DDR; or
- cancelling the DDR completely.

## Enquiries

If you have any enquiries, they should be directed to us, rather than to your nominated Australian financial institution.

All your personal information held by us will remain confidential, except for information that may be provided to our Australian financial institution to initiate the drawing to your nominated account, or information that may be disclosed to a third party as required by law. Information may also be provided to any entity within the Australian Unity Group to enable the DDR to be effected as required by law.

## Disputes

- If you believe that a drawing has been initiated incorrectly, you should raise the matter directly with us.
- If you do not receive a satisfactory response from us, then please follow up with your nominated Australian financial institution regarding your claim.
- You will receive a refund of the drawing amount if we cannot substantiate the reason for the drawing.

Note: Your nominated Australian financial institution will ask you to contact us initially to resolve your disputed drawing prior to involving them.

## Anti-Money Laundering Laws and the Application Form

Australia's Anti-Money Laundering and Counter Terrorism Financing (AML/CTF) laws requires Australian Unity to adopt and maintain an AML/CTF program. To meet this legal requirement, we need to collect certain identification information and documentation (Know Your Client (KYC) Documents) from new investors. If you are applying through a financial adviser, your financial adviser will assist you in providing the necessary identification documents prior to lodging the application.

If you are submitting your application directly (without the assistance of a financial adviser), please refer to 'Applying for different types of investment accounts' on page 32 for the identification documents that should be provided with your application. Please note that your identification documents must be certified by an approved certifier.

Existing investors may also be asked to provide KYC Documents as part of a re-identification process to comply with the AML/CTF laws.

Processing of applications or withdrawals will be delayed or refused if investors do not provide the required KYC Documents when requested.

Under the AML/CTF laws, Australian Unity is required to submit regulatory reports to the Australian Transaction Reports and Analysis Centre (AUSTRAC). This may include the disclosure of your personal information. Australian Unity may not be able to tell you when this occurs. As a result, if instructed by AUSTRAC, Australian Unity may be required to deny you (on a temporary or permanent basis) access to your investment. This could result in loss of the capital invested, or you may experience significant delays when you wish to transact on your investment.

We are not liable for any loss you may suffer because of compliance with the AML/CTF laws.

### Politically Exposed Persons

To comply with AML/CTF laws we require you to disclose whether you (or any of your beneficial owners) are, or have an association with, a Politically Exposed Person ('PEP'). A PEP is an individual who holds a prominent public position or function in a government body or an international organisation in Australia or overseas, such as a Head of State, or Head of a Country or Government, or a Government Minister, or equivalent senior politician. A PEP can also be an immediate family member of a person referred to above, including spouse, de facto partner, child, and a child's spouse or a parent. A close associate of a PEP, i.e. any individual who is known to have joint beneficial ownership of a legal arrangement or entity is also considered to be a PEP. Where you identify as, or have an association with, a PEP, we may request additional information from you.

### Source of investable assets/wealth

Under AML/CTF laws, we are required to identify your source of investable assets/wealth.

### Non-Individual Entities - Your Beneficial Owners

Your Beneficial Owner means an individual who ultimately 'controls' you (directly or indirectly) or owns you (directly or indirectly). 'Control' includes control (directly or indirectly) as a result of, or by means of trusts (including in the capacity as beneficiary, trustee or settlor), an agreement, an arrangement, an understanding or practice, and further includes the ability to exercise control over decisions about financial and operating policies. 'Owns' means ownership (either directly or indirectly) of 25% or more of you.

Under AML/CTF laws you are required to provide information about your Beneficial Owners for certain account types including:

- Australian incorporated or created entities such as:
  - unlicensed proprietary limited companies, not subject to regulatory oversight (note: not applicable for complying superannuation fund investors); or
  - unregistered trusts, including family trusts.
- Entities incorporated or created outside of Australia such as:
  - companies;
  - partnerships;
  - trusts; or
  - estates.

These account types will be required to complete the 'Beneficial Owner Information' Form, which is available on our website [australianunity.com.au/wealth](http://australianunity.com.au/wealth) or by calling our Investor Services team on 13 29 39.

### Submitting your application without the assistance of a financial adviser

If you are submitting this Application Form directly, without having consulted with a financial adviser, you must submit original certified copies of your identification documents with the Application Form. The required identification documents are set out under 'Applying for different types of investment accounts' on page 32.

## Certification of documents

Where your identification documents need to be certified, we suggest that the person certifying the document(s) for you use the following statement on the copy being certified:

**'I certify this to be a true copy of the [name of document] of [name of investor], the original of which, was produced to me at the time of signing.'**

The document must also be dated, and have the signature, printed name, occupation, employer and address of the person certifying the document.

Persons who may certify copies of original identification documents include:

- Officer with or authorised representative by an Australian Financial Services licence holder with two or more years of continuous service with one or more licensees.
- Chartered Accountant, CPA or member of the National Institute of Accountants with two or more years of continuous membership.
- Officer of a financial institution or finance company with two or more years of continuous service with one or more institutions or companies.
- Permanent employee of the Australian Postal Corporation with two or more years of continuous service, or someone who operates as an agent of the Australian Postal Corporation.
- Police Officer.
- A person who, under the law in force in a state or territory, is currently licensed or registered to practice as a: Chiropractor, Dentist, Legal Practitioner, Medical Practitioner, Nurse, Optometrist, Pharmacist, Physiotherapist, Psychologist or Veterinary Surgeon.
- Lawyer, Magistrate, Registrar of the Court, Justice of the Peace.
- Notary Public (including persons authorised as a notary public in a foreign country).

A complete list of persons who may certify documents can be obtained from our website [australianunity.com.au/wealth](http://australianunity.com.au/wealth) or by contacting us on 13 29 39



## **Contact Us**

### **The Issuer:**

Australian Unity Finance Limited  
ABN 35 114 646 070  
The Arranger: Australian Unity Funds  
Management Limited  
ABN 60 071 497 115, AFS Licence No. 234454

### **Investor Services**

T 13 29 39  
F 03 8682 5057

### **Adviser Services**

T 1800 649 033  
F 03 8682 5057

### **Website**

[australianunity.com.au/wealth](http://australianunity.com.au/wealth)

### **Email**

[investments@australianunity.com.au](mailto:investments@australianunity.com.au)

### **Address for correspondence**

Australian Unity  
114 Albert Road  
South Melbourne VIC 3205