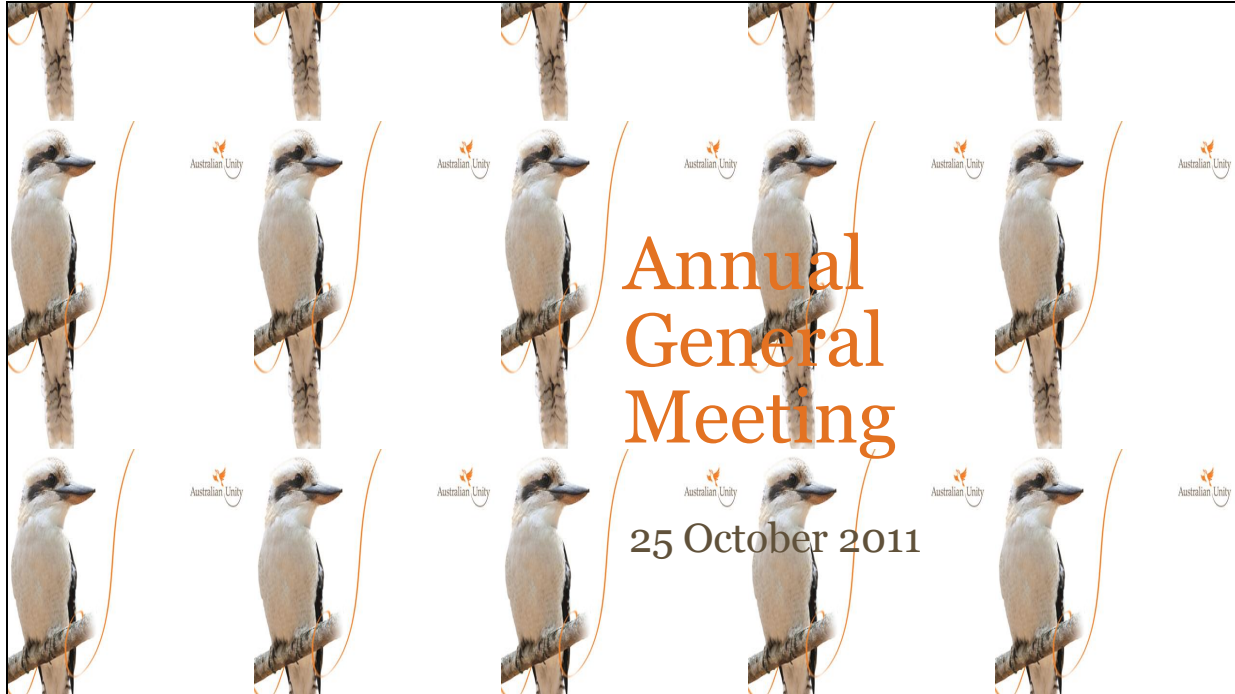


Australian Unity Annual General Meeting 25 October 2011



CHAIRMAN'S ADDRESS

Ladies and Gentlemen,

I am Alan Castleman, Chairman of Australian Unity Limited, and I welcome you to the 2011 Annual General Meeting of the Company.

I am advised that we have more than 110 members present. It is wonderful to see such a strong level of interest in the Company from our members.

At this stage I would like to introduce my fellow directors: Mr Warren French, Mr Glenn Barnes, Ms Kate Spargo, Mr Warren Stretton, Ms Eve Crestani, Mr John Butler, Mr Stephen Maitland, and Mr Ian Ferres. I also introduce our Group Managing Director, Mr Rohan Mead, and our Company Secretary, Ms Kirsten Mander.

I welcome representatives from the company's auditors – Tim Barber and Brett Kallio of Ernst & Young.

We also have the Chief Financial Officer, Mr Tony Connon, and other members of our executive team in the front row.

Our Group Managing Director, Mr Rohan Mead, will report to you shortly on the operations of the group for the past year and will introduce the management team.

It has become somewhat of a tradition for me to start these speeches by mentioning milestones, and this year is no exception. In September this year, Australian Unity as an entity reached its 18th birthday. That is, it was 18 years since Manchester Unity in Victoria and the Australian Native's Association, also in Victoria, merged to form the organisation we call Australian Unity. Of course the history of those two bodies, and that of those organisations with which we subsequently merged, Grand United and Lifeplan Australia Friendly Society, date back more than 170 years, a heritage that we continue to celebrate.

When those many antecedent organisations began their activities in the 19th century, it is fair to say that they were offering services to working people that governments were then not in a position to be providing. So those organisations' first products, 140 years before Medicare existed, supported people to feel more secure about their finances in the event of a health crisis or the death of a breadwinner. Later they began to provide housing and care for the aged and infirm, and then later still added other financial investments and savings products into the mix. One example is after the second world war, when banks refused to lend to many Australian families, organisations such as the ANA set up trusts that enabled ordinary Australians to buy family homes.

I mention all this so as to say that our heritage, as a company, is an organisation concerned with investing in social value; in contributing to the betterment of Australian society and for the wellbeing of Australians. Even as we have evolved as a company, through various mergers, acquisitions and divestments, we have never lost sight of this core purpose.

Today we express that purpose through continued investment in social infrastructure. In addition to providing health insurance, we offer our members and customers access to financial advice, and the ability to build up financial resources to support their retirement, and even to create solutions to effectively transfer wealth between generations. We support our members with chronic disease management programs that seek to prevent readmissions into hospital for diagnosed conditions. Indeed, in the past four years we have invested some \$36 million in preventative health benefits and in our Remedy Healthcare business in establishing evidence based chronic disease

management programs. These investments are showing significant results in reducing hospital admissions for our members, which the Group Managing Director will talk about in more detail shortly. Finally, we provide an extensive range of integrated care options for older Australians, from independent living through to aged care.

As part of our portfolio of investment products, we operate Australia's largest healthcare property trust, which means we own many hospitals and medical clinics throughout Australia even though they are operated by others, such as Ramsay Health Care, Healthscope and Little Sisters of Mary. While extensive, this is only one small part of our portfolio of property and non-property assets. We have recently launched a retirement village property trust, which aims to support the establishment of retirement communities across Australia. It is our belief that retirement communities are an excellent way of creating communities for older Australians to age in place, as they create a setting that allows the efficient provision of care and support services into individuals' homes. At the moment, 5.6 percent of Australians aged over 65 live in retirement communities. If this rate continued through to 2020, Australia would need 240,000 more independent living units by that time, just to absorb population ageing rates. There are currently only 75,000 units in the pipeline across Australia, and some 18 percent of those are on hold. We can't solve this problem entirely on our own, but we are happy to play a part in meeting this need, and already have more than \$400 million in development projects under way.

