



# Retirement Village Investment Notes

Your questions answered



## About the Australian Unity Retirement Village Investment Notes (the Notes)

The Notes combine Australian Unity's expertise and experience in retirement living, property and investment management, to offer:

- A competitive interest rate
- Regular and reliable income payments
- Capital security by way of an underlying investment in the operation of retirement villages

Simply put, the Notes are a fixed term investment that provides investors with a fixed quarterly income payment. Your initial investment is then returned in full at the Note's maturity date.

The rate of offer for the Notes is:

3 year term	5 year term	7 year term
8.00 %pa*	8.25 %pa*	8.50 %pa*

\* The interest rate is fixed for the term of the Note. Neither the interest rate on the Note, nor the repayment of capital is guaranteed.

## What is the underlying security?

The underlying security is that of a mortgage over all of the units in a Trust (Australian Unity Retirement Village Trust #2) which owns three retirement villages. These retirement villages are operated by Australian Unity Retirement Living Services, a successful and established operator who in the 2008 financial year produced a pre-tax profit of \$10.6 million.

The trust has no other borrowings and therefore investors have no competing debtors.

### Constitution Hill Retirement Village

Winner of Master Builders Australia national award for the best Lifestyle Housing for Seniors, Constitution Hill is also one of the largest retirement communities in New South Wales. This state of the art village is located in Northmead and consists of 425 independent living units ranging in size from one to three bedrooms.

### Karagi Court Retirement Village

Located on the Central Coast of New South Wales in Bateau Bay. This village is made up of 68 independent living units that range from studios to two bedrooms.

### Kiah Lodge

Kiah Lodge is also located in the coastal town of Bateau Bay. This village consists of 81 independent living units ranging from studios to two bedrooms.

### The Notes are referred to as unsecured. What does this mean?

The Notes, for technical and legal reasons, are defined by ASIC as 'unsecured', as repayment is not secured directly over land or tangible (real) property. This does not mean that the Notes have no security, in fact the Notes are secured by a mortgage over a trust, the Australian Unity Retirement Village Trust #2, which owns and operates the three retirement villages profiled on page one.

### What safety nets are in place to protect my investment?

Built into the Notes are three very important extra layers of security for investors. This is the third series of Retirement Village Investment Notes issued by Australian Unity Finance Limited. We take the issue of protecting investor's capital and expected income very seriously, and the three layers of protection for investors include:

#### 1. Protecting your capital

At the end of each quarter, the value of the underlying security must be at least 1.1 times the value of the total Notes on issue. The current Trust is valued at \$44.2 million, this represents an underlying security of 1.47 times. Therefore the value of the Trust would have to fall by 25.4% before being in breach of this covenant.

#### 2. Protecting your income

At interest payment dates, sufficient cash is required to be held to cover 1.3 times the value of the interest paid to investors, thus providing a 30% buffer. Therefore for every \$1.00 due to be paid to investors, \$1.30 must be held in cash.

#### 3. Monitoring covenants

An Independent Trustee, Independent Trustee Fiduciary Services Ltd, has been appointed to monitor these and a range of other covenants on behalf of investors.

In the unlikely occurrence that any covenant is breached under the mortgage, the Trustee can take control of all units in the Trust. Once in control of the units, the Trustee can, for the benefit of the investors:

- continue to receive income payable from the Trust;
- sell the units it holds in the Trust; or
- look to force a sale of the Trust's assets (the three retirement villages).

Australian Unity has no desire to give up these retirement villages. Hence, to avoid potentially losing our retirement villages to investors, Australian Unity Finance Limited intends to:

- return your entire initial investment amount once your Notes have reached their maturity date; and
- pay you your income in full, every quarter.

In the unlikely event that a covenant is, or is about to be breached, Australian Unity Finance Limited would look to the broader Australian Unity Group to inject capital as and when needed.

### I still have questions about the Notes. Where can I get more information?

If you have a question that hasn't been included here, please contact your financial adviser, call us on 13 29 39 or email [investments@australianunity.com.au](mailto:investments@australianunity.com.au).



#### Important information:

The Notes are unsecured notes for the purposes of section 283BH of the Corporations Act 2001 (Cth). This information is not financial advice and is intended to provide a broad summary of the Australian Unity Retirement Village Investment Notes – Series 3.3. The Notes are not a bank deposit and have not been rated by a recognised credit rating agency, therefore an independent assessment has not been made about the risk of investors losing all or part of their principal; the interest rate of the Notes and the repayment of capital are not guaranteed. You should refer to the current Prospectus dated 23 June 2009 if you wish to know more about the product. A copy of the Prospectus can be obtained from the Issuer of the Australian Unity Retirement Village Investment Notes – Australian Unity Finance Limited ABN 35 114 646 070, by calling 13 29 39 or from the website [australianunityinvestments.com.au](http://australianunityinvestments.com.au).