AUSTRALIAN Clinicallabs

Prospectus

Joint Lead Managers

BofA SECURITIES

Goldman Sachs

Important Notices

Offer

The Offer contained in this Prospectus is an invitation for you to apply for fully paid ordinary shares (**Shares**) in Australian Clinical Labs Limited (ACN 645 711 128) (**ACL** or the **Company**). This Prospectus is issued by the Company and ACL SaleCo Limited (ACN 648 177 646) (**SaleCo**). See Section 7 for further information on the Offer, including as to details of the securities that will be issued and transferred under this Prospectus.

Lodgement and listing

This Prospectus is dated 28 April 2021 and was lodged with ASIC on that date (**Prospectus Date**).

The Company will apply to the ASX within seven days after the Prospectus Date for admission of the Company to the Official List and quotation of the Shares on the ASX (**Listing**).

Neither ASIC nor the ASX takes any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry date

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

Note to applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs (including financial and tax issues) of any prospective investor.

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. 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 adviser or other independent professional adviser 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. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

You should also consider the assumptions underlying the Forecast Financial Information set out in Section 4 and the risk factors set out in Section 5 that could affect the Company's business, financial condition and results of operations.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital by the Company or the payment of a return on the Shares.

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.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration 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 this Prospectus are illustrative only and may not be drawn to scale or accurately represent the technical aspects of the products.

Disclaimer and forward-looking statements

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 Company, SaleCo, the Directors, the SaleCo Directors, the Joint Lead Managers or any other person in connection with the Offer. You should rely only on information in this Prospectus when deciding whether to invest in Shares. 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.

This Prospectus contains forward-looking statements which are statements that may be identified by words such as "may", "will", "would", "should", "could", "believes", "estimates", "expects", "intends", "plans", "anticipates", "predicts", "outlook", "forecasts", "guidance" and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward-looking statements. These statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place (including the key assumptions set out in Section 4.7).

No person who has made any forward-looking statements in this Prospectus (including the Company) has any intention 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.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors and management of the Company and SaleCo. Forward-looking statements should therefore be read in conjunction with, and are qualified by reference to, Section 4 and Section 5, and other information in this Prospectus. The Company and SaleCo cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. As set out in Section 7.13.3, it is expected that the Shares will be quoted on the ASX initially on a deferred settlement basis. The Company, SaleCo, the Company's service provider, Link Market Services Limited (**Share Registry**) and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade shares before receiving their holding statement.

Merrill Lynch Equities (Australia) Limited (**BofA Securities**) and Goldman Sachs Australia Pty Ltd have acted as Joint Lead Managers to the Offer and have not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by any Joint Lead Manager or by any of their respective affiliates or related bodies corporate (as defined in the Corporations Act) (**Related Bodies Corporate**), or any of their respective officers, directors, employees, partners, advisers or agents. To the maximum extent permitted by law, the Joint Lead Managers, their respective affiliates and Related Bodies Corporate, and any of their respective officers, directors, employees, partners, advisers or agents expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

Statements of past performance

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

Financial information presentation

All references to FY18, FY19, FY20 and FY21 appearing in this Prospectus are to the financial years ended or ending 30 June 2018, 30 June 2019, 30 June 2020 and 30 June 2021 respectively, unless otherwise indicated. All references to H1 FY20, H1 FY21 and H1 FY22 appearing in this Prospectus are to the half financial years ended or ending 31 December 2019, 31 December 2020 and 31 December 2021 respectively, unless otherwise indicated.

All references to H2 FY20 and H2 FY21 appearing in this Prospectus are to the half financial years ended or ending 30 June 2020 and 30 June 2021 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.

The Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (as adopted by the Australian Accounting Standards Board), which comply with International Financial Reporting Standards and interpretations issued 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 Financial Information in this Prospectus should be read in conjunction with, and it is qualified by reference to, the information contained in Section 4 and Section 5.

Market and industry information

This Prospectus (and in particular Section 2) contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Company's business and markets.

Unless otherwise stated, this information has been prepared by the Company using publicly available data, a market size and forecast analysis (**Market Analysis**) by Partners in Performance and internally generated data. The Company understands from Partners in Performance that the Market Analysis includes or is otherwise based on information obtained from (i) various data collection agencies, industry associations and institutes, private market analysts and ACL; and (ii) publicly available information, as well as primary interviews conducted with industry participants and secondary market research. The Company's internally generated data is based on estimates and assumptions that both the Directors and the Company's management believe to be reasonable, as at the Prospectus Date.

The Market Analysis provides that the views, opinions, forecasts and information contained in it are based on information reasonably believed by Partners in Performance in good faith to be reliable. However, Partners in Performance has not independently verified or audited the information or material obtained from third parties, and cannot give any assurances as to its accuracy and completeness. In addition, the Company, SaleCo or the Joint Lead Managers have not independently verified, and cannot give any assurances as to the accuracy and completeness of the market and industry data contained in this Prospectus. Accordingly, the accuracy and completeness of such information is not guaranteed.

In addition to the industry data, this Prospectus uses third-party data, estimates and projections. There is no assurance that any of the third-party data, estimates or projections contained in this Prospectus will be achieved. The Company has not independently verified such information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those described in the risk factors set out in Section 5.

Investors should note that market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions.

Obtaining a copy of this prospectus

This Prospectus is available in electronic form to Australian and New Zealand residents on the Company's offer website, https://clinicallabs.com.au/offer. The Offer constituted by this Prospectus in electronic form is available only to Australian and New Zealand residents accessing the website within Australia or New Zealand and is not available to persons in any other jurisdictions, including the United States.

A hard copy of the Prospectus is available free of charge during the Offer Period to any person in Australia or New Zealand by calling the ACL Offer Information Line on 1800 882 147 (toll free within Australia) or +61 1800 882 147 (outside Australia) between 8:30am and 5:30pm (Sydney time), Monday to Friday (excluding public holidays).

Applications for Shares may only be made on the Application Form attached to, or accompanying, this Prospectus in its hard copy form, or in its soft copy form available online at https://clinicallabs.com.au/offer, together with an electronic copy of this Prospectus. 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 the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

No cooling-off rights

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

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 and New Zealand. The distribution of this Prospectus (including in electronic form) outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand 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. In particular, the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any State of the United States, and may not be offered or sold, directly or indirectly, in the United States, or to or for the account or benefit of, a U.S. Person, except transactions exempt from or not subject to the registration requirements of the U.S. Securities Act and any other applicable U.S. securities laws. The Offer is not being extended to any investor outside Australia and New Zealand, other than to certain Institutional Investors as part of the Institutional Offer.

See Section 9.16 for more detail on selling restrictions that apply to the Offer and sale of Shares in jurisdictions outside Australia and New Zealand.

Important notice to New Zealand investors

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001

Important Notices

(Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of a financial advice provider.

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

A copy of this Prospectus, other documents relating to the Offer and a copy of the Constitution have been, or will be, lodged with the New Zealand Companies Office and are, or will be, available at www.business.govt.nz/disclose (offer number, OFR13092). While the Offer is being extended to New Zealand investors under the Mutual Recognition Regime, no application for listing and quotation is being made to NZX Limited.

Privacy

By completing an Application Form, you are providing personal information to the Company and SaleCo through the Share Registry, which is contracted by the Company to manage Applications. The Company and SaleCo, and the Share Registry on their behalf, and their agents and service providers may collect, hold, disclose and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration, and for other purposes related to your investment listed below.

If you do not provide the information requested in the Application Form, the Company, SaleCo and the Share Registry may not be able to process or accept your Application.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included on the Share register. In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by members of the public. The information must continue to be included on the Share register if you cease to be a Shareholder.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Share Registry for ongoing administration of the Share register;
- the Joint Lead Managers to assess your Application;
- printers and other companies for the purposes of preparation and distribution of documents and for handling mail;
- market research companies for analysing the Company's shareholder base; and
- legal and accounting firms, auditors, management consultants and other advisers for administering, and advising on, the Shares and for associated actions.

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.

You may request access to your personal information held by or on behalf of the Company and SaleCo. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information.

You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry as follows:

Telephone:
(outside Australia) +61 1300 554 474
(toll free within Australia) 1300 554 474

Address:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

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 8.

Intellectual property

This Prospectus may contain trademarks of third parties, which are the property of their respective owners. Third-party trademarks used in this Prospectus belong to the relevant owners and use is not intended to represent sponsorship, approval or association by or with us.

Company website

Any references to documents included on the Company's website 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 in Section 11. Unless otherwise stated or implied, references to times in this Prospectus are to Sydney time.

Unless otherwise stated or implied, references to dates or years are calendar year references.

Questions

If you have any questions in relation to the Offer, contact the ACL Offer Information Line on 1800 882 147 (toll free within Australia) or +61 1800 882 147 (outside Australia) between 8:30am and 5:30pm (Sydney time), Monday to Friday (excluding public holidays).

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

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Key Offer Information

Key Offer dates

Important dates

Prospectus Date	**Wednesday, 28 April 2021**
Opening date of the Retail Offer	**Thursday, 6 May 2021**
Closing date of the Retail Offer	**Wednesday, 12 May 2021**
ASX listing commences (conditional and deferred settlement trading)	**Friday, 14 May 2021**
Settlement of the Offer	**Tuesday, 18 May 2021**
Allotment of Shares	**Wednesday, 19 May 2021**
ASX trading commences on a normal settlement basis	**Wednesday, 19 May 2021**
Dispatch of holding statements (and any refund payments if applicable)	**Thursday, 20 May 2021**

Dates may change

This timetable is indicative only and may change without notice. Unless otherwise indicated, all times are stated in Sydney, Australia time.

ACL, SaleCo and the Joint Lead Managers reserve the right to vary any and all of the above dates and times without notice including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend a closing date, or 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 applicants. Offers may be made and may be open for acceptances, under this Prospectus either generally or in particular cases, including until Completion or, subject to the Corporations Act, thereafter, at the discretion of the Directors. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

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.

How to invest

Applications for Shares can only be made by completing and lodging an Application Form. Instructions on how to apply for Shares are set out in Section 7 and on the back of the Application Form.

Questions

If you have any questions in relation to the Offer, please call the ACL Offer Information Line on 1800 882 147 (within Australia) or +61 1800 882 147 (outside Australia) from 8:30am to 5:30pm (Sydney time), Monday to Friday (excluding public holidays). If you are unclear in relation to any matter or are uncertain as to whether ACL is a suitable investment for you, you should seek advice from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in ACL.

References to “we”, “us”, “our” and ACL

Where used in this Prospectus, the expressions “we”, “us”, “our” and “ACL” refer to Australian Clinical Labs Limited and/or its subsidiaries as the context requires.

Key Offer statistics

Offer Price	**$4.00 per Share**
Total number of Shares to be available under the Offer[1]	**102.1 million**
Total proceeds of the Offer[2]	**$408.6 million**
Total number of Shares on issue on Completion of the Offer[3]	**202.3 million**
Number of Shares to be held by Crescent Entities, Crescent Co-Investors and Management Shareholders on Completion of the Offer	**99.1 million**
Market capitalisation at the Offer Price	**$809.3 million**
Pro forma net debt / (cash) as at 31 December 2020	**$93.3 million**
Enterprise value at the Offer Price	**$902.6 million**
Enterprise value / pro forma LTM-Dec-21F EBITDA (AASB 117)	**9.9x**
Enterprise value[4] / pro forma LTM-Dec-21F EBITDA (AASB 16)	**6.0x**
Offer Price / pro forma LTM-Dec-21F NPAT per Share (AASB 117)	**14.8x**
Offer Price / pro forma LTM-Dec-21F NPAT per Share (AASB 16)	**15.0x**
Annualised pro forma 1H FY22F dividend yield at the Offer Price[5]	**3.4%**

1. This relates only to the issue of New Shares under the Broker Firm Offer, the Priority Offer, the Priority Employee Discount Offer, the Employee Offer and the Institutional Offer.
2. Cash proceeds received by ACL relates only to the issue of New Shares under the Broker Firm Offer, the Priority Offer, the Priority Employee Discount Offer, the Employee Offer and the Institutional Offer. ACL did not receive funds for the issue of New Shares under the Employee Gift Offer or the issue of New Shares in connection with the acquisition of SunDoctors.
3. This includes New Shares issued under the Employee Gift Offer and the New Shares issued in connection with the SunDoctors acquisition.
4. Enterprise value includes lease liabilities that are capitalised under AASB 16.
5. Pro forma dividend assumes a 60% target payout ratio (representing the mid-point of the proposed dividend payout ratio range of 50- 70%) and is based on the annualised pro forma H1 FY22F NPAT per Share.

Chair's Letter

Dear Investor,

On behalf of the Board of Directors, I am pleased to offer you the opportunity to become a Shareholder in Australian Clinical Labs (**ACL**).

ACL is a leading private pathology provider in Australia. ACL is one of the largest private hospital pathology businesses nationally[1], servicing over 90 private and public hospitals, and has an equivalent market position to its ASX-listed peers for community pathology[2] across Victoria, Western Australia, South Australia and the Northern Territory. ACL also has a growing market position in New South Wales, the Australian Capital Territory and Queensland. The Company annually collects, analyses and reports on 8.3 million episodes[3] via its national network of 995 collection centres[4], 30 clinics[5] and 86 accredited laboratories[6]. Central to ACL is its mission of combining talented people, medical and scientific leadership, with innovative thinking and technologies to empower decision making that saves and improves patients' lives.

ACL was formed through the integration of Healthscope's Australian pathology business in 2015, St John of God Health Care's pathology business in 2016, Perth Pathology in 2016 and will acquire SunDoctors in 2021 contemporaneously with this IPO. Over the past six years, ACL has improved its operational performance through investing in the integration and optimisation of these businesses, to operate ACL as one unified pathology system across Australia. The unified pathology system is a key operational characteristic of the business, coupled with its efficient unified laboratory network, clinical centres of excellence, digitally enabled platforms, focus on research and innovation, clinical governance and training. The acquisitions and operational investments, in particular, the implementation of the unified pathology system, gave ACL the scale and operating leverage to deliver EBITDA margins consistent with its ASX-listed peers in the six months to 31 December 2020[7].

Pathology is critical to the healthcare system, with over 70% of all healthcare decisions related to diagnosis and treatment as well as almost all cancer diagnoses involving a pathology test. The estimated $5.4 billion[8] Australian pathology market has demonstrated it is a resilient growth market supported by predictable and consistent, long-term growth drivers including a growing and ageing population, increasing prevalence of chronic diseases and scientific and technological advancements. Over the past two decades, the Medicare benefits paid for pathology has grown at a compound annual growth rate (CAGR) of 5.4%[9]. The Australian pathology market (excluding COVID-19) is forecast to grow between approximately 4% to 6% per annum[10], consistent with historical performance[11], with COVID-19 increasing the size of the pathology market.

The critical role pathology plays in healthcare has been exemplified in ACL's essential service in combating the COVID-19 pandemic, with its laboratories conducting COVID-19 testing each day, whilst maintaining essential routine, non-COVID-19 testing. Reliable and timely COVID-19 testing remains key to enabling identification of positive cases, contact tracing, isolation and quarantining and underpins the epidemiology which informs broader policy-related measures. The volumes and quality of testing ACL has been able to provide in a short timeframe has only been possible through the investments made over the last six years in people, systems and infrastructure. ACL's investment in its unified pathology system has demonstrated the Company's flexibility to meet demand peaks in COVID-19 testing and provide critical testing results in an accurate and timely manner. ACL's pathologists, scientists and front line healthcare staff have demonstrated their expertise and capabilities and management has shown nimbleness and resilience in difficult circumstances to ensure seamless provision of the Company's vital services.

Led by an experienced management team that has overseen the successful transformation of ACL over the past six years, the Company's objective is to achieve above market growth through a combination of capturing embedded revenue opportunities with existing clients, networks and expertise; continual operational performance improvements; footprint expansion, both geographically and services provided; and strategic acquisitions both in Australia and internationally.

1. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", P10 Patient Episode Initiation, and ACL data for the year ending 30 June 2020, refer to Section 2.2.1 for further details. Based on ACL's private hospital segment position in its established states of Western Australia, South Australia, Victoria and Northern Territory by Patient Episode Initiation.
2. By number of ACCs as at 1 February 2021 excluding 1 SunDoctors ACC, refer to Section 2.2.1 for further details. The number of ACCs can be used as an illustrative proxy for community pathology segment position, though is not an accurate reflection of revenue due to various factors including differences in ACC size, medical practice size and location.
3. For the 12 months to 31 December 2020.
4. As at 1 February 2021.
5. As at 1 February 2021.
6. As at 1 February 2021, ACL has 86 NATA (National Association of Testing Authorities, Australia) accredited laboratories, or 44 laboratory locations when excluding point of care laboratories.
7. On a post AASB 16 basis.
8. Partners in Performance and ACL estimates.
9. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
10. Partners in Performance estimates. Refer to Section 2.3.4 for further details.
11. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services" for FY2000 to FY2020, http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp. Refer to Section 2.3.1 for further details.

ACL's strong operating cash flows are expected to fund in part its planned future growth and support a forecast dividend yield for annualised 1H FY22F of 3.4%[12], with a planned future payout ratio range of 50-70% of net profit after tax.

Like any business, ACL also faces a number of risks such as changes in government policy and regulation, deterioration of relationships with referring practitioners or private health insurance funds and potential internalisation of pathology services by clients.

ACL listing on the ASX will allow existing investors to realise a portion of their investment, repay the Company's existing debt facilities and provide the Company with access to capital markets and an opportunity for others to invest in Shares of ACL.

The existing investors as at the Prospectus Date include Crescent Entities, Crescent Co-Investors and Management Shareholders. At Completion of the Offer, Crescent Entities, Crescent Co-Investors and Management Shareholders will hold 69.9 million, 19.7 million and 9.4 million Shares respectively in ACL, collectively representing 49.0% of outstanding Shares, and will enter into voluntary escrow arrangements in respect of the majority of those Shares[13]. Under the escrow arrangements, Crescent Entities, Crescent Co-Investors and Management Shareholders may dispose of one-third of the Shares they hold following Completion of the Offer after ACL releases its H1 FY22 results, a further one-third of the Shares after ACL releases its full year FY22 financial results and the balance of the Shares when ACL releases its H1 FY23 results. Crescent Capital Partners remains a strong supporter of ACL and will remain represented on the Board until at least ACL's release of its H1 FY23 results.

This Prospectus contains important information about the Offer, the Australian pathology market and ACL's operations, financial results, growth strategies and key risks associated with an investment in the Company. Before deciding whether to invest in ACL, you should read this Prospectus carefully and consult with your solicitor, stockbrokers, accountant or other independent and qualified professional adviser.

"Central to ACL is its mission of combining talented people, medical and scientific leadership, with innovative thinking and technologies to empower decision making that saves and improves patients' lives"

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder of ACL.

Yours sincerely,

Michael Alscher

Chair, Australian Clinical Labs

12. Pro forma dividend assumes a 60% target payout ratio (representing the mid-point of the proposed dividend payout ratio range of 50-70%) and is based on the annualised pro forma H1 FY22F NPAT per Share.
13. 0.3% of the Shares on issue at Completion of the Offer that are held by Management Shareholders will not be subject to voluntary escrow because certain Management Shareholders have chosen not to sell their vested MEP Shares through SaleCo.

1 Investment Overview

1. Investment Overview

1.1 Introduction

Topic	Summary	For more information
Who is ACL?	ACL is a leading private provider of pathology services in Australia. ACL's mission is to combine talented people, medical and scientific leadership, with innovative thinking and technologies to empower decision making that saves and improves patients' lives. ACL annually collects, analyses and reports on 8.3 million episodes[1] via its national network of 995 collection centres[2], 30 clinics[3] and 86 accredited laboratories[4]. ACL is one of the largest private pathology providers to hospitals nationally[5], servicing over 90 private and public hospitals. In its four established regions of Western Australia, Victoria, South Australia and the Northern Territory, ACL has an equivalent market position in community pathology[6] to Sonic Healthcare and Healius. ACL also has a growing presence in New South Wales and the Australian Capital Territory[7] and has recently expanded into Queensland. ACL had pro forma revenues of $595.1 million and pro forma EBITDA of $178.6 million for the 12 months to 31 December 2020.	Sections 3.1, 3.3, 3.4 and 3.5
What is pathology?	Pathology is a medical specialty that focuses on determining the cause and nature of disease through the examination and testing of body fluids, micro-organisms, tissue and other biological samples. Pathology is critical to the healthcare system due to its broad range of applications across disease screening, diagnosis, treatment preparation and monitoring. Over 70% of all healthcare decisions related to diagnosis and treatment as well as almost all cancer diagnoses involve a pathology test.	Section 2.1
Why is the Offer being conducted?	The Offer is being conducted to: • Raise capital to repay ACL's existing liabilities; • Allow Shareholders as at the Prospectus Date to realise part of their investment in ACL through the sale of Existing Shares through SaleCo; • Broaden ACL's shareholder base and provide a liquid market for Shares; • Provide ACL with the benefits of an increased brand profile that arises from being a publicly listed entity; and • Pay transaction costs.	Section 7.1.2

1. For the 12 months to 31 December 2020.
2. As at 1 February 2021.
3. As at 1 February 2021.
4. As at 1 February 2021, ACL has 86 NATA (National Association of Testing Authorities, Australia) accredited laboratories, or 44 laboratory locations when excluding point of care laboratories.
5. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", P10 Patient Episode Initiation, and ACL data for the year ending 30 June 2020. Refer to Section 2.2.1 for further details. Based on ACL's private hospital segment position in its established states of Western Australia, South Australia, Victoria and the Northern Territory by Patient Episode Initiation.
6. By number of ACCs as at 1 February 2021 excluding 1 SunDoctors ACC, refer to Section 2.2.1 for further details. The number of ACCs can be used as an illustrative proxy for community pathology segment position, though is not an accurate reflection of revenue due to various factors including differences in ACC size, medical practice size and location.
7. By number of ACCs as at 1 February 2021 excluding 1 SunDoctors ACC, refer to Section 2.2.1 for further details. The number of ACCs can be used as an illustrative proxy for community pathology segment position, though is not an accurate reflection of revenue due to various factors including differences in ACC size, medical practice size and location.

1. Investment Overview

1.2 Key features of the Australian pathology market

Topic	Summary	For more information
What is the market and market segments?	ACL operates within the Australian pathology market, which is estimated to be $5.4 billion[8], as at 30 June 2020. The Australian pathology market comprises three segments: • Community pathology segment, estimated to be approximately $2.8 billion[9], comprises pathology services referred by a general practitioner or specialist doctor, collected outside of an inpatient hospital setting; • Pathology services to patients in hospitals segment, estimated to be over $2.2 billion[10], refers to services provided to inpatients within both public and private hospitals; and • Other pathology, estimated to be approximately $0.2-0.4 billion[11], comprises a range of pathology services including veterinary, commercial clients, government bodies and research organisations.	Section 2.1.3
Who are the key providers of pathology services?	The largest private pathology providers in Australia are ASX-listed Sonic Healthcare, ASX-listed Healius and ACL. These three providers account for over 80%[12] of all ACCs. Sonic Healthcare is the largest private pathology provider in Australia by revenue and operates under various brands. Healius is the second-largest private pathology provider in Australia by revenue and operates under various brands. ACL is the third-largest private pathology provider in Australia by revenue, with pro forma revenue of $595.1 million for the 12 months to 31 December 2020. ACL accounts for approximately 16%[13] of all ACCs in Australia and primarily operates under the Australian Clinical Labs brand.	Section 2.2.1
What drives demand for pathology services?	Pathology in Australia is underpinned by predictable and consistent long-term growth drivers comprised of: • Growing and ageing population; • Increasing prevalence of chronic diseases; • Increasing visits to general practitioners; • Increasing pathology testing per capita; and • Scientific and technological advancements. The Medicare funded pathology segment has grown at a CAGR of 5.4% since FY2000.	Section 2.3.1

8. Partners in Performance estimates and ACL estimates.
9. Partners in Performance estimates.
10. Partners in Performance estimates.
11. ACL estimates.
12. Market position by number of ACCs as at 1 February 2021.
13. Estimated position by number of ACCs as at 1 February 2021. Total ACL ACCs excludes 1 SunDoctors ACC.