Advocacy is another strong part of our contribution to creating social value. During the year we contributed actively to the Productivity Commission's inquiry *Caring for Older Australians* and plan to continue to do our part in shaping the government response to that inquiry. We believe that the aged care sector is at a critical juncture, and without a rethink by governments, along the lines of many of the Productivity Commission's recommendations, will struggle to provide effective care for vulnerable Australians into the future.

During the financial year just ended, Australian Unity contributed almost \$1 million in cash, in kind and other direct support to community activities. One of the cornerstones of this contribution has been the Australian Unity Wellbeing Index, a partnership with Deakin University that during the year celebrated 10 years of researching the subjective wellbeing of Australians. Through this index, we have learned many things about the factors that contribute to wellbeing, and these insights have guided the development of our company's services.

Ladies and gentlemen, for some years at these meetings I have directly referred to

global economic uncertainty as being a factor that affects us in our day to day operations. This year has proved no exception, with such macro factors as the high Australian dollar and the plunging of stock markets across the globe impacting on our success. However, I am pleased to say that despite these obstacles we had another successful year, returning a profit after tax of \$25.6 million and achieving \$1 billion in revenue for the first time. Each of our businesses has achieved growth and has been successful in delivering new and more relevant services to our members. Our Group Managing Director will go through these results with you in more detail.

We have also continued to reflect on and consider our portfolio of services and how these relate to member wellbeing. One of our observations is that there is now, in the community, a clear alignment between investing and more traditional “savings” products. It is not surprising that the volatility on the stock market has led to people preferring such instruments as term deposits and government-guaranteed savings instruments. It is with this in mind that we entered into discussions with Big Sky Credit Union to explore whether their members might be interested in merging with Australian Unity. Big Sky Credit Union offers a full range of banking products, from internet banking and electronic funds transfer through to ATM machines, as well as a range of savings and loans products. Australian Unity does already have a building society, the Lifeplan Australia Building Society, but this has a less extensive range of full-service banking products. The proposal is for the Big Sky Credit Union and the Lifeplan Australia Building Society to join and form a larger credit union, with a combined customer base of some 35,000 people. Each of our boards have now decided to progress that merger opportunity and, subject to regulatory approval, Big Sky will be formally asking their members to vote on the proposal later this year.

Ladies and Gentlemen, I would now like to turn to the remuneration report, which appeared for the first time in our annual report this year. It was not previously a requirement for us to produce this report. The report provides considerable information as to how the board goes about the process of determining remuneration for directors and senior executives and provides details of board and senior executive remuneration.

The board of Australian Unity Limited considers that the remuneration framework plays an important part in driving the successful performance of the company. The board, through the Human Resources, Remuneration and Nominations Committee (the HR Committee), is mindful of the fact that we are a mutual company run primarily for the benefit of our members, and that we are also a complex Australian company with several different business streams. In fact, I would go so far as to say, and indeed did

say in our annual report, that on any reasonable measure of activity and complexity Australian Unity is amongst Australia's most substantial public companies. We are a member company of the Business Council of Australia and also of the accounting group, "The Group of 100", each of which are generally considered to represent broadly the top 100 Australian companies. Each of the Australian Unity business streams operate in complex market environments. Each of them are heavily regulated businesses, requiring personnel at the most senior levels of this organisation to be fully abreast of a suite of environmental and regulatory issues that affect our day-to-day operations.

The complexity of our company requires a significant number of subsidiary companies and trusts—around 80 of them. This is not including investment trusts that the company administers but whose finances are not consolidated into our annual report, or our joint venture partnerships that contribute to our overall mix of products and services. Our audit committee has to sign off on accounts for all of these companies, as well as for the 100 or so investment products, and this takes many days of meetings throughout the year. The purpose of this complexity is transparency, for investors and regulators of each of these distinct areas of our operations.

Together, these entities have around 20 financing facilities representing approximately \$900 million from 10 financial institutions, and so obviously our governance responsibilities extend also to those obligations.

Our Investments business manages approximately \$12 billion of funds on behalf of investors in around 100 trusts and other structures. The direct property segment of this involves the management of some 65 commercial properties throughout Australia, ranging from shopping centres to hospitals to cinemas and highway service centres. These property investments are typically geared and we have to manage the borrowing facilities for all of them. We have had to grow our staffing to handle these substantial tasks.

Our retirement living area now employs more than 700 staff across 17 retirement communities, including four aged care centres. Again, there are substantial financing arrangements in place to facilitate these activities. Our health activities now also include the provision of direct care services to members, which brings a different level of customer intimacy and a commensurate requirement for us to have appropriate standards and procedures in place.

As a result, Australian Unity requires a high level of dedication and professional skill

from its senior managers and directors. The HR committee must set remuneration structures that are competitive and that ensure the attraction and retention of high calibre people. The remuneration must also be aligned with both the short term and long term objectives of the company and its members. Therefore, the structures we have established contain both short and long term elements for executives, as well as elements that are fixed and elements that are variable and at-risk, based on performance. For some years, such as the financial year ending June 2009, no employee, including any senior executive, received a short term incentive as the company's performance hurdles had not been reached. It is important to note here that board directors receive only a fee for their services, and have no performance-related additional benefits.

When settling on a remuneration structure, the HR committee and the board must balance all of their responsibilities. To seek advice that our approach was in line with best practice, we engaged the services of an independent remuneration consultant, and their report is included in our annual report.

Later in this meeting you will be invited to ask questions on this or any other matter in the report, and to vote on a resolution accepting the report.

Before I hand you over to the Group Managing Director, I would like to spend a few minutes discussing the board and its structure. I have been chairman of this board now for 18 years, as I was invited to join the board upon the merger in 1993 that I previously mentioned. During that time I have had the pleasure of working with fine colleagues as directors who bring a diversity of experience and who are each committed to the company and to our social purpose as a mutual.

