

# zenitas

HEALTHCARE LIMITED

ZENITAS HEALTHCARE LIMITED

## *Prospectus*

ACN 009 074 588

For BGD Corporation Ltd's (ACN 009 074 588)  
(to be renamed Zenitas Healthcare Limited)  
offer of 30.0 million Shares at an Offer Price  
of \$1.00 per Share to raise \$30.0 million  
(the 'Cash Offer') and its Vendor Consideration  
and HNA Personnel Offer

JOINT LEAD MANAGERS  
AND UNDERWRITERS

WILSONS

BELL POTTER



## Important information

This document is important and should be read in its entirety.

The Shares offered under this Prospectus should be considered a highly speculative investment.

If you are in any doubt as to whether to subscribe you should consult your accountant, solicitor, stockbroker or other professional advisor.

### Offer

The Offer contained in this Prospectus is an invitation for you to apply for fully paid ordinary shares (**Shares**) in BGD Corporation Ltd (ACN 009 074 588) (to be renamed Zenitas Healthcare Limited, if approved by Shareholders) (**Zenitas** or the **Company**).

### Issuer

This Prospectus is issued by the Company.

### Lodgement and re-quotation of Shares

This Prospectus is dated 15 November 2016 and was lodged with ASIC on that date. ASIC, the ASX and their respective officers take no responsibility for the content of this Prospectus or the merits of the investment to which this Prospectus relates.

The Company will submit a Re-Compliance Application with the ASX within 7 days after the Prospectus Date.

### Expiry Date

No Shares will be issued or transferred on the basis of this Prospectus after the Expiry Date, being 13 months after the date of this Prospectus.

### The Offer is subject to conditions

Completion of the Offer under this Prospectus is conditional upon satisfaction of certain conditions (which are set out in Section 7.4 of this Prospectus).

### Re-compliance and Shareholder approval

This Prospectus is a re-compliance Prospectus for the purposes of satisfying the admission requirements of Chapters 1 and 2 of the ASX Listing Rules as a result of a proposed change to the scale of the Company's activities described in Section 7.3.

A Notice of Annual General Meeting (**Notice of Meeting**) was despatched to Shareholders on the date of this Prospectus in relation to the Annual General Meeting of the Company to be held on 15 December 2016. Refer to Section 7.4 of this Prospectus for a summary of the proposed Resolutions contained in the Notice of Meeting.

In the event the conditions to the Offer are not satisfied or the Company does not receive conditional approval for re quotation on the ASX then the Company will not proceed with the Offer and will repay all Application Monies received, without interest.

### Consolidation of capital

Amongst others, the Notice of Meeting contains a Resolution to consolidate the Company's existing issued capital on a 1 for 23.8 basis (**Consolidation**). Accordingly, unless otherwise noted, all references to Shares and Options in this Prospectus are on a post-Consolidation basis. Applicants should note that all post-Consolidation figures noted in this Prospectus are approximates only, and subject to rounding.

### Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs (including financial and tax issues). It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, in considering the prospects of the Company, you should consider the risk factors that could affect the performance of the Company outlined in Section 5. You should

carefully consider these risks in light of your investment objectives, financial situation and particular needs (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant, financial advisor or other independent professional advisor before deciding whether to invest in the Shares. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. You should also consider the best estimate assumptions underlying the Forecast Financial Information set out in Sections 4 and 9 and the risk factors set out in section 5 that could affect the Company's business, financial condition and results of operations.

### Exposure Period

The Corporations Act prohibits the Company from processing applications to subscribe for, or acquire, Shares offered under this Prospectus (**Applications**) in the seven day period after lodgement of this Prospectus with ASIC (**Exposure Period**). This Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

During the Exposure Period, this Prospectus will be made available to Australian residents without the Application Form, at the Company's website: [www.zenitas.com.au](http://www.zenitas.com.au)

### No offering where illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, securities in the United States. This Prospectus has been prepared for publication in Australia. The Shares to be offered under the Offer have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any State or other jurisdiction in the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of, a U.S. Person. The Offer is not being extended to any investor outside Australia, other than to certain Institutional Investors as part of the Institutional Offer and to New Zealand resident Wholesale Investors who have received a firm allocation from their Broker.

See Section 10.14 for more detail on selling restrictions that apply to the Offer and sale of Shares in jurisdictions outside Australia.

### Obtaining a copy of this Prospectus

This Prospectus will be issued in paper form and as an electronic Prospectus. A copy of this Prospectus can be downloaded at the Company's website: [www.zenitas.com.au](http://www.zenitas.com.au). Persons who receive the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. During the Offer Period, any person may obtain a hard copy of this Prospectus free of charge

by contacting the Zenitas Offer information line on 1300 420 177 or +61 2 8022 8575 from 9:00am until 5:00pm (AEDT) Monday to Friday until the Closing Date.

Applications under the Offer may only be made on paper copies of the Application Form attached to or accompanying this Prospectus. The Application Form included in this Prospectus may only be distributed if it is included in, or accompanied by, a complete and unaltered copy of this Prospectus. The Application Form contains a declaration that the Applicant has personally received the complete and unaltered Prospectus prior to completing the Application Form. The Corporations Act prohibits any person from passing an Application Form to any other person unless it is attached to, or accompanied by, a complete and unaltered hard or electronic copy of this Prospectus. The Company reserves the right not to accept an Application Form from any person if it has reason to believe that when that person was given the Application Form, that person was not provided with a complete and unaltered copy of this Prospectus and any relevant supplementary or replacement Prospectus.

If you have received an Application Form for the Shares under the Offer without a complete and unaltered copy of this Prospectus, please contact the Zenitas Offer information line on 1300 420 177 or +61 2 8022 8575 from 9:00am until 5:00pm (AEDT) to arrange a printed or an electronic version of this Prospectus free of charge.

### Disclaimer

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Directors or any other person in connection with the Offer. You should rely only on information in this Prospectus. Except as required by law, and only to the extent so required, neither the Company nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

### Forecasts and forward-looking statements

This Prospectus includes forward-looking statements including, without limitation, forward-looking statements regarding the Company's financial position, business strategy and plans and objectives for its projects and future operations (including development plans and objectives), that have been based on the Company's current expectations about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements to differ materially from future events, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies, and the environment in which the Company will operate in the future. Matters not yet known to the Company, or not currently considered material to the Company, may impact on these forward-looking statements. Although the Company believes that the expectations reflected in the forward looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievements, and the Company does not assume responsibility for the accuracy and completeness of the statements. The statements reflect views held only as at the date of this Prospectus. The Company does not intend to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in

this Prospectus might not occur. Applicants are therefore cautioned not to place undue reliance on these statements.

### Statements of past performance

This Prospectus includes information regarding the past performance of the Group and the Proposed Acquisitions. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

### No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under the Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

### Privacy disclosure statement

By completing an Application Form to apply for Shares under the Offer, you are providing personal information to the Company through the Company's service provider, the Share Registry, which is contracted by the Company to manage Applications.

The Company, and the Share Registry on its behalf, collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company which it considers may be of interest to you. Your personal information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy. The Company's agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the shareholder register;
- the Joint Lead Managers in order to assess your Application;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Company's shareholder base; and
- legal and accounting firms, auditors, contractors, consultants and other advisors for the purpose of administering, and advising on, the Securities and for associated actions.

You may request access to your personal information held by (or on behalf of) the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. Access requests must be made in writing or by telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the Corporate Directory.

The Corporations Act requires the Company to include information about security holders (including name, address and details of securities held) in its public register. The information contained in the Company's public register must remain there, even if that person ceases to be a security holder. Information contained in the Company's public register is also used to facilitate distribution of payments and corporate communications (including financial results, annual reports and other information that the Company may elect to utilise to communicate with its security holders) and compliance by the Company for legal and regulatory requirements. For instance, in certain circumstances details

of security holders' names and holdings must be disclosed by the Company in its annual reports.

### Financial information presentation

All references to FY14, FY15, FY16 and FY17 appearing in this Prospectus are to the financial years ended or ending 30 June 2014, 30 June 2015, 30 June 2016 and 30 June 2017 respectively, unless otherwise indicated.

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

Section 4 sets out in detail the Financial Information referred to in this Prospectus. The basis of preparation of the Financial Information is set out in Section 4.2.

Historical Financial Information, including the Pro Forma Financial Information, has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB). Compliance with these standards ensures that the Historical Financial Information complies with the recognition and measurement principles of International Financial Reporting Standards as adopted by the International Accounting Standards Board.

This Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation for the Historical Financial Information. The Forecast Financial Information presented in this Prospectus is unaudited. The Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and they are qualified by reference to, the information contained in Sections 4 and 11.

### Financial Services Guide

The provider of the Investigating Accountant's Report on the Financial Information is required to provide Australian retail clients with a Financial Services Guide in relation to that review under the Corporations Act. The Investigating Accountant's Report and accompanying Financial Services Guide is provided in Section 9.

### Company website

Any references to documents included on the Company's website, [www.zenitas.com.au](http://www.zenitas.com.au), are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred in this Prospectus, is incorporated in this Prospectus by reference.

### Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus, unless specified otherwise, have the meaning given in the Glossary.

### Currency

Unless otherwise noted in this Prospectus, all references to "\$" or "dollars" are to Australian dollars.

### Photographs and diagrams

Photographs appearing in this Prospectus are illustrative only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in the Prospectus are illustrative only and may not be drawn to scale.

### Questions

If you have any questions in relation to the Offer, contact the Zenitas Offer information line on 1300 420 177 or +61 2 8022 8575 from 9:00am until 5:00pm (AEDT) Monday to Friday until the Closing Date.

**This document is important and should be read in its entirety.**

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# Key Offer Details

## Key Offer Statistics

Key Statistics of the Offer <sup>1</sup>	
Cash Offer Price	\$1.00
Vendor Consideration and HNA Personnel Offer Price	\$0.95 – \$1.00
Number of Shares issued under the Cash Offer (being the Institutional Offer and the Broker Firm Offer)	30.0m
Number of Shares issued under the Vendor Consideration and HNA Personnel Offer <sup>2</sup>	2.0m
Cash proceeds to be received under the Offer	\$30.3m
Number of existing Shares on issue on a post consolidation basis	12.2m
Options on issue on completion of the Proposed Transaction	1.8m
Number of post-Consolidation Shares on issue on reinstatement to ASX (undiluted)	44.2m
Number of post-Consolidation Shares on issue on reinstatement to ASX (fully diluted)	46.1m
Market capitalisation (undiluted) at Cash Offer Price <sup>3</sup>	\$44.2m
Ownership by new investors under the Offer on completion of the Proposed Transaction	67.8%
Pro forma net cash on completion of the Offer	\$9.9m
Enterprise Value at the Cash Offer Price <sup>4</sup>	\$34.3m
Pro forma consolidated forecast FY17 EBITDA after non-controlling interests <sup>5</sup>	\$5.0m
Pro forma consolidated forecast FY17 EBIT after non-controlling interests	\$4.2m
Enterprise Value/pro forma consolidated forecast FY17 EBITDA after non-controlling interests	6.8x
Enterprise Value/pro forma consolidated forecast FY17 EBIT after non-controlling interests	8.2x
Cash Offer Price/pro forma consolidated forecast FY17 NPAT after non-controlling interests per share	15.6x

<sup>1</sup> All figures are on a post-Consolidation basis and subject to rounding.

<sup>2</sup> Vendor consideration includes an initial purchase price of \$20.4m comprised of \$18.7m in cash and \$1.7m in shares to be issued at \$0.95 to \$1.00 (See section 7.12.1 for further details). There will also be deferred consideration payable in cash and shares if certain conditions are satisfied. Additional detail regarding the consideration terms can be found in section 8.

<sup>3</sup> Market capitalisation is calculated by multiplying the number of Shares on issue by the price that the Shares trade on the ASX from time to time. For indicative purposes only, market capitalisation assumes the Offer Price as shown. Shares may not trade at the Offer Price after reinstatement to ASX. If Shares trade below the Offer Price, the market capitalisation of the Company will be lower than the amounts in the range shown.

<sup>4</sup> Enterprise Value is calculated as the market capitalisation (undiluted) at Cash Offer Price less the pro forma net cash on completion of the Offer.

<sup>5</sup> The calculation of EBITDA after non-controlling interests has been based on a consistent percentage to the non-controlling interest holders' entitlement to distributable pre-tax pro forma profits from the HNA Trusts. This is an adjustment to reflect that Zenitas will not be entitled to all of the EBITDA arising from the HNA Trusts, because a portion is payable to the minority unitholders of such trusts which after completion of the Offer must be either physiotherapists or clinic managers.

## Important Dates

Indicative Timetable	Date <sup>6</sup>
Lodgement of Prospectus with ASIC	15 November 2016
Opening Date of the Offer	23 November 2016
Closing Date of the Offer	14 December 2016
Annual General Meeting	15 December 2016
Settlement Date	28 December 2016
Allotment of Shares under the Prospectus	29 December 2016
Completion of Proposed Transaction	29 December 2016
Pre-quotation disclosure to ASX	29 December 2016
Despatch holding statements	29 December 2016
Expected re-quotation of Shares on ASX	30 December 2016

<sup>6</sup> The above dates, other than the date of lodgement of the Prospectus with ASIC and the date of the Annual General Meeting, are indicative only and each or any of them may be varied without notice.



# Chairman's Letter

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15 November 2016

**Dear Investor,**

On behalf of the Directors, I am pleased to offer you this opportunity to become a Shareholder in Zenitas.

On 4 November, Zenitas entered into binding agreements to acquire five businesses (the **Proposed Transaction**), following which, Zenitas will have exposure across the following sub-segments in community-based healthcare:

- Allied Health; which comprises a diverse range of healthcare professionals, including physiotherapists, exercise physiologists, dietitians, occupational therapists and podiatrists;
- Home Care; which comprises home and respite community care covering disability, aged and 24-hour care services; and
- Primary Care; which comprises general practitioner and complementary care services.

Following completion of the Proposed Transaction, Zenitas will operate 54 facilities in Victoria, New South Wales, Queensland, South Australia and Western Australia with approximately 760 healthcare personnel.

The Board believes the macroeconomic themes of the industry to be compelling. In addition, the industry is benefiting from changes in government policies aimed at shifting the provision of healthcare services away from hospitals to community-based healthcare providers to reduce the cost of service delivery.

Additionally, the Board believes that the Proposed Transaction will enable Zenitas to take advantage of the growth opportunities available through consolidation in a highly fragmented industry. Following the Proposed Transaction, Zenitas aims to take advantage of economies of scope and capacity to consolidate and drive efficiencies.

Zenitas is led by a team with significant experience in the healthcare industry. I believe the Directors and Management of Zenitas have the capabilities to successfully support the transition and growth of Zenitas to deliver real value to patients, clinicians, staff and Shareholders.

Completion of the Proposed Transaction is subject to a number of condition precedents being satisfied or waived, including, Shareholder approval, the completion the Offer under this Prospectus and the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules. In accordance with the ASX Listing Rules, the Company's Shares will remain suspended from the ASX until the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules.

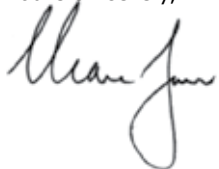
This Prospectus is being issued to assist the Company to re-comply with the ASX Listing Rules and also raise sufficient funds to complete the Proposed Transaction. Under this Prospectus, the Company proposes to raise \$30.0m under the Cash Offer via the issue of 30,000,000 Shares (post Consolidation) at an Offer Price of \$1.00 per Share. There will be also be a Vendor Consideration and HNA Personnel Offer comprising 1,747,534 Shares (post Consolidation) at an issue price of \$0.95 to \$1.00 per Share, to Vendors as part payment of the purchase price under certain of the Acquisition Agreements and an offer of 280,000 Shares at an issue price of \$1.00 per Share to certain HNA personnel to raise a further \$280,000.

This Prospectus contains detailed information about Zenitas, the Offer and the key risks in an investment of this nature. The key risks associated with an investment in the Company are set out in Section 5 and include among others, risks related to reliance on key healthcare professionals, renewal of pathology contracts, Zenitas' limited operational history and change in government policy, regulation, declines in Government funding and price risk.

I encourage you to read the Prospectus in full and to carefully consider the Offer, including the risks of investing in Zenitas. Please consult your financial advisor before making an investment decision.

On behalf of my fellow Directors, I invite you to subscribe for Shares in Zenitas and look forward to working to deliver its anticipated success.

Yours sincerely,



**Mr Shane Tanner**





# 01.

## Investment Overview

This section is a summary only and is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

All defined terms have the meaning as set out in the Glossary of this Prospectus.

## A. INTRODUCTION

Topic	Summary	Section
<b>Who is the issuer of this Prospectus?</b>	BGD Corporation Ltd ACN 009 074 588 (ASX:BGD) to be renamed Zenitas Healthcare Limited (proposed ASX ticker code upon re-quotation of Shares is ZNT) ( <b>Zenitas</b> or the <b>Company</b> )	
<b>What is Zenitas?</b>	<p>Zenitas is a community-based healthcare operator providing integrated care solutions that are primarily aimed at reducing the reliance on high cost acute and post-acute institutional care.</p> <p>Zenitas' strategy is to provide Allied Health, Home Care and Primary Care services in Australia. Zenitas's existing business (<b>Existing Business</b>) comprises two integrated Primary Care clinics under the Modern Medical Group (<b>MMG</b>) brand, with an option to acquire a further four MMG-branded clinics.<sup>7</sup></p> <p>Zenitas has entered into binding agreements (subject to Shareholder approval) to acquire five community-based healthcare businesses (<b>Proposed Acquisitions</b>), the purchase of which will be funded from the proceeds of the Offer and the issue of shares to the Vendors or their nominees under the Vendor Consideration and HNA Personnel Offer<sup>8</sup>.</p> <p>Following completion of the Proposed Transaction, the Proposed Group will be an ASX-listed player in community-based healthcare, providing services across Allied Health, Home Care and Primary Care services in the Australian market.</p> <p>The five community-based businesses to be acquired are:</p> <ul style="list-style-type: none"> <li>• Health Networks Australia (<b>HNA</b>) – Allied Health</li> <li>• Ontrac Specialised Health Management (<b>Ontrac</b>) – Allied Health</li> <li>• Caring Choice (<b>Caring Choice</b>) – Home Care</li> <li>• St. Kilda Road Medical Centre (<b>St. Kilda Road Medical Centre</b>) – Primary Care</li> <li>• Dandenong Medical Centre (<b>Dandenong Medical Centre</b>) – Primary Care</li> </ul> <p>The Proposed Group will operate 54 clinics and facilities in Victoria, New South Wales, Queensland, South Australia and Western Australia with approximately 760 healthcare personnel.</p> <p>Zenitas locations and number of healthcare personnel<sup>9</sup>:</p> 	3.2

<sup>7</sup> See Section 8 for details.

<sup>8</sup> See Section 8 for details.

<sup>9</sup> Includes businesses to be acquired under the Proposed Transaction. Location and healthcare professional data as at 7 October 2016.



Topic	Summary	Section															
What is Zenitas? <i>continued</i>	<table> <tr> <th>Segment</th><th>No. of locations</th><th>No. of healthcare personnel</th></tr> <tr> <td>● Allied Health</td><td>33</td><td>330</td></tr> <tr> <td>● Home Care</td><td>17<sup>10</sup></td><td>363</td></tr> <tr> <td>● Primary Care</td><td>4</td><td>67</td></tr> <tr> <td>Total</td><td>54</td><td>760</td></tr> </table>	Segment	No. of locations	No. of healthcare personnel	● Allied Health	33	330	● Home Care	17 <sup>10</sup>	363	● Primary Care	4	67	Total	54	760	3.2
Segment	No. of locations	No. of healthcare personnel															
● Allied Health	33	330															
● Home Care	17 <sup>10</sup>	363															
● Primary Care	4	67															
Total	54	760															
What industry does Zenitas operate in?	<p>Community-based care involves the provision of in-home and in-clinic care solutions to reduce the reliance on high cost acute and post-acute institutional care.</p> <p>The Proposed Group operates in the following three segments of the community-based healthcare industry:</p> <ul style="list-style-type: none"> <li>• <b>Allied Health</b> – provides a diverse range of Allied Health services including physiotherapy, exercise physiology, occupational therapy and podiatry;</li> <li>• <b>Home Care</b> – provides a range of consumer directed home and respite community-based care covering disability, aged and 24-hour care services; and</li> <li>• <b>Primary Care</b> – provides general practitioner services and complementary care services.</li> </ul>	2.3															
What are the businesses being acquired by Zenitas?	<p>The Proposed Acquisitions consist of:</p> <div>  <p>HNA operates a network of 30 clinics across NSW, Victoria, Western Australia and Queensland.</p> <p>The business operates under two core brands being Health Networks Australia or Lifecare, however each clinic can be individually labelled depending on the history and location of the clinic.</p> </div> <div>  <p>Founded in 2003, Ontrac provides specialised treatments for workplace and other injury rehabilitation, chronic disease management and prevention, weight loss, seniors' health and overall personal wellbeing.</p> <p>Ontrac operates 3 clinics across NSW.</p> </div> <div>  <p>Operating since 2005, Caring Choice provides flexible in-home and respite community care covering aged, disability and 24-hour care services, operating 17 respite facilities in Adelaide and surrounding areas.</p> <p>Caring Choice is one of four accredited providers of respite care services to Families SA and the only service provider that provides services in its own facilities.</p> </div> <div>  <p>Founded in 1990, St. Kilda Road Medical Centre<sup>11</sup> provides general practitioner and Allied Healthcare services to the St. Kilda Road region of Melbourne.</p> </div> <div>  <p>Founded in 1999, Dandenong Medical Centre's doctors and healthcare professionals provide general practitioner and Allied Healthcare services to the Dandenong region of Melbourne.</p> </div>	3.2.3															
What is Zenitas' existing Business?	<p>Zenitas currently owns two of the six integrated medical clinics based in Melbourne and its surrounding suburbs that comprise MMG. MMG provides general practice services and subleases clinic space to a range of other healthcare services including Allied Health services and pathology.</p>	3.2.2															

<sup>10</sup> The Proposed Group currently provides selected home care services in Western Australia.

<sup>11</sup> Public Health Management Pty Ltd trading name is St. Kilda Road Medical Centre.

Topic	Summary	Section
<b>What consideration will be paid for the Proposed Acquisitions?</b>	The Vendors of the Proposed Acquisitions will receive a cash payment, or a combination of cash and Shares in Zenitas in consideration for the sale of their business or securities (as applicable). The upfront consideration payable on completion under the Acquisition Agreements is \$20.4m comprising \$18.7m in cash and \$1.7m in Company Shares. In addition, deferred consideration calculated by reference to the performance of HNA and Caring Choice in FY17 and only Caring Choice in FY18 may be payable in a combination of cash and Shares. The FY17 deferred consideration is forecast to be \$3.2m.	3.8
<b>Will the Proposed Acquisitions be fully owned?</b>	Zenitas has entered into agreements to acquire full ownership of Ontrac, Caring Choice, St. Kilda Road Medical Centre and Dandenong Medical Centre and a majority interest in HNA.  On completion of the offer Zenitas will own majority interests in entities that own 30 clinics, with individual interests in each clinic between 50% and 100% and the remainder held by managers and healthcare professionals providing services at the clinic.	3.8
<b>Why is the Offer being conducted?</b>	The Offer is being conducted to: <ul style="list-style-type: none"> <li>• provide Zenitas with funds to effect the completion of the Proposed Acquisitions and additional working capital;</li> <li>• to continue to provide a liquid market for its Shares and an opportunity for others to invest in Zenitas;</li> <li>• assist the Company to meet the requirements of the ASX and re-comply with the conditions of Chapters 1 and 2 of the ASX Listing Rules; and</li> <li>• pay the costs of the Offer.</li> </ul>	7.5

## B. KEY FEATURES OF THE ZENITAS BUSINESS MODEL

Topic	Summary	Section
<b>What is the Zenitas vision and business model?</b>	The Zenitas vision is to provide a range of community-based healthcare services that offer integrated care solutions that are primarily aimed at reducing the high cost of acute care.  As an integrated care provider, Zenitas will have: <ul style="list-style-type: none"> <li>• the capacity to offer flexible solutions across a number of segments to its patients;</li> <li>• a platform upon which it can incorporate additional niche services, for example, behavioural health programs;</li> <li>• the ability to enhance program effectiveness based on a common management model, patient systems and performance management model; and</li> <li>• a 'one stop shop' for patients and their health needs.</li> </ul>	3.3
<b>What is the Zenitas strategy?</b>	Zenitas intends to undertake its strategy through: <ul style="list-style-type: none"> <li>• stable organic growth via patient focus <ul style="list-style-type: none"> <li>– increase revenue at existing locations through additional clinicians and new services</li> <li>– preference for in Home Care by funders and patients</li> </ul> </li> <li>• disciplined acquisitions and new location roll-out <ul style="list-style-type: none"> <li>– execute on pipeline of identified acquisitions</li> <li>– consolidating within a fragmented market</li> <li>– low capex roll-out of new Home Care facilities</li> </ul> </li> <li>• inter-disciplinary service offering <ul style="list-style-type: none"> <li>– roll-out of co-located businesses at existing locations</li> <li>– for example, providing Allied Health services in all Primary Care facilities</li> </ul> </li> <li>• develop cross-referral network <ul style="list-style-type: none"> <li>– management of internally generated referrals for the creation of incremental new organic business</li> </ul> </li> </ul>	3.4

Topic	Summary	Section																				
How does Zenitas generate its income?	<p>Zenitas generates income by providing Allied Health, Home Care and Primary Care services, to its clients and patients from its healthcare professional clinics and facilities.</p> <p>The Proposed Group will benefit from a diversified sales and funding mix, with revenue predominantly funded directly by the patient or their private health insurer, with 38% of its revenue dependent on direct Government funding.</p> <p>Split of FY16 pro forma gross revenue by segment</p> <table border="1"><caption>Split of FY16 pro forma gross revenue by segment</caption><thead><tr><th>Segment</th><th>Percentage</th></tr></thead><tbody><tr><td>Allied Health</td><td>58%</td></tr><tr><td>Primary Care</td><td>24%</td></tr><tr><td>Home Care</td><td>17%</td></tr></tbody></table> <p>Split of pro forma gross revenue by funding source</p> <table border="1"><caption>Split of pro forma gross revenue by funding source</caption><thead><tr><th>Funding Source</th><th>Percentage</th></tr></thead><tbody><tr><td>Private Patient Fees</td><td>38%</td></tr><tr><td>Private Health Insurance</td><td>23%</td></tr><tr><td>Various Government Programs</td><td>15%</td></tr><tr><td>Medicare</td><td>14%</td></tr><tr><td>Rental income and other</td><td>10%</td></tr></tbody></table> <p>Revenue is generated by Zenitas through the following sources:</p> <ul style="list-style-type: none"><li>provision of community healthcare services across Allied Health, Home Care and Primary Care services (approximately 91% of FY17 pro forma revenue);</li><li>rental agreements for other medical service businesses to provide services from Zenitas clinics, including pathology service providers and non-Zenitas Allied Health service providers (approximately 3% of FY17 pro forma revenue); and</li><li>other revenue includes other clinic income and ancillary services (approximately 6% of FY17 pro forma revenue).</li></ul> <p>The majority of revenue is generated through the provision of medical services in community healthcare.</p>	Segment	Percentage	Allied Health	58%	Primary Care	24%	Home Care	17%	Funding Source	Percentage	Private Patient Fees	38%	Private Health Insurance	23%	Various Government Programs	15%	Medicare	14%	Rental income and other	10%	3.2.4
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What are the key operational drivers of Zenitas?	<p><b>Zenitas revenue</b></p> <p>Revenue for Zenitas will primarily be determined by the following factors:</p> <ul style="list-style-type: none"><li>number of clinics and Home Care placements in the Zenitas network;</li><li>fees charged for Allied Health, Home Care and Primary Care services;</li><li>number of consultations performed;</li><li>number of consultations performed and referrals received from Zenitas and other healthcare professionals;</li><li>the level of room and facility utilisation and the proportion of shared care (rather than one on one, staff to client);</li><li>rental demand for the unutilised rooms and at Zenitas clinics; and</li><li>levels and type of funding from non-private sources, including National Disability Insurance Scheme (<b>NDIS</b>), Medicare and private health insurance.</li></ul> <p>The key operational drivers for Zenitas are discussed below:</p> <p><b>Number of clinics in the network, utilisation and number of consultations performed</b></p> <p>The number of clinics constituting the Zenitas network, number of healthcare professionals and consultant hours available contribute to the number of consultations that can be performed. The utilisation of Zenitas clinics, and consultation hours at each clinic are key drivers of revenue.</p>																					

Topic	Summary	Section
<b>What are the key operational drivers of Zenitas?</b> <i>continued</i>	<p><b>Fees</b></p> <p>Fees are generally paid by clients in exchange for the provision of Allied Health, Home Care and Primary Care services. Fees are influenced by the type of service performed as well as factors such as clinic location, surrounding demographics and local competition.</p> <p>The fees for the service provided that are paid immediately following completion of an appointment are typically patient fees with the remaining portion of fees payable by the Government and private health insurers to be paid within the next two to three business days.</p> <p><b>Funding</b></p> <p>Zenitas is aware of beneficial shifts in the funding environment towards lower acuity medical services, which are generally outside the control of Zenitas. However, other shifts in funding may or may not negatively impact on the earnings of the Company in the future, though the Company is not aware of any such impacts as at the date of this Prospectus. For more information see Section 2 and Section 5.</p> <p><b>Volume of services</b></p> <p>Zenitas operates across three areas of community healthcare – Allied Health, Home Care and Primary Care services. Demand for these healthcare services in Australia has been driven by a growing and ageing population, an increasing prevalence of chronic disease and shift in government funding away from the acute hospital setting to community-based healthcare.</p> <p><b>Zenitas Expenses</b></p> <p><b>Direct costs</b></p> <p>Direct costs comprise medical consumables and represent approximately 4% of pro forma net revenue for FY17.</p> <p><b>Employee remuneration</b></p> <p>Employee remuneration comprises the largest expense for Zenitas. Zenitas healthcare professionals are remunerated on the following arrangements:</p> <ul style="list-style-type: none"> <li>• Allied Healthcare professionals are remunerated through a mix of equity, employee and revenue share contractual arrangements;</li> <li>• Home Care staff are generally paid as employees; and</li> <li>• Primary Care general practitioners are remunerated on revenue share contractual arrangements.</li> </ul> <p>In addition, Zenitas will incur costs in relation to management support office staff.</p> <p>Zenitas anticipates employee expenses will be approximately 57% of pro forma net revenue for FY17.</p> <p><b>Occupancy costs</b></p> <p>Occupancy costs, primarily lease costs, represent approximately 13% of pro forma net revenue for FY17.</p> <p><b>Other expenses</b></p> <p>Other expenses, including governance costs, insurance, marketing, travel and motor vehicle expenses, represent approximately 12% of pro forma net revenue for FY17.</p>	3.6
<b>How will the business be funded?</b>	<p>Zenitas does not require the funds raised under this Prospectus to continue to fund current operations.</p> <p>Funds raised are primarily being sought to fund the cash components of the Proposed Acquisitions, the costs of the Offer and additional general working capital.</p>	

Topic	Summary	Section
<b>What is Zenitas' dividend policy</b>	<p>Payment of dividends by the Company will depend upon the availability of distributable earnings, the Company's franking credit position, operating results, available cash flows, financial condition, taxation position, future capital requirements, general business and financial conditions, and other factors the Directors consider relevant. The Company and the Board give no assurance about the payment of dividends, the extent of payout ratios or the future level of franking credits.</p> <p>Zenitas' dividend policy is to pay annual dividends of up to 50% of NPAT after non-controlling interests. In determining whether to declare future dividends, the Directors will have regard to Zenitas' earnings, overall financial condition and requirements, the outlook for each of the operating segments in which the Company operates, the taxation position of Zenitas and future capital requirements.</p>	4.9

## C. KEY STRENGTHS

Topic	Summary	Section
<b>What are Zenitas' key strengths?</b>	<p>Zenitas considers its key strengths to include:</p> <p><b>Attractive industry dynamics</b></p> <p>Management believes there will be strong organic growth in the community-based healthcare sector, underpinned by:</p> <ul style="list-style-type: none"> <li>a history of long term, stable growth in the community-based healthcare sector; and</li> <li>a Federal Government initiative to move the burden of healthcare services from hospitals to Primary Care via the National Healthcare Reform, providing significant community-based healthcare growth.</li> </ul> <p><b>Organic growth</b></p> <p>Organic growth can be driven through the introduction of key strategies and efficiencies gained from managing a larger group of clinics across an integrated range of community-based healthcare services. Management intends to implement initiatives to assist in generating revenue at clinics including:</p> <ul style="list-style-type: none"> <li>development of an integrated care strategy – inter-disciplinary service offering;</li> <li>deployment of additional healthcare professionals to increase utilisation of clinics;</li> <li>offer additional services, which are currently offered at some clinics, across additional clinics; and</li> <li>removal of the administration function from healthcare professionals, enabling them to focus solely on patient care.</li> </ul> <p><b>Industry consolidation</b></p> <p>Zenitas believes there is significant opportunity for industry consolidation and roll-out of new clinics in the community-based care sector due to:</p> <ul style="list-style-type: none"> <li>the fragmented nature of the industry;</li> <li>the requirement for an integrated approach in community-based care delivery; and</li> <li>National Healthcare Reform expected to drive patient treatments in community-based care.</li> </ul> <p>Based on this, Zenitas intends to pursue a disciplined growth by acquisition and roll-out strategy. There can be no assurances that this acquisition strategy will be achieved. Refer to Section 5.2.2 for risks in this regard.</p>	



Topic	Summary	Section
<b>What are Zenitas' key strengths?</b> <i>continued</i>	<p><b>Experienced senior leadership team</b></p> <p>Zenitas is led by a team with significant experience in the healthcare industry:</p> <ul style="list-style-type: none"> <li>Managing Director (and Chief Executive Officer), Justin Walter has 26 years' relevant industry experience. Formerly, Justin was General Manager of the Health and Aged Care sector at Spotless Group (ASX:SPO). Previously, Justin was State Manager at Healthscope (ASX:HSO).</li> <li>Non-Executive Chairman, Shane Tanner has 25 years' relevant industry experience. Formerly, Shane was Chairman of Vision Eye Institute (ASX:VEI), Chief Executive Officer of Mayne Nickless Diagnostic Services (later renamed Symbion Health) (ASX:SYB). Currently, Shane is also Chairman of Paragon Care Limited (ASX:PGC) and Chairman of Funtastic Ltd (ASX:FUN).</li> <li>Chief Financial Officer, Glen Dymond has 17 years' experience in healthcare and financial management. Glen was previously Divisional Commercial Manager for a number of sectors within Spotless Group (ASX:SPO), including healthcare. In addition, Glen has held positions as Finance Manager for ConnectEast Group and as the General Manager Finance for Transfield Services' Rail division.</li> </ul> <p><b>Development of cross-referral network</b></p> <p>As part of an overall integrated patient care approach, Zenitas believes that it can develop a cross-referral network for services offered by Zenitas due to:</p> <ul style="list-style-type: none"> <li>healthcare reforms expected to drive a more integrated approach to patient management;</li> <li>the ability to offer more services at co-located clinics; and</li> <li>development of professional relationships between the various healthcare professionals within the Zenitas network to capture preferred referrals.</li> </ul> <p><b>Diversified funding mix</b></p> <ul style="list-style-type: none"> <li>Zenitas has a unique funding mix that is diversified across a broad range of healthcare funding pools.</li> </ul>	3

## D. KEY RISKS

Topic	Summary	Section
<b>What are the key risks of an investment in Zenitas?</b>	<p>A list of the risks associated with an investment in the Company under this Prospectus is provided in Section 5. The following summary, which is not exhaustive, represents some of the major risk factors that Applicants need to be aware of:</p> <p><b>Renewal of pathology contracts</b></p> <p>The Company understands that the pathology industry has undergone recent change in its regulatory environment.</p> <p>There is uncertainty and a risk that changes in regulations or enforcement of a defined "fair market value" rental rate of pathology leases may adversely impact Zenitas' financial performance and position in the future.</p> <p><b>Renewal of lease agreements</b></p> <p>The Zenitas businesses operate from leased premises. The various Zenitas leases have differing legal terms, expiry dates and renewal options. There is a risk that one or more of these leases may not be renewed or transferred on terms acceptable to Zenitas. If this were to occur it may adversely affect Zenitas' operations and financial performance in the short term whilst the business in question seeks alternative premises to operate from.</p> <p><b>Loss of key personnel</b></p> <p>The responsibility of overseeing the day-to-day operations and the strategic management of the Company is substantially dependent upon its management and its key personnel. Whilst these key personnel will be entering into service agreements with the Company (wherever applicable), there can be no assurance given that there will be no detrimental impact on the Company if one or a number of these key personnel cease their employment or involvement with the Company.</p>	5

Topic	Summary	Section
<b>What are the key risks of an investment in Zenitas?</b> <i>continued</i>	<p><b>Limited trading history</b></p> <p>While Zenitas' Board and senior management have experience in business, management and the healthcare industry, Zenitas only commenced operating its Allied Health and medical services business in April 2016. Accordingly, Zenitas, in its existing form, has a limited financial and operating history. The Proposed Acquisitions, which have been operating in their respective healthcare industry for several years, operate in their segments as individual businesses. Zenitas' ability to achieve its objectives depends on the ability of its Board and senior management to successfully integrate the Proposed Acquisitions as a Group, to implement the proposed business plans and to respond in a timely and appropriate manner to any unforeseen circumstances.</p> <p><b>Impairment of intangibles</b></p> <p>The Company will have a substantial amount of intangible assets on its balance sheet relating to goodwill and identifiable intangible assets following completion of the Proposed Acquisitions. Under the relevant accounting standards the Company is required to annually test for impairment of all indefinite life intangible assets.</p> <p><b>The level of private health insurance coverage or membership rates</b></p> <p>A decrease in the levels of private health insurance coverage or reduction in general membership rates (for example as a result of economic downturn or increasing policy costs) may reduce the demand for some Zenitas services which rely on private insurers as a source of funding. This has the potential to reduce demand for Zenitas' services, put downward pressure on patient fees and adversely impact its revenue and financial performance.</p> <p><b>Caring Choice</b></p> <p>A contract between the Caring Choice Vendor and the South Australian Government, including the minister for Disabilities (<b>Disabilities SA</b>) has recently been terminated as a result of a dispute between Disabilities SA and the Caring Choice Vendor. Although Caring Choice and Zenitas are of the view that the dispute will be resolved amicably, Disabilities SA has alleged that the Vendor of the Caring Choice business from whom the Caring Choice Assets have been purchased, has breached certain obligations it had under the contract. Caring Choice has formally refuted these claims in writing. The Vendor of the Caring Choice business has also recently been notified by the NDIA that its NDIS registration is now under review and invited submissions from the Caring Choice Vendor as to why it's registration should not be terminated. Zenitas and the Vendor of the Caring Choice business are working together to maintain NDIS registration for Caring Choice and this may result in Zenitas applying for new registration in its own right.</p> <p>Other than revenues already received prior to the date of this Prospectus, Zenitas has not assumed any revenue will be generated from the arrangements with Disabilities SA during the Forecast Period. Zenitas will not be liable for any prior breaches of the contract with Disabilities SA and does not anticipate material revenues arising as a result of the NDIS registration held by Caring Choice for the balance of the Forecast Period remaining after the date of this Prospectus. Zenitas intends to provide full support to any Government investigation conducted into the affairs of the Vendor of the Caring Choice business and is indemnified by the Caring Choice Vendor for any losses suffered as a result of its failure to retain, or Zenitas to obtain, such registration. While there is no guarantee that NDIS registration will be obtained or maintained by Zenitas, the failure to obtain such registration for the Caring Choice business will not have a material impact on the Forecast Financial Information. For more information see section 5.2.11. For information on the indemnity from the Caring Choice Vendor and the extent of the retention of purchase price otherwise payable to that Vendor available to support it, see section 8.2.1.</p>	5

Topic	Summary	Section
<b>What are the key risks of an investment in Zenitas?</b> <i>continued</i>	<p><b>Change in government policy and regulation and price risk</b></p> <p>As set out in Section 2.4.5 of this Prospectus, a shift in government funding may be of future benefit to Zenitas. However, a change in government policy or regulation as a result of budget deficits, political shifts, economic conditions or any other reasons outside of the Company's control, may have a material adverse impact on Zenitas' future operational and financial performance.</p> <p>Zenitas is exposed to price risk in the Allied Health and Primary Care segments in relation to the price of services on the Medicare Benefits Schedule, which are set by the Federal Government.</p> <p><b>Licenses, accreditation and registrations</b></p> <p>Although it is intended that Zenitas will maintain the licences, accreditation and registrations held by the Proposed Acquisitions, it may be necessary to consult with government agencies in relation to the changes resulting from the Proposed Transaction and seek approvals. The Board anticipates that the Proposed Group will have the benefit of all accreditations necessary to continue to operate Zenitas' business following completion of the Proposed Transaction.</p> <p><b>Share market conditions</b></p> <p>The market price of securities can fall and may be subject to varied and unpredictable influences on the market for equities. Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies.</p> <p><b>Future capital needs</b></p> <p>In the event that further funding is required to advance the business objectives of the Company, there is no guarantee that additional funding will be available to the Company, which may materially affect its growth prospects.</p> <p><b>Liquidity and realisation risks</b></p> <p>There can be no guarantee that the Company's Shares will be actively traded in the stock market and the price will increase. Additionally, there may be an imbalance of buyers and sellers of the Company's Shares in the stock market at any given time, which may increase the volatility of the Share's market price but also decrease the prevailing market price at which Shareholders are able to sell their Shares. The result may be Shareholders not receiving a market price for their Shares or a price that is less than the price paid for their Shares.</p> <p><b>Expected future events may not occur</b></p> <p>Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of Zenitas to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.</p> <p><b>Taxation and legal reform</b></p> <p>Significant reforms and current proposals for further reforms to Australia's tax laws give rise to uncertainty. The precise scope of many of the new and proposed tax laws is not yet known. Any change to the taxation of shares and the taxation of companies may adversely impact on Shareholder returns.</p>	5

## E. KEY FINANCIAL INFORMATION

Topic	Summary					Section	
What is Zenitas’ historical and forecast financial performance?	A selected summary of Zenitas’ Pro Forma Historical, Pro Forma Forecast Results and other Forecast Financial Information is set out below. Prospective investors should read Section 4 for full details of Zenitas’ pro forma and statutory results and the assumptions underlying this information.					4	
	Selected Financial Information	FY14 Pro Forma Historical (\$m)	FY15 Pro Forma Historical (\$m)	FY16 Pro Forma Historical (\$m)	FY17 Pro Forma Forecast (\$m)		FY17 Statutory Forecast (\$m)
	Revenue	39.7	41.7	42.4	47.6		27.1
	EBITDA	4.5	5.3	5.5	6.6		(0.1)
	EBITDA (after non-controlling interests)	3.1	3.9	4.1	5.0		n/a
	EBIT	3.6	4.5	4.5	5.7		(0.9)
	EBIT (after non-controlling interests)	2.5	3.2	3.3	4.2		n/a
	NPAT (before non-controlling interests)				4.4		(0.4)
	NPAT (after non-controlling interests)				2.9		(1.2)
	The Forecast Financial Information presented above is intended as a summary only and has been prepared on the basis of the best estimate assumptions set out in Sections 4 and significant accounting policies in Section 11. It should be read in conjunction with the discussion of the Historical Financial Information and the Forecast Financial Information in Section 4, including the sensitivities set out in Section 4.8, and the risk factors set out in Section 5.						
Summary of pro forma forecast investment metrics					FY17 Pro Forma Forecast		
Enterprise Value/pro forma consolidated forecast FY17 EBITDA after non-controlling interests					6.8×		
Enterprise Value/pro forma consolidated forecast FY17 EBIT after non-controlling interests					8.2×		
Cash Offer Price/pro forma consolidated forecast FY17 NPAT after non-controlling interests per share					15.6×		

## F. KEY INFORMATION ON THE OFFER

Topic	Summary	Section												
What is the Offer?	<p>The Offer is an offer of 32,027,534 Shares (on a post-Consolidation basis) to raise \$30,280,000 in cash and partial payment of the consideration under the Acquisition Agreements. All references to Securities in this Prospectus are on a post-Consolidation basis, assuming that Resolution 6 of the Notice of Meeting (Consolidation of the Company’s capital on a 1 for 23.8 basis) has been approved by Zenitas Shareholders.</p> <p>The Offer comprises:</p> <ul style="list-style-type: none"><li>the Vendor Consideration and HNA Personnel Offer, which is an offer of 2,027,534 Shares to the Vendors as partial consideration for the Proposed Acquisitions under the Acquisition Agreements and certain HNA personnel (see section 7.12 for further details);</li><li>the Broker Firm Offer, which is only open to Australian resident investors who are not Institutional Investors and New Zealand resident Wholesale Investors, each of whom have received a firm allocation of Shares from a Broker; and</li><li>the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia, New Zealand and certain overseas jurisdictions.</li></ul> <p>The Broker Firm Offer and the Institutional Offer are collectively the ‘<b>Cash Offer</b>’.</p> <p>No general public offer of Shares will be made under the Offer.</p>	7.2												
What is the proposed use of funds raised from the Cash Offer?	<p>The breakdown of the intended use of funds by the Board as of the date of this Prospectus is given in the table below. As with any budget information, intervening events and new circumstances have the potential to affect the manner in which funds are ultimately used by the Company. As such, the Board reserves the right to alter the way funds are applied on this basis.</p> <table><tr><th>Description</th><th>\$million</th></tr><tr><td>Upfront cash consideration (part of initial payment) under the Acquisition Agreements</td><td>\$18.7m</td></tr><tr><td>Expenses of the Offer<sup>12</sup></td><td>\$3.0m</td></tr><tr><td>Business acquisition costs</td><td>\$2.8m</td></tr><tr><td>Additional general working capital and funding for potential acquisitions<sup>13</sup></td><td>\$5.8m</td></tr><tr><td><b>Total</b></td><td><b>\$30.3m</b></td></tr></table> <p>Zenitas does not require the funds raised under this Prospectus to continue to fund its operations.</p> <p>Further breakdown of the costs of the Offer is set out in Section 10.7 of the Prospectus.</p> <p>In addition, Zenitas has approximately \$2.0m of cash on hand which will be applied to general working capital.</p>	Description	\$million	Upfront cash consideration (part of initial payment) under the Acquisition Agreements	\$18.7m	Expenses of the Offer <sup>12</sup>	\$3.0m	Business acquisition costs	\$2.8m	Additional general working capital and funding for potential acquisitions <sup>13</sup>	\$5.8m	<b>Total</b>	<b>\$30.3m</b>	7.6
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<b>Total</b>	<b>\$30.3m</b>													

<sup>12</sup> A full breakdown of the costs of the Offer is set out in Section 10.7 of this Prospectus.

<sup>13</sup> Zenitas does not require the funds raised under this Prospectus to continue to fund its operations, and the funds raised are primarily being sought to fund the cash components of the Proposed Acquisitions, associated transaction costs and costs of the Offer. Accordingly, operational costs (employment, equipment, technology, etc.) relating to the Current Business will continue to be funded by Zenitas' existing and future cash flows, and are unlikely to be funded via the funds raised under the Offer.