Topic	Summary	For more information
What is the historical and forecast growth rate of the Australian pathology market?	The Australian pathology market has experienced steady, consistent growth over the last two decades. The Medicare funded pathology segment was worth $3.1 billion for the financial year ended 30 June 2020 and has grown at a CAGR of 5.4% since FY2000[14]. Over the five years to FY2025F, the non-COVID-19 pathology segment is forecast to continue to grow between 4.1% and 5.7% per annum[15]. Above this base level of testing, COVID-19 is expected to lead to an increase in the size of the pathology market.	Sections 2.3
How has COVID-19 impacted the Australian pathology market?	The COVID-19 pandemic has had a material impact on the size of the Australian pathology market, which can be understood in three phases: • **Initial phase:** From March 2020 to May 2020, non-COVID-19 testing volumes fell due to lockdowns, restrictions on elective surgery and patient reluctance to visit general practitioners or complete non-essential tests[16]. The fall of non-COVID-19 testing outweighed the growth in COVID-19 testing; • **COVID-19 management phase:** increase in COVID-19 testing led to the pathology market returning to growth from June 2020. Non-COVID-19 testing started to rebound and COVID-19 testing was generally additive to the size of the pathology market; and • **Post vaccine phase:** The impact of a COVID-19 vaccine on the size of the Australian pathology market is dependent on a number of factors, including doctor and patient behaviour, vaccine effectiveness and durability of vaccine, mutations of the virus, antibody testing and social distancing and travel. ACL management believes that the demand for pathology to address COVID-19 will continue in the medium term. Pathology will continue to play a critical role in addressing COVID-19 and future pandemics.	Section 2.3.2

14. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 “Pathology Services”, http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
15. Partners in Performance estimates.
16. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 “Pathology Services”, http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.

1. Investment Overview

1.3 Overview of ACL and its business model

Topic	Summary	For more information
What is ACL's history?	ACL originates from the aggregation of Healthscope's Australian pathology business (2015), St John of God Health Care's (SJGHC) pathology business (2016), Perth Pathology (2016) and SunDoctors (2021[17]). Over the past six years, ACL has improved its operational performance through investing in the integration and optimisation of these businesses. ACL has developed a unified pathology system that allows the majority of tests, clinicians and laboratories to operate as one laboratory across the country, supporting growth and performance improvement.	Section 3.2
Where does ACL source its revenue?	ACL generates revenue by providing pathology services across the community, hospital and other pathology segments throughout Australia. For the 12 months to 31 December 2020, ACL derived 71%[18] of its revenue from community pathology, 16%[19] of its revenue from private and public hospitals and the balance from other pathology services including veterinary and commercial work. Medicare funding represents ACL's primary source of revenue. For the 12 months to 31 December 2020, ACL derived over 70% of its revenue from Medicare funding.	Section 3.4
Where does ACL operate?	ACL operates across each State and Territory in Australia, with the exception of Tasmania, through its national network of 995 collection centres[20], 30 clinics[21] and 86 accredited laboratories[22]. ACL has four high-volume central laboratories, located in Melbourne, Sydney, Perth and Adelaide, and operates 38 regional laboratories[23]. ACL also has a back office operation in Petaling Jaya, Malaysia.	Section 3.5
What are ACL's key operating characteristics?	ACL has established the following key operational characteristics supporting its growth and operational performance improvement: • Unified pathology system; • Efficient unified laboratory network; • Clinical centres of excellence; • Digitally enabled platforms; • Focus on research, innovation and advocacy; and • Clinical governance and training.	Section 3.6

17. ACL will complete the acquisition of SunDoctors contemporaneously to completion of the Offer.
18. Represents percentage based on patient and clinic revenue (excluding other revenue).
19. Represents percentage based on patient and clinic revenue (excluding other revenue).
20. As at 1 February 2021.
21. As at 1 February 2021.
22. As at 1 February 2021, ACL has 86 NATA (National Association of Testing Authorities, Australia) accredited laboratories, or 44 laboratory locations when excluding point of care laboratories.
23. Includes 19 hospital laboratories, 17 branch laboratories and two veterinary laboratories.

Topic	Summary	For more information
How has COVID-19 impacted ACL?	The impact of COVID-19 on ACL initially was a 30% to 40% reduction of non-COVID-19 volume during April 2020. As lockdowns eased, the non-COVID-19 revenue rapidly improved. For the three months to 31 December 2020, ACL's non-COVID-19 revenue grew by 2.6%. Excluding Victoria, which had a significant period of lockdown over this period, ACL's non-COVID-19 growth was 4.9%. COVID-19 testing revenue countered the fall in non-COVID-19 testing revenue. For the six months to 31 December 2020, ACL conducted an average of 113 thousand COVID-19 tests per four-week period. For the five months to 7 March 2021, ACL conducted an average of 92 thousand tests per four-week period. In addition to the revenue impacts of COVID-19, ACL was able to improve operational flexibility in the business and implemented a number of operational initiatives.	Sections 2.3.2 and 3.7
What is ACL's growth strategy?	In the medium term, ACL's objective is to achieve above market growth for both revenue and EBITDA through: • Embedded revenue opportunities related to expansion with existing clients, networks and expertise; • Continual operational performance improvements related to the investments that ACL has made over the past six years and its focus on continuous improvement; • Footprint expansion, both geographic expansion in Queensland and New South Wales and additional services; and • Strategic acquisitions in both Australia and internationally.	Section 3.8
How does ACL expect to fund its operations?	ACL's principal source of funds is cash flows from operations. After Listing, ACL will have total debt facilities in place of approximately $120 million, which will comprise a debt facility and a revolving credit facility. On Listing, it is expected that ACL will have drawn debt of $104.3 million. The Directors believe that, following Completion of the Offer, ACL will have sufficient working capital to carry out its stated business objectives.	Section 9.8

1.4 ACL's key strengths

Topic	Summary	For more information
Australian pathology market is large and growing	ACL operates in the large and growing Australian pathology market. The market is estimated to be over $5.4 billion[24] as at 30 June 2020. The Medicare funded pathology segment was worth $3.1 billion for the financial year ended 30 June 2020 and has grown at a CAGR of 5.4%[25] since FY2000. The non-COVID-19 pathology market is forecast to continue to grow between 4.1% and 5.7% per annum[26] over the five years to FY2025F due to underlying growth drivers including: • Growing and ageing population; • Increasing prevalence of chronic diseases; • Increasing visits to general practitioners; • Increasing pathology testing per capita; and • Scientific and technological advancements. Above this base level of testing, COVID-19 is expected to lead to an increase in the size of the pathology market.	Sections 2.1.3, 2.3.1 and 2.3.4

24. Partners in Performance estimates and ACL estimates.
25. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
26. Partners in Performance estimates.

1. Investment Overview

Topic	Summary	For more information
Established market positions in key regions	ACL is a leading Australian private provider of pathology services through its national network of 995 collection centres[27], 30 clinics[28] and 86 accredited laboratories[29]. ACL is one of the largest private hospital pathology businesses nationally[30], servicing over 90 private and public hospitals. ACL has exclusive contracts to provide onsite pathology services to the second and third-largest private hospital groups in Australia. In its four established regions of Western Australia, Victoria, South Australia and the Northern Territory, ACL has an equivalent market position in community pathology[31] to Sonic Healthcare and Healius. ACL also has a growing presence in New South Wales and the Australian Capital Territory[32] and has recently expanded into Queensland.	Sections 2.2, 3.1 and 3.4
Investment in integration and site and equipment upgrades	Over the past six years, ACL has invested over $85 million in upgrading its laboratory testing equipment and information technology, integrating its sites and restructuring. ACL management believes that the integration of its 2015 and 2016 acquisitions is substantially complete and will be able to generate additional operational and financial benefits through benchmarking and process improvement as part of its continuous improvement program.	Section 3.5.4
National unified pathology system	ACL operates a national unified pathology system that allows the majority of tests, clinicians and laboratories to operate as one laboratory across the country. ACL's unified pathology system enables operational benefits including improved turnaround times and ability to handle demand peaks, national benchmarking to drive performance improvement and efficiencies and share innovations. ACL has established the following key operational characteristics that support its growth and performance improvement: • Unified pathology system; • Efficient unified laboratory network; • Clinical centres of excellence; • Digitally enabled platforms; • Focus on research, innovation and advocacy; and • Clinical governance and training.	Section 3.6

27. As at 1 February 2021.
28. As at 1 February 2021.
29. As at 1 February 2021, ACL has 86 NATA (National Association of Testing Authorities, Australia) accredited laboratories, or 44 laboratory locations when excluding point of care laboratories.
30. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", P10 Patient Episode Initiation, and ACL data for the year ending 30 June 2020. Refer to Section 2.2.1 for further details. Based on ACL's private hospital segment position in its established states of Western Australia, South Australia, Victoria and the Northern Territory by Patient Episode Initiation.
31. By number of ACCs as at 1 February 2021 excluding 1 SunDoctors ACC, refer to Section 2.2.1 for further details. The number of ACCs can be used as an illustrative proxy for community pathology segment position, though is not an accurate reflection of revenue due to various factors including differences in ACC size, medical practice size and location.
32. By number of ACCs as at 1 February 2021 excluding 1 SunDoctors ACC, refer to Section 2.2.1 for further details. The number of ACCs can be used as an illustrative proxy for community pathology segment position, though is not an accurate reflection of revenue due to various factors including differences in ACC size, medical practice size and location.

Topic	Summary	For more information
Track record of strong earnings growth and margin expansion	ACL has delivered strong earnings growth, primarily driven by revenue growth (including COVID-19 testing revenue) and operating leverage. • Revenue growth of 7.6% p.a. from FY18 to LTM Dec-20; • Underlying non-COVID-19 pathology revenue[33] growth of 4.2% p.a. from FY18 to LTM Feb-20; • Reduction of other operating costs[34] by 2.4% from FY18 to LTM Dec-20; • EBITDA growth of 28.7% p.a. from FY18 to LTM Dec-20; and • EBITDA margin expansion of 10.8% from FY18 to LTM Dec-20. In H1 FY21, ACL has continued to drive earnings growth and has achieved EBITDA margins comparable to its two larger ASX-listed peers[35]. • Revenue growth of 27.6% p.a. from H1 FY20 to H1 FY21; • EBITDA growth of 123.2% p.a. from H1 FY20 to H1 FY21; and • EBITDA margin expansion from 19.3% in H1 FY20 to 33.8% in H1 FY21.	Section 4
Growth levers to continue to drive performance	ACL management's objective is to achieve above market growth for both revenue and EBITDA through: • Embedded revenue opportunities related to expansion with existing clients, networks and expertise; • Continual operational performance improvements related to the investments that ACL has made over the past six years and its focus on continuous improvement; • Footprint expansion, both geographic expansion in Queensland and New South Wales and additional services; and • Strategic acquisitions in both Australia and internationally. The non-COVID-19 pathology market in Australia is forecast to grow ~4% to ~6% p.a.[36] due to predictable and consistent growth drivers.	Section 3.8

33. CAGR of 4.2% represents the Compound Annual Growth Rate of underlying non-COVID-19 pathology revenues for the period between FY18 and the LTM to February 2020. Underlying non-COVID-19 revenues excludes the revenues attributable to two large hospital contracts won and lost in the period, namely the Northern Hospital contract (lost in FY19) and the Northern Beaches Hospital contract also won in FY19. Refer to Section 4.6.4 for further detail.
34. Excludes consumables costs. Refer to Section 4.6.6 for further detail.
35. On a post AASB 16 basis.
36. Partners in Performance estimates.

1. Investment Overview

Topic	Summary	For more information
Highly experienced Board and management team with a performance based culture	ACL has an experienced Board of Directors that bring relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience. The Board of Directors comprises Michael Alscher as Chair, Melinda McGrath as Executive Director and Chief Executive Officer and Andrew Dutton, Dr Leanne Rowe, Dr Michael Stanford, Mark Haberlin and Nathanial Thomson as Non-Executive Directors. ACL's senior management team comprises nine senior managers who are highly experienced across healthcare, particularly pathology, as well as their respective disciplines. The team has a proven track record of financial performance, successful integration and growth. The senior management team is led by Chief Executive Officer Melinda McGrath who led the transformation and integration of ACL over the past six years. Melinda joined ACL in 2015 and has over 30 years of experience in healthcare, including 13 years in pathology CEO roles. She has driven the performance oriented culture across ACL, aided by the unified pathology system. James Davison joined Healthscope Limited (precursor to ACL) in 2011 and has been the Chief Financial Officer since 2015. James has over 20 years of experience in healthcare and has comprehensive experience across financial management, pathology acquisitions, restructures and operational efficiency improvements. Following Completion of the Offer, Crescent Entities, Crescent Co-Investors and Management Shareholders will retain 34.6%, 9.8% and 4.7% of Shares at Completion in ACL, respectively. The majority of the Shares will be subject to selling restrictions, pursuant to voluntary escrow arrangements as discussed under Section 9.7 of this Prospectus[37].	Sections 6.1, 6.2 and 6.3

1.5 Key risks

Topic	Summary	For more information
Government policy and regulation may change	ACL operates in a highly regulated industry and is subject to laws, government policies and regulations. Changes to these laws, Federal and State Government policies and regulations, including the introduction of new laws, government policies and regulations, may have a material adverse impact on the financial and operational performance of ACL including by increasing costs or reducing fees or demand for its services. The majority of ACL's services are bulk-billed with patients receiving reimbursements through the Australian Government's MBS. Changes to the MBS or any other Government funding initiatives, including reduction in fees or tests that will be covered by the MBS, could lead to a reduction in revenue for ACL and may adversely affect ACL's ability to provide testing and demand for ACL's services.	Section 5.2.1

37. 0.3% of the Shares on issue at Completion of the Offer that are held by Management Shareholders will not be subject to voluntary escrow because certain Management Shareholders have chosen not to sell their vested MEP Shares through SaleCo.

Topic	Summary	For more information
ACL may lose or breach a licence, certification or accreditation	In Australia, private pathology providers are subject to extensive laws and significant levels of regulation relating to the development, licensing and accreditation of facilities and services, including environmental legislation for both ACL and SunDoctors. These licences and accreditations are subject to regular review. ACL may be unable to secure or retain a licence or accreditation required to operate one or more of its facilities or services, which could damage ACL's reputation, adversely impact ACL's ability to operate its businesses or result in additional cost to address any deficiencies.	Section 5.2.2
COVID-19 or another pandemic may impact ACL's business	Pandemic risks, such as COVID-19, pose business continuity risk to ACL. There is the risk from lockdowns across communities in response to a pandemic that the volume of routine (non-COVID-19) pathology testing may be adversely impacted. There is a risk that staff and laboratories are adversely impacted by a pandemic, such as COVID-19, which limits ACL's ability to operate. There is also a risk that staff in key operational roles are infected, impacting ACL's operations. In addition, should ACL be unable to secure equipment or test supplies for its operations or personal protective equipment for its staff during a pandemic, the operations and financial performance of ACL's businesses would be adversely impacted.	Section 5.2.3
ACL's relationships with referring practitioners, and other referring parties, may deteriorate	ACL's relationships with referring physicians (including general practitioners, physicians, surgeons and other specialists), hospital groups and other parties with whom ACL provides pathology and associated services are critical to its business. The majority of ACL's referrers are under no obligation to refer their patients to ACL, so there is a risk that some referrers may reduce or cease requesting services from ACL. If ACL failed to maintain relationships with these parties this would adversely impact ACL's financial and operating performance.	Section 5.2.4
ACL's relationship with private health insurance funds may deteriorate or the private health insurance landscape may change	The revenue that ACL receives from inpatients at private hospitals is based on, among other things, the fee schedules negotiated between private health insurance funds and ACL. A failure by ACL to reach a commercial agreement with a private health insurance fund, including private health insurance funds declining to cover pathology services, declining to contract with ACL or contracting with ACL's competitors or a reduced negotiated fee schedule, could negatively impact the financial performance of ACL or cause ACL to bill patients directly, increasing debtors.	Section 5.2.5

1. Investment Overview

Topic	Summary	For more information
ACL may be subject to increased competition	Increased competition may arise from new entrants into the market which ACL operates in, existing competitors attempting to increase their market share or from disruptive technologies that may change the way services are delivered. If ACL's current or future competitors are able to secure attractive locations for ACCs, develop better relationships with referrers, are successful in tendering for contracts for the provision of pathology services, succeed in replacing ACL in relation to the provision of pathology services to ACL's clients, introduce technological changes in testing, or provide new skin cancer treatments among other things, ACL's financial performance may be adversely impacted through reduced revenues or operating margins.	Section 5.2.6
ACL's clients may insource pathology services	ACL's clients, in particular hospitals, as well as referring physicians, may also insource pathology services that have historically been performed by private pathology providers. If a hospital group that ACL currently provides pathology services to decides to insource their pathology services, this could have a material impact on ACL's financial performance.	Section 5.2.7
ACL's IT system may fail and may be subject to cyber security risks	ACL is heavily dependent on technology for the delivery of the services it provides its customers. Any information technology system is potentially vulnerable to interruption and/or damage from a number of sources, including but not limited to computer viruses, cyber security attacks and other security breaches, power, systems, internet and data network failures, and natural disasters. Should ACL's systems not be adequately maintained, secured or updated, or ACL's disaster recovery processes not be adequate, any interruption and/or damage to ACL's systems may be more likely, prolonged and pronounced. A breach of ACL's cyber security defences could result in data and records being compromised or other negative outcomes that may harm ACL's reputation or result in financial loss. ACL is upgrading its core Laboratory Information System (**LIS**) and OpenText database technology to improve the stability of the underlying database and eliminate limits on archiving historical data. ACL is transitioning item codes in its LIS from two character codes to three character codes, which requires ACL's created reports and programs to be updated during CY2021 and CY2022. In addition, as Medicare is migrating to a web-based claims process, ACL must upgrade its processes prior to March 2022 to be able to continue to claim funds from Medicare electronically. ACL is also upgrading software from vendors that are reaching end of life issues, as well as restructuring its database for eResults and externally hosted websites. If there are issues in these upgrades or database transitions, there may be impacts on ACL's ability to provide services which may affect its reputation or result in financial loss.	Section 5.2.8
ACL's pathology equipment may fail	ACL relies on high throughput testing equipment in order to provide timely, effective service. Service disruptions may result from system outages including equipment failures, breakdowns, maintenance and power outages and lead to a loss of revenue. If ACL is unable to promptly obtain the service necessary to keep its systems functioning effectively, ACL's revenues could decline and its ability to provide services could be impacted.	Section 5.2.9

Topic	Summary	For more information
ACL may be unable to recruit and retain key personnel	ACL relies on the ability to recruit and retain key personnel to provide pathology services. Relationships with certain referrers may be heavily reliant on particular ACL personnel (especially pathologists and scientists), such that their departure from the business could have an adverse impact on ACL's relationship with the referrer. The unexpected loss of any key members of management and operating staff may adversely affect ACL's ability to develop and implement its business strategies. ACL is reliant on a number of people with knowledge of its systems and processes. The unexpected loss of these personnel may adversely affect ACL's operations. If ACL is unable to execute adequate workforce planning in relation to its management, pathologists, scientists and other expertise, this could have a material detrimental impact on ACL's ability to generate revenue, its ability to deliver on its business strategy, and its future financial performance.	Section 5.2.10
ACL is subject to labour agreement negotiations	The majority of ACL's employees have terms and conditions of employment governed by enterprise agreements or modern awards which periodically require classification assessment, renegotiation or renewal. Any such classification assessment, renegotiation or renewal may result in increased direct and indirect labour costs for ACL, and issues may also arise during the processes which lead to strikes or other forms of industrial action that could disrupt ACL's operations. This could adversely impact on the financial performance and reputation of ACL.	Section 5.2.11
ACL's exposure to international developments may impact its operations	ACL sources testing supplies such as reagents and equipment from international markets. There is a risk that adverse price increases may increase ACL's costs of business and may have a material adverse impact on ACL's performance. There is also a risk that the supply of supplies and equipment is disrupted from international developments, including but not limited to legislative changes, acts of terrorism, an outbreak of international hostilities, lockdowns, embargos, forced closures, lockouts, labour market strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences.	Section 5.2.12
Scientific development and technology change could adversely affect ACL's business	There is a risk that ACL fails to anticipate and respond to scientific developments and new technologies may have a material adverse impact on its business and financial and/or operating performance.	Section 5.2.13
ACL may suffer damage to its reputation and may be subject to litigation, claims, disputes and regulatory investigations	If ACL or an employee of ACL is negligent in performing services or incurs diagnostic error or equipment failure, it could lead to injury, patient harm, financial loss and/or reputational damage to ACL, or other adverse events and legal action (not all of which may be covered by insurance). ACL's reputation with doctors, public and private hospitals, general practitioners, other medical specialists, employees (including pathologists) and members of the public could be adversely affected by any negative publicity. This could result in reduced demand for ACL's services and affect ACL's ability to recruit and retain pathologists and scientists. ACL may be subject to other litigation, claims and disputes in the course of its business. Such litigation, claims, investigations and disputes, including the costs of settling claims and operational impacts, could adversely affect ACL's business, operating and financial performance.	Section 5.2.14

1. Investment Overview

Topic	Summary	For more information
ACL's insurance cover may be inadequate or unavailable	ACL maintains insurance coverage in relation to many different aspects of its business. However, no assurance can be given that such insurance will be available in the future on a commercially reasonable basis or that ACL will have adequate insurance cover against claims made. If ACL incurs uninsured losses or liabilities, its assets, profits and prospects may be materially adversely affected. There is a risk that ACL may be subject to claims in respect of both historical and future incidents. If such claims arise, there is a risk that ACL's insurance cover may not adequately protect ACL against those claims. Further, ACL may not be able to recover under its insurance if the company or companies providing the insurance (or any reinsurance) are under financial distress or fail.	Section 5.2.15
Forecast financial information may not be realised	The forward-looking statements, opinions and estimates provided in this Prospectus (including any forecast financial information provided) rely on various contingencies and assumptions including assumptions on COVID-19 testing, some of which are described in Section 4. Various factors and risks, both known and unknown, many of which are outside the control of ACL, may impact upon the Company's performance and cause actual performance to vary significantly from expected results. Actual results are likely to vary from the forecast and any variation may be materially positive or negative. There is no guarantee that ACL will achieve its stated objectives or that any forward-looking statements or forecasts contained in this Prospectus will eventuate.	Section 5.2.16
ACL may be subject to lease risks associated with the IPO	The ACCs, pathology laboratories and skin cancer clinics which comprise ACL's national network operate from leased premises including with medical centres and private hospital groups such as SJGHC and Healthscope. A small number of these leases may require ACL to seek the consent of the landlord for a change of control in connection with implementation of the IPO. There is a risk that such consent may not be obtained, or, if it can be obtained, it may not be obtained on reasonable terms and conditions and/or within a reasonable timeframe.	Section 5.2.17
ACL may breach its service level agreements	ACL has entered into contracts to provide pathology services to private hospitals, and commercial and public sector clients under service level agreements. In the event that ACL breaches a service level agreement, ACL may be liable for damages and in certain cases the clients may be entitled to terminate the agreement. ACL's service level agreements may also not be renewed for a number of reasons, including performance below required service levels, adverse publicity or increased competition.	Section 5.2.18
Other key risks	A number of other key risks are included in Section 5, including other commercial and operational risks and general risks.	Section 5

1.6 Key financials and dividend policy

Topic	Summary	For more information
What is ACL's dividend policy?	The Directors intend to target a payout ratio of between 50% to 70% of ACL's NPAT as a dividend. The payment of a dividend is at the discretion of the Directors. It is the intention of the Board to pay interim dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June. Future dividends will be franked to the maximum extent possible. The level of dividend payout ratio may vary depending on a range of factors including: • general business and financial conditions; • ACL's cash flow; • capital expenditure requirements; • working capital requirements; • potential acquisition opportunities; • unusual or non-recurring items; • taxation requirements; and • other factors that the Directors consider relevant. It is intended that the first dividend paid by ACL will be an interim dividend in respect of the period from 1 July 2021 to 31 December 2021.	Section 4.9
What is ACL's pro forma historical and forecast financial performance?	See Pro Forma Financial Information table below.	Section 4.3

AUD in millions	Pro Forma Financial Information					
	FY18	FY19	FY20	FY21F	LTM Dec-20	LTM Dec-21F
Total revenue	495	510	523	647	595	621
EBITDA	95	96	116	208	179	178
EBIT	8	8	30	119	92	90
NPAT	(4)	(4)	12	74	55	54

The information presented above has been prepared on a post AASB 16 basis, contains non-IFRS financial measures, is intended as a summary only and should be read in conjunction with the more detailed discussion on the Financial Information disclosed in Section 4 as well as the risk factors set out in Section 5.