The board has grown over the years through the merger with Grand United and later Lifeplan. We anticipate that if the Big Sky merger proceeds one of their number will also join our board. We recruited two additional directors who had not been part of any of our organisations, two years ago. While we have had a small number of retirements, the board has been discussing its structure. While we are still working through our plans in this context, we do anticipate that a number of us will retire in the next couple of years and we also anticipate some further recruitment.

Today I wish to formally acknowledge the great contribution made by Mr Warren French, who as part of this restructuring, has decided not to seek re-election at this meeting and will therefore retire from the board at the close of this meeting. Warren has had a long history with Grand United as its Executive Chairman for many years

prior to the merger with Australian Unity in 2005 and has been a valuable director for Australian Unity since then. I personally appreciated Warren's fine qualities as we negotiated that merger six years ago and I have valued his friendship and collaboration since then. Whilst Warren is retiring from the board, he will have some ongoing association with us as he will remain a member of the Lifeplan Friendly Society Limited Board and a member of the Australian Unity Foundation board. He will also be managing our fraternal relationships and assisting the company in a number of other ways.

I also wish to announce today that the board has appointed Mr Glenn Barnes as Deputy Chairman. Glenn joined our board approximately two years ago. He has had a career in a number of industries as well as holding very senior positions in the National Australia Bank in Australia and leading its European operations before becoming a professional director a decade ago. He has subsequently held a number of substantial board positions and I value the contribution he will make to our leadership in the future.

I have one further comment about our board. All directors devote considerable time to our meetings both of the board and committees, which typically assume at least two days per month, plus considerable reading time before and between meetings. The chairmanship of our committees are particularly time consuming roles and I wish to put on record the great contribution that I believe each director makes.

Today our members number around 285,000 and with those who are also beneficiaries of their products, and other customers, we serve the needs of many hundreds of thousands of Australians. All of our members are entitled to vote at our annual meetings. We are pleased to see so many of you here today, but we also have around 1,000 members who have lodged proxy votes for today's meeting.

As a mutual, we are responsible to our members and to work for our members. We have no separate duty to shareholders and consequently we can focus on the long-term interests of the company ahead of short-term market announcements.

It has traditionally been thought that mutual organisations are not able to attract the necessary capital to fund their growth plans, so I am especially pleased to report that this year we successfully launched the Australian Unity Notes, an unsecured debt instrument quoted on the Australian Securities Exchange. This \$120 million issue enabled us to repay a number of other debt facilities and has also given us additional funds to continue our growth plans. It was especially pleasing to me that hundreds of

members chose to participate in this Notes issue, and that since the Notes were traded on the ASX, they have not been priced below issue price.

The fact that our Notes are quoted on the ASX means that we now have additional compliance obligations, including making material announcements to the market. Notwithstanding our Notes being quoted, we remain a mutual. For us, that means continuing to work to ensure that, as Australians age, they continue to be served by institutions such as Australian Unity that above all, has their interests at heart. We may not always fully meet our objectives in this regard, but I know I speak for my fellow directors when I say we are all committed to this end.

Over the last 18 years I have had great satisfaction in seeing our company grow in both size and performance to the point where it is today a highly regarded and successful company. We have enormous opportunity to continue on this path. I am sure we all look forward to the challenge.

I will now ask our Group Managing Director, Mr Rohan Mead, to present his report.

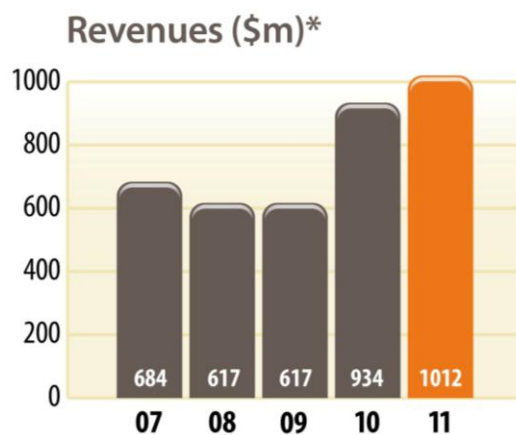
END CHAIRMAN'S ADDRESS

GROUP MANAGING DIRECTOR'S ADDRESS

I add my welcome to the Chairman's to Australian Unity's 2011 Annual General Meeting. I would especially like to reiterate his comments regarding Australian Unity's role and connection to community wellbeing. Our approach is as a commercially-minded, mutual at heart, organisation. This means that we measure our success along commercial principles, but that we have, as the chairman has said, a strong commitment to social value underlying our work.

So to start with the commercial measurements, I am pleased to report that we again had a year of solid results across all of our divisions.

We grew revenue ...



Australian Unity

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Overall, our revenues reached \$1 billion for the first time, and our operating earnings, which is profit before tax less investment income and borrowing costs, increased by 34 percent to \$31.7 million, the highest result for many years.