Topic	Summary	Section														
What are the conditions of the Offer?	<p>Completion of the Offer is inter-conditional upon:</p> <ul style="list-style-type: none"><li>• a minimum of \$30.0m being raised under the Cash Offer;</li><li>• Shareholders approving the Proposed Transaction at the Annual General Meeting;</li><li>• the Company otherwise being in a position to complete the Proposed Transaction;</li><li>• the conditions precedents to the Acquisition Agreements being satisfied or waived;</li><li>• the ASX approving the Company’s re-compliance with Chapters 1 and 2 of the ASX Listing Rules; and</li><li>• other standard conditions precedent under the Acquisition Agreements being satisfied.</li></ul> <p>In the event that the conditions above are not satisfied and/or waived, the Offer will not proceed and no Shares will be issued under this Prospectus. If this occurs, all Application Monies received under the Cash Offer will be refunded (without interest) in accordance with the Corporations Act.</p>	7.4														
Re-compliance with Chapters 1 and 2 of the ASX listing rules	<p>The Proposed Transaction will result in a significant change to the scale of the Company’s activities for which Shareholder approval is required. Subject to Shareholders approving the Resolutions in the Notice of Meeting, the Company will seek to complete the Re-compliance to obtain re-quotation of its Shares on ASX.</p>															
Will the Shares be listed?	<p>Within 7 days after the Prospectus Date, the Company will submit the Re-Compliance Application to the ASX. The ASX will not allow the removal of the Company’s trading suspension which currently applies to the Company’s Shares until the ASX is satisfied that the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules.</p> <p>If approval for the Re-Compliance Application is not granted by the ASX within 3 months after the Prospectus Date (or such other period varied by ASIC), then the Company will not allot or issue any Shares pursuant to the Offer and will repay all Application Monies received under the Cash Offer without any interest, as soon as practicable in accordance with the requirements of the Corporations Act.</p>	7.9														
How will the Proposed Transaction and the Offer affect the Company’s capital structure?	<p>The Company’s projected capital structure is as follows:</p> <table><tr><th>Capital structure (Shares)</th><th>Number of Shares</th></tr><tr><td>Existing Shares on issue (post-Consolidation)</td><td>12,211,832</td></tr><tr><td>Issue of Shares under the Vendor Consideration and HNA Personnel Offer<sup>(a)</sup></td><td>2,027,534</td></tr><tr><td>Shares issued under the Cash Offer</td><td>30,000,000</td></tr><tr><td><b>Total Shares on issue at listing (undiluted)</b></td><td><b>44,239,366</b></td></tr><tr><td>Existing Options on issue (post-Consolidation)<sup>(b)</sup></td><td>1,842,008</td></tr><tr><td><b>Total Shares on issue at listing (fully diluted)</b></td><td><b>46,081,374</b></td></tr></table> <p>Notes</p> <p>(a) Assumes that HNA Personnel subscribe for all 280,000 Shares allocated to them under the Vendor Consideration and HNA Personnel Offer.</p> <p>(b) Subject to Shareholder approval at the Annual General Meeting, it is proposed that Mr Tanner will be issued 400,000 Options. The proposed Options are included in the above table.</p>	Capital structure (Shares)	Number of Shares	Existing Shares on issue (post-Consolidation)	12,211,832	Issue of Shares under the Vendor Consideration and HNA Personnel Offer <sup>(a)</sup>	2,027,534	Shares issued under the Cash Offer	30,000,000	<b>Total Shares on issue at listing (undiluted)</b>	<b>44,239,366</b>	Existing Options on issue (post-Consolidation) <sup>(b)</sup>	1,842,008	<b>Total Shares on issue at listing (fully diluted)</b>	<b>46,081,374</b>	7.8
Capital structure (Shares)	Number of Shares															
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Shares issued under the Cash Offer	30,000,000															
<b>Total Shares on issue at listing (undiluted)</b>	<b>44,239,366</b>															
Existing Options on issue (post-Consolidation) <sup>(b)</sup>	1,842,008															
<b>Total Shares on issue at listing (fully diluted)</b>	<b>46,081,374</b>															
Is the Cash Offer underwritten?	<p>Yes. The Cash Offer is fully underwritten by the Joint Lead Managers.</p>	7.13														
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Joint Lead Managers in consultation with the Company, having regard to the allocation policy described in Section 7.10.5 and Section 7.11.2. The Shares offered under the Vendor Consideration and HNA Personnel Offer will be allocated in accordance with Section 7.12.1.</p>	7.9														

Topic	Summary	Section
<b>Is there any brokerage, commission or stamp duty payable by Applicants?</b>	<p>No brokerage, stamp duty or other costs are payable by Applicants in respect of an Application for Shares under this Prospectus.</p> <p>Investors who buy or sell Shares on ASX may be subject to brokerage and other transaction costs. Under current legislation, there is no stamp duty payable on the sale or purchase of shares on ASX.</p> <p>See Section 8.2 for details of various fees payable by the Company to the Joint Lead Managers.</p>	7.9
<b>What are the tax implications of investing in Shares under this Prospectus?</b>	<p>The tax consequences of any investment in the Shares offered under this Prospectus will depend upon an Applicant's particular circumstances. Applicants should obtain their own independent tax or professional advice prior to deciding whether to participate under the Offer.</p>	7.20
<b>When will I receive confirmation whether my Application has been successful?</b>	<p>It is anticipated that either a CHESSE statement or an issuer sponsored holding statement (wherever applicable) will be despatched as soon as practicable after the Closing Date.</p>	7.19
<b>How can I apply under the Broker Firm Offer?</b>	<p>If you have received an allocation of Shares from your Broker and wish to apply for Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Application Form and for payment instructions. See Section 7.10.2 for further details.</p>	7.10.2
<b>Will any of the Shares under the Offer be subject to escrow?</b>	<p>Yes. The Escrowed Shareholders have agreed to enter into voluntary escrow arrangements in relation to the Shares issued as consideration under the Acquisition Agreements. Details are provided in Section 8.8.</p>	8.8

## **G. KEY INFORMATION ON THE EXPERIENCE AND BACKGROUND OF THE DIRECTORS AND MANAGEMENT, AND SIGNIFICANT INTERESTS OF PEOPLE**

Topic	Summary	Section
<b>Who are the Directors of Zenitas?</b>	<p>The Board of Zenitas currently consists of:</p> <ul style="list-style-type: none"> <li>• Mr Shane Tanner, Non-Executive Chairman</li> <li>• Mr Justin Walter, Managing Director (and Chief Executive Officer)</li> <li>• Mr Jonathan Lim, Non-Executive Director</li> <li>• Dr Todd Cameron, Executive Director</li> <li>• Mr Jeremy Kirkwood, Alternate Director to Dr Cameron</li> </ul>	6.1

Topic	Summary	Section																												
What will the interests of the Board and key management be following completion of the Proposed Transaction and the Offer?	On a post-Consolidation basis, current and proposed relevant interests are as follows:	6.3																												
	<table><tr><th>Director/Officer</th><th>Securities</th><th>undiluted</th><th>Fully diluted</th></tr><tr><td>Shane Tanner, Director and Chairman (a)(b)</td><td>136,867 Shares 435,014 Options(e)</td><td>0.3%</td><td>1.2%</td></tr><tr><td>Justin Walter, Managing Director and CEO</td><td>95,885 Shares 42,017 Options(e)</td><td>0.2%</td><td>0.3%</td></tr><tr><td>Jonathan Lim, Director(c)</td><td>547,481 Shares 369,748 Options(e)</td><td>1.2%</td><td>2.0%</td></tr><tr><td>Dr Todd Cameron, Director</td><td>1,572,765 Shares 0 Options(e)</td><td>3.6%</td><td>3.4%</td></tr><tr><td>Jeremy Kirkwood, Alternate Director</td><td>873,759 Shares 0 Options(e)</td><td>2.0%</td><td>1.9%</td></tr><tr><td>Glen Dymond, CFO(d)</td><td>82,017 Shares 0 Options(e)</td><td>0.2%</td><td>0.2%</td></tr></table>		Director/Officer	Securities	undiluted	Fully diluted	Shane Tanner, Director and Chairman (a)(b)	136,867 Shares 435,014 Options(e)	0.3%	1.2%	Justin Walter, Managing Director and CEO	95,885 Shares 42,017 Options(e)	0.2%	0.3%	Jonathan Lim, Director(c)	547,481 Shares 369,748 Options(e)	1.2%	2.0%	Dr Todd Cameron, Director	1,572,765 Shares 0 Options(e)	3.6%	3.4%	Jeremy Kirkwood, Alternate Director	873,759 Shares 0 Options(e)	2.0%	1.9%	Glen Dymond, CFO(d)	82,017 Shares 0 Options(e)	0.2%	0.2%
	Director/Officer		Securities	undiluted	Fully diluted																									
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	Glen Dymond, CFO(d)		82,017 Shares 0 Options(e)	0.2%	0.2%																									
	Notes																													
(a) Subject to Shareholder approval at the Annual General Meeting, it is proposed that Mr Tanner (or his nominee) will subscribe for up to 50,000 Shares under the Cash Offer. This maximum subscription amount is included in the above table.																														
(b) Subject to Shareholder approval at the Annual General Meeting, it is proposed that Mr Tanner will be issued 400,000 Options. The proposed Options are included in the above table.																														
(c) Jonathan Lim is a Director and indirect majority holder of Liverpool Partners. Liverpool Partners is the corporate advisor to the Company and will be receiving fees in connection with the Proposed Transaction. Details of arrangements with Liverpool Partners are set out in Section 6.5.2.																														
(d) It is proposed that Mr Dymond (or his nominee) will subscribe for up to 40,000 Shares under the Cash Offer. The maximum subscription amount is included in the above table.																														
(e) Options entitle the holder to subscribe for and be issued one ordinary Share upon payment of the exercise price of an Option. Details of the rights attaching to Options are set out in Section 10.3.																														
What significant benefits are payable to the Board?	Remuneration/director fees of the Board are as follows:	6.3																												
	<table><tr><th>Director</th><th>Current base remuneration (\$)</th></tr><tr><td>Shane Tanner</td><td>\$60,000 per annum</td></tr><tr><td>Justin Walter</td><td>\$273,750 per annum</td></tr><tr><td>Jonathan Lim</td><td>\$36,000 per annum</td></tr><tr><td>Dr Todd Cameron</td><td>\$36,000 per annum</td></tr><tr><td>Jeremy Kirkwood</td><td>Nil</td></tr></table>		Director	Current base remuneration (\$)	Shane Tanner	\$60,000 per annum	Justin Walter	\$273,750 per annum	Jonathan Lim	\$36,000 per annum	Dr Todd Cameron	\$36,000 per annum	Jeremy Kirkwood	Nil																
	Director		Current base remuneration (\$)																											
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	Jonathan Lim		\$36,000 per annum																											
	Dr Todd Cameron		\$36,000 per annum																											
	Jeremy Kirkwood		Nil																											
	Jonathan Lim is a Director and indirect majority holder of Liverpool Partners. Liverpool Partners is the corporate advisor to the Company and will be receiving fees in connection with the Proposed Transaction. Therefore, Mr Lim, through Liverpool Partners will receive a benefit from completion of the Offer and the Proposed Transaction.																													
	For further details see Section 6.5.2. The Proposed Transaction is a transaction that requires Zenitas to pay a fee under the agreement with Liverpool Partners. The success fee payable to Liverpool Partners for the Proposed Transaction is \$1,487,629 in addition to a retainer fee for the period from January 2016 to the date of the Prospectus in the aggregate amount of \$170,000.																													

Topic	Summary	Section
<b>What related party agreements are in place?</b>	<p>Each of the current Directors has a Director agreement in place with the Company.</p> <p>There are a number of related party arrangements in place, which are set out in Section 6.5, and investors should have regard to these.</p> <p>In particular, as noted above, Jonathan Lim is also a director and indirect majority holder of Liverpool Partners. Prior to Mr Lim's appointment as a Director of the Company, the Company entered into an agreement with Liverpool Partners, under which Liverpool Partners will provide financial management, M&amp;A and capital raising services (excluding legal services).</p> <p>For the purposes of this Prospectus, Liverpool Partners is the corporate advisor to the Company. Details of this material contract can be found in Section 8.9 of this Prospectus.</p>	8

## H. ADDITIONAL INFORMATION

Topic	Summary	Section
<b>Where can I find more information?</b>	<p>Additional information can be obtained through the following methods:</p> <ul style="list-style-type: none"> <li>• Speaking to your broker, solicitor, accountant or other independent professional advisor.</li> <li>• reviewing Zenitas' announcements on the ASX, which are accessible from ASX's website <b>www.asx.com.au</b> under the code BGD.</li> <li>• by calling the Zenitas Offer information line on 1300 420 177 or +61 2 8022 8575 from 9:00am until 5:00pm (AEDT) Monday to Friday until the Closing Date.</li> <li>• by visiting Zenitas' website <b>www.zenitas.com.au</b>.</li> </ul>	



# 02.

Industry  
Overview



## 02. Industry Overview

### 2.1. Introduction

The Proposed Group, consisting of the Zenitas Existing Business and the Proposed Acquisitions is a 'community-based' healthcare operator providing integrated in-home and in-the-community healthcare services, aimed at reducing reliance on high cost acute and post-acute institutional care.

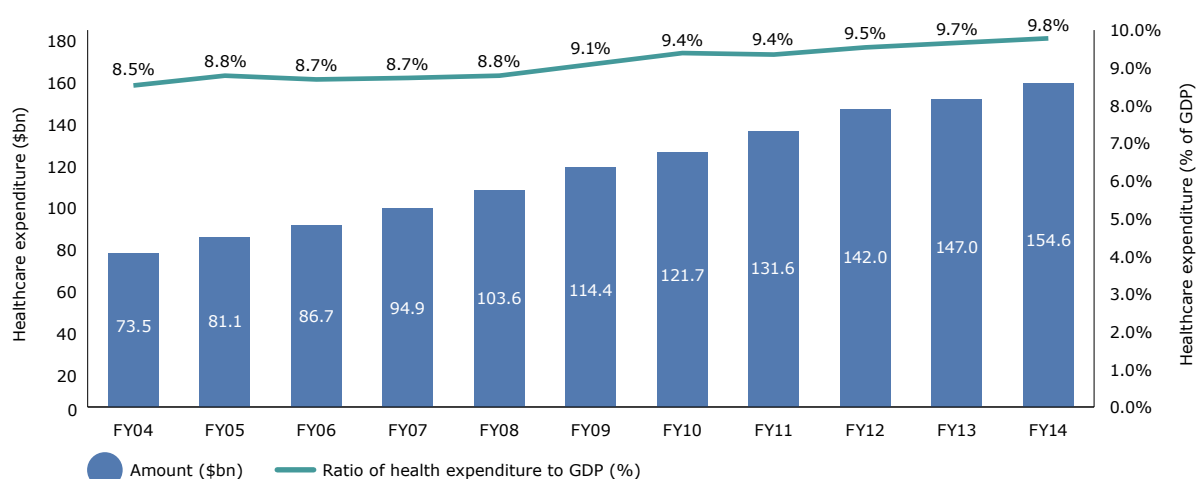
The Proposed Group operates within the \$154.6bn Australian healthcare industry<sup>14</sup>, specifically the community-based healthcare sector. Within the community-based healthcare sector, Zenitas operates in the Allied Health, Home Care and Primary Care segments which are estimated to have a combined total market size of \$23.8bn.<sup>15</sup>

### 2.2. Australian healthcare industry

The Australian healthcare industry consists of public and private organisations that provide healthcare services to consumers. Services provided include hospital services, medical treatments, medications and other related medical services. Australia performs well in terms of overall population health status, with life expectancy being the sixth highest in the OECD.<sup>16</sup>

Total Australian healthcare expenditure was estimated to be \$154.6bn in FY2014<sup>17</sup>, and is an important part of the Australian economy, representing approximately 9.8% of gross domestic product (GDP) in FY2014.<sup>18</sup> Total health expenditure has over the last 10 years grown at a faster rate than nominal GDP, with an average annual real growth rate of 5.0% in 2013-2014.<sup>19</sup>

Figure 1 – Total Australian healthcare expenditure (FY04 to FY14)<sup>20</sup>



#### 2.2.1. Australian healthcare expenditure and funding

Of the total Australian healthcare expenditure for FY2014 of \$154.6bn, hospital expenditure accounted for approximately 38%<sup>21</sup> of this, primary healthcare accounted for approximately 35%, other<sup>22</sup> accounted for approximately 21% and capital expenditure accounted for approximately 6%.<sup>23</sup>

<sup>14</sup> Australian Institute of Health and Welfare 2015, Health Expenditure 2013-14.

<sup>15</sup> Australian Institute of Health and Welfare 2015, Health expenditure Australia 2013-14: analysis by sector.

<sup>16</sup> OECD, Health at a Glance 2015; OECD Indicators, November 2015.

<sup>17</sup> Australian Institute of Health and Welfare 2015, Health Expenditure 2013-14.

<sup>18</sup> Australian Institute of Health and Welfare 2015, Health Expenditure 2013-14.

<sup>19</sup> Australian Institute of Health and Welfare 2015, Health Expenditure 2013-14.

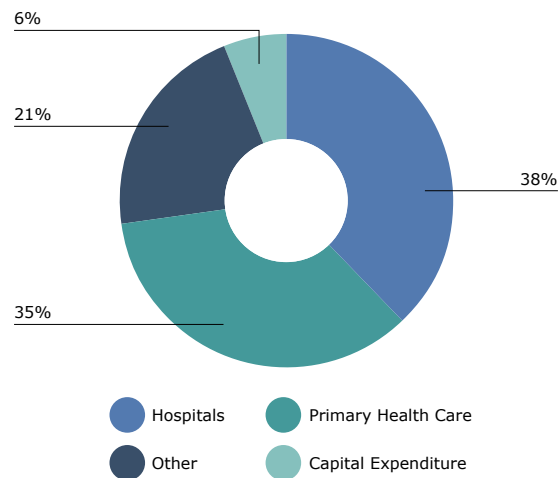
<sup>20</sup> Australian Institute of Health and Welfare 2015, Health Expenditure 2013-14.

<sup>21</sup> Australian Institute of Health and Welfare 2015, Health Expenditure 2013-14.

<sup>22</sup> Other includes research, aids & appliances, patient transport services, referred medical services and administration.

<sup>23</sup> Australian Institute of Health and Welfare 2015, Health Expenditure 2013-14; analysis by sector.

Figure 2 – Total Australian healthcare expenditure by area (FY2014)<sup>24</sup>



### 2.3. Zenitas market segment

The Proposed Group provides community-based healthcare, and specifically it operates in the Allied Health, Home Care and Primary Care segments. Community-based healthcare consists of non-institutional health services offered to patients/clients in an integrated and coordinated manner in a community setting, or the coordination of health services elsewhere in the community. Community health services focus on health promotion and disease prevention and management, which are designed to improve the health and wellbeing of local populations, as well as reduce reliance on acute care services. Specifically, the Proposed Group operates in the following segments:

- Allied Health, which comprises a diverse range of healthcare professions, including physiotherapists, exercise physiologists, occupational therapists, podiatrists, dietitians, and other healthcare professionals<sup>25</sup>;
- Home Care, which comprises in-home and respite community care covering disability, aged and 24-hour care services<sup>26</sup>; and
- Primary Care, which comprises general practitioners providing their services from multi-doctor medical centres, providing basic general practitioner services, complementary care services, as well as some specialist medicine such as skin clinics and travel medicine.<sup>27</sup>

<sup>24</sup> Australian Institute of Health and Welfare 2015, Health Expenditure 2013-14; analysis by sector.

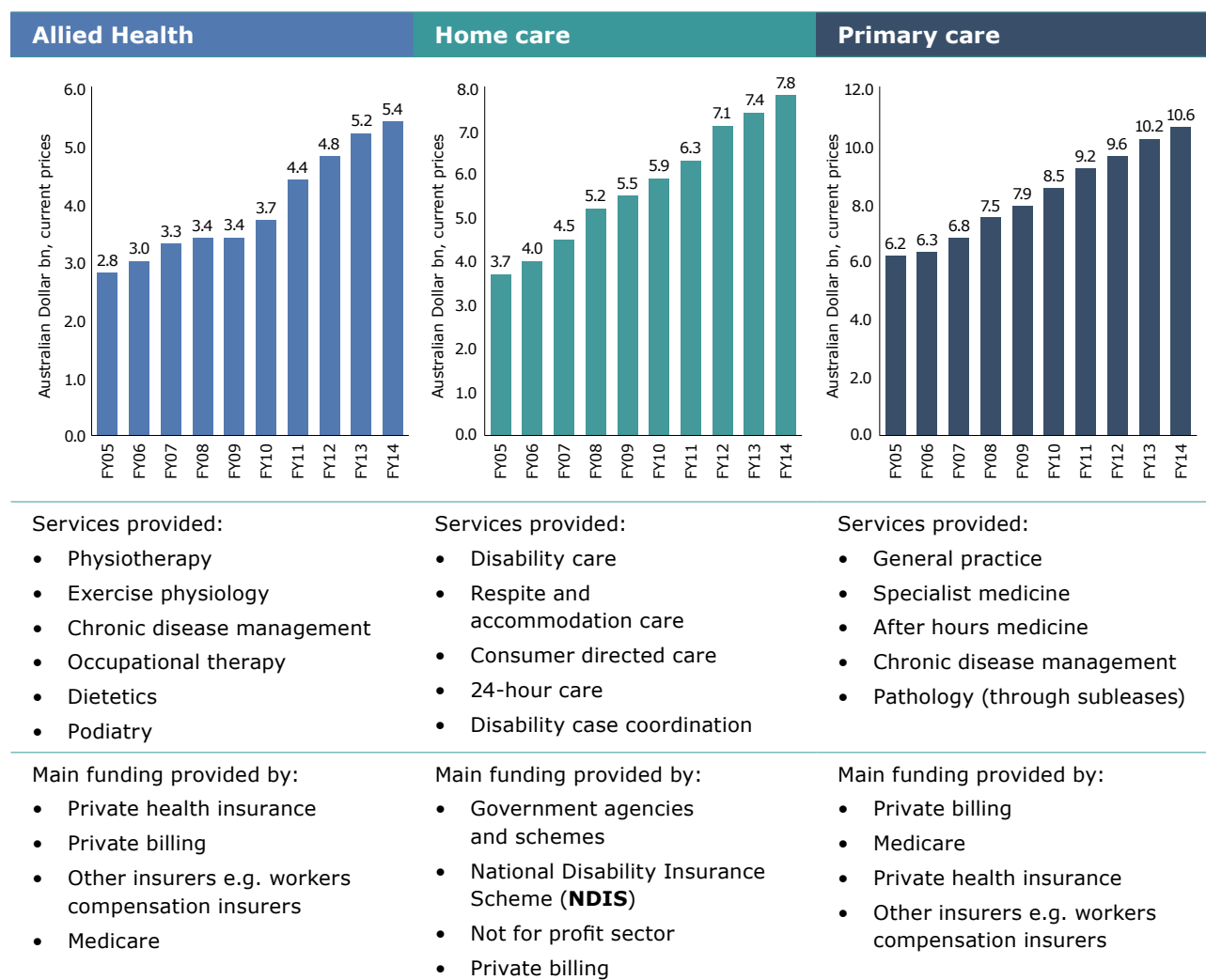
<sup>25</sup> 'Other health practitioners', Australian Institute of Health and Welfare 2015, Health expenditure Australia 2013-14: analysis by sector.

<sup>26</sup> 'Community health and other', Australian Institute of Health and Welfare 2015, Health expenditure Australia 2013-14: analysis by sector.

<sup>27</sup> 'Medical services (unreferred)', Australian Institute of Health and Welfare 2015, Health expenditure Australia 2013-14: analysis by sector.

## 02. Industry Overview

Figure 3 – Overview of addressable<sup>28</sup> Allied Health, Home Care and Primary Care markets<sup>29</sup>



### 2.3.1. Overview of funding arrangements in the Allied Health, Home Care and Primary Care markets

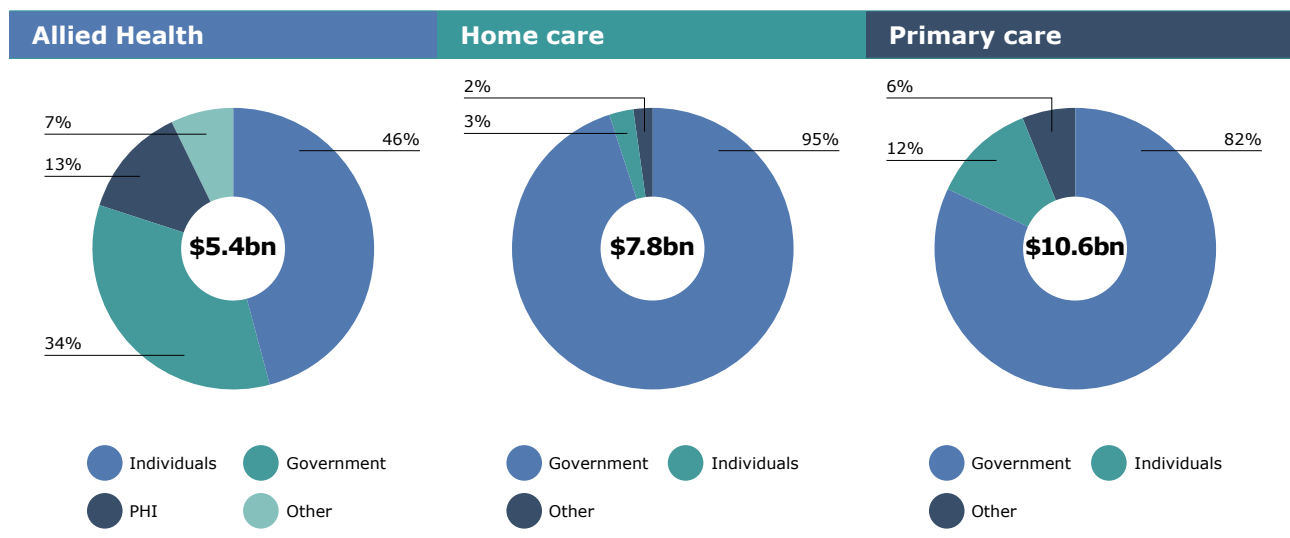
The Australian Allied Health, Home Care and Primary Care segments are predominantly funded by a combination of billing individuals (via out-of-pocket expenditure or private billings), government agencies and schemes, private health insurers and not for profit organisations.

The level and source of funding varies across, and within, the Allied Health, Home Care and Primary Care segments, with the revenue generated dependent on the type of service provided, the care environment and circumstances of the patients.

<sup>28</sup> Addressable market references the revenue opportunity available for services.

<sup>29</sup> Australian Institute of Health and Welfare 2015, Health expenditure Australia 2013–14: analysis by sector.

Figure 4 – Current healthcare funding environment<sup>30</sup>



## 2.4. Why is demand for Allied Health, Home Care and Primary Care services growing?

Zenitas believes that current macroeconomic factors will influence the Proposed Group's market segments in the same way that they will influence the broader healthcare industry. Zenitas believes there is a positive outlook for patient demand for Allied Health, Home Care and Primary Care likely driven by a range of long term social and demographic trends that are described in detail below.

### 2.4.1. A growing and ageing population

Table 1 – A growing and ageing population

	Allied Health	Home care	Primary care
Impacts on	✓	✓	✓

The demographic shift over the next 20 years and the ageing of the "baby boomer" generation and population growth may continue to drive demand for healthcare services.

The proportion of the Australian population aged 65+ years is projected to more than double by 2055.<sup>31</sup> This is expected to drive a substantial increase in healthcare demand, with the 65+ years' age group typically having the highest proportion of healthcare professional needs as they are faced with more frequent health issues.

The number of Medicare services for people aged 65+ years has grown at a CAGR of 5.2% from approximately 100.2 million in FY11 to approximately 128.9 million in FY16.<sup>32</sup> This is significantly higher than the CAGR of 3.8% for the total number of Medicare services during the same period.<sup>33</sup>

<sup>30</sup> Australian Institute of Health and Welfare 2015, Health expenditure Australia 2013–14: analysis by sector.

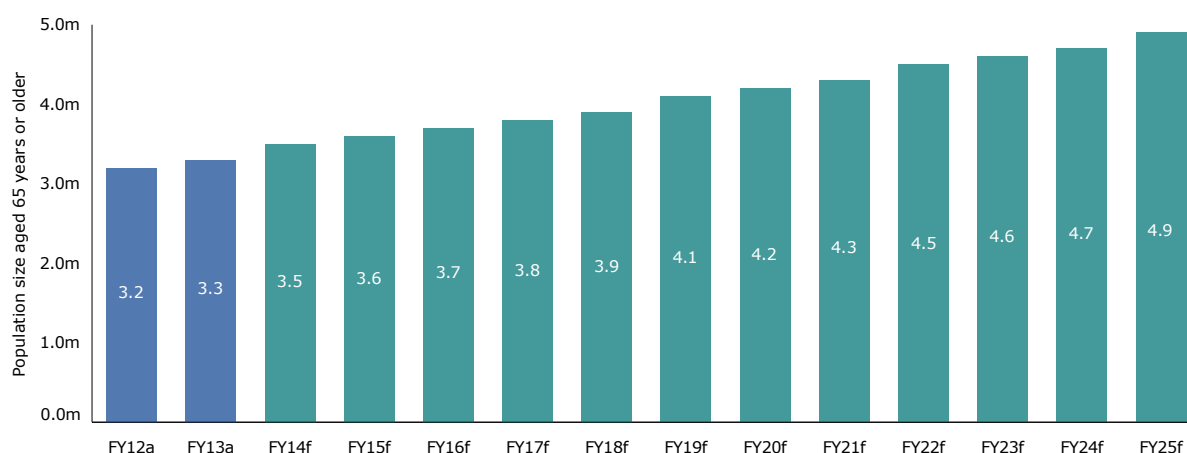
<sup>31</sup> The Commonwealth of Australia, 2015 Intergenerational Report Australia in 2055, Honourable J. B. Hockey MP, Treasurer of the Commonwealth of Australia, March 2015.

<sup>32</sup> Australian Government Department of Health, Annual Medicare Statistics, Financial Year 2007-08 to 2014-15.

<sup>33</sup> The Department of Health, Annual Medicare Statistics.

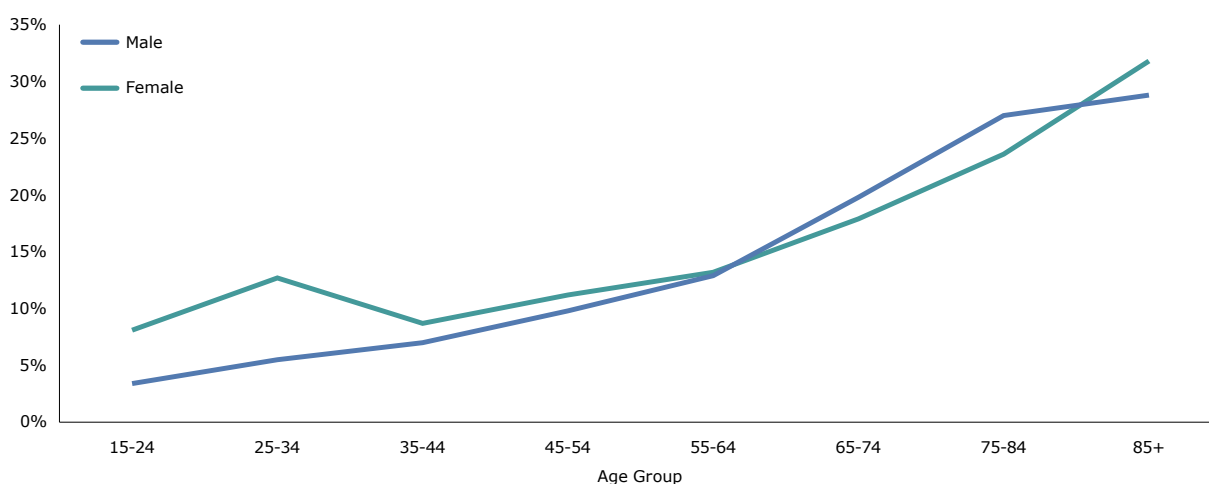
## 02. Industry Overview

Figure 5 – Australia’s population aged 65 years or older (millions)<sup>34</sup>



In particular, there is increased demand for Allied Health services, as the ageing population is leading to a rise in the prevalence of ill-health. Zenitas believes to effectively manage the health of the ageing population, the clinical expertise of Allied Health, Home Care and Primary Care professionals will be critical in the future.

Figure 6: Proportion of persons 15 years and over, visited a general practitioner 12 or more times in a year<sup>35</sup>



### 2.4.2. Increased incidence of chronic disease

Table 2 – Increased incidence of chronic disease

	Allied Health	Home care	Primary care
Impacts on	✓	✓	✓

Lifestyle risk factors such as physical inactivity, obesity and diet are associated with many chronic diseases in Australia. Almost two in every three Australians are overweight or obese, with 11 million people in Australia aged 18 and over being overweight or obese.

10% more adults are overweight or obese in 2012 when compared to 1995.<sup>36</sup>

The Australian population aged 65+ years tends to suffer from more chronic diseases than younger Australians, which in turn may increase the number of Allied Health and medical services required and associated healthcare costs. In 2013, around 56% of all general practitioner consultations originated from patients suffering from a chronic condition.<sup>37</sup>

<sup>34</sup> Australian Bureau of Statistics, based on June year end, November 2013.

<sup>35</sup> Australian Bureau of Statistics, Patient Experiences in Australia: Summary of Findings, 2012-13.

<sup>36</sup> Australian Institute of Health and Welfare, Australia's Health 2016.

<sup>37</sup> A decade of Australian general practice activity 2003-04 to 2012-13, Bettering the Evaluation and Care of Health, Sydney University Press, November 2013.



Figure 7 – Percentage of population age groups with five or more chronic diseases in 2010<sup>38,39</sup>

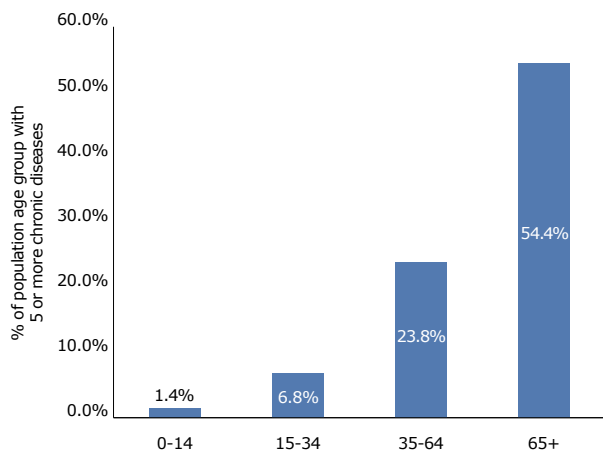
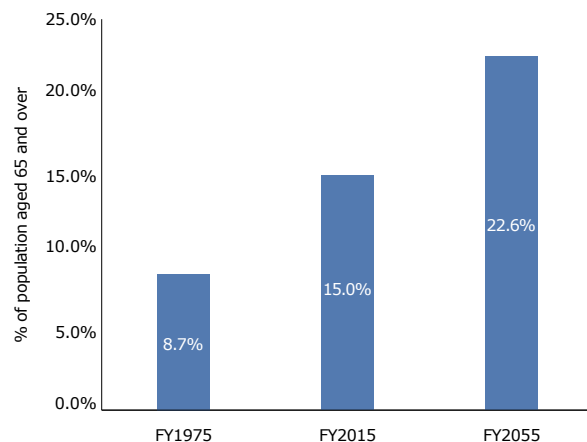


Figure 8 – Percentage of population aged 65+<sup>40</sup>



#### 2.4.3. Supportive private health insurance industry

Private health insurance (**PHI**) provides cover for an individual (or family) and can cover the costs of ancillary healthcare including Allied Health services and Home Care, as well as treatment at a private hospital. PHI is generally available at two levels:

- hospital cover, which pays for some or all of the cost of treatment at a hospital, including some services arranged for by the hospital in an 'out of hospital' setting; and
- extras, general or ancillary cover, which pays for some or all the cost of 'out of hospital' services such as physiotherapy, Home Care, dental and optical cover.

#### 2.4.4. High level of PHI membership in Australia

The Australian Federal Government has introduced a number of policies that are designed to encourage and maintain private health insurance membership in Australia, including:

- **the Medicare levy surcharge** – a tax imposition for above threshold taxpayers who have not taken out private health insurance;
- **federal government rebates** – private health insurance rebates for individuals and families that qualify; and
- **'Lifetime Health Cover'** – an additional 2% premium for members over 30 when they first take out private health insurance.<sup>41</sup>

As at June 2016, 47.0% of the total Australian population were covered by hospital treatment cover and 55.7% of the population had some form of general treatment cover.<sup>42</sup>

PHI providers are looking to incentivise younger Australians with added benefits and Allied Health (such as physiotherapy and other Allied Health services) in order to manage the increasing costs associated with providing PHI to the elderly and reduce the demand for future acute care services by encouraging preventative care.

<sup>38</sup> Australian Bureau of Statistics, Population by Age and Sex, Australian States and Territories, June 2010.

<sup>39</sup> Australian Government Australian Institute of Health and Welfare, Australia's Health 2010.

<sup>40</sup> Commonwealth of Australia, 2015 Intergenerational Report Australia in 2055, Honourable J. B. Hockey MP, Treasurer of the Commonwealth of Australia, March 2015.

<sup>41</sup> <http://www.privatehealth.gov.au/healthinsurance/incentivessurcharges/lifetimehealthcover.htm>

<sup>42</sup> Australian Prudential Regulation Authority, Private Health Insurance Quarterly Statistics, June 2016.

## 02. Industry Overview

Figure 9 – PHI memberships<sup>43</sup>

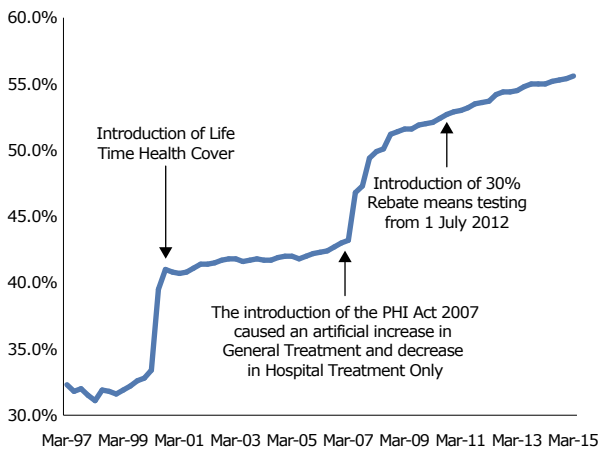
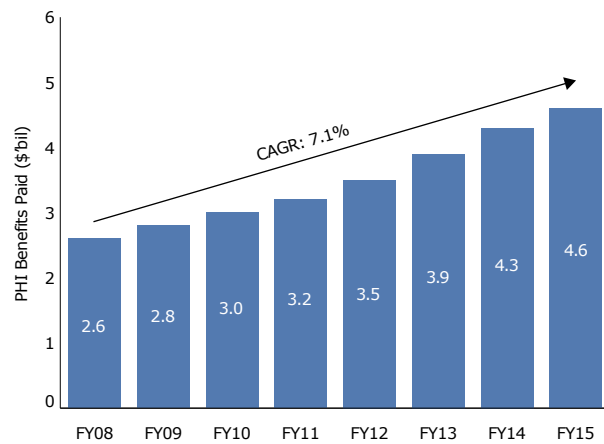


Figure 10 – PHI benefits paid for Allied Health ancillary services<sup>44</sup>

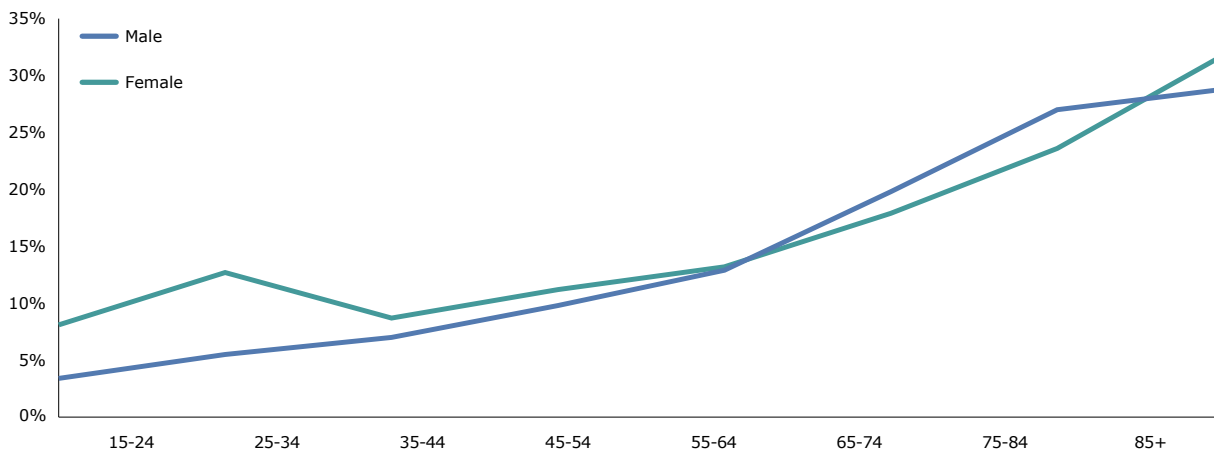


In line with Government healthcare funding reform, as discussed in Section 2.4.5 below, Zenitas believes PHI providers are increasingly looking to provide more services through the community-based care model.

### 2.4.5. Healthcare funding reform

Healthcare reforms including a shift in government funding from acute care to lower acuity medical services, increased placements in Home Care and disability via 'Consumer Directed Care' (CDC) and NDIS and the uptake in private health insurance is increasing funding in the Allied Health, Home Care and Primary Care segments as they offer a lower cost solution.

Figure 11 – Proposed shift in government spending from high cost acute care to lower acuity medical services outside of hospitals and other medical institutions<sup>45</sup>



### Home care – The transition to a federal disability care model for disability and aged care

The \$6.8bn Home Care industry is primarily funded by private billing, not for profit sector, NDIS and other government funding.<sup>46</sup> Rates for services are set by tenders or by the agency issuing pricing structure or guidance.

The NDIS is a healthcare program initiated by the federal government to provide support for Australians with disabilities, their families and carers. The NDIS will provide about 460,000 Australians under the age of 65 with a permanent and significant disability, reasonable and necessary supports they need to live an ordinary life.<sup>47</sup> The NDIS is expected to provide funding of approximately \$22.2bn in 2019/2020.<sup>48</sup>

In July 2013 the first stage of NDIS commenced in South Australia, Tasmania, the Hunter Region in New South Wales and the Barwon area of Victoria. The National Disability Insurance Agency (NDIA) provided participants with \$130.9 million of support.<sup>49</sup>

<sup>43</sup> Australian Prudential Regulation Authority, Statistical Trends in Membership and Benefits Data Tables, June 2014, All States Membership.

<sup>44</sup> Australian Prudential Regulation Authority, Private Health Insurance Statistical Trends, Benefit Trends, September 2015.

<sup>45</sup> The Commonwealth of Australia, Budget 2014 – 2015, Overview, May 2014.

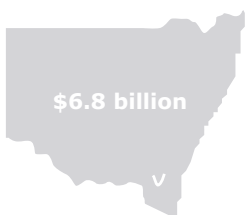



<sup>46</sup> 'Community health and other', Australian Institute of Health and Welfare 2015, Health expenditure Australia 2013–14: analysis by sector.

<sup>47</sup> NDIS, [www.ndis.gov.au/about-us/what-ndis](http://www.ndis.gov.au/about-us/what-ndis).

<sup>48</sup> Australian Government, Portfolio budget statements 2015–16: budget related paper no. 1.15A: Social Services Portfolio.

<sup>49</sup> National Disability Insurance Agency, Quarterly Report to COAG Disability Reform Council, June 2016.

Table 3 – The rollout of the National Disability Insurance Scheme<sup>50</sup>

New South Wales	Victoria	Queensland	South Australia
Current funding: \$3.4bn	Current funding: \$2.5bn	Current funding: \$2.5bn	Current funding: \$750 million
			
<b>Forecast funding in 2019</b>	<b>Forecast funding in 2019</b>	<b>Forecast funding in 2019</b>	<b>Forecast funding in 2019</b>
<ul style="list-style-type: none"> <li>The NSW market for disability support is estimated to grow from 78,000 people in 2016 to 142,000 people in 2019</li> <li>The level of annual expenditure funding is estimated to grow from \$3.4bn to \$6.8bn in 2019</li> </ul>	<ul style="list-style-type: none"> <li>The Victorian market for disability support is estimated to grow from 78,000 people in 2016 to 105,000 people in 2019</li> <li>The level of annual expenditure funding is estimated to grow from \$2.6bn to \$5.1bn in 2019</li> </ul>	<ul style="list-style-type: none"> <li>The Queensland market for disability support is estimated to grow from 48,000 people in 2016 to 91,000 people in 2019</li> <li>The level of annual expenditure funding is estimated to grow from \$1.8bn to \$4.3bn</li> </ul>	<ul style="list-style-type: none"> <li>The South Australian market for disability support is estimated to grow from 17,000 people in 2016 to 32,300 people in 2019</li> <li>The level of annual expenditure funding is estimated to grow from \$760 million to \$1.5bn in 2019</li> </ul>

In line with the Government's 'Ageing in Place' principles under the 2012 aged care reforms, there is a focus on providing a range of Home Care options for individuals with lower care needs and a preference to live at home, utilising mobile aged care and Allied Health services.

- In particular, 'Home Care Packages' provide a coordinated package of services tailored to meet specific care needs to help individuals with lower care needs to stay in their own home as they get older, and to give them choice and flexibility in the way care and services are provided to them at home.
- Since 1 July 2015, all Home Care Packages are to be delivered on a CDC basis, which provides increased consumer control over the type of services engaged by the individuals with lower care needs and the providers of those services.
- The total number of Home Care Packages is expected to increase from 66,000 to 140,000 by 2021-22.<sup>51</sup>

#### Medical services – shifting the patient burden from acute hospitalisation to medical services (Primary Care)

The \$10.6bn medical services industry is primarily funded by Medicare, private billing, private health and other insurers.<sup>52</sup> Prices are set by the individual provider with the amount rebated based on the 'Medicare Benefits Schedule', a listing of the Medicare services subsidised by the Australian government, which is reviewed and updated regularly.

The Federal Government is aiming to shift the burden of healthcare services from hospitals to lower acuity medical services via the 'National Healthcare Reform'. The primary reason for this is to promote healthcare efficiencies by reducing hospital admissions which consume relatively more cost and time.

In the 2014-15 federal budget, the Federal Government announced that from 2017-2018 public hospital funding would be indexed to a combination of growth in the consumer price index (**CPI**) and population. At the time, the Federal Government suggested that hospital spending would be reduced by approximately \$15bn per annum by 2024-25.<sup>53</sup>

<sup>50</sup> NDIS, New South Wales, Victoria, Queensland and South Australia, Market Position Statements, March 2016.

<sup>51</sup> Aged Care Financing Authority, Third report on the Funding and Financing of the Aged Care Sector, July 2015.

<sup>52</sup> 'Medical services (unreferred)', Australian Institute of Health and Welfare 2015, Health expenditure Australia 2013-14: analysis by sector.

<sup>53</sup> Commonwealth of Australia, Budget 2014-15, Overview, May 2014.

## 02. Industry Overview

### 2.5. What is the competitive landscape?

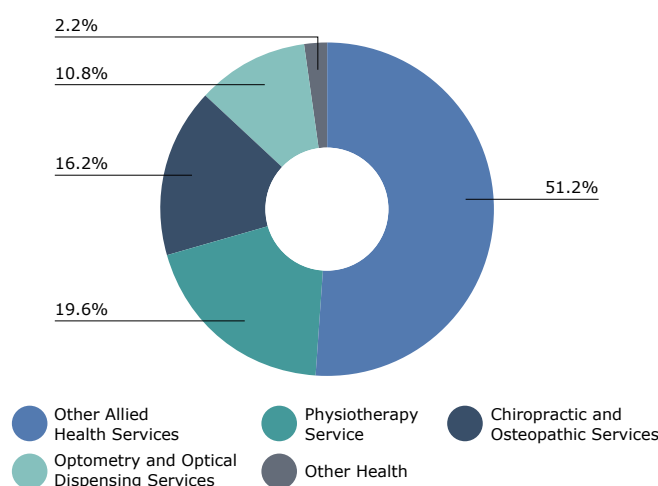
The Allied Health, Home Care and Primary Care segments are characterised by a high degree of fragmentation. Zenitas believes the key success factors for operators include location, the ability to attract and retain healthcare professionals, operational expertise, quality of care, clinical reputation and the ability to update and develop existing and new facilities.

#### 2.5.1. Allied Health segment

Zenitas believes that historically, most Allied Health practices were typically one clinic practices, which were owned by one or a number of the clinicians who practised at that clinic. In recent years, however, consolidation of the industry has begun to occur, with a number of larger practices and corporate entities owning multiple practices.

The Allied Health segment consists of clinics across the physiotherapy services, chiropractic and osteopathic services, optometry and optical dispensing and other Allied Health services. Zenitas believes the location of clinics is influenced by the distribution of the population, with major cities accounting for a high proportion of industry revenue and number of clinics, with most clients having a preference to visit clinics in close proximity to their homes. As a result, competition between clinics is typically localised.

Figure 12– Percentage of businesses by service in Allied Health<sup>54</sup>



#### 2.5.2. Home care segment

The Home Care industry is largely operated by 'not for profit' organisations with a smaller portion of providers being government and 'for profit' organisations.<sup>55</sup> One of the prominent areas of Home care is disability support services. Disability support is fragmented, with disability funding and delivery arrangements differing across jurisdictions.<sup>56</sup> Current funding for the sector is rationed, with a large amount of demand unmet, and individuals frequently have limited choice over their support.

Existing providers of disability support have developed expertise in the sector and their local communities, and have established relationships with people with a disability and their carers. Under the NDIS, new and different forms of operators will enter the market, bringing diversity, competition and innovation.<sup>57</sup> New operators will include community members, individual sole traders, organisations within the community and increased numbers of 'for profit' organisations.<sup>58</sup> New suppliers are also likely to emerge from other sectors such as health and aged care.<sup>59</sup>

<sup>54</sup> Australian Bureau of Statistics, Healthcare Services 2009 – 10.

<sup>55</sup> National Disability Insurance Scheme, Integrated Market, Sector and Workforce Strategy, June 2015.

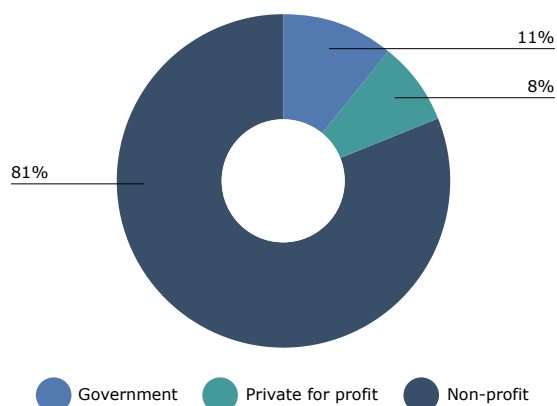
<sup>56</sup> National Disability Insurance Scheme, Integrated Market, Sector and Workforce Strategy, June 2015.

<sup>57</sup> National Disability Insurance Scheme, Integrated Market, Sector and Workforce Strategy, June 2015.

<sup>58</sup> National Disability Insurance Scheme, Integrated Market, Sector and Workforce Strategy, June 2015.

<sup>59</sup> National Disability Insurance Scheme, Integrated Market, Sector and Workforce Strategy, June 2015.

Figure 13 – Number and proportion of Home Care package providers by sector, June 2011<sup>60</sup>



### 2.5.3. Primary care segment

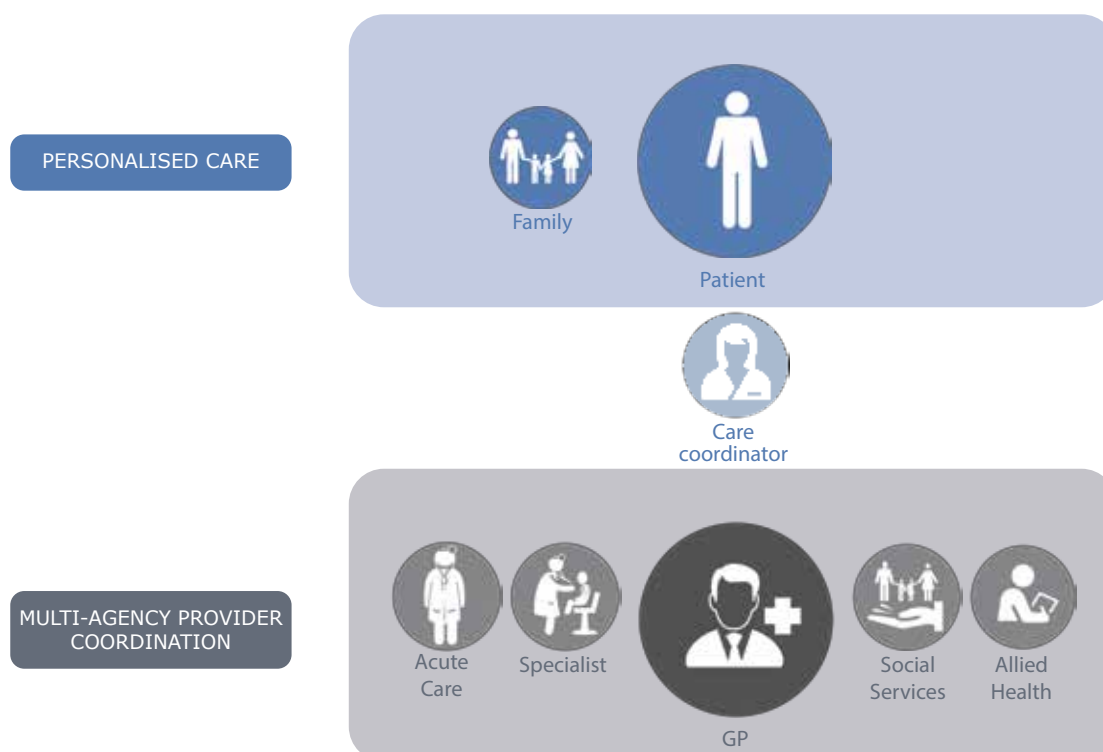
Zenitas believes that historically most Primary Care practices were typically one clinic practices, which were owned by one or a number of the doctors who practised at that clinic. In recent years' consolidation of the sector has begun to occur, with a number of larger practices and corporate entities owning multiple practices. At 30 June 2011, it is estimated that there were 7,035 general practices operating in their catchments, with a decrease in the number of practices reported by all states the Proposed Group intends to operate in except for SA and WA (which increased slightly). In Zenitas' view, despite recent consolidation in the sector there are still only a limited number of providers operating multi-clinic businesses of scale relative to the number of clinics in operation and it expects to see further consolidation in this fragmented sector.

## 2.6. Rationale for integration and consolidation of industry

### Shift to an integrated care approach

Zenitas believes the broader health services sector is addressing the challenges of chronic disease through a patient-centred approach based on integration and coordination of care. Zenitas believes that this has led to a growing trend towards 'inter-disciplinary' healthcare services and larger clinics that offer a greater number of healthcare professionals and range of Allied Health services on site.