Investors should read Section 4 for full details of the Company's pro forma and statutory historical and forecast results, the underlying pro forma adjustments made and reconciliations in Section 4.3.3.

1. Investment Overview

1.7 Board and senior management

Topic	Name	Position	For more information
Who are ACL's Directors?	Michael Alscher	Non-Executive Chair	Section 6.1
	Melinda McGrath	Chief Executive Officer and Executive Director	
	Nathanial Thomson	Non-Executive Director	
	Andrew Dutton	Independent Non-Executive Director	
	Dr Leanne Rowe AM	Independent Non-Executive Director	
	Dr Michael Stanford AM	Independent Non-Executive Director	
	Mark Haberlin	Independent Non-Executive Director	
Who are ACL's executives?	Melinda McGrath	Chief Executive Officer and Executive Director	Section 6.2
	James Davison	Chief Financial Officer	
	Associate Professor Tony Landgren	National Medical Director and Chief Pathologist	
	Anthony Friedli	Chief Operating Officer and Victoria CEO	
	Sean Jackson	Chief Information Officer	
	Joe Geran	National Marketing Director	
	Chris Brownlow	New South Wales and Australian Capital Territory CEO	
	Shae Seymour	Western Australia CEO	
	Eric Swayn	South Australia and Northern Territory CEO	

1.8 Significant interests of key people and related party transactions

Topic	Summary	For more information
Who are the Shareholders and what will be their interest in the Company at Completion of the Offer?	Shareholdings of Shareholders on the Prospectus Date and immediately following Completion of the Offer are set out in the table below.	Sections 5.3.3 and 7.1.5

Shareholder[38][39]	Prospectus Date	%	Completion	%
Crescent Entities	101.4	68.8%	69.9	34.6%
Crescent Co-Investors	32.9	22.3%	19.7	9.8%
Management Shareholders	13.0	8.8%	9.4	4.7%
Minority Investors	–	–	0.4	0.2%

New Shareholders will hold in aggregate 102.9 million Shares immediately following Completion.

Topic	Summary	For more information
What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what interests do they hold?	The Shares expected to be held by Directors on Completion are as follows:	Sections 6.4, 6.5 and 6.6

Director	Prospectus Date	Completion
Michael Alscher	Nil[40]	Nil
Melinda McGrath	4,652,455[41]	2,791,473
Nathanial Thomson	Nil[42]	Nil
Andrew Dutton	Nil	Nil
Leanne Rowe	Nil	Nil
Michael Stanford	Nil	Nil
Mark Haberlin	Nil	Nil

The Directors (and their associated entities) are entitled to apply for Shares under the Priority Offer. The above table does not include any Shares which may be acquired as part of the Priority Offer. The Non-Executive Directors have indicated that they (either directly or via their associated entities) currently intend to acquire additional Shares as part of the Priority Offer. Based on these indications these Non-Executive Directors have expressed an interest in acquiring in aggregate up to a maximum of 417,500 Shares in the Offer. Directors and senior management are entitled to remuneration and fees as disclosed in Sections 6.4.2 and 6.5, and are entitled to participate in the incentive arrangements described in Sections 6.5.1 and 6.6.

Advisers and other service providers are entitled to fees for services and have other interests as disclosed in Section 6.3.1.

38. Shareholders may hold their interests in Shares directly, or through entities associated with them (e.g. through holdings by companies or trusts).
39. Refer also to Section 6.4 for further information on interests and benefits (including Directors' interests in Shares).
40. Michael Alscher and Nathanial Thomson will have an indirect aggregate interest of less than 0.04% in Shares through personal investment vehicles that hold an interest in Crescent Capital Partners Specific Trust VB (alongside a number of other investors).
41. ACN 633 176 100 Pty Ltd holds 668,027 shares in its capacity as trustee for McGrath Family Trust.
42. Michael Alscher and Nathanial Thomson will have an indirect aggregate interest of less than 0.04% in Shares through personal investment vehicles that hold an interest in Crescent Capital Partners Specific Trust VB (alongside a number of other investors).

1. Investment Overview

Topic	Summary	For more information
Will any Shares be subject to restrictions on disposal following Completion?	Shares held on Completion of the Offer by the Crescent Entities, Crescent Co-Investors and Management Shareholders (or entities that they control or that are associated with them) will be subject to voluntary escrow arrangements, which will prevent them from disposing of their escrowed Shares for specific periods. The Escrow Shares will be subject to voluntary escrow arrangements as follows: • one-third until the release of the Company's financial results for the half year of the financial year ending 31 December 2021; • one-third until the release of the Company's financial results for the full year of the financial year ending 30 June 2022; and • one-third until the release of the Company's financial results for the half year of the financial year ending 31 December 2022. The number of Escrowed Shares and percentage of the Escrowed Shares bears to all the Shares on issue on Completion of the Offer is set out in Section 9.7[43].	Section 9.7
Are there any other related party transactions?	Other than as disclosed in this Prospectus, ACL is not party to any material related party arrangements. The Company has historically paid director fees to CCPM in respect of director services provided to the Company. The total fee per annum paid by the Company to CCPM under this arrangement was $240,000. This arrangement will be terminated on completion of the Offer and there are no continuing obligations from the Company to CCPM or CCPM to the Company under this arrangement.	Section 6.6.2

1.9 Overview of the Offer

Topic	Summary	For more information
Who are the issuers of this Prospectus?	Australian Clinical Labs Limited (ACN 645 711 128) and ACL SaleCo Limited (ACN 648 177 646).	Important information
What is the Offer?	This Prospectus relates to an initial public offering of new Shares issued by ACL and the sale of existing Shares by SaleCo at an Offer Price of $4.00 per Share (Offer Price). A total of 102.1 million Shares will be available under the Offer[44]. These Shares will be available for investors under the Broker Firm Offer, the Institutional Offer, the Priority Offer and the Employee Offer. Shares will also be available under the Priority Employee Discount Offer at a discounted price of 85% of the Offer Price. The Offer (excluding the Employee Gift Offer, under which no proceeds will be raised) is expected to raise approximately $142.3 million from the issue of New Shares by the Company and for the Company's benefit and approximately $266.2 million from the sale of Existing Shares by SaleCo. The Shares to be issued or sold under the Offer will represent 50.8% of the Shares on issue at Completion of the Offer[45].	Section 7.1

43. 0.3% of the Shares on issue at Completion of the Offer that are held by Management Shareholders will not be subject to voluntary escrow because certain Management Shareholders have chosen not to sell their vested MEP Shares through SaleCo.
44. This relates only to the issue of New Shares under the Broker Firm Offer, the Priority Offer, the Priority Employee Discount Offer, the Employee Offer and the Institutional Offer.
45. Shares on issue at Completion include New Shares issued under the Broker Firm Offer, the Priority Offer, the Priority Employee Discount Offer, the Employee Offer, the Employee Gift Offer and the Institutional Offer, and the New Shares issued in connection with the SunDoctors acquisition.

Topic	Summary	For more information
Why is the Offer being conducted?	The purpose of the Offer is to: • Raise capital to repay ACL's existing liabilities; • Allow Shareholders as at the Prospectus Date to realise part of their investment in ACL through the sale of Existing Shares through SaleCo; • Broaden ACL's shareholder base and provide a liquid market for Shares; • Provide ACL with the benefits of an increased brand profile that arises from being a publicly listed entity; and • Pay transaction costs.	Section 7.1.2
What is the consideration payable for the Shares?	The price payable under the Offer (except for the Priority Employee Discount Offer) is $4.00 per Share. Applicants under the Priority Employee Discount Offer will pay a discounted price of 85% of the Offer Price, being $3.40 per Share.	Sections 7.1 and 7.1.1
What is SaleCo?	SaleCo is a special purpose vehicle that has been established to facilitate the sale of certain Existing Shares held by the Selling Shareholders.	Sections 7.1.3 and 9.5
Will the Shares be quoted on the ASX?	ACL will apply for admission to the Official List of the ASX and quotation of Shares on the ASX under the code "ACL". Completion is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. ACL will be required to comply with the ASX Listing Rules, subject to any waivers obtained by us from time to time. The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ACL may be admitted to the Official List is not to be taken as an indication of the merits of ACL or the Shares offered for sale.	Section 7.13
Will the Offer be extended into New Zealand?	Yes. All Shares offered to investors in New Zealand under the Offer are being offered under the Mutual Recognition Regime. No offer of Shares is being made to investors in New Zealand until such time as the relevant notice and accompanying documents required to be lodged under the Mutual Recognition Regime have been lodged. Investors in New Zealand should refer to the section "Important Notice to New Zealand investors" on page 1 of this Prospectus.	"Important Notice to New Zealand investors" on page 1
What is the proposed use of funds raised under the Offer?	The Offer proceeds of $408.6 million will be applied to: • payments to Selling Shareholders as consideration for the acquisition of Existing Shares; • Repayment of existing debt; and • payment of transaction costs.	Section 7.1.3

1. Investment Overview

Topic	Summary	For more information
How is the Offer structured?	The Offer comprises the following components: • **Broker Firm Offer:** open to Australian and New Zealand resident retail clients of Brokers who have received a firm allocation of Shares from their Broker; • **Priority Offer:** open to selected investors in Australia who have received an invitation from the Company to apply for Shares at the Offer Price; • **Priority Employee Discount Offer:** open to Eligible Priority Employees who have received an offer from the Company to acquire Shares at a discounted price of 85% of the Offer Price; • **Employee Gift Offer:** open to Eligible Employees who have received an offer from the Company to acquire $1,000 worth of Shares in the Company at no cost and have not elected to receive the equivalent cash gift; • **Employee Offer:** open to Eligible Priority Employees, Eligible Employees and Eligible Casual Employees who have received an offer from the Company to apply for Shares at the Offer Price; and • **Institutional Offer:** offer to Institutional Investors in Australia, New Zealand and certain other jurisdictions around the world, made under this Prospectus.	Section 7.1.1
Is the Offer underwritten?	The Joint Lead Managers have fully underwritten the Offer (other than the Employee Gift Offer) pursuant to the Underwriting Agreement.	Section 7.2
What is the allocation policy?	The allocation of Shares between the Institutional Offer and Retail Offer (including the Broker Firm Offer, the Priority Offer, the Priority Employee Discount Offer, the Employee Gift Offer and the Employee Offer) was determined by agreement between the Company and the Joint Lead Managers, having regard to the allocation policy outlined in Sections 7.3.4, 7.4.4, 7.5.4, 7.6.4, 7.7.4 and 7.10.2 of this Prospectus.	Sections 7.2, 7.3.4, 7.4.4, 7.5.4, 7.6.4, 7.7.4 and 7.10.2
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 9.6 for details of various fees payable by ACL to the Joint Lead Managers and by the Joint Lead Managers to certain Brokers (on behalf of the Company).	Sections 7.2 and 9.6
Are there any tax considerations for Australian investors?	Yes. Refer to Section 9.12 and note that it is recommended that all Shareholders consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances.	Section 9.12
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about Thursday, 20 May 2021. Refunds (without interest) to Applicants who make an Application and are scaled back (or otherwise receive Shares having a lesser value than the amount of Application Monies they have paid) will be made as soon as possible after Completion of the Offer.	Section 7.2

Topic	Summary	For more information
How can I apply?	Applicants under the Broker Firm Offer should follow the instructions provided by their Broker in relation to any application for Shares. Applicants under the Priority Offer may apply for Shares by following the instructions in their personalised invitation to participate in the Priority Offer. Eligible Priority Employees may apply for Shares under the Priority Employee Discount Offer by following the instructions in their personalised invitation to participate in the Priority Employee Discount Offer. Eligible Employees may apply for Shares under the Employee Gift Offer (at no cost) by following the instructions in their personalised invitation to participate in the Employee Gift Offer. Eligible Priority Employees, Eligible Employees and Eligible Casual Employees may apply for Shares in the Employee Offer (at the Offer Price) by following the instructions in their personalised invitation to participate in the Employee Offer. To the extent permissible by law, an Application by an Applicant under the Offer is irrevocable.	Sections 7.3.2, 7.4.2, 7.5.2, 7.6.2 and 7.7.2
Where can I find more information about this Prospectus or the Offer?	All enquiries in relation to this Prospectus should be directed to the ACL Offer Information Line on 1800 882 147 (toll free within Australia) or +61 1800 882 147 (outside Australia) from 8:30am until 5:30pm (Sydney time) Monday to Friday (excluding public holidays). All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.	Section 7.2
Can the Offer be withdrawn?	Yes. ACL reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants. If the Offer, or any part of it, does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.	Section 7.12

Industry Overview

2

2. Industry Overview

2.1 Overview of Australian Pathology Market

Pathology is a medical specialty that focuses on determining the cause and nature of disease through the examination and testing of body fluids, micro-organisms, tissue and other biological samples. Pathology is critical to the overall healthcare system due to its broad range of applications across disease screening, diagnosis, treatment preparation and monitoring. Over 70% of all healthcare decisions related to diagnosis and treatment as well as almost all cancer diagnoses involve a pathology test.

2.1.1 Pathology Testing Categories

Pathologists examine body tissues and fluids to carry out a variety of tests ranging from a blood count to intricate tissue and cellular analysis. Larger pathology providers typically provide a comprehensive range of tests such as chemical, microbiology, haematology, immunology and molecular testing and have capacity for high volume, rapid testing. Smaller pathology service providers tend to cover a narrower range of tests and have more limited domain expertise. There are seven key pathology testing categories which account for over 98%[1] of pathology services in Australia.

Figure 2.1: Key Pathology Testing Categories

Discipline	Category	Description	Example Conditions Requiring Pathology	% of Pathology Services in Australia (FY2020)[2]
Clinical Pathology	**Chemical**	Examines body fluids such as blood, urine, saliva or spinal fluid	• Metabolic diseases • High cholesterol • Nutritional deficiencies	53.9%
	Microbiology	Examines specimens for the presence of bacteria, fungi, parasites and viruses to examine, diagnose, treat and prevent the spread of infection	• Hepatitis C • Lyme disease • COVID-19 • Food poisoning outbreaks • Meningitis	17.1%
	Haematology	Examines blood cells in order to identify any abnormalities	• Anaemia • Haemophilia • Leukemia	16.7%
	Immunology / Immunopathology	Examines antibodies and other factors in the blood to assess immunity and diagnose allergies	• Autoimmune disease • HIV-AIDS	4.7%
	Genetics / Cytogenetics	Examines chromosomal and genetic abnormalities	• Prenatal diagnosis • Inherited diseases	0.3%

1. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services" for the year ending 30 June 2020, excluding Patient Episode Initiation http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
2. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", excluding Patient Episode Initiation http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.

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Discipline	Category	Description	Example Conditions Requiring Pathology	% of Pathology Services in Australia (FY2020)[2]
Anatomical Pathology	**Histopathology**	Examines organs, tissue and cells to decide if a disease is present and what effect it could have on the patient	• Colon diseases • Cancer diagnosis	3.7%
	Cytology / Cytopathology	Examines small samples of cells to identify abnormalities, usually from a smear, brushing technique or fine needle aspiration	• Skin cancer • Cervical cancer	1.9%
Other		Examples include blood banking / transfusion medicine, which combines haematology and immunology disciplines for testing compatibility and quality of donated blood, as well as other pathology tests	• Blood banking	1.7%

2.1.2 Role of Pathology

Pathology informs the clinical decisions of healthcare professionals across the healthcare continuum and is critical to the medical system and the application of evidence-based medicine. Given the essential role of pathology, the Australian Government's objective is to ensure access to high quality, clinically relevant, cost-effective pathology services[3]. This is highlighted by pathology being the third-largest category of Medicare benefits[4]. As medicine becomes increasingly personalised, the importance of pathology in diagnoses and determination of treatment plans is increasing.

3. Australian Government, Department of Health, Pathology Under Medicare, https://www1.health.gov.au/internet/main/publishing.nsf/Content/health-pathology-aboutus-index.htm.
4. Based on information sourced from Medicare Benefits Schedule for total benefits paid for all services and Category 6 "Pathology Services" for the year ending 30 June 2020, http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.

Pathology plays a key role across all facets of the healthcare continuum as outlined in Figure 2.2 below.

Figure 2.2: Role of Pathology Across the Healthcare Continuum

Screening	Pathology tests are used to screen for particular diseases, for example: • Cervical cancer, for example, the National Cervical Screening Program; and • Bowel cancer, for example, the National Bowel Cancer Screening Program. Screening is also crucial to infectious disease control and prevention, such as COVID-19 testing to prevent outbreaks and community transmission. Population-based screening for genetic abnormalities also rely on pathology testing, for example antenatal and newborn screening programs.
Diagnosis	Pathology tests are associated with over 70% of all diagnoses and almost all cancer diagnoses. They can provide information to confirm or rule out the presence of a particular disease and provide a final diagnosis, for example, assessment of biopsy to check if a mole is cancerous.
Treatment	Pathology tests are used to prepare patients for treatments by: • Assisting pre-treatment preparations including cross matching of blood prior to surgery or transfusion; • Excluding the possibility of an adverse event by testing for certain antibodies to prevent blood transfusion reactions; and • Preparing patients to receive chemotherapy. Pathology results also guide patient treatments, for example: • Monitoring treatment effectiveness through the assessment of drug treatment response; and • Identifying certain genetic markers in a tumour, enabling treating doctors to determine the best course of treatment for each individual patient.
Monitoring	Pathology informs disease prognosis and monitoring of chronic conditions, for example: • Blood tests to monitor the progress of kidney disease; • Blood glucose tests to monitor diabetic control; and • Assessment of medication levels in blood and their effect on certain organs.

Pathology is also critical to clinical trials and research such as in the pharmaceutical and biotechnology industries. Pathology is used in the ongoing analysis of drug and treatment responses in clinical trials, ensuring patient safety and providing analysis to assess the effectiveness of an intervention. Pathology is also vital to drug discovery and development and is central to monitoring the treatment efficacy of cell and gene therapy. Additionally, pathology providers assist commercial and government organisations to comply with occupational health and safety regulations through the provision of pre-employment health assessments, drug and alcohol testing and infection testing.

2.1.3 Size of Australian Pathology Market

In Australia, the pathology market can be segmented by the requesting practitioner of the pathology test and falls into three segments:

- Community pathology;
- Pathology services to patients in hospitals; and
- Other pathology including veterinary and commercial pathology.

The Australian pathology market is estimated to be over $5.4 billion[5] as at 30 June 2020, with services provided by both private pathology providers, such as ACL, and public pathology providers. Community pathology and pathology services

5. Partners in Performance and ACL estimates.

2. Industry Overview

to hospitals represent the majority of the market, with community pathology representing approximately half of the pathology market.

Figure 2.3: Overview of Providers in the Australian Pathology Market

		Pathology Services to Hospitals (Inpatients)		
Segment	**Community Pathology**	**Public Hospitals**	**Private Hospitals**	**Other Pathology**
Requesting Practitioner of Pathology Test	General practitioners and specialists outside of a hospital setting	Public Hospital Doctors	Private Hospital Doctors	Veterinary, Commercial and Other
Segment size ($ billion) FY2020	2.8[6]	Over 2.0[7]	0.2-0.3[8]	0.2-0.4[9]
Main Pathology Providers	Private providers: • ACL • Sonic Healthcare • Healius • Smaller private providers Public providers	Public providers, such as: • Various State / hospital based entities • NSW Health Pathology • SA Pathology • PathWest Private providers	Private providers: • ACL • Sonic Healthcare • Healius • Smaller private providers Private hospital in-house providers	Private providers including various specialist providers and general pathology companies
Funding Source	Almost exclusively Medicare, with pricing according to the Medicare Benefits Schedule	Primarily funds administered by State governments through block grants to hospitals, with negotiated pricing Small fraction of funds from Medicare, according to the Medicare Benefits Schedule	Medicare, with pricing according to the Medicare Benefits Schedule Private health insurance, with pricing negotiated with the individual private health insurance funds Out of pocket by the patient	Corporates, government and patients
Pathology Provider Selection	• ACC agreements • Doctor relationships • Patient preferences	• Hospital and State government policy and preferences	• Leases for premises • Commercial contracts • Doctor relationships	• Typically tenders or price lists

6. Partners in Performance estimates.
7. Partners in Performance estimates.
8. Partners in Performance estimates.
9. ACL estimates.

2.1.3.1 Community Pathology

Community pathology comprises pathology referred by a general practitioner or specialist doctor, collected outside of an inpatient hospital setting. The Community pathology segment in Australia is estimated to be approximately $2.8 billion[10] and is primarily serviced by private pathology providers.

Typically, when a medical practitioner refers a patient for pathology testing, the patient has their sample collected at an ACC or the doctor or specialist collects the sample in their rooms or the patient self collects. An ACC can be a standalone centre or, more often, a room within a medical centre. Where the ACC is in a room within a medical centre, the private pathology provider enters an ACC lease agreement with the medical centre. Private pathology providers are also employing integrated models of pathology such as integrated skin cancer clinics and histopathology.

89% of community pathology tests are bulk-billed through Medicare and the patient is not charged any out of pocket fee[11], promoting universal access to pathology and limited price differentiation between pathology providers. Outpatient bulk-billed pathology rates are typically paid at 85% of the prices set out in the Medicare Benefits Schedule[12].

2.1.3.2 Pathology Services to Hospitals

Pathology services to hospitals refers to services provided to inpatients within both public and private hospitals. In Australia, the pathology services to hospitals segment is estimated to be over $2.2 billion[13].