... and operating earnings

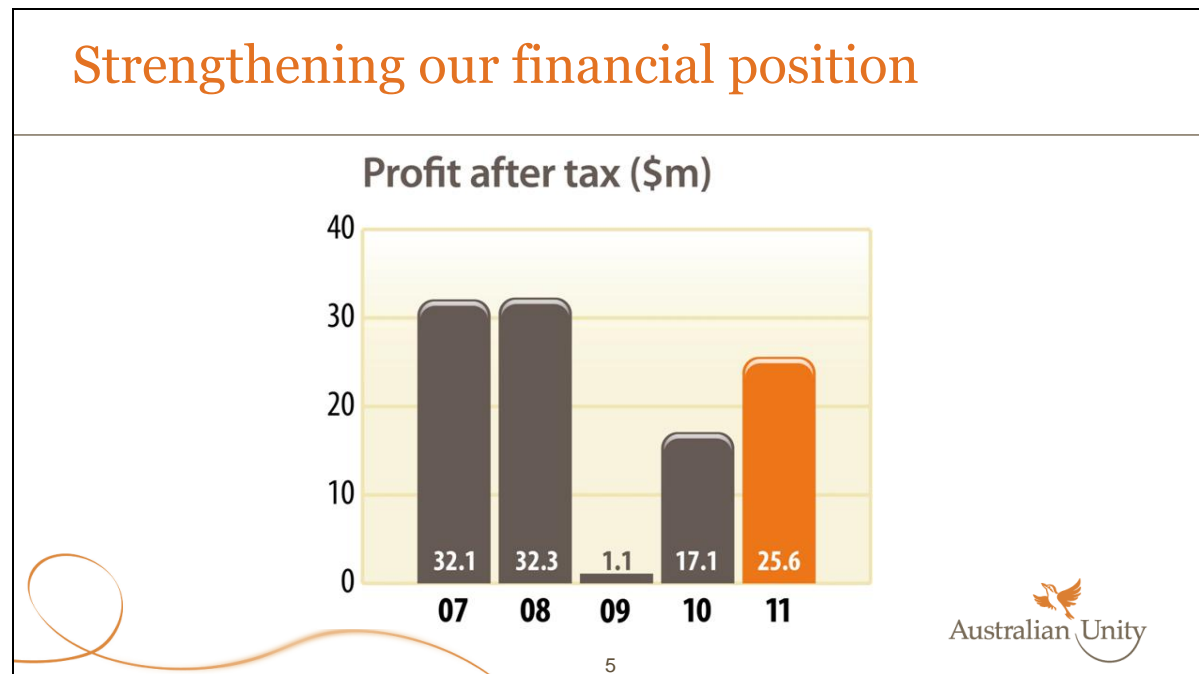


Australian Unity

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This figure is important because it focuses on our trading results, separated from any earnings we receive on investible funds of various sorts. The strong trading result

indicates, in my view, that our products and services are meeting the needs of Australians and that our business model remains robust even in these times of economic uncertainty.



Profit before tax rose 50 percent to \$27.8 million, while our profit after tax result was \$25.6 million.

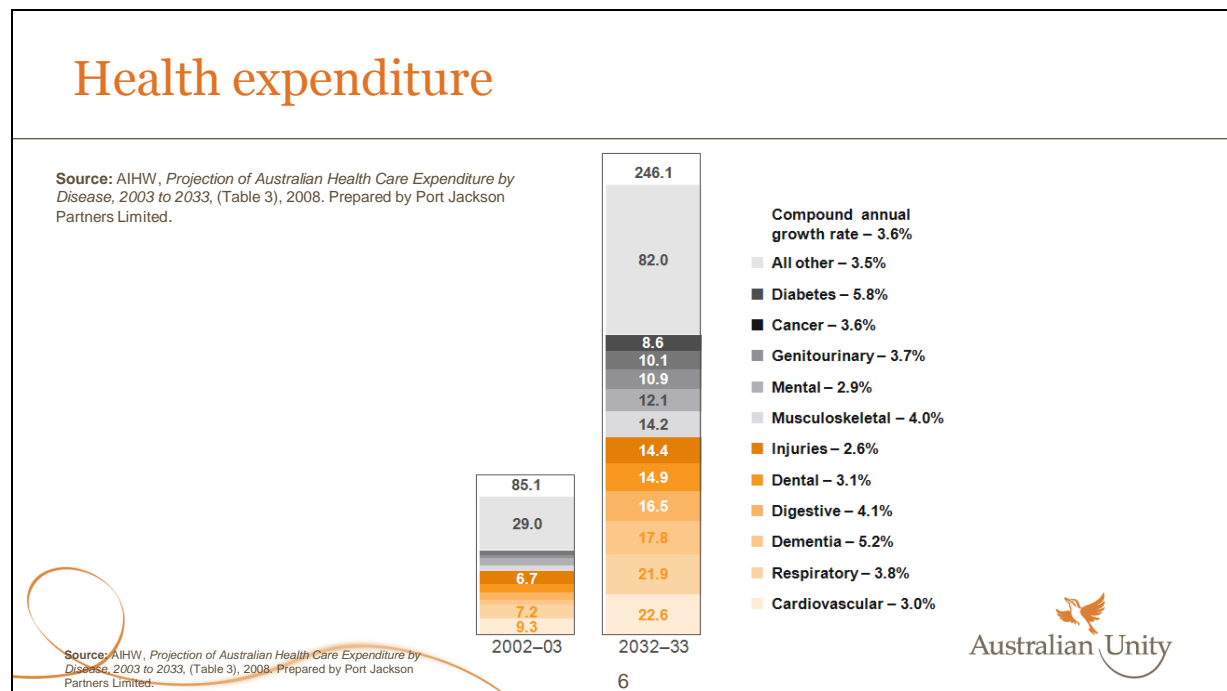
It is important to note that our results this year include no significant one-offs, such as the divestment of businesses or a major merger, and so they give a good indication of the strength and resilience of our revenues.

As the Chairman has mentioned, global and local economies are still uncertain in the wake of the shock of the global financial crisis a couple of years ago, and it may be some time before this changes. This is, on the one hand, troubling for us as a financial services institution, as many of our operations are somewhat exposed to financial markets. However, it is also true that the needs of our customers are more strongly aligned with some of the larger demographics facing the Australian community, including the ageing population.

The Chairman has already mentioned one aspect where social infrastructure is failing to keep up with the needs of the ageing community; that is in the provision of units in retirement villages, where investment decisions are largely the result of commercial decisions in the private sector. What the community is perhaps not fully prepared for

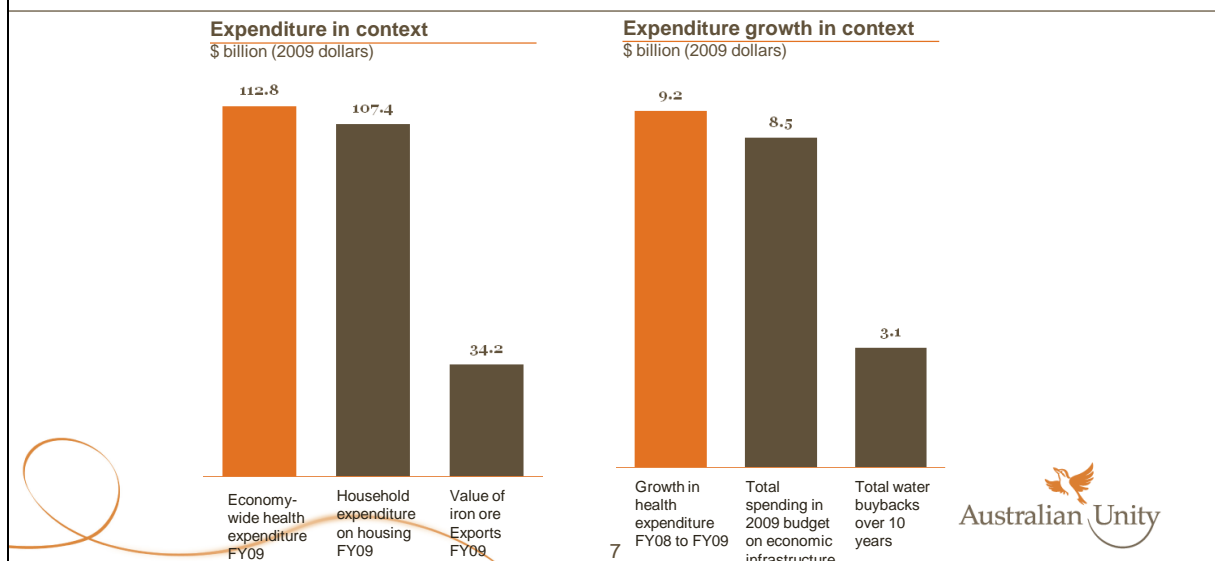
are the consequences of lower migration, an ageing workforce, the rise of chronic disease and an increase in the number of people needing ever more complicated healthcare.