Figure 14 – Zenitas' view of coordinated care



<sup>60</sup> CEPAR Research Brief, Aged care in Australia: Part II – Industry and Practice, February 2011.

## 02. Industry Overview

Table 4 – Zenitas’ view of integrated care approach

Feature	Impact
Personalised response	Tailored to individual needs; Zenitas believes there will be greater satisfaction and engagement
Coordination of care	Streamlined, responsive care provides more efficient use of resources
Pooled resource	The Board of Zenitas believes there will be more effective care through the use of shared systems and joint decision-making, leading to more appropriate use of expensive resources
Support platform	Shared supporting platform for patient records, shared workflows and incentive systems

Zenitas believes that, because integrated and coordinated care services have higher establishment costs and are more complex to operate, they are likely to fit better within a centralised model. Zenitas’ Board believes that centralised management and administration may result in reduced focus on administration for healthcare professionals, allowing them to focus on providing care to patients.

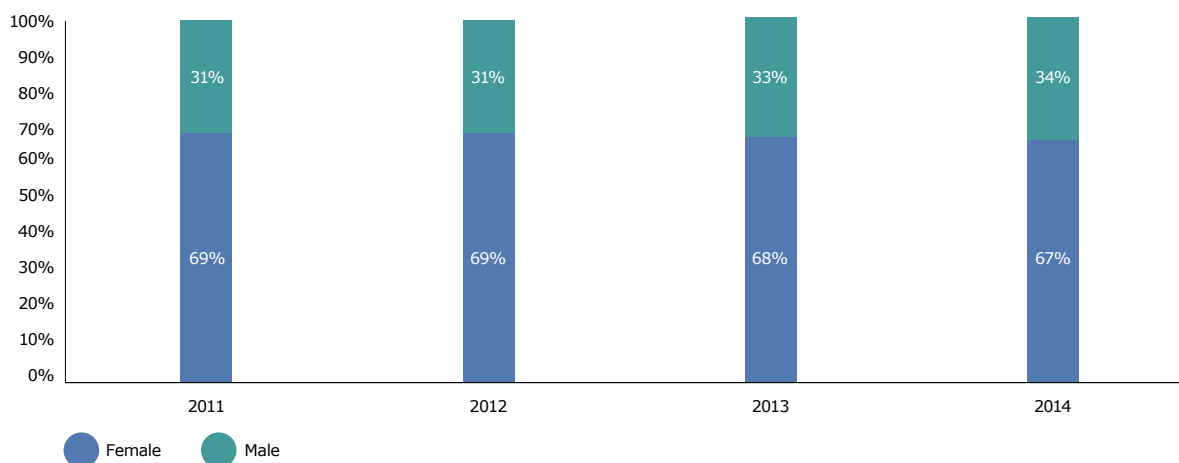
In addition, Zenitas believes CDC and NDIS will increase the emphasis on patient centricity and may require heightened customer service skills and investment in resources to properly address the market and opportunity.

### 2.7. Workforce profile in the Zenitas market segments

#### 2.7.1. Allied Health: characteristics of the physiotherapist workforce

In 2014 there were approximately 27,000 registered physiotherapists in Australia with the largest concentration of physiotherapists in New South Wales and Victoria.<sup>61</sup> Not all registered physiotherapists are currently employed. The total number of registered physiotherapists also represents those who may be working in a separate field, on extended leave or currently seeking employment in physiotherapy.

Figure 15 – Gender breakdown of full-time employed registered physiotherapists<sup>62</sup>



Across the physiotherapy workforce industry, approximately 70% of full-time employed and registered physiotherapists are female and the majority are aged between 25 and 34 years.<sup>63</sup>

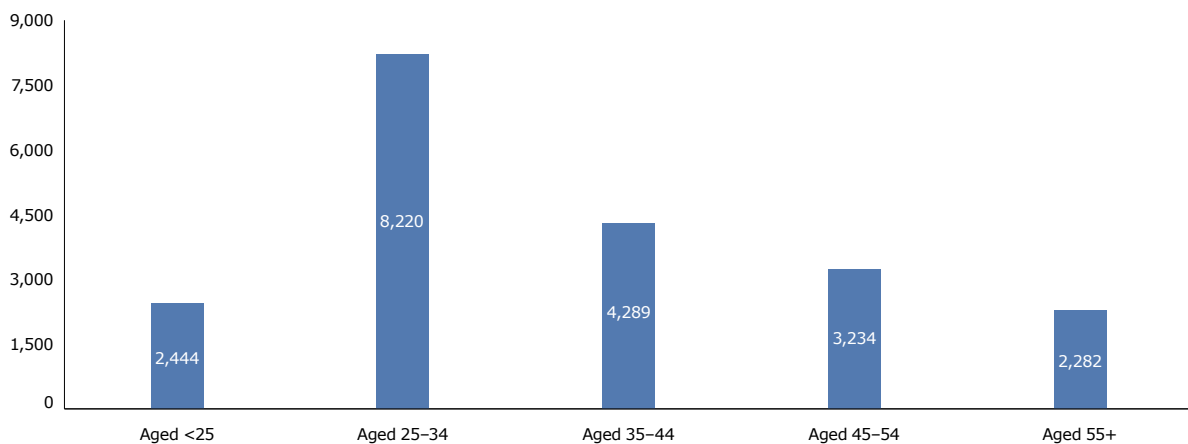
<sup>61</sup> AIHW National Health Workforce Data Set 2014.

<sup>62</sup> AIHW National Health Workforce Data Set 2011, 2012, 2013, 2014.

<sup>63</sup> AIHW National Health Workforce Data Set 2014.



Figure 16 – Full-time employed registered physiotherapists (breakdown by age)<sup>64</sup>



A general change in the physiotherapy workforce's expectations of working arrangements with employers has been recorded.<sup>65</sup> Physiotherapists, particularly younger professionals, are likely to place higher importance on flexible working hours, autonomy, and career development opportunities.<sup>66</sup> Zenitas believes this workforce dynamic supports the Company's business model.

#### 2.7.2. Home care: characteristics of the disability services workforce

The disability services workforce is part of a broader community Home Care industry. The size of the disability support workforce was estimated at approximately 68,700.<sup>67</sup> It is estimated that of the total workforce, 76% are non-professional workers which includes personal carers, Home Care workers, community care workers, and disability and residential support workers.<sup>68</sup> The disability services workforce is characterised by:

- a large proportion are employed in permanent part-time positions (55% of non-professionals)<sup>69</sup>;
- the majority of the workforce is employed by 'not for profit' organisations<sup>70</sup>; and
- the majority of the workforce is female (81%).<sup>71</sup>

#### 2.7.3. Primary care: Characteristics of the general practitioner workforce

In March 2016 there were approximately 107,000 registered medical practitioners in Australia with the largest concentration in New South Wales, Victoria and Queensland.<sup>72</sup> Registered medical practitioners include general, specialist, teaching provisional and non-practising practitioners.

<sup>64</sup> AIHW National Health Workforce Data Set 2014.

<sup>65</sup> Australian Physiotherapy Association, InPublic 2025: The future of physiotherapy in the health system, September 2015.

<sup>66</sup> Australian Physiotherapy Association, InPublic 2025: The future of physiotherapy in the health system, September 2015.

<sup>67</sup> Adelaide: National Institute of Labour Studies, Flinders University, A profile of Australian workforces in child protection juvenile justice, disability services and general community services, August 2010.

<sup>68</sup> Adelaide: National Institute of Labour Studies, Flinders University, A profile of Australian workforces in child protection juvenile justice, disability services and general community services, August 2010.

<sup>69</sup> Adelaide: National Institute of Labour Studies, Flinders University, A profile of Australian workforces in child protection juvenile justice, disability services and general community services, August 2010.

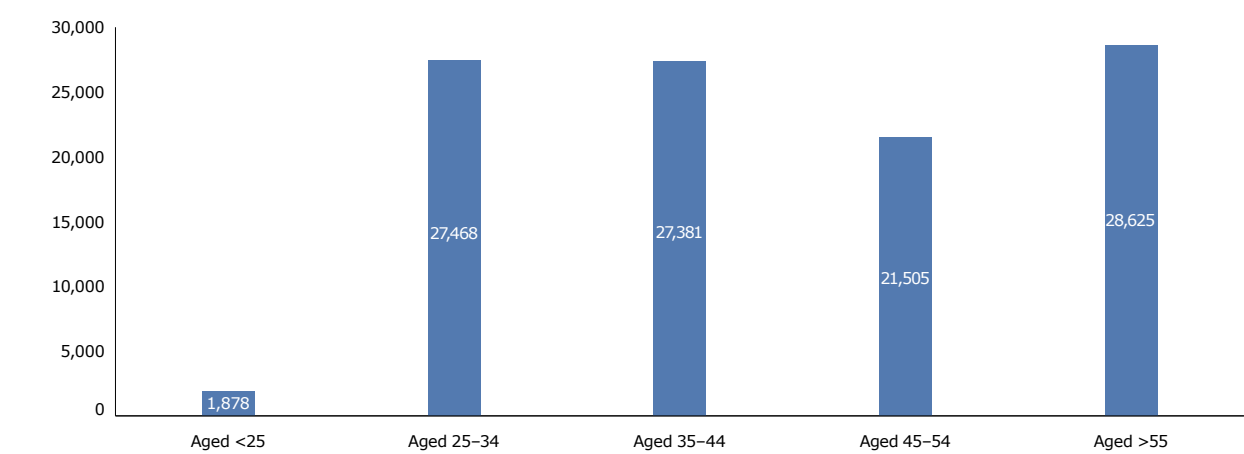
<sup>70</sup> Adelaide: National Institute of Labour Studies, Flinders University, A profile of Australian workforces in child protection juvenile justice, disability services and general community services, August 2010.

<sup>71</sup> Adelaide: National Institute of Labour Studies, Flinders University, A profile of Australian workforces in child protection juvenile justice, disability services and general community services, August 2010.

<sup>72</sup> Medical Board of Australia, Registration Data Table – March 2016.

## 02. Industry Overview

Figure 17 – Registered medical practitioners (breakdown by age)<sup>73</sup>



Medical practitioners are typically aged over 25 years, with a larger portion of registered medical practitioners being male.<sup>74</sup>

<sup>73</sup> Medical Board of Australia, Registration Data Table – March 2016.

<sup>74</sup> Medical Board of Australia, Registration Data Table – March 2016.



# 03.

## Proposed Transaction and Company Overview

## 03. Proposed Transaction and Company Overview

### 3.1. Introduction

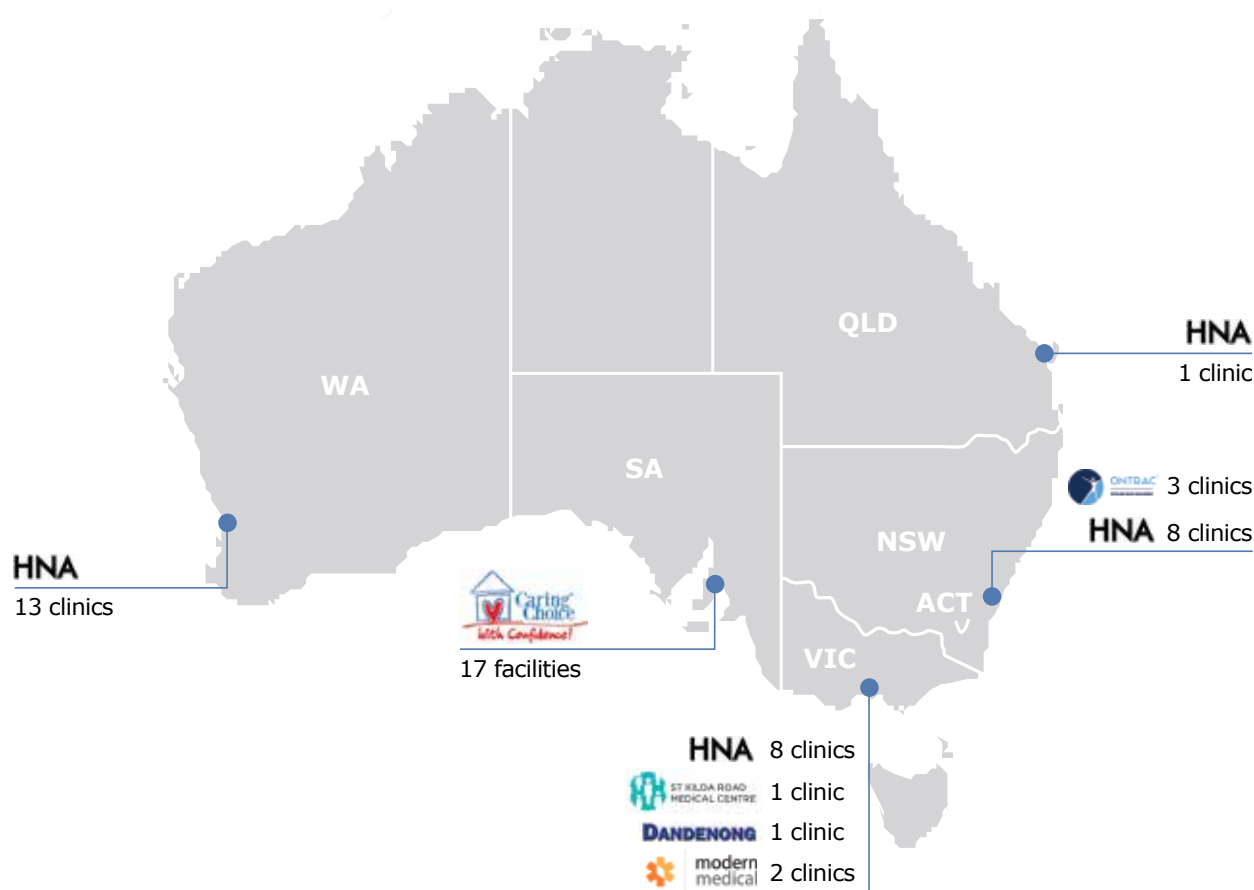
The Proposed Group's strategy is to be the owner and operator of Allied Health, Home Care and Primary Care clinics and facilities in Australia. The Existing Business comprises two integrated Primary Care clinics under the MMG brand, with an option to acquire a further four MMG-branded clinics.<sup>75</sup>

Zenitas has entered into binding agreements (subject to Shareholder approval and other conditions precedent) to acquire five community-based healthcare businesses, the Proposed Acquisitions, the purchase of which will be funded from the proceeds of this Prospectus Offer.<sup>76</sup>

Following the completion of the Proposed Transaction, the Proposed Group will be an ASX-listed player in community-based healthcare, providing services across Allied Health, Home Care and Primary Care services in the Australian market.

The Proposed Group will operate 54 clinics and facilities in Victoria, New South Wales, Queensland, South Australia and Western Australia with approximately 760 healthcare personnel, as outlined in the figure below.

Figure 18 – Scale and reach of the Proposed Group



### 3.2. What does the Proposed Group do?

The Proposed Group operates the following three business segments:

- **Zenitas Allied Health** – provides a diverse range of Allied Health services to medical practitioners who provide healthcare services including physiotherapy, exercise physiology, occupational therapy and podiatry;
- **Zenitas Home Care** – provides a range of consumer-directed home and respite community-based care covering disability, aged and 24-hour care services; and
- **Zenitas Primary Care** – provides services to medical practitioners who provide general practitioner services, complementary care services, and lower acuity procedures.








<sup>75</sup> See Section 8 for details.

<sup>76</sup> See Section 8 for details.

### 3.2.1. Overview of the Proposed Group

An overview of the Proposed Group business is provided in the table below.


Table 5 – Overview of the Proposed Group

	<b>Allied Health</b> 58% of FY16 pro forma revenue	<b>Home Care</b> 17% of FY16 pro forma revenue	<b>Primary Care</b> 25% of FY16 pro forma revenue
Brands	  		  
Service offering includes	<ul style="list-style-type: none"> <li>• Physiotherapy</li> <li>• Sports medicine</li> <li>• Exercise physiology services</li> <li>• Chronic disease management</li> </ul>	<ul style="list-style-type: none"> <li>• Respite care</li> <li>• Disability care</li> <li>• Community care</li> <li>• Aged care services</li> </ul>	<ul style="list-style-type: none"> <li>• GP services</li> <li>• Chronic disease management</li> <li>• Allied health</li> </ul>
Clinics & location	<ul style="list-style-type: none"> <li>• 33 clinics across VIC, NSW, WA, ACT and QLD</li> <li>• Zenitas option over remaining 4 HNA clinics</li> </ul>	<ul style="list-style-type: none"> <li>• 17 facilities across SA</li> </ul>	<ul style="list-style-type: none"> <li>• 4 clinics across VIC</li> <li>• Zenitas option over remaining 4 Modern Medical clinics</li> </ul>
Number of health practitioners	<ul style="list-style-type: none"> <li>• 330</li> </ul>	<ul style="list-style-type: none"> <li>• 363</li> </ul>	<ul style="list-style-type: none"> <li>• 67</li> </ul>
Number of Consulting Rooms/ Locations	<ul style="list-style-type: none"> <li>• 192</li> </ul>	<ul style="list-style-type: none"> <li>• 49</li> </ul>	<ul style="list-style-type: none"> <li>• 57</li> </ul>

### 3.2.2. Summary of business currently owned by Zenitas

A summary of the MMG-branded clinics, which are already owned by Zenitas, is set out in the table below.

Table 6 – Zenitas Primary Care – Modern Medical business


	
<b>Business overview</b>	<p>MMG is an integrated Primary Care provider, based in Melbourne and its surrounding suburbs. Founded in 2003, MMG has expanded to six integrated medical clinics that provide general practice services and sublease clinic space to a range of other healthcare services including Allied Health services and pathology.</p> <p>Zenitas currently owns two of the integrated medical clinics and holds an option to acquire the remaining four clinics.</p> <p>MMG provides consulting facilities, nursing and support services to the medical practitioners who provide healthcare services within MMG clinics.</p> <p>Services provided include: general practitioner services, chronic disease management, travel health and pathology.</p>
<b>Business model</b>	<p>MMG's business model is based on the provision of clinical and support services to medical practitioners (predominantly general practitioners), allowing general practitioners to focus on providing care to their patients.</p> <p>MMG also subleases space at its clinics to third party service providers (e.g. pathology).</p>
<b>Strategic rationale for Zenitas</b>	<p>Management believes the strategic rationale for owning MMG includes:</p> <ul style="list-style-type: none"> <li>• General practitioners are the 'gatekeepers' of Primary Care;</li> <li>• Provides significant value through its referral base;</li> <li>• Operates in a growing sector; and</li> <li>• Provides the opportunity to expand the service offering through additional Primary Care services and also co-location of other Zenitas offerings.</li> </ul>

## 03. Proposed Transaction and Company Overview

### 3.2.3. Summary of businesses to be acquired upon completion of the Proposed Transaction

A summary of the businesses in the Allied Health segment to be acquired by Zenitas are set out in the table below.

Table 7 – Zenitas Allied Health

																	
<b>Business overview</b>	<p>HNA operates a network of 30 clinics across New South Wales, Victoria, Western Australia and Queensland.</p> <p>The business operates under two core brands being 'Health Networks Australia' or 'Lifecare', however each clinic can be individually labelled depending on the history and location of the clinic.</p> <p>Services provided include: exercise primarily physiotherapy, with some complementary allied Allied Health.</p>																
<b>Clinic locations</b>	<table> <tr> <th>Region</th><th>Number of clinics being acquired upfront</th><th>Freehold/Leasehold</th></tr> <tr> <td>NSW</td><td>8 clinics</td><td>Leasehold</td></tr> <tr> <td>VIC</td><td>8 clinics</td><td>Leasehold</td></tr> <tr> <td>WA</td><td>13 clinics</td><td>Leasehold</td></tr> <tr> <td>QLD</td><td>1 clinic</td><td>Leasehold</td></tr> </table>		Region	Number of clinics being acquired upfront	Freehold/Leasehold	NSW	8 clinics	Leasehold	VIC	8 clinics	Leasehold	WA	13 clinics	Leasehold	QLD	1 clinic	Leasehold
Region	Number of clinics being acquired upfront	Freehold/Leasehold															
NSW	8 clinics	Leasehold															
VIC	8 clinics	Leasehold															
WA	13 clinics	Leasehold															
QLD	1 clinic	Leasehold															
<b>Business model</b>	<p>HNA's business model is a federated partnership model which is based on the provision of clinical and support services to Allied Health professionals (predominantly physiotherapists).</p> <p>HNA enters into service agreements with the healthcare professionals to provide the Allied Health service on site and has a practitioner fee sharing agreement with the healthcare provider.</p> <p>HNA may also enter into sublease agreements with external healthcare professionals.</p>																
<b>Strategic fit for Zenitas</b>	<p>The HNA acquisition provides the Proposed Group with a national platform for providing Allied Health services.</p> <p>Complements the services provided by Ontrac.</p> <p>Vendor alignment with key healthcare professionals is maintained through these healthcare professionals remaining as minority interest holders.</p>																
<b>Deal structure</b>	<p>An acquisition of the majority of the units on issue in the HNA Trusts and the assets and personnel of related entities that provide services to such trusts.</p> <p>In addition, a wholly owned Zenitas entity will be appointed the trustee of the HNA Trusts.</p> <p>Key healthcare professionals maintain a minority interest in their clinic (see Section 10.4).</p>																



<b>Business overview</b>	<p>Founded in 2003, Ontrac provides specialised treatments for workplace and other injury rehabilitation, chronic disease management and prevention, weight loss, seniors' health and overall personal wellbeing.</p> <p>Services provided include: exercise physiologists, chronic disease management, occupational therapists, massage therapists, hydrotherapy, dietetics and injury rehabilitation.</p>							
<b>Clinic locations</b>	<table> <tr> <th>Region</th><th>Number of clinics being acquired upfront</th><th>Freehold/Leasehold</th></tr> <tr> <td>NSW</td><td>3 clinics</td><td>Leasehold</td></tr> </table>		Region	Number of clinics being acquired upfront	Freehold/Leasehold	NSW	3 clinics	Leasehold
Region	Number of clinics being acquired upfront	Freehold/Leasehold						
NSW	3 clinics	Leasehold						



<b>Business model</b>	<p>Ontrac's key revenue stream is the provision of exercise physiology services, delivered by directly employed healthcare professionals.</p> <p>The business also receives rental income from sub-tenants.</p>
<b>Strategic fit for Zenitas</b>	The Ontrac acquisition provides specialist Allied Health capability in exercise physiology and dietetic treatments that will complement the HNA service profile and broaden Zenitas' offering.
<b>Deal structure</b>	Business and assets acquisition.

A summary of the businesses in the Home Care industry to be acquired by Zenitas is set out in the table below.

Table 8 – Zenitas Home Care




<b>Business overview</b>	<p>Operating since 2005, Caring Choice provides flexible in-home and respite community care covering aged, disability and 24-hour care services, operating 17 respite cottages in Adelaide and regional South Australia.</p> <p>Caring Choice is one of four accredited providers of respite care services to Families SA and the only service provider that provides services in its own facilities.</p> <p>Caring Choice is also registered to provide support to participants in the National Disability Insurance Scheme (NDIS). Investors should note that there is no guarantee that such registration will be maintained following closing of the offer see section 5.2.11 for further detail.</p> <p>Caring Choice provides quality and reliable support to people with intellectual, mental and/or physical disability.</p> <p>Caring Choice also provides respite care, aged care and 24-hour care.</p>								
<b>Facility locations</b>	<table><tr><th>Region</th><th>Number of cottages being acquired upfront</th><th>Freehold/Leasehold</th></tr><tr><td>SA (Adelaide and surrounding areas)</td><td>17 leasehold facilities (cottages)</td><td>Leasehold</td></tr></table>			Region	Number of cottages being acquired upfront	Freehold/Leasehold	SA (Adelaide and surrounding areas)	17 leasehold facilities (cottages)	Leasehold
Region	Number of cottages being acquired upfront	Freehold/Leasehold							
SA (Adelaide and surrounding areas)	17 leasehold facilities (cottages)	Leasehold							
<b>Business model</b>	<p>Caring Choice focuses on commercial Home Care plus disability/aged care support services. Each facility requires 2 to 4 full-time equivalent carers who must be certified in community-based care.</p> <p>The Home Care business is capital light. For each new cottage, the outlay includes leasing expenses, furnishings and fit out. Ongoing costs include consumables, utilities and general living expenses.</p>								
<b>Strategic fit for Zenitas</b>	<p>The acquisition of Caring Choice provides Zenitas with a platform to provide services in the Home Care industry and expansion across Australia in both regional and metropolitan areas.</p>								
<b>Deal structure</b>	<p>Business and assets acquisition.</p>								


### 03. Proposed Transaction and Company Overview

A summary of the businesses in the Primary Care industry to be acquired by Zenitas is set out in the table below.

Table 9 – Zenitas Primary Care



Business overview	<p>Founded in 1990, St. Kilda Road Medical Centre provides general practitioner and Allied Healthcare services to the St. Kilda Road region of Melbourne.</p> <p>Services provided include: general practitioner services, occupational health, pathology services, chronic disease management, travel medicine, skin health, occupational health, cosmetics, physiotherapy and remedial massage.</p>								
Clinic locations	<table> <tr> <th>Region</th> <th>Number of clinics being acquired upfront</th> <th>Freehold/Leasehold</th> </tr> <tr> <td>VIC (Melbourne)</td> <td>1 clinic</td> <td>Leasehold</td> </tr> </table>			Region	Number of clinics being acquired upfront	Freehold/Leasehold	VIC (Melbourne)	1 clinic	Leasehold
Region	Number of clinics being acquired upfront	Freehold/Leasehold							
VIC (Melbourne)	1 clinic	Leasehold							
Business model	<p>Business model is based on the provision of clinical and support services to medical practitioners (predominantly general practitioners), allowing general practitioners to focus on providing care to their patients.</p> <p>St. Kilda Road Medical Centre also subleases space at its clinics to third party service providers (e.g. pathology).</p>								
Strategic fit for Zenitas	<p>St. Kilda Road Medical Centre may provide Zenitas with an opportunity to grow its Primary Care business in the clinic’s local region.</p> <p>The business also provides a strong referral source in its region for the Allied Health segment.</p>								
Deal structure	Business and assets acquisition.								



<b>Business overview</b>	<p>Founded in 1999, Dandenong Medical Centre provides general practitioner and Allied Healthcare services to the Dandenong region of Melbourne.</p> <p>Services provided include: general practitioner services, occupational health, pathology services, chronic disease management, travel health, skin health, physiotherapy, dietetics, optometry, dentistry, psychologist and gynaecology.</p>								
<b>Clinic locations</b>	<table><tr><th>Region</th><th>Number of clinics being acquired upfront</th><th>Freehold/Leasehold</th></tr><tr><td>VIC (Melbourne)</td><td>1 clinic</td><td>Leasehold</td></tr></table>			Region	Number of clinics being acquired upfront	Freehold/Leasehold	VIC (Melbourne)	1 clinic	Leasehold
Region	Number of clinics being acquired upfront	Freehold/Leasehold							
VIC (Melbourne)	1 clinic	Leasehold							
<b>Business model</b>	<p>Business model is based on the provision of clinical and support services to medical practitioners (predominantly general practitioners), allowing general practitioners to focus on providing care to their patients.</p> <p>Dandenong Medical Centre also subleases space at its clinics to third party service providers (e.g. pathology).</p>								
<b>Strategic fit for Zenitas</b>	<p>Dandenong Medical Centre may provide Zenitas with an opportunity to grow its Primary Care business in the Centre's local region and provide a strong referral source in its region for the Allied Health segment.</p>								
<b>Deal structure</b>	<p>Business and assets acquisition.</p>								

### 3.2.4. Overview of revenue and funding source of the Proposed Group

The Proposed Group will benefit from a diversified sales and funding mix, with revenue predominantly funded directly by the patient or their private health insurer, with 38% of its revenue dependent on direct government funding.

Figure 19 – Split of revenue by segment<sup>77</sup>

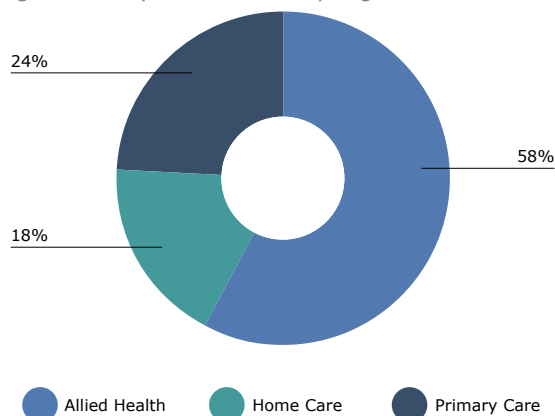
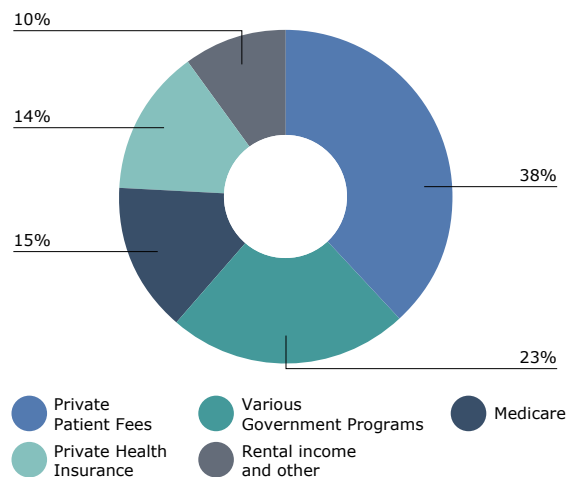


Figure 20 – Split of revenue by funding source<sup>78</sup>



### 3.3. The Zenitas business model

The Zenitas vision is to provide a range of community-based healthcare services that offer integrated care solutions that are primarily aimed at reducing the high cost of acute care. Zenitas intends to address the challenges of chronic disease through a patient-centred approach based on integration and coordination of care. Zenitas believes that the Proposed Acquisitions will allow Zenitas to provide a wide range of integrated care solutions, while offering economies of scope.

As an integrated care provider, the Proposed Group has:

- the capacity to offer flexible solutions across a number of segments to its patients;
- a platform upon which it can incorporate additional niche services e.g. behavioural health programs;
- program effectiveness based on a common management model, patient systems and performance management model; and
- a 'one stop shop' for patients and their health needs.

<sup>77</sup> Based on FY16 Pro forma gross revenue.

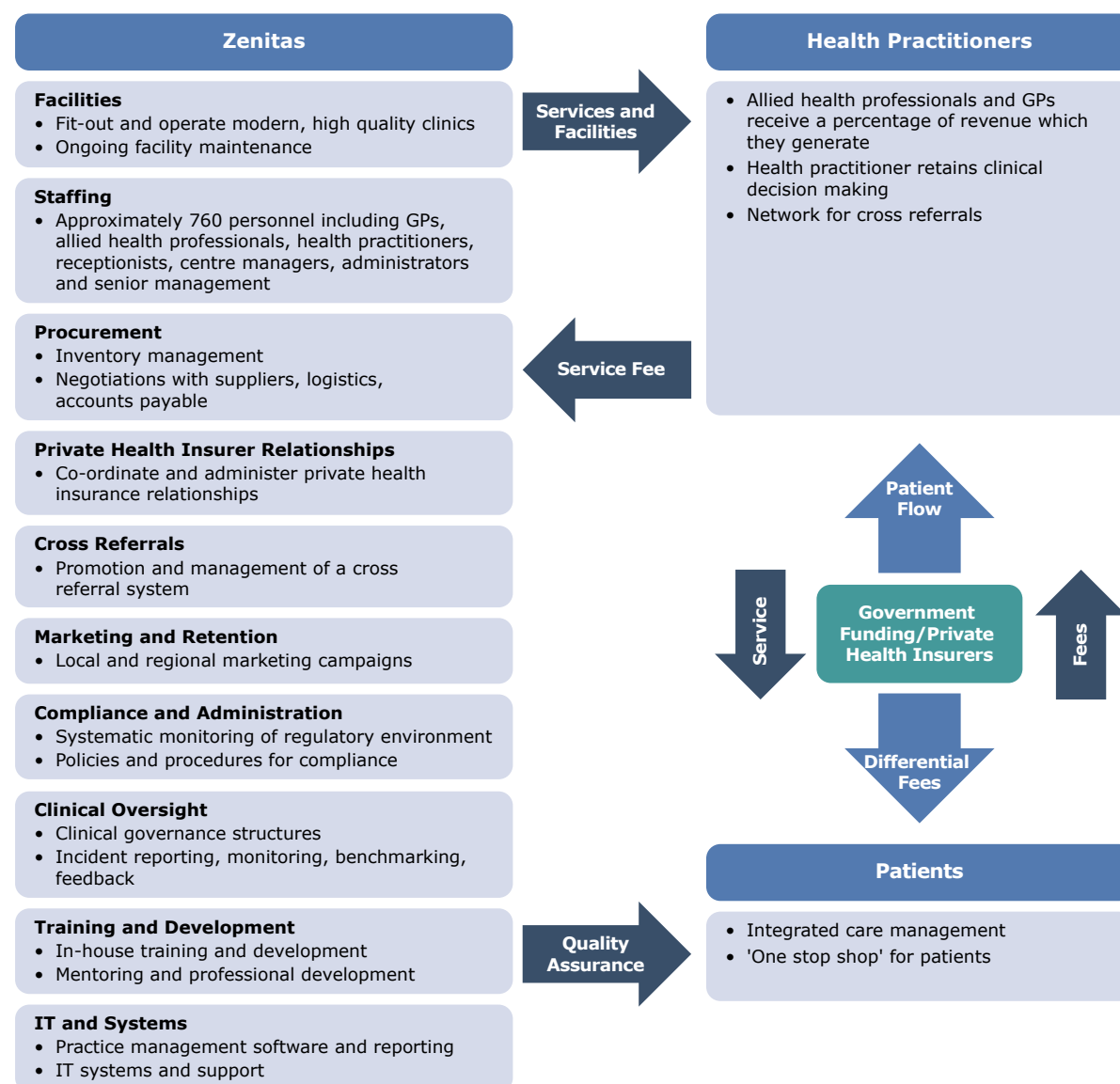
<sup>78</sup> Based on FY16 Pro forma gross revenue.

## 03. Proposed Transaction and Company Overview

### 3.3.1. Key features of the Zenitas business model

The Zenitas business model is designed to provide outstanding service to both healthcare professionals and patients by bringing together the key components of community-based care, summarised in the figure below.

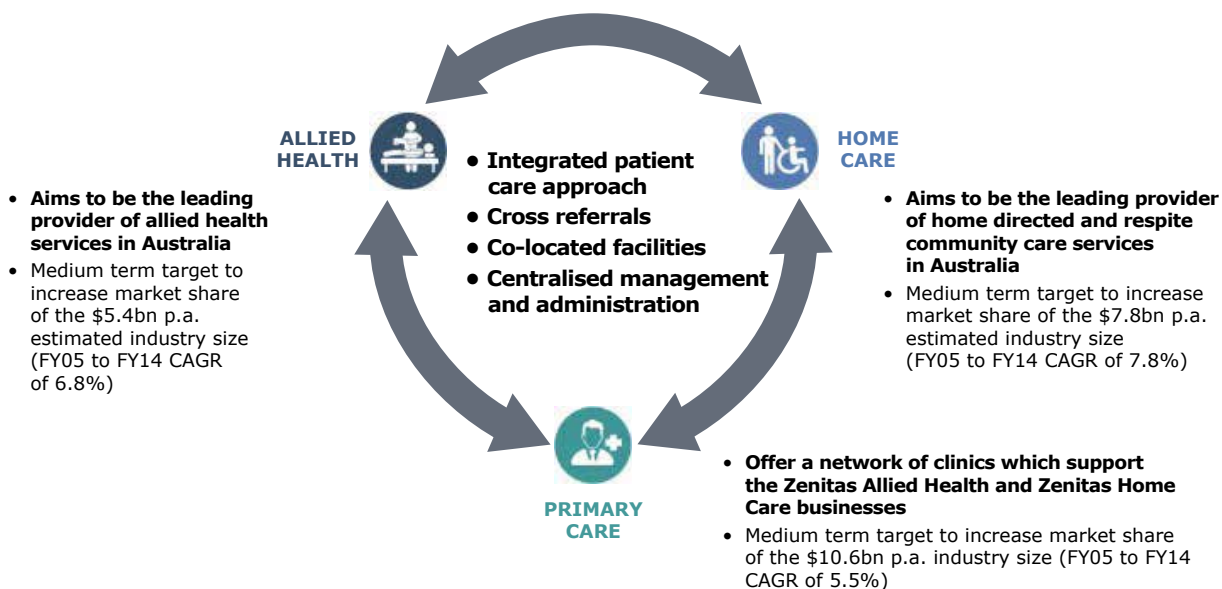
Figure 21 – Zenitas business model



### 3.4. The Zenitas growth strategy

The Zenitas Board and Management aim to achieve growth through a number of initiatives in the short and medium term. The Company considers that it is well positioned to execute the growth initiatives set out below. The Zenitas vision is outlined in the figure below.

Figure 22 – Zenitas vision



#### Growth areas identified by segment

The table below outlines where Zenitas believes the key growth areas apply in each business.

Table 10 – Roll-out assessment process

	Allied health	Home care	Primary care
Organic growth	✓✓	✓✓✓	✓
Roll-out growth	✓	✓✓✓	✓
Acquisition growth	✓✓	✓	✓✓
Inter-disciplinary service offer	✓✓	✓✓	✓✓
Cross-referral network	✓	✓	✓

## 03. Proposed Transaction and Company Overview

### Organic growth

Organic growth will be driven through the introduction of key strategies and efficiencies gained from managing a larger group of clinics across an integrated range of community-based healthcare services. Management intends to implement initiatives to assist in generating revenue at clinics including:

- development of an integrated care strategy – inter-disciplinary service offering;
- deployment of additional healthcare professionals to increase utilisation of clinics;
- offer additional services, which are currently offered at some clinics, across additional clinics; and
- removal of the administration function from healthcare professionals, enabling them to focus solely on patient care.

In addition to the implementation of these initiatives, Zenitas believes that the Federal Government initiatives to move the burden of healthcare services from hospitals to Primary Care via the National Healthcare Reform, provides significant opportunities for community-based healthcare growth. Zenitas notes that whilst the healthcare reforms represent a large opportunity for Home Care, Zenitas' business plan to grow the business does not factor in this growth.

### New location roll-out

Zenitas believes that there is significant opportunity for industry consolidation and roll-out of new clinics in the community-based care sector due to:

- the fragmented nature of the industry;
- the requirement for an integrated approach in community-based care delivery; and
- National Healthcare Reform expected to drive patient treatments in community-based care.<sup>79</sup>

Based on this, Zenitas intends to pursue a disciplined growth by acquisition and roll-out strategy, which is outlined in more detail below.

Zenitas plans to continue to focus on the roll-out of new clinics where the Company's stringent criteria are met. Zenitas favours a steady growth in new clinic openings to maximise the estimated return on invested capital from each new location, while enabling the successful integration of these clinics into the Zenitas network.

Table 11 – Roll-out assessment process

Region assessment	Location assessment	Location and premises assessment	Business case
<ul style="list-style-type: none"><li>• Focused assessment on the opportunity for the specific business line in the region</li><li>• Assessment of interaction with existing Zenitas locations in the region</li><li>• Benchmarking against other regions</li></ul>	<ul style="list-style-type: none"><li>• Analysis of specific city or region for the specific site</li><li>• Assessment of competitors in the market</li></ul>	<ul style="list-style-type: none"><li>• Identification and assessment of various premises in the area</li><li>• Site selection based on a number of qualitative factors</li></ul>	<ul style="list-style-type: none"><li>• Preparation of a detailed business plan and rationale for the new centre</li><li>• Detailed analysis of co-location and cross-referral potential prepared</li><li>• Detailed financial forecasts are prepared</li></ul>

### Disciplined acquisition

Zenitas believes that there is significant opportunity for further industry consolidation in the community-based healthcare sector (see Section 2 for further details).

Following the successful integration of the Zenitas businesses, Zenitas plans to adopt a disciplined acquisition strategy, targeting businesses within a strict criteria:

<sup>79</sup> See Section 2 for details.



Table 12 – Disciplined acquisition criteria

<b>Location</b>	<ul style="list-style-type: none"> <li>• Location is complementary to the existing Zenitas portfolio or provides opportunity to enter into new geographical areas; and</li> <li>• Retains favourable demographics in large catchment areas with population growth.</li> </ul>	✓
<b>Complementary service offering</b>	<ul style="list-style-type: none"> <li>• Ability to provide a source of inbound and outbound referrals to leverage the existing Zenitas network;</li> <li>• Ability to co-locate in existing Zenitas sites; and</li> <li>• Diversity exposure to finding sources.</li> </ul>	✓
<b>Growth capacity</b>	<ul style="list-style-type: none"> <li>• Clinics that have excess capacity, allowing introduction of new healthcare professionals; and</li> <li>• Satisfy minimum size requirements (number of practitioner rooms in clinic).</li> </ul>	✓
<b>Value proposition</b>	<ul style="list-style-type: none"> <li>• EBITDA and cash flow positive;</li> <li>• EPS accretive; and</li> <li>• Modern clinics with minimal capital expenditure required.</li> </ul>	✓
<b>Practitioner retention model</b>	<ul style="list-style-type: none"> <li>• Visibility of key practitioner retention is critical; and</li> <li>• Sustainable remuneration model needs to be in place.</li> </ul>	✓
<b>Vendor management</b>	<ul style="list-style-type: none"> <li>• Vendors remain in the business (if practitioner owned) to facilitate transition; and</li> <li>• Capable management team.</li> </ul>	✓

#### **Inter-disciplinary service offering**

Zenitas has identified the opportunity to roll-out co-located businesses at existing clinics, which will allow Zenitas to offer its patients more services from its existing facilities and to improve the utilisation of the facilities. The Company has identified a number of areas in which this can occur in the short term, including:

- the roll-out of Allied Health into Primary Care facilities; and
- the roll-out of Home Care services to Allied Health facilities.

#### **Develop cross-referral network**

As part of an overall integrated patient care approach, Zenitas believes that it can develop a cross-referral network for services offered by Zenitas due to:

- healthcare reforms expected to drive a more integrated approach to patient management;
- the ability to offer more services at co-located clinics; and
- development of professional relationships between the various healthcare professionals within the Zenitas network to increase preferred referrals.

## 03. Proposed Transaction and Company Overview

### 3.5. Integration strategy on completion of the Offer

One of the initial areas of focus of Zenitas is the integration of the Proposed Group into one culture. The integration recognises the ongoing success of these businesses and is designed to minimise disruption to the core functioning of the Existing Businesses. The changes that are proposed to occur due to integration are not expected to disrupt the day-to-day operations of the Proposed Group.

A detailed integration plan has been prepared by the management team and the business leaders of the Zenitas businesses. A number of the key initiatives from the integration plan which may lead to business improvements and synergies include:

- human resources: identification of areas where existing skillsets and knowledge can be productively and proactively shared to other parts of the Proposed Group. In addition to healthcare professionals, this may include finance, marketing and IT staff;
- centralised management of group finance: a centralised treasury function to minimise funding and working capital requirements;
- centralised procurement: to enable purchases previously negotiated by individual clinics or small groups of clinics to be negotiated centrally to procure improved terms. Areas where this may be relevant include medical supplies, IT services, telecoms, marketing, equipment procurement, and talent provision; and
- information management system: it is intended to review the information management systems to assess the ability for this to be centralised and streamlined. Areas may include accounting, payroll and customer management systems, utilisation management and KPI reporting.

Whilst there are no revenue or cost synergies included in the FY17 pro forma financials, Zenitas has identified additional areas where there may be potential to achieve material revenue and cost synergies post-completion of the Offer. The table below gives an overall summary of these potential integration synergies.

Table 13 – Potential integration synergies

<b>Economies of scope</b>	<ul style="list-style-type: none"><li>• Offer integrated care solutions to address pressing chronic disease issues.</li><li>• Offer a 'one stop shop' for specialist services within current industry verticals i.e. specialist physio services.</li><li>• Co-locate specialist Allied Health, Home Care and Primary Care services (common patient/client administration).</li></ul>
<b>Economies of scale</b>	<ul style="list-style-type: none"><li>• Share corporate services (finance, IT, patient administration, quality, compliance, human resources).</li><li>• Purchasing leverage through aggregated procurement.</li><li>• Streamline regional management across the business.</li><li>• Centralise business development function to drive corporate or contract driven business.</li><li>• Greater negotiating leverage with service funders.</li></ul>
<b>Work force retention model</b>	<ul style="list-style-type: none"><li>• Increased capacity to meet changing workforce needs with flexible employment arrangements.</li><li>• Greater capacity to provide contingent workforce across site to meet demand peaks.</li><li>• More sophisticated Human Resources programs – referrals, on-boarding, retention and training.</li></ul>
<b>Performance management</b>	<ul style="list-style-type: none"><li>• Enhanced performance management systems to drive workforce productivity through:<ul style="list-style-type: none"><li>– yield management, and</li><li>– asset utilisation.</li></ul></li></ul>
<b>Branding</b>	<ul style="list-style-type: none"><li>• Consolidated brand architecture to facilitate cross-selling and reduce marketing costs.</li><li>• More sophisticated business to customer sales approach through implementation of relationship management programs.</li></ul>

### 3.6. Key operational drivers

There are a number of factors relevant to Zenitas' financial and operational performance.

#### 3.6.1. Revenue

Revenue for Zenitas will primarily be determined by the following factors:

- number of clinics and Home Care placements in the Zenitas network;
- fees charged for Allied Health, Home Care and Primary Care services;
- number of consultations performed;
- number of consultations performed and referrals received from Zenitas and other healthcare professionals;
- the level of room and facility utilisation and the proportion of shared care (rather than one on one, staff to client);
- rental demand for the unutilised rooms and at Zenitas clinics; and
- levels and type of funding from non-private sources, including NDIS, Medicare and private health insurance.

These key sources of revenue for Zenitas are discussed below:

##### **Number of clinics and facilities in the network, utilisation and number of consultations performed**

The number of clinics and facilities constituting the Zenitas network, number of healthcare professionals and consultant hours available contribute to the number of consultations that can be performed. The utilisation of clinics and facilities, and consultation hours at each clinic and facility, are key drivers of revenue.

##### **Fees**

Fees are generally paid by clients in exchange for the provision of Allied Health, Home Care and Primary Care services. Fees are influenced by type of service performed as well as factors such as clinic location, surrounding demographics and local competition. Fees received for home care services are generally paid by government bodies or private clients.

The private billing component of fees for services provided under an Allied Health or Primary Care consultation are typically paid immediately, with the government or private health insurer portion typically paid within the following two to three business days. All other fees are typically paid within 30 days of the service being provided to patients or clients.

##### **Funding**

Zenitas is aware of shifts in the government funding environment, which is generally outside the control of Zenitas. For more information see Section 2 and Section 5.

#### 3.6.2. Expenses

##### **Employee remuneration**

Employee remuneration comprises the largest expense for Zenitas. Prudent planning and control of rosters is important to ensure the profitable operation of a clinic. However, it is also equally important to retain and align the interest of highly qualified healthcare professionals who are integral in providing a quality service. Zenitas healthcare professionals are remunerated on the following arrangements:

- Allied Healthcare professionals are remunerated through a mix of employee and revenue share contractual arrangements;
- Home Care staff are generally paid as employees; and
- Primary Care general practitioners are remunerated on revenue share contractual arrangements.

In addition, Zenitas will incur costs in relation to management support office staff. Zenitas anticipates employee expenses will be approximately 57% of pro forma net revenue for FY17.

##### **Occupancy costs**

Building and occupancy costs, primarily leasehold costs, represent approximately 13% of pro forma net revenue for FY17.

##### **Other expenses**

Other expenses, including direct costs and consumables, insurance, advertising and marketing expenses, travel and motor vehicle expenses, and listed company expenses, represent approximately 12% of pro forma net revenue for FY17.

Zenitas considers these expenses can be managed more effectively through centralised administration.

## 03. Proposed Transaction and Company Overview

### 3.7. History of the Company

The Company was incorporated on 1 September 1983 as Boulder Gold NL and was subsequently listed on the ASX. The Company's name was changed to Boulder Group NL in 1994, and to Boulder Steel Ltd in 2000. The Company completed a restructure and recapitalisation in December 2014 and was renamed BGD Corporation Ltd on 8 April 2015.

In January 2016, the Company closed an offer to raise \$4m to complete the acquisition of two clinics in the group of MMG medical services clinics. The MMG acquisition resulted in a significant change to the scale of the Company's activities for which the Company obtained Shareholder approval, undertook a re-compliance with the requirements of Chapters 1 and 2 of the ASX Listing Rules and the Company recommenced trading on the ASX in April 2016.

In June 2016, the Company announced to the ASX that it was considering five potential acquisitions (the Acquisitions that form the basis of the Proposed Transaction). The Proposed Acquisitions seek to combine Allied Health, Home Care and Primary Care providers in Victoria, New South Wales, Queensland, South Australia and Western Australia.

### 3.8. Summary of the Proposed Transaction

The Proposed Acquisitions will be completed by wholly owned subsidiaries of the Company. The acquisition of Ontrac, Caring Choice, St. Kilda Road Medical Centre and Dandenong Medical Centre will be structured as business and asset acquisitions. The acquisition of HNA will be structured as a combination of a securities acquisition, asset acquisition and change of trustee of the HNA Trusts. The terms of the Acquisition Agreements are further summarised in Section 8 of this Prospectus.

In the event that all conditions precedent to the Offer are satisfied or waived, the Company will seek reinstatement to quotation of its Shares to the Official List of the ASX.

The FY16 EBITDA multiples by segment to be paid for the Proposed Acquisitions is outlined in the table below. The multiple to be paid for each of the Proposed Acquisitions varies between the various businesses and is dependent on a number of factors including scale of the business, historical financials and margins, potential growth and client demographics.

Table 14 – Sale Assets and Business Assets – Acquisition Multiples and Ownership Interests

Segment		No. of locations	FY2016 EBITDA Multiple <sup>80</sup>	Interests acquired
Zenitas Allied Health	HNA Ontrac	33	4.5x	50% – 100% <sup>81</sup>
Zenitas Home Care	Caring Choice	17	2.4x	100%
Zenitas Primary Care	Dandenong Medical Centre St. Kilda Road Medical Centre	2	3.7x	100%

In consideration for the Proposed Acquisitions, vendors will receive either cash or a combination of cash and Shares in the Company. Vendors will receive consideration on completion under the Acquisition Agreements, with the HNA and Caring Choice vendors also receiving deferred consideration. In the cases where deferred consideration is potentially payable, deferred consideration is expected to be between 15% and 20% of total purchase consideration. Such deferred consideration will be reduced or may not be payable under the terms of the relevant Acquisition Agreement if the EBITDA performance for FY17 is below an agreed FY17 forecast EBITDA at the time of purchase.

The upfront consideration payable on completion under the Acquisition Agreements is \$20.4m comprising \$18.7m in cash and \$1.7m in Company Shares. Deferred consideration calculated by reference to the performance of HNA and Caring Choice in FY17 and only Caring Choice in FY18 may be payable in a combination of cash and scrip. The FY17 deferred consideration is forecast to be \$3.2m.

Table 15 – Consideration

Consideration	Cash (\$m)	Shares (\$m)	Total (\$m)
Consideration on completion	18.7	1.7	20.4
Deferred consideration	2.9	0.3	3.2
<b>Total Consideration</b>	<b>21.6</b>	<b>2.0</b>	<b>23.6</b>

Zenitas will complete the Proposed Acquisitions using the funds raised under the Offer.