Most public hospitals are serviced by publicly funded pathology networks, either the hospital entity itself or the State funded pathology providers within the State where the hospital operates. These entities are typically funded through State government funding via block grants to hospitals. There is also a small number of public hospitals which have tendered their pathology services to private providers at negotiated rates.

Private hospitals are primarily serviced by private pathology providers or the hospital provides the service in-house. Private hospitals negotiate price and service requirements and typically award a long-term contract to a private pathology provider. Pathology services in private hospitals are typically funded by a combination of Medicare (at 75% of the prices set out in the Medicare Benefits Schedule), private health insurance (legally required to pay at least 25% of the prices set out in the Medicare Benefits Schedule[14]) and either a gap paid by the private health insurance fund or out of pocket costs from the patient.

2.1.3.3 Other Pathology

Other pathology comprises a range of pathology services across various industries including veterinary, commercial clients, government bodies and research organisations. Veterinary pathology services are provided to private veterinary practitioners, zoological gardens, veterinary pharmaceutical companies and university research facilities. Commercial contracts include pre-employment health screening, drug and alcohol testing and infectious disease testing such as COVID-19 testing. Pathology providers also perform specialised services to support holistic medicine, clinical trials, government agencies and research organisations. In Australia, the other pathology segment is estimated to be approximately $0.2-0.4 billion[15] and serviced by private providers including various specialist providers.

2.2 Pathology Providers in Australia

In Australia, private pathology providers predominantly service the community pathology segment and other pathology segment. In addition, some private pathology providers provide pathology services to private hospitals and to a lesser extent public hospitals. Some public pathology providers compete in the community and other pathology segments.

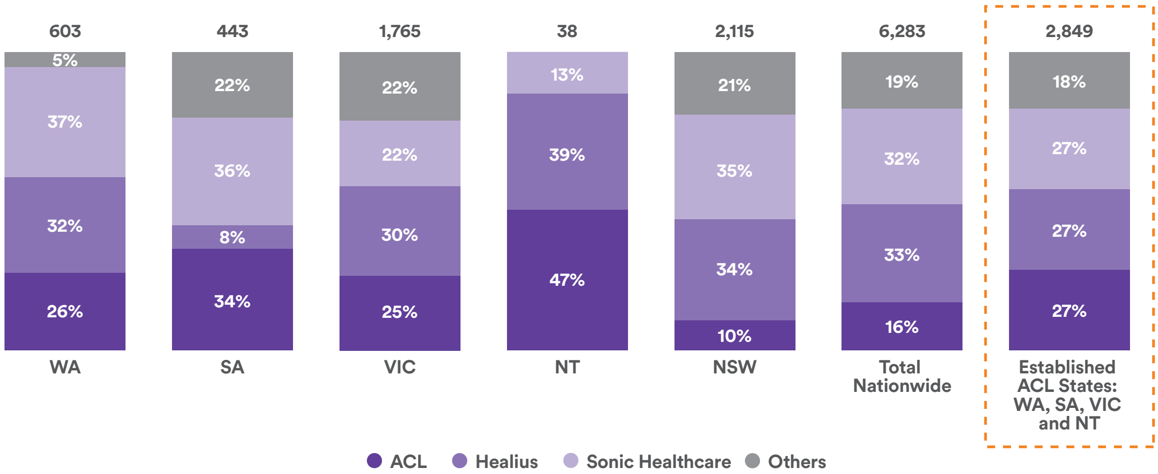
10. Partners in Performance estimates.
11. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services" for the year ending 30 June 2020, http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
12. Parliament of Australia, Medicare: A Quick Guide, http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1617/Quick_Guides/Medicare.
13. Partners in Performance estimates.
14. Australian Government, Department of Health, Private Health Insurance, Out of Pocket Costs, https://www.health.gov.au/health-topics/private-health-insurance/what-private-health-insurance-covers/out-of-pocket-costs.
15. ACL estimates.

2. Industry Overview

2.2.1 Largest Private Pathology Providers in Australia

The largest private pathology providers in Australia are ASX-listed Sonic Healthcare, ASX-listed Healius and ACL. These three providers account for over 80%[16] of all ACCs as at 1 February 2021. The number of ACCs can be used as an illustrative proxy for community pathology segment position, though is not an accurate reflection of revenue due to various factors including differences in ACC size, medical practice size and location.

Figure 2.4: Community Pathology Segment Position per State (by Number of ACCs)[17] (%)



Sonic Healthcare is the largest private pathology provider in Australia by revenue, with Australian pathology revenue of $1,744 million for the 12 months to 31 December 2020. Sonic Healthcare accounts for approximately 32%[18] of all ACCs in Australia and operates under various brands by State including Douglass Hanly Moir, Sullivan Nicolaides, Melbourne Pathology, Barratt & Smith Pathology and Capital Pathology in Australia. Sonic Healthcare has pathology operations in Australia, New Zealand, the United States, and a number of European countries.

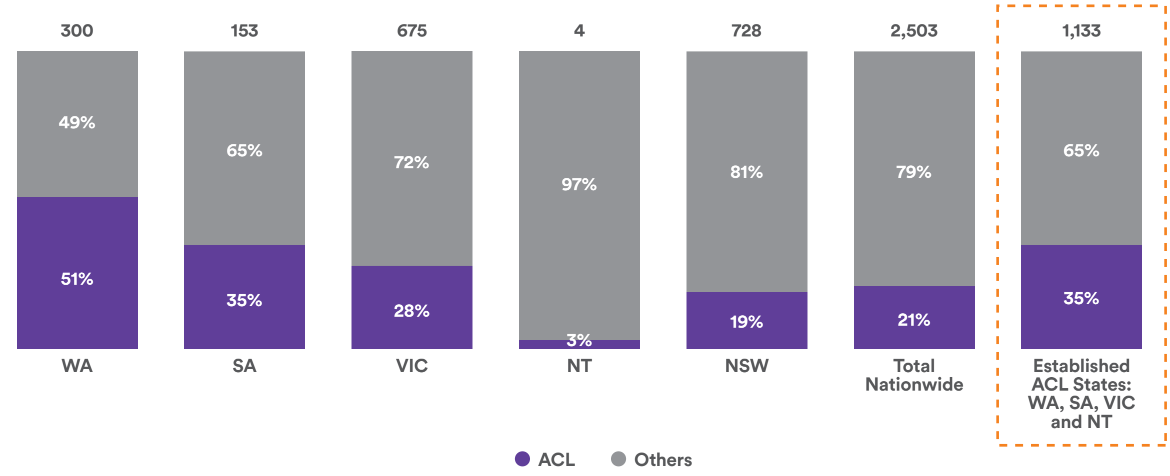
Healius is the second-largest private pathology provider in Australia by revenue, with Australian pathology revenue of $1,289 million for the 12 months to 31 December 2020. Healius accounts for approximately 33%[19] of all ACCs in Australia and operates under various brands including QML Pathology, Laverty Pathology, Dorevitch Pathology, Tasmanian Medical Laboratories, Western Diagnostic Pathology, Genomic Diagnostics and Abbott Pathology.

ACL is the third-largest private pathology provider in Australia by revenue, with revenue of $595 million for the 12 months to 31 December 2020. ACL accounts for approximately 16%[20] of all ACCs in Australia and primarily operates under the Australian Clinical Labs brand. In ACL's established States (Western Australia, South Australia, Victoria and the Northern Territory), ACL's share (by number of ACCs) is 27%[21], making ACL an equivalent competitor to Sonic Healthcare (27%[22] share of ACCs) and Healius (27%[23] share of ACCs). ACL has a growing presence in New South Wales (10%[24] share of ACCs). In FY2021, ACL will expand its presence in Queensland through the acquisition of SunDoctors, a skin cancer clinics and histopathology business comprising 30 clinics and two laboratories, and is also in the process of opening a new branch laboratory.

16. Market position by number of ACCs as at 1 February 2021.
17. Market position by number of ACCs as at 1 February 2021. NSW includes 79 ACCs in the ACT. Total ACL ACCs excludes 1 SunDoctors ACC.
18. Estimated position by number of ACCs as at 1 February 2021.
19. Estimated position by number of ACCs as at 1 February 2021.
20. Estimated position by number of ACCs as at 1 February 2021. Total ACL ACCs excludes 1 SunDoctors ACC.
21. Estimated position by number of ACCs as at 1 February 2021.
22. Estimated position by number of ACCs as at 1 February 2021.
23. Estimated position by number of ACCs as at 1 February 2021.
24. Estimated position by number of ACCs as at 1 February 2021.

ACL is a significant provider of private pathology to hospitals, reflecting its origins as the pathology provider in the second and third-largest private hospital groups in Australia (Healthscope and SJGHC). ACL provides 35% of pathology services to private hospitals in its established states of Western Australia, South Australia, Victoria and the Northern Territory and 21% across Australia[25].

Figure 2.5: ACL's Private Hospital Segment Position per State (by '000s of Patient Episode Initiation)[26] (%)



2.3 Growth in Australian Pathology

The Australian pathology market has experienced steady, consistent growth over the last two decades. The Medicare funded pathology segment was worth $3.1 billion for the financial year ended 30 June 2020 and has grown at a CAGR of 5.4% since FY2000[27] (5.6% CAGR from FY2000 to FY2019[28], noting FY2020 was impacted by COVID-19). This is consistent with the annual growth of healthcare expenditure in Australia, which experienced a CAGR of 6.6% over the same period[29] (6.8% CAGR from FY2000 to FY2019[30]).

Pathology is underpinned by predictable and consistent long-term growth drivers and supported by a stable regulatory environment. Increasing demand for pathology services is driven by a growing and ageing population, as well as the increasing incidence of chronic disease due to lifestyle factors and disease prevalence among older Australians. These factors have led to increasing visits to general practitioners and higher pathology testing per capita. Technology and medical advances, including personalised medicine and the rapid development of molecular biology, further drive growth. These long-term drivers are explained in Section 2.3.1.

In addition, the market for pathology services has been materially affected by COVID-19. This pandemic has led to a decline in the size of the pathology market in FY2020 and a material increase in the market in FY2021. The impact of COVID-19 is discussed in Section 2.3.2.

25. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", P10-Patient Episode Initiation), and ACL data for the year ending 30 June 2020.
26. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", P10 Patient Episode Initiation, and ACL data for the year ending 30 June 2020.
27. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
28. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
29. Based on information sourced from Medicare Benefits Schedule for total benefits paid for all services, http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
30. Based on information sourced from Medicare Benefits Schedule for total benefits paid for all services, http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.

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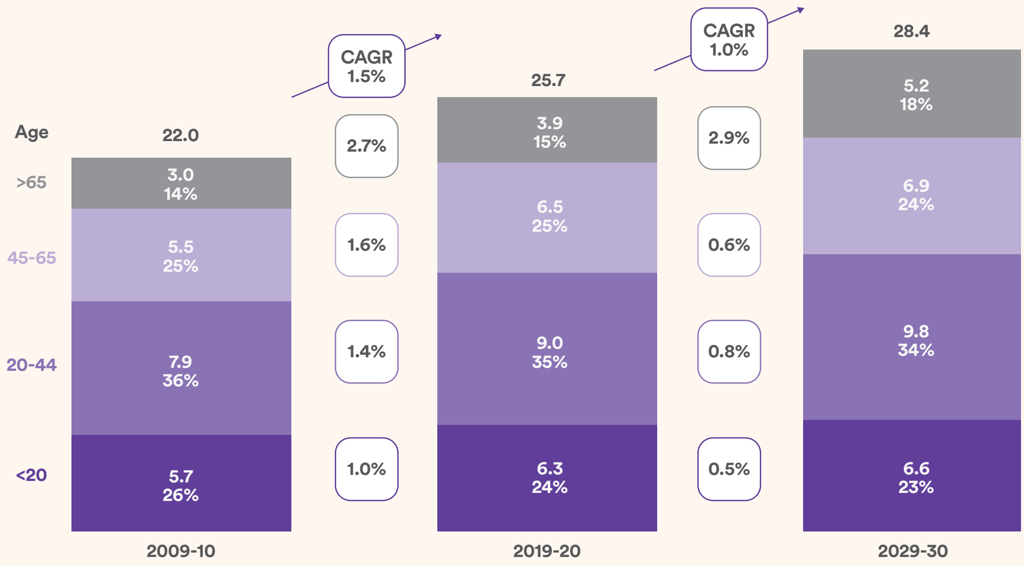
2.3.1 Drivers of Growth in the Australian Pathology Market

Growth in pathology is underpinned by predictable and consistent, long-term fundamental drivers outlined in Figure 2.6. ACL management expects these factors to continue to drive growth for pathology services in the future.

Figure 2.6: Drivers of Growth in Pathology

Driver	Description
Growing and Ageing Population	A growing and ageing population underpins demand for healthcare services. Australia had a population of 25.7 million people as at 30 June 2020 and this is projected to grow at 1.0% per annum over the next ten years[31]. People aged over 65 years are the largest users of pathology services, consuming 38% of all services in FY2020[32] and this population cohort is estimated to grow faster than the general population at a CAGR of 2.9%[33] between FY2020 and FY2030. By FY2030, there are expected to be 5.2 million people aged over 65 years[34]. As the population continues to grow and the proportion of older Australians increases, expenditure on pathology services is expected to increase.

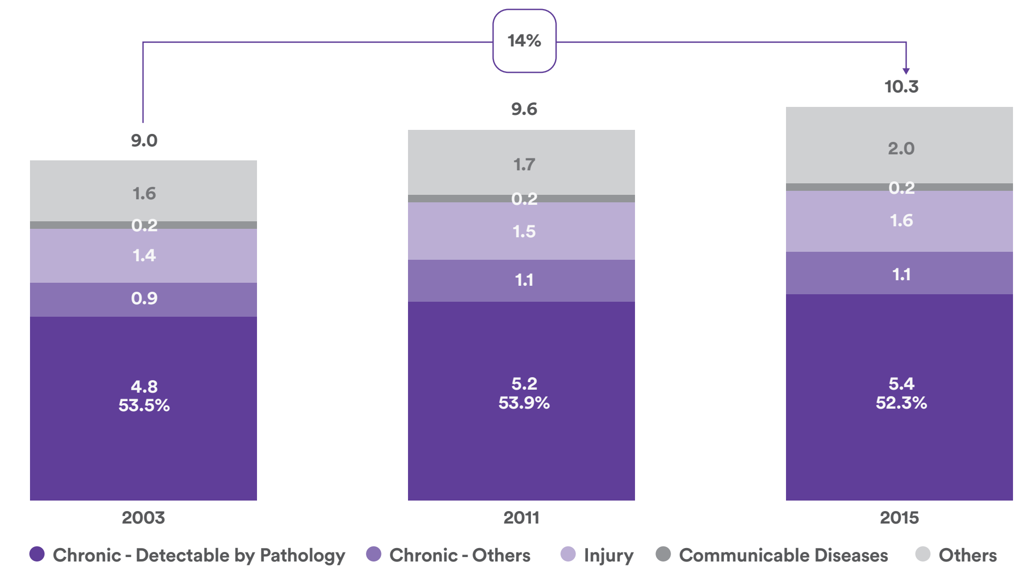
Figure 2.7: Australian Population[35] (millions)



31. Australian Bureau of Statistics 3105.0.65.001, Australian Historical Population Statistics, 2019. Australian population statement; National age and sex structure, tidy file, 2019-20 to 2030-31, central scenario https://population.gov.au/data-and-forecasts/data-and-forecasts-projections.html.
32. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
33. Australian Bureau of Statistics 3105.0.65.001, Australian Historical Population Statistics, 2019. Australian population statement; National age and sex structure, tidy file, 2019-20 to 2030-31, central scenario https://population.gov.au/data-and-forecasts/data-and-forecasts-projections.html.
34. Australian Bureau of Statistics 3105.0.65.001, Australian Historical Population Statistics, 2019. Australian population statement; National age and sex structure, tidy file, 2019-20 to 2030-31, central scenario https://population.gov.au/data-and-forecasts/data-and-forecasts-projections.html.
35. Australian Bureau of Statistics 3105.0.65.001, Australian Historical Population Statistics, 2019. Australian population statement; National age and sex structure, tidy file, 2019-20 to 2030-31, central scenario https://population.gov.au/data-and-forecasts/data-and-forecasts-projections.html.

Driver	Description
Increasing Prevalence of Chronic Diseases	The increasing prevalence of chronic diseases is leading to increased demand for healthcare services, which drives demand for pathology services for both detection and monitoring. The total burden of diseases in Australia as measured by Total Disability-Adjusted-Life-Year (**DALY**) has increased by 14% between 2003 and 2015. Over 60% of the disease burden is attributable to chronic diseases[36], more than 80% of which are detectable by pathology.

Figure 2.8: Australian Total Disability-Adjusted-Life-Year[37]



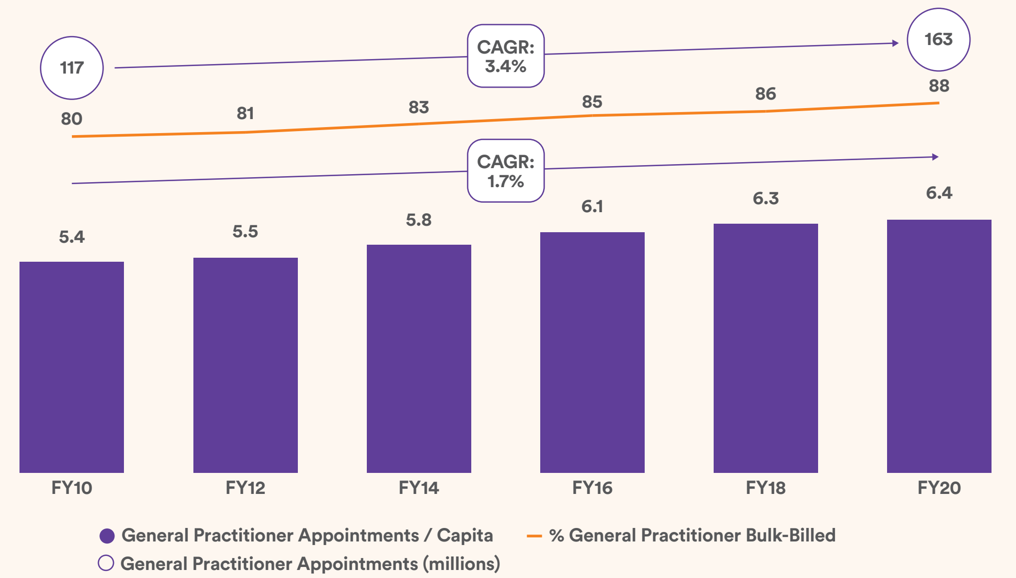
The prevalence of chronic diseases in Australia is increasing due to a range of factors including an ageing population where people aged over 65 years have a higher likelihood of having multiple long-term conditions and illnesses[38]. 48%[39] of Australians that have three or more chronic conditions are aged 65 years and over. Lifestyle factors, such as diet and exercise, are also key drivers of the prevalence of chronic diseases. Poor diet and obesity are identified risk factors for chronic illnesses including cardiovascular disease, cancer and high cholesterol[40].

36. Australian Institute of Health and Welfare 2019. Australian Burden of Disease Study: Impact and causes of illness and death in Australia 2015. Australian Burden of Disease series no. 19. Cat. No. BOD 22. Canberra: AIHW, and Partners in Performance estimates.
37. Australian Institute of Health and Welfare 2019. Australian Burden of Disease Study: Impact and causes of illness and death in Australia 2015. Australian Burden of Disease series no. 19. Cat. No. BOD 22. Canberra: AIHW, and Partners in Performance estimates.
38. Australian Institute of Health and Welfare 2018, Australia's Health 2018 series no. 16 AUS 221.
39. Australian Bureau of Statistics Report for item Ref # 4364.0.55.001, 'Australian National Health Survey: First Results, 2017-18'.
40. Australian Bureau of Statistics Report for item Ref # 4364.0.55.001, 'Australian National Health Survey: First Results, 2017-18'; Australian Institute of Health and Welfare, Australia's Health 2020 In Brief.

2. Industry Overview

Driver	Description
Increasing Visits to General Practitioners	Australia's growing and ageing population, together with the increasing incidence of chronic illnesses, has led to increasing visits to general practitioners growing at a CAGR of 3.4% between FY2010 and FY2020[41]. General practitioners are typically the first point of contact in the Australian medical system, providing direct treatment to patients, diagnosing health conditions and referring patients to specialists or hospitals. General practitioners are the largest referrers of pathology tests ordering approximately 70% of Medicare funded tests. Australians are visiting general practitioners more frequently and driving demand for the pathology tests required to diagnose and treat patients. Over the last decade, the number of general practitioner appointments per capita has increased 1.7% per annum to 6.4 appointments per capita in FY2020[42]. Almost nine in ten (88%) general practitioner services were bulk-billed with no out of pocket cost to patients, up from 80% in FY2010, highlighting the increased accessibility to general practitioner services[43].

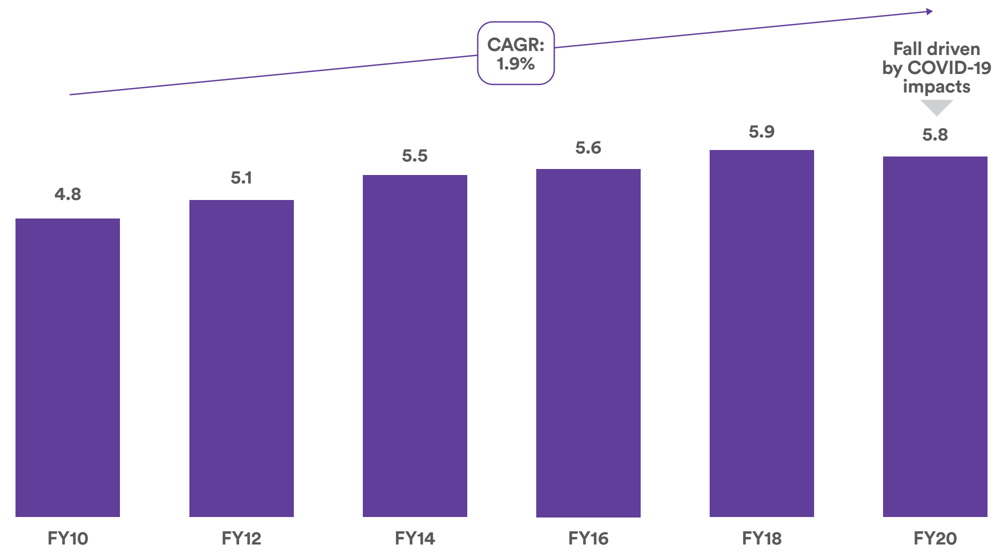
Figure 2.9: General Practitioner Appointments per Capita[44] (#)



41. Based on information sourced from Medicare Benefits Schedule Report by BTOS "Non-Referred Attendances", http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
42. Based on information sourced from Medicare Benefits Schedule Report by BTOS "Non-Referred Attendances", http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp. Number of Services per capita data sourced from Medicare and based on Medicare's Estimated Resident Population (ERP) data.
43. Based on information sourced from Medicare Benefits Schedule Report by BTOS "Non-Referred Attendances", http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp. Number of Services per capita data sourced from Medicare and based on Medicare's Estimated Resident Population (ERP) data.
44. Based on information sourced from Medicare Benefits Schedule Report by BTOS "Non-Referred Attendances", http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp. Number of Services per capita data sourced from Medicare and based on Medicare's Estimated Resident Population (ERP) data.