Just to give you some insight into this. In Victoria, 10 percent of the population is aged over 70; and yet those people account for 15 to 30 percent of people presenting to emergency departments; 30 percent of admissions to acute beds from emergency departments and 60 percent of total bed days.



Nationally, the healthcare sector absorbs about \$107 billion, a figure rising at compound annual growth rate of almost 10 percent. Twenty years from now (2032-33), we expect it to absorb some \$250 billion, and more than a fifth of the then notional GDP. This slide gives an indication of which diseases will drive this rise. It is a little difficult to read from the back of the auditorium, but I can point out that some of the conditions that are expected to contribute strongly to this increase in costs to the community are cardiovascular, dental, dementia and musculoskeletal – all conditions with strong links to ageing.

Putting health expenditure in context

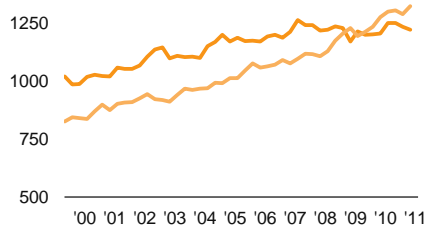


Just to put this in perspective, let's take a comparison point between health expenditure and expenditure on other key elements of the economy. In 2009 Australia exported \$34.2 billion in iron ore – the equivalent of 30 percent of what we spent on health expenditure, economy-wide and roughly equal to what households spent on housing in total that year. This is shown in the bars on the left hand side of this slide.

The right hand graph represents the *growth* in health expenditure in 2009 compared to the previous year. Signified by the orange bar, this was more than the entire spending in the 2009 federal budget on economic infrastructure and three times the total amount allocated to the federal government's water buyback over 10 years.

Workforce relativities

Selected labour forces (Thousand workers)



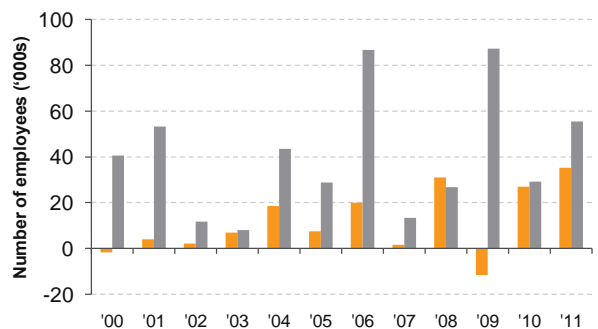
■ Retail Trade CAGR – 1.6%
■ Healthcare including social assistance CAGR – 4.2%

Changes are for the year to May

Source: ABS. Prepared by Port Jackson Partners Limited

ABS Cat No. 6291.0.55.003, Labour Force, Australia, Detailed, Quarterly, Aug 2011

Number of employees
Change on previous year



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About a year ago, health and social assistance – an Australian Bureau of Statistics category which includes aged care workers – jumped retail as the sector with the highest number of employees in Australia. Now, 1.3 million people, or 11.6 per cent of the workforce, are employed in this sector. In the year to August 2011, jobs growth data show that the largest jobs growth in Australia was in health and social assistance over the previous year, at 68 percent more than the mining sector. There are six times as many health and social assistance workers as there are mining workers in Australia. Over the past ten years, the average *increase in the number* of people working in this sector was 45,000 per annum. That’s a regional city, every year that we have added to the healthcare workforce. By way of comparison, the average number of new workers in the mining sector each year over the past 5 years – during arguably the greatest boom in a century – was 18,500.

Factoring in some reasonable growth assumptions based on past patterns—a conservative assumption given the expected acceleration in chronic disease and carer-intensive, complex multi-morbidities—we are looking like needing a *million* additional workers for this sector over the next 15 years.

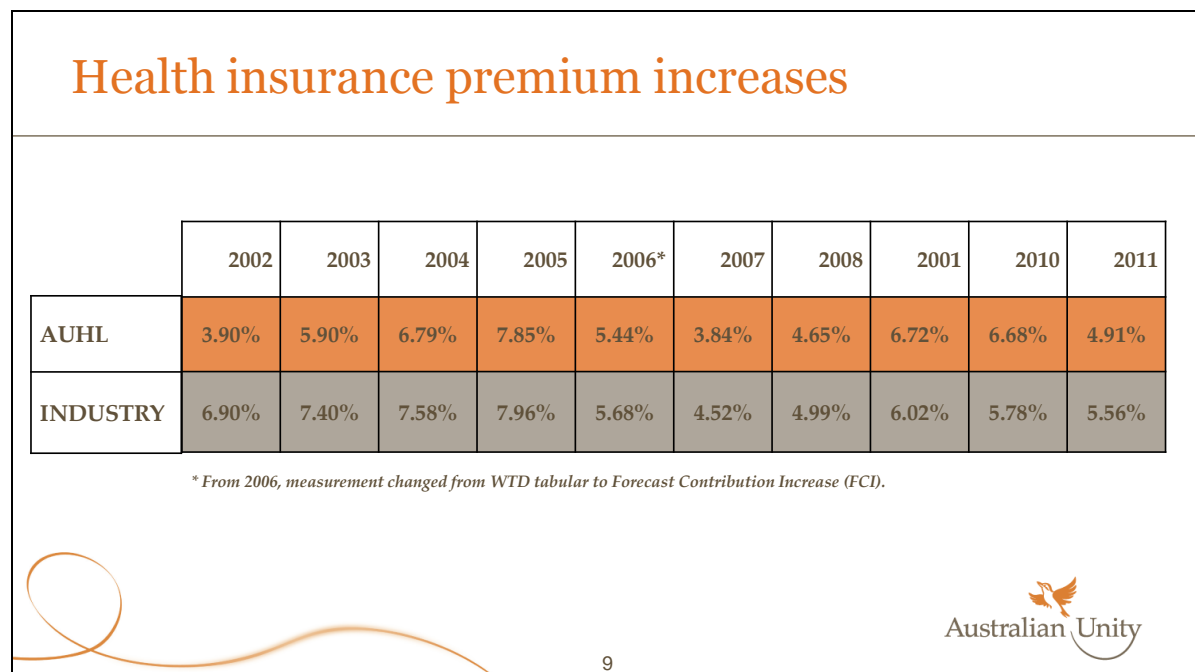
These workers are not just the surgeons and radiologists; they are personal care attendants, physiotherapists, nurses, nurses aids, podiatrists, and the list goes on.

At the same time as we will be needing these additional million healthcare workers, we will be hitting a significant demographic milestone: the proportion of people in Australia aged over 60 will be larger than the proportion of children under 15 – for the first time in our history.

The federal government is optimistic about its ability to return public finances to surplus in the near term. The danger is that Australians might be believing that budget surpluses, once achieved, will again become the norm. Analysis from the Business Council of Australia is that the long term fiscal pressure, on all governments, is more likely to result in sustained and increasing budget deficits.

I am optimistic that solutions to these problems will be found. The products and services provided by Australian Unity began with a group of people recognising a community need and then providing services to meet it. Later these services were supplanted or augmented by programs provided by government, and the private sector continued its support.

We already know, from the Productivity Commission’s inquiry in 2009, that the private hospital sector is more cost effective than the public system, despite having a more complex casemix. Inflation in the private health sector is generally lower than the growth in health expenditure across the system.



I'm proud to say that Australian Unity's health insurance premiums have been lower even than that industry benchmark for eight of the last 10 years.

As we move deeper into this century and this century's challenges, I am hopeful that our mixed economy will be seen for the strength it actually is, as a source of innovation and resilience.

It is for this reason that we think the government's proposal to means test the private health insurance rebate is misguided, as it discourages rather than encourages individuals (particularly healthy individuals) from contributing to financing their health costs by purchasing insurance.

I would like now to introduce members to the Australian Unity executive team.

The Chairman has already introduced you to Tony Connon, our Chief Financial Officer and Kirsten Mander, our Company Secretary and General Counsel. They are joined today by colleagues, and I'll introduce them starting with Amanda Hagan, the chief executive of our Healthcare business. David Bryant is our Chief Investment Officer and the chief executive responsible for our Investments business. Derek McMillan is the chief executive who heads up our Retirement Living business. Steve Davis heads up our Personal Financial Services business and our group executive, human resources is Sharon Beaumont. Tahir Tanveer is the group executive in charge of Business Technology and Kimina Lyall is group executive of Corporate Development.

I now turn to each of our businesses and their performance over the 2010-2011 financial year.

Healthcare



Australian Unity

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As many of you are aware, a few years ago we began reshaping our healthcare business. We wanted to be more than merely a transaction-focused organisation, and much more customer and member focused, both through providing support for members to stay healthy and of course by delivering health insurance in a way that is simple and useful.

This has included investing in 24 hour turnarounds for claims processing, and, this year, the development of a smart phone app that allows customers to process their claims on their mobile devices by photographing and submitting a copy of their provider's receipt or invoice.

As we have progressed in this work, over the past few years we have reported that we have been recognised by the International Customer Service Professionals Awards as an "outstanding business".

Customer service excellence



This year, I am proud to say that once again, we have been granted the organisation's highest award, the "outstanding business" award, for the third consecutive year, following a gold award the first year we entered these awards, 2008.

These awards are designed to recognise world-class best practices of Australian and New Zealand innovative businesses.

This year, smaller teams within our healthcare business were also recognised – with platinum awards for our member and provider services team and our learning and development team. Individual customer service representatives were also recognised with gold and silver awards.

Having said this, I am not suggesting that our service levels are faultless — we are a human organisation with sometimes human failings — but I can assure members that our focus on service is paramount and ongoing.

Healthcare Highlights

- Increased retail fund by 7% and our corporate fund by 19%
- Increased the membership base in NSW and QLD by 21%
- Invested \$36 million over the past four years in preventative health and chronic disease management
- Developed two new preventative health programs; the Maternity Support Program and Integrated Care Program



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It was especially pleasing for those people at the coalface who have done so much to think about their work through the perspective of customer service, to be in a position where they are also welcoming customer growth. This year, our retail health fund increased its number of policyholders by 7 percent, or 11,489 policyholders – well above the industry growth rate of 3 percent.

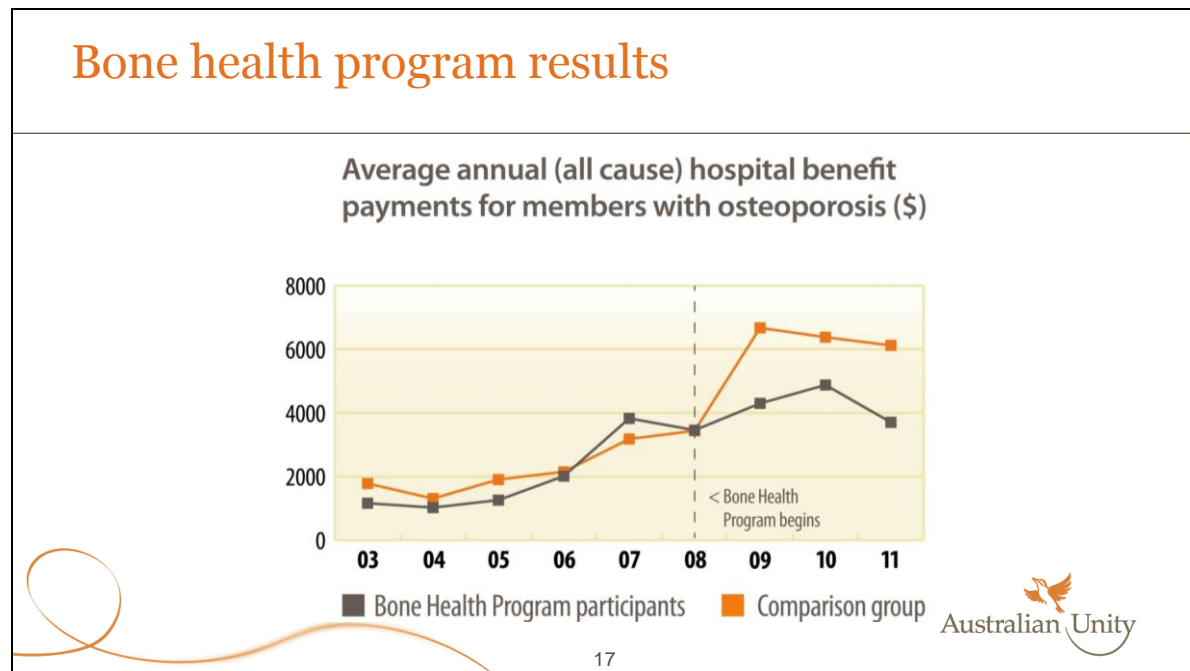
Growth of the fund is important to all members because it helps to reduce the average age of fund members and therefore reduces pressure on health inflation and premiums. We know, from years of actuarial experience, that when the average age of our population of members increases by one year, the pressure on health claims equates to the equivalent of a 0.5 percent increase in premiums for the whole population.

Accordingly we are focused on attracting younger members and we did spend some effort during this year in promoting the health fund after some years of lower expenditure on marketing. One of the positive results of all of these efforts was the increase in sales in NSW and Queensland, with policyholder growth in these states of 21 percent.

Our corporate fund, GU Health, also increased its policyholders, by 19 percent, or 3,451, an excellent result given the various pressures on expenditure in its clients, which are Australia's large corporations.

But as you know, our health business strategy also involves making a dent in the chronic disease trends in the community. Over the past four years we have invested \$36 million in preventative health benefits and chronic disease management programs. With the launch of our Remedy Healthcare business a few years ago, and its associated services of rehabilitation in the home, we said we were committed to producing evidence-based programs that are designed to demonstrably prevent hospital admissions, or in the case of rehabilitation, provide high quality clinical outcomes at a fraction of their traditional costs.

One of our programs is the bone health program, where members who have been diagnosed with osteoporosis are invited to participate in a free program that gives them coaching and support for their conditions.





This year, we conducted some analysis of the results of this program and noted that members on the program recorded significantly better improvements in bone mass density, vitamin D targets, calcium targets and medication compliance, among other benefits. These led to important clinical outcomes. We were able to compare the group of program participants with a like sample of individuals, of similar ages, who also have osteoporosis. The reduction in all cause hospital benefits payments for the bone health program group compared to the other group was up to \$2,000 each per annum. And what that means is these people had fewer hospitalisations for any reason, not just for osteoporosis-related admissions.

I am firmly of the view that if we keep investing in this area, we will continue to see the impact overall in the health fund of lower claims inflation over time. It is important to emphasise that this area of our operation is still needing significant investment from the group as it establishes itself and develops new, and hopefully equally effective, programs in the years ahead.

We already have programs for coronary artery disease, type 2 diabetes, maternity support, integrated care and osteoporosis, and are developing programs for other chronic conditions. I remain convinced this is the right investment to make for our future and our members' futures, and it is entirely in keeping with our history as a member-based organisation.

Healthcare results		
	FY10	FY11
Adjusted EBITDA	\$50.9m	\$55m



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Overall, our healthcare operations recorded an adjusted earnings before interest, tax, depreciation and amortisation – or EBITDA – of some \$55 million for the year, up 8 percent.

Retirement Living



Australian Unity

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I would like to move on now to our retirement living business. Preparing for Australia's demographic challenges must include developing infrastructure and innovations to contribute social value and assist communities. But it also means making sure we are creating the ability for us to provide more services into these communities as their needs change.

For example, retirement villages, particularly those closely located with an aged care facility, are able to efficiently deliver additional services to residents, from maintenance through to meals and personal care. Consider the alternative labour force requirements of having nurses and home help workers driving many kilometres a day visiting isolated people dotted throughout suburban communities.

Retirement Living Highlights

- Welcomed first residents for Peninsula Grange in Mornington
- Maintained residential care occupancy at 98%
- Increased retirement village occupancy from 94 to 95%
- Expanded Community Care services to represent 5% of revenue



Australian Unity

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It is for this reason that our preferred model is developing integrated facilities.

The opening of Peninsula Grange retirement village in Mornington, Victoria, is our latest effort in offering direct-care services and an integrated continuum of care: that is, accommodation allied with care and support services provided within the villages and to the surrounding community. We were delighted to welcome our first residents, Susanne and Kevin, to that village in August of this year.

Nevertheless, it is the case that many older people will choose to remain in their own homes rather than move into a retirement community, and we are continuing to grow our ability to seek funding for and then provide packages that offer community care support into people's homes.

These community care services continue to expand and represented 5 percent of the revenue for this division for the year. Again, I wish to emphasise that having the village community as a hub for workers here does assist the effective provision of these services.

Retirement Village Property Fund – Geelong Grove



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We were also delighted to welcome the 200 residents of the Geelong Grove Retirement village, which the Australian Unity Retirement Village Property Fund purchased last month. Our operations team were particularly happy to learn that many of the residents of this village – about 15 percent – were already members of Australian Unity, having joined us through our other products and services.



\$400 million in development projects



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As the Chairman has mentioned, overall our retirement living business has \$400 million in development projects under way. And we plan to continue to expand our village footprint with more purchases of villages through the Retirement Village Property Fund.

Retirement Living results		
	FY010	FY11
Adjusted EBITDA	\$10.2m	\$9.9m



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The financial results of this business are positive, and are a reflection of the long-term nature of the investments in this business and its revenues.

By building its physical stock and its service overlay, as we are doing, we are building long term, growing operations and future revenues.

Personal Financial Services




Australian Unity

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It is now time to move on to our two financial services businesses.

Firstly, our Personal Financial Services business.