Zenitas will transfer the existing leases from third party landlords. Zenitas does not intend to purchase freehold property.

<sup>80</sup> Reflects weighted average, based on total consideration (including consideration upon Completion and deferred consideration).

<sup>81</sup> Denotes the individual interest in each clinic, however these are held by five unit trusts of which Zenitas has majority control of and act as trustee.





# 04.

## Financial Information

## 04. Financial Information

### 4.1. Introduction

The Financial Information contained in this section has been prepared in order to present potential investors in Zenitas with information to help them understand what the financial performance, financial position and cash flows of Zenitas would have been had Zenitas, in its intended form on completion of the Offer, operated since 1 July 2013 and to provide an indication of expected future performance.

The Directors have prepared the Pro Forma Financial Information based on the financial performance and cash flows of Zenitas as though the Proposed Acquisitions (the Lifecare Unit Trust and each of its subsidiary trusts, Ontrac, Caring Choice, St. Kilda Road Medical Centre, Dandenong Medical Centre and the Existing Business (including the MMG clinics) existed as a consolidated group since 1 July 2013. Organic growth that occurred in the Existing Business and Proposed Acquisitions, such as the opening of new clinics, is presented from the date that the new business was operational.

The Financial Information contained in this Section 4 includes:

- Pro Forma Historical Financial Information of the Company, being the:
  - Pro forma historical consolidated statements of profit or loss for FY14, FY15 and FY16;
  - Pro forma historical summary consolidated statements of cash flow for FY14, FY15, and FY16; and
  - Pro forma historical consolidated statement of financial position as at 30 June 2016.

(collectively the **Pro Forma Historical Financial Information**).

- Statutory Forecast Financial Information of the Company, being the:
  - Statutory forecast consolidated statement of profit or loss for FY17; and
  - Statutory forecast summary consolidated statement of cash flow for FY17.

(collectively the **Statutory Forecast Financial Information**).

- Pro Forma Forecast Financial Information, being the:
  - Pro forma forecast consolidated statement of profit or loss for FY17; and
  - Pro forma forecast summary consolidated statement of cash flow for FY17.

(collectively the **Pro Forma Forecast Financial Information**).

The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information are collectively the **Forecast Financial Information**.

Pro Forma Historical Financial Information and Forecast Financial Information are collectively the **Financial Information**.

All amounts disclosed are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1 million. Tables have not been amended to correct immaterial summation variances that may arise from this rounding convention.

The Financial Information has been reviewed (but not audited) by Deloitte Corporate Finance Pty Limited whose Investigating Accountant's Report is contained in Section 9. Investors should note the scope and limitations of the Investigating Accountant's Report.

The information in this section should also be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

### 4.2. Basis of preparation and presentation of Financial Information

The Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards issued by the AASB. Compliance with these standards ensures that the Financial Information complies with the recognition and measurement principles of International Financial Reporting Standards as adopted by the International Accounting Standards Board.

The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act. The Company's significant accounting policies have been consistently applied throughout the periods presented and are set out in Section 11.

Following completion of the Offer, Zenitas will have three reporting segments under AASB 8 *Operating Segments*, being:

1. Allied Health, comprising a diverse range of healthcare professions, including physiotherapists, exercise physiologists, occupational therapy, podiatrists and other health practitioners;
2. Home Care, comprising consumer-directed home and respite community-based care covering disability, aged and 24-hour care services; and
3. Primary Care, consisting of general practitioner services and lower acuity procedures.

#### 4.2.1. Preparation of Pro Forma Historical Financial Information

There are no historical consolidated financial statements for Zenitas inclusive of the Existing Business and Proposed Acquisitions, which will become a consolidated group for the first time immediately following completion of the Offer.

The Pro Forma Historical Financial Information has been prepared solely for the purposes of inclusion in this Prospectus and has been derived from:

- the audited consolidated statutory financial statements of the Company, which were audited by Ernst & Young for the financial periods:
  - FY14 and FY15, which related to the former operations of the Company and its interest in the Euroa Steel Plant Project Joint Venture (**ESPP**) prior to its restructure. Ernst & Young disclaimed their opinion on the financial report of the Company for the year ended 30 June 2014. Ernst & Young also disclaimed their opinion on the financial performance and cash flows of the Company for the year ended 30 June 2015. The Ernst & Young disclaimers of opinion were due to the Directors in office at the time of preparing the financial reports not having oversight or control over the Company's reporting system at any time prior to 10 September 2014, and therefore the Directors being unable to conclude without qualification, on the prescribed statements in its Directors' declarations for the FY14 and FY15 financial years, and in the representation letter provided to the auditors for each of those financial years; and
  - FY16, which included the Company's disposal of all interests in the ESPP plus the financial information of the MMG clinics for the post-acquisition period from 1 April 2016 to 30 June 2016;

The Pro Forma Historical Financial Information includes an adjustment to exclude all reported revenue and expense transactions of the Company in the period from 1 July 2013 to 1 April 2016, being the date of acquisition of the MMG clinics, with transactions during this period considered to be outside the ordinary course of business that will be operated by Zenitas (refer to Table 18);

- audited pro forma aggregated financial information of the Company, the MMG clinics and the Proposed Acquisitions that have been audited by Deloitte Touche Tohmatsu for FY14, FY15 and FY16. The audited pro-forma aggregated financial information was sourced from the audited consolidated statutory financial statements of the Company (as detailed above) and underlying financial records of each of the individual entities and trusts that comprise the MMG clinics and the Proposed Acquisitions, including:
  - the audited special purpose financial statements of the Lifecare Unit Trust and its controlled entities, which were audited by another firm in accordance with Australian Auditing Standards with unqualified audit opinions issued for FY14, FY15 and FY16; and
  - the financial information sourced from unaudited financial records of Ontrac, Caring Choice, St. Kilda Road Medical Centre and Dandenong Medical Centre in FY14, FY15 and FY16, together with the MMG clinics for the pre-acquisition period from 1 July 2013 to 31 March 2016;

The audited pro forma aggregated financial information of the Company, the MMG clinics and the Proposed Acquisitions included certain adjustments to ensure compliance with the recognition and measurement principles prescribed in Australian Accounting Standards and to ensure consistency of accounting policies across each of the businesses and with the Company's accounting policies (refer to Section 11 for the Company's accounting policies).

The audit report issued by Deloitte Touche Tohmatsu on the audited pro-forma aggregated financial information of the Company, the MMG clinics and the Proposed Acquisitions included a qualified audit opinion, on the basis that in the auditor's reports for the Company's statutory financial reports for the years ended 30 June 2015 and 30 June 2014, the auditor was not able to form an opinion on the result of the Company for either of those financial years for the reasons outlined above. Deloitte Touche Tohmatsu was unable to perform alternative audit procedures to obtain sufficient appropriate evidence on the results of the Company for either of the 2015 or 2014 financial years, which are included in the aggregated results of the Company, the MMG clinics and the Proposed Acquisitions for those financial years. However, as explained below, the results of the Company for the 2015 and 2014 financial years have been excluded, in preparing the Pro Forma Historical Financial Information, and therefore have no impact on the Pro Forma Historical Financial Information.

In preparing the Pro Forma Historical Financial Information, a number of adjustments were made to the audited results to reflect Zenitas' continuing business following completion of the Offer, including:

- exclusion of the assets, liabilities, results and cash flows of the Company between 1 July 2013 and 1 April 2016. The head office cost structure of Zenitas that will be in place following completion of the Offer has been presented as if it were in place from 1 July 2013;
- the financial information of each of the Proposed Acquisitions in FY14, FY15 and FY16 included assets and liabilities that the Company does not intend to acquire on completion of the Offer. Accordingly, the Pro Forma Historical Financial Information has been adjusted to exclude those net assets, results and cash flows as if the acquisitions had taken place on 1 July 2013;



## 04. Financial Information

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- eliminating certain non-operating income or expense items of the Proposed Acquisitions designed to better reflect Zenitas' continuing business. These include personal expenditure of the owners of the individual businesses that will not continue under the Company's ownership;
- eliminating certain non-operating income or expense items of the Company. These included restructure and business acquisition costs;
- the Pro forma historical statement of financial position as at 30 June 2016 has been presented to illustrate:
  - the impact of completion of the Offer and use of proceeds of the Offer, assuming that each of these transactions had taken place on 30 June 2016;
  - the impact of the acquisition of net assets and liabilities to be assumed from each of the Proposed Acquisitions, as if those transactions had taken place on 30 June 2016. The Company has performed a provisional assessment of the fair values of the identifiable assets and liabilities to be acquired, based on the 30 June 2016 balance sheets of the Proposed Acquisitions. Under the Australian Accounting Standards, the Company has up to 12 months from the date of acquisition to complete its initial acquisition accounting exercise. Based on the preliminary assessment performed, no material identifiable intangible assets have been identified. The precise impact of any acquisition accounting cannot be determined at this time as a formal purchase price allocation has not been carried out. Accordingly, the preliminary indicative estimates may change in the future; and
  - the new equity structure that will be in place following completion of the Offer.

The Pro Forma Historical Financial Information has been presented before net interest expense and income tax because Zenitas' corporate and capital structure that will be in place following Completion of the Offer will be materially different from that in place in the Company and the Proposed Acquisitions during the period prior to Completion of the Offer. Given the number of hypothetical assumptions that would be required to be made about Zenitas' corporate and capital structure had it existed in its intended form at the time, the historical net interest expense and income tax expense are not a meaningful representation of Zenitas' future earnings profile. For similar reasons, the Pro forma historical statement of cash flows has been presented to net operating cash flow before tax and financing activities.

Refer to Sections 4.3, 4.4 and 4.6 for reconciliations between:

- The statutory and pro forma EBIT for FY14, FY15 and FY16;
- The statutory and pro forma net operating cash flows before tax and financing for FY14, FY15 and FY16; and
- The statutory historical consolidated statement of financial position of the Company and the pro forma historical consolidated statement of financial position as at 30 June 2016.

Investors should note that past results do not guarantee future performance.

### 4.2.2. Preparation of Forecast Financial Information

The Forecast Financial Information is presented on both a statutory and pro forma basis and has been prepared solely for the inclusion in this Prospectus.

The Forecast Financial Information has been prepared by the Directors and management with due care and attention, having regard to an assessment of present economic and operating conditions and based on numerous assumptions, including the Directors' best estimate general and specific assumptions regarding future events and actions set out in Section 4.7. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

The Directors believe the general and specific best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on the Company's actual financial performance or financial position.

Investors are advised to review the Forecast Financial Information in conjunction with the Directors' best estimate general and specific assumptions set out in Section 4.7, the sensitivity analysis set out in Section 4.8, risk factors as set out in Section 5 and all other information set out in this Prospectus.

The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which will be outside the control of Zenitas, the Directors and management, and are not reliably predictable. Accordingly, none of Zenitas, the Directors or any other person can provide investors with any assurance that the outcomes discussed in the Forecast Financial Information will arise.

The Statutory Forecast Financial Information has been prepared on a basis consistent with how the Company's statutory financial statements are expected to be prepared for future financial periods. The Statutory Forecast Financial Information for FY17 is the best estimate of the financial performance that the Directors expect to report in the Company's general purpose statutory consolidated financial report for FY17.

The Statutory Forecast Financial Information assumes completion of the Offer (and the acquisition of the Proposed Acquisitions) is expected to occur on or around 28 December 2016, hence it reflects only a part-year effect of the Company's intended operating and capital structure following completion of the Offer.

The Pro Forma Forecast Financial Information differs from the Statutory Forecast Financial Information as it reflects:

- the full-year contribution of the Proposed Acquisitions; and
- the full-year effect of the operating and capital structure that will be in place following completion of the Offer, excluding the costs of the Offer and other non-operational items as set out in Section 4.3.

Refer to Sections 4.3 and 4.4 for reconciliations between:

- The statutory and pro forma EBIT and NPAT for FY17; and
- The statutory and pro forma net operating cash flows before tax and financing for FY17.

The basis of preparation and presentation of the Pro Forma Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation of the Pro Forma Historical Financial Information.

The Directors have no intention of updating or revising the Forecast Financial Information or other forward-looking statements following the issue of this Prospectus, or to publish prospective financial information in the future, regardless of whether new information, future events or other factors affect the information contained in this Prospectus, except where required by law.

#### **4.2.3. Preparation of non-IFRS financial measures**

Investors should be aware that certain financial measures included in this Prospectus may be considered "non-IFRS financial information".

The Company uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. Non-IFRS financial measures are intended to supplement the measures calculated in accordance with Australian Accounting Standards and not act as a substitute for those measures.

Because non-IFRS financial measures are not defined by the recognised body of accounting standards, they do not have a prescribed meaning and the way that the Company calculates them may be different to the way that other companies calculate similarly-titled measures. Accordingly, investors are cautioned not to place undue reliance on any non-IFRS financial measures and any ratios calculated using that information.

The principal non-IFRS financial measures that are referred to in this Prospectus are described below, together with other measures that management uses to assess the business and to communicate with investors regarding its performance and financial condition.

#### **EBITDA, EBITDA Margin, EBIT, and EBIT Margin**

EBITDA represents the earnings before interest revenue or expense, depreciation and amortisation and income taxation expense for the Company. Because it eliminates the non-cash charges for depreciation and amortisation, EBITDA is useful to help understand the cash generation potential of the business. However, it should not be considered as an alternative to cash flow from operations because it does not reflect actual cash movements or movements in the Company's working capital (as defined overleaf).

Management uses EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation and amortisation and before interest revenue or expense and income taxation expense, which are significantly affected by the capital structure and tax position of the Company, respectively.

EBITDA Margin is a profitability measure and is calculated by dividing EBITDA before non-controlling interests by revenue, expressed as a percentage. EBITDA Margin is a key measure that management uses to evaluate the profitability of the overall business and its business segments.

EBIT represents the earnings before interest revenue or expense and income taxation expense. EBIT eliminates the influence of the Company's capital structure and tax position when assessing profitability, therefore making it easier to perform comparisons between business segments with respect to profitability.

EBIT Margin is a profitability measure and is calculated by dividing EBIT before non-controlling interests by revenue, expressed as a percentage.

## 04. Financial Information

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### **Operating EBITDA and Operating EBIT**

The Company uses two non-IFRS financial measures of segment performance in order to assist investors to understand the relative profitability of its business segments. The following measures enable investors to analyse segment results with and without corporate overheads. Corporate overheads include costs associated with executives, legal, finance, information technology, risk management, human resources, health and safety, board fees and other public company costs incurred by the Company that are not directly attributable to the businesses within the reporting segments.

- Operating EBITDA represents the pro forma profit earned by each business segment without the allocation of central administrative costs, finance costs, income tax expense, depreciation, amortisation and significant items.
- Operating EBIT represents the pro forma profit earned by each business segment without the allocation of central administrative costs, finance costs, income tax expense and significant items.

### **EBITDA after non-controlling interests and EBIT after non-controlling interests**

- EBITDA after non-controlling interests represents the earnings before interest revenue or expense, depreciation and amortisation and income taxation expense for the Company after taking into account the proportional share of EBITDA for non-controlling interests in HNA.
- EBIT after non-controlling interests represents the earnings before interest revenue or expense and income taxation expense for the Company after taking into account the proportional share of EBIT for non-controlling interests in HNA.

### **Working capital**

The Company defines working capital as the total of current trade and other receivables, inventory and prepayments less the total of trade and other payables, current provisions and other current creditors.

### **Capital expenditure**

Capital expenditure relates to investment in new technology, refurbishment of leasehold premises and investment in property, plant and equipment. The majority of historical capital expenditure related to the acquisition of the business assets of new clinics and clinic improvement from redevelopment of existing clinics.

### **Operating cash flow conversion**

Operating cash flow conversion represents net cash flow before interest, tax and financing and before capital expenditure divided by EBITDA, expressed as a percentage. Net cash flow before interest, tax and financing represents net cash provided by operating activities and before corporate debt costs and income tax. As a result, it is a measure of the operating cash flow generated by the business before capital expenditure.

It is important to note that operating cash flows do not take into account the requirements of the business to fund financing costs such as interest accrued on corporate debt, bank fees, debt repayment and tax payments. Management uses this to measure the efficiency of the business in converting EBITDA into operating cash flows.

### 4.3. Pro forma historical and forecast consolidated statements of profit and loss and other comprehensive income

Table 16 – Pro forma historical and forecast consolidated statements of profit and loss.

		Pro forma historical <sup>1</sup>			Pro forma forecast <sup>1</sup>	Statutory forecast <sup>1</sup>
\$m	Notes	FY14	FY15	FY16	FY17	FY17
<b>Revenue</b>	2	<b>39.7</b>	<b>41.7</b>	<b>42.4</b>	<b>47.6</b>	<b>27.1</b>
Direct costs	3	(1.6)	(1.5)	(1.6)	(1.7)	(1.0)
Wages and salaries	4	(22.5)	(22.5)	(23.8)	(27.3)	(16.3)
Occupancy expenses	5	(5.3)	(6.0)	(6.0)	(6.0)	(3.4)
Other expenses	6	(5.8)	(6.5)	(5.5)	(5.9)	(6.6)
<b>Operating expenses</b>		<b>(35.3)</b>	<b>(36.4)</b>	<b>(36.9)</b>	<b>(41.0)</b>	<b>(27.2)</b>
<b>EBITDA</b>		<b>4.5</b>	<b>5.3</b>	<b>5.5</b>	<b>6.6</b>	<b>(0.1)</b>
Depreciation and amortisation		(0.9)	(0.9)	(1.0)	(1.0)	(0.7)
<b>EBIT</b>		<b>3.6</b>	<b>4.5</b>	<b>4.5</b>	<b>5.7</b>	<b>(0.9)</b>
Net interest					(0.0)	(0.0)
<b>Profit before Tax</b>					<b>5.7</b>	<b>(0.9)</b>
Tax expense	7				(1.3)	0.5
<b>Net Profit After Tax (NPAT)</b>					<b>4.4</b>	<b>(0.4)</b>
Non-controlling interests	8				(1.5)	(0.8)
<b>NPAT (after non-controlling interests)</b>					<b>2.9</b>	<b>(1.2)</b>

Notes:

1. A reconciliation of the statutory and pro forma historical and forecast consolidated statements of profit and loss for FY14, FY15, FY16 and FY17 is set out in Table 18.
2. Revenue comprises:
  - Trading revenue from the provision of community and healthcare services across Allied Health, Home Care and Primary Care. Allied Health and Primary Care trading revenue includes patient fees net of associated doctor or practitioner fees which are based on contractual arrangements.
  - Other revenue items including rental income derived from sublease arrangements within Primary Care and Allied Health clinics, government rebates and incentives and sale of consumables.
3. Direct costs primarily represent the cost of medical products consumed in the direct provision of general practitioner, home care and Allied Health services.
4. Wages and salaries represents all remuneration benefits paid and payable to employees of Zenitas, including but not limited to wages and salaries, superannuation, allowances, leave benefits, bonuses and post-employment costs. This cost includes the pro forma adjustment for corporate costs that will be incurred by Zenitas following completion of the Offer.
5. Occupancy expenses represent the costs incurred for leasehold premises, including but not limited to rent expense presented on a straight-line basis, taxes and levies, outgoings and utility costs.
6. Other expenses include general and administrative costs including but not limited to insurances, repairs & maintenance, advertising and marketing, professional advisor fees and equipment lease costs.
7. Tax expense reflects a 30% company tax rate applied to profits before tax, which is reflective of the anticipated tax rate following completion of the Offer. The tax expense has been adjusted to reflect that the Company will not pay tax on the non-controlling interests' share of the distributable profit earned by the HNA Trusts.
8. Non-controlling interests represents the pre-tax distribution attributable to units in the HNA Trusts that will not be acquired by the Company.

## 04. Financial Information

### 4.3.1. Key operating and financial metrics

Table 17 – Pro forma historical and forecast operational and financial metrics

\$m	Notes	Historical			Forecast
		FY14	FY15	FY16	FY17
EBITDA after non-controlling interests	1	3.1	3.9	4.1	5.0
EBIT after non-controlling interests	1	2.5	3.2	3.3	4.2
Revenue Growth %		n/a	5.0%	1.7%	12.2%
EBITDA Growth %		n/a	18.7%	3.9%	20.4%
EBITDA Margin %		11.3%	12.7%	13.0%	14.0%
EBITDA Growth % after non-controlling interests	1	n/a	23.7%	6.0%	22.9%
EBIT Growth %		n/a	23.0%	1.6%	25.5%
EBIT Margin %		9.1%	10.7%	10.7%	11.9%
EBIT Growth % after non-controlling interests	1	n/a	28.3%	3.2%	28.8%
Operating cash flow conversion %	2	130.3%	96.6%	105.6%	104.9%

Notes:

1. The calculation of EBITDA after non-controlling interests and EBIT after non-controlling interests has been based on a consistent percentage to the non-controlling interest holders' entitlement to distributable pre-tax pro forma profits from the HNA Operating Trusts.
2. Operating cash flow conversion % represents net cash flow from operations before financing, tax and capital expenditure (as set out in Table 20), divided by Pro forma EBITDA (as set out in Table 16).

#### 4.3.2. Pro forma adjustments to the statutory historical and forecast consolidated statements of profit and loss

Table 18 – Pro forma adjustments to the statutory historical and forecast consolidated statements of profit and loss and other comprehensive income

\$m	Notes	Historical			Forecast
		FY14	FY15	FY16	FY17
<b>Zenitas Statutory EBIT</b>	<b>1</b>	<b>3.7</b>	<b>3.7</b>	<b>3.8</b>	<b>(0.9)</b>
Change in Company operating structure	2	(1.2)	(0.5)	(0.7)	(0.1)
Pro forma adjustments to Proposed Acquisitions and MMG clinics	3	1.1	1.2	0.1	n/a
Full year impact of Proposed Acquisitions	4	n/a	n/a	n/a	2.6
Business acquisition costs	5	–	–	1.1	2.4
Significant items	6	n/a	n/a	0.3	1.5
<b>Pro forma EBIT<sup>9</sup></b>		<b>3.6</b>	<b>4.5</b>	<b>4.5</b>	<b>5.7</b>
<b>Zenitas Statutory NPAT</b>					<b>(0.4)</b>
Change in Company operating structure	2				(0.1)
Full year impact of Proposed Acquisitions	4				2.6
Business acquisition costs	5				2.4
Significant items	6				1.5
Change in capital structure	7				0.0
Tax effect of adjustments	8				(1.7)
<b>Pro forma NPAT<sup>9</sup></b>					<b>4.4</b>

Notes:

1. Zenitas Statutory EBIT includes:

\$m	Ref	Historical			Forecast
		FY14	FY15	FY16	FY17
Reported Company Statutory EBIT	i	(0.5)	(1.2)	(2.3)	n/a
Proposed Acquisitions' and MMG clinics pre-acquisition statutory EBIT	ii	4.2	5.0	6.1	n/a
Zenitas Statutory EBIT	iii	3.7	3.7	3.8	(0.9)

- EBIT per the audited consolidated statutory financial statements of the Company for FY14, FY15 and FY16
  - Proposed Acquisitions' and MMG clinics statutory EBIT adjustment represents the pre-acquisition EBIT of the assets and liabilities acquired / to be acquired by the Company, assuming that the acquisitions took place on 1 July 2013. This includes:
    - the pre-acquisition trading profits of the MMG clinics for FY14, FY15 and the nine-month period in FY16 prior to the 1 April 2016 acquisition date and
    - the pre-acquisition trading profits for FY17 of the Proposed Acquisitions which are expected to be acquired on 29 December 2016 following completion of the Offer.
 Statutory EBIT of the Proposed Acquisitions and MMG has been derived from underlying audited financial information in (iii) below.
  - EBIT per the audited pro-forma aggregated financial information of the Company, the MMG clinics and the Proposed Acquisitions that have been audited by Deloitte Touche Tohmatsu for FY14, FY15 and FY16 as described in Section 4.2.1. The FY17 Statutory EBIT forecast reflects the post-acquisition statutory reporting structure of Zenitas post Completion.
- Changes in Company operating structure adjustment represents the exclusion of all reported revenue and expense transactions of the Company in the period from 1 July 2013 to 1 April 2016, being the date of acquisition of the MMG clinics. The Company generated no underlying trading profit in the period following completion of a restructure and recapitalisation in December 2014 up to 1 April 2016, with transactions during this period considered to be outside the ordinary course of business that will be operated by Zenitas.  
The corporate cost structure intended to be operated by the Company following completion of the Offer has been incorporated on a pro forma basis across the historical and forecast periods, to better reflect the future operations of Zenitas.
  - Pro forma adjustments to Proposed Acquisitions' and the MMG clinic's EBIT reflects the elimination of non-operational revenue and expense transactions that are not expected to continue under the Company's ownership. The preparation of the Pro Forma Historical Financial Information as it relates to Modern Medical and the Proposed Acquisitions is described in Section 4.2.1.
  - Reflects the pro forma forecast trading contribution of the Proposed Acquisitions for the pre-acquisition period 1 July 2016 to 29 December 2016 (expected completion date).
  - Business acquisition costs represent non-operational business transaction costs that have been recorded in the FY16 statutory results of the Company, together with amounts anticipated to be recorded in the FY17 statutory forecast consolidated statement of profit and loss. These costs represent advisor and professional services fees (inclusive of expected unrecoverable GST) and stamp duty.

## 04. Financial Information

6. Significant items represent non-operational costs that have been recorded in the FY16 statutory results of the Company, together with the amounts anticipated to be recorded in the FY 17 statutory forecast consolidated statement of profit and loss. These costs include:
- FY16:
- \$0.2 million reflecting Todd Cameron's estimated remuneration expense in relation to cash and scrip earn-out amounts from the acquisition of MMG (as detailed in section 8.5)
  - \$0.1 million amortisation of the MMG Option Deed held by Zenitas (as detailed in section 8.6)
- FY17:
- \$0.2 million of non-recurring integration costs anticipated to be incurred post-acquisition,
  - \$0.2 million amortisation of the MMG Option Deed held by Zenitas (as detailed in section 8.6)
  - \$0.6 million reflecting the preliminary assessment of the Caring Choice earn-out payment (as detailed in table 39 of section 8.2.2) which is deemed to be remuneration for the Caring Choice vendors in their post-acquisition role in Zenitas
  - \$0.4 million reflecting Todd Cameron's estimated remuneration expense in relation to cash and scrip earn-out amounts from the acquisition of MMG (as detailed in section 8.5)
  - \$0.1 million reflecting the impact of remeasuring the deferred vendor cash consideration for JKS Group Holdings Pty Ltd and Como Group Holdings Pty Ltd, recorded as a provision on the Company's 30 June 2016 audited balance sheet, in relation to the MMG acquisitions (as detailed in section 8.5)
7. Change in capital structure adjusts the net interest expense in the statutory forecast consolidated statement of profit and loss to reflect the anticipated indebtedness of Zenitas following Completion of the Offer.
8. The tax effect of the above adjustments assumes a corporate tax rate of 30%.
9. EBIT and NPAT are presented before non-controlling interests.

### 4.3.3. Segment information

Zenitas has three reporting segments: Allied Health, Home Care and Primary Care (refer Section 3 for further detail on each segment). The table below sets out the Pro Forma Revenue, Operating EBITDA and Operating EBIT broken down by reporting segment for FY14 to FY17.

Table 19 – Pro forma Revenue, EBITDA and EBIT summary by reporting segment for FY14 to FY17

		Pro forma historical			Pro forma forecast
\$m	Notes	FY14	FY15	FY16	FY17
Revenue					
Allied health		22.5	23.1	24.0	24.9
Home care		10.0	11.5	11.1	14.6
Primary care		7.3	7.1	7.3	8.1
Total revenue		39.7	41.7	42.4	47.6
EBITDA					
Allied health		3.6	4.0	4.7	5.1
Home care		1.1	1.6	0.9	1.0
Primary care		1.5	1.4	1.6	2.2
Operating EBITDA		6.2	7.0	7.2	8.3
Corporate expenses		(1.7)	(1.7)	(1.7)	(1.7)
Total EBITDA	1	4.5	5.3	5.5	6.6
EBIT					
Allied health		3.0	3.4	4.0	4.4
Home care		1.1	1.6	0.8	0.9
Primary care		1.2	1.2	1.4	2.0
Operating EBIT		5.3	6.2	6.2	7.4
Corporate expenses		(1.7)	(1.7)	(1.7)	(1.7)
Total EBIT	1	3.6	4.5	4.5	5.7

Notes:

1. Presented before non-controlling interests

#### 4.4. Pro forma historical and forecast consolidated statements of cash flows

Table 20 – Pro forma historical and forecast consolidated statements of cash flows

\$m	Notes	Historical <sup>2</sup>			Forecast <sup>1,2</sup>	
		FY14	FY15	FY16	Pro forma FY17	Statutory FY17
<b>EBITDA</b>		<b>4.5</b>	<b>5.3</b>	<b>5.5</b>	<b>6.6</b>	<b>(0.1)</b>
Non-cash items in EBITDA	3	0.0	0.2	0.1	0.0	1.1
Change in working capital	4	1.3	(0.4)	0.3	0.3	0.8
<b>Operating cash flow (before financing, tax, capital expenditure)</b>		<b>5.8</b>	<b>5.1</b>	<b>5.8</b>	<b>7.0</b>	<b>1.8</b>
Capital expenditure	5	(0.5)	(0.9)	(0.8)	(0.7)	(0.6)
<b>Operating cash flow (before financing and tax)</b>		<b>4.3</b>	<b>4.3</b>	<b>5.0</b>	<b>6.2</b>	<b>1.2</b>
Net interest	6				(0.0)	(0.0)
Income tax	7				(1.2)	–
Proceeds from the Offer	8					30.3
Capital raising costs capitalised	9					(3.0)
Vendor payments	10					(18.3)
Deferred MMG cash consideration	11					(0.5)
<b>Net cash flow</b>					<b>5.1</b>	<b>9.7</b>

Notes:

1. A reconciliation of the statutory and pro forma forecast consolidated statement of cash flows for FY17 is set out in Table 21. As described in Section 4.2.1, the pro forma statement of cash flows for the Historical Period has been presented before net financing and taxation as the Company's capital structure will be significantly different following completion of the Offer.
2. Cash flow is presented before distributions to non-controlling interests.
3. Non-cash items in pro forma EBITDA comprise non-cash share based payments which are included in the remuneration of the CEO of Zenitas and the non-cash element of straight-line rent payments for leasehold premises. Additional non-cash items in FY17 Statutory EBITDA include amounts accrued for earn-out payments in relation to the Proposed Acquisitions and MMG clinics which are either expected to be settled in scrip or in subsequent financial periods.
4. Working capital is defined as current assets (inventories, trade and other receivables, prepayments) less current liabilities (trade and other creditors, accruals, current provisions). The change in working capital reflects the timing of Zenitas' receipts and payments cycle. The Statutory forecast excludes the incremental working capital associated with the Proposed Acquisitions which is included in Vendor Payments below.
5. Capital expenditure includes purchases of property, plant & equipment and leasehold improvements including clinic development and set-up costs. There is no practitioner recruitment capital expenditure as Zenitas' businesses do not make upfront capital payments to its general practitioners or other Allied Health professionals.
6. Net interest reflects the net interest with reference to the anticipated indebtedness of Zenitas.
7. The pro forma tax paid in FY17 reflects a quarterly instalment payment profile of income tax payable, relating to the final quarter of FY16 and the first three quarters of FY17. As Zenitas is forecast to make a statutory loss in FY17, no income tax cash flows are anticipated in the FY17 statutory forecast.
8. Proceeds from the Offer, before capital raising costs.
9. Offer capital raising costs inclusive of expected unrecoverable GST (capitalised to Equity).
10. Vendor cash settlement payments of \$18.3 million for the Proposed Acquisitions, comprising \$18.7 million less a pro-forma completion adjustment of (\$0.3m) based on the 30 June 2016 balance sheet.
11. Settlement of cash portion of deferred consideration made to MMG vendors in relation to the acquisition of MMG as detailed in section 8.5.



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Table 21 – Pro forma adjustment to the forecast consolidated statements of cash flow

		Forecast
\$m	Notes	FY17
<b>Statutory net cash flows</b>		<b>9.7</b>
Net interest	1	0.0
Income tax	2	(1.2)
Proceeds from the Offer	3	(30.3)
Capital raising costs capitalised	4	3.0
Payment for acquisitions	5	18.3
Deferred MMG cash consideration	6	0.5
Capital expenditure	7	(0.1)
Full year impact of Acquisition Businesses	8	2.2
Business acquisition costs	9	2.8
Significant items	10	0.2
<b>Pro forma net cash flows</b>		<b>5.1</b>

Notes:

- Reflects the impact of the timing difference between the average value of assumed cash and cash equivalents held and associated net interest cashflows per the statutory forecast consolidated statements of cash flows compared to the pro forma forecast consolidated statements of cash flows.
- Reflects the impact of income tax payments forecast in the pro forma statement of consolidated cash flows.
- Cash proceeds from the Offer, before capital raising costs.
- Offer capital raising costs inclusive of expected unrecoverable GST (capitalised to Equity) which are included in the statutory consolidated statement of cash flow.
- Vendor cash settlement payments of \$18.3 million for the Proposed Acquisitions, comprising 18.3 million less a pro-forma completion adjustment of (\$0.3m) based on the 30 June 2016 balance sheet.
- Settlement of the cash portion of deferred consideration earn-out payment made to MMG vendors in relation to the acquisition of MMG as detailed in section 8.5 which is included in the statutory consolidated statement of cash flow.
- Reflects the pro forma forecast capital expenditure of the Proposed Acquisitions for the pre-acquisition period 1 July 2016 to 29 December 2016 (expected completion date).
- Reflects the pro forma forecast contribution of the Proposed Acquisitions for the pre-acquisition period 1 July 2016 to 29 December 2016 (expected completion date), inclusive of the incremental working capital associated with the Proposed Acquisition businesses which is included in Payments for acquisitions in the statutory consolidated statement of cash flows.
- Business acquisition costs represent non-operational cash flows that are anticipated to be recorded in the FY17 statutory forecast consolidated statement of cash flows. These costs represent acquisition advisor fees (inclusive of expected unrecoverable GST) and stamp duty.
- Significant items represent non-operational cash flows that have been recorded in the FY17 statutory forecast consolidated statement of cash flows. These cash flows include:
  - \$0.3 million of integration costs anticipated to be incurred post-acquisition
  - add back of \$0.1 million in relation to changes to the Company's operating structure that will only be implemented following Completion of the Offer.

### 4.5. Management discussion and analysis of the pro forma historical financial information

#### 4.5.1. General factors affecting the operating results of the Company

##### Revenue

Revenue is generated by Zenitas through the following sources:

- Provision of community healthcare services across Allied Health, Home Care and Primary Care services (approximately 90% of FY16 net revenue). The generation of community healthcare services net revenue in FY16 was principally underpinned by:
  - 54% from on-site physiotherapy, exercise physiology and complementary services;
  - 25% from the delivery of community and Home Care services to South Australian Government agencies; and
  - 11% from general practitioner consultations across the network of four medical clinics.
- Rental agreements for other medical service companies to provide services from Zenitas clinics, including pathology service providers and non-Zenitas Allied Health service providers (approximately 3% of FY16 net revenue).
- Other revenue includes other clinic income, government incentives and ancillary services (approximately 7% of FY16 net revenue).

The majority of revenue is generated through the provision of medical services in community healthcare. This is driven by:

- Number of clients, consultations and Home Care placements
- Number of clinics, facilities and healthcare practitioners
- Penetration of ancillary services or product sales in each clinic
- Volume of services – Zenitas operates across three areas of community healthcare – Allied Health, Home Care and Primary Care services. Demand for these healthcare services in Australia has been driven by a growing and ageing population, an increasing prevalence of chronic disease and shift in government funding away from the acute hospital setting to community-based healthcare.

The majority of Allied Health and Primary Care services provided in Zenitas' medical clinics are performed by health professionals who have entered into subcontract agreements with Zenitas. Zenitas derives revenue from service fees charged to these subcontractors, calculated as an agreed percentage of each subcontractor's gross patient billings.

The revenue amounts disclosed in Section 4 of this Prospectus are net service fees after deducting payments made to subcontractor health professionals. Any reference to gross revenue in this Prospectus is gross patient billings prior to payments to subcontractor health professionals.

### **Expenses**

Zenitas costs are split between:

- Professional services costs, which consist of payments to subcontractor doctors engaged by Zenitas to perform Allied Health and Primary Care services in its clinics (deducted from gross billings to determine net revenue).

The following factors can impact Zenitas' professional services costs:

- The availability of qualified professionals to perform Allied Health and Primary Care services; and
- The agreed service fee percentage between Zenitas and these subcontractors.
- Operating Expenses, which primarily consists of employee expenses (across both clinics and support office), direct costs, occupancy costs and other expenses.

The key elements of Zenitas' operating expenses include:

- Wages and salaries: includes the remuneration for employee doctors, nursing and administration staff, Home Care support workers and support office staff, including all on-costs. The majority of the Company's wage employees are engaged under an award or EBA and are employed on part-time or casual terms.
- The Company's head office support function provides centralised oversight for the Group's operations, together with administering the Group's finance and commercial function, IT, property management, human resources and the executive function.
- Direct costs: includes non-employee and non-occupancy costs incurred at the clinic level connected with the provision of Allied Health, Home Care and Primary Care services. These costs include the purchase of medical consumables, vaccines, merchandise and supplies.
- Occupancy expenses: includes rent expense and outgoings for the Company's leasehold premises. Generally, lease terms are for 3 to 10 year terms, and include further option terms.
- Other expenses: includes staff amenities and training costs, advertising and marketing costs, listed company costs such as ASX listing fees, company secretarial, accounting and legal costs; cleaning and maintenance costs, stationery and administration costs, travel costs and motor vehicle expenses.

### **Depreciation and amortisation**

Leasehold improvements are depreciated over the term of the lease including any options, typically 3 to 10 years. Other assets are depreciated over their useful life, typically between 3 and 7 years, depending on the class of asset.

### **Changes in working capital**

The Company defines working capital as the total of current trade and other receivables, inventory and prepayments less the total of trade and other payables, current provisions and other current creditors.

Inventory is not a material asset and primarily consists of products and consumables held for resale and/or use in the Allied Health business.

The Company's receivables balance is low relative to total revenue because the majority of the Company's Allied Health and Primary Care services are paid for by customers on the same day that the services are provided.

### **Capital expenditure**

The Company's capital expenditure requirements primarily relate to the following categories:

- Expenditure relating to the refurbishment of clinics;
- Expenditure relating to the expansion of facilities; and
- Expenditure relating to the replacement and upgrade of equipment as necessary, which primarily relates to medical equipment and IT systems and software.

## 04. Financial Information

### 4.5.2. Pro forma historical consolidated statements of profit or loss: FY15 compared to FY14

Table 22 – Pro forma historical consolidated statements of profit or loss: FY15 compared to FY14

\$m	Pro forma historical		
	FY14	FY15	Change (%)
<b>Revenue</b>	<b>39.7</b>	<b>41.7</b>	<b>5.0%</b>
Direct costs	(1.6)	(1.5)	(8.6%)
Wages and salaries	(22.5)	(22.5)	(0.1%)
Occupancy expenses	(5.3)	(6.0)	13.2%
Other expenses	(5.8)	(6.5)	10.8%
<b>Operating expenses</b>	<b>(35.3)</b>	<b>(36.4)</b>	<b>3.3%</b>
<b>EBITDA</b>	<b>4.5</b>	<b>5.3</b>	<b>18.7%</b>
Depreciation and amortisation	(0.9)	(0.9)	0.6%
<b>EBIT</b>	<b>3.6</b>	<b>4.5</b>	<b>23.0%</b>

Notes:

1. Refer to notes in Table 16.

### Pro forma historical consolidated statements of cash flows: FY15 compared to FY14

Table 23 – Pro forma historical consolidated statements of cash flows: FY15 compared to FY14

\$m	Pro forma historical		
	FY14	FY15	Change (%)
<b>EBITDA</b>	<b>4.5</b>	<b>5.3</b>	<b>18.7%</b>
Non-cash items in EBITDA	0.0	0.2	n/a
Change in working capital	1.3	(0.4)	(128.6%)
<b>Operating cash flow (before financing, tax, capital expenditure)</b>	<b>5.8</b>	<b>5.1</b>	<b>(12.0%)</b>
Capital expenditure	(0.5)	(0.9)	75.4%
<b>Operating cash flow (before financing and tax)</b>	<b>5.3</b>	<b>4.3</b>	<b>(20.2%)</b>

Notes:

1. Refer to notes in Table 20.

### 4.5.3. Pro forma historical consolidated statements of profit or loss: FY16 compared to FY15

Table 24 – Pro forma historical consolidated statements of profit or loss: FY16 compared to FY15

\$m	Pro forma historical		
	FY15	FY16	Change (%)
<b>Revenue</b>	<b>41.7</b>	<b>42.4</b>	<b>1.7%</b>
Direct costs	(1.5)	(1.6)	7.8%
Wages & salaries	(22.5)	(23.8)	5.9%
Occupancy expenses	(6.0)	(6.0)	(0.5%)
Other expenses	(6.5)	(5.5)	(14.4%)
<b>Operating expenses</b>	<b>(36.4)</b>	<b>(36.9)</b>	<b>1.3%</b>
<b>EBITDA</b>	<b>5.3</b>	<b>5.5</b>	<b>3.9%</b>
Depreciation and amortisation	(0.9)	(1.0)	16.1%
<b>EBIT</b>	<b>4.5</b>	<b>4.5</b>	<b>1.6%</b>

Notes:

1. Refer to notes in Table 16.

#### 4.5.4. Pro forma historical consolidated statements of cash flows: FY16 compared to FY15

Table 25 – Pro forma historical consolidated statements of cash flows: FY16 compared to FY15

	Pro forma historical		
\$m	FY15	FY16	Change (%)
<b>EBITDA</b>	<b>5.3</b>	<b>5.5</b>	<b>3.9%</b>
Non-cash items in EBITDA	0.2	0.1	(73.0%)
Change in working capital	(0.4)	0.3	(166.9%)
<b>Operating cash flow (before financing, tax, capital expenditure)</b>	<b>5.1</b>	<b>5.8</b>	<b>13.6%</b>
Capital expenditure	(0.9)	(0.8)	(9.4%)
<b>Operating cash flow (before financing and tax)</b>	<b>4.3</b>	<b>5.0</b>	<b>18.4%</b>

Notes:

1. Refer to notes in Table 20.

#### Historical Financial Information – commentary on FY16 compared to FY15 and FY15 compared to FY14 Group

The pro forma Group recorded revenue growth of 5.0% in the year ended 30 June 2015 to \$41.7 million, compared to \$39.7 million in the year ended 30 June 2014. The increase in revenue was driven by an increase in revenue across the Allied Health and Home Care segments.

The pro forma Group recorded revenue growth of 1.7% in the year ended 30 June 2016 to \$42.4 million. The increase in revenue was driven by an increase in revenue in the Allied Health and Primary Care segments, partially offset by a decrease in revenue in the Home Care segment.

The pro forma Group recorded Operating EBITDA growth of 13.6% in the year ended 30 June 2015 to \$7.0 million, compared to \$6.2 million in the year ended 30 June 2014. The increase in Operating EBITDA was driven by an increase in the Operating EBITDA in the Allied Health and Home Care segments, partially offset by a deterioration in performance in the Primary Care segment.

The pro forma Group recorded Operating EBITDA growth of 3.0% in the year ended 30 June 2016 to \$7.2 million. The increase in Operating EBITDA was driven by an increase in the Operating EBITDA in the Allied Health and Primary Care segments, partially offset by a decrease in Operating EBITDA in the Home Care segment.

The pro forma Group recorded Operating EBIT growth of 15.6% in the year ended 30 June 2015 to \$6.2 million, compared to \$5.3 million in the year ended 30 June 2014. The increase in Operating EBIT was driven by an increase in the Operating EBIT in the Allied Health and Home Care segments, partially offset by a marginal deterioration in performance in the Primary Care segment.

The pro forma Group recorded marginal Operating EBIT growth of 1.1% in the year ended 30 June 2016 to \$6.2 million. The increase in Operating EBIT was driven by an increase in the Operating EBIT in the Allied Health and Primary Care segments, partially offset by a decrease in Operating EBIT in the Home Care segment.

#### Allied Health

##### Revenue

The Allied Health segment recorded revenue growth of 2.9% for the year ended 30 June 2015 to \$23.1 million, compared to \$22.5 million for the year ended 30 June 2014. For the year ended 30 June 2016, the Allied Health segment recorded revenue growth of 3.7% to \$24.0 million.

The increase in revenue for the year ended 30 June 2015 and for the year ended 30 June 2016 was principally driven by increases in patient consultations in Allied Health clinics and price increases from private billing charges and private health insurance rates.

For the year ended 30 June 2015, the growth in patient consultations was primarily driven by organic growth, additional consultations from new clinics acquired in prior periods and from part period contributions from clinics acquired during the year ended 30 June 2015.

For the year ended 30 June 2016, the growth in patient consultations was primarily driven by organic growth and from additional consultations from new clinics acquired in prior periods.

##### Operating EBITDA and Operating EBITDA Margin

The Allied Health segment recorded Operating EBITDA of \$4.0 million for the year ended 30 June 2015, representing 11.0% Operating EBITDA growth compared to \$3.6 million for the year ended 30 June 2014. Operating EBITDA Margin increased by 1.2ppt to 17.2% for the year ended 30 June 2015, compared to 16.0% for FY14.

## 04. Financial Information

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For the year ended 30 June 2016, the Allied Health segment recorded Operating EBITDA growth of 16.9% to \$4.7 million, and an increase in Operating EBITDA Margin of 2.2ppt to 19.4%, compared to 17.2% for FY15.

Rent and outgoings increased in the year ended 30 June 2015 principally due to additional clinics opened during prior periods. As a percentage of revenue, these costs increased by 2.1ppt to 19.1%.

The increase in Operating EBITDA and Operating EBITDA Margin for the year ended 30 June 2016 was principally driven by the revenue growth described above, and cost efficiencies in relation to operating expenses, rent and outgoings.

Compared to FY15, Operating expenses increased by 0.9% for the year ended 30 June 2016, however, as a percentage of revenue reduced by 2.2ppt to 80.6% due to cost efficiencies within the business.

### **Operating EBIT**

The Allied Health segment recorded Operating EBIT growth of 14.7% in the year ended 30 June 2015 to \$3.4 million, compared to \$3.0 million in the year ended 30 June 2014. The increase in Operating EBIT was principally driven by the increase in revenue detailed above, and the decrease in depreciation expense of \$0.1 million to \$0.5 million.

For the year ended 30 June 2016, the Allied Health segment recorded Operating EBIT growth of 16.1% to \$4.0 million. The increase in Operating EBIT was principally driven by the revenue and Operating EBITDA increases detailed above, partially offset by the increase in depreciation expense of \$0.2 million to \$0.7 million. The increase in depreciation was due to the capital expenditure incurred in relation to existing and additional clinics during the prior period and the year ended 30 June 2016.

### **Home Care Revenue**

The Home Care segment recorded revenue growth of 15.0% for the year ended 30 June 2015 to \$11.5 million, compared to \$10.0 million for the year ended 30 June 2014.

For the year ended 30 June 2016, revenue of the Home Care segment declined by 3.3% to \$11.1 million.

The increase in revenue for the year ended 30 June 2015 was principally driven by organic growth in services provided to the aged care, disability and community respite care market sectors.

The growth in care services provided to the aged care and disability sectors during the year ended 30 June 2015 was due to the increase in government funding available in these sectors. The growth in care services provided in the community respite care sector was due to the increase in services provided to SA Government agencies.

The decrease in revenue for the year ended 30 June 2016 was principally driven by the decrease in State government funding of Disability SA, ahead of the introduction of the Federal Government-funded NDIS, partially offset by organic growth from services provided to the aged care and community respite care sectors.

### **Operating EBITDA and Operating EBITDA Margin**

The Home Care segment recorded Operating EBITDA growth of 42.7% to \$1.6 million for the year ended 30 June 2015, compared to \$1.1 million for the year ended 30 June 2014. Operating EBITDA Margin increased by 2.7ppt to 13.9% for the year ended 30 June 2015, compared to 11.2% for FY14.

For the year ended 30 June 2016, Operating EBITDA of the Home Care segment declined by \$0.7 million to \$0.9 million and Operating EBITDA Margin declined by 5.5ppt to 8.5%.

The increase in Operating EBITDA and Operating EBITDA Margin for the year ended 30 June 2015 was principally driven by the revenue growth described above and operating cost efficiencies from the control of operating costs.

For the year ended 30 June 2015, operating expenses as a percentage of revenue declined by 2.7ppt due to the management and control of these costs. Labour costs as a percentage of revenue decreased by 1.3ppt to 71.3%.

The decrease in Operating EBITDA and Operating EBITDA Margin for the year ended 30 June 2016 was principally driven by the decline in revenue described above, increased labour costs reflecting a shift in the carer model from shared care for disability clients to a 1:1 care model for its clients, partially offset by decreased direct costs and other expenses.

For the year ended 30 June 2016, labour costs as a percentage of revenue increased by 10.2ppt to 81.5%, reflecting the increased proportion of revenue from SA Government agencies compared to Disability SA, and the shift in the carer model from shared care for disability clients to a 1:1 care model for its clients.

### **Operating EBIT**

The Home Care segment recorded Operating EBIT growth of 42.1% in the year ended 30 June 2015 to \$1.6 million, compared to \$1.1 million in the year ended 30 June 2014. The increase in Operating EBIT was principally driven by the increase in revenue and Operating EBITDA as detailed above.

For the year ended 30 June 2016, Operating EBIT for the Home Care segment declined by 47.0% to \$0.8 million. The decrease in Operating EBIT was principally driven by the decline in revenue and Operating EBITDA as detailed above.

### **Primary Care**

#### **Revenue**

The Primary Care segment recorded a decline in revenue of 2.2% for the year ended 30 June 2015 to \$7.1 million, compared to \$7.3 million for the year ended 30 June 2014. For the year ended 30 June 2016, the Primary Care segment recorded revenue growth of 3.1% to \$7.3 million.

The decrease in revenue for the year ended 30 June 2015 was principally driven by decreases in patient consultations in Primary Care clinics, partially offset by increases from government incentive payments and price increases from private billing charges.

The increases in revenue for the year ended 30 June 2016 was principally driven by increases in patient consultations in Primary Care clinics, government incentives and price increases from private billing charges.

#### **Operating EBITDA and Operating EBITDA Margin**

The Primary Care segment recorded a decline in Operating EBITDA of 2.5% for the year ended 30 June 2015 to \$1.4 million, compared to \$1.5 million for the year ended 30 June 2014. Operating EBITDA Margin remained at 20.0% for the year ended 30 June 2015, in line with FY14.

For the year ended 30 June 2016, the Primary Care segment recorded Operating EBITDA growth of 13.8% to \$1.6 million, and an increase in Operating EBITDA Margin of 2.1ppt to 22.1%.

The decrease in Operating EBITDA Margin for the year ended 30 June 2015 was principally driven by the revenue growth described above, and increases in rent and outgoings partially offset by reductions in labour costs and other operating expenses.

The increase in Operating EBITDA and Operating EBITDA Margin for the year ended 30 June 2016 were principally driven by the revenue growth described above, and labour and operating cost efficiencies achieved during the year.

Labour costs decreased by 1.6% for the year due to greater focus on roster management and more efficient operations and as a percentage of revenue, labour costs decreased by 1.7ppt to 36.5%.