Driver	Description
Increasing Pathology Testing per Capita	Healthcare has increasingly focused on early detection and prevention[45] with doctors using pathology testing to prevent or treat disease early. In Australia, the Government has a range of health initiatives, such as those promoting awareness of bowel cancer, prostate cancer, breast cancer and skin cancer, which have led to an increase in pathology testing in these areas. Use of pathology services per capita has grown from 4.8 in FY2010 to 5.8 in FY2020, a CAGR of 1.9%[46]. (2.3%[47] CAGR from FY2010 to FY2019 noting FY2020 was impacted by COVID-19. Refer to Section 2.3.2 for further details).

Figure 2.10: Pathology Services per Capita[48] (#)



Driver	Description
Scientific and Technological Advancements	Advancements in technology and medical innovations have also contributed to the growing demand for pathology services. For example, the introduction of non-invasive prenatal testing (**NIPT**) provides a safe and effective way to screen for conditions including Down syndrome and other abnormalities in babies. The development and use of novel technology has allowed for a greater range of tests to be performed, expanding the role of pathology as the basis for medical practice and driving the shift to higher quality tests. ACL management acknowledges that advances in genetics, IT and digital imaging are improving molecular diagnostic tools and increasing the accuracy of diagnoses. Continued rapid advances in diagnostic science will continue to reinforce demand for pathology services and drive health outcomes for individuals.

45. Australian Government, Department of Health, National Primary Health Care Strategic Framework, Priorities and Objectives, https://www1.health.gov.au/internet/publications/publishing.nsf/Content/NPHC-Strategic-Framework~priorities-and-objectives.
46. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 “Pathology Services”, http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp. Number of Services per capita data sourced from Medicare and based on Medicare’s Estimated Resident Population (ERP) data.
47. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 “Pathology Services”, http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp. Number of Services per capita data sourced from Medicare and based on Medicare’s Estimated Resident Population (ERP) data.
48. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 “Pathology Services”, http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp. Number of Services per capita data sourced from Medicare and based on Medicare’s Estimated Resident Population (ERP) data.

2. Industry Overview

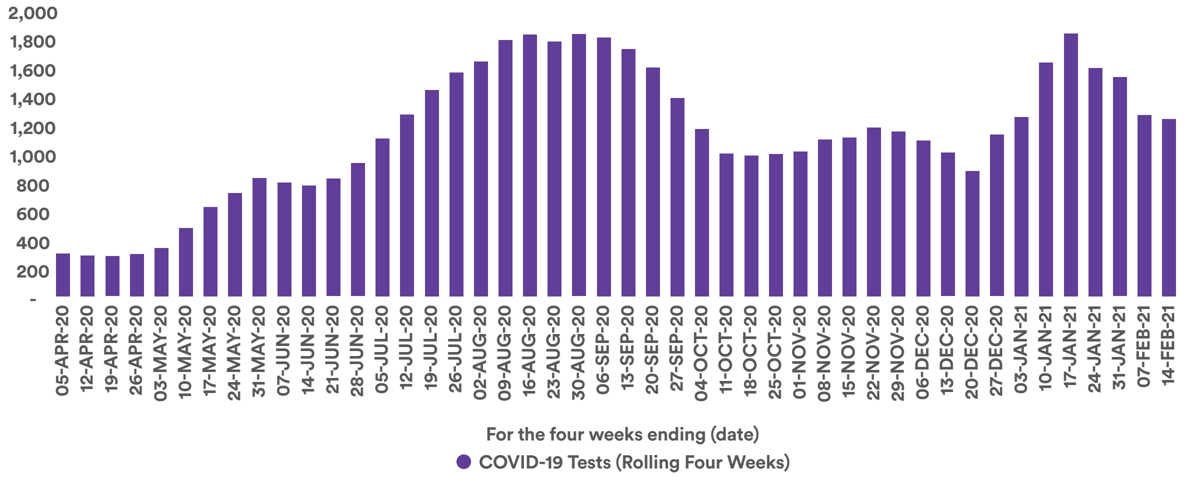
2.3.2 Impact of COVID-19 on the Pathology Market in Australia

In addition to the long-term drivers of growth discussed above, the COVID-19 pandemic has had a material impact on the size of the Australian pathology market. The actual and expected impact of COVID-19 can be understood in three phases:

(1) **Initial phase**: From March 2020 to May 2020, Australia went into nationwide lockdowns. Non-COVID-19 testing volumes fell by more than 30% in some States in April 2020 due to restrictions on elective surgery and patient reluctance to visit general practitioners or complete non-essential tests[49]. During this phase, the fall of non-COVID-19 testing outweighed the growth in COVID-19 testing as pathology providers worked to ramp up testing capabilities, address reagent and equipment shortages and manage the community reluctance to visit medical facilities[50]. During this period, the size of the pathology market in Australia decreased.

(2) **COVID-19 management phase**: As set out in Figure 2.11 the level of COVID-19 testing started to increase in May 2020 and peaked in August to September 2020 and then decreased in October and November 2020 before growing again in January 2021 with outbreaks in New South Wales and Victoria.

Figure 2.11: COVID-19 Tests Conducted per Rolling Four Weeks in Australia[51] ('000s)



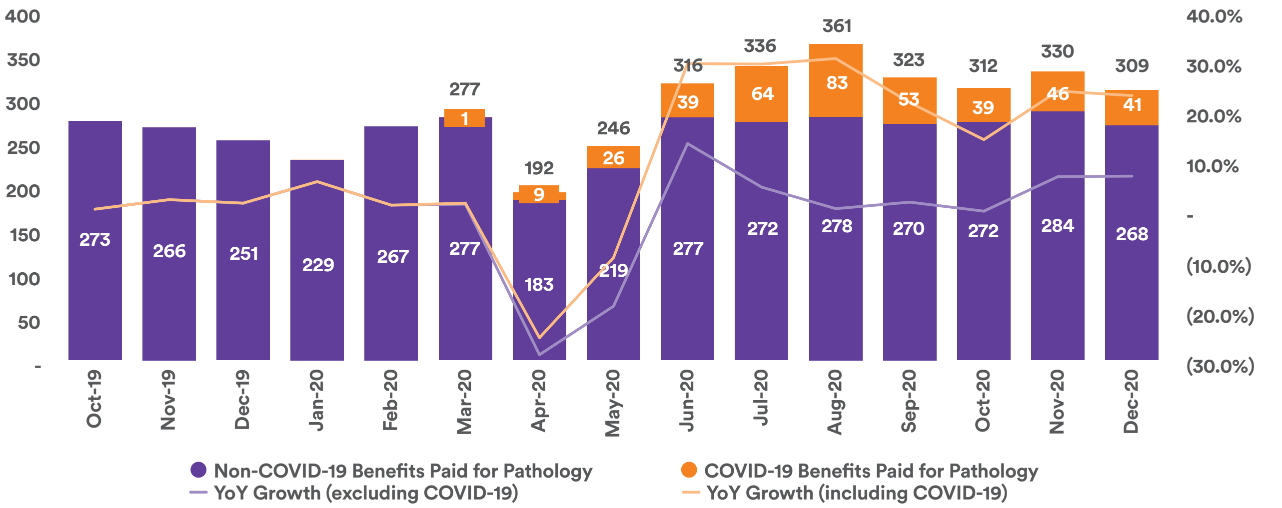
This increase in COVID-19 testing led to the pathology market returning to growth from June 2020. Non-COVID-19 testing started to rebound and COVID-19 testing was generally additive to the size of the pathology market. The national impact of COVID-19 on the size of Medicare funding for pathology is set out in Figure 2.12.

49. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.

50. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services" and Items 69476, 69477, 69479, 69480, 69485, 69501, http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.

51. Partners in Performance estimates.

Figure 2.12: Medicare Benefits Paid for Pathology[52] ($ million)



For the 12 months to 31 December 2020, the Medicare funded pathology market grew by 12.0%, as declines in April 2020 and May 2020 were offset by 20% or higher growth in the later part of the year[53].

For the three months to 31 December 2020, Medicare benefits for non-COVID-19 pathology testing increased 4.3%[54], which is broadly in line with historical growth rates[55]. This demonstrates that non-COVID-19 testing has rebounded to similar growth rates as pre-pandemic and demonstrates the resilience of the growth drivers underpinning pathology services set out in Section 2.3.1.

These national figures do not reflect some of the impacts on a State by State basis. In Victoria (the State which contributes the largest revenue for ACL), non-COVID-19 testing volumes have been slower to rebound due to the extended Stage 4 lockdowns that have been in place[56].

(3) **Post vaccine phase**: The impact of a COVID-19 vaccine on the size of the Australian pathology market is not certain and is dependent on a number of factors, including:

- **Doctor and patient behaviour**: ACL management believes that doctor and patient behaviour has changed due to the COVID-19 pandemic and that both doctors and patients are more likely to seek pathology tests for respiratory-like symptoms;
- **Vaccine effectiveness and durability of vaccine**: Currently, it is unclear how long a vaccine will be effective for and whether regular booster vaccinations will be required. Overall, the lower the durability or effectiveness of the vaccine the greater the continued requirement for COVID-19 testing;
- **Mutations of the virus**: Recent evidence suggests that there will need to be booster vaccines to manage mutations in the COVID-19 virus and there may be a need to have updated vaccinations for different strains of the virus akin to the flu vaccination. The more mutations that occur, the longer and more significant the need for COVID-19 testing will be;
- **Antibody testing**: To date, the level of antibody testing (to determine immunity from COVID-19) has been limited. Going forward, there may be individuals who want or need to be tested for antibodies before being exposed to travel or other higher-risk activities; and
- **Social distancing and travel**: As interstate and international travel increases, the need for COVID-19 testing will potentially increase. As social distancing decreases, there is the potential that the market for pathology testing will increase.

52. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services" and Items 69476, 69477, 69479, 69480, 69485, 69501, http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
53. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services" and Items 69476, 69477, 69479, 69480, 69485, 69501, http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
54. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services" and Items 69476, 69477, 69479, 69480, 69485, 69501, http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
55. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services" and Items 69476, 69477, 69479, 69480, 69485, 69501, http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
56. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.

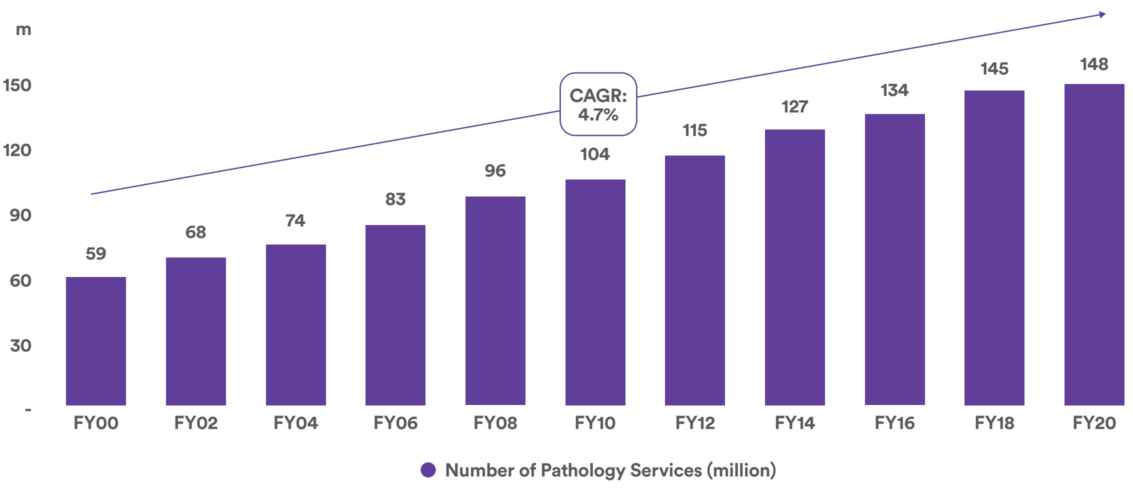
2. Industry Overview

ACL management believes that the demand for pathology to address COVID-19 will continue in the medium term. Private pathology providers will continue to play a central role in COVID-19 testing in Australia. There has only been one historic example of the elimination of a widespread virus through vaccination (smallpox) and due to the existence of animal reservoirs of COVID-19-like viruses, elimination of COVID-19 is not currently expected. Whilst the timing and impact of the above factors is unclear, pathology will continue to play a critical role in addressing COVID-19 and future pandemics.

2.3.3 Historical Growth in Pathology Services in Australia

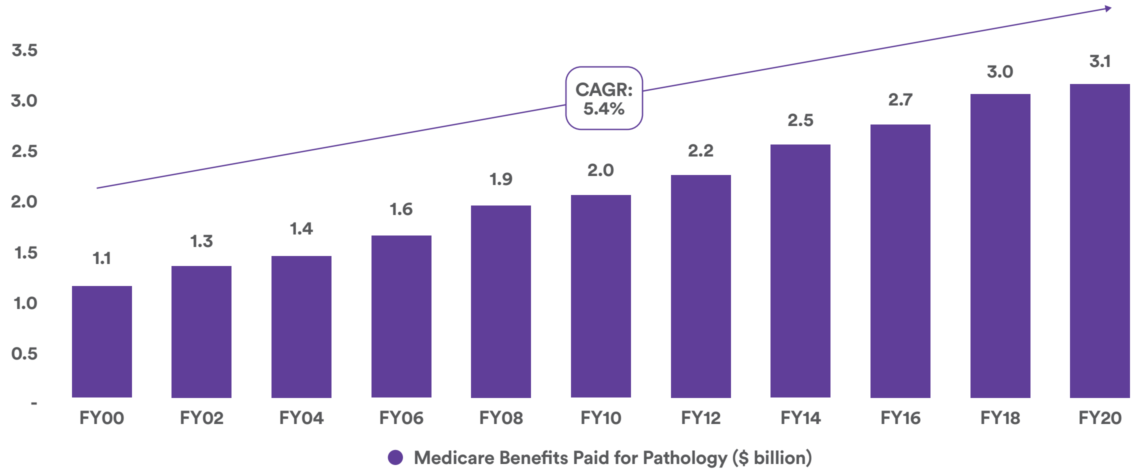
Medicare funding for pathology represents a little over half of the pathology services revenue in Australia. It accounts for the majority of the revenue generated by private pathology providers. Pathology services funded by Medicare has experienced consistent growth over the last 20 years. The total number of pathology services has increased at a CAGR of 4.7% since FY2000[57]. Total annual benefits have increased from $1.1 billion in FY2000 to $3.1 billion in FY2020 representing a CAGR of 5.4%[58]. This growth has primarily been driven by growth in the number and composition of pathology tests required by referring medical practitioners rather than fee inflation. Pathology services were impacted by the COVID-19 pandemic in the second half of FY2020 (refer to Section 2.3.2 for an explanation on the impact of COVID-19). Prior to the impact of COVID-19, the growth in pathology services from FY2000 to FY2019 was a CAGR of 5.0% and the growth in Medicare benefits paid for pathology over the same period was a CAGR of 5.6%[59].

Figure 2.13: Number of Pathology Services Funded by Medicare[60] (million)



57. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
58. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
59. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
60. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.

Figure 2.14: Medicare Benefits Paid for Pathology[61] ($ billion)



2.3.4 Future Growth in Pathology Services in Australia

The Australian Government is budgeting for an average annual increase of 5.7% in Medicare benefits paid from $24.9 billion in FY2020 to $31.0 billion in FY2024[62]. Pathology is the third-largest category of expenditure within Medicare, representing 12.5% of total Medicare benefits in FY2020[63]. Medicare benefits paid for pathology services have grown at a marginally slower rate than total Medicare benefits at CAGR of 4.1% from FY2015 to FY2020 (4.5% CAGR from FY2015 to FY2019, to exclude COVID-19 impact)[64]. Over the five years to FY2025F, the non-COVID-19 pathology segment is forecast to continue to grow between 4.1% and 5.7% per annum[65] due to the underlying growth factors set out in Section 2.3.1.

Above this base level of testing, COVID-19 is expected to lead to an incremental growth in the pathology testing market size. In FY2020, COVID-19 pathology testing represented $0.2 billion[66]. In FY2021F, the COVID-19 pathology testing segment is forecast to be $1.2 billion, with $0.7 billion realised for the six months to 31 December 2020[67].

A forecast of the size of the non-COVID-19 pathology segment and the impact of COVID-19 in FY2020 and FY2021F is set out below in Figure 2.15. It should be noted that the size of the impact of COVID-19 for FY2022F and beyond has not been estimated due to the uncertainty related to the factors set out in Section 2.3.2 and the dotted box should be interpreted as illustrative only.

61. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
62. Australia Government, Budget Strategy and Outlook, Budget Paper No. 1, 2020–21.
63. Based on information sourced from Medicare Benefits Schedule for total benefits paid for all services, http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
64. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
65. Partners in Performance estimates.
66. Partners in Performance estimates.
67. Partners in Performance estimates.

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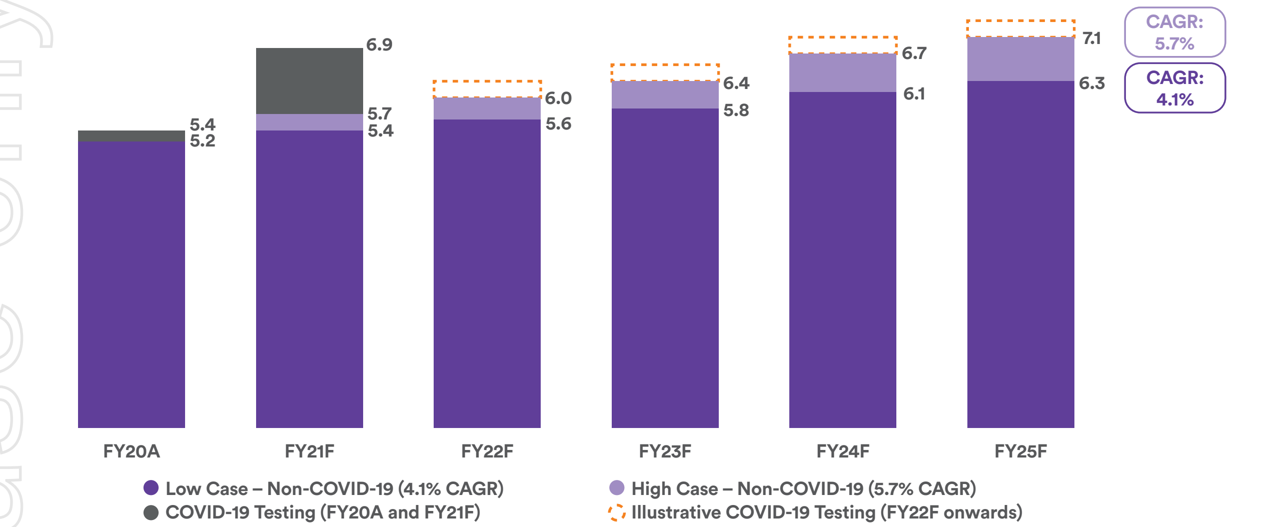
Figure 2.15: Australian Pathology Market Forecast Growth[68] ($ billion)



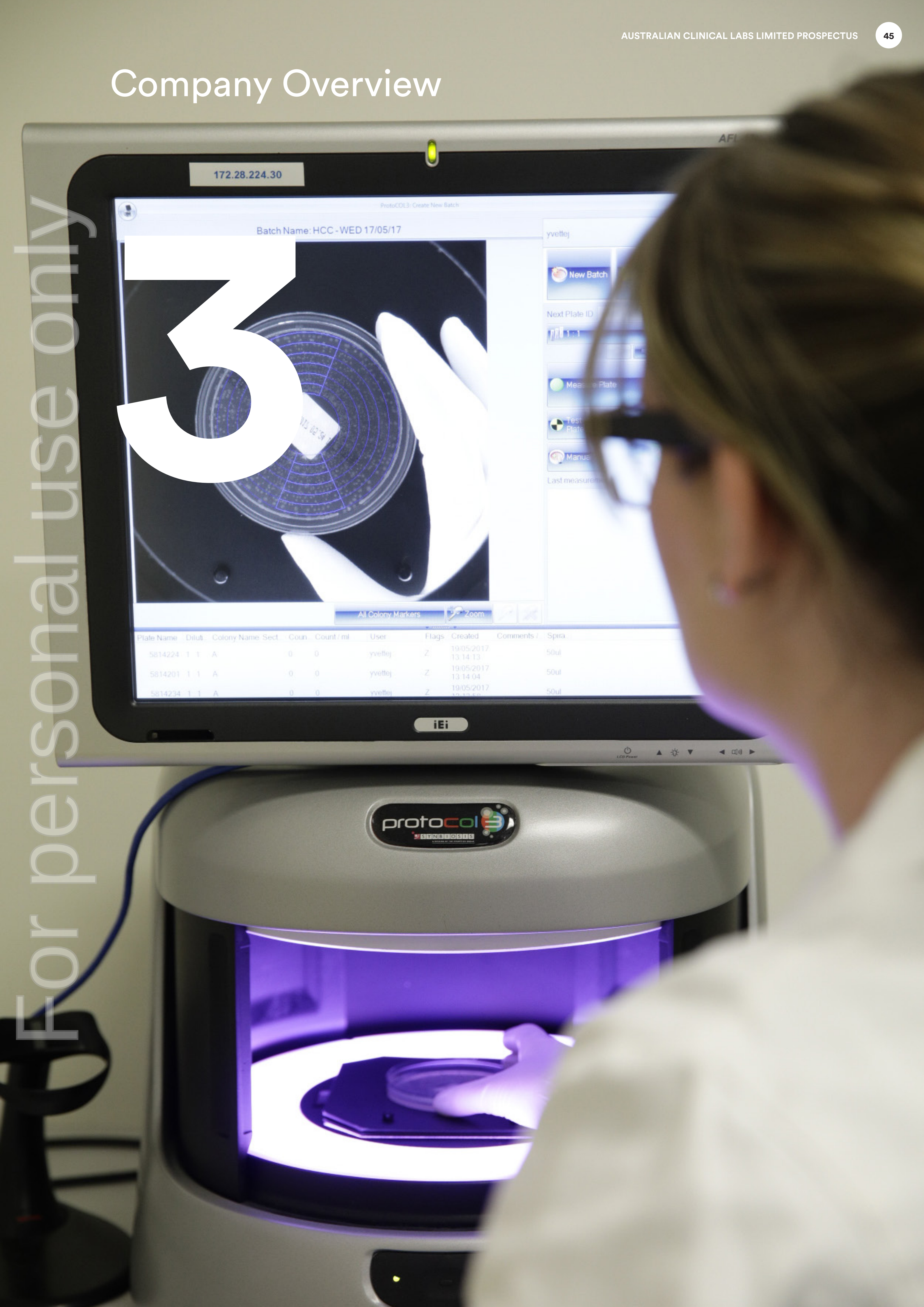
2.4 Global Pathology Market

Globally, pathology is a large market and was estimated (before COVID-19) to be US$240-280 billion in CY2020 and was expected to grow at a CAGR of approximately 6.5% from CY2020 through CY2025[69]. Similar drivers to the market as described in Section 2.3.1 are expected to support growth in the global market.

The global pathology market is highly fragmented with each of the three largest providers accounting for only approximately 3% market share[70]. The majority of the service providers are typically country or regionally focused. The largest predominantly North American pathology service providers include Quest Diagnostics and Laboratory Corporation of America (LabCorp). The largest predominantly European pathology service providers include Eurofins and Synlab.

68. Partners in Performance estimates. CAGR excludes COVID-19 actual and forecast impact. The size of COVID-19 and associated pathology testing impact in FY2022F onwards has not been estimated but shown as an unquantified dotted box for illustrative purposes only. Refer to Section 2.3.2 for factors that will affect the size of COVID-19 and associated testing.
69. Partners in Performance estimates.
70. Partners in Performance estimates.

3 Company Overview



3. Company Overview

3.1 Introduction

ACL is a leading Australian private provider of pathology services. ACL is one of the largest private hospital pathology businesses nationally[1] and in its four established regions of Western Australia, Victoria, South Australia and the Northern Territory, has an equivalent market position in community pathology[2] to Sonic Healthcare and Healius. ACL has a growing presence in New South Wales and the Australian Capital Territory[3] and has recently expanded into Queensland.

Figure 3.1: ACL Overview

Market position	• One of the largest private hospital pathology businesses nationally[4] • Established position in community pathology[5] across Western Australia, Victoria, South Australia and the Northern Territory • Number three and growing presence in New South Wales and the Australian Capital Territory[6] and growing presence in Queensland
ACCs	• 995 ACCs[7]
Skin cancer clinics	• 30 specialist skin cancer clinics[8] • Diagnosed approximately 15% of all reported melanomas in Australia in 2020[9]
Hospitals	• Primary pathology provider to two of the three largest private hospital groups • Services over 90 hospitals
NATA laboratories	• 86 accredited laboratories[10] including four central laboratories
Episodes per annum	• 8.3 million[11]
Pathologists and Scientists	• Over 90 pathologists and over 500 scientists
FTE employees	• 2,794[12]
Key operational characteristics	• Unified pathology system operating primarily under the Australian Clinical Labs brand • Efficient unified laboratory network • Clinical centres of excellence • Digitally enabled platforms • Focus on research, innovation and advocacy • Clinical governance and training

1. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", P10 Patient Episode Initiation, and ACL data for the year ending 30 June 2020, refer to Section 2.2.1 for further details. Based on ACL's private hospital segment position in its established states of Western Australia, South Australia, Victoria and the Northern Territory by Patient Episode Initiation.
2. By number of ACCs as at 1 February 2021 excluding 1 SunDoctors ACC, refer to Section 2.2.1 for further details. The number of ACCs can be used as an illustrative proxy for community pathology segment position, though is not an accurate reflection of revenue due to various factors including differences in ACC size, medical practice size and location.
3. By number of ACCs as at 1 February 2021 excluding 1 SunDoctors ACC, refer to Section 2.2.1 for further details. The number of ACCs can be used as an illustrative proxy for community pathology segment position, though is not an accurate reflection of revenue due to various factors including differences in ACC size, medical practice size and location.
4. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services", P10 Patient Episode Initiation, and ACL data for the year ending 30 June 2020, refer to Section 2.2.1 for further details. Based on ACL's private hospital segment position in its established states of Western Australia, South Australia, Victoria and the Northern Territory by Patient Episode Initiation.
5. By number of ACCs as at 1 February 2021 excluding 1 SunDoctors ACC, refer to Section 2.2.1 for further details. The number of ACCs can be used as an illustrative proxy for community pathology segment position, though is not an accurate reflection of revenue due to various factors including differences in ACC size, medical practice size and location.
6. By number of ACCs as at 1 February 2021 excluding 1 SunDoctors ACC, refer to Section 2.2.1 for further details. The number of ACCs can be used as an illustrative proxy for community pathology segment position, though is not an accurate reflection of revenue due to various factors including differences in ACC size, medical practice size and location.
7. As at 1 February 2021.
8. As at 1 February 2021.
9. Includes external referrers. Based on number of melanomas identified as a proportion of total diagnoses published by the Australian Government, Cancer Australia, for the 12 months to 31 December 2020, https://www.canceraustralia.gov.au/affected-cancer/cancer-types/melanoma/melanoma-skin-statistics.
10. As at 1 February 2021, ACL has 86 NATA (National Association of Testing Authorities, Australia) accredited laboratories, or 44 laboratory locations when excluding point of care laboratories.
11. For the 12 months to 31 December 2020. Note, "episode" refers to a pathology service or services which is requested for a single patient, on the same day by one or more practitioners.
12. As at 28 February 2021.

3.2 ACL History

ACL originates from the aggregation of Healthscope's Australian pathology business (2015), St John of God Health Care's (**SJGHC**) pathology business (2016), Perth Pathology (2016) and SunDoctors (2021[13]). The Healthscope and SJGHC pathology acquisitions provided ACL with a heritage of hospital based pathology and the skills to deliver time-critical and complex hospital pathology, as well as the scale to efficiently provide community pathology.

Over the past six years, ACL has improved its operational performance through investing in the integration and optimisation of these businesses. This process of developing a national unified laboratory system has involved the establishment of:

- National standardised pathology testing protocols;
- National sample identifiers;
- The redesign and upgrade of its four central laboratories and their integration into the national laboratory information system (**LIS**);
- Investment in state of the art robotic and genetic instrumentation;
- Efficient unified laboratory network;
- Integrated testing, reporting and database management with digitised workflow;
- Optimised courier system and automated rostering system;
- A performance culture supported by national benchmarking and performance improvement; and
- Clinical and governance standards.

Over the past 18 months, as these initiatives have started to come to fruition, ACL has achieved operating scale and efficiency. For the six months to 31 December 2020, ACL has achieved EBITDA margins comparable to its two larger ASX-listed peers[14].

Figure 3.2: Key Historical Events

Year	Key Events
CY2015	• Crescent Capital acquired Healthscope's Australian pathology business • Rebranded business to Australian Clinical Labs • Installed new tracks at the Melbourne (Clayton) central laboratory
CY2016	• Acquired SJGHC's pathology business • Acquired Perth Pathology • Introduced the Harmony Non-Invasive Prenatal Test
CY2017	• Installed new tracks at Perth (Osborne Park) and Sydney (Bella Vista) central laboratories • Established Project Management Office (**PMO**)
CY2018	• Completed integration with laboratories operating on one laboratory system • Opened new laboratories at Northern Beaches Hospital (**NBH**) and Hawkesbury District Health Service (**HDHS**) in New South Wales • Established national clinical protocol, processes and benchmarking for pathology testing in laboratories • Expanded Malaysian data entry facility and back office services • Upgraded genetic testing capability • Introduced Aspect Liquid Biopsy test • Set up purpose built Clinical Trials laboratory in Port Melbourne

13. ACL will complete the acquisition of SunDoctors contemporaneously to completion of the Offer.
14. On a post AASB 16 basis.

3. Company Overview

Year	Key Events
CY2019	• Opened new Adelaide (Adelaide Airport) central laboratory • Completed the integration of ACL, SJGHC and Perth Pathology laboratories • Won national Australian Defence Force contract and set up Canberra laboratory • Invested in centralised national rostering system and collection optimisation
CY2020	• Established accredited COVID-19 laboratories and pop-up collection centres • Implemented machine learning based reporting tools • Invested in digitisation of slides
CY2021	• Will acquire SunDoctors, a skin cancer clinics and histopathology business • Opening a new branch laboratory in Queensland

3.3 ACL's Mission and Values

ACL is focused on its mission of combining talented people, and medical and scientific leadership, with innovative thinking and technologies to empower decision making that saves and improves patients' lives. This purpose has underpinned management decisions and provided the shared vision for the whole organisation.

To implement this mission, ACL has focused on five key values. These are:

- **Patient Focus and Medical Excellence:** We protect the interests of our patients through achieving excellence in our daily actions. We strive for diagnostic excellence and are committed to continuing professional education for our staff and referrers, including training the next generation of pathologists and scientists;
- **Entrepreneurship and Agility:** We apply innovative thinking to our science and our business. We are agile in responding to the needs of our customers and we continually look for new ways of doing our work and providing service to our customers;
- **Efficiency and Effectiveness:** Delivering our mission to as many people as possible is only possible if we are constantly vigilant on our cost to deliver and drive continuous improvement;
- **Passion and Enthusiasm:** We are passionate about the importance and impact of what we do and are enthusiastic about achieving our mission; and
- **Respect and Integrity:** We always act with the highest integrity and respect.

Figure 3.3: ACL's Mission and Values

3.4 ACL's Sources of Pathology Revenue

ACL generates revenue by providing pathology services across the community, hospital and other pathology segments. For the 12 months to 31 December 2020, ACL derived over 70% of its revenue from Medicare funding.

3.4.1 Community Pathology

For the 12 months to 31 December 2020, ACL derived 71%[15] of its revenue from community pathology. ACL collects pathology samples from a network of 995 ACCs[16] and 30 clinics[17]. Approximately 80% of ACL's ACCs are co-located at medical centres, where ACL leases an area within the medical centre and provides an ACL employee to conduct the sample collection. The remaining ACCs are either located at hospitals or specialist centres and approximately 6% are independent ACCs. ACL also operates 30 skin cancer clinics[18] across Queensland, New South Wales, South Australia and Victoria. In addition to samples collected at ACCs and clinics, ACL sources pathology samples from general practitioners, specialists and patients who self-collect their samples.

3.4.2 Pathology Services to Hospitals

For the 12 months to 31 December 2020, ACL derived 16%[19] of its revenue from private and public hospitals in Australia. ACL services over 90 hospitals which include large-scale hospital facilities, day hospitals, acute care facilities, 24/7 emergency departments and smaller regional hospitals.

ACL is a leading private provider of pathology services to private hospitals in Australia servicing 29 Healthscope and 15 SJGHC private hospitals. ACL has exclusive contracts to provide onsite pathology services with the majority of Healthscope and SJGHC hospitals.

ACL has contracts with four significant public hospitals, including Bendigo Health in Victoria, Barwon Health – University Hospital Geelong in Victoria, Northern Beaches Hospital in New South Wales (awarded in 2017) and the SJGHC Midland Hospital in Western Australia. ACL also provides pathology services to over 20 regional Victorian public hospitals.

3.4.3 Other Pathology

For the 12 months to 31 December 2020, ACL derived 13%[20] of its revenue from other pathology services including:

- **Veterinary pathology** – ACL, through the Gribbles Veterinary brand, provides pathology testing for veterinary clinics, production animals and zoos;
- **Clinical trials pathology services** – ACL is a leading provider of pathology services to phase one clinical trials in Australia;
- **Functional pathology** – ACL, through the BeFunctional brand, provides functional testing to investigate the functional, biochemical, nutritional, metabolic and hormonal status of patients. This division assists private health professionals, naturopaths and wellness clinics with scientifically based pathology tests;
- **Commercial contracts** – ACL provides services to corporate organisations to comply with occupational health and safety regulations. These include drug testing and commercial COVID-19 testing; and
- **Government contracts** – ACL has contracts with some State governments for specialised testing services such as drug and alcohol testing. ACL also provides pathology services to the Australian Department of Defence.

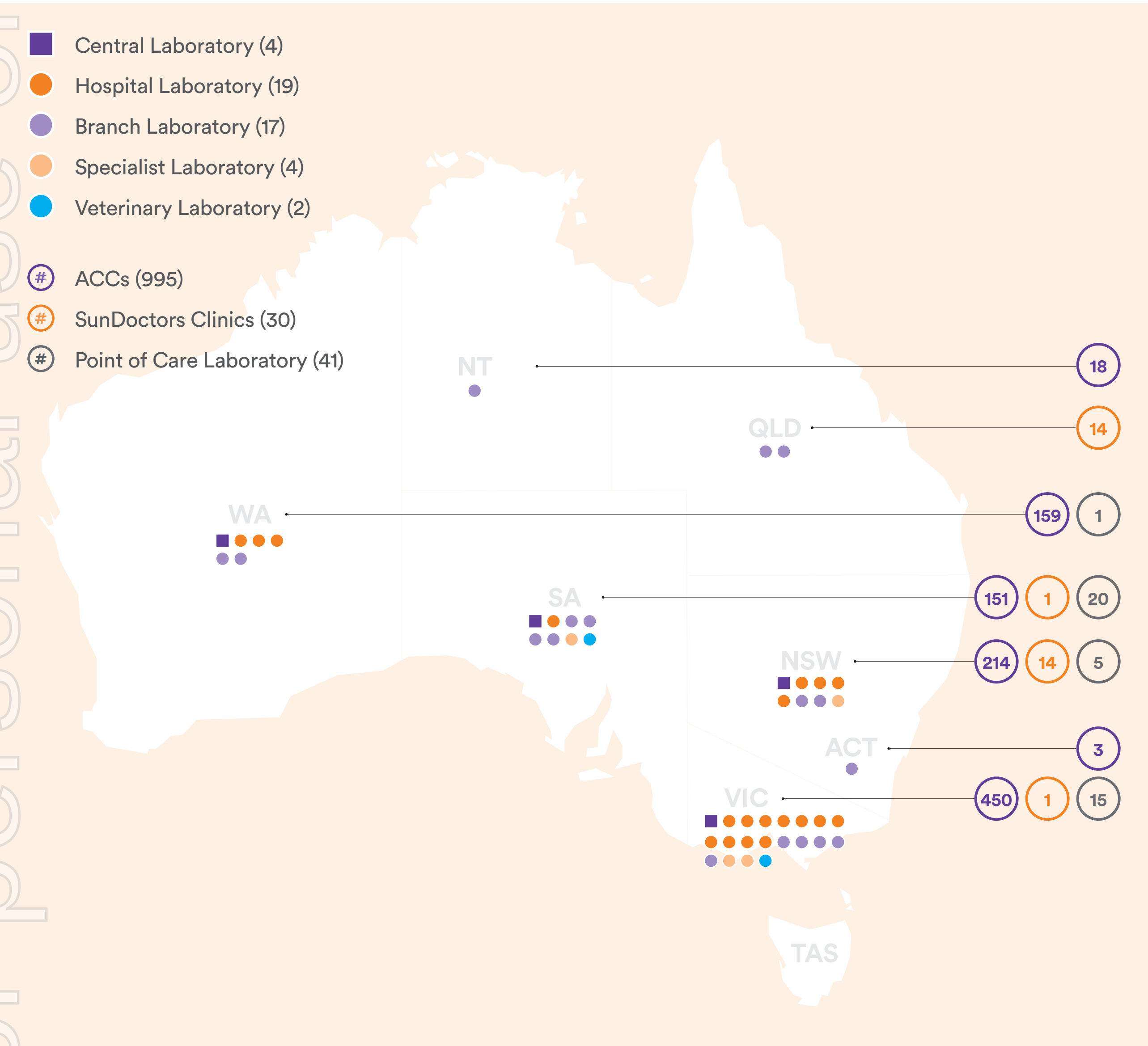
15. Represents percentage based on patient and clinic revenue (excluding other revenue).
16. As at 1 February 2021.
17. As at 1 February 2021.
18. As at 1 February 2021.
19. Represents percentage based on patient and clinic revenue (excluding other revenue).
20. Represents percentage based on patient and clinic revenue (excluding other revenue).

3. Company Overview

3.5 Sites and Locations

ACL has a national footprint of 995 ACCs[21] and 30 clinics[22] to collect patient samples and operates 86 NATA accredited laboratories across Australia.

Figure 3.4: ACL Footprint[23]



3.5.1 Central Laboratories

ACL has four high-volume central laboratories, located in Melbourne, Sydney, Perth and Adelaide. Central laboratories contain highly automated equipment and are supported by pathologists across all major pathology disciplines. Refer to Section 3.6.2 for explanation of efficient unified laboratory network.

Over the past six years, each of these four central laboratories has had a major upgrade including substantial redesign and instrumentation upgrades.

21. As at 1 February 2021.
22. As at 1 February 2021.
23. ACCs and clinics as at 1 February 2021. As at 1 February 2021, ACL has 86 NATA (National Association of Testing Authorities, Australia) accredited laboratories, or 44 laboratory locations when excluding point of care laboratories. Branch laboratories include two SunDoctors branch laboratories and ACL's new branch laboratory in Queensland (expected to open in 2021). Specialist laboratories include molecular testing facilities at Clayton Laboratory and environmental testing facilities at Bella Vista, Adelaide Airport and Clayton Laboratories.

Figure 3.5: Central Laboratories

Central Laboratory	State	Upgrade Year	Equipment Upgraded	Site Photos
Clayton Laboratory (Melbourne)	VIC	2015	• Aptio Siemens Track • Roche Molecular and Genetic Signatures Molecular equipment, Hologic, Thermo Fisher • Roche Haematology line • CellaVision slide scanner and software • Atellica Urinalysis instrumentation • Bruker MaldiToff instrumentation • Histology instruments	 
Osborne Park Laboratory (Perth)	WA	2017-2019	• Aptio Siemens Track • Advia and Centaur Biochemistry and Immunoassay instruments • Roche/Sysmex Haematology line • Sysmex Coagulation system • Atellica Urinalysis instrumentation • Hologic Panther instrumentation • Bruker MaldiToff instrumentation • BD Max molecular instrumentation	 
Bella Vista Laboratory (Sydney)	NSW	2018	• Aptio Siemens Track • Atellica Biochemistry and Immunoassay equipment on track • Roche/Sysmex Haematology equipment on track • Sysmex Coagulation system on track • Liaison Immunology Instruments on track • Atellica Urinalysis instrumentation • Genetic Signatures Molecular equipment • Hologic Panther instrumentation • Bruker MaldiToff instrumentation	 
Adelaide Airport Laboratory (Adelaide)	SA	Rebuild: 2019	• Aptio Siemens Track • Atellica Biochemistry and Immunoassay on track • Roche/Sysmex Haematology line on track • Sysmex Coagulation system on track • Liaison Immunology instrumentation • Atellica Urinalysis instrumentation • Hologic Panther Molecular • Bruker MaldiToff instrumentation • Histology equipment	 

3. Company Overview

3.5.2 Regional and Point of Care Laboratories

ACL has 38 regional laboratories[24] that are primarily focused on haematology and chemical pathology and fast turnaround for urgent local samples. These laboratories are smaller in size, perform a more limited range of pathology tests and are typically branch laboratories located in regional areas or laboratories which are on-site or adjacent to a hospital. In Western Australia, the histology, cytology and specialist genetic services are located in the laboratory on-site at SJGHC Subiaco Hospital and not in the central laboratory at Osborne Park. ACL also operates 41 point of care laboratories that provide urgent care testing for acute and urgent conditions such as heart failure. ACL operates two veterinary laboratories that provide pathology testing on animals from household pets to production animals.

3.5.3 Malaysian Back Office

ACL has a back office operation in Petaling Jaya, Malaysia focused on efficiently managing non-client-facing functions including data entry, accounts receivable, payables management and some information technology services.

Figure 3.6: Malaysian Back Office Facility

3.5.4 Integration and Continuous Improvement

Over the past six years, ACL has invested over $85 million in upgrading its laboratory equipment, integrating its sites, upgrading its LIS and investing in information technology and restructuring. This investment includes:

- Establishment of a unified LIS linking all laboratories and key equipment across the country;
- Redesign of all central laboratories and investment in new instrumentation integrated into the LIS;
- Redesign and consolidation of regional laboratories;
- Rationalisation of ACC footprint;
- Optimisation of courier network;
- Expansion of Malaysian back office facility;
- Investment in digitising processes including e-ordering and e-reporting and digital equipment that enables pathologists and scientists to perform analysis remotely; and
- Restructure of the workforce.

This investment has allowed ACL to modernise its laboratory testing equipment. ACL management believes that the integration of its 2015 and 2016 acquisitions is substantially complete and will be able to generate additional operational and financial benefits through benchmarking and process improvement as part of its continuous improvement program.

24. Includes 19 hospital laboratories, 17 branch laboratories and two veterinary laboratories.

3.5.5 Project Management Office

ACL has a Project Management Office (**PMO**) to facilitate the integration of acquisitions and to drive long-term operational change. This office is headed by the Chief Operating Officer (**COO**), has specific business improvement managers and incorporates multidisciplinary teams who are responsible for program design, implementation and management, risk identification and program management. The PMO uses a structured methodology to work through opportunities in partnership with State CEOs, leaders and business stakeholders. The COO reports PMO project progress to the Board of Directors on a monthly basis.

ACL's full-time PMO supports ACL's key business improvement activities and embeds a culture of continuous improvement and adoption of best practice across the Group. The PMO has established a process of benchmarking which allows for improvements in one laboratory to be identified and rolled out to other locations nationally.

3.6 Key Operational Characteristics

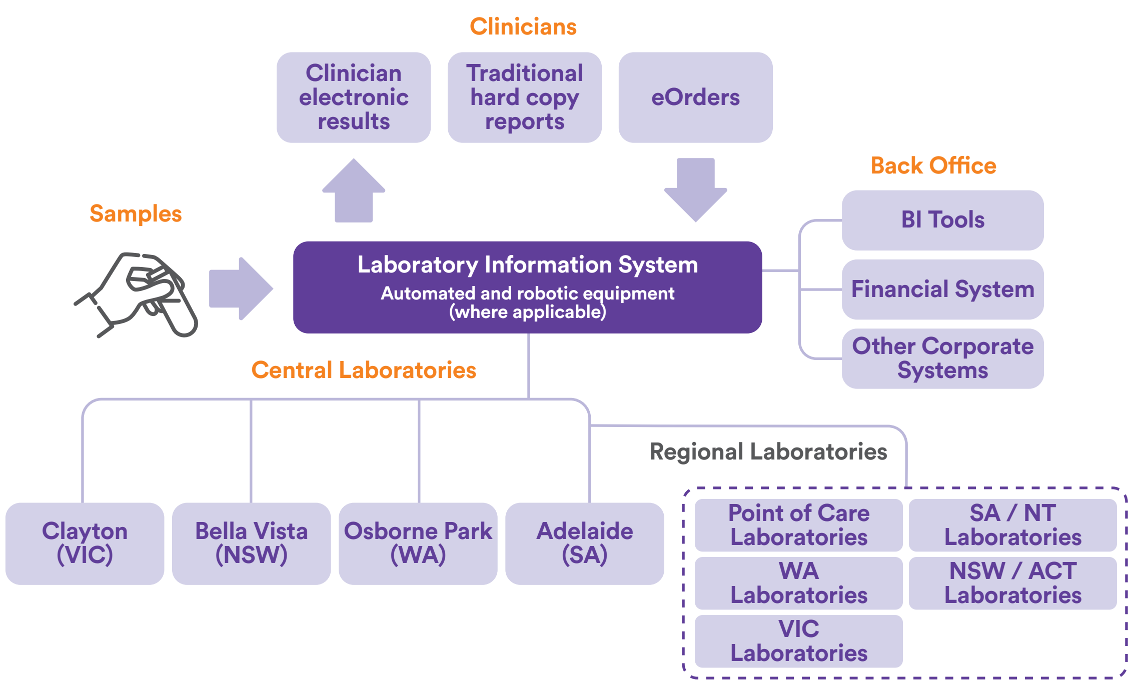
ACL has established the following key operational characteristics that support its growth and performance improvement:

- **Unified pathology system:** allows the majority of tests, clinicians and laboratories to operate as one national operating system across the country;
- **Efficient unified laboratory network:** allows ACL to efficiently manage test turnaround times, specialisations and achieve the required scale to invest in equipment;
- **Clinical centres of excellence:** allows ACL to attract, retain and provide training to high quality pathologists and scientists and manage changes in demand for specific testing;
- **Digitally enabled platforms:** allows improved clinical outcomes, pathologist and scientist flexibility and operational efficiency;
- **Focus on research, innovation and advocacy:** ensures ACL is at the forefront of developments and the introduction of new tests to the market; and
- **Clinical governance and training:** ensures appropriate and consistent decision-making practices across the organisation of qualified professionals who are subject to continuing medical education.