It is fair to say that this is an area of our operations most exposed to the global and local economic conditions and most affected by a general community preference to keep assets in cash rather than develop or execute more detailed financial plans. However, despite these challenges – and in some ways because of them – I am pleased to report that the business has continued to grow in line with the timeline we set for it in recent years.

Funds under advice increased by 76%




Australian Unity

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The business achieved a 76 percent increase in funds under advice to reach \$1 billion for the first time. This was a result of recruiting established advisers, increasing adviser productivity and acquiring financial planning practices. We now have extensive adviser practices in NSW, Queensland, South Australia, Victoria, Western Australia and the ACT. During the year we also increased our accountant referral partners from 70 to 163, a rise of 132 percent.

Personal Financial Services highlights

- Reached \$1 billion in funds under advice
- Increased loan book from \$150 million to \$311 million
- Launched a joint venture 'Next Rural Financial Management' 
- Accountant referral relationships up from 70 to 163



Australian Unity

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As an example of the continuing evolution of our product offering, we have launched a joint venture, 'Next Rural Financial Management' to supply financial advice and finance broking services to agricultural families – a group particularly challenged by issues involving intergenerational wealth transfer.

A few years ago, when we restructured and refocused this business, we set its approach as a fee-for-service offering, believing then that this model would be increasingly valued by clients. What we have seen since then is that government reform, led by community sentiment, has pushed for this model to become the preferred approach for this sector in the future. Consequently, we believe we are ideally placed to provide peace of mind for clients and potential clients who have been affected by negative publicity about the outdated, commissions-based approach to revenue for much of this sector.

Personal Financial Services results		
	FY10	FY11
Adjusted EBITDA	(\$5.6m)	(\$4.6m)



The business continues to require investment from the broader group, but has this year reduced its adjusted EBITDA loss by \$1 million on last year, continuing a trend over the previous three years. The business is on track to generate profits in 2013.

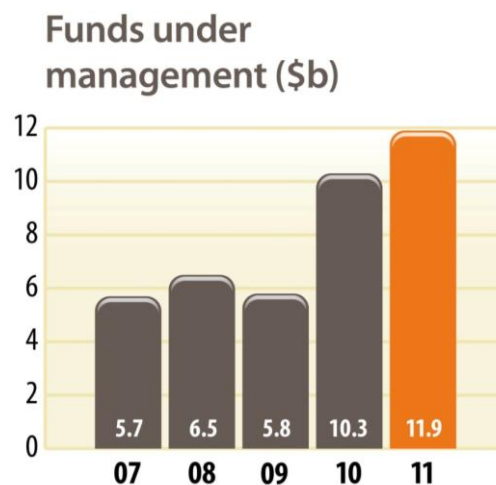
Investments



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I wish to turn to our Investments business. This is an area that has also experienced significant headwinds during the year, yet did achieve an increase in funds under management, to \$11.9 billion, up 15 percent on the previous year.

Funds under management reached \$11.9 billion



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The joint venture asset management companies that are an integral part of our business strategy each performed well during the year.

Investments Highlights

- Wingate Asset Management received special commendation for innovation in investment management
- Seres Asset Management launched its first fund
- Launched a sixth joint venture partnership, Altius Asset Management
- Including transactions since year-end, have expanded property portfolio to \$2 billion



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We were especially pleased that our international equities partner, Wingate Asset Management, was recognised with a special commendation for innovation in investment from the Australian Centre for Financial Studies. Our Asian equities manager Seres Asset Management launched its first fund during the year, the Seres Asian Equity Opportunities Fund, and participated in its first major capital introduction conferences, which were keenly attended, in Beijing and Hong Kong. With the Asia century upon us, we anticipate interest in this boutique manager, from both Australian and international investors, will continue to grow.



During the year the Altius Asset Management joint venture was launched, an additional fixed interest vehicle. Fixed interest investing is not well understood and there are many different strategies and techniques that managers can utilise. Australians continue to be under-represented in this important asset class, but we believe this class will become increasingly attractive to investors moving out of cash holdings.

In commercial property, we have expanded our reach with the acquisition of the unlisted Diversified Property Fund, a \$380 million retail property fund previously owned by Westpac. Our Retail Property Fund is planning a large expansion of the Waurin Ponds Shopping Centre, which is due to start late this year or early next year. In August, we also announced that we have become the responsible entity of an additional \$430 million commercial property business, taking over from Investa Property Group,

which brings our total property portfolio across the company to some \$2 billion. This transaction was effective on 1 October 2011.

Investments results



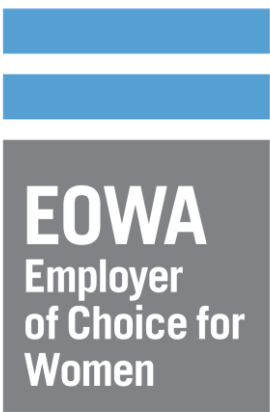
	FY10	FY11
Adjusted EBITDA	\$10.5m	\$14.1m



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Overall, the Investments business recorded an adjusted EBITDA profit of some \$14 million, up 34 percent.

Leading Employer



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As the Chairman has discussed, the success of our company depends largely on the calibre of our people and their commitment to achieving our goals. To this end, we have always devoted efforts to ensuring that our people are supported in their own professional achievements with development and career opportunities. Through both targeted and broad development programs, we are adding to and deepening the capabilities of our workforce and strengthening a culture based on delivering wellbeing to members and customers.

This focus has led to Australian Unity becoming more known as a leading employer. During the year, we were recognised as an “Employer of Choice for Women” by the Equal Opportunity for Women in the Workplace Agency. This is recognition for our efforts to create a diverse workforce, where different backgrounds, experiences and perspectives are valued and contribute to a culture of innovation, as well as a better understanding of the diversity that exists in our customer base.

Finally, when you entered the venue today you will have noticed that we were playing some of our recent television commercials. We made a decision to invest in some brand development this year, after many years of frugality on this front, as we thought it important and relevant in these fluky times to remind the community of our long and stable heritage and our commitment to community wellbeing—an organisation with demonstrated steadiness in the face of the turbulence of recent years.

Ladies and Gentleman, there is no question that the company is operating in an environment that presents challenges. Yet it is also clear that our approach to business and the services we offer are of increasing value to Australians as they themselves navigate their families through current and future uncertainty. I thank you for your continued support.

END GROUP MANAGING DIRECTOR'S ADDRESS