#### **Operating EBIT**

The Primary Care segment recorded a decline in Operating EBIT of 5.7% in the year ended 30 June 2015 to \$1.16 million, compared to \$1.23 million in the year ended 30 June 2014. The decrease in Operating EBIT was principally driven by the decrease in revenue and Operating EBITDA as detailed above, and increase in depreciation expense of \$0.2 million to \$0.3 million. The increase in depreciation was due to the capital expenditure incurred in relation to improvements to existing clinics during the prior period and the year ended 30 June 2015.

For the year ended 30 June 2016, the Primary Care segment recorded Operating EBIT growth of 21.2% to \$1.4 million. The increase in Operating EBIT was principally driven by the increase in revenue and Operating EBITDA as detailed above.

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### 4.6. Pro forma historical consolidated statement of financial position as at 30 June 2016

#### 4.6.1. Pro forma adjustments to the statutory statement of financial position

Table 26 – Pro forma adjustments to the statutory statement of financial position

\$m	Notes	Statutory <sup>1</sup>	Impact of the Offer <sup>2</sup>	Offer acquisitions <sup>3</sup>	Pro forma post Offer
<b>Current assets</b>					
Cash and cash equivalents	4	2.0	27.3	(18.9)	10.4
Trade and other receivables		0.3	–	1.8	2.1
Inventories		–	–	0.2	0.2
Other current assets		0.2	–	0.2	0.3
<b>Total current assets</b>		<b>2.5</b>	<b>27.3</b>	<b>(16.7)</b>	<b>13.0</b>
<b>Non-current assets</b>					
Property, plant and equipment		0.5	–	2.5	3.0
Deferred tax asset		–	0.9	1.6	2.5
Intangible assets		5.7	–	21.9	27.6
Other receivables		0.5	–	–	0.5
<b>Total non-current assets</b>		<b>6.7</b>	<b>0.9</b>	<b>26.0</b>	<b>33.6</b>
<b>Total Assets</b>		<b>9.1</b>	<b>28.2</b>	<b>9.3</b>	<b>46.6</b>
<b>Current liabilities</b>					
Trade and other payables		(1.9)	–	(3.7)	(5.6)
Provisions		(0.3)	–	(1.4)	(1.7)
Interest-bearing liabilities		(0.2)	–	–	(0.2)
<b>Total current liabilities</b>		<b>(2.4)</b>	<b>–</b>	<b>(5.1)</b>	<b>(7.5)</b>
<b>Non-current liabilities</b>					
Provisions	5	(0.4)	–	(2.7)	(3.0)
Interest-bearing liabilities		(0.4)	–	–	(0.4)
Other non-current liabilities	6	–	–	(3.9)	(3.9)
<b>Total non-current liabilities</b>		<b>(0.7)</b>	<b>–</b>	<b>(6.5)</b>	<b>(7.3)</b>
<b>Total Liabilities</b>		<b>(3.1)</b>	<b>–</b>	<b>(11.7)</b>	<b>(14.8)</b>
<b>Net Assets</b>		<b>6.0</b>	<b>28.2</b>	<b>(2.4)</b>	<b>31.8</b>
<b>Equity</b>					
Share capital	7	63.3	28.2	1.7	93.1
Reserves		1.4	–	–	1.4
Non-controlling interests		–	–	(2.1)	(2.1)
Retained earnings	8	(58.6)	–	(2.0)	(60.6)
<b>Total Equity</b>		<b>6.0</b>	<b>28.2</b>	<b>(2.4)</b>	<b>31.8</b>

Notes:

- Represents the audited statutory balance sheet of the Company as at 30 June 2016.
- Impact of the Offer reflects:
  - cash raised from the Offer of \$30.3 million (less capital raising costs of \$3.0 million)
  - recognition of a deferred tax asset of \$0.9 million, representing the tax effect of capital raising costs associated with the Offer
- Reflects:
  - Impact of the Proposed Acquisitions and indicative preliminary purchase price allocation exercise assuming an acquisition date of 30 June 2016, taking into account:
    - Fair value of the aggregate purchase consideration totalling \$22.5 million, comprising \$20.0 million payable upon Completion of the Offer, of which \$18.3 million is expected to be settled via cash comprising \$18.7 million less a pro-forma completion adjustment of (\$0.3m) based on the 30 June 2016 balance sheet, \$1.7 million in scrip, and a fair value estimate of deferred consideration payable totalling \$2.5 million which is recorded as a liability.
    - Assets and liabilities expected to be acquired from each of the Proposed Acquisitions on completion, derived from the 30 June 2016 audited financial information of the Proposed Acquisitions.
    - Goodwill and intangibles totalling \$21.9 million, representing the excess of purchase consideration over the fair value of separately identifiable assets and liabilities. The preliminary purchase price allocation exercise has not identified any material identifiable intangible assets.



- (ii) Receipt of \$0.3 million cash in relation to a working capital loan from HNA's vendors as part of the HNA Securities Purchase Agreement (detailed in table 43 of section 8.3.2). An offsetting payable amount has been recognised as this amount is assumed to be repayable in three months.
- (iii) Recognition of a \$1.6 million deferred tax asset in relation to \$2.8 million of net liabilities acquired and \$2.8 million of business acquisition costs.
4. Cash and cash equivalents on the 30 June 2016 pro forma statement of financial position represents:  
 \$2.0 million on hand from the Company as at 30 June 2016  
 Plus: \$30.3 million raised from the Offer (net of \$3.0 million of Offer capital raising costs)  
 Plus: \$0.3 million short term working capital from the HNA vendors  
 Less: \$18.3 million paid to vendors of the Proposed Acquisitions on completion for the portion of consideration payable in cash, which includes a pro-forma completion adjustment of (\$0.3m).  
 Less: \$2.8 million paid for business acquisition costs relating to the Proposed Acquisitions  
 Plus: cash balances of \$1.9 million acquired from the Proposed Acquisitions
5. Provisions of \$2.5 million have been recognised as an impact of the Proposed Acquisitions, reflecting an indicative assessment of the fair value of deferred / contingent consideration payable for the acquisition of HNA. The deferred / contingent consideration in relation to the Caring Choice acquisition is deemed to be remuneration for the Caring Choice vendors in their post-acquisition role in Zenitas and therefore not provided for at the 30 June 2016. Refer to Section 8 for further details in respect of the terms of the Proposed Acquisitions and potential future payments which are contingent upon the businesses delivering earnings targets documented in the acquisition agreements.
6. Zenitas will inherit HNA's buyer of last resort obligation in regard to non-controlling interests at the present redemption value of \$3.9m. Refer to section 10.4 for further details on HNA's minority unitholder rights under the HNA Trust Deeds.
7. The share capital adjustment (\$29.9 million) represents:  
 – the proceeds from the Offer (\$30.3 million less capital raising costs associated with the Offer of \$2.1 million (adjusted for tax effect) capitalised to share capital)  
 – \$1.7 million of consideration payable to the vendors of the Proposed Acquisitions via issue of new shares
8. The retained earnings adjustment represents anticipated costs associated with the Offer of \$2.0 million (adjusted for tax effect) in the FY17 statutory forecast consolidated statement of profit or loss.

#### 4.6.2. Liquidity and capital resources

Following completion of the Offer, Zenitas' principal sources of funds will be cash flow from operations.

Zenitas expects that it will have sufficient cash flows from operations to meet its operational requirements during the Forecast Period. Zenitas expects that its operating cash flows will position Zenitas to grow its business through future investments in the Proposed Acquisitions and other acquisitions.

#### 4.6.3. Indebtedness

Table 27 – Indebtedness

\$m	Notes	Statutory 30-Jun-16	Pro forma 30-Jun-16
Cash and cash equivalents	1	2.0	10.4
Borrowings	2	(0.6)	(0.6)
<b>Net cash/(debt) position</b>		<b>1.4</b>	<b>9.9</b>

Notes:

1. Refer to footnote 4 in Table 26.
2. Consists of exiting chattel mortgages within MMG.

#### 4.6.4. Future debt funding arrangements

The Company intends to obtain debt funding facilities principally for potential future acquisitions in line with its growth strategy. Completion of the Proposed Acquisitions does not assume or require usage of any such debt and the anticipated surplus cash position at completion is sufficient to meet Zenitas' working capital requirements.

The Company has received a credit-approved Expression of Interest from Westpac Banking Corporation for a loan of \$15,750,000 to fund amongst other things future acquisitions, equipment purchases and bank guarantees under leases.

As at the date of this Prospectus, the Company has not entered into any agreements with any party to provide debt facilities and there is no guarantee that debt will be available to the Company following completion of the Proposed Acquisitions. The availability of debt will be subject to formal credit approval from the relevant bank, the completion of formal debt facility documentation and the satisfactory completion of various terms and conditions including but not limited to:

- Provision of security arrangements over the assets of the Company and each of its subsidiaries including subordination of intercompany and shareholder debt and interlocking guarantees;
- Satisfaction of any conditions precedent to the draw down of any facility;
- Agreement of financial undertakings and covenants customary or appropriate for a facility of this nature including, but not limited to restrictions on encumbrances and further financial indebtedness; and
- Fees and interest charges acceptable to the Company.



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Completion of the Proposed Acquisitions does not assume or require usage of the proposed debt facilities, given size of the Offer. The anticipated surplus cash position at completion is sufficient to meet the Company's working capital requirements.

### 4.6.5. Contractual obligations and commitments – 30 June 2016

The table below sets out the Company's pro forma contractual obligations and commitments in relation to its operating leases and committed acquisitions as at 30 June 2016. Operating lease commitments relate to payments on leased premises of the Existing Business and Acquisitions.

The deferred consideration relates to a payment owing to the vendors of MMG and the contracted acquisitions relate to the Acquisitions by the Company which are expected to complete on completion of the Offer, the details of which are described in Sections 3 and 8.

Table 28 – Contractual obligations and commitments – 30 June 2016

\$m	Notes	<1 Year	1 to 5 Years	>5 Years	No stated maturity	Total
Operating lease commitments	1	4.4	7.6	1.3	0.0	<b>13.3</b>
Deferred consideration	2	0.9	0.0	0.0	0.0	<b>0.9</b>
Contracted acquisitions	3	20.0	2.5	0.0	0.0	<b>22.5</b>
HNA NCI put option	4	0.0	0.0	0.0	3.9	<b>3.9</b>
<b>Total</b>		<b>25.3</b>	<b>10.1</b>	<b>1.3</b>	<b>3.9</b>	<b>40.6</b>

Notes:

1. Operating lease commitments relate to payments on leasehold premises of the Existing Business and Proposed Acquisitions.
2. The deferred consideration relates estimated amounts owing to vendors of MMG.
3. Payments relate to vendor payments for the Proposed Acquisitions.
4. Refer to footnote 6 in Table 26.

### 4.7. Management discussion and analysis of Forecast Financial Information

The basis of preparation of the Forecast Financial Information is detailed in Section 4.2. This Section 4.7 details the general assumptions, Directors' best estimate assumptions and specific assumptions adopted in preparing the Forecast Financial Information.

The Forecast Financial Information is based on various best estimate assumptions, of which the key assumptions are set out below in Section 4.7. The assumptions below are a summary only and do not represent all factors that will affect the Company's forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. It should be read in conjunction with the basis of preparation of the Forecast Financial Information set out in Section 4.2, the general assumptions set out in this section and the risk factors set out in Section 5.

#### 4.7.1. General Assumptions

The following general assumptions are relevant to the Forecast Financial Information:

- There is no material change in the competitive and operating environments in which the Company operates, which would have a material impact on demand for, the Company's services;
- No significant change in the economic conditions in the markets relevant to the Company;
- There is no loss of key management personnel and the Company will maintain the ongoing ability to recruit and retain required personnel;
- No significant change in legislative regimes (including tax) and regulatory environments in the jurisdictions in which the Company, its customers or suppliers operate, which will have a material effect on the Company's financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure;
- No material change to the mix of funding or the sources of funding in place;
- No material change in applicable Australian Accounting Standards or other mandatory professional reporting requirements or the Corporations Act, which have a material effect on the Company's financial performance, financial position, accounting policies, financial reporting or disclosure;
- No material business acquisitions or disposals of businesses other than the Proposed Acquisitions as disclosed in this Prospectus;

- No material cash flow or income statement or financial position impact in relation to litigation (existing or otherwise);
- No change in the Company's capital structure other than as set out in, or contemplated by, this Prospectus;
- No material amendment to any material agreement or arrangement related to the Company's business or the Proposed Acquisitions, other than as set out in, or contemplated by, this Prospectus;
- None of the risks listed in Section 5 occur, or if they do, do not have a material adverse impact on the business and operational performance of the Company; and
- The Offer proceeds to completion in accordance with the timetable set out under 'Important Dates' in the Key Offer Details of this Prospectus.

#### **4.7.2. Specific assumptions**

The Forecast Financial Information is taken into account the actual results for the three month period to 30 September 2016 and the forecast results for the remaining nine months to 30 June 2017.

In preparing the Forecast Financial Information, Zenitas has adopted the following specific assumptions as outlined below.

##### **Proposed Acquisitions**

In preparing the Forecast Financial Information, the following specific assumptions have been made in relation to the acquisition of the Proposed Acquisitions:

- The signed contractual arrangements that are in place to effect the acquisition of the Proposed Acquisitions are successfully completed on completion of the Offer with all conditions met and assets successfully transferred;
- The number of clinical staff including doctors and practitioners will remain with the clinics following completion and the lease arrangements over the relevant premises will continue on similar terms;
- The client base and volume of patients of the Clinics, the client base of the Home Care operations and the demand for Allied Health, Home Care and Primary Care services will continue at similar rates following completion, with clients unlikely to change service providers and more likely to continue to attend clinics which are geographically convenient;
- No material change has been forecast in relation to the types of services or the prices charged for those services by the Proposed Acquisitions;
- No other significant asset acquisitions or sales other than those set out in this Prospectus.

##### **Allied health key assumptions**

Zenitas has forecast the revenue component of the Forecast Financial Information based on a detailed analysis of:

- Anticipated demand for Allied Health services, taking into account macroeconomic factors, expected market growth in Allied Health services, the anticipated activity levels, acquisition and retention of the key Allied Health practitioners, the available capacity at each clinic, and other Allied Health specific factors.
- The revenue mix between physiotherapy, exercise physiology, occupational therapy, podiatry and other Allied Health services.
- The rates that Zenitas expects to be paid for each patient consultation, taking into account the expected funding mix between private patient collections, PHI funding and Medicare, and the expected rates payable to Zenitas from Medicare and PHI.
- The anticipated service fee percentage, expressed as a percentage of Allied Health practitioners' gross patient billings.
- The expected income generated from sublease rental, travel vaccines, medical products and other ancillary clinical services.
- Zenitas has not assumed any new clinics will be opened during the Forecast Period.

Zenitas has forecast the expense component of the Forecast Financial Information based on a detailed analysis of:

- Anticipated labour costs, including taking into account the projected volume of Allied Health clinic staff based on forecast consultation volumes, expected increases in labour rates applicable under current employment agreements and expected wage increases for salaried employees based on historical trends.
- Anticipated consumables costs, including taking into account the projected volume of consumables usage based on forecast consultation volumes and the estimated percentage of revenue based on historical data.
- Anticipated occupancy costs based on existing rent under current agreements to be transferred to Zenitas and expected changes in rent based on annual escalation clauses.
- Anticipated levels of other expenses, which include staff amenities and training costs, advertising and marketing costs, cleaning and waste, stationery and IT-related expenses, many of which are covered by agreements with key suppliers.

## 04. Financial Information

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### Home care key assumptions

Zenitas has forecast the revenue component of the Forecast Financial Information based on a detailed analysis of:

- Anticipated demand for Home Care services, taking into account macroeconomic factors, expected market growth in Home Care services, the anticipated number of clients, the available capacity at each cottage and expected utilisation rates, the expected mix between respite care, aged and disability care services, and other Home Care specific factors.
- The rates that Zenitas expects to be paid for 24-hour respite services, aged care support services and disability support services.
- The expected income generated from other ancillary services.
- Zenitas has assumed a strong increase in 24-hour respite services for the Forecast Period due to strong demand for these services from South Australian government agencies.

Zenitas has forecast the expense component of the Forecast Financial Information based on a detailed analysis of:

- Anticipated labour costs, including taking into account the projected volume of care support worker and administration staff based on forecast client volumes and expected revenue mix, client-mandated support worker to patient care ratios, wage increases applicable under current employment agreements and expected wage increases for salaried employees based on historical trends.
- Anticipated direct costs, including taking into account the projected volume of consumables usage based on forecast client volumes and the estimated percentage of revenue based on historical data.
- Anticipated occupancy costs based on existing rent under current agreements to be transferred to Zenitas, expected changes in rent based on annual escalation clauses and additional cottages to be leased to meet revenue demand.
- Anticipated levels of other expenses, which include staff amenities and training costs, advertising and marketing costs, cleaning and waste, stationery and IT-related expenses, many of which are covered by agreements with key suppliers.

### Primary care key assumptions

Zenitas has forecast the revenue component of the Forecast Financial Information based on a detailed analysis of:

- Anticipated volume of consultations and demand for Primary Care services, comprising general practice medical services provided in medical centres, taking into account macroeconomic factors, expected market growth in Primary Care services, the anticipated activity levels, acquisition and retention of the key general practice health practitioners, the anticipated number of patients, the available capacity at each clinic, and other Primary Care specific factors. The assumed increase in consultation volumes is higher than historical performance, reflecting the anticipated increase in general practitioners.
- The rates that Zenitas expects to be paid for each patient consultation, taking into account the expected funding mix between private patient collections, PHI funding and Medicare, and the expected rates payable to Zenitas from Medicare and PHI.
- The anticipated service fee percentage, expressed as a percentage of general practitioners' gross patient billings, including any adjustments in the service fee percentage that are expected when service contracts with the general practitioners come up for renewal in the Forecast Period.
- The expected income generated from sublease rental, travel vaccines, medical products and other ancillary clinical services.
- Zenitas has not assumed any new clinics will be opened during the Forecast Period.

Zenitas has forecast the expense component of the Forecast Financial Information based on a detailed analysis of:

- Anticipated labour costs, including taking into account the projected volume of nursing and administration staff based on forecast patient volumes and expected revenue mix at Zenitas clinics, wage increases applicable under current employment agreements and expected wage increases for salaried employees based on historical trends.
- Anticipated consumables costs, including taking into account the projected volume of consumables usage based on forecast patient volumes and the estimated percentage of revenue based on historical data.
- Anticipated occupancy costs based on existing rent under current agreements to be transferred to Zenitas and expected changes in rent based on annual escalation clauses.
- Anticipated levels of other expenses, which include staff amenities and training costs, advertising and marketing costs, cleaning and waste, stationery and IT-related expenses, many of which are covered by agreements with key suppliers.

### Depreciation key assumptions

Depreciation is forecast based on the existing asset base and depreciation rates and expected capital expenditure for the forecast period. Refer to Section 11 for the Company's depreciation policy.

### Interest

The pro forma interest income is forecast to total \$6,000, based on the net impact of the following key assumptions:

- Interest on surplus cash balances following completion of the Offer; and
- Interest expense on existing chattel mortgages in the MMG business.

### Capital expenditure

The Company's forecast capital expenditure is based on management's assessment of the level of ongoing refurbishment and capital maintenance requirements for the Proposed Acquisitions clinics and cottages, and has been allowed for in the forecast cash flows.

The contracted acquisitions of the Proposed Acquisitions are forecast to complete on completion of the Offer and are forecast to result in aggregate cash payments to the Vendors in FY17. The acquisition consideration, together with all associated business acquisition costs and applicable taxes, is set out in the FY17 statutory forecast statement of cash flows in Section 4.4.

### Taxation

The Forecast Financial Information has been assumed on the basis that the Australian corporate tax rate will remain at 30% in the forecast period, with Zenitas assuming an effective tax rate of 30% based on historical performance.

#### 4.7.3. Pro forma historical and forecast consolidated statements of profit or loss: FY17 compared to FY16

Table 29 – Pro forma historical and forecast consolidated statements of profit or loss: FY17 compared to FY16

\$m	Notes	Pro forma		
		FY16	FY17	Change (%)
<b>Revenue</b>		<b>42.4</b>	<b>47.6</b>	<b>12.2%</b>
Direct costs		(1.6)	(1.7)	5.6%
Wages and salaries		(23.8)	(27.3)	14.7%
Occupancy expenses		(6.0)	(6.0)	1.2%
Other expenses		(5.5)	(5.9)	7.0%
<b>Operating expenses</b>		<b>(36.9)</b>	<b>(41.0)</b>	<b>11.0%</b>
<b>EBITDA</b>		<b>5.5</b>	<b>6.6</b>	<b>20.4%</b>
Depreciation and amortisation		(1.0)	(1.0)	(2.7%)
<b>EBIT</b>		<b>4.5</b>	<b>5.7</b>	<b>25.5%</b>
Net interest			(0.0)	n/a
<b>Profit before tax</b>			<b>5.7</b>	<b>n/a</b>
Tax expense			(1.3)	n/a
<b>Net Profit After Tax (NPAT)</b>			<b>4.4</b>	<b>n/a</b>
Non-controlling interests			(1.5)	n/a
<b>NPAT (after non-controlling interests)</b>			<b>2.9</b>	<b>n/a</b>

Notes:

1. Refer to notes in Table 16.

## 04. Financial Information

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### Forecast Financial Information – commentary on FY17 compared to FY16

#### Group

Zenitas is forecast to achieve revenue growth of 12.2% in the year ending 30 June 2017 to \$47.6 million, compared to \$42.4 million in the year ended 30 June 2016. The forecast increase in revenue is expected to be driven by an increase in revenue in the Allied Health, Home Care and Primary Care segments.

Zenitas is forecast to achieve Operating EBITDA growth of 15.6% in the year ending 30 June 2017 to \$8.3 million, compared to \$7.2 million in the year ended 30 June 2016. The increase in Operating EBITDA is driven by an increase in the Operating EBITDA in the Allied Health, Home Care and Primary Care segments.

Zenitas is forecast to achieve Operating EBIT growth of 18.5% in the year ending 30 June 2017 to \$7.4 million, compared to \$6.2 million in the year ended 30 June 2016. The increase in Operating EBIT is driven by an increase in the Operating EBIT in the Allied Health, Home Care and Primary Care segments.

#### Allied Health

##### Revenue

The Allied Health segment is forecast to achieve revenue growth of 3.6% for the year ending 30 June 2017 to \$24.9 million, compared to \$24.0 million for the year ended 30 June 2016.

Revenue growth is expected to be driven primarily by an increase in practitioners and patient consultations to Zenitas' Allied Health clinics and agreed service fee price increases. Zenitas has forecast additional Allied Health practitioners in the year ending 30 June 2017 compared to the year ended 30 June 2016. There are no new clinics forecast to be established or acquired in the year ending 30 June 2017.

##### Operating EBITDA and Operating EBITDA Margin

The Allied Health segment is forecast to achieve Operating EBITDA growth of 9.2% to \$5.1 million in the year ending 30 June 2017, compared to \$4.7 million for the year ended 30 June 2016, and the Operating EBITDA Margin is forecast to increase 1.1ppt to 20.5% in FY17 from 19.4% in FY16. Operating EBITDA growth is expected to be driven principally by the revenue growth described above.

Operating expenses are expected to increase by 2.3% to \$19.8 million in FY17 compared to \$19.3 million in FY16, however, as a percentage of revenue are expected to decline by 1.1ppt to 79.5%.

#### Home Care

##### Revenue

The Home Care segment is forecast to achieve revenue growth of 31.7% for the year ending 30 June 2017 to \$14.6 million, compared to \$11.1 million for the year ended 30 June 2016.

Revenue growth is expected to be driven primarily by a significant increase in services provided to SA Government agencies in relation to 24-hour respite care. Zenitas has forecast continued strong demand for these services for the year ending 30 June 2017 based on the level of services provided in the second half of FY16 continuing for FY17.

Revenue from aged care services is forecast to continue in line with prior periods, reflecting the stable demand for these services.

Revenue from disability care services is forecast to be significantly lower than in the year ended 30 June 2016 due to the slower than expected ramp-up of the NDIS and the corresponding decrease in demand from Disability SA.

##### Operating EBITDA and Operating EBITDA Margin

The Home Care segment is forecast to achieve Operating EBITDA growth of 9.2% to \$1.0 million in the year ending 30 June 2017, compared to \$0.9 million for the year ended 30 June 2016, and the Operating EBITDA Margin is forecast to decrease by 1.4ppt to 7.0%. Operating EBITDA growth is expected to be driven principally by the revenue growth described above, offset by increased labour and operating costs.

Labour costs as a percentage of revenue are forecast to increase by 2.3%, reflecting a shift in the carer model from shared care for disability clients to a 1:1 care model for clients, and greater wage costs required for 24-hour services.

Consumables costs and other expenses are expected to increase, however remain relatively stable as a percentage of revenue for the year ending 30 June 2017, reflecting the incremental costs required to deliver additional services in community care.

#### Primary Care

##### Revenue

The Primary Care segment is forecast to achieve revenue growth of 10.6% for the year ending 30 June 2017 to \$8.1 million, compared to \$7.3 million for the year ended 30 June 2016.

Revenue growth is expected to be driven primarily by an increase in practitioner and patient consultations in Zenitas' Primary Care clinics and agreed private billing service fee price increases. Zenitas has forecast additional general practitioners in the year ending 30 June 2017 compared to the year ended 30 June 2016. There are no new clinics forecast to be established or acquired in the year ending 30 June 2017.

#### **Operating EBITDA and Operating EBITDA Margin**

The Primary Care segment is forecast to achieve Operating EBITDA growth of 37.7% to \$2.2 million in the year ending 30 June 2017, compared to \$1.6 million for the year ended 30 June 2016, and the Operating EBITDA Margin is forecast to increase by 5.4ppt to 27.5%. Operating EBITDA growth is expected to be driven principally by the revenue growth described above, and the margin benefit derived from the leverage available in the fixed cost base to deliver revenue growth.

Labour costs as a percentage of revenue are forecast to decrease by 5.2ppt to 31.3%, reflecting a continued focus on roster management and control of labour costs due to more efficient operations across Zenitas' Primary Care clinics.

Operating expenses are forecast to increase by 2.9% to \$5.9 million, reflecting expected practitioner recruitment expenses and incremental advertising and marketing costs required to support forecast revenue increases.

The Forecast Financial Information has been prepared on the basis of the following key assumptions:

- Terms of trade with customers and suppliers remain in line with historical trading, including management's expectations on the timing of receipts and payments;
- Refurbishment capital expenditure across the clinic network carried out on a cyclical basis, with replacement capital expenditure associated with the purchase and replacement of operation assets (including equipment, IT, motor vehicles, furniture and fittings). There is no growth capital expenditure assumed in FY17 (outside of the purchase consideration associated with the Proposed Acquisitions); and
- Cash tax payments in line with management's assumed instalment payment profile.

#### **4.7.4. Pro forma historical consolidated statements of cash flows: FY17 compared to FY16**

Table 30 – Pro forma historical consolidated statements of cash flows: FY17 compared to FY16

	Pro forma		
\$m	FY16	FY17	Change (%)
<b>EBITDA</b>	<b>5.5</b>	<b>6.6</b>	<b>20.4%</b>
Non-cash items in EBITDA	0.1	0.0	(45.0%)
Change in working capital	0.3	0.3	14.1%
<b>Operating cash flow (before financing, tax, capital expenditure)</b>	<b>5.8</b>	<b>7.0</b>	<b>19.5%</b>
Capital expenditure	(0.8)	(0.7)	(7.6%)
<b>Operating cash flow (before financing and tax)</b>	<b>5.0</b>	<b>6.2</b>	<b>23.8%</b>

Notes:

1. Refer to notes in Table 20.

#### **4.8. Sensitivity analysis of forecast financial information**

The Forecast Financial Information included above is based on a number of estimates and assumptions as described in Section 4.7. These estimates and assumptions are subject to business, economic and competitive uncertainties, many of which are beyond the control of the Company, the Directors and Management. These estimates are also based on assumptions in relation to future business developments, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions, set out below is a summary of the sensitivity of the Forecast Financial Information to changes in a number of key assumptions. The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown.

For the purposes of this analysis, the effect of the changes in key assumptions on the FY17 pro forma forecast NPAT before non-controlling interests of \$4.4 million is presented.

## 04. Financial Information

Table 31 – Sensitivity analysis for FY17 pro forma NPAT

\$m	Notes	Increase/ decrease	FY17 pro forma <sup>8</sup>
Allied Health patient revenue	1	+/- 2%	+0.32/(0.32)
Allied Health EBITDA margin	2	+/- 1ppt	+0.17/(0.17)
Number of Home Care clients	3	+/- 7.5%	+0.18/(0.18)
Home Care EBITDA margin	4	+/- 2ppt	+0.20/(0.20)
Primary Care patient net service revenue	5	+/- 2%	+0.07/(0.07)
Primary Care EBITDA margin	6	+/- 1ppt	+0.06/(0.06)
Primary Care – timing of new practitioner recruitment	7	3 month delay	(0.20)

Notes:

1. Impact of a 2% increase or decrease in patient revenue of the Allied Health segment. The sensitivity analysis takes in account the associated impact on variable costs.
2. Impact of an increase or decrease in the operating cost structure of the Allied Health segment which gives rise to a plus or minus 2 ppt movement in EBITDA margin %.
3. Impact of a 7.5% increase or decrease in clients in the Home Care segment. The sensitivity analysis takes in account the associated impact on variable costs.
4. Impact of an increase or decrease in the operating cost structure of the Home Care segment which gives rise to a plus or minus 2 ppt movement in EBITDA margin %.
5. Impact of a 2% increase or decrease in patient revenue of the Primary Care segment. The sensitivity analysis takes in account the associated impact on variable costs.
6. Impact of an increase or decrease in the operating cost structure of the Primary Care segment which gives rise to a plus or minus 2 ppt movement in EBITDA margin %.
7. Impact of a three month delay in the commencement date of new practitioners in the Primary Health segment in the forecast.
8. NPAT sensitivity is presented before non-controlling interests.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on the forecast.

In practice, changes in variables may offset each other or be additive, and it is likely that Company management would respond to any adverse change in one variable by seeking to minimise the net effect of the Company's NPAT.

### 4.9. Dividend policy and forecast distribution

Payment of dividends by the Company will depend upon the availability of distributable earnings, the Company's franking credit position, operating results, available cash flows, financial condition, taxation position, future capital requirements, general business and financial conditions, and other factors the Directors consider relevant. The Company and the Board give no assurance about the payment of dividends, the extent of payout ratios or the future level of franking credits.

Zenitas' dividend policy is to pay annual dividends of up to 50% of NPAT after non-controlling interests. In determining whether to declare future dividends, the Directors will have regard to Zenitas' earnings, overall financial condition and requirements, the outlook for each of the operating segments in which the Company operates, the taxation position of Zenitas and future capital requirements.

Dividends, if any, will be paid as an interim dividend prior to 28 February each year and as a final dividend prior to 30 September each year. No interim or final dividend has been forecast for FY17. Any future interim dividend will be determined after taking into consideration all relevant matters including half year and forecast trading results. Any future final dividend will be determined after taking into consideration the final trading results for the year, the interim dividend, the extent of future dividends or the timing and franking of any dividend. Any future dividend payment will be at the absolute discretion of the Board.

### 4.10. Summary of significant accounting policies

Set out in Section 11 is a summary of the significant accounting policies adopted in preparing the Financial Information.

### 4.11. Financial risk management framework

Set out in Section 5 is a summary of the key risks associated with the Financial Information.





# 05.

Risks



## 05. Risks

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The future performance of Zenitas and the future investment performance of Shares may be influenced by a range of factors, many of which are outside the control of Zenitas. This Section 5 describes what the Company believes to be the key risks associated with an investment in Zenitas. It does not purport to list every risk that may be associated with an investment in Zenitas now or in the future.

Prospective investors should read the whole of this Prospectus and consult with their professional advisors for legal, business, financial or tax advice in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to apply for Shares under this Prospectus.

The following summary, which is not exhaustive, represents some of the major risk factors that Applicants need to be aware of. These risks have been separated into:

- key risks specific to an investment in Zenitas; and
- general investment risks.

The risks considered, and others not specifically referred to in this Prospectus may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

The selection of risks is based on the assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk, if it did occur. That assessment is based on the knowledge of the Company as at the date of this Prospectus, but there is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge.

There can be no guarantee that the Company will deliver on its business strategy, or that the forecasts or any forward-looking statement contained in this Prospectus will be achieved or realised. Investors should note that past performance is not a reliable indicator of future performance.

An investment in the Company should be regarded as speculative. Applicants should realise that the value of their investment may fluctuate considerably due to many factors.

Some of the risks may be mitigated by the Company using safeguards and appropriate systems and taking certain actions. Some of the risks may be outside the control of the Company and not capable of mitigation. No assurances can be given that any of the risk factors will not adversely impact the Company, though any speculative matters of which the Company is aware have been disclosed in this Prospectus.

### 5.1. Risks relating to the change in scale of activities

The Acquisitions constitute a significant change in the Company's scale of activities, and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the Official List of the ASX. Shareholder approval for the change in the scale of the Company's activities is being sought, amongst other things, at the Annual General Meeting.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Existing Shareholders may be prevented from trading their Shares should the Company remain suspended until such time as it does re-comply with the ASX Listing Rules.

Shareholder approval for the change in the scale of the Company's activities and for the Offer are conditional on each other (amongst other Resolutions relating to the Proposed Acquisitions and the Offer), meaning that in order for each to have effect, all other Resolutions relating to the Proposed Acquisitions and the Offer must have been passed by Shareholders as set out in the Notice of Meeting. Accordingly, if any such Resolutions are not passed the Proposed Acquisitions and the Offer will not proceed.

### 5.2. Key risks specific to an investment in Zenitas

#### 5.2.1. Growth and profitability dependent on Zenitas healthcare professionals

Healthcare professionals are the main source of patient attendances and revenue to Zenitas. The success of Zenitas' business is heavily reliant on its ability to retain and recruit quality and experienced healthcare professionals. There is a risk that healthcare professionals may cease to practice at Zenitas clinics due to a range of factors including competition, ageing of facilities or obsolescence of equipment or wanting to be sole operators.

Zenitas will manage the day-to-day running and operations of the Proposed Group. However, Zenitas relies on its contracted healthcare professionals to provide medical services to their patients and clients and to generate revenue. The ability of these healthcare professionals to continue to generate revenue from patients and clients will be instrumental in the continued growth and profitability of the Zenitas clinics.

Employee remuneration costs represent the largest single component of the Company's overall cost base. Any material increase in head count or salary levels without a corresponding increase in revenue may adversely affect the Company's cash flows, margins and profitability.

#### **5.2.2. Acquisition risk**

Part of the Company's business strategy is to seek suitable business acquisitions. The inherent risk with any business acquisition is that the underlying assets do not ultimately produce the financial returns that the acquirer anticipates.

There is risk that Zenitas may not be able to deliver on its acquisition strategy or if it does, it may not be able to integrate effectively the operations, products, technologies and personnel of the acquired companies and achieve expected synergies due to:

- the potential disruption and diversion of management's attention from day-to-day operations;
- the inability to maintain uniform standards, controls, procedures and policies; and
- the potential impairment of relationships with patients, clients and suppliers.

In addition, the acquisition of an existing business involves a risk of unknown or unanticipated liabilities being revealed following completion. Under the Proposed Transaction, the Vendors have provided standard warranties and indemnities in relation to the businesses, assets and liabilities of the Proposed Acquisitions. However, there is a risk that the Company may suffer loss or damage flowing from unforeseen events in relation to the underlying assets and liabilities of the Proposed Acquisitions, which the Company may not be able to recover from the Vendors.

#### **5.2.3. Risks associated with continued expansion in new markets**

As part of the Company's broader strategy, the Company plans to explore opportunities to invest or acquire further clinics in new geographic or services markets.

A risk exists that additional assets cannot be acquired given quality of available assets, price expectations of relevant vendors or ability to raise additional capital. Even if viable assets are identified and acquired, continued expansion in new geographic or services markets may require significant financial investment to attract and retain healthcare professionals and local patients, develop localised services and form relationships with suppliers and other requisite service providers. There is a risk that despite efforts from the Company, expansion efforts will fail which will adversely affect the growth and profitability of the Company.

#### **5.2.4. Loss of key management personnel**

Oversight of day-to-day operations and the strategic management of the Company are substantially dependent upon the Company's management and key personnel. Whilst these key personnel will be entering into service agreements with the Company or its wholly owned subsidiaries (wherever applicable), there can be no assurance given that there will be no detrimental impact on the Proposed Group if one or a number of these key personnel cease their employment or involvement with the Company. The future success of the Company also depends upon its continuing ability to attract and retain highly qualified personnel. The ability to attract and retain the necessary personnel could have a material effect upon the Company's business, results of operations and financial condition.

#### **5.2.5. Renewal of pathology contracts**

It is common practice for pathology providers to pay high rents for co-located collection centres within medical clinics in order to provide convenient access to patients who require pathology testing. After completion of the Offer Zenitas will have leased space for pathology collection sites in all four of its medical services clinics, with pathology rental income accounting for approximately 2% of total pro forma FY16 net revenue.

The pathology industry has undergone recent change in its regulatory environment. The Federal Government announced in May 2016 that it plans to pass legislation aimed at controlling the rents that pathology tenants pay to ensure that they are not paying over "fair market value".

There is uncertainty and a risk that changes in regulations or enforcement of a defined "fair market value" rental rate of pathology leases may adversely impact Zenitas' financial performance and position in the future.

#### **5.2.6. Renewal and transfer of lease agreements**

The Zenitas businesses operate from leased premises. The various Zenitas leases have differing legal terms, expiry dates and renewal options. There is a risk that one or more of these leases may not be renewed or transferred on terms acceptable to Zenitas. If this were to occur it may adversely affect Zenitas' operations and financial performance in the short term whilst the Company seeks alternative premises for that part of its business to operate from. This risk cannot reasonably be qualified or predicted with any certainty as at the date of this Prospectus, but is not anticipated to arise.

## 05. Risks

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### 5.2.7. Zenitas may be subject to litigation (including medical malpractice claims)

Operators in the Allied Health, Home Care and Primary Care industries, such as Zenitas, face the threat of medical malpractice claims and other litigation. In the normal course of business, patients or clients may bring a claim for medical or care negligence against Zenitas or the healthcare professional contracted or employed by the Proposed Group. Subject to arrangements of indemnity insurance and the outcome, any litigation against healthcare professionals or staff may potentially impact Zenitas' reputation, which may in turn, impact its financial performance. Zenitas is not aware of any such claims as at the date of this Prospectus.

### 5.2.8. Limited trading history

While Zenitas' Board and senior management have experience in business, management and the healthcare industry, Zenitas only commenced operating its Allied Health and medical services business in April 2016. Accordingly, Zenitas has a limited financial and operating history. The Proposed Acquisitions, which have been operating in their respective healthcare industry for several years, operate in their segments as individual businesses. Zenitas' ability to achieve its objectives depends on the ability of its Board and senior management to successfully integrate the Proposed Acquisitions as a Group, to implement the proposed business plans and to respond in a timely and appropriate manner to any unforeseen circumstances. There is a risk that Zenitas cannot meet forecasts or will incur additional costs of operation which might have an adverse effect on profitability.

### 5.2.9. Impairment of intangibles

The Company has a substantial amount of intangible assets on its balance sheet relating to goodwill and identifiable intangible assets. Under the relevant accounting standards the Company is required to annually test for impairment of all indefinite life intangible assets. If this annual testing revealed that some or all of the Company's intangible assets are impaired to a level below their carrying value, the Company would be required to write down the value of those intangible assets. Such write downs could have a material adverse effect on the Company's financial position.

### 5.2.10. The level of private health insurance coverage or membership rates

A decrease in the levels of private health insurance coverage or reduction in general membership rates (for example as a result of economic downturn or increasing policy costs) may reduce the demand for some Zenitas services which rely on private insurers as a source of funding. This has the potential to reduce demand for Zenitas' services, put downward pressure on patient fees and adversely impact its revenue and financial performance.

### 5.2.11. Caring Choice

Caring Choice has historically generated certain revenues (FY16 – approximately \$6,687,330) under a contract for services with the South Australian Government, including the minister for Disabilities (**Disabilities SA**). That contract has recently been terminated as a result of a dispute between Disabilities SA and Caring Choice and accordingly no Disabilities SA revenue has been factored into the future revenues of the business. The Caring Choice Vendor has been notified that its master agreement with the South Australian Government, including the Minister for Disabilities, has been terminated following a disagreement around billing practices and allegations of certain other breaches of the agreement by the Vendor of the Caring Choice business (**Disabilities SA Agreement**).

Following the termination of the Disabilities SA agreement, the NDIA advised Caring Choice Pty Ltd that the NDIA is reviewing its registration as a provider of supports under the NDIS and invited submissions from the Caring Choice Vendor as to why its registration should not be terminated by 16 November 2016. The current owners of Caring Choice intend to work with the NDIA to establish that registration should be maintained and the Company has agreed to work with them to make a submission opposing the grounds for removing registration.

If Caring Choice's registration under the NDIS is revoked, Zenitas does not expect this to have a direct material impact on the current revenues of the business. Zenitas obtained indemnities from the warrantors (Vendor) under the Caring Choice Sale Agreement in respect of these matters and this is supported by a retention amount of up to \$1,000,000 for up to 2 years from the date of completion, to the extent Zenitas suffers any losses as a result of the termination of the registration and up to \$600,000 of this amount is also available if there are other claims in the 12 months from the date of completion not relating to the loss of registration. Any liability for the conduct of the Caring Choice business prior to completion under the Caring Choice Sale Agreement is not assumed by Zenitas and will remain with the Vendor, Caring Choice Pty Ltd. See section 8.2.1 for further information.

### 5.2.12. Change in government policy, regulation, declines in government funding and price risk

Zenitas operates within the Allied Health, Home Care and Primary Care industries which are subject to a range of laws, regulations and government policies relating to, among other things, government funding, operations conduct and facilities licensing. Although, as set out in Section 2.4.5 of this Prospectus, a shift in government funding may be of future benefit to Zenitas, nevertheless there are also a number of associated risks which may arise as a result of a change in government policy or regulation as a result of budget deficits, political shifts, economic conditions or any other reasons outside of the Company's control and which may have a material adverse impact on Zenitas' future operational and financial performance.

Risks associated with changes in government policies and regulations in relation to Zenitas' businesses include (but are not limited to):

- changes to the regulation surrounding the private health insurance take-up incentive model;
- changes to the Medicare regime, including any reductions of Medicare rebates for Zenitas services;
- changes to government incentive programs, including any related to medical services;
- changes to funding and legislative structure of the National Disability Insurance Scheme;
- changes to the licensing systems of allied Allied Health, Home Care or Primary Care businesses and facilities; and
- changes to the government policy associated with funding of the Home Care segment. In particular, a material revenue stream is derived from South Australia's Department for Education and Child Development via the Families SA agency. With the recent Royal Commission in that State surrounding child protection, there is a potential future risk to the funding model, structure of Home Care and use of commercial providers for this service.

Zenitas is exposed to price risk in the Allied Health and Primary Care segments in relation to the price of services on the Medicare Benefits Schedule which are set by the Federal Government. Zenitas is also exposed to price risk in the Home Care segment in relation to the prices it can charge to government agencies. Zenitas may be adversely affected from negative movements in the prices set by government agencies as its revenue may be lower.

#### **5.2.13. Increased competition may affect the Company's competitive position**

The market for the provision of health related services is subject to vigorous competition. Healthcare professionals generally compete with one another on factors such as price, responsiveness, range of services available and quality of service.

The competitive position of the Zenitas businesses may deteriorate as a result of factors including actions by existing competitors, the entry of new competitors, or a failure by the Company to meet changing market conditions including price-based competition, patient and client demands, and changes in the regulatory environment.

A substantial increase in the level of competition the Company faces across its business could result in, among other things, Zenitas experiencing lower than anticipated revenue and margins, and loss of its overall market share. This may have a material adverse effect on Zenitas' financial performance and this may reduce the Company's ability to achieve its strategic objectives.

#### **5.2.14. Technology risks**

The Allied Health, Home Care and Primary Care and primary care services industry may be subject to disruptions from technological advancements and innovations, which may facilitate or encourage changes in consumer behaviour that may reduce the need for in-person physical consultations. In the event such advancements are successful and/or widely adopted, there is a risk that Zenitas' financial performance would be affected as the Company's performance is directly linked to the number of consultations that take place in its clinics.

#### **5.2.15. Digital and IT risks**

As businesses move to provide innovative online functions in order to differentiate themselves in the marketplace, risks associated with operating in the digital economy and IT will emerge. Security concerns associated with confidentiality and privacy of patient and personnel information will also need to be addressed by the Company. There is a risk that if the Company does not have adequate protection and risk management systems in place, its data, which may include sensitive information, may be compromised.

If the Company is unable to prevent security breaches, it may suffer financial and reputational damage or penalties because of the unauthorised disclosure of confidential information belonging to it or to its patients and clients. Any such security breaches could have a detrimental effect on the Company's client and patient relationships and ability to attract new patients and clients in the short and medium term. In addition, the Company's brand and reputation may be detrimentally affected by its failure to effectively protect the privacy of its clients and patients confidential information. These events may adversely affect the Company's financial position and its ability to generate revenue. In addition, the Company may face regulatory action as a result of breaches of the *Privacy Act 1988* or other legislation.

#### **5.2.16. Disciplinary risks**

Failure to recognise and manage risks in practice can result in disciplinary action against offending healthcare professionals by AHPRA, which could result in the suspension of registration of the healthcare professionals, conditions on practising or even de-registration on grounds of unprofessional conduct. In the event that such instances arise, this may adversely affect the reputation of the Zenitas clinics which may in turn, affect its financial performance.

## 05. Risks

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### 5.2.17. Brand and reputation risk

The Zenitas businesses' ability to maintain their respective reputations is critical to the ongoing financial performance of the Company. Each business's reputation could be jeopardised if it fails to maintain high standards for service quality, if any of the businesses do not comply with regulations or accepted practices or third party actions such as adverse media coverage. Any consequential negative publicity may reduce demand for the businesses' services. Failure to comply with laws and regulations, to maintain an effective system of internal controls or to provide accurate and timely financial information could also damage the Company's reputation. The Company also depends on the reputations of its healthcare professionals and care staff, which can be affected by matters outside of the Company's control. Damage to the Zenitas business brands' reputations could have a material adverse effect for customer loyalty, relationships with medical professionals, employee retention rates and demand for Zenitas' services, all of which could adversely affect the Company's results of operations, financial condition and cash flow.

### 5.2.18. General operational risks of the Zenitas businesses

Zenitas' current and future operation of its businesses may be affected by a range of factors including, but not limited to:

- ability to manage Allied Health, Home Care and Primary Care clinics that provide a fulfilling service for patients and employees;
- fluctuations in revenue generated from its healthcare professionals (as Zenitas' revenue is primarily reliant on these income streams);
- regulatory factors and increased corporate governance issues associated with being operated by a listed company (such as compliance with ASX Listing Rules and more stringent financial reporting requirements);
- seasonal factors which may affect influx of patients and general wellbeing of the local communities (which in turn may affect the total revenue generated by Allied Health, Home Care and Primary Care professionals);
- ability to effectively manage supply logistics and hazardous waste management services (which may become more of a factor as the number of clinics owned by the Company increases);
- effectiveness of Zenitas' management information system (which is important as the clinics will be regularly dealing with private and sensitive information);
- the minority unitholders in the HNA Trusts supporting any changes to the HNA business that require an amendment to the trust deeds of, or the issue of additional units in, those trusts (see section 10.4 for further details of the rights of minority unitholders), though no such amendments are currently anticipated;
- legislative requirements for the acquisition, use, storage and disposal of certain medicines;
- ability to pre-empt and respond to disruptions to its operations or breaches of its data; and
- publicity about Zenitas clinics or its healthcare professionals, including negative publicity and/or complaints, even if factually incorrect or based on isolated incidents.

### 5.2.19. Licenses, accreditation and registrations

Although it is intended that Zenitas will maintain the licences, accreditation and registrations held by the Proposed Acquisitions, it may be necessary to consult with government agencies in relation to the changes resulting from the Proposed Transaction and seek approvals. It is anticipated that the Proposed Group will have the benefit of all accreditations necessary to conduct the business following completion of the Proposed Transaction.

### 5.2.20. Credit Risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to Zenitas.

Zenitas is exposed to counterparty credit risk arising from its operating activities and financing activities, including customer receivables, deposits with banks and financial institutions and other financial instruments. The maximum exposure of Zenitas to credit risk arising from the potential default of the counterparty is equal to the carrying amount of the financial assets.

Credit risks related to receivables balances are assessed as being at a very low risk of default as they predominantly relate to receivables from large private health insurance funds and government agencies. These receivables balances are monitored regularly and the Company's exposure to bad debts is considered negligible.

Credit risks related to balances with banks and financial institutions are managed by the Zenitas finance team in accordance with approved policies. Such policies only allow financial derivative instruments to be entered into with high credit quality financial institutions.

#### **5.2.21. Liquidity risk**

Liquidity risk is the risk that Zenitas will not have sufficient funds to meet its financial commitments as and when they fall due.

Liquidity risk management involves maintaining available funding and ensuring that the Company has access to an adequate amount of committed credit facilities. Zenitas' objective is to maintain a balance between continuity of funding and flexibility through the use of loans from financial institutions, bank overdrafts and equipment finance leases.

The Zenitas finance team manages liquidity risk through regular and periodic cash flow forecasting and analysis of funding requirements.

#### **5.2.22. Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial asset or financial liability will change as a result of changes in market interest rates. If Zenitas enters into any floating interest rate debt facilities after the date of this Prospectus it will be exposed to interest rate risk as it borrows at floating interest rates and Zenitas may be adversely affected by movements in floating interest rates that increase the cost of floating rate debt.

### **5.3. General investment risks**

#### **5.3.1. Macroeconomic risks**

A range of long term social and demographic trends suggests that the Allied Health, Home Care and Primary Care industry may benefit from a growing and ageing population and increased incidence of chronic diseases. However, as with all trends, there is no guarantee that the trends will continue.

The operating and financial performance of the Company is influenced by a range of general domestic and global economic conditions including inflation, interest rates, employment rates, exchange rates and government fiscal, monetary and regulatory policies, all which are beyond the control of the Company. A prolonged deterioration in any of the factors may materially affect the financial position, share price and growth prospects of the Company.

#### **5.3.2. Share market conditions**

The market price of securities can fall and may be subject to varied and unpredictable influences on the market for equities. There is no assurance that the price of the Shares will increase following quotation on the ASX, even if the Company's earnings meet or exceed forecasts. The factors which may affect the price of the Shares include but are not limited to:

- general economic conditions, including interest rates, exchange rates, inflation rates and commodity prices;
- fluctuations in the local and global market for listed stocks;
- changes to government policy, legislation or regulation;
- inclusion in or removal from market indices (including the various S&P/ASX indices);
- the nature of markets in which the Company operates; and
- general and operational business risks.

Other factors which may negatively affect investor sentiment and influence the Company specifically or the stock market more generally include acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man made or natural events.

Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

#### **5.3.3. Future capital needs**

In the event that further funding is required to advance the business objectives of the Company, there is no guarantee that additional funding will be available to the Company, which may materially affect its growth prospects.

Further funding may be required to advance the business objectives of Zenitas. There can be no assurance that alternative funding will be available on satisfactory terms or at all. Any inability to obtain funding will adversely affect the financial condition of the Company and consequently, the value of its Shares.

#### **5.3.4. Shareholder dilution**

In the future, Zenitas may elect to issue Shares in connection with fundraisings, including to raise proceeds for acquisitions. While Zenitas will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital it is able to issue within a twelve month period (other than where exceptions apply), Shareholders may be diluted as a result of such fundraisings.

## 05. Risks

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### 5.3.5. Share Liquidity and realisation risks

There can be no guarantee that the Company's Shares will be actively traded in the stock market and the price will increase. Additionally, there may be an imbalance of buyers and sellers of the Company's Shares in the stock market at any given time, which may increase not only the volatility of the Share's market price but also the prevailing market price at which Shareholders are able to sell their Shares. The result may be Shareholders not receiving a market price for their Shares and is less than the price paid for their Shares.

### 5.3.6. Expected future events may not occur

Certain statements in this Prospectus constitute forward-looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of Zenitas to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Given these uncertainties, prospective investors should not place undue reliance on such forward-looking statements. In addition, under no circumstances should a forward-looking statement be regarded as a representation or warranty by Zenitas or any other person referred to in this Prospectus, that a particular outcome or future event is guaranteed.

### 5.3.7. Insurance risks

The Company intends to adequately insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company. Insurance of all risks associated with business operations is not always available and, where available, the costs can be prohibitive.

### 5.3.8. Accounting standards

Any variation in accounting standards or the application and interpretation may have an adverse impact on the Company's financial position.

### 5.3.9. Taxation and legal reform

Significant reforms and current proposals for further reforms to Australia's tax laws give rise to uncertainty. The precise scope of many of the new and proposed tax laws is not yet known. Any change to the taxation of shares (including the taxation of dividends) and the taxation of companies (including the existing rate of company income tax) may adversely impact Shareholder returns, as may a change to the tax payable by Shareholders in general. Any other changes to Australian tax law and practice that impact Zenitas, or the Allied Health, Home Care and Primary Care industry generally, could also have an adverse effect on Shareholder returns.

### 5.3.10. Force majeure events

There is a risk that events occurring within or outside Australia could impact the world economy, the operations of the Company and prices of its Shares. These events include acts of terrorism, war, civil disturbance, natural disasters. The Company has limited insurance against some of these risks.

### 5.3.11. Price risk

Zenitas is exposed to price risk in the Allied Health and Primary Care segments in relation to the price of services on the Medicare Benefits Schedule which are set by the Federal Government. Zenitas is also exposed to price risk in the Home Care segment in relation to the prices it can charge to government agencies. Zenitas may be adversely affected from negative movements in the prices set by government agencies as its revenue may be lower.

## 5.4. Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company and Zenitas, its subsidiaries or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Applicants should consider that the investment in the Company is speculative and should consult their professional advisors before deciding whether to apply for Shares pursuant to this Prospectus.





06.

Key Individuals, Interest and Benefits

## 06. Key Individuals, Interest and Benefits

### 6.1. Board of Directors

#### 6.1.1. Director profiles

The Directors bring to the Board relevant experience and skills including deep knowledge of the healthcare industry, financial management and corporate governance experience.

Table 32 – Board of Director's experience and background summary

	<ul style="list-style-type: none"> <li>• Shane brings 25 years of leadership experience in healthcare and strategy</li> <li>• Formerly, Shane was Chairman of Vision Eye Institute (ASX:VEI), Chief Executive Officer of Mayne Nickless Diagnostic Services (later renamed Symbion Health (ASX:SYB)).</li> <li>• Currently, Shane is also Chairman of Paragon Care Limited (ASX:PGC) and a Chairman of Funtastic Ltd (ASX:FUN).</li> <li>• Shane is not considered an independent director</li> </ul>
<p><b>Shane Tanner</b> Non-Executive Chairman</p>	
	<ul style="list-style-type: none"> <li>• Justin brings 26 years' experience in healthcare</li> <li>• Previously, Justin was the General Manager of the Health &amp; Aged Care sector for Spotless Group</li> <li>• In addition, he has held a number of senior roles with Healthscope including State Manager for Western Australia and the Northern Territory, as well as working with Ernst &amp; Young in setting up their health advisory practice in Western Australia</li> <li>• Justin has extensive experience in private healthcare and a strong clinical and public healthcare background</li> </ul>
<p><b>Justin Walter</b> Managing Director (and Chief Executive Officer)</p>	
	<ul style="list-style-type: none"> <li>• Todd brings 20 years' experience in medicine and healthcare</li> <li>• Todd is the co-founder of MMG and a fellow of the Royal Australian College of General Practitioners, developing and growing the group to six medical clinics</li> <li>• Todd is an accredited General Practitioner Registrar Supervisor and served as a Board member for five years for PivotWest the Local Division of General Practice and was the Chair of the regional Medicare Local</li> </ul>
<p><b>Dr Todd Cameron</b> Executive Director</p>	
	<ul style="list-style-type: none"> <li>• Jonathan brings 15 years' experience in mergers and acquisitions, private equity and corporate finance</li> <li>• Currently, Jonathan is the Managing Director at Liverpool Partners, a boutique investment and advisory company located in Sydney. Jonathan was also previously Investment Director at Arowana</li> <li>• At Liverpool Partners, Jonathan led the recapitalisation of the Company and has established a strong track record in the healthcare sector as both investor and advisor</li> </ul>
<p><b>Jonathan Lim</b> Non-Executive Director</p>	



**Jeremy Kirkwood**  
Alternate Director to  
Dr Todd Cameron

- Jeremy has 26 years' of investment banking experience, which includes tenures as Managing Director at Credit Suisse and Morgan Stanley. During this period, he also served as Chief of Staff to the Honourable Alan Stockdale, Treasurer of Victoria
- Jeremy is currently the Principal of Pilot Advisory Group and Chairman of Talisman Mining Ltd (ASX:TLM). Jeremy is also on the board of and Chairman of Geelong Grammar School and serves on the board of Independent Schools Victoria

Each Director above has confirmed to the Company that he anticipates being available to perform his duties as a Non-Executive Director or Executive Director, as the case may be, of the Company without constraint from other commitments.

## 6.2. Senior management

Table 33 – Senior management experience and background summary



**Justin Walter**  
Managing Director  
(and Chief  
Executive Officer)

- See previous table for profile overview



**Glen Dymond**  
Chief  
Financial Officer

- Glen brings 17 years' experience in healthcare and financial management
- Previously, Glen was the Divisional Commercial Manager for a number of sectors within the Spotless Group (ASX:SPO), including Health
- Prior to that, Glen was the Finance Manager for ASX listed company ConnectEast Group and the General Manager Finance for Transfield's Rail division
- Glen has extensive experience in commercial finance, financial reporting, planning and budgeting, compliance and debt facility management

## 06. Key Individuals, Interest and Benefits

### 6.3. Interests and benefits

This Section 6 sets out the nature and extent of the interests and fees of certain persons involved in the Offer:

- a Director of the Company;
- a person named in this Prospectus who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- a promoter of the Company; or
- a stockbroker to the Offer, who holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:
  - the formation of the Company;
  - property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
  - the Offer, and no other amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, Director of the Company.

#### 6.3.1. Directors' interests and remuneration

Table 34 – Remuneration of Executive and Non-Executive Directors

Director	Current base remuneration or director fees (as applicable) (\$)
Shane Tanner	60,000 per annum
Justin Walter	273,750 per annum <sup>82</sup>
Jonathan Lim	36,000 per annum
Todd Cameron	36,000 per annum
Jeremy Kirkwood	Nil

#### Non-Executive Director remuneration and expenses

Under the Constitution, the total aggregate fixed sum per annum to be paid to Directors (excluding salaries of Executive Directors) is to be no more than \$150,000 and may be varied by ordinary resolution of the Shareholders in general meeting. The aggregate annual Directors' fees currently agreed to be paid by the Company to the two Non-Executive Directors (Mr Tanner and Mr Lim) is \$96,000. The Notice of Meeting contains a resolution seeking Shareholder approval at the Annual General Meeting to increase the aggregate fixed sum per annum to be paid to Directors (excluding salaries of Executive Directors) to \$275,000 to accommodate potential future payments.

Directors may also be reimbursed for travel and other expenses incurred in attending the Company's affairs. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

#### Deeds of access and indemnity

The Company has entered into deeds of access, indemnity and insurance with each Director, as disclosed in Section 10.5. The Constitution also requires the Company to indemnify current and former Directors and officers of the Company, as disclosed in Section 10.2.3.

#### Directors' and key management interests in Shares and other securities

Directors are not required under the Constitution to hold any Shares in the Company; however the Directors (and their associates) are entitled to apply for Shares in the Offer. Of the Directors, Shane Tanner currently intends, subject to Shareholder approval at the Annual General Meeting, to participate in the Broker Firm Offer by applying for up to 50,000 Shares (on a post-Consolidation basis), that is up to \$50,000. In addition, subject to Shareholder approval at the Annual General Meeting, it is proposed to issue 400,000 Options to Shane Tanner on the terms set out in Section 10.3. These proposed Shares and Options to be issued to Shane are included in the table below. Mr Glen Dymond, CFO also intends to participate in the Broker Firm Offer by applying for up to 40,000 Shares (on a post-Consolidation basis) at an issue price of \$1.00 per share.

The number of Shares and Options that will be held by the Directors on completion of the Offer is set out in the following table.

<sup>82</sup> Statutory superannuation included. Additionally, short term incentive of up to 30% of base salary is payable, as described in Section 6.4.1 below.



Table 35 – Directors' interests in the Securities of the Company (post-Consolidation) on completion of the Offer

Director/Officer	Securities	% of the Company controlled on an undiluted basis	% of the Company controlled on a fully diluted basis
Shane Tanner and his related parties (Director and Chairman) <sup>(a)(b)</sup>	136,867 Shares 435,014 Options <sup>(e)</sup>	0.3%	1.2%
Justin Walter and his related parties, Managing Director and CEO	95,885 Shares 42,017 Options <sup>(e)</sup>	0.2%	0.3%
Jonathan Lim and his related parties, Director <sup>(c)</sup>	547,481 Shares 369,748 Options <sup>(e)</sup>	1.2%	2.0%
Dr Todd Cameron and his related parties, Director	1,572,765 Shares 0 Options <sup>(e)</sup>	3.6%	3.4%
Jeremy Kirkwood and his related parties, Alternate Director	873,759 Shares 0 Options <sup>(e)</sup>	2.0%	1.9%
Glen Dymond, CFO <sup>(d)</sup>	82,017 Shares 0 Options <sup>(e)</sup>	0.2%	0.2%

## Notes

- (a) Subject to Shareholder approval at the Annual General Meeting, it is proposed that Mr Tanner (or his nominee) will subscribe for up to 50,000 Shares under the Cash Offer. This maximum subscription amount is included in the above table.
- (b) Subject to Shareholder approval at the Annual General Meeting, it is proposed that Mr Tanner will be issued 400,000 Options. The proposed Options are included in the above table.
- (c) Jonathan Lim is a Director and indirect majority holder of Liverpool Partners. Liverpool Partners is the corporate advisor to the Company and will be receiving fees in connection with the Proposed Transaction. Details of arrangements with Liverpool Partners are set out in Section 6.5.2.
- (d) It is proposed that Mr Dymond (or his nominee) will subscribe for up to 40,000 Shares under the Cash Offer. This maximum subscription amount is included in the above table.
- (e) Options entitle the holder to subscribe for and be issued one ordinary Share upon payment of the exercise price of an Option. Details of the rights attaching to Options are set out in Section 10.3.

## 6.4. Executive remuneration

### 6.4.1. Managing Director (and Chief Executive Officer)

Mr Walter has been employed as the Company's Chief Executive Officer and reports to Zenitas' Chairman. He is entitled to receive a fixed annual remuneration of \$273,750 which includes statutory superannuation and sick leave, with four weeks paid annual leave. In addition, Mr Walter is eligible to receive an annual short term incentive of up to 30% of his fixed annual remuneration, based on certain performance criteria to be agreed with the Company. Mr Walter has also received a long term incentive in the form of 84,033 unquoted Options (on a post-Consolidation basis), half of which vested immediately and were exercised on 24 May 2016 and half of which vest on 14 April 2017, subject to Mr Walter remaining in employment with the Company. The unexercised Options expire on 14 April 2019 and have an exercise price of \$1.00 dollar per Option.

The Company or Mr Walter may terminate his employment contract with six months' notice. The Company may terminate Mr Walter's contract by notice or by payment in lieu of notice, except in circumstances involving serious misconduct, in which case the Company owes no notice or payment obligations. Mr Walter's contract does not have a fixed term. The agreement contains standard terms relating to delivery of services, leave entitlements, termination in the case of breach and confidentiality. The contract includes a restraint on working for a competitor or soliciting customers of the Company, for up to 12 months after termination. The enforceability of such restraint is subject to all usual legal requirements.

### 6.4.2. Chief Financial Officer

Glen Dymond is employed by the Company in the position of Chief Financial Officer and reports to the Chief Executive Officer. He is entitled to receive a fixed annual remuneration of \$200,000 including statutory superannuation and leave entitlements. In addition, Mr Dymond will be eligible to receive an annual short term incentive of up to 25% of his fixed annual remuneration, based on certain performance criteria and KPI measurements to be agreed with the Company prior to the start of each financial year.

The Company or Mr Dymond may terminate his employment contract with three months' notice. The Company may terminate Mr Dymond's contract by notice or by payment in lieu of notice, except in circumstances involving serious misconduct, in which case the Company may terminate the contract immediately. Mr Dymond's contract does not have a fixed term. The contract includes a restraint on working for a competitor or soliciting customers of the Company, for six months after termination. The enforceability of such restraint is subject to all usual legal requirements.

## 06. Key Individuals, Interest and Benefits

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### 6.5. Related party disclosures

#### 6.5.1. General Directors' interests and remuneration

The Directors' interests in the Securities of the Company on completion of the Offer are set out in Table 35 above, including the proposed issue of Shares and Options to Shane Tanner, subject to Shareholder Approval at the Annual General Meeting.

The Company has entered into a contract of employment with Justin Walter, Managing Director, which is summarised in Section 6.4.1 above. The Board considers that the remuneration under Justin's contract of employment is reasonable.

#### 6.5.2. Liverpool Partners' corporate advisory engagement

Mr Jonathan Lim, a Director, is the corporate advisor to the Company, and is also a director and indirect majority shareholder of Liverpool Partners, which will receive retainer fees and success fees on the basis described in Section 8.9, as a result of the successful completion of the Proposed Transaction. Therefore, Mr Lim, through Liverpool Partners will receive a benefit from completion of the Offer and the Proposed Transaction. The Board considers that Liverpool Partners' corporate advisory engagement is on arm's length, commercial terms. The risk with this proposal is that Jonathan Lim may have regard to these additional incentives when making Board decisions. Accordingly, Jonathan Lim abstains from voting on, and is not present during Board deliberations relating to, any matters that may result in Liverpool Partners receiving a fee for corporate advisory services, unless otherwise approved by the Board.

#### 6.5.3. Potential earn-out payments under MMG Sale Deed

The MMG Vendors are entities associated with Dr. Todd Cameron and Jeremy Kirkwood, both Directors. Under the deferred consideration terms of the MMG Sale Deed, as summarised in Section 8, the MMG Vendors may receive a potential earn-out payment in cash and in Shares of the Company, which, if any, is expected to be payable in March 2017.

The Board considers that the MMG Sale Deed is on arm's length, commercial terms. Shareholders approved acquisition of the Company's Existing Business, as a substantial change to the nature and scale of the Company's activities, at the Company's extraordinary general meeting on 7 January 2016. The Board considers any risk associated with this payment to be minimal as such payment aligns Dr Todd Cameron's and Jeremy Kirkwood's interests with the Company.

#### 6.5.4. Potential benefits under MMG Option Deed

The MMG Option Vendors are also entities associated with Dr Todd Cameron and Jeremy Kirkwood, both Directors. Under the MMG Option Deed, as summarised in Section 8.7, if the MMG Put and Call Options over the MMG Remaining Clinics are exercised, the MMG Option Vendors will receive a benefit in the form of the cash consideration and the MMG Option Consideration Shares.

The Board considers that the MMG Option Deed is on arm's length, commercial terms. Shareholders approved acquisition of the Company's Existing Business, as a substantial change to the nature and scale of the Company's activities, at the Company's extraordinary general meeting on 7 January 2016, a condition precedent to which was the entry into the MMG Option Deed. The Company considers the risk of this arrangement minimal as Dr Todd Cameron and Jeremy Kirkwood abstain from voting on, and will not be present during Board deliberations relating to, the exercise of the MMG Option Deed.

#### 6.5.5. St. Kilda Road Medical Centre Sale Agreement

Shane Tanner (Non-Executive Director and Chairman of the Board) and his wife control an entity which has a minority 32.27% interest in the St. Kilda Road Medical Centre Vendor, which would entitle them to a maximum of \$576,020 from the St. Kilda Road Medical Centre sale proceeds. Their controlled entity has the same standard veto rights as the other shareholders of the St. Kilda Road Medical Centre Vendor. Shane Tanner is also a director of the St. Kilda Road Medical Centre Vendor.

Shane Tanner and his wife will indirectly receive a benefit from the completion of the St. Kilda Road Sale Agreement in the form of the St. Kilda Road Medical Centre Vendor distributing the proceeds of the sale to their controlled entity as a dividend. Neither Shane Tanner, nor his wife, have been involved in the negotiations or any decision to proceed with the St. Kilda Road Sale Agreement on either the buy side (for the Company) or the sell side (for the St. Kilda Road Medical Centre Vendor). The Board considers that the St. Kilda Road Sale Agreement is on arm's length, commercial terms. Shareholder approval will be sought for the Proposed Transaction (including the acquisition of the St. Kilda Road Medical Centre business), which constitutes a substantial change to the scale of the Company's activities, at the Annual General Meeting.

## 6.6. Risks related to related party arrangements

The Board does not consider that there are any specific risks associated with the related party arrangements set out in this Section 6.5.

There is a general risk that related party transactions could be assessed and monitored less rigorously than arm's length, third party transactions.

It is important for Shareholders to be able to assess whether the Company takes an appropriate approach for related party transactions. The Company's corporate governance policies, which can be accessed on the Company's website, [www.zenitas.com.au](http://www.zenitas.com.au) address related party transactions and provide a system to see those matters addressed at Board level, considered, determined and implemented in accordance with the law. At the opening of all Board Meetings the Board discusses conflicts and any conflicted Board member is prohibited from participating in any matter causing the conflict. To the extent required, the company undertakes external assessment to determine whether any given related party transaction is reasonably considered 'fair' 'arm's length' or 'commercial'.

## 6.7. Interests of professionals

The Company has engaged Bell Potter and Wilsons to act as Joint Lead Managers and underwriters to the Offer. The fees payable to the Joint Lead Managers are described in Section 8.2.

Gilbert + Tobin have acted as legal advisor to the Company in relation to the Offer. The Company has paid, or agreed to pay approximately \$1,250,000 (excluding disbursements and GST) for these services.

Deloitte Corporate Finance Pty Limited has acted as the Investigating Accountant in relation to the Financial Information in relation to the Offer and has performed work in relation to its Investigation Accountant's Report in Section 9. The Company has paid, or agreed to pay, approximately \$295,000 (excluding disbursements and GST) to Deloitte Corporate Finance for these services up to the date of this Prospectus. Further amounts may be paid to Deloitte Corporate Finance in accordance with its normal time-based charges.

Deloitte Touche Tohmatsu has undertaken accounting and due diligence services for the Company in connection with the Offer. The Company has paid, or agreed to pay, approximately \$449,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Deloitte Touche Tohmatsu in accordance with its normal time-based charges.

Deloitte Tax Services Pty Ltd has undertaken limited tax due diligence services for the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$84,000 (excluding disbursements and GST) to Deloitte Tax Services Pty Ltd for these services up to the date of the Prospectus. Further amounts may be paid to Deloitte Tax Services Pty Ltd in accordance with its normal time-based charges.

Liverpool Partners was engaged by the Company to provide advisory and other services in connection with the Offer. The Company has paid, or agreed to pay, a retainer fee (which relates to the period from January 2016) in the aggregate amount of \$170,000 (excluding disbursements and GST) and a success fee of \$1.5 million for these services up until the date of this Prospectus. Further amounts may be paid to Liverpool Partners in accordance with its agreement and are described in Section 8.9.

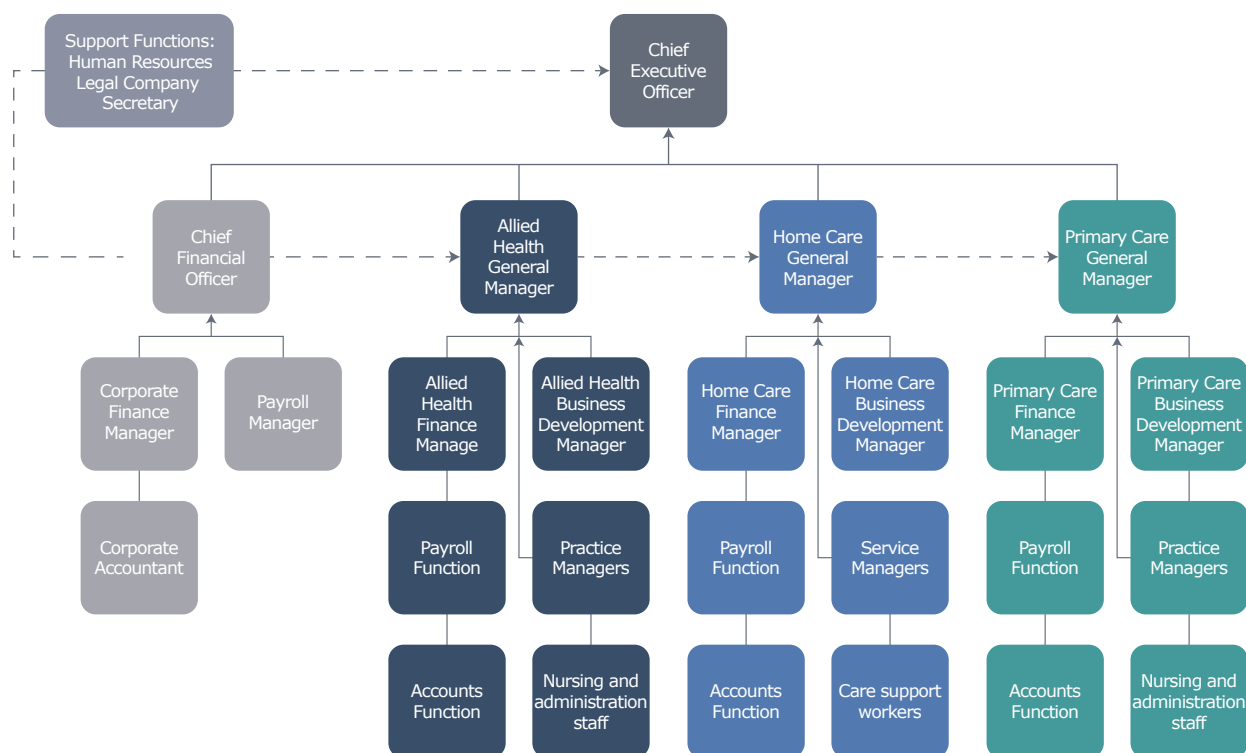


## 06. Key Individuals, Interest and Benefits

### 6.8. Organisational structure

Zenitas is structured with a common services support team, including human resources, finance, sales and marketing, compliance and outsourced IT. This structure is designed to facilitate the addition of new clinics as they are developed or acquired.

Figure 23 – Zenitas organisational structure<sup>3</sup>



### 6.9. Corporate governance

The Board is responsible for the overall corporate governance of Zenitas, and is committed to high standards of corporate governance practice ensuring that the Company complies with the Corporations Act, ASX Listing Rules, the Company's Constitution and other applicable laws and regulations. The Board has considered the ASX Corporate Governance Council's Principles and Recommendation (3rd Edition), an appropriate benchmark for the Company's corporate governance. The ASX recommendations are not prescriptive, but operate as guidelines. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for adoption of its own practice in its Annual Report to Shareholders, in compliance with the 'if not, why not' regime. The Company does not currently comply with all of the ASX recommendations and has disclosed in its annual report, the nature of its compliance with or departure from each ASX recommendation as well as the reasons why a recommendation has not been followed.

The main policies and practices adopted by the Company are summarised below.

#### Board charter

The Charter of the Board governs the operations of the Board, setting out the Board's size, composition and term, director independence, the role and requirements of the Chair, the division of responsibilities between the Board and Management, the process for dealing with conflicts of interest and the Directors' access to information and advice.

The Board is to comprise a majority of independent, Non-Executive Directors. The Board of the Company does not currently meet this objective, however it is proposed that additional Directors will be appointed in order to ensure compliance with this objective. A Director will be considered independent from the Company if he or she has no business or other relationship which could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of the relevant Director's judgement. The factors which the Board will consider in determining whether a Director is independent include the following:

- not be a substantial Shareholder of the Company;
- within the last 3 years, not have been employed in an executive capacity by the Company;
- within the last 3 years, not have been a principal of a material, professional advisor or consultant to the Company;

- not be a material supplier or customer of the Company;
- not have a material contractual relationship with the Company;
- be free from any interest in any business or other relationship which could materially interfere with the Director's ability to act in the best interests of the Company;
- must not have any close family ties with any persons who fall within any of the categories above; and
- materiality for these purposes is determined on both a quantitative and qualitative basis. An amount of over 5% of annual turnover of the Company or Group, or 5% of the individual Director's net worth is considered material for these purposes.

### **Board of Directors**

The Board's roles and responsibilities include, but are not limited to:

- providing strategic guidance to the Group;
- reviewing and approving business plans, budget and financial plans and major capital expenditure initiatives, and other corporate projects including acquisitions and divestments;
- overseeing and monitoring organisational performance and compliance with the Company's corporate governance policy;
- monitoring financial performance;
- the appointment and, if necessary, removal of key executives;
- overseeing the operation of the Company's system for compliance and risk management reporting to Shareholders;
- overseeing the Company's process for making timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- other associated roles.

The Board is also responsible for the corporate governance of the Company. The goals of the corporate governance process are to:

- maintain and increase shareholder values;
- ensure a prudential and ethical basis for the Group's conduct and activities; and
- ensure compliance with the Group's legal and regulatory objectives.

Matters which are specifically reserved for the Board include:

- appointment and removal of the Chair;
- ratifying the appointment or removal, and contributing to the performance assessment of the members of the senior executive team including the CEO, CFO and Company Secretary;
- establishment of various Board committees (or carriage of matters that would normally be delegated to a Board committee);
- a dividend policy and the nature and timing of dividends to be paid;
- the half year and annual financial statements and the content of the Annual Report;
- the Company's corporate strategy and direction;
- calling of meetings of members;
- the Company's delegation of authority; and
- adherence to the ASX Corporate Governance Council's Principles and Recommendation.

The day-to-day management of the Group's affairs and implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director/CEO. The Managing Director/CEO is responsible for the day-to-day operations, financial performance and administration of the Company within the powers authorised to him from time to time. The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully informed basis.

### **Composition of the Board**

The election of Board members is subject primarily to the wishes of Shareholders in general meeting. However, subject to that consideration, the Company is committed to the following principles:

- the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Group and its business; and
- the principal criterion for the appointment of new Directors is their ability to add value to the Group and its business.

## 06. Key Individuals, Interest and Benefits

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A Remuneration and Nomination Committee has not been established, however procedures have been adopted for the identification, appointment and review of the Board membership and are implemented directly by the Board.

### **Independent professional advice**

Subject to the Chair's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

### **Remuneration arrangements**

The remuneration of an Executive Director will be decided by the Board, without the affected Executive Director participating in that decision making process.

The total maximum remuneration of Non-Executive Directors is the subject of a Shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Group of the respective contributions by each Non-Executive Director.

A Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

### **Shareholding qualifications**

Directors are not required under the Constitution to hold any Shares.

### **External audit**

The Company in general meeting is responsible for the appointment of the external auditors of the Group, and the Board from time to time will review the scope, performance and fees of those external auditors.

### **Identification and management of risk**

The identification and proper management of the Company's risks are an important priority of the Board. The Board's collective experience will enable accurate identification of the principal risks that may affect the Group's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

The Board has not delegated risk assessment functions to a committee of the Board, taking the view that it is capable of managing these issues directly.

### **Audit and Risk Management Committee**

The Company has not appointed an Audit and Risk Management Committee, however has adopted a charter, addressing the Audit and Risk Management Committee's matters, which the Board implements directly. These matters include:

- establishing a framework of internal controls for the Group's management;
- assisting with policy on the quality and reliability of financial information prepared for use by the Board;
- reviewing the Company's risk management framework and policies, and monitoring their implementation; and
- recommending the appointment of the external auditor, liaising with the external auditor and reviewing external audit reports.

The responsibilities of the Board with regard to Audit and Risk Management matters include:

- establishing an appropriate internal control framework, including information systems, and its operation and considering enhancements;
- assessing corporate risk and compliance with internal controls;
- overseeing business continuity planning and risk mitigation arrangements;
- assessing the objectivity and performance of the internal audit function and considering enhancements;
- reviewing reports on the adequacy of insurance coverage;
- reviewing the Company's risk management to ensure it remains sound and that the Company is operating within the risk appetite set by the Board;
- reviewing material transactions which are not a normal part of the Group's business;
- reviewing the nomination, performance and independence of the external auditors, including recommendations for the appointment or removal of any external auditor;
- reviewing management processes supporting external reporting;
- reviewing financial statements and other financial information distributed externally;

- reviewing external audit reports and monitoring where major deficiencies or breakdowns in controls or procedures have been identified or remedial action has been taken by management; and
- making recommendations to the Board in relation to the above issues.

### **Diversity policy**

The Company values a strong and diverse workforce, and is committed to developing measurable objectives of diversity and inclusion in the workplace.

The Board has adopted a Diversity Policy, the purpose of which is to outline the Company's commitment to fostering a corporate culture that embraces 'diversity' with a particular focus on the composition of its Board and senior management. Diversity includes, but is not limited to, diversity in respect of gender, age, ethnicity, disability, marital or family status, religious or cultural background, sexual orientation and gender identity.

In order to foster a corporate environment where employee and Board diversity are achievable and maintainable, the Company will implement the following Diversity commitments:

- the Board will review and determine, as frequently as required, a diversity profile that meets the particular needs of the Company, including identifying the skill, experience and expertise requirements set for the Board and senior management necessary to effectively oversee its business and achieve its corporate goals;
- the Board will seek to ensure that the diversity profile is a factor that is taken into account in the selection and appointment of qualified employees, senior management and Board candidates, and will consider options in order to expand the pool of qualified candidates to select from, including through the use of a professional intermediary to assess candidates to promote appointments in accordance with the Diversity profile, and as deemed appropriate; and
- the Board will seek to identify and consider programs and initiatives that assist in the development of a broader pool of skilled and experienced Board candidates, with enhancing employee retention, and with minimising career disruption when employees take time out of the workplace, and, where reasonable, facilitate employees to access such programs or initiatives.

While the key focus of this policy and the ASX recommendations is on promoting the role of women within organisations, the Company recognises that other forms of diversity are also important and will seek to promote and facilitate a range of diversity initiatives throughout the Company beyond simply gender diversity.

### **Ethical standards**

The Board is committed to the establishment and maintenance of appropriate ethical standards.

### **Securities Trading Policy**

The Company aims to achieve the highest possible standards of corporate conduct and governance. The Company has adopted a Securities Trading Policy, pursuant to which an executive or Director must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities. The purpose of the policy is to:

- alert the Company's officers to the illegality of insider trading and tipping of non-public, price-sensitive information;
- establish guidelines in relation to dealings in the Company's shares; and
- protect the Company and its reputation in the marketplace.

Before an officer commences to trade in the Company's securities, he/she should consider carefully whether they are in possession of any inside information that might preclude them from trading at that time and, if they have any doubt on that score, the officer should not trade.

An officer seeking approval to trade in the Company's securities must certify that they are not in possession of any inside information that might preclude them from trading at that time. If an officer comes into possession of inside information after receiving an approval to trade, that officer must not trade despite having received the clearance.

Before commencing to trade in the Company's shares, a senior executive and Director must first obtain the approval of the Chair. If the Chair is proposing to commence a trade, the Chair must first obtain the approval of the Board.

### **Continuous Disclosure and Shareholder Communication Policy**

The Board has adopted a Continuous Disclosure and Shareholder Communication Policy, the purpose of which is to ensure that the Company complies with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules. This Policy outlines the processes to be followed by the Company to ensure that:

- information that may be market sensitive and may require disclosure is brought to the attention of the Board, is promptly assessed to determine whether it requires disclosure under the Listing Rules; and
- if the information does require disclosure, that disclosure is made promptly to the ASX.

## 06. Key Individuals, Interest and Benefits

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The Company's objective is to promote effective communication with its Shareholders at all times. The Company is committed to:

- ensuring that Shareholders and the financial markets are provided with full and timely information;
- complying with continuous disclosure obligations contained in the ASX Listing Rules and the Corporations Act in Australia; and
- communicating effectively with its Shareholders and making it easier for Shareholders to communicate with the Company.

The Continuous Disclosure and Shareholder Communication Policy establishes procedures which must be followed in order to identify, consider and if appropriate, disclose relevant information to the market. To promote effective communication with Shareholders and encourage effective participation at general meetings, information will be communicated to Shareholders:

- through the release of information to the market via the ASX;
- through the distribution of the annual report and notices of annual general meeting;
- through Shareholder meetings and investor relations presentations;
- through letters and other forms of communications directly to Shareholders; and
- by posting relevant information on Zenitas' website at [www.zenitas.com.au](http://www.zenitas.com.au)

### 6.10. Employees and community

#### 6.10.1. Employees

The Proposed Group has approximately 760 full-time, part-time and casual personnel across its 54 facilities. This large workforce is managed by a number of key personnel who have extensive experience in the Allied Health, Home Care and Primary Care industry, particularly in the areas of management, operations, investment, corporate governance, development and capital management.

#### 6.10.2. Workplace health and safety

Zenitas is committed to the workplace health and safety (WH&S) of its employees and its residents. Zenitas employs a safety management system and a set of safety policies and procedures for all aspects of its business in accordance with relevant legislation.

#### 6.10.3. Risk and assurance

Zenitas has a comprehensive insurance program under which it is insured for risks including public and product liability and medical malpractice. Each policy is reviewed and market tested periodically. Zenitas believes that its insurance program is appropriate for the industry in which it operates.



# 07.

## Details of the Offer

## 07. Details of the Offer

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### 7.1. The Offer

This Prospectus relates to an offer of 32,027,534 Shares.

The total number of Shares on issue at completion on a post-Consolidation basis will be 44,239,366 and all Shares issued pursuant to the Offer will be fully paid ordinary shares and will rank equally in all respects with all other Shares on issue as at the date of this Prospectus. A summary of the rights attaching to the Shares is set out in Section 10.2.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

### 7.2. Structure of the Offer

The Offer comprises:

- the Vendor Consideration Offer and HNA Personnel, which is an offer of 1,747,534 Shares to the Vendors as partial consideration for the Proposed Acquisitions under the Acquisition Agreements and 280,000 Shares to certain HNA personnel.
- the Broker Firm Offer, which is only open to Australian resident investors who are not Institutional Investors and New Zealand resident Wholesale Investors, each of whom have received a firm allocation of Shares from a Broker; and
- the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia, New Zealand and certain overseas jurisdictions.

In this prospectus the Broker Firm Offer and the Institutional Offer are collectively the 'Cash Offer'. The Cash Offer will raise \$30,000,000. The Vendor Consideration and HNA Personnel Offer will raise a further \$280,000.

No general public offer of Shares will be made under the Offer.

Details of the Broker Firm Offer and the allocation policy under it are described in Section 7.10. Details of the Institutional Offer and the allocation policy under it are described in and Section 7.11. Details of the Vendor Consideration and HNA Personnel Offer are described in and Section 7.12.

The Cash Offer has been fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 8.2.

### 7.3. Re-compliance with Chapters 1 and 2 of the ASX listing rules

The Proposed Transaction will result in a significant change to the scale of the Company's activities for which Shareholder approval is required. Subject to Shareholders approving the Resolutions in the Notice of Meeting, the Company will seek to complete the Re-compliance to obtain re-quotations of its Shares on ASX.

The Company will not issue any Shares under the Offer, until the Company has received conditional approval of the Re-compliance from the ASX.

Among other things, the provision of Chapters 1 and 2 of the ASX Listing Rules require the Company to:

- subject to any exemptions granted by ASX, ensure that any new Share issues must be made at a minimum price of \$0.20 per Share and any Options must have an exercise price of no less than \$0.20 per Option;
- obtain the requisite Shareholder spread;
- prepare a prospectus in accordance with the provisions of the Corporations Act;
- have an appropriate structure and operations;
- satisfy the ASX Listing Rules test in relation to the Company's asset value;
- comply with Chapter 9 of the ASX Listing Rules in relation to any "restricted securities" it has on issue or is proposing to issue; and
- satisfy the ASX that each Director or proposed director, at the date of admission, is of good fame and character.

### 7.4. Conditional Offer on post-Consolidation basis

Completion of the Offer is conditional upon:

- \$30m being raised under the Cash Offer;
- Shareholders approving each of the following matters required for the Proposed Transaction to occur, at the Annual General Meeting:
  - approval of the Consolidation;
  - approval under Listing Rule 11.1.2 for the Company to make a significant change to the scale of its activities; and
  - approval under ASX Listing Rules and the Corporations Act for the Company to issue all Shares under the Cash Offer and the Vendor Consideration and HNA Personnel Offer;



- the conditions precedents to the Acquisition Agreements being satisfied or waived; and
- the Company receiving conditional approval from ASX of the Company's Re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

Accordingly, completion of the Proposed Acquisitions and the allotment of Shares under the Cash Offer will occur simultaneously with the allotment of Shares under the Vendor Consideration and HNA Personnel Offer.

In addition, this Prospectus has been prepared on the basis that the Consolidation (Resolution 6 of the Notice of Meeting) has been completed by the Company.

In the event that the conditions above are not satisfied and/or waived, the Offer will not proceed and no Shares will be issued under this Prospectus. If this occurs, all Application Monies received under the Cash Offer will be refunded (without interest) in accordance with the Corporations Act.

## 7.5. The purpose of the Offer

The Offer is being conducted to:

- provide Zenitas with funds to effect the completion of the Proposed Acquisitions and additional working capital;
- to continue to provide a liquid market for its Shares and an opportunity for others to invest in Zenitas;
- assist the Company to meet the requirements of the ASX and re-comply with the conditions of Chapters 1 and 2 of the ASX Listing Rules; and
- pay the costs of the Offer.

The Directors believe that on completion of the Offer, the Company will have sufficient funds available from the cash proceeds of the Cash Offer and the Company's operations, to fulfil the purposes of the Offer and meet the Company's stated business objectives.

A detailed breakdown of the Company's proposed use of funds is set out below in Section 7.6 of this Prospectus.

## 7.6. Sources and uses of funds

The Company intends to apply funds raised from the Offer as follows:

Description	\$million	(%)
<b>Source of funds</b>		
Funds raised from the Offer	30.3	100%
<b>Total sources</b>	<b>30.3</b>	<b>100%</b>
<b>Uses of funds</b>		
Upfront cash consideration (part of initial payment)	18.7	62%
Expenses of the Offer <sup>83</sup>	3.0	10%
Business acquisition costs	2.8	19%
Additional general working capital and funding for potential acquisitions <sup>84</sup>	5.8	19%
<b>Total uses</b>	<b>30.3</b>	<b>100%</b>

The amount of \$30.0 million in respect of cash proceeds received for Shares under the Cash Offer represents the cash that the Company expects to receive on completion of the Offer (based on 30.0 million Shares at an Offer Price of \$1.00 per Share).

## 7.7. Pro forma balance sheet

The Company's pro forma balance sheet following completion, including details of the pro forma adjustments, is set out in Section 4.

<sup>83</sup> A full breakdown of the costs of the Offer is set out in Section 10.7 of this Prospectus.

<sup>84</sup> Zenitas does not require the funds raised under this Prospectus to continue to fund its operations, and the funds raised are primarily being sought to fund the cash components of the Acquisitions and to assist the Company in re-complying with the admission requirements of Chapters 1 and 2 of the ASX Listing Rules. Accordingly, operational costs (employment, equipment, technology etc.) relating to the Current Business will continue to be funded by Zenitas' existing and future cash flows, and is unlikely to be funded via the funds raised under the Offer.

## 07. Details of the Offer

### 7.8. Capital structure (post-Consolidation)

In the event that the Offer completes, the Company will have the following capital structure on a post-Consolidation basis.

Capital structure (Shares)	Number of Shares
Existing Shares on issue (post-Consolidation)	12,211,832
Issue of Shares under the Vendor Consideration and HNA Personnel Offer	2,027,534
Shares issued under the Cash Offer	30,000,000
<b>Total Shares on issue at listing (undiluted)</b>	<b>44,239,366</b>
Existing options on issue (post-Consolidation)	1,842,008
<b>Total Shares on issue at listing (fully diluted)</b>	<b>46,081,374</b>

The Company will not be issuing any Options under the Offer<sup>85</sup>. The Options register of the Company on a post-Consolidation basis, and reflecting the proposed issue of Options to Shane Tanner subject to Shareholder approval at the Annual General Meeting, is as follows:

Table 36 – Options (post-Consolidation)

Option terms	Number of Options	% of Total
Unlisted options exercisable at \$0.71 (post-Consolidation) per option, expires on 22 December 2018	700,003	38.0
Unlisted options exercisable at \$0.71 (post-Consolidation) per option, expires on 13 February 2018	630,003	34.2
Unlisted options exercisable at \$0.71 (post-Consolidation) per option, expires on 8 September 2018	70,002	3.8
Unlisted options exercisable at \$1.00 (post-Consolidation) per option, expires on 14 April 2019	42,000	2.3
Proposed unlisted options to Shane Tanner exercisable at \$1.00 (post-Consolidation) per option, expires 24 months from the date of issue or upon Mr Tanner ceasing to be a director of Zenitas prior to the performance hurdle set out in section 10.3 being satisfied	200,000	10.9
Proposed unlisted options to Shane Tanner exercisable at \$1.00 (post Consolidation) per option, expires 36 months from the date of issue or upon Mr Tanner ceasing to be a director of Zenitas prior to the performance hurdle set out in section 10.3 being satisfied	200,000	10.9
<b>Total</b>	<b>1,842,008</b>	<b>100.0</b>

### 7.9. Terms and conditions of the Offer

Topic	Summary
<b>What is the type of security being offered?</b>	Shares (being fully paid ordinary shares in the Company).
<b>What are the rights and liabilities attached to the security being offered?</b>	A description of the Shares, including the rights and liabilities attaching to these, is set out in Section 10.2.
<b>What is the consideration payable for each security being offered?</b>	The Offer Price under the Broker Firm Offer, the Institutional Offer and in respect of up to 606,481 Shares to be issued under the Vendor Consideration and HNA Personnel Offer is 1 dollar (\$1.00) per Share. The Offer Price for the remaining 1,421,053 Shares to be issued under the Vendor Consideration and HNA Personnel Offer is 95 cents (\$0.95) per Share. Further details relating to the price at which each of the relevant Vendors or HNA personnel subscribes for Shares under the Vendor Consideration and HNA Personnel Offer are set out in Section 7.12.

<sup>85</sup> Note that subject to Shareholder approval at the Annual Generation Meeting, 40,000 unlisted Options will be issued to Shane Tanner.

Topic	Summary
<b>What is the Offer period and what discretions does the Company have to amend or withdraw the Offer?</b>	<p>The Broker Firm Offer opens at 9:00am (AEDT) on 23 November 2016 and closes at 5:00pm (AEDT) on 14 December 2016.</p> <p>The key dates, including details of the Offer period, are set out on page 9. This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in AEDT. The Company, in consultation with the Joint Lead Managers, reserves the right to vary both of the above times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or any Applicants).</p> <p>If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.</p> <p>No Securities will be issued on the basis of this Prospectus later than the expiry date of 13 months after the Prospectus Date.</p>
<b>What are the cash proceeds to be raised?</b>	<p>\$30.3 million will be raised under the Offer if the Offer proceeds.</p>
<b>What is the minimum and maximum application size under the Offer?</b>	<p>The minimum Application under the Offer is \$2,000 worth of Shares.</p> <p>There is no maximum value of Shares that may be applied for under the Offer (subject to the aggregate cap on allocations under the Broker Firm Offer described in Section 7.10 and the Vendors fixed allocations under of the Vendor Consideration and HNA Personnel Offer described in Section 7.12).</p>
<b>What is the allocation policy?</b>	<p>The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Joint Lead Managers in consultation with the Company, having regard to the allocation policy outlined in Sections 7.10 and 7.12.</p> <p>With respect to the Broker Firm Offer, it will be a matter for the Brokers to determine how they allocate Shares among their eligible clients in Australia and New Zealand, and they (and not the Company nor the Joint Lead Managers) will be responsible for ensuring that eligible retail clients who have received an allocation from them receive the relevant Shares.</p> <p>The allocation of Shares under the Institutional Offer will be determined by the Joint Lead Managers in consultation with the Company.</p> <p>The Broker Firm Offer, the Institutional Offer and Vendor Consideration and HNA Personnel Offer are not open to investors in the United States.</p> <p>For further information on the:</p> <ul style="list-style-type: none"> <li>• Broker Firm Offer, see Section 7.10;</li> <li>• Vendor Consideration and HNA Personnel Offer, see Section 7.12; or</li> <li>• Institutional Offer, see Section 7.11.</li> </ul> <p>The Company and the Joint Lead Managers reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for, in their absolute discretion. In addition, the Company and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person.</p>

## 07. Details of the Offer

Topic	Summary
<b>Will the securities be listed?</b>	<p>Within 7 days after the Prospectus Date, the Company will submit the Re-Compliance Application to the ASX. The ASX will not allow the removal of the Company's trading suspension which currently applies to the Company's Shares until the ASX is satisfied that the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules.</p> <p>If approval for the Re-Compliance Application is not granted by the ASX within 3 months after the Prospectus Date (or such other period varied by ASIC), then the Company will not allot or issue any Shares pursuant to the Offer and will repay all Application Monies received under the Cash Offer, without any interest, as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may grant quotation of the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares.</p>
<b>When are the securities expected to commence trading?</b>	<p>It is expected that re-quotation of the Shares on ASX will be on or about 30 December 2016.</p> <p>If Settlement has not occurred within 14 days (or such longer period as ASX allows) after the day Shares are first quoted on ASX, the Offer and confirmations of allocations will be cancelled and of no further effect and all Application Monies will be refunded (without interest).</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Zenitas Offer Information Line, by a Broker or otherwise.</p>
<b>Is the Cash Offer underwritten?</b>	Yes, the Joint Lead Managers have fully underwritten the Cash Offer. Details are provided in Section 8.2.
<b>Are there any escrow arrangements?</b>	Yes. Details are provided in Section 8.8.
<b>Are there any brokerage, commission or stamp duty considerations?</b>	<p>No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Cash Offer.</p> <p>No brokerage, stamp duty or other costs are payable by Applicants in respect of an Application for Shares under this Prospectus.</p> <p>Investors who buy or sell Shares on ASX may be subject to brokerage and other transaction costs. Under current legislation, there is no stamp duty payable on the sale or purchase of shares on ASX.</p> <p>See Section 8.2 for details of various fees payable by the Company to the Joint Lead Managers.</p>
<b>What should you do with any enquiries?</b>	<p>Any enquiries in relation to the Offer can be directed to the Zenitas Offer information line on 1300 420 177 or +61 2 8022 8575 from 9:00am until 5:00pm (AEDT) Monday to Friday until the Closing Date.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Zenitas is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional advisor before deciding whether to invest.</p>

## **7.10. Broker Firm Offer**

### **7.10.1. Who may apply**

The Broker Firm Offer is open to Australian resident Retail Investors and New Zealand resident Wholesale Investors, each of whom has received a firm allocation from their Broker and who has a registered address in Australia or New Zealand. If you have been offered a firm allocation by a Broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

### **7.10.2. How to apply**

If you have received an allocation of Shares from your Broker and wish to apply for Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Form to the Share Registry.

Applicants under the Broker Firm offer may contact their Broker or the Company to request a Prospectus and Application Form, or download a copy at [www.zenitas.com.au](http://www.zenitas.com.au). Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5:00pm (AEDT) on 14 December 2016 or any earlier Closing Date as determined by your Broker.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your firm allocation. Application Forms for the Broker Firm Offer must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

If you apply in the Broker Firm Offer, you must apply for a minimum value of \$2,000 worth of Shares. There is no maximum value of Shares that may be applied for under the Broker Firm Offer; however, the Company and the Joint Lead Managers reserve the right to reject or scale back any Applications in the Broker Firm Offer. The Company and the Joint Lead Managers also reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

The Broker Firm Offer opens on 23 November 2016 and is expected to close at 5:00pm (AEDT) on 14 December 2016. The Company in consultation with the Joint Lead Managers may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier time and date, without further notice. Your Broker may also impose an earlier Closing Date. Applicants are therefore encouraged to submit their Applications as early as possible. Contact your Broker for instructions.

### **7.10.3. Payment methods**

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions received from their Broker.

### **7.10.4. Acceptance of Applications**

An Application in the Broker Firm Offer is an offer by the applicant to the Company to subscribe for Shares for all or any of the Application amount specified in an accompanying Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form (including the conditions regarding quotation on ASX in Section 7.4). To the extent permitted by law, an Application is irrevocable.

An Application may be accepted in respect of the full number of Shares specified in the Application Form or any lower amount than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

The Joint Lead Managers and the Company reserve the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by the Applicant in completing their Application.

## 07. Details of the Offer

Successful Applicants under the Broker Firm Offer will be issued Shares at the Offer Price under the Broker Firm Offer of \$1 per Share. Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application amount by the Offer Price. Where the Offer Price does not divide evenly into the Application amount, the number of Shares to be allocated will be determined by the Applicant's Broker. Refunds will not be provided for differences caused by rounding the Offer Price.

### 7.10.5. Allocation policy under Broker Firm Offer

Shares that have been to Brokers for allocation to their Australian resident retail clients and New Zealand resident Wholesale clients, will be issued to the Applicants nominated by those Brokers. It will be a matter for each Broker as to how they allocate Shares among their clients, and they (and not the Company or the Joint Lead Managers) will be responsible for ensuring that Broker clients who have received a firm allocation from them receive the relevant Shares.

## 7.11. Institutional Offer

### 7.11.1. Invitations to bid

The Institutional Offer consists of an invitation prior to or after the date of this Prospectus to certain Institutional Investors in Australia, New Zealand and certain overseas jurisdictions to apply for Shares under this Prospectus. Application procedures for Institutional Investors have been, or will be, advised to the Institutional Investors by the Joint Lead Managers.

### 7.11.2. Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer is determined by the Joint Lead Managers in consultation with the Company, who will have absolute discretion regarding the basis of allocation of Shares among Institutional Investors and there is no assurance that any Institutional Investor will be allocated any Shares, or the number of Shares for which it has bid. The allocation policy will be influenced by the following factors:

- number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- desire for an informed and active trading market following listing on ASX;
- desire to establish a wide spread of institutional Shareholders;
- overall level of demand under the Cash Offer;
- the size and type of funds under management of particular bidders;
- the likelihood that particular bidders will be long term Shareholders; and
- any other factors that the Company and the Joint Lead Managers consider appropriate.

## 7.12. Vendor Consideration and HNA Personnel Offer

### 7.12.1. Who may apply

The Vendors stated below have committed to apply for, and the Company will offer them, the number of Shares at the issue price set out next to their name in the table below.

Any shares not subscribed by HNA Personnel will be allotted to Vilmos Pty Ltd ATF The Panaccio Investment Trust at \$1.00 per Share.

Table 37 – Vendor Consideration and HNA Personnel Offer

Vendor/HNA personnel Applicant	Acquisition Agreement	Number of Shares offered	Issue price per Share	Aggregate subscription price
Vilmos Pty Ltd ATF The Panaccio Investment Trust	HNA Sale Agreement	1,263,158	\$0.95	\$1,200,000
Timsim Holdings Pty Ltd	HNA Sale Agreement	157,895	\$0.95	\$150,000
Resilient Investment Group Pty Ltd (ACN 128 547 580)	Ontrac Sale Agreement	179,912	\$1.00	\$179,912
Dandenong Medical Centre Pty Ltd	Dandenong Sale Agreement	146,569	\$1.00	\$146,469
HNA Personnel	N/A	280,000	\$1.00	\$280,000

#### **7.12.2. How to apply**

Applicants under the Vendor Consideration and HNA Personnel Offer must apply on the Vendor and HNA Personnel Offer Application Form accompanying this Prospectus, which must be received by the Company on or before the Closing Date.

No Application Monies are payable by the Vendors under the Vendor Consideration and HNA Personnel Offer, but the cash component of the consideration payable under the related Acquisition Agreement will be reduced by the aggregate subscription price specified next to the relevant agreement in the table above. Any HNA personnel participating in the Vendor Consideration and HNA Personnel Offer will subscribe at an issue price of \$1.00 a share.

#### **7.12.3. Is there an allocation policy under the Vendor Consideration and HNA Personnel Offer**

The Vendors allocations under the Vendor Consideration and HNA Personnel Offer are fixed according to the table in Section 7.12.1. However, the 280,000 Shares offered to certain HNA personnel within the HNA group is determined by the Company, who will have absolute discretion regarding the basis of allocation of Shares among the HNA personnel. Accordingly, there is no assurance that any HNA personnel will be allocated any Shares, or the number of Shares for which it has bid.

### **7.13. Underwriting arrangements**

The Cash Offer is fully underwritten by the Joint Lead Managers. The Joint Lead Managers and the Company have entered into an Underwriting Agreement under which the Joint Lead Managers have been appointed as arrangers, managers and underwriters of the Cash Offer. The Joint Lead Managers agree, subject to certain conditions and termination events, to underwrite applications for all Shares under the Cash Offer. The Underwriting Agreement sets out a number of circumstances under which the Joint Lead Managers may terminate the agreement and the underwriting obligations. A summary of certain terms of the agreement and underwriting arrangements, including the termination provisions, is provided in Section 8.2.

### **7.14. Escrow arrangements**

All of the Shares issued under the Vendor Consideration and HNA Personnel Offer, with the exception of the 280,000 Shares offered to certain HNA personnel, will be subject to voluntary escrow arrangements for the periods and on the terms set out Section 8.8.

In addition, Shares issued to the MMG Vendors as part of the initial consideration under the MMG Sale Deed, are subject to voluntary escrow arrangements for the periods and on the terms set out in Section 8.8.

### **7.15. Potential effect of the fundraising on the future of the Company**

The Board believes that on completion of the Offer, the Company will have sufficient funds available from the cash proceeds of the Cash Offer to fulfil the purposes of the Offer and meet the Company's stated business objectives.

It is possible that future acquisitions that may be contemplated may exceed the current or projected financial resources of the Company and it is expected that these acquisitions would be funded by project finance and/or equity issues (subject to any required Shareholder approvals).

### **7.16. Control implications of the Offer**

The Directors do not expect any Shareholder to control the Company on completion of the Offer.

### **7.17. Working capital**

The Board is of the opinion that following completion of the Cash Offer, the Company will have sufficient working capital to carry out its stated objectives.

### **7.18. Brokerage, commission and stamp duty**

No brokerage, stamp duty or other costs are payable by Applicants in respect of an Application for Shares under this Prospectus.

Investors who buy or sell Shares on ASX may be subject to brokerage and other transaction costs. Under current legislation, there is no stamp duty payable on the sale or purchase of shares on ASX.



## 07. Details of the Offer

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### 7.19. Allotment of the Shares

Subject to the Conditions of the Offer in Section 7.4 being satisfied, Applicants whose Application Forms are accepted by the Company or brokers, in whole or in part, will be issued Shares and despatched either a CHESS statement or an issuer sponsored holding statement (whichever applicable) as soon as practicable after the applicable Closing Date together with any excess Application Monies (if applicable).

It is the responsibility of all Applicants to determine their allocation prior to trading in the Shares. Applicants who sell any of the Shares of the Company before receiving their holding statements do so at their own risk.

### 7.20. Taxation

Summaries of certain Australian tax consequences of participating in the Offer and investing in the Shares are set out in Section 10.9.

The taxation consequences of any investment in the Shares will depend upon each Applicant's particular circumstances. It is the responsibility of all Applicants to satisfy themselves of the particular taxation consequences of an investment in the Company and participation in the Offer under this Prospectus.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability or responsibility with respect to any taxation consequences to Applicants, existing Shareholders and any other person that considers the Offer in this Prospectus.



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### 8.1. Underwriting Agreement

The Company and the Joint Lead Managers have entered into the Underwriting Agreement on or about the Prospectus Date pursuant to which the Joint Lead Managers agree to arrange, manage and underwrite the Cash Offer.

#### 8.1.1. Fees, costs and expenses

On the date of settlement of the Offer (**Settlement Date**), the Company must pay to the Joint Lead Managers (exclusive of GST) an underwriting fee in the amount of:

- (a) a management fee of 2.00% of the total funds raised under the Broker Firm Offer and Institutional Offer (**Offer Proceeds**);
- (b) an underwriting fee of 1.50% of the Cash Offer Proceeds; and
- (c) a selling fee of 1.50% of the Cash Offer Proceeds.

In addition, the Company must pay certain agreed costs of the Joint Lead Managers which are related to, or incidental to the Offer.

#### 8.1.2. Termination events not limited to materiality

If any of the following events occur after the date of the Underwriting Agreement, the Joint Lead Managers may terminate their obligations under the Underwriting Agreement without cost or liability by notice to the Company at any time until 10am on the Settlement Date:

- (a) (**disclosures in documents**) a statement in this Prospectus (or any related document), marketing roadshow material, or other documents connected with the Offer is misleading or deceptive or likely to mislead or deceive, or there is an omission of material required by sections 710, 711, 715A or 716 of the Corporations Act;
- (b) (**supplementary prospectus**) the Company:
  - (i) issues or, in the reasonable opinion of the Joint Lead Manager seeking to terminate is required to issue, a supplementary prospectus because of the operation of section 719(1) and fails to do so; or
  - (ii) lodges a supplementary prospectus with ASIC in a form and substance that has not been approved by the Joint Lead Managers;
- (c) (**Shareholder approval**): Shareholder approval is not obtained at the Annual General Meeting, in respect of the Acquisitions and in particular any of Resolutions 6 to 10 set out in the Notice of Meeting is not approved by Shareholders;
- (d) (**business purchase agreements**) any business purchase agreement in relation to the Proposed Transaction is not capable of completing (as defined under each agreement) in the reasonable opinion of the Joint Lead Managers, becomes void or voidable, or has been amended (without the prior written consent of the Joint Lead Managers) or is materially breached, or is otherwise terminated or rescinded by any of the parties to that agreement;
- (e) (**voluntary escrow agreements**) any of the voluntary escrow agreements in relation to the Acquisitions are withdrawn, varied, terminated, rescinded, altered or amended, materially breached or failed to be complied with;
- (f) (**market fall**) at any time before the Settlement Date, the S&P/ASX 200 Index falls to a level that is 90% or less of the level as at the close of trading on the Business Day immediately prior to the date of the Underwriting Agreement and closes at or below that 90% level on 2 consecutive Business Days;
- (g) (**listing and quotation**) approval is refused or not granted prior to the Settlement Date, or approval is granted subject to conditions other than customary conditions, to:
  - (i) the Company's admission to the Official List of ASX on or before the date on which the shortfall is notified to the Joint Lead Managers; or
  - (ii) the quotation of the Shares on ASX or for the Shares to be traded through CHESSE on or before the date on which trading commences on ASX,or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (h) (**notifications**) any of the following notifications are made in respect of the Offer:
  - (i) ASIC issues an order (including an interim order) under section 1324B or under section 739 of the Corporations Act and any such inquiry or hearing is not withdrawn within 3 Business Days or if it is made within 3 Business Days of the Settlement Date it has not been withdrawn by the day before the Settlement Date;
  - (ii) ASIC holds a hearing under section 739(2) of the Corporations Act;

- (iii) an application is made by ASIC for an order under Part 9.5, or ASIC commences an investigation hearing under Part 3 of the ASIC Act in relation to the Offer or this Prospectus (or any related document), marketing roadshow material, or other documents connected with the Offer, and any such application inquiry or hearing is not withdrawn within 3 Business Days or if it is made within 3 Business Days of the Settlement Date it has not been withdrawn by the day before the Settlement Date;
- (iv) any person who has previously consented to the inclusion of its name in this Prospectus (other than the Joint Lead Manager seeking to terminate) withdraws that consent; or
- (v) any person gives a notice under section 730 of the Corporations Act in relation to the Prospectus (other than the Joint Lead Manager seeking to terminate);
- (i) **(withdrawal)** the Company withdraws the Prospectus or the Offer or any circumstance arises after lodgement of the Prospectus with ASIC that results in the Company either repaying any money received from Applicants under the Offer or offering Applicants under the Offer an opportunity to withdraw their application for Shares and be repaid their Application Monies;
- (j) **(unable to issue Shares)** the Company is prevented from allotting and issuing the Shares by applicable laws, an order of a court of competent jurisdiction or a governmental authority, within the time required by the ASX Listing Rules or timetable;
- (k) **(regulatory approvals)** if a regulatory body withdraws, revokes or amends any regulatory approvals, including an ASX waiver and ASIC modification, required for the Company to perform its obligations under the Underwriting Agreement, such that the Company is rendered unable to perform its obligations under the Underwriting Agreement;
- (l) **(change in the Board)** other than as disclosed in this Prospectus, there is a change to the Board;
- (m) **(timetable)** an event specified in the timetable is delayed by more than 2 Business Days (other than any delay caused solely by the Joint Lead Manager seeking to terminate or any delay agreed between the Company and the Joint Lead Managers or a delay as a result of an extension of the exposure period by ASIC); or
- (n) **(insolvency events)** the Company or any of its subsidiaries or any of the businesses, companies or trusts being acquired under the Acquisition Agreements becomes insolvent, or there is an act or omission which is likely to result in the Company or any of its subsidiaries or any of the businesses, companies or trusts being acquired under the Acquisition Agreements becoming insolvent.

### 8.1.3. Termination events limited to materiality

If any of the following events has occurred or occurs after the date of the Underwriting Agreement, at any time before 10am on the Settlement Date, a Joint Lead Manager, may (whether or not with the consent of the other Joint Lead Manager) terminate the Underwriting Agreement without cost or liability to that Joint Lead Manager by notice to the Company and the other Joint Lead Manager, provided that it has reasonable grounds to believe that the event

(a) has or is likely to have a materially adverse effect on (i) the success, settlement or marketing of the Cash Offer or on the ability of the that Joint Lead Manager to settle the Cash Offer or on the likely price at which the Shares will trade on ASX; or (ii) the willingness of investors to subscribe Offer Shares; or (b) will, or is likely to, give rise to a liability of the Joint Lead Manager under, or give rise to, or result in, a contravention by the Joint Lead Manager or its affiliates or the Underwriter or its affiliates being involved in a contravention of, any applicable law or regulation:

- (a) **(compliance with law)** this Prospectus (or any related document), marketing roadshow material, or other documents connected with the Offer or any aspect of the Offer do not comply with the Corporations Act, the ASX Listing Rules, or any other applicable law or regulation or a statement in any of the public information, is or becomes misleading or deceptive or is likely to mislead or deceive;
- (b) **(new circumstances)** a new circumstance arises after this Prospectus is lodged, that would have been required to be included in this Prospectus if it had arisen before lodgement (as applicable), that is materially adverse from the point of view of an investor within the meaning of section 719 of the Corporations Act;
- (c) **(disclosures in public information)** a statement in any of the public information is or becomes misleading or deceptive or likely to mislead or deceive;
- (d) **(disclosures in due diligence)** the due diligence or any other information supplied by or on behalf of the Company to the Joint Lead Managers in relation to the Offer Shares, the Company or the Offer is, or becomes, untrue, incorrect, misleading or deceptive, including by way of omission;
- (e) **(adverse change)** an event occurs which is, or is likely to give rise to:
  - (i) an adverse change in the assets, liabilities, financial position or performance, profits, losses, earnings, prospects or condition or otherwise of the Company or any of its subsidiaries, or any of the businesses, companies or trusts being acquired under the Acquisition Agreements from those disclosed in the Prospectus lodged with ASIC on the last day for lodgement of the Prospectus with ASIC; or

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- (ii) an adverse change in the nature of the business conducted by the Company or any of its subsidiaries, or any of the businesses, companies or trusts being acquired under the Acquisition Agreements as disclosed in the Prospectus lodged with ASIC on the last day for lodgement of the Prospectus with ASIC;
- (f) (**forecasts**) there are not, or there ceases to be, reasonable grounds in the reasonable opinion of the Joint Lead Manager seeking to terminate that any statement or estimate in this Prospectus which relates to a future matter is unlikely to be met in the projected timeframe (including in each case financial forecasts);
- (g) (**certificate**) the Company does not provide a Closing Certificate as and when required by the Underwriting Agreement or a statement in any Closing Certificate is false, misleading, inaccurate or untrue or incorrect;
- (h) (**hostilities**) hostilities not presently existing commence (whether or not war or a national emergency has been declared) or a major escalation in existing hostilities occurs (whether or not war or a national emergency has been declared) or a major terrorist act is perpetrated in respect of any one or more of Australia, New Zealand, the United States, the United Kingdom, the Peoples' Republic of China, Hong Kong, Singapore or any member state of the European Union, or involving any diplomatic, military, commercial or political establishment of any of those countries in the world;
- (i) (**material contracts**) if any of the obligations of the relevant parties under any of the contracts disclosed in this Section 8 are not capable of being performed in accordance with their terms (in the reasonable opinion of the Joint Lead Manager seeking to terminate) or if all or any part of any of the Material Contracts:
  - (i) is terminated, withdrawn, rescinded, avoided or repudiated;
  - (ii) is altered, amended or varied without the consent of the Joint Lead Managers (acting reasonably);
  - (iii) is breached, or there is a failure by a party to comply;
  - (iv) ceases to have effect, otherwise than in accordance with its terms; or
  - (v) is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and effect, or its performance is or becomes illegal;
- (j) (**change of law**) there is introduced, or there is a public announcement of a proposal to introduce, a new law or regulation or policy in Australia or any state or territory of Australia (including a policy of the Reserve Bank of Australia) other than a law or policy which has been announced before the date of the Underwriting Agreement;
- (k) (**breach of laws**) there is a contravention by the Company or any of its subsidiaries, or any company, business or trust being acquired under the Acquisition Agreements, of its constitution or other constituent document, an encumbrance or document that is binding on it or any applicable law, regulation, authorisation, ruling, consent, judgement, order or decree of any Government Authority (including the Corporations Act, the *Competition and Consumer Act 2010* (Cth), the ASIC Act and the ASX Listing Rules);
- (l) (**representations and warranties**) a representation or warranty contained in the Underwriting Agreement on the part of the Company is breached, becomes not true or correct or is not performed;
- (m) (**breach**) the Company defaults on 1 or more of its undertakings or obligations under the Underwriting Agreement;
- (n) (**unauthorised change**) without the prior written consent of the Joint Lead Managers, the Company:
  - (i) disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property other than as contemplated in the Prospectus;
  - (ii) ceases or threatens to cease to carry on business;
  - (iii) alters its capital structure, other than as contemplated in the Prospectus; or
  - (iv) amends its constitution or any other constituent document of the Company or the terms of issue of Shares under the Offer;
- (o) (**disruption in financial markets**) any of the following occurs:
  - (i) a general moratorium on commercial banking activities in Australia, the United Kingdom, the United States, Hong Kong or any member state of the European Union is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; or
  - (ii) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended for at least 1 day on which that exchange is open for trading; or

(iii) any adverse change or disruption to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in Australia, the United States or the United Kingdom, or the international financial markets or any adverse change in national or international political, financial or economic conditions; or

(iv) a change or development (which was not publically known prior to the date of the Underwriting Agreement) involving a prospective adverse change in taxation laws affecting the Company or the Offer occurs;

(p) **(action against directors or senior management)** any of the following occur:

(i) a director or senior executive of the Company is charged with an indictable offence relating to a financial or corporate matter;

(ii) any government agency commences any public action against a director or senior executive of the Company;

(iii) any director or senior executive of the Company is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;

(iv) a director or senior executive of the Company engages in any fraudulent conduct or activity; or

(v) a change in the directors or senior executives of the Company, or a director or senior executive dies or becomes permanently incapacitated; or

(q) **(encumbrance)** other than as disclosed in the Prospectus, the Company creates or agrees to create an encumbrance over the whole or a substantial part of its business or property;

#### **8.1.4. Conditions, representations, warranties and undertakings**

The Underwriting Agreement contains common representations, warranties and undertakings provided by the Company to the Joint Lead Managers relating to matters such as the conduct of the parties, the conduct and outcome of due diligence, information provided to the Joint Lead Managers, financial information, material contracts, licences, compliance with ASX Listing Rules and laws, information contained in this Prospectus and the conduct of the Offer.

The undertakings provided by the Company include an undertaking that, except as disclosed in this Prospectus (or any related document), marketing roadshow material, or other documents connected with the Offer, no person holds or has any right to subscribe for, or to receive or to be issued any shares, options to subscribe for shares in the capital of the Company or any other securities convertible or exchangeable into equity in the Company and the Company has not issued, or agreed to issue, and will not prior to the Settlement Date issue, or agree to issue shares, options or other securities to any person.

In addition, the Underwriting Agreement contains common conditions precedent to the Joint Lead Managers' obligations.

#### **8.1.5. Indemnity**

Subject to certain exceptions, the Company indemnifies the Joint Lead Managers and persons associated with the Joint Lead Managers against certain liabilities which relate to or arise from the Underwriting Agreement, this Prospectus (or any related document) or the Offer.

## **8.2. Acquisition Agreements**

### **8.2.1. General overview and common key terms**

Wholly owned subsidiaries of the Company have entered into a number of business purchase agreements to acquire the St. Kilda Medical Centre, Dandenong Medical Centre, Caring Choice and Ontrac businesses and all the assets necessary to carry on those businesses.

A wholly owned subsidiary of the Company has also entered into:

(a) the HNA Sale Agreement, a securities purchase agreement to acquire the HNA Units, which represent a majority ownership interest in the underlying assets of the HNA Trusts, being the 30 physiotherapy clinics of the HNA business that it will operate immediately prior to completion under the HNA Sale Agreement;

(b) an asset purchase agreement under which it will acquire additional assets and personnel required to operate the businesses of the HNA Trusts from the HNA Trusts' ultimate holding trust for nominal value; and

(c) deeds of Retirement and Appointment under which it will act initially as a joint, and subsequently as the sole new, trustee of the HNA Trusts (see Section 8.4 for further detail),

such that on and from completion of the HNA Sale Agreement, a Zenitas Group company will be the majority unitholder of the HNA Trusts and the controlling trustee of the Trust (for further details about the minority unitholders' rights, see Section 10.4 of this Prospectus). As soon as is practicable after completion, the existing



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trustees of the HNA Trusts will transfer all of the trust assets to the new Zenitas trustee company and retire as trustee of the trust. Whilst the existing HNA Trustee remains a trustee of the HNA Trusts after completion, it must only act with the written consent of the new Zenitas trustee company's consent.

Several clinics currently operated by the HNA Trusts are excluded from the transaction under the HNA Sale Agreement. Subject to the terms of the HNA Options summarised in Section 8.5 below, Zenitas may elect, or be required to, acquire a majority interest in one or more trusts conducting those clinics.

The Vendors under the Acquisition Agreements will in aggregate receive a cash payment, or a combination of cash and Shares in Zenitas in consideration for the sale of their business or securities (as applicable). The upfront consideration payable on completion under the Acquisition Agreements is \$20.4m comprising \$18.7m in cash and \$1.7m in Company Shares. Deferred consideration calculated by reference to the performance of HNA and Caring Choice in FY17 and only Caring Choice in FY18 may be payable in a combination of cash and scrip. The FY17 deferred consideration is forecast to be \$3.2m.

All of the Proposed Acquisitions are acquired on a debt-free and cash-free basis, meaning the Group does not assume any existing debt or acquire any cash of the Proposed Acquisitions on completion. The consideration payable under each of the Acquisition Agreements reflects a working capital shortfall in the Proposed Acquisitions' businesses which will be funded by the Company after completion. The consideration payable for the Proposed Acquisitions is described below.

Completion under the Acquisition Agreements is subject to satisfaction or waiver of a number of conditions precedent, which are generally common across the Acquisition Agreements with the exception of certain bespoke conditions relevant to specific Proposed Acquisitions. The material conditions which have not yet been satisfied or waived as at the date of this Prospectus are generally:

- (a) Shareholder approval – the Shareholders approving the Proposed Transaction at the Company's Annual General Meeting;
- (b) Regulatory approval – the ASX approves the Re-compliance;
- (c) Release of security interests over the securities and assets being acquired;
- (d) Material adverse change – no Proposed Acquisition suffers an event, occurrence, fact or circumstance which could reasonably be expected to be materially adverse to that Proposed Acquisition's businesses or condition, but none have occurred as at the date of this Prospectus;
- (e) Completion of the Offer;
- (f) Engagement of Key personnel – most of the employees and certain key personnel accepting offers of employment or other forms of engagement with Zenitas; and
- (g) Contracts – satisfying the requirements for certain contracts to be transferred to Zenitas.

If any of these conditions precedent are not satisfied or waived by the party with the benefit of that condition before the applicable conditions precedent date, that party may terminate the relevant Acquisition Agreement, provided that party is not in breach of a material obligation under the agreement.

The Vendors, and certain key individuals have given seller warranties and indemnities which are typical for agreements of this nature. The period under which claims for breaches of a Seller Warranty can be made range from 18 to 24 months, and in the case of certain key warranties (including tax) in the HNA Sale Agreement, 6 years. The aggregate liability for breach of the Seller Warranties under each Acquisition Agreement is the purchase price under the relevant Acquisition Agreement for the first 12 months and in some cases (other than key warranties under the HNA Sale Agreement) reduces to a minimum of 50% of the Purchase Price during balance of the claim period. All Acquisition Agreements other than St. Kilda Road, the other agreements contain a requirement that an escrow amount or bank guarantee in favour of the relevant Group Company, ranging in quantum from 5% to 10% of the upfront payment under the Ontrac Sale Agreement, Dandenong Sale Agreement and HNA Sale Agreement and \$1,000,000 under the Caring Choice Sale Agreement, be held as security for the Vendor's obligations under the agreement.

Zenitas obtained indemnities from the warrantors (Vendor) under the Caring Choice Sale Agreement in respect of a dispute between Disabilities SA and Caring Choice (see section 5.1.11 for further details). This indemnity is supported by the retention amount of \$1,000,000 referred to above for up to 2 years from the date of completion, to the extent Zenitas suffers any losses as a result of the termination of its NDIS registration. Up to \$600,000 of this retention amount is also available if there are other claims in the 12 months from the date of completion not relating to the loss of NDIS registration. Any liability for the conduct of the Caring Choice business prior to completion under the Caring Choice Sale Agreement is not assumed by Zenitas and will remain with the Vendor, Caring Choice Pty Ltd.

The Vendors and certain key individuals have agreed to non-solicit and non-compete restrictions for periods ranging from 2 – 4 years from completion under Acquisition Agreements.



### 8.2.2. Consideration and bespoke terms

Table 38 – The Dandenong Sale Agreement – consideration and bespoke terms

Bespoke term	Details
<b>Consideration</b>	<p>The consideration, payable on completion, which has already been reduced by \$60,000 for the estimated working capital shortfall, is:</p> <ul style="list-style-type: none"> <li>a cash payment of \$586,276 (less a purchase price adjustment for employee entitlements); and</li> <li>146,569 Shares (on a post-Consolidation basis) at the Offer Price.</li> </ul>
<b>Escrow of Vendor Consideration Shares</b>	<p>The 146,569 Shares to be issued as part consideration under the Dandenong Sale Agreement will be subject to voluntary escrow for a period of 12 months.</p>

Table 39 – The Caring Choice Sale Agreement – consideration and bespoke terms

Bespoke term	Details
<b>Consideration</b>	<p>The consideration under the Caring Choice Sale Agreement is up to a maximum of \$9,800,000 in cash and Shares, which comprises:</p> <ul style="list-style-type: none"> <li>an initial cash payment of \$2,300,000 (which has already been reduced by \$700,000 for the estimated working capital shortfall) payable on completion under the Caring Choice Sale Agreement (less a purchase price adjustment for employee entitlements);</li> <li>a first deferred consideration payment based on FY17 Maintainable EBITDA less \$3,000,000; and</li> <li>a second deferred payment based on FY18 Maintainable EBITDA, less the aggregate of \$3,000,000 and the FY17 deferred payment.</li> </ul> <p>Each deferred payment, if any, will be paid:</p> <ul style="list-style-type: none"> <li>50% in cash;</li> <li>50% through the issue of Shares at a deemed issue price equal to 30 Day VWAP for the Shares.</li> </ul> <p>Each deferred consideration payment is capped at \$3,750,000 and the FY17 deferred payment will not be paid if FY17 Maintainable EBITDA is less than \$1,000,000 nor will the FY18 deferred payment be paid if FY18 Maintainable EBITDA is less than FY17 Maintainable EBITDA. The deferred consideration is not payable unless certain key individuals in the management of the business are employed by the Group on the relevant payment date. The deferred consideration will be payable following finalisation of financial accounts in each respective year.</p>
<b>Escrow of Vendor Consideration Shares</b>	<p>The Shares, if any, to be issued as part of the deferred consideration under the Caring Choice Transaction will be subject to voluntary escrow in the following proportions for the following periods:</p> <ul style="list-style-type: none"> <li>½ for 12 months; and</li> <li>½ for 18 months.</li> </ul>

Table 40 – The Ontrac Sale Agreement – consideration and bespoke terms

Bespoke term	Details
<b>Consideration</b>	<p>The consideration, payable on settlement, is:</p> <ul style="list-style-type: none"> <li>a cash payment of \$3,418,324, which has already been reduced by \$75,000 for the estimated working capital shortfall (less the aggregate of a purchase price adjustment for employee entitlements and \$40,000 in additional payments made to the Vendors under the Ontrac Sale Agreement prior to completion); and</li> <li>179,912 Shares (on a post-Consolidation basis) at the Cash Offer Price.</li> </ul>
<b>Escrow of Vendor Consideration Shares</b>	<p>The 179,912 Shares to be issued as part consideration under the Ontrac Sale Agreement will be subject to voluntary escrow for a period of 12 months.</p>

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Table 41 – The St. Kilda Road Agreement – consideration and bespoke terms

Bespoke term	Details
<b>Consideration</b>	The consideration, payable on settlement, is a cash payment of \$1,785,000 (less a purchase price adjustment for working capital and employee entitlements).

Table 42 – The HNA Sale Agreement – consideration and bespoke terms

Bespoke term	Details
<b>Consideration</b>	<p>The aggregate upfront consideration is \$11,754,250, of which \$1,350,000 will be taken by the HNA Vendors in Shares issued at an issue price of \$0.95 (on a post-Consolidation basis, and representing a 5% discount to the Cash Offer Price). Further, on completion under the HNA Sale Agreement \$863,304 will be deducted from this amount as the aggregate of the estimated shortfall of working capital and employee entitlements and a further \$100,000 for payments already made to the HNA Vendors by the Group. If at the adjustment date the aggregate of the employee entitlements (capped at \$250,000) and shortfall in working capital is less than the estimated amount above, the difference will need to be paid by the Group to the HNA Vendors. An additional exclusivity payment of between \$150,000 and \$200,000 is also payable depending on when in December 2016 completion occurs.</p> <p>There is also a deferred consideration payment based on FY17 maintainable EBITDA minus the \$11,754,250 upfront consideration referred to above, provided FY17 maintainable EBITDA is greater than or equal to FY16 maintainable EBITDA. Any payment will be made after the HNA accounts for FY17 are finalised. If under the HNA Option Deeds referred to in section 8.5 below, the Company acquires units in the Remaining Clinic Trusts, when calculating the quantum of a deferred payment (if any) under the HNA Sale Agreement, the portion of the Maintainable EBITDA of the Remaining Clinic Trusts acquired to which the Group is entitled through its majority unitholding will be included. The additional amount payable under the HNA Sale Agreement as a result, is the purchase price payable for the Group's acquisition of the Remaining Clinic Trusts under the HNA Option Deeds.</p> <p>The deferred consideration is payable, at the HNA vendor's election, either in cash or the issue of Shares at a deemed issue price equal to the 20 trading day VWAP for the Shares. The deferred consideration is forecast to be \$2,628,000 (but may be higher if performance of the HNA exceeds forecasts).</p>
<b>HNA Vendor Loan</b>	The HNA Vendors will also provide the Group with a \$300,000 loan which will be funded on completion of the HNA Sale Agreement as a set-off against the purchase price payable by the Group. Half the loan may be required to be repaid if 10 Business Days after completion under the HNA Sale Agreement the HNA Trust's cash at bank is greater than \$600,000. On the date 1 month following HNA completion, the loan will be terminated and depending on the cash at bank of the HNA Operating Trusts on that date the Group may need to repay the loan in full or may be entitled to retain up to \$300,000, if there was no early repayment of half the loan, or otherwise up to \$150,000.
<b>Escrow of Vendor Consideration Shares</b>	The Shares, if any, to be issued as part consideration for the upfront payment under the HNA Sale Agreement will be subject to voluntary escrow for a period commencing on completion under the HNA Sale Agreement and ending on release of the Company's financial report for the financial year ending 30 June 2017.

### 8.3. HNA Trusts' deeds of retirement and appointment

In satisfaction of a condition precedent to the HNA Sale Agreement, a wholly owned subsidiary of the Company (**New Trustee**) will enter into a deed of retirement and appointment with each current trustee of each of the HNA Trusts (**Old Trustees**).

Under this agreement, all business and assets of the relevant trust are transferred to and vest in the New Trustee. The New Trustee is not responsible for liabilities arising prior to completion and the Old Trustee waives any right to be indemnified out of trust assets for such pre-completion liabilities.

Under the agreement, the New Trustee and Old Trustee act as joint trustees for an interim period which ends, on the earlier of a date determined by the New Trustee and the date all leases relating to the HNA Trusts have been assigned to the New Trustee, whether occurring on completion or a later date. During this interim period, the Old Trustee must take all action under the relevant trust deed as the New Trustee directs, and must only exercise its powers as trustee of the relevant trust after obtaining the consent of the New Trustee.

Upon retirement, the Old Trustee is released from its obligations arising, from completion, under the trust deed of the relevant HNA Trust.

#### 8.4. HNA Option Deeds

As noted above in Section 8.3, the HNA Trusts have a class of units on issue for each clinic operated by the trust. In anticipation of completion under the HNA Sale Agreement, the trustees of the HNA Trusts will transfer the business and assets of each of the four underperforming clinics to separate, newly established trusts with the same unitholder structure as the class of units in the relevant HNA Trust that previously related to the relevant clinic (**Remaining Clinic Trusts**). Zenitas will continue to provide head office services to the Remaining Clinic Trusts on and from completion until the Option is exercised or lapses.

In satisfaction of a condition precedent to the HNA Sale Agreement, a wholly owned subsidiary of the Company has entered into put and call option deeds to acquire 85%, 100%, 95% or 80% of all the units on issue in each of the Turner Unit Trust, Fremantle Unit Trust, Melville Unit Trust or Joondalup Unit Trust (respectively), being the Remaining Clinic Trusts owning the non-performing clinics referred to above. The options under the HNA Option Deeds can only be exercised to acquire the relevant proportion of units in a Remaining Clinic Trust referred to above, if the Maintainable EBITDA of the clinic operated by that trust is a minimum of 2% of total revenue for that clinic for three consecutive months and the HNA Sale Agreement has completed. If an option is exercised in respect of a Remaining Clinic Trust, the Company's wholly owned subsidiary has the right to conduct due diligence on that trust. If the relevant Zenitas Group Company acting reasonably is satisfied with its due diligence on the relevant Remaining Clinic Trust, the parties must enter into a sale agreement on substantially the same terms as the HNA Sale Agreement, except for any specific terms that are not relevant. In particular, only nominal consideration is payable under the HNA Option Deed, because the earnings of the Remaining Clinic Trust will be included in the deferred consideration EBITDA calculation under the HNA Sale Agreement.

The Options expire on the date the deferred payment, if any, is payable under the HNA Sale Agreement.

#### 8.5. MMG Sale Deed – Terms of deferred consideration

The MMG Sale Deed sets out the terms on which BGD Medical Centres Pty Ltd (ACN 608 964 049) (**BGDMC**), a wholly owned subsidiary of the Company, acquired the whole of the business and certain specific assets of Zenitas' Existing Business (being the two MMG-branded clinics) from Modern Medical Pty Ltd (ACN 104 762 272) (**MMPL**) as trustee for the Modern Medical Administration Trust (ABN 69 466 866 957), the Modern Medical Balwyn Unit Trust (ABN 63 288 108 673), the Modern Medical Caroline Springs Unit Trust (ABN 74 423 684 076), Caroline Springs Specialist Centre Pty Ltd (ACN 138 468 729) (CSSCPL) as trustee for the Caroline Springs Specialist Centre Unit Trust (ABN 65 296 310 343) and Modern Medical Group Pty Ltd (ACN 608 962 241) (together, the **MMG Vendors**).

Completion under the MMG Sale Deed occurred on 7 April 2016. Therefore, this Prospectus does not disclose the terms of the MMG Sale Deed, other than the deferred consideration terms, the application of which is dependent on the financial performance of Zenitas' Existing Business for the 12-month period ending 31 December 2016.

The MMG Sale Deed provides for a potential deferred consideration payment, as partial payment of the total purchase price, (**Earn-Out Payment**) to the MMG Vendors, of which 50% will be paid in cash and the other 50% in Shares of the Company (which will require separate Shareholder approval at the time of issue and be renegotiated in good faith if such approval is not received), to be calculated by reference to the Maintainable EBIT of Zenitas' Existing Business for the calendar year ending 31 December 2016 (CY16) on the basis of certain EBIT ranges set out in the Sale Deed. An Earn-Out Payment will be paid in the instance that the EBIT for CY16 is greater than \$894,109.

The issue price of the Earn-Out Shares is to be calculated by reference to the volume weighted average price (**VWAP**) of Shares for the 40 trading day period ending on the trading day immediately prior to 31 March 2017 (the **Earn-Out Issue Price**).

If the Company fails to pay the cash component of the Earn-Out Payment within 60 days of it being calculated, the Sale Vendors may elect to receive the value of the cash component in Shares, to be issued at a discount of 30% to the Earn-Out Issue Price.

It is currently expected that the Earn-Out Payment will be approximately \$0.9m.

## 08. Material Contracts

### 8.6. MMG Option Deed

As contemplated by the MMG Sale Deed, BGD Medical Centres Pty Ltd (ACN 608 964 049) (**BGDMC**) entered into the MMG Option Deed with Modern Medical Pty Ltd (ACN 104 762 272) as trustee for the Modern Medical Craigieburn Unit Trust, Modern Medical Bayswater Unit Trust, Modern Medical Hobsons Bay Unit Trust, Modern Medical Wyndham Vale Unit Trust respectively (together, the **MMG Option Vendors**) under which BGDMC was granted call options to buy from each Option Vendor, and each Option Vendor was granted put options to sell, (the **MMG Put and Call Options**) one or more of the MMG Remaining Clinics.

The MMG Put and Call Options over the MMG Remaining Clinics are exercisable as set out below:

- (a) MMG clinic at 6/1-9 Mareeba Way, Craigieburn, Victoria 3064 (**MMG Craigieburn**) and MMG clinic at Shop 28 (Lower Level), Mountain High Shopping Centre, 7-13 High Street, Bayswater, Victoria 3153 (**MMG Bayswater**): exercisable on or before 31 March 2018 if Maintainable EBIT for the calendar year ending 31 December 2017 for MMG Craigieburn or MMG Bayswater (as applicable) is more than \$100,000. The exercise price is 5x Maintainable EBIT for the calendar year ended 31 December 2017.
- (b) MMG clinic at 196-200 Hall Street, Spotswood, Victoria 3015 (**MMG Spotswood**) and MMG clinic at 504-510 Ballan Road, Wyndham Vale, Victoria 3024 (**MMG Wyndham Vale**): exercisable on or before 31 March 2019 if Maintainable EBIT for the calendar year ending 31 December 2018 for the MMG Spotswood or MMG Wyndham Vale (as applicable) is more than \$100,000. The exercise price is 5x Maintainable EBIT for the calendar year ended 31 December 2018.

The option exercise price will consist of a mixture of cash consideration and fully paid ordinary shares in the Company issued at the lower of the 40 day VWAP and the price of Shares issued to fund the MMG Option Cash Consideration (**MMG Option Consideration Shares**).

The MMG Option Deed is otherwise on substantially the same terms as the agreements to acquire the Company's Existing Business (including corresponding MMG Option vendor restraints of between one and five years) and standard conditions precedent.

### 8.7. Escrow arrangements

#### 8.7.1. MMG vendor escrow arrangements

Pursuant to escrow deeds entered into with the vendors of the MMG-branded businesses acquired by the Company in April 2016, the Shares issued to those vendors on 6 April 2016, are subject to the following voluntary escrow arrangements:

- all escrowed for 12 months from the date of issue;
- two thirds escrowed for 18 months from the date of issue; and
- one third escrowed for 24 months from the date of issue.

#### 8.7.2. Escrow arrangements under the Proposed Transaction

As set out in Section 8.8.4, all Vendor Consideration Shares will be subject to voluntary escrow arrangements as follows:

- all Vendor Consideration Shares issued as part consideration under the Dandenong Sale Agreement for 12 months from the date of issue;
- all Vendor Consideration Shares issued as part consideration under the Ontrac Sale Agreement for 12 months from the date of issue;
- all Vendor Consideration Shares (in consideration for the deferred component of the purchase price), if any, to be issued under the Caring Choice Sale Agreement, as follows:
  - all for 12 months from the date of issue; and
  - half for 18 months from the date of issue,
- all Vendor Consideration Shares (in consideration for the deferred component of the purchase price), if any, to be issued under the HNA Sale Agreement will be subject to voluntary escrow arrangements for a period from the date of issue until the release of the Company's financial report for the financial year ending 30 June 2017.

These escrow restrictions will be set out in an escrow deed, which will be executed by each of the applicable Vendors (or its nominee) prior to completion of the Proposed Transaction.

#### 8.7.3. Terms of escrow

The escrow deeds, entered into by the vendors of the MMG clinics and which will be entered into with the Vendors, prevent each of the Escrowed Shareholders from selling, assigning, transferring or otherwise disposing of, any interest in the escrowed Shares, granting a security interest over the escrowed Shares, doing, or omitting to do, any

act if the act or omission would have the effect of transferring effective ownership or control of any of the Shares or agreeing to do any of those things.

All of the Escrowed Shareholders may be released early from these escrow obligations to enable:

- the Escrowed Shareholders to accept an offer under a takeover bid in relation to its Shares if holders of at least half of the Shares the subject of the bid that are not held by the Escrowed Shareholders have accepted the takeover bid;
- the Shares held by the Escrowed Shareholders to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act;
- any or all of the Shares held by the Escrowed Shareholders to be transferred (in one or more transactions) to an affiliate of the Shareholder provided such affiliate agrees to be bound by the voluntary escrow arrangements for the term of those arrangements;
- the Escrowed Shareholders to deal in any of their Shares to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction); or
- the Escrowed Shareholders to deal in any of their Shares to the extent the dealing is in connection with an equal access share buyback or capital return or capital reduction in accordance with the Corporations Act.

#### 8.7.4. All shares subject to escrow from completion

On completion, issued Shares (on a post-Consolidation basis) still subject to escrow will be:

Table 43 – Escrowed Shares

Voluntary escrowed parties	Number of Shares affected	Escrow period
Torac Pty Ltd (entity associated with Dr Todd Cameron)	1,572,137	All escrowed until 6 April 2017 Two thirds escrowed until 6 October 2017 One third escrowed until 6 April 2018
Como Group Holdings Pty Ltd (entity associated with Mr Jeremy Kirkwood)	873,410	All escrowed until 6 April 2017 Two thirds escrowed until 6 October 2017 One third escrowed until 6 April 2018
JKS Group Holdings Pty Ltd	1,048,091	All escrowed until 6 April 2017 Two thirds escrowed until 6 October 2017 One third escrowed until 6 April 2018
Vilmos Pty Ltd ATF The Panaccio Investment Trust	1,263,158	Until the release of the Company's financial report for the financial year ending 30 June 2017
Timsim Holdings Pty Ltd	157,895	Until the release of the Company's financial report for the financial year ending 30 June 2017
Resilient Investment Group Pty Ltd	179,912	12 months from the date of issue
Dandenong Medical Centre Pty Ltd	146,569	12 months from the date of issue
<b>Total</b>	<b>5,241,172</b>	

## 8.8. Corporate and investment advisory mandate

### 8.8.1. General

The Company has entered into an agreement with Liverpool Partners, under which, Liverpool Partners will provide financial management, mergers and acquisitions and capital raising services (excluding legal services) to the Company, including with respect to the Offer.

Mr Jonathan Lim, Director of the Company is also a director and indirect majority holder of Liverpool Partners. Therefore, Mr Lim, through Liverpool Partners will receive a benefit from completion of the Offer and the Proposed Transaction. The Board considers that Liverpool Partners' corporate and investment advisory mandate is on arm's length, commercial terms.

### 8.8.2. Term and termination

The agreement is ongoing unless terminated in accordance with its terms. Either party may terminate the engagement by providing 6 months' written notice to the other party.

## 08. Material Contracts

### 8.8.3. Fees

The fees to be charged by Liverpool Partners are as follows (all amounts are exclusive of GST):

- (a) monthly retainer (for all work programs) – \$20,000 plus GST per month. The portion of Liverpool Partners' monthly retainer fee which relates to the Proposed Transaction, for the period from January 2016 to the date of the Prospectus, is an aggregate amount of \$170,000.
- (b) success fee (mergers and acquisitions work program) – a success fee, made up of a 'Base Success Fee' and 'Bonus Success Fee' is payable on any transaction (or any substantially similar transaction), arising out of the engagement, that is completed during the term of the engagement or within a 2-year period from the date of introduction to the business in question. The success fee will be set on the following scale, calibrated to the 'enterprise value' (meaning, broadly, gross consideration payable, plus the value of debt assumed, plus the value of additional assets acquired) of the transaction (unless otherwise agreed between both parties in writing):

(i) Base Success Fee

Enterprise value	Success fee
<\$10m	3.0% of enterprise value
>\$10m, <\$20m	2% of enterprise value + relevant fee for enterprise value ≤ \$10m
>\$20m	1.0% of enterprise value + relevant fee for enterprise value ≤ \$20m

(ii) Bonus Success Fee

Enterprise value/EBITDA Multiple	Success fee
≤ 5.00×	4.0% of enterprise value
>5.00×, ≤6.00×	2.5% of enterprise value
>6.00×	1.0% of enterprise value

- (c) capital raising fee (capital raising work program) – a fee on commercial terms to be negotiated in the event Liverpool Partners is appointed the lead manager of any capital raising program.

The Proposed Transaction is a transaction that will be subject to payment of the success fee by the Company. The success fee payable to Liverpool Partners for the Proposed Transaction is approximately \$1.5 million (excluding disbursements and GST) where enterprise value is equal to the total consideration payable under the Acquisition Agreements (which was based on a multiple of maintainable EBITDA).

### 8.8.4. Exclusivity

With the exception of capital raising, during the term of the agreement, the Company has agreed not to engage any other company to act on their behalf in respect of the services provided under the agreement or enter into negotiations with potential purchasers of the Company without the involvement of Liverpool Partners.

### 8.8.5. Indemnity

The Company has agreed to indemnify Liverpool Partners for any direct and/or indirect or consequential loss or damage to the extent permitted by law, caused by the Company or its employees, contractors or agents.





09.

## Investigating Accountants Report



## 09. Investigating Accountants Report



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The Directors  
BGD Corporation Limited  
Level 2, 391 St Kilda Road  
Melbourne VIC 3004

15 November 2016

Dear Directors

### **INVESTIGATING ACCOUNTANT'S REPORT ON THE PRO FORMA HISTORICAL AND FORECAST FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE**

#### **Introduction**

This report has been prepared at the request of the directors of BGD Corporation Limited (the Company) (the Directors) for inclusion in a Prospectus to be issued by the Company (the Prospectus) in respect of its re-compliance with Chapters 1 and 2 of the listing rules of the Australian Securities Exchange and the offer of shares in the Company (the Offer) (the Purpose).

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 for the issue of this report.

References to the Company and other capitalised terms used in this report have the same meaning as defined in the glossary of the Prospectus.

#### **Scope**

##### ***Pro forma Historical Financial Information***

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- the Company's pro forma historical consolidated statements of profit or loss for the three years ended 30 June 2016;
- the Company's pro forma consolidated statement of financial position as at 30 June 2016; and
- the Company's pro forma historical consolidated statements of cash flow for the three years ended 30 June 2016

shown with pro forma adjustments to show the effect of events and transactions related to the Offer as if they had occurred at 1 July 2013, as set out in Tables 16, 26 and 20 of the Prospectus (the Pro forma Historical Financial Information).

The Pro forma Historical Financial Information has been derived from information described in Section 4.2.1 of the Prospectus, including the Company's consolidated statements of profit or loss and cash flows for the three years ended 30 June 2016 and the consolidated statement of financial position as at 30 June 2016, after adjusting for the effects of pro forma adjustments described in Section 4.2.1 of the Prospectus (the Pro forma Adjustments).

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.  
Member of Deloitte Touche Tohmatsu Limited

The Pro forma Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the Pro forma Adjustments relate, as described in Section 4.2.1 of the Prospectus, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the Pro forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, and cash flows.

#### ***The Forecasts***

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- the forecast consolidated statement of profit or loss and the forecast consolidated statement of cash flows of the Company for the year ending 30 June 2017 as set out in Tables 16 and 20 of the Prospectus (the Statutory Forecast). The director's best-estimate assumptions underlying the Statutory Forecast are described in Section 4.7 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies;
- the pro forma forecast consolidated statement of profit or loss and the pro forma forecast consolidated statement of cash flows of the Company for the year ending 30 June 2017 as set out in Tables 16 and 20 of the Prospectus (the Pro forma Forecast). The Pro forma Forecast has been derived from the Statutory Forecast of the Company, after adjusting for the effects of the Pro Forma Adjustments described in Section 4.2.2 of the Prospectus. The director's best-estimate assumptions underlying the Pro forma Forecast are described in Section 4.7 of the Prospectus.

An audit or review has not been conducted on the source from which the unadjusted financial information was prepared. The stated basis of preparation used in the preparation of the Pro forma Forecast is the recognition and measurement principles contained in Australian Accounting Standards applied to the forecast financial information of the Company, the Company's adopted accounting policies and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred as at 1 July 2016. Due to its nature the Pro forma Forecast does not represent the Company's actual prospective financial performance and cash flows for the year ending 30 June 2017.

(together the Forecasts)

The Forecasts have been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the year ending 30 June 2017. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecasts since anticipated events or transactions frequently do not occur as expected and the variations may be material.

The Directors' best estimate assumptions on which the Forecasts are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Forecasts are based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. We do not express any opinion on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.



Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in Section 5 of the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks and sensitivities set out in Section 5 of the Prospectus. The sensitivity analysis set out in Section 4.8 of the Prospectus demonstrates the impacts on the Pro forma Forecast of changes in key assumptions. The Statutory Forecast and Pro forma Forecast are therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecasts will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

### **Directors' Responsibility**

The Directors are responsible for:

- the preparation and presentation of the Pro forma Historical Financial Information, including the selection and determination of Pro Forma Adjustments made to the historical financial information and included in the Pro forma Historical Financial Information;
- the preparation of the Forecasts, including the best estimate assumptions underlying the Forecasts and the selection and determination of the Pro Forma Adjustments made to the Statutory Forecast and included in the Pro forma Forecast; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Pro forma Historical Financial Information and the Forecasts that are free from material misstatement, whether due to fraud or error.

### **Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Pro forma Historical Information, the Statutory Forecast and the Pro Forma Forecast based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our review consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we do not express an audit opinion.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

### ***Pro forma Historical Financial Information***

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of historical financial information of the Company from its audited financial statements for the three years ended 30 June 2016;

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of historical financial information of the Proposed Acquisitions from the audited pro forma aggregated financial information for the three years ended 30 June 2016;
- consideration of the appropriateness of Pro forma Adjustments described in Section 4.2.1 of the Prospectus;
- enquiry of Directors, management, personnel and advisors;
- the performance of analytical procedures applied to the Pro forma Historical Financial Information;
- a review of work papers, accounting records and other documents of the Company, the Proposed Acquisitions and their auditors; and
- a review of the accounting policies adopted over the period for consistency of application.

***The Forecasts***

- enquiries, including discussions with management and Directors of the factors considered in determining the assumptions;
- analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecasts;
- review of the accounting policies adopted and used in the preparation of the Forecasts; and
- consideration of the Pro forma Adjustments applied to the Statutory Forecast of the Company in preparing the Pro forma Forecast described in Section 4.2.2 of the Prospectus.

**Conclusions*****Pro forma Historical Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 4.2 of the Prospectus.

***The Statutory Forecast***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the Directors' best estimate assumptions used in the preparation of the Statutory Forecast do not provide reasonable grounds for the Statutory Forecast
- in all material respects, the Statutory Forecast:
  - is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.7 of the Prospectus;
  - is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards;
- the Statutory Forecast itself is unreasonable.

***The Pro forma Forecast***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the Directors' best estimate assumptions used in the preparation of the Pro forma Forecast do not provide reasonable grounds for the Pro forma Forecast

**Deloitte**

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15 November 2016

(ii) in all material respects, the Pro forma Forecast:

- a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.7 of the Prospectus;
- b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company, the recognition and measurement principles contained in Australian Accounting Standards applied to the forecast financial information of the Company and the Pro forma Adjustments as if those adjustments had occurred as at 1 July 2016

(iii) the Pro forma Forecast itself is unreasonable.

### **Restrictions on Use**

Without modifying our conclusions, we draw attention to the Important Notices of the Prospectus, which describes the purpose of the Pro forma Historical Financial Information and Forecasts, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

### **Consent**

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

### **Disclosure of Interest**

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Yours sincerely



Steve Clark

Authorised Representative of Deloitte Corporate Finance Pty Limited (AFSL Number 241457)

Authorised Representative number 463221



## Financial Services Guide

### What is a Financial Services Guide?

**This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.**

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited (DCF), which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

### What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

### Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

### How are we and all employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

August 2016

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

### Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu. We and other entities related to Deloitte Touche Tohmatsu:

- do not have any formal associations or relationships with any entities that are issuers of financial products
- may provide professional services to issuers of financial products in the ordinary course of business.

### What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer  
PO Box N250  
Grosvenor Place  
Sydney NSW 1220  
[complaints@deloitte.com.au](mailto:complaints@deloitte.com.au)  
Fax: +61 2 9255 8434

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
[info@fos.org.au](mailto:info@fos.org.au)  
[www.fos.org.au](http://www.fos.org.au)  
Tel: 1800 367 287  
Fax: +61 3 9613 6399

### What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte Corporate Finance Pty Limited, ABN 19 003 883 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited





# 10.

Additional Information



## 10. Additional Information

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### 10.1. Incorporation and share capital

The Company was registered in Western Australia on 1 September 1983. On completion of the Offer, the Company will have approximately 44,239,366 Shares and 1,842,008 unlisted Options on issue, including 32,027,534 Shares offered under this Prospectus (each on a post-Consolidation basis).

### 10.2. Summary of rights and liabilities attaching to Shares and other material provisions of the Company's constitution

#### 10.2.1. General

The rights attaching to Shares are set out in the Company's constitution (a copy of which is available for inspection at the Company's registered office during normal business hours), and in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law. The Shares to be issued under this Prospectus will rank equally with the issued fully paid ordinary shares in the Company.

The following is a summary of the more significant provisions of the Constitution. This summary is not intended to be exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

#### 10.2.2. Terms of Shares

- (a) *General meetings and notices*: Shareholders are entitled to receive notice of, to attend in person or by proxy, attorney or representative and to vote at general meetings of the Company. Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.
- (b) *Voting rights*: Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or of classes of Shareholders:
  - (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
  - (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
  - (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held by that person or in respect of which the person is appointed proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid Shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the Share.
- (c) *Dividend rights*: The Board may from time to time declare and pay a dividend in accordance with the Corporations Act. Subject to any special right as to dividends attaching to a Share, all dividends will be declared and paid according to the proportion of the amount paid on the Share to the total amount payable in respect of the Shares. The directors may from time to time pay to Shareholders such interim dividends as they may determine. No dividend shall carry interest as against the Company.

The Board may from time to time grant to Shareholders or to any class of Shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares in the Company on such terms and conditions as the directors think fit. The directors may at their discretion resolve, in respect of any dividend which it is proposed to pay or to declare on any Shares of the Company, that holders of such Shares may elect to forgo their right to the whole or part of the proposed dividend and to receive instead an issue of Shares credited as fully paid to the extent and on the terms and conditions provided for in the Constitution. The directors may set aside out of the profits of the Company such amounts as they may determine as reserves, to be applied at the discretion of the directors, for any purpose for which the profits of the Company may properly be applied.
- (d) *Winding up*: If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he or she considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other Securities in respect of which there is any liability.
- (e) *Transfer of Shares*: Subject to the Constitution and to the rights or restrictions attached to any shares or class of shares, holders of Shares may transfer them by a proper transfer effected in accordance with the ASX Settlement Operating Rules or an instrument in writing in any usual form or in any other form that the directors approve. The directors may decline to register a transfer of Shares for reasons including where the refusal to register the transfer is permitted or required under the ASX Listing Rules. If the directors decline to register a transfer the Company must give the party lodging the transfer, written notice of the refusal and the reason for refusal.

## 10. Additional Information

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- (f) *Issue of shares and options*: Subject to ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred upon the holder of an existing Share or class of Shares), the directors may issue Shares or grant options over unissued shares as they shall, in their absolute discretion, determine. Such shares may have preferred, deferred or other special rights or special restrictions with regard to dividends, voting, return of capital or otherwise as the directors determine.
- (g) *Variation of class rights*: Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders, vary or abrogate the rights attaching to Shares. If at any time the share capital is divided into different classes of Shares, the rights attached to any class of shares (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of at least three quarters of the issued shares of that class or, if authorised by a special resolution passed at a separate meeting, of the holders of the shares of that class.
- (h) *Preference shares*: The Company may issue preference shares which are liable to be redeemed, whether at the option of the Company or otherwise. The rights attaching to preference shares are those set out in the Constitution.
- (i) *Small holdings*: The directors may sell the Shares of a Shareholder if that Shareholder holds less than a marketable parcel of Shares, provided that the procedures set out in the Constitution are followed. A non-marketable parcel of Shares is defined in the ASX Listing Rules and is, generally, a holding of shares with a market value of less than \$500.
- (j) *Share buy-backs*: The Company may buy back shares in accordance with the provisions of the Corporations Act and the ASX Listing Rules.

### 10.2.3. Directors

- (a) *Appointment and removal of directors*: The minimum number of directors is three and the maximum is to be fixed by the directors but may not be more than nine unless the Company passes a resolution varying that number. Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that any directors who has held office for three or more years or three or more annual general meetings (excluding any managing director) retires at each annual general meeting of the Company. The directors may also appoint a director to fill a casual vacancy on the Board, in addition to the directors who will then hold office, until the next annual general meeting of the Company.
- (b) *Voting of directors*: Questions arising at a meeting of directors will be decided by a majority of votes of the directors present at the meeting and entitled to vote on the matter. In the case of a tied vote, the Chairperson has a second or casting vote, unless there are only two directors competent to vote on the question.
- (c) *Remuneration of directors*: The directors are entitled to be paid directors' fees for their services as the directors decide, provided that the total fees, excluding salaries of executive directors, do not exceed the maximum aggregate sum as may be determined from time to time by Shareholders in general meeting. The Constitution also makes provision for the Company to pay all expenses of directors in attending meetings and carrying out their duties and for the payment of additional fees for extra services or special exertions. Any change to that maximum aggregate sum needs to be approved by Shareholders.
- (d) *Director indemnity*: To the extent permitted by law, the Company indemnifies and agrees to keep indemnified every director, executive officer or secretary of the Company against liability to another person, other than the Company or a related body corporate of the Company, provided that the Corporations Act is complied with in relation to the giving of the indemnity and that liability does not arise in respect of conduct involving a lack of good faith on the part of the director or officer.

### 10.2.4. Other

- (a) *Proportional takeover provisions*: The Constitution contains provisions for Shareholder approval in relation to any proportional off-market takeover bid. The provision will lapse unless it is renewed by a special resolution of Shareholders in general meeting within three years from the date of the adoption of its last renewal.
- (b) *Dividend plan*: The Constitution contains a provision allowing directors to implement a dividend reinvestment plan.
- (c) *Bonus share plan*: The Constitution contains a provision allowing directors to implement a bonus plan.

### 10.3. Rights attaching to Options

The Options on issue, their exercise price and expiration date are set out in Table 37 in Section 7.8. The Company will not be issuing any Options under the Offer. Subject to Shareholder approval at the Annual General Meeting, the Company will issue 400,000 unlisted Options to Shane Tanner.

The rights attaching to Options are set out in the relevant 'Terms and Conditions' which apply to the issue of the Options, the Company's Constitution, and in certain circumstances, the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

The following is a summary of the rights attaching to Options:

- each Option entitles the holder to subscribe for and be issued one ordinary Share upon payment of the exercise price;
- the exercise price for the respective Options is set out in Table 36 in Section 7.8;
- the Options are exercisable at any time on or prior to the relevant expiry date, except for the Options to Shane Tanner 200,000 of which are exercisable when the EBITDA for the Group in any financial year is \$10.0m or more and 200,000 of which are exercisable when the EBITDA for the Group in any financial year is \$13.5m or more. The options will lapse if Mr Tanner ceases to be a director of Zenitas prior to these hurdles being satisfied;
- the expiry date for the respective Options is set out in Table 36 in Section 7.8. Options not exercised on or before the relevant expiry date will lapse;
- the Company will not apply to the ASX for official quotation of the Options;
- if admitted to the Official List of ASX at the time, the Company will apply to ASX for quotation of the Shares issued upon the exercise of the Options;
- there are no participation rights or entitlements inherent in the Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to Shareholders during the currency of the Options without exercising the Options;
- if the Company makes a pro rata issue (except a bonus issue), the exercise price of the Options will be reduced in accordance with the ASX Listing Rules;
- if the Company makes a bonus issue, the number of securities over which the Options are exercisable will be increased in accordance with the ASX Listing Rules;
- the Options will not give any right to participate in dividends until Shares are issued pursuant to the exercise of the relevant Options;
- the Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws; and
- if at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

### 10.4. HNA Trust Deeds

The HNA Trusts will only be majority owned by the Group on completion of the Proposed Acquisitions. Under Trust Deeds of the HNA Trusts, a minority unitholder must be a physiotherapist providing services from the relevant clinics. Following completion, under the Trust Deed of the Lifecare Physio (WA) Unit Trust, a minority unitholder must be a manager of the relevant clinics or a physiotherapist providing services from the relevant clinics. Minority unitholders have the following minority rights under the trust deeds which impact the control of the relevant trusts:

- (a) the minority unitholders must be consulted in relation to the conduct of the business, but Zenitas as the majority unitholder will ultimately control the clinics;
- (b) the minority unitholders have pre-emptive rights in the event of a proposed sale of units in the HNA Trusts;
- (c) amendments relating to the beneficial interest of unitholders, issues of units, the transfer or redemption of units, variation of the trust deed, voting rights, limitation of liability or termination of the trust require the written consent of 95% of the unitholders; and
- (d) issues of units and any variation of class rights require the unanimous consent of all unitholders of the relevant class.

## 10. Additional Information

In addition, each trust deed imposes limitations on the ability of unitholders to sell their units. If a unitholder wants to sell some or all of their units then they must first complete a pre-emptive process, which gives the other unitholders the right to acquire their pro-rata share of those units (having regard to the number of units they already own) on the same terms as any proposed third party purchaser. If all units are not acquired, within a 12 month period, the balance must be acquired by the majority holder at the pricing formula agreed from time to time, which is on arm's length terms.

Where the minority unitholder ceases to work in the practice or the board of the trustee determines that they are not a suitable person, the trustee may require them (or their nominee) to dispose of their units to the majority unitholder (which will be a Zenitas Group entity) or another physiotherapist working in the practice or manager or their nominee. Such transfers will occur according to the pricing formula set out above.

### 10.5. Deeds of indemnity

The Company has entered into deeds of indemnity, insurance and access with each of its appointed Directors. Under these deeds currently in place, the Company has agreed to indemnify each Director to the extent permissible by the Corporations Act against any liability arising as a result of that Director acting in the capacity as an officer of the Company (other than where the Director is found to have acted fraudulently or with gross negligence). In addition, the deeds of indemnity, insurance and access confirm the Director's right of access to certain books and records of the Company while they are a director and for a period of seven years after the Director ceases to hold office. Under the deeds of indemnity, insurance and access, the Company must ensure that the Director is at all times during his or her appointment and for a period of seven years after the Director ceases to hold office, included as a beneficiary under a Director and Officer insurance policy.

### 10.6. Expenses of the Offer

If the Offer proceeds, the total estimated costs (exclusive of GST) in connection with the Offer (including advisory, legal, accounting, tax, listing and administrative fees, the Joint Lead Managers' management fees, Prospectus design and printing, advertising, marketing, Registry and other expenses) that are payable by the Company are currently estimated to be \$5.75m.

### 10.7. Consents

#### 10.7.1. Consents to be named and to inclusion of statements in the Prospectus

The persons listed in the table below have given and have not, before the lodgement of this Prospectus with ASIC, withdrawn their written consent to:

- be named in this Prospectus in the form and context in which they are named;
- the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Prospectus; and
- the inclusion of other statements in this Prospectus which are based on or referable to statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included:

Table 44 – Consents to be named

Name of person	Named as
<b>Automic Registry Services</b>	Registry
<b>Bell Potter Securities Limited</b>	Joint Lead Manager and underwriter
<b>Deloitte Touche Tohmatsu</b>	Accounting and due diligence advisor to Company
<b>Deloitte Corporate Finance Pty Limited</b>	Investigating Accountant
<b>Deloitte Tax Services Pty Ltd</b>	Tax advisor
<b>Ernst &amp; Young</b>	Auditor to the Company
<b>Gilbert + Tobin</b>	Australian legal advisor (other than in relation to taxation matters)
<b>Wilsons Corporate Finance Limited</b>	Joint Lead Manager and underwriter
<b>Liverpool Partners Pty Ltd</b>	Corporate advisor to the Company
<b>Heath Roberts</b>	Company Secretary
<b>Glen Dymond</b>	Chief Financial Officer

Each Director has given and has not, before lodgement of this Prospectus with ASIC, withdrawn his or her consent to be named in this Prospectus as a Director in the form and context in which they are named and for the statements made by and on behalf of him or her to be included in this Prospectus.

None of the persons referred to above has made any statement that is included in this Prospectus or any statement on which this Prospectus is based, other than any statement or report included in this Prospectus with the consent of that person as specified above.

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 or report included in this Prospectus with the consent of that person as specified above.

#### **10.7.2. Directors' consent to lodgement**

Each Director as at the date of this Prospectus has consented to the lodgement of this Prospectus with ASIC.

### **10.8. Australian tax considerations**

This general summary provides comments on the key Australian income tax, capital gains tax (**CGT**), GST and stamp duty consequences for Shareholders who acquire Shares pursuant to the Offer and hold the Shares on capital account for Australian income tax purposes.

This general summary does not take into account the Australian tax consequences for Shareholders who acquire the Shares otherwise than pursuant to the Offer, hold the Shares on revenue account or as trading stock, acquire the Shares under an employee share plan or who are subject to tax under a special regime (for example, life insurance companies).

Shareholders should be aware that the actual Australian tax consequences of investing in the Company may differ from those summarised in this section of the Prospectus, depending on their individual circumstances. Shareholders should seek advice from their own professional taxation advisor regarding the Australian tax (including GST and stamp duty) consequences of acquiring, holding and selling the Shares, having regard to their own particular circumstances.

Unless otherwise stated, all legislative references in this summary are to the *Income Tax Assessment Act 1936* and *Income Tax Assessment Act 1997* (together, the **Tax Act**). It is noted that any of the tax laws referred to are subject to change periodically, as is their interpretation by the Courts and administrators (for example, the Australian Taxation Office).

#### **Taxation treatment of the Company**

The taxable income of the Company (that is, its assessable income (including capital gains) less allowable deductions) should be subject to income tax at the corporate tax rate (currently 30%).

Income tax paid by the Company may generate franking credits which may be attached to dividends paid by the Company to Shareholders.

#### **Taxation treatment of Shareholders**

##### **Acquisition of the Shares**

Each Share in the Company should be a separate CGT asset. For CGT purposes, the cost base (and reduced cost base) of each Share held by an Australian tax resident or non-Australian tax resident Shareholder should include the amount the Shareholder paid (or is required to pay) to acquire the Share, plus any incidental costs of acquisition.

##### **Distributions by the Company to Australian tax resident Shareholders**

An Australian tax resident Shareholder who receives dividends from the Company should be required to include the dividends and any attached franking credits in their assessable income.

A tax offset should generally be available for any franking credits included in assessable income. However, an Australian tax resident Shareholder should not be entitled to a tax offset for franking credits (and should not be required to include this amount in their assessable income) unless the Shareholder is a 'qualified person' in respect of their Shares.

Broadly, the 'qualified person' rule requires a Shareholder to hold Shares in the Company 'at risk' for at least 45 days (excluding the date of acquisition and disposal) subject to certain exceptions. An Australian tax resident Shareholder may wish to seek professional tax advice regarding the application of the 'qualified person' rule to their particular circumstances.

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Where an Australian tax resident Shareholder satisfies the 'qualified person' rule and to the extent that the Shareholder's entitlement to franking credits exceeds their tax liability for a relevant income year:

- If the Shareholder is an Australian tax resident individual or complying superannuation fund, a cash refund of the excess franking credits should be available;
- If the Shareholder is an Australian tax resident company, excess franking credits may be converted into carried forward tax losses.

An Australian tax resident Shareholder who receives a return of capital from the Company should be required to reduce their cost base (and reduced cost base) in the Shares by the amount of the return of capital. If the return of capital is greater than the cost base of the Shares, a capital gain should arise equal to the excess of the return of capital over the cost base of the Shares. The tax consequences arising to an Australian tax resident Shareholder from the realisation of capital gains is summarised below.

### **Distributions by the Company to non-Australian tax resident Shareholders**

A non-Australian tax resident Shareholder who receives dividends from the Company should be subject to dividend withholding tax of 30% to the extent that the dividends are unfranked. The dividend withholding tax rate of 30% may be reduced where the non-Australian tax resident Shareholder is a tax resident of a country that has an applicable double tax agreement with Australia, and the agreement specifies a reduced rate of dividend withholding tax. A non-Australian tax resident Shareholder who receives fully franked dividends from the Company should not be subject to dividend withholding tax.

A non-Australian tax resident Shareholder who receives a return of capital from the Company should be required to reduce their cost base (and reduced cost base) in the Shares by the amount of the return of capital. If the return of capital is greater than the cost base of the Shares, a capital gain should arise equal to the excess of the return of capital over the cost base in the Shares. However, as discussed below, in certain circumstances, a capital gain made by a non-Australian tax resident Shareholder may not be subject to Australian tax.

### **Disposal of the Shares held by Australian tax resident Shareholders**

The disposal of the Shares by an Australian tax resident Shareholder should constitute a CGT event and may result in a capital gain or capital loss for the Shareholder.

A capital gain should arise to the Australian tax resident Shareholder where the capital proceeds received from the disposal of the Shares is greater than the cost base of the Shares for CGT purposes. Conversely, a capital loss should arise if the capital proceeds from the disposal of the Shares are less than the reduced cost base of the Shares for CGT purposes.

Any capital gain or capital loss realised by an Australian tax resident Shareholder in respect of the Shares should be aggregated with any other capital gains or capital losses of the Australian tax resident Shareholder in that income year to determine the Shareholder's net capital gain or net capital loss for that income year. A net capital gain should be included in the Shareholder's assessable income (reduced by any applicable CGT discount, discussed below). Net capital losses may be carried forward and offset against future taxable capital gains (subject to satisfying any applicable loss recoupment rules).

An Australian tax resident Shareholder may be eligible for the CGT discount to reduce net capital gains in respect of the Shares if those Shares have been held for at least 12 months prior to disposal. The CGT discount is one half in the case of an Australian tax resident individual or trust, or one third in the case of a complying superannuation entity. Australian tax resident companies are not entitled to the CGT discount.

An Australian tax resident Shareholder who disposes of their Shares within 12 months of acquisition or enters into an agreement to dispose of the Shares within 12 months of acquisition, should not be eligible for the CGT discount.

For completeness, integrity rules exist which can prevent the CGT discount being applied to capital gains arising from the disposal of Shares where a majority of the underlying CGT assets of the Company, by value, have not been held for at least 12 months. However, these integrity rules should not apply if:

- An Australian tax resident Shareholder (together with associates) beneficially owns less than 10% by value of the Shares in the Company; or
- The Company has at least 300 investors and the ownership of the Company is not concentrated (ownership will be concentrated if 20 or fewer individuals own, directly or indirectly, at least 75% of the income, capital or voting interests in the Company respectively).

### Disposal of Shares held by non-Australian tax resident Shareholders

The disposal of the Shares by a non-Australian tax resident Shareholder should not generally give rise to Australian CGT consequences unless:

- The Shares are held by the non-Australian tax resident Shareholder in the course of carrying on a business through an Australian permanent establishment; or
- The Shares are 'indirect Australian real property interests' at the time of disposal by the non-Australian tax resident Shareholder. Broadly, the Shares should be indirect Australian real property interests if the non-Australian tax Shareholder has an associate-inclusive interest of at least 10% in the Company, and the Company is 'land rich' for Australian income tax purposes (that is, more than 50% of the market value of the Company's assets comprise real property or rights to explore certain natural resources in Australia).

Where a non-Australian tax resident Shareholder is subject to Australian CGT, the consequences should be similar to those outlined above in relation to an Australian tax resident Shareholder. However, we note that the CGT discount should not generally be available to a non-Australian tax resident Shareholder.

### Withholding of tax from distributions

The Company is required to deduct Pay-As-You-Go withholding tax from an unfranked dividend paid to an Australian tax resident Shareholder at the highest marginal tax rate plus applicable levies (currently 49%) if the Shareholder has not quoted either their Tax File Number or Australian Business Number; and none of the relevant exemptions apply. Shareholders should generally be entitled to an income tax credit for any such tax withheld.

A non-Australian tax resident Shareholder is generally exempt from quoting their Tax File Number or Australian Business Number in respect of their investment in the Company.

### GST

The acquisition or disposal of the Shares by Shareholders should not be subject to GST. Similarly, dividends from the Company should not be subject to GST.

### GST recovery – Australian tax resident Shareholders

Australian tax resident Shareholders that are carrying on an enterprise and that are GST registered may not be able to recover GST in full on any transaction costs and other costs relating to the acquisition of the Shares from, or disposal of the Shares to Australian resident counterparties.

However, GST registered Australian resident Shareholders may be entitled to recover GST in full on costs which relate to the acquisition of the Shares from, or disposal of the Shares to, non-resident counterparties.

### GST recovery – non-resident Shareholders

Non-Australian tax resident Shareholders that are carrying on an enterprise outside Australia and that are GST registered may be entitled to recover GST in full on any transaction and other costs which relate to the acquisition or disposal of the Shares, irrespective of whether counterparties are resident or non-resident.

### Stamp Duty

There should be no stamp duty on acquisition of the Shares under the Offer.

## 10.9. Subsidiary company information

### 10.9.1. Wholly owned subsidiaries that are companies

The Company has the following wholly owned subsidiaries, to carry out the following aspects of the Group's business:

- BGDMC, which owns and carries on the Existing Business;
- Zenitas Dandenong Pty Ltd (ACN 615 301 721), which on completion of the Proposed Transaction will own and carry on the business of Dandendong Medical Centre;
- Zenitas St. Kilda Pty Ltd (ACN 615 301 730), which on completion of the Proposed Transaction will own and carry on the business of St. Kilda Road Medical Centre;
- Zenitas Management Services Pty Ltd (ACN 615 301 007), which on completion of the Proposed Transaction will provide certain central management and administration support services to the Group and own the related assets;
- Zenitas Caring Choice Pty Ltd (ACN 615 300 957), which on completion of the Proposed Transaction will own and carry on the business of Caring Choice;
- Zenitas Ontrac Pty Ltd (ACN 615 301 016), which on completion of the Proposed Transaction will own and carry on the business of Ontrac;
- Zenitas HNA Trusco Pty Ltd (ACN 615 300 975), which on completion of the Proposed Transaction will be appointed trustee of the HNA Trusts; and
- Zenitas HNA Pty Ltd (ACN 615 300 966), which on completion of the Proposed Transaction will own and carry on the business of HNA.



## 10. Additional Information

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### 10.9.2. Wholly or partly owned unit trusts

As noted in Section 8.3.1, on completion, Zenitas HNA Pty Ltd will acquire the HNA Units, which represent all, or at least half, of each class of units in the HNA Trusts. Third party minority unitholders will retain ownership interests in those trusts by virtue of their minority unitholding. The rights of the minority unitholders are summarised in Section 10.4. Income of the HNA Trusts will be distributed in proportion to ownership interests.

### 10.10. Regulatory relief

#### 10.10.1. ASIC exemptions and relief

ASIC has confirmed that the Company has been granted an extension of time to hold its Annual General Meeting until 16 December 2016.

#### 10.10.2. ASX waiver

The ASX has confirmed the application of ASX Listing Rule 11 and that it requires the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules in relation to the Proposed Acquisitions.

The Company has applied for the in-principle determinations from the ASX described below, which have not been formally granted as at the date of this Prospectus:

- that the Company's structure and operations are appropriate for a listed entity;
- that the form of the Company's Constitution remains acceptable pursuant to condition 2 of ASX Listing Rule 1.1;
- that the Company may seek Re-compliance under the assets test in ASX Listing Rule 1.3;
- that, assuming that the ASX approves the Re-compliance under the assets test, the Company is an entity that, in the opinion of the ASX, has a substantial proportion of its assets as tangible assets or assets with a readily ascertainable value, such that there will be additional mandatory escrow of any Shares; and
- that restrictions in Appendix 9B of the ASX Listing Rules do not apply to the Company.

### 10.11. Legal proceedings

As at the date of this Prospectus, so far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecution of a material nature in which the Company is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Company.

### 10.12. Access to information

The Company will provide regular communication to Shareholders, including publication of:

- the Company's half yearly reports which provide an update on the operation and performance of the Company;
- the Company's annual report including audited financial statements for each financial year;
- half yearly distribution statements;
- annual taxation statements; and
- any continuous disclosure notices given by the Company.

The Company also has a website that will provide up to date information on the Company, access to half year and annual reports and distribution information. See [www.zenitas.com.au](http://www.zenitas.com.au) The Company, as a disclosing entity, will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

You also have the right to obtain a copy of each annual report, half yearly report and any continuous disclosure notice from the Company free of charge.

### 10.13. Privacy and personal information

The Application Form requires you to provide information that may be personal information for the purposes of the *Privacy Act 1988* (Cth) (as amended) (**Privacy Act**). The Company (and the Registry on its behalf) collects, holds and uses that personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and to administer the Company. The Corporations Act requires certain particulars of security holders to be collected and maintained in a public register.

Access to information may also be provided to other Group entities and to the Company's agents and service providers on the basis that they deal with such information as required by law. If you do not provide the information requested of you in the Application Form, the Registry may not be able to process your Application for Shares appropriately.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) the Company. You can request access to your personal information by telephoning or writing to the Registry.

#### 10.14. International Offer restrictions

This Prospectus has been prepared to comply with the requirements of the laws of Australia. The distribution of this Prospectus in jurisdictions outside of Australia may be restricted by law and persons who come into possession of this Prospectus should seek their own advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

##### 10.14.1. Hong Kong

**WARNING:** This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

##### 10.14.2. New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013* (**FMC Act**). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

#### 10.15. Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in New South Wales and each Applicant submits to the exclusive jurisdiction of the courts of New South Wales.



# 11.

## Summary of Significant Accounting Policies



# 11. Summary of Significant Accounting Policies

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## Summary of significant policies

The preparation of pro-forma aggregated financial information requires the application of accounting policies. The selection of accounting policies requires judgement and the application of accounting policies requires estimates and assumptions to be applied. Actual results may differ to those derived from the application of accounting policies where actual outcomes vary to assumptions and estimates made.

### Revenue recognition

Revenue is recognised at the fair value of consideration received or receivable on an accruals basis.

Trading revenue includes all revenue derived from the rendering of health-related services once the services have been performed and completed by the Company including:

- Patient fees in relation to services provided by employee doctors and nurses of the Company;
- Service fees charged to contractor doctors of the Company; and
- Government incentives payments received.

Other income includes all other income received or receivable, including administration charges to non-related medical clinics.

Interest revenue is brought to account on an accruals basis using the effective interest rate method and, if not received at the end of the reporting period, is reflected in the statement of financial position as a receivable. Basis of consolidation

### Basis of consolidation

The pro-forma aggregated financial information comprises of the consolidated financial statements of the Group. Consistent accounting policies are employed by each company in the preparation and presentation of their consolidated financial statements.

All intercompany balances and transactions between entities in Zenitas, including any unrealised profits or losses are eliminated on aggregation.

### Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition-related costs are expensed as incurred.

### Goodwill

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the fair value of the net identifiable assets acquired and liabilities assumed.

### Trade and other receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

### Taxation

Income tax expense or benefit represents the sum of the tax currently payable and deferred tax.

Current tax represents tax currently payable on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit and loss because of items of income or expense that are taxable or deductible in other years or items that are never taxable or deductible. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax is recognised on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

## 11. Summary of Significant Accounting Policies

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Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

### Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

### Property plant and equipment

Plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Leasehold improvements	10 years or the lease term
Plant and equipment	5 – 7 years
Other assets	3 – 4 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

## Leases

### Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the lower of the fair value of the leased property or the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability. Finance charges are recognised in finance costs in the statement of profit or loss.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

### Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

## Financial instruments

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately.

Loans and receivables are measured at amortised cost and are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

Put and call options held over non-controlling interests are recognised at the present value of the redemption amount.

Non-derivative financial liabilities (excluding financial guarantees) are measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired.

Financial assets are derecognised where the contractual rights to receipt of cash flow expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired.

## Borrowings and borrowing costs

Borrowing costs are expensed in the period in which they occur.

## Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on corporate bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

# 11. Summary of Significant Accounting Policies

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## Share-based payments

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

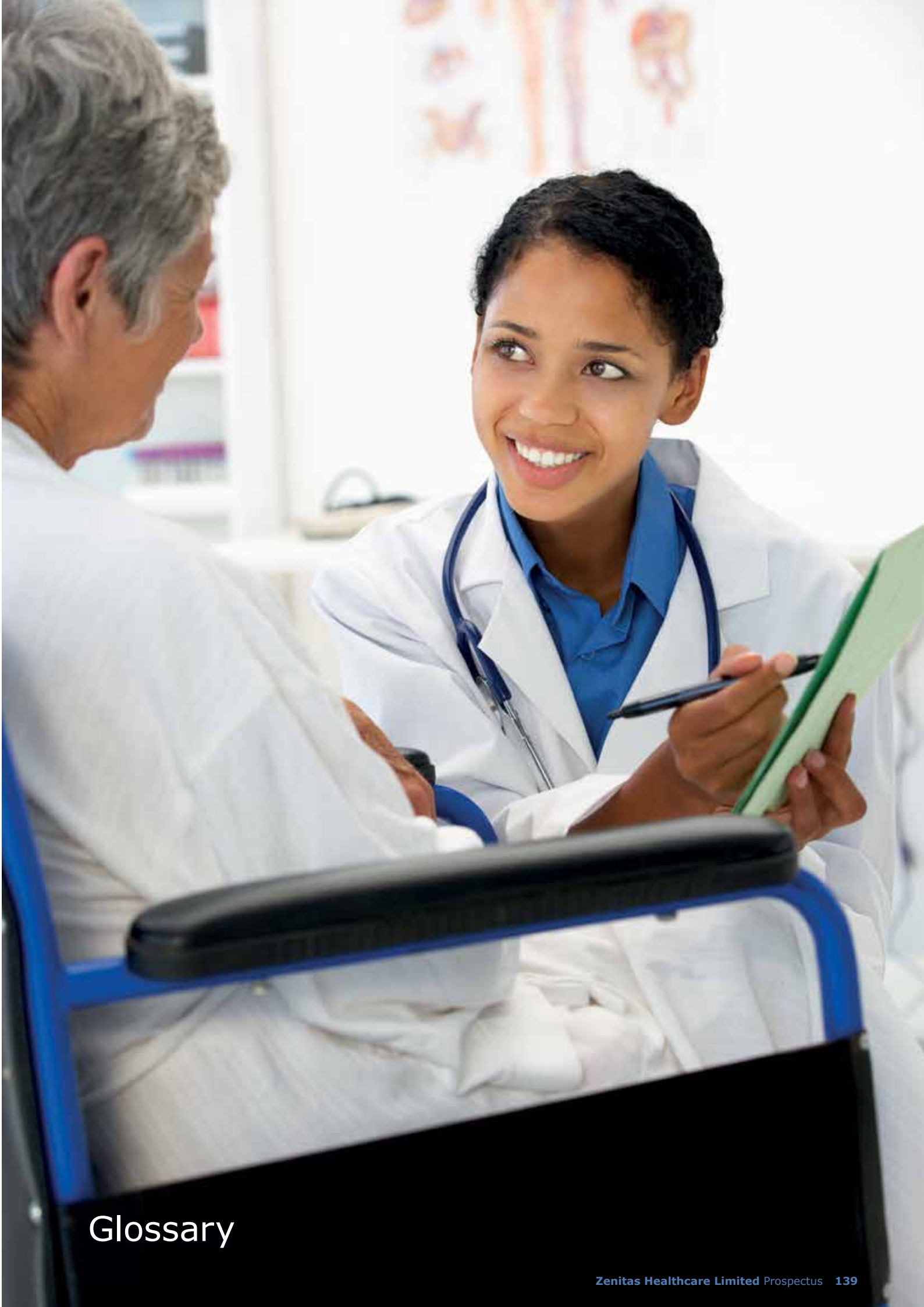
That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.





## 11. Glossary

Term	Definition
<b>AASB</b>	Australian Accounting Standards Board
<b>ABN</b>	Australian Business Number
<b>ACN</b>	Australian Company Number
<b>Acquisition Agreements</b>	Caring Choice Sale Agreement, Dandenong Sale Agreement, Ontrac Sale Agreement, St. Kilda Road Sale Agreement and HNA Sale Agreement
<b>AEDT</b>	Australian Eastern Daylight Savings Time
<b>AHPRA</b>	Australian Health Practitioner Regulation Agency
<b>Allied Health</b>	Comprises a diverse range of healthcare professionals, including physiotherapists, exercise physiologists, dietitians, occupational therapists and podiatrists
<b>Applicant</b>	A person or entity who submits an Application Form
<b>Application</b>	An application for Shares under the Offer described in this Prospectus
<b>Application Form</b>	Means the Vendor and HNA Personnel Offer Application Form and the Broker Firm Offer Application Form as the context requires
<b>Application Monies</b>	The amount accompanying an Application Form submitted by an investor under the Cash Offer or Vendor Consideration and HNA Personnel Offer
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires)
<b>ASX Listing Rules</b>	The listing rules of the ASX, with any modification or waivers which the ASX may grant to Zenitas from time to time
<b>ASX Settlement Operating Rules</b>	The ASX Settlement Operating Rules, being the operating rules of the Settlement Facility for the purposes of the Corporations Act
<b>Australian Accounting Standards</b>	The Australian Accounting Standards as adopted by the AASB
<b>BGDMC</b>	BGD Medical Centres Pty Ltd (ACN 608 964 049)
<b>Board</b>	The board of directors of the Company
<b>Broker</b>	Any ASX participating organisation selected by the Joint Lead Managers and the Company to act as Broker to the Broker Firm Offer
<b>Broker Firm Offer</b>	Offer of Shares under this Prospectus to Australian resident retail clients and New Zealand resident Wholesale Investors of Brokers who have received a firm allocation from their Brokers
<b>Broker Firm Offer Application Form</b>	Means the Broker Firm Offer Application Form attached to this Prospectus
<b>Business Day</b>	A day on which trading takes place on the stock market of ASX
<b>Caring Choice</b>	The business of Caring Choice described in Table 8 in Section 3.2.3
<b>Caring Choice Sale Agreement</b>	The business purchase agreement for the sale and purchase of the business and assets of Caring Choice, the key terms of which are summarised in Section 8.3.1
<b>Cash Offer Price</b>	\$1 per Share
<b>CAGR</b>	Compound Annual Growth Rate
<b>Cash Offer</b>	The Broker Firm Offer and the Institutional Offer
<b>CDC</b>	Consumer Directed Care
<b>CEO</b>	Chief Executive Officer

Term	Definition
<b>CFO</b>	Chief Financial Officer
<b>CGT</b>	Capital Gains Tax
<b>CHESS</b>	Clearing House Electronic Subregister System, operated by ASX Settlement Pty Ltd ACN 008 504 532
<b>Closing Date</b>	The date on which the Offer closes, being 14 December 2016, or another date nominated by the Company
<b>Company</b>	BGD Corporation Ltd ACN 009 074 588 (to be renamed Zenitas Healthcare Limited)
<b>Consolidation</b>	The proposed consolidation of the Company's existing issued capital on a 1 for 23.8 basis under Resolution 6 of the Notice of Meeting
<b>Constitution</b>	The constitution of the Company as amended from time to time
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>CPI</b>	Consumer price index
<b>Dandenong Medical Centre</b>	The Allied Health services business of Dandenong Medical Centre described in Table 9 in Section 3.2.3
<b>Dandenong Sale Agreement</b>	The business purchase agreement for the sale and purchase of the business and assets of Dandenong Medical, the key terms of which are summarised in Section 8.3.1
<b>Director</b>	A director of the Company
<b>EBIT</b>	For a relevant period earnings before interest and income tax in that period
<b>EBITDA</b>	For a relevant period earnings before interest, income tax, depreciation and amortisation in that period
<b>Enterprise Value</b>	The sum of the market capitalisation of Zenitas at the Cash Offer Price plus net debt less cash and cash equivalents, on a pro forma basis at 30 June 2016
<b>EPS</b>	Earnings per Share
<b>Escrowed Shareholders</b>	Torac Pty Ltd (entity associated with Dr Todd Cameron) Como Group Holdings Pty Ltd (entity associated with Mr Jeremy Kirkwood) JKS Group Holdings Pty Ltd Vilmos Pty Ltd ATF The Panaccio Investment Trust Resilient Investment Group Pty Ltd Dandenong Medical Centre Pty Ltd
<b>ESPP</b>	The joint venture entered into between, Gladstone Steel Pty Ltd (ACN 169 371 028), Euroa Steel Plant Project Pty Ltd (ACN 169 438 500) and the Company on 20 October 2014 under a shareholders deed in respect of the business and operations of the Euroa Steel Plant Project
<b>Executive Directors</b>	Mr Justin Walter, Managing Director (and Chief Executive Officer)
<b>Existing Business</b>	The business of the two Modern Medical Group (MMG) branded clinics owned by the Company described in Table 6 in Section 3.2.3
<b>Existing Shareholder</b>	Those persons holding Shares as at the Prospectus Date
<b>Expiry Date</b>	The date that is 13 months after the date of this Prospectus
<b>Financial Information</b>	<ul style="list-style-type: none"> <li>• Pro Forma Historical Financial Information; and</li> <li>• Forecast Financial Information</li> </ul>

## 11. Glossary

Term	Definition
<b>Forecast Financial Information</b>	Together the: <ul style="list-style-type: none"> <li>• statutory forecast consolidated statement of profit or loss for the period 1 July 2016 to 30 June 2017;</li> <li>• pro forma forecast consolidated statement of profit or loss for the period 1 July 2016 to 30 June 2017;</li> <li>• statutory forecast consolidated statement of cash flow for the period 1 July 2016 to 30 June 2017; and</li> <li>• pro forma forecast consolidated statement of cash flow for the period 1 July 2016 to 30 June 2017</li> </ul>
<b>Forecast Period</b>	Financial year ending 30 June 2017
<b>FY17</b>	Financial year ending 30 June 2017
<b>GDP</b>	Gross domestic product
<b>Government</b>	The Commonwealth Government of Australia
<b>Gilbert + Tobin</b>	Gilbert + Tobin Lawyers
<b>Group</b>	The Company and each of its subsidiaries
<b>GST</b>	Goods and Services Tax
<b>Historical Financial Information</b>	The Statutory Historical Financial Information and the Pro Forma Historical Financial Information
<b>HNA</b>	The Allied Health business of Health Networks Australia as described in Table 7 of Section 3.2.3 of the Prospectus
<b>HNA Options</b>	The put options granted to Zenitas or its wholly owned subsidiary to buy from each HNA Option Vendor and the call option granted to each HNA Option Vendor to sell under the HNA Option Deed
<b>HNA Option Deeds</b>	The agreements described in Section 8.5 of the Prospectus
<b>HNA Units</b>	HNA Units means units held by the HNA Vendors in classes of units in the following trusts: <ol style="list-style-type: none"> <li>the HNA Physio QLD Unit Trust</li> <li>the HNA Physio NSW Unit Trust</li> <li>the HNA Physio VIC Unit Trust</li> <li>the HNA Lifecare VIC Unit Trust</li> <li>the HNA Lifecare WA Unit Trust</li> </ol>
<b>HNA Trusts</b>	HNA Physio (QLD) Pty Ltd as trustee for the HNA Physio (QLD) Unit Trust HNA Physio (NSW) Pty Ltd as trustee for the HNA Physio (NSW) Unit Trust HNA Physio (VIC) Pty Ltd as trustee for the HNA Physio (VIC) Unit Trust HNA Physio (VIC) Pty Ltd as trustee for the Lifecare Physio (VIC) Unit Trust HNA Physio (WA) Pty Ltd as trustee for the Lifecare Physio (WA) Unit Trust
<b>HNA Sale Agreement</b>	The securities purchase agreement for the sale and purchase of the HNA Units, the key terms of which are summarised in Section 8.3
<b>Home Care</b>	Comprises home and respite community care covering disability, aged and 24-hour care services
<b>IFRS</b>	International Financial Reporting Standards

Term	Definition
<b>Institutional Investor</b>	<p>Investors who are:</p> <ul style="list-style-type: none"> <li>persons in Australia who are wholesale clients under section 761G of the Corporations Act and either “professional investors” or “sophisticated investors” under sections 708(11) and 708(8) of the Corporations Act; or</li> <li>institutional investors in certain other jurisdictions, as agreed by Zenitas and the Joint Lead Managers,</li> </ul> <p>to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any government agency (except one with which Zenitas is willing in its discretion to comply), and provided that in each case such investors are not in the United States</p>
<b>Institutional Offer</b>	The Offer under this Prospectus to certain Institutional Investors to apply for Shares, as described in Section 7
<b>Investigating Accountant</b>	Deloitte Corporate Finance Pty Limited
<b>Investigating Accountant’s Report</b>	The report prepared by Deloitte Corporate Finance Pty Limited
<b>Joint Lead Managers</b>	Bell Potter Securities Limited and Wilsons Corporate Finance Limited
<b>Lifecare Unit Trust</b>	Health Networks Australia Investments Pty Ltd ACN 117 976 673 in its capacity as trustee of the Lifecare Unit Trust of Level 1, 416 High Street, Kew VIC 3101 established by trust deed dated 1 February 2006
<b>Liverpool Partners</b>	Liverpool Partners Pty Ltd ACN 159 465 193
<b>Management</b>	The management team of Zenitas
<b>Medicare Benefits Schedule</b>	The listing of the Medicare services subsidised by the Australian government, as amended from time to time
<b>MMG</b>	Modern Medical Group
<b>MMG Bayswater</b>	MMG clinic at Shop 28 (Lower Level), Mountain High Shopping Centre, 7-13 High Street, Bayswater, Victoria 3153
<b>MMG Craigieburn</b>	MMG clinic at 6/1-9 Mareeba Way, Craigieburn, Victoria 3064
<b>MMG Option Deeds</b>	The agreements described in Section 8.7 of the Prospectus
<b>MMG Option Cash Consideration</b>	The cash consideration component of the option exercise price under the MMG Option Deed
<b>MMG Option Consideration Shares</b>	The fully paid ordinary shares in the Company issued at the lower of the 40 day VWAP and the price of Shares issued to fund the MMG Option Cash Consideration
<b>MMG Option Vendors</b>	Modern Medical Pty Ltd (ACN 104 762 272) as trustee for the Modern Medical Craigieburn Unit Trust, Modern Medical Bayswater Unit Trust, Modern Medical Hobsons Bay Unit Trust, Modern Medical Wyndham Vale Unit Trust
<b>MMG Put and Call Options</b>	The put options granted to BGDMD to buy from each Option Vendor and the call option granted to each Option Vendor to sell under the MMG Option Deed
<b>MMG Spotswood</b>	MMG clinic at 196-200 Hall Street, Spotswood, Victoria 3015

## 11. Glossary

Term	Definition
<b>MMG Remaining Clinics</b>	<p>Modern Medical Pty Ltd (ACN 104 762 272) of Suite 408, Level 4, 434 St Kilda Road, Melbourne VIC as trustee for the Modern Medical Craigieburn Unit Trust (ABN 23 554 341 173);</p> <p>Modern Medical Pty Ltd (ACN 104 762 272) of Suite 408, Level 4, 434 St Kilda Road, Melbourne VIC as trustee for the Modern Medical Bayswater Unit Trust (ABN 72 127 280 643);</p> <p>Modern Medical Pty Ltd (ACN 104 762 272) of Suite 408, Level 4, 434 St Kilda Road, Melbourne VIC as trustee for the Modern Medical Wyndham Vale Unit Trust (ABN 85 373 019 560); and</p> <p>Modern Medical Pty Ltd (ACN 104 762 272) of Suite 408, Level 4, 434 St Kilda Road, Melbourne VIC as trustee for the Modern Medical Hobsons Bay Unit Trust (formerly known as the Modern Medical Spotswood Unit Trust) (ABN 54 734 742 638).</p>
<b>MMG Wyndham Vale</b>	MMG clinic at 504-510 Ballan Road, Wyndham Vale, Victoria 3024
<b>New Trustee</b>	The new trustee of the HNA Trusts
<b>NDIA</b>	National Disability Insurance Agency
<b>NDIS</b>	National Disability Insurance Scheme
<b>Notice of Meeting</b>	The Notice of Annual General Meeting in relation to the 2016 Annual General Meeting of the Company containing the Resolutions
<b>NPAT</b>	Net profit after tax
<b>Offer</b>	The offer of Shares under this Prospectus
<b>Offer Price</b>	\$1 per Share under the Cash Offer and \$0.95 – \$1 per Share under the Vendor Consideration and HNA Personnel Offer
<b>Official List</b>	The official list of the ASX, of entities which have been admitted to, and not removed from, listing
<b>Old Trustee</b>	The outgoing trustee of the HNA Trusts
<b>Ontrac</b>	The business of Ontrac as described in Table 7 of Section 3.2.3 of the Prospectus
<b>Ontrac Sale Agreement</b>	The business purchase agreement for the sale and purchase of the business and assets of Ontrac, the key terms of which are summarised in Section 8.3
<b>Opening Date</b>	The date on which the Offer opens, being 23 November 2016
<b>Operating EBIT</b>	Has the meaning given in Section 4.2.3
<b>Operating EBITDA</b>	Has the meaning given in Section 4.2.3
<b>Option</b>	An option to require the Company to allot and issue a Share
<b>PHI</b>	Private health insurance
<b>Primary Care</b>	Comprises general practitioner and complementary care services
<b>Pro Forma Forecast Financial Information</b>	Has the meaning given in Section 4.1
<b>Pro Forma Historical Financial Information</b>	Has the meaning given in Section 4.1
<b>Pro Forma Statement of Cash Flows</b>	Has the meaning given in Section 4.1

Term	Definition
<b>Statutory Forecast Financial Information</b>	Has the meaning given in Section 4.1
<b>Proposed Acquisitions</b>	Caring Choice, Dandenong Medical, HNA, Ontrac and St. Kilda Road Medical Centre
<b>Proposed Group</b>	The Zenitas Existing Business and the Proposed Acquisitions
<b>Proposed Transaction</b>	The Proposed Acquisitions
<b>Prospectus</b>	This document (including the electronic form of the prospectus) and any supplementary or replacement prospectus in relation to this document
<b>Re-compliance</b>	The re-compliance by the Company with Chapters 1 and 2 of the ASX Listing Rules and re-quotation of the Shares on the Official List of ASX in accordance with Chapter 11 of the ASX Listing Rules
<b>Re-Compliance Application</b>	The Company's application to the ASX under Chapters 1 and 2 of the ASX Listing Rules as a result of the proposed change in scale of the Company's activities associated with the Proposed Transaction, and with the objective of the ASX lifting the current trading suspension that applies to the Shares
<b>Remaining Clinic Trusts</b>	Has the meaning given in Section 8.4
<b>Retail Investor</b>	An investor who is an Australian resident who is not in the United States and is not an Institutional Investor or a Broker
<b>Resolutions</b>	Means the inter-conditional resolutions necessary to be passed by Shareholders to enable the Offer and the Proposed Acquisitions to proceed, being those set out in Section 7.4
<b>Securities</b>	Shares and/or Options (as the context requires)
<b>Settlement</b>	Settlement of a fully paid ordinary Share in the capital of the Company
<b>Settlement Facility</b>	Has the meaning specified in the ASX Settlement Operating Rules
<b>Share</b>	A fully paid ordinary share in the Company
<b>Share Registry</b>	Automatic Registry Services
<b>Shareholders</b>	A holders of Shares from time to time
<b>St. Kilda Road Medical Centre</b>	The Allied Health services business of St. Kilda Road Medical Centre described in Table 9 in Section 3.2.3
<b>St. Kilda Road Medical Centre Sale Agreement</b>	The business purchase agreement for the sale and purchase of the business and assets of St. Kilda Road Medical Centre, the key terms of which are summarised in Section 8.3
<b>Wholesale Investor</b>	<p>In relation to New Zealand residents, means a person in New Zealand who:</p> <ul style="list-style-type: none"> <li>• is an investment business within the meaning of clause 37 of Schedule 1 of the <i>Financial Markets Conduct Act 2013</i> (<b>FMC Act</b>);</li> <li>• meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;</li> <li>• is large within the meaning of clause 39 of Schedule 1 of the FMC Act;</li> <li>• is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or</li> <li>• is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act</li> </ul>



## 11. Glossary

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Term	Definition
<b>Underwriting Agreement</b>	The underwriting agreement described in Section 8.2
<b>Vendors</b>	The vendors under the Acquisition Agreements
<b>Vendor Consideration Shares</b>	Up to 1,747,534 fully paid ordinary shares that will be issued to the Vendors as part consideration for the purchase price paid on completion under the Acquisition Agreements
<b>Vendor Consideration and HNA Personnel Offer</b>	Means the offer of 1,747,534 Shares (post Consolidation) at an issue price of \$0.95 to \$1.00 per Share, to Vendors as part payment of the purchase price under certain of the Acquisition Agreements and an offer of 280,000 to certain HNA personnel at an issue price of \$1.00 per Share.
<b>Vendor and HNA Personnel Offer Application Form</b>	Means the Vendor and HNA Personnel Offer Application Form attached to this Prospectus
<b>VWAP</b>	Volume Weighted Average Share Price
<b>Zenitas</b>	The Company, BGD Corporation Ltd ACN 009 074 588 (to be renamed Zenitas Healthcare Limited)

# Corporate Directory

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## **(A) Board of Directors**

Mr Shane Tanner, Non-Executive Chairman  
Mr Justin Walter, Managing Director (and Chief Executive Officer)  
Mr Jonathan Lim, Executive Director  
Dr Todd Cameron, Executive Director  
Mr Jeremy Kirkwood, Alternate Director to Dr Todd Cameron

## **(B) Company Secretary**

Mr Heath Roberts

## **(C) Joint Lead Managers and Underwriters**

### **Wilsons Corporate Finance Limited**

Level 32, Governor Macquarie Tower  
1 Farrer Place  
Sydney, New South Wales 2000

### **Bell Potter Securities Limited**

Level 29  
101 Collins Street  
Melbourne, Victoria 3000

## **(D) Auditor**

### **Ernst & Young**

200 George Street  
Sydney NSW 2000

## **(E) Registered Office**

Level 2  
391 St. Kilda Road  
Melbourne, Victoria 3004

## **(F) Website**

[www.zenitas.com.au](http://www.zenitas.com.au)

## **(G) Solicitors To The Offer**

### **Gilbert + Tobin**

Tower Two, International Towers Sydney  
200 Barangaroo Avenue  
Barangaroo, New South Wales 2000

## **(H) Share Registry**

### **Automic Registry Services**

Suite 1a, Level 1  
7 Ventnor Avenue  
West Perth, Western Australia 6005

## **(I) Investigating Accountant**

### **Deloitte Corporate Finance Pty Limited**

550 Bourke Street  
Melbourne, Victoria 3001

## **(J) ASX Code**

ASX:BGD  
Proposed ASX:ZNT