3.6.1 ACL's Unified Pathology System

ACL operates as a unified pathology system, the implementation of which has been substantially completed in the past 18 months. The key benefits of ACL's unified pathology system include improved turnaround times and ability to handle demand peaks, national benchmarking to drive performance improvement and efficiencies and share innovations. Refer to Figure 3.7 for details on key benefits of the unified pathology system.

Figure 3.7: Unified Pathology System



3. Company Overview

Components	Description	Benefits of Unified Pathology Platform
Samples	• A single identifier for each patient episode across the system • Episodes can also be split up into tests, tracked and tested in different laboratories without data re-entry	• Improved turnaround times and ability to handle demand peaks • Reduced double handling and data re-entry • Ability for pathologists to specialise in centres of excellence • Ability to validate tests independent of location
Laboratories	• Key instrumentation in central and regional laboratories connected to the unified LIS • Nationally standardised pathology testing protocols • Reporting supported by machine learning from past pathologist comments	• Ability to benchmark laboratories and drive performance improvement on a national basis • Smaller required laboratory footprint given ability to manage load between sites and reduced need for back-up equipment • Streamlined pathologist reporting with lower human intervention and potential error rates • All staff trained on the same protocols and system
Medical Practitioners	• Uniform reporting across laboratories nationally • Flexible patient results delivery • Tailored design involving medical practitioners in design phase	• High levels of service quality across network • Investment in reporting benefits across all States and practitioners • Can access patient information across Australia
Back Office	• Centralised non-patient-facing functions • National benchmarking of operations • Automated system which optimises rostering and communications • Team of in-house developers to deliver tailored IT solutions for clinicians	• Ability to drive continuous improvement and share innovations across laboratories • Efficient staff rostering in advance of roster incurring cost • Ability to provide software upgrades to clinicians in a timely manner

3.6.2 Efficient Unified Laboratory Network

ACL operates an efficient unified laboratory network to maximise the efficiency and capacity of its testing network. Given all laboratories are operating on the unified laboratory information system, ACL is able to transfer samples from regional laboratories to more cost efficient central laboratories as appropriate to clinical care. Samples can also be transferred between central laboratories to mitigate capacity constraints and take advantage of the centres of excellence that ACL has established. The efficient unified laboratory network enables ACL to manage the utilisation of its people and equipment efficiently and flexibility to manage demand surges.

ACL has a courier network which picks up samples from sites, often three times a day, then consolidates samples and transfers them to the appropriate central laboratories.

3.6.3 Clinical Centres of Excellence

ACL has established centres of excellence for molecular, histopathology and genetics testing, which improves clinical outcomes and pathologist efficiency through specialisation.

Figure 3.8: Centres of Excellence

Centres of Excellence	Location	Testing Capabilities
Molecular	• Clayton	• Clayton laboratory: focuses on molecular tests, including COVID-19 testing, sexually transmitted disease (**STD**) screening, human papillomavirus (**HPV**), respiratory testing and faecal PCR. State of the art automated instrumentation provides improved throughput and turnaround times
	• Osborne Park	• Osborne Park laboratory: focuses on COVID-19 testing, STD screening, respiratory testing and faecal PCR
Histopathology	• All States	• Histopathology testing through over 40 histopathologists with the ability to utilise interstate experts as a result of the unified LIS • Investment in digital pathology
Genetics	• Clayton (main genetics laboratory)	• Clayton laboratory: Harmony Non-Invasive Prenatal Testing (**NIPT**) testing, Liquid Biopsy testing, DNA dose genotyping, reproductive testing, Haemochromatosis Genetic screening and Genetic Mutation screening
	• Subiaco (specialist genetics laboratory)	• Subiaco laboratory: oncology and next generation sequencing capabilities

3.6.4 Digitally Enabled Platforms

ACL has invested in digitising key parts of its systems to improve clinical outcomes and improve operational efficiencies. Key digital investments are outlined in Figure 3.9.

Figure 3.9: Key Digital Investments

Investment	Description and Benefits
e-Orders and e-Results	• Allows doctors to order tests and receive test results online including via mobile applications • Improved ease of use and level of service quality
Centralised Staff Rostering	• Centralised staff rostering and communication tools • Enables efficient, rules based rostering with national oversight
Optimised Sample Collection	• Optimised sample collection initiatives including on demand collection (such as click to collect) and optimised courier routes including GPS courier tracking • Improved cost and operation efficiency in sample collection
Clinical Notes	• Digitally enabled report tools utilising past pathologist comments and historical patterns • Allows for review by pathologists by exception and supporting lower error rates and compliance costs
Digitisation of Slides	• Allows for remote review by pathologists and scientists • Allows for more flexible pathologist working arrangements and improved ability to manage peaks and troughs of demand
Clinical Trials App	• Allows for workflow optimisation across clinical trials

3. Company Overview

3.6.5 Focus on Research, Innovation and Advocacy

ACL has a track record of investment in research and innovation. ACL works with hospitals, referring doctors and in-house scientific leads to enhance medical understanding and invests in the development, validation, accreditation and introduction of new tests to market. ACL's professional staff also participate in peak body advocacy, as members on Boards, Advisory Committees and scientific and professional symposia.

Examples of innovation include:

- ACL providing the Harmony Prenatal test in 2016, a non-invasive prenatal DNA-based blood test which analyses a blood sample during pregnancy for chromosomal abnormalities. ACL was an early adopter of this test in Australia.
- ACL providing Genetic Carrier Screening tests in 2018 for individuals or couples who are either planning or in the first stage of pregnancy regarding their probability of having a child with range of genetic conditions.
- ACL providing Aspect Liquid Biopsy in 2018, a non-invasive, cancer screening test using a simple blood test that is able to detect cancer biomarkers in blood. This test allows oncologists to choose a targeted therapy, monitor treatment resistance and detect low residual disease, without patients undergoing more invasive procedures.

3.6.6 Clinical Governance and Training

ACL has a risk management framework which allows it to measure and monitor performance, identify risks relating to performance, and implement appropriate actions to manage and mitigate these risks. ACL's risk management charter is set out in Section 6.6.6.2.

ACL also has a comprehensive clinical governance framework designed to maintain and improve the quality and safety of the healthcare services it provides in compliance with the National Pathology Accreditation Advisory Council Standards and by identifying the circumstances that put patients at risk of harm, and then acting to prevent or mitigate those risks. ACL's clinical governance framework is underpinned by the following elements:

- **Local and national processes that manage risk, quality and safety** – including incident management policies and laboratory supervision procedures;
- **Systems to support ongoing improvement of effectiveness** – including the use of quality and safety indicators to monitor, benchmark and report on performance, and the thorough investigation of all incidents;
- **Ensuring workforce capability to support qualify and safety** – including pathologist Registration with the Australian Medical Board, Fellowship of the Royal College of Pathologists of Australasia (**RCPA**), credentialing in accord with the National Standard, staff induction, mandatory training and competency based education; and
- **Partnership with consumers and the community** – feedback analysis and management targets are established for response and review.

ACL has a commitment to staff training and continuing medical education. ACL staff undergo a comprehensive induction training and regular competency based education. Pathologists are credentialed and operate within their scope of practice. ACL consistently has pathology registrars undergoing supervised training for their admission to Fellowship of the RCPA, with many of its pathologists acting as supervisors and college examiners. Additionally, all pathologists participate in the RCPA's Continuing Professional Development Program with audited submissions.

ACL's pathologists are involved in the education of future medical practitioners training in the public hospitals serviced. ACL has formal arrangements with universities across Australia to provide supervised on-the-job training to the next generation of biomedical scientists.

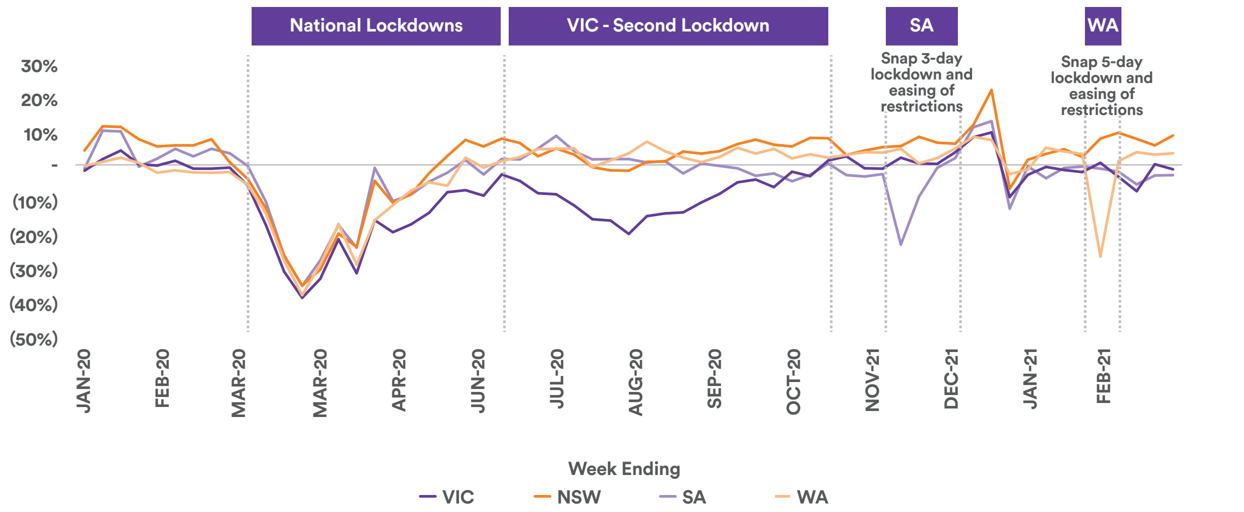
ACL also invests in the medical education of its professional network. ACL designs and runs professional development programs accredited by the Royal Australian College of General Practitioners for its referring medical practitioners, enabling them to continue to upskill their practice in the use and interpretation of laboratory tests.

3.7 Impact of COVID-19 on ACL

As set out in Section 2.3.2 the COVID-19 pandemic has had a material impact on the pathology sector, both in terms of non-COVID-19 testing as well as COVID-19 testing. Additional information on the financial impact of COVID-19 on ACL is provided in Sections 4.3.6 and 4.6.4.

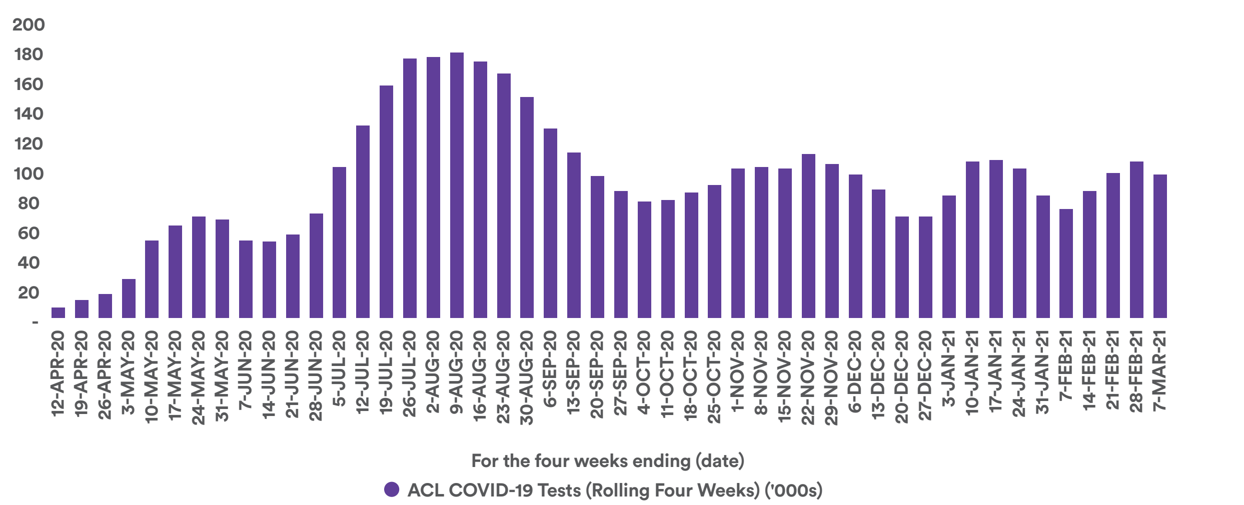
The impact of COVID-19 on ACL initially was a 30% to 40% reduction of non-COVID-19 volume during April 2020. As lockdowns eased, non-COVID-19 revenue rapidly improved. ACL's volume growth in the states of New South Wales, South Australia and Western Australia has broadly returned to pre-COVID-19 levels. For the three months to 31 December 2020, ACL's non-COVID-19 revenue grew by 2.6%. Excluding Victoria, which had a significant period of lockdown over this period, ACL's non-COVID-19 growth was 4.9%. This demonstrates the performance of ACL despite the volatility. In Victoria, non-COVID-19 volume growth returned to pre-COVID-19 levels during December.

Figure 3.10: ACL Non-COVID-19 Testing Volume Growth by State (% Year on Year Change)[25]



Countering the fall in non-COVID-19 testing revenue was COVID-19 testing. For the six months to 31 December 2020, ACL conducted an average of 113 thousand COVID-19 tests per four-week period. COVID-19 testing has remained resilient and in the five months to 7 March 2021, when COVID-19 levels in the community were very low with fewer than 3.3 positive cases a day on average, ACL conducted an average of 92 thousand tests per four-week period.

Figure 3.11: ACL COVID-19 Tests Conducted per Rolling Four Weeks ('000s)



25. Excludes SunDoctors testing volume.

3. Company Overview

In addition to the revenue impacts of COVID-19, ACL was able to improve operational flexibility in the business. This included implementing:

- New workplace rostering that improves the ability to manage peaks and flows of required workforce;
- Establishing improved benchmarking and efficiency measures throughout the network; and
- Workforce innovations through digital investments and optimisation such as courier network optimisation.

ACL management believes that these initiatives will improve the long-term flexibility of ACL, drive operational efficiencies and improve the financial performance of ACL in the medium term.

3.8 ACL's Growth Strategy

In the medium term, ACL's objective is to achieve above market growth for both revenue and EBITDA through:

- Embedded revenue opportunities related to expansion with existing clients, networks and expertise;
- Continual operational performance improvements related to the investments that ACL has made over the past six years and its focus on continuous improvement;
- Footprint expansion, both geographic expansion in Queensland and New South Wales and additional services; and
- Strategic acquisitions in both Australia and internationally.

ACL's growth strategy will supplement the growth drivers in the Australian pathology market, which have historically supported ~4% to ~6%[26] market growth per annum. Refer to Section 2.3.1 for further information.

Figure 3.12: Overview of ACL's Growth Strategies

1. Embedded revenue opportunities	**2. Operational performance improvements**	**3. Footprint expansion**	**4. Strategic acquisitions**
• Broaden general practitioner relationships • Ramp up existing contracts • Commercial COVID-19 testing	• Continuous improvement program • Extract additional benefits from unified pathology system • Opportunities from SunDoctors integration	• Increase position in New South Wales growth corridors • Grow revenue in Queensland • Provide additional services	• Domestic acquisitions in specialist and general pathology • International acquisitions

Organic market growth: Non-COVID-19 pathology market is forecast to grow ~4% to ~6% p.a.[27], due to predictable and consistent drivers including growing and ageing population, increasing testing rates and scientific and technological advancements

26. Based on information sourced from Medicare Benefits Schedule Item Statistics Report for Category 6 "Pathology Services" for FY2000 to FY2020, http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp.
27. Partners in Performance estimates. Refer to Section 2.3.4 for further details.

3.8.1 Embedded Revenue Opportunities

ACL's embedded revenue opportunities driving growth relate to:

- **Broadening of general practitioner relationships** – ACL has established relationships with a number of large general practitioner groups across Australia. ACL's strategy is to continue to broaden these relationships and develop new relationships with general practitioner groups of scale;
- **Ramp up of existing contracts** – In 2017, ACL was awarded a long-term contract to provide pathology services at the Northern Beaches Hospital. As this hospital expands, demand for ACL's pathology services will increase in this growth corridor. ACL also recently won a contract with the Australian Defence Force for the supply of pathology services and provides drug and alcohol testing for various government bodies (including police departments and the Department of Human Services); and
- **Commercial COVID-19 testing** – ACL currently provides COVID-19 testing services to commercial clients across various industries including transport, mining and other corporates. ACL is experiencing demand for a number of commercial COVID-19 testing services.

3.8.2 Operational Performance Improvements

Under direction of ACL executives, ACL's PMO actively assesses projects to drive continuous business improvement and extract additional benefits from its unified pathology system. Dedicated business improvement managers are accountable for delivering on project initiatives and the associated earnings benefits.

In 2021, ACL will acquire SunDoctors, a skin cancer clinics and histopathology business. ACL management believes there are opportunities based on ACL's track record of acquisition integration and it can expand adjacencies including gastroenterology testing.

3.8.3 Footprint Expansion

ACL is focused on expanding its footprint both geographically and through additional services. These opportunities include:

- **New South Wales and Australian Capital Territory growth corridors** – ACL will continue to drive growth and increase its presence in the North Shore and Northern Beaches corridors, as well as build on its existing general practitioner relationships in the Australian Capital Territory;
- **Queensland expansion** – ACL has recently expanded its laboratory presence into Queensland and intends to build on its existing commercial arrangements in Queensland; and
- **Additional services** – ACL is also seeking to expand its footprint through additional services including broader veterinary services, functional medicine and commercialisation of new tests.

3.8.4 Strategic Acquisitions

ACL continues to assess merger and acquisition opportunities both domestically in Australia, as well as internationally, in order to continue its expansion as a leading pathology provider. ACL has a track record of expansion via acquisition and successfully integrating its acquired businesses. ACL believes it is well positioned to commence international expansion.

3. Company Overview

3.9 Employees

As at 28 February 2021, ACL had 2,794 FTEs across Australia and a back office in Malaysia. The number of FTEs by function is outlined in Figure 3.13 below.

Figure 3.13: Number of FTEs (as at 28 February 2021)[28]

FTE (#) by Function	#FTE	% Total
Pathologists / Registrars	69	2.5%
Central Laboratories	499	17.9%
Regional Laboratories	361	12.9%
Clinic Staff	78	2.8%
Collections	1,092	39.1%
Couriers	264	9.4%
Management / Support	193	6.9%
Malaysia Back Office	239	8.6%
Total	**2,794**	**100%**

3.9.1 Industrial Relations

ACL's Australian staff currently operate under various Enterprise Bargaining Agreements (**EBA**s) and modern awards. ACL is a party to six EBAs and the Modern Award (one national modern award) which collectively cover approximately 80% and 20% of its Australian workforce respectively. Modern awards set the minimum employee entitlements for employees and apply to employers who are not bound by an enterprise agreement. Modern awards primarily cover ACL's employees in New South Wales, the Australian Capital Territory and the Northern Territory. ACL has not had any industrial action at its worksites in the past five years.

The workforce in Malaysia is not unionised and is employed under individual service agreements.

3.9.2 Insurance

ACL has insurance policies that cover medical indemnity, industrial special risks (fire, peril and crime), public and product liability, directors and officers liability, crime and cybercrime, travel, motor vehicle and workers compensation insurance.

28. Includes SunDoctors FTEs.

Financial Information

4

4. Financial Information

4.1 Overview of Financial Information

The financial information for ACL contained in this Section 4 includes:

- historical consolidated financial information for the financial years ended 30 June 2018 (**FY18**), 30 June 2019 (**FY19**), 30 June 2020 (**FY20**) and for the 12 months ended 31 December 2020 (**LTM Dec-20**), as well as the financial half years ended 31 December 2019 (**H1 FY20**), 30 June 2020 (**H2 FY20**) and 31 December 2020 (**H1 FY21**); and
- forecast consolidated financial information for the financial year ending 30 June 2021 (**FY21F**) and for the 12 months ending 31 December 2021 (**LTM Dec-21F**), as well as the financial half years ended 30 June 2021 (**H2 FY21F**) and 31 December 2021 (**H1 FY22F**).

Further details of the historical and forecast financial information are set out in Table 4.1 below.

Table 4.1: Overview of ACL's financial information

	Statutory Financial Information	Pro Forma Financial Information
Historical Financial Information	**Statutory Historical Financial Information**, comprises the: • statutory historical consolidated income statements for FY18, FY19 and FY20, as well as H1 FY20, H2 FY20 and H1 FY21 (**Statutory Historical Results**); • statutory historical consolidated cash flows for FY18, FY19 and FY20, as well as H1 FY20, H2 FY20 and H1 FY21 (**Statutory Historical Cash Flows**); and • statutory historical consolidated statement of financial position as at 31 December 2020 (**Statutory Historical Statement of Financial Position**). LTM Dec-20 was not a statutory reporting period.	**Pro Forma Historical Financial Information**, comprises the: • pro forma historical consolidated income statements for FY18, FY19 and FY20 and LTM Dec-20, as well as H1 FY20, H2 FY20 and H1 FY21 (**Pro Forma Historical Results**); • pro forma historical consolidated cash flows for FY18, FY19 and FY20 and LTM Dec-20, as well as H1 FY20, H2 FY20 and H1 FY21 (**Pro Forma Historical Cash Flows**); and • pro forma historical consolidated statement of financial position as at 31 December 2020 (**Pro Forma Historical Statement of Financial Position**).
Forecast Financial Information	**Statutory Forecast Financial Information**, comprises the: • statutory forecast consolidated income statements for FY21F, as well as H2 FY21F and H1 FY22F (**Statutory Forecast Results**); and • statutory forecast consolidated cash flows for FY21F, as well as H2 FY21F and H1 FY22F (**Statutory Forecast Cash Flows**). LTM Dec-21F is not a statutory reporting period.	**Pro Forma Forecast Financial Information**, comprises the: • pro forma forecast consolidated income statements for FY21F and LTM Dec-21F, as well as H2 FY21F and H1 FY22F (**Pro Forma Forecast Results**); and • pro forma forecast cash flows for FY21F, LTM Dec-21F, H2 FY21F and H1 FY22F (**Pro Forma Forecast Cash Flows**).

The Historical Financial Information and the Forecast Financial Information defined above collectively form the **Financial Information**.

This Section 4 also includes:

- a summary of the basis of preparation and presentation of the Financial Information, including the application of relevant new and revised accounting standards to the Historical Financial Information and the Forecast Financial Information (see Section 4.2);
- information regarding certain non-IFRS financial measures (see Section 4.2.5.3);
- the pro forma adjustments to the Statutory Historical Financial Information and Statutory Forecast Financial Information, and reconciliations to the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information respectively (see Section 4.3.3);
- a summary of key revenue, operating and financial metrics (see Section 4.3.6);
- details of ACL's indebtedness and a summary of its funding, including debt facilities, liquidity and capital resources (see Section 4.5);

- a description of the key drivers affecting ACL, including key financial and operating metrics set out in Section 4.3.6, and management discussion and analysis of the Pro Forma Historical Financial Information (see Section 4.6);
- the Directors' best estimate of general and specific assumptions underlying the Pro Forma Forecast Financial Information (see Section 4.7.1) and management discussion and analysis of the Pro Forma Forecast Financial Information (see Section 4.7.2);
- an analysis of the key sensitivities in respect of the Pro Forma Forecast Financial Information (see Section 4.8); and
- a summary of ACL's proposed dividend policy (see Section 4.9).

The Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagement involving Fundraisings and/or Prospective Financial Information by PricewaterhouseCoopers Securities Ltd whose Investigating Accountant's Report is contained in Section 8. Investors should note the scope and limitations of that report.

The information in this Section 4 should be read in conjunction with the risk factors set out in Section 5, ACL's significant accounting policies set out in Section 4.2.5 and Section 10 and the other information contained in this Prospectus.

In preparing the Pro Forma Historical Financial Information and the Forecast Financial Information, ACL's accounting policies have been applied consistently throughout the periods presented, including in respect of the AASB 16 *Leases* accounting standard. Refer to Section 4.2.5 for further detail.

All amounts disclosed in this Section 4 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest $0.1 million. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in tables or figures contained in this Prospectus are due to rounding.

4.2 Basis of preparation and presentation of the Financial Information

4.2.1 Overview

The Directors are responsible for the preparation and presentation of the Financial Information. The Financial Information is intended to present potential investors with financial information to assist them in understanding the underlying financial performance, cash flows and financial position of ACL, together with the Forecast Financial Information.

The Financial Information included in Section 4 has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) issued by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board and ACL's accounting policies set out in Section 10.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

ACL currently manages its operations as a single business operation and there are no parts of its business or geographies that currently qualify as separate operating segments under AASB 8 *Operating Segments*.

In addition to the Statutory Financial Information, Section 4.2.5.3 describes certain non-IFRS financial measures that ACL uses to manage and report on its business that are not defined under or recognised by AAS or IFRS.

4.2.2 Preparation of Historical Financial Information

The Company was incorporated on 6 November 2020 and replaced Clinical Laboratories Pty Ltd (ACN 006 823 089) (**Clinical Laboratories**) as the holding company of the ACL group (**ACL Group**) in connection with a corporate recapitalisation on 16 December 2020. Clinical Laboratories has operated the business of the ACL Group and has produced audited financial statements for the consolidated ACL Group for more than three years. The Company was incorporated for the purpose of acquiring Clinical Laboratories and has subsequently owned the ACL Group since 17 December 2020. The acquisition of Clinical Laboratories by the Company was accounted for as a common control transaction in accordance with AAS, as the shareholders in Clinical Laboratories were the same shareholders in the Company, with the same proportionate economic and beneficial interests. Therefore, notwithstanding the direct ownership in Clinical Laboratories changed as a result of the restructure, there was ultimately no change in control over the assets of the Company.

The Statutory Historical Financial Information has been extracted from the consolidated special purpose financial statements of Clinical Laboratories for FY18, FY19, FY20 and the consolidated half year financial statements of ACL for H1 FY21 (which reflected the continuation of the pre-existing entities). The consolidated special purpose financial

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statements of Clinical Laboratories for FY18, FY19 and FY20 were audited by Pitcher Partners, who issued unqualified audit opinions on each of these financial periods. The consolidated half year financial statements of ACL for H1 FY21 were reviewed by Pitcher Partners, who issued an unqualified review opinion.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information outlined above and has been prepared solely for the purpose of inclusion in this Prospectus and in accordance with the recognition and measurement principles specified in AAS, as described above, and it includes adjustments which reflect the impact of certain transactions as if they occurred on or before 1 July 2017 in the case of the Pro Forma Historical Results and Pro Forma Historical Cash Flows, and as at 31 December 2020 in the case of the Pro Forma Historical Statement of Financial Position.

The Pro Forma Historical Results and Pro Forma Historical Cash Flows reflect the impact of the pro forma adjustments described further in Section 4.3 (reconciliation between the Statutory Historical Results and the Pro Forma Historical Results) and Section 4.4 (reconciliation between the Statutory Historical Cash Flows and the Pro Forma Historical Cash Flows). In particular, pro forma adjustments have been made to reflect the following:

- the estimated application of AASB 16 *Leases* (which came into effect in FY20) as if it had been applied by ACL from FY18 onwards (refer to Section 4.2.5.1). This adjustment has no net cash flow impact;
- the inclusion of the historical results of Clinical Labs WA prior to the date of consolidation into Clinical Laboratories Pty Ltd as if consolidation had occurred on 1 July 2017, as well as the removal of historical losses incurred on a discontinued business;
- the inclusion of the normalised historical results of SunDoctors as if the proposed acquisition had occurred on 26 June 2017 (the first day of the 52-week financial period in 2018 for SunDoctors), net of the estimated amortisation expense on identifiable intangible assets that will be recognised by ACL upon the acquisition (refer to Section 4.2.4 for further details in respect of the proposed SunDoctors acquisition);
- the removal of non-recurring integration and transaction related expenses incurred by ACL, including integration, redundancy and other restructuring costs incurred post the acquisition of St John of God Health Care's pathology business and Perth Pathology in FY17 and transaction costs incurred in respect of the aborted sale of ACL in FY20;
- the removal of the net impact of the non-recurring benefit of the JobKeeper Payments received by ACL, as well as the net impact of the JobKeeper Payments repaid by ACL (refer to Section 4.3.4 for further details);
- the capital structure in place post the Offer, including the removal of historical interest expense (including amortisation of capitalised borrowing costs) on the Existing Facilities intended to be repaid from the proceeds of the Offer, net of the inclusion of interest expense (including amortisation of capitalised borrowing costs) on the New Banking Facilities that will be in place post the Offer;
- the removal of the impact of the Offer Costs;
- ACL's estimate of the incremental annual costs associated with being a publicly listed company. These costs include ASX and share registry fees, Non-Executive Director remuneration, Directors' and Officers' insurance premiums, incremental remuneration for senior executives, investor relations costs, as well as annual general meeting and annual report costs;
- the removal of the income statement benefit of the recognition of carried forward income tax losses from prior years recorded in FY20, net of the inclusion of income tax expense based on the effective income tax rate of 30% expected to be applicable going forward; and
- the income tax effect of the applicable pro forma adjustments noted above, based on the pro forma effective income tax rate of 30% expected to be applicable going forward.

Investors should note that past results are not a guarantee of future performance.

The Pro Forma Historical Statement of Financial Position is derived from the Statutory Historical Statement of Financial Position, and is adjusted to reflect the following:

- the inclusion of the statement of financial position of SunDoctors at 27 December 2020 (SunDoctors half year balance date), inclusive of ACL's preliminary estimate of the identifiable intangible assets that will be recognised by ACL upon the acquisition (refer to Section 9.4 for further details in respect of the proposed SunDoctors acquisition);
- the net cash impact of the Offer of $119.0 million, including Offer proceeds of $142.3 million less cash costs directly attributable to the Offer ($23.3 million) and non cash costs directly attributable to the Offer ($2.9 million). Costs of the Offer have been allocated net of tax to retained earnings ($13.9 million) and share capital ($4.5 million). The income tax credit on these costs has been recognised through Deferred Tax Assets of $5.5 million and current tax credit of $2.0 million. The costs of the Offer also include a $0.5 million payment for GST which is offset by a GST credit accrued in current assets;

- the proposed changes to the capital structure in conjunction with the Offer, including repayment of the Existing Facilities and drawdown of the New Banking Facilities;
- the $21.9 million voluntary JobKeeper Payment repayment (representing $31.3 million of gross JobKeeper Payments received before tax) made to the Australian Government in March 2021 as discussed in Section 4.3.4;
- the impact of pre-IPO dividends; and
- the income tax effect of the above adjustments.

The pro forma historical consolidated balance sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of the future financial position of ACL.

4.2.3 Preparation of Forecast Financial Information

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

The Statutory Forecast Financial Information has been derived as follows:

- FY21F represents the aggregation of:
  - the actual consolidated half year financial statements for ACL for H1 FY21; and
  - the H2 FY21F, including:
    - two months of actual trading results of ACL for January and February 2021, sourced from the unaudited management accounts of ACL; and
    - forecast for ACL for the four-month period to 30 June 2021.
- H1 FY22F represents a forecast for ACL for the six-month period to 31 December 2021.

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information adjusted for the following pro forma adjustments (described further in Sections 4.3 and 4.4):

- the inclusion of the normalised forecast results of SunDoctors, net of the estimated amortisation expense on identifiable intangible assets that will be recognised by ACL upon the acquisition (refer to Section 9.4 for further details in respect of the proposed SunDoctors acquisition);
- the removal of the net impact of the non-recurring benefit of the JobKeeper Payments received by ACL, as well as the net impact of the JobKeeper Payments repaid by ACL (refer to Section 4.3.4 for further details);
- the capital structure in place post the Offer, including interest expense (including amortisation of capitalised borrowing costs) on the New Banking Facilities that will be in place post the Offer;
- the removal of the impact of the Offer Costs;
- ACL's estimate of the incremental annual costs associated with being a publicly listed company. These costs include ASX and share registry fees, Non-Executive Director remuneration, Directors and Officers insurance premiums, incremental remuneration for senior executives, investor relations costs, as well as annual general meeting and annual report costs; and
- the income tax effect of the applicable pro forma adjustments noted above based on the pro forma effective income tax rate of 30% applicable going forward.

The Pro Forma Forecast Financial Information for LTM Dec-21F represents:

- two months of actual trading results for ACL for January and February 2021, sourced from the unaudited management accounts of ACL;
- a forecast for ACL for the ten-month period to 31 December 2021; and
- the inclusion of the pro forma adjustments noted above for the period to 31 December 2021.

The Pro Forma Forecast Financial Information has been prepared in accordance with the recognition and measurement principles specified in AAS.

Due to its nature, the Pro Forma Forecast Financial Information does not represent ACL's actual or prospective financial performance for FY21F, LTM Dec-21F, H2 FY21F and H1 FY22F.

The Directors believe that the Forecast Financial Information has been prepared with due care and attention and consider all best estimate general and specific assumptions when taken as a whole to be reasonable as at the Prospectus Date. However, by its nature, this information is predictive (and not fact) and so potential investors are cautioned not to place undue reliance on the Forecast Financial Information.

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The Forecast Financial Information has been prepared by the Directors based on an assessment of present economic and operating conditions (including the impact of the COVID-19 pandemic) and on a number of best estimate general and specific assumptions regarding future events and actions as set out in Section 4.7. The Forecast Financial Information is subject to the risk factors set out in Section 5.

This information is intended to assist potential investors in assessing the reasonableness and likelihood of the assumptions occurring but is not intended to be a representation that the assumptions will occur. The Forecast Financial Information has been reviewed by PricewaterhouseCoopers Securities Ltd but has not been audited. Investors should note the scope and limitations of the Investigating Accountant's Report on the Historical Financial Information and Forecast Financial Information (refer to Section 8).

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 ACL's actual financial performance, cash flows or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside of the control of ACL, the Directors and Management, and are not reliably predictable.

Accordingly, none of the Directors, Management or any other person can give potential investors any assurance that the outcomes disclosed in the Forecast Financial Information will arise. The Forecast Financial Information should be read in conjunction with the best estimate general and specific assumptions as set out in Section 4.7, the sensitivities as set out in Section 4.8, the risk factors set out in Section 5 and other information set out in this Prospectus.

The Directors have no intention to update or revise the Forecast Financial Information or other 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, except where required by law.

4.2.4 Acquisition of SunDoctors

It is proposed that ACL will acquire SunDoctors through the issuance of shares in the Company concurrent with the Offer. SunDoctors is a specialist skin cancer business that focuses on histopathology. In the FY21F, SunDoctors is forecast to generate $32.1 million of revenue (5.0% of ACL pro forma revenue) and generate $8.7 million of EBITDA, (4.2% of ACL pro forma EBITDA). Additional details on this transaction are set out in Section 9.4. During the period of the Historical Financial Information, SunDoctors made a number of individually immaterial acquisitions and divestments. These acquisitions and divestments have been included in the Historical Financial Information as if they had all occurred on 1 July 2017.

4.2.5 Significant accounting policies

The significant accounting policies adopted in the preparation of the Financial information are set out below and are further outlined in Section 10.

4.2.5.1 Adoption of AASB 16 *Leases*

The adoption of the new AASB 16 accounting standard was required for financial years commencing on or after 1 January 2019 and consequently ACL adopted this standard in its statutory financial statements for FY20 and in its statutory half year financial statements for H1 FY21. Given the portfolio of leases has similar characteristics, management has applied a single weighted average incremental borrowing rate of 7%. In addition, no exercise of lease options has been assumed.

SunDoctors also adopted AASB 16 in its statutory financial statements from FY20.

AASB 16 removes the accounting distinction between operating and financial leases and requires recognition of most lease liabilities on the balance sheet, together with a related right of use asset (excluding short-term leases with less than 12 months of tenure and leases relating to low value assets). As a result, the income statement will show lease expense as depreciation relating to the right of use asset and interest relating to the lease liability, rather than rent expense being shown as an operating expense. Lessor accounting remains similar to previous practice.

As a result of the adoption of AASB 16, operating expenses decrease and depreciation and interest expense increase, and the timing of expense recognition changes due to the change from a straight-line rental expense to depreciation and interest expenses with an accelerated profile.

AASB 16 has no effect on the net cash flows of the Company, but has resulted in a change in classification on the cash flow statement. Under previous AAS, rent payments were included in operating cash flows. AASB 16 instead requires that lease payments be classified and presented between the interest portion of the payment, included in interest paid and the principal portion of the payment, included in financing cash flows.

This Prospectus presents the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information on a consistent basis, reflecting the estimated impact of AASB 16 in all historical and forecast periods.

The impact of adopting AASB 16 on the statutory income statement in each period has been set out by way of a summary reconciliation in Table 4.9 in Section 4.3.5.

4.2.5.2 Critical accounting judgements and estimates

Preparing financial statements in accordance with AAS requires ACL's management to make judgements, estimates and assumptions about the application of accounting policies that affect the reported revenues and expenses, carrying values of assets and liabilities and the disclosure of contingent liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods. Judgements that management has made in the application of AAS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next financial year are disclosed, where applicable, in the relevant notes to our financial statements when these are prepared. The key areas in which critical estimates and judgements are applied are in respect of share-based payments transactions, determination of expected lease term and application of estimated incremental borrowing rates on AASB 16 adoption, valuation and impairment of intangible assets acquired, estimation of useful lives of assets, long service leave provisions and deferred taxation balances.

4.2.5.3 Explanation of certain non-IFRS and other financial metrics

ACL uses certain measures to manage and report on its business that are not recognised by the AASB nor under IFRS. These measures are collectively referred to as 'non-IFRS financial measures' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. These non-IFRS financial measures that are referred to in this Prospectus include the following:

- **Non-COVID-19 Pathology revenue** represents pathology revenue not related to COVID-19;
- **COVID-19 Pathology revenue** represents pathology revenue related to COVID-19. This includes specific COVID-19 tests, as well as other testing conducted as part of the same patient episode;
- **Rolling LTM** represents the moving average total of a particular item for the most recent 12 months;
- **EBITDA** represents net profit/(loss) before interest expense (including interest on the lease liability recognised under AASB 16), income tax expense, depreciation (including depreciation on the right of use asset recognised under AASB 16) and amortisation (including amortisation of acquired intangible assets);
- **EBIT** is calculated by deducting depreciation (including depreciation on the right of use asset recognised under AASB 16) and amortisation (including amortisation of acquired intangible assets) from EBITDA;
- **PBT** is presented as the net profit/(loss) before income tax expense;
- **NPAT** is presented as net profit after tax;
- **Cash EBITDA** is presented as EBITDA prior to non-cash items and after deducting cash rental payments on leased properties;
- **Net Working Capital** represents the net balance of trade and other receivables, inventory, prepayments, other assets, trade and other payables, accruals, provision for income tax and other liabilities;
- **Operating Cash Flow Pre Capex** represents Cash EBITDA after deducting or adding (as relevant) the change in working capital for that period;
- **Capital Expenditure** or **Capex** relates to capital expenditure incurred on information technology systems and equipment and property, plant and equipment, including new laboratory equipment and collection centre and laboratory fit outs;
- **Free Cash Flow Before Interest and Tax** represents Operating Cash Flow Pre Capex after deducting Capex; and
- **Net Cash Flow** is presented as net cash flow before Offer costs, after payment of the principal portion of lease liabilities, financing activities, interest paid and income tax paid.

These non-IFRS financial measures do not have a prescribed definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities, and should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS. Although ACL believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of the business, potential investors are cautioned not to place undue reliance on any non-IFRS financial measures included in this Prospectus.

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4.3 Pro Forma Historical Results, Statutory Historical Results, Pro Forma Forecast Results and Statutory Forecast Results

4.3.1 Overview

Table 4.2 below summarises ACL's Pro Forma Historical Results for FY18, FY19, FY20 and LTM Dec-20, as well as the Pro Forma Forecast Results and Statutory Forecast Results for FY21F and LTM Dec-21F. The Pro Forma Historical Results and Pro Forma Forecast Results are reconciled to the Statutory Historical Results and Statutory Forecast Results in Section 4.3.3.

Table 4.2: Pro Forma Historical Results, Pro Forma Forecast Results and Statutory Forecast Results for FY18, FY19, FY20, LTM Dec-20, FY21F and LTM Dec-21F

		Pro Forma Historical			Pro Forma Forecast	Pro Forma Historical	Pro Forma Forecast	Statutory Forecast
AUD in millions	**Notes**	**FY18**	**FY19**	**FY20**	**FY21F**	**LTM Dec-20**	**LTM Dec-21F**	**FY21F**
Pathology revenue	1	478.9	492.5	505.5	629.1	577.3	602.7	614.3
Clinic revenue	2	12.4	13.1	13.1	14.1	13.6	14.3	2.3
Patient revenue		**491.4**	**505.6**	**518.7**	**643.2**	**590.9**	**617.0**	**616.6**
Other revenue	3	4.0	4.0	4.1	3.8	4.2	3.6	1.5
Total revenue		**495.4**	**509.6**	**522.8**	**647.0**	**595.1**	**620.6**	**618.2**
Consumables	4	(82.2)	(85.8)	(89.4)	(116.7)	(106.0)	(109.0)	(114.5)
Labour costs	5	(248.6)	(252.4)	(247.3)	(254.5)	(242.9)	(262.2)	(252.6)
Property costs	6	(13.7)	(14.2)	(14.0)	(15.3)	(14.2)	(17.3)	(14.9)
Repairs and maintenance	7	(6.4)	(6.7)	(6.8)	(6.8)	(6.7)	(6.9)	(6.7)
Other operating expenses	8	(49.5)	(54.4)	(49.0)	(46.1)	(46.8)	(47.1)	(56.4)
Total operating costs (excluding consumables)		**(318.3)**	**(327.7)**	**(317.1)**	**(322.6)**	**(310.6)**	**(333.5)**	**(330.7)**
Total operating costs		**(400.4)**	**(413.5)**	**(406.5)**	**(439.3)**	**(416.5)**	**(442.4)**	**(445.2)**
EBITDA		**95.0**	**96.1**	**116.3**	**207.7**	**178.6**	**178.1**	**173.0**
Depreciation		(14.6)	(13.2)	(12.5)	(10.8)	(11.6)	(10.6)	(9.9)
Depreciation AASB 16		(72.5)	(74.8)	(74.0)	(77.4)	(75.0)	(77.8)	(75.6)
Depreciation	**9**	**(87.1)**	**(88.1)**	**(86.5)**	**(88.3)**	**(86.5)**	**(88.4)**	**(85.5)**
Amortisation of acquired intangible assets	**10**	**(0.2)**	**(0.2)**	**(0.2)**	**(0.2)**	**(0.2)**	**(0.2)**	**(0.0)**
EBIT		**7.7**	**7.8**	**29.6**	**119.3**	**91.9**	**89.6**	**87.4**
Interest on loan		(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(4.6)
Amortisation of capitalised borrowing cost		(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(6.1)
Interest AASB 16		(10.8)	(11.1)	(11.0)	(11.0)	(11.1)	(10.6)	(10.9)
Net finance expense	**11**	**(12.7)**	**(13.0)**	**(12.9)**	**(12.9)**	**(13.0)**	**(12.5)**	**(21.6)**
PBT		**(5.0)**	**(5.2)**	**16.7**	**106.4**	**78.8**	**77.1**	**65.9**
Tax income (expense)	12	1.5	1.6	(5.0)	(31.9)	(23.7)	(23.1)	(17.6)
NPAT		**(3.5)**	**(3.6)**	**11.7**	**74.5**	**55.2**	**54.0**	**48.3**

Notes:

1. Pathology revenue represents amounts earned on the rendering of pathology diagnostic tests on patient samples sourced from ACCs, skin clinics, public and private hospitals and other customers on a per episode basis. Pathology revenue is based on the applicable Medicare item rates or applicable agreed rates with customers.
2. Clinic revenue represents amounts earned on the rendering of clinic support and imaging services by SunDoctors. Clinic support revenue represents a percentage share of doctor billings earned on the provision of support services to doctors in the SunDoctors clinics, recognised on a net basis consistent with SunDoctors' role as collection agent for the doctors. Imaging revenue represents amounts earned on the rendering of imaging services to customers, based on agreed rates.
3. Other revenue represents rental income earned on the sub-leasing of premises to medical professionals and other sundry revenue. As discussed in Section 4.3.4, the non-recurring benefit of net JobKeeper Payments received by ACL has been excluded from the Pro Forma Historical Results and Pro Forma Forecast Results.
4. Consumables represents the cost of laboratory reagents used in the conduct of pathology testing, and to a lesser extent the cost of collection equipment (e.g. tubes, pipettes and syringes), swabs and personal protective equipment (PPE) consumed in the collection and provision of pathology services to patients.
5. Labour costs include wages and salaries for employees as well as related bonuses, incentives and superannuation expenses, along with leave provision movements, payroll tax and workers compensation insurance.
6. Property costs include outgoings, levies, council rates and land tax, as well as lease rental costs on short-term property leases or rolling leases not required to be accounted for under AASB 16 *Leases*.
7. Repairs and maintenance costs includes repairs, maintenance and service costs on laboratory equipment, computer equipment, buildings, and other low value assets.
8. Other operating expenses include advertising and marketing costs, professional fees, motor vehicle/external couriers, communications and utilities, bank fees, postage and stationery, travel, quality and accreditation, cleaning and waste disposal, insurance, ASX fees, and other costs.
9. Depreciation represents depreciation expense incurred in respect of IT equipment and property, plant and other equipment, along with the depreciation of right of use assets under AASB 16.
10. Amortisation represents the amortisation of intangible assets arising on the proposed acquisition of SunDoctors.
11. Net finance expense represents the interest expense on the New Banking Facilities, amortisation of capitalised borrowing costs along with interest expense incurred on lease liabilities under AASB 16.
12. Income tax expense reflects the application of the Australian corporate income tax rate of 30%.

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Table 4.3 below summarises ACL's Pro Forma Historical Results for H1 FY20, H1 FY21 and H2 FY20 as well as the Pro Forma Forecast Results and Statutory Forecast Results for H2 FY21F and H1 FY22F. The Pro Forma Historical Results and Pro Forma Forecast Results are reconciled to the Statutory Historical Results and Statutory Forecast Results respectively in Section 4.3.3.

Table 4.3: Pro Forma Historical Results, Pro Forma Forecast Results and Statutory Forecast Results for H1 FY20, H2 FY20, H1 FY21, H2 FY21F and H1 FY22F

	(1)	Pro Forma Historical	Pro Forma Forecast	Pro Forma Historical	Pro Forma Historical	Pro Forma Forecast	Statutory Forecast (2)	
AUD in millions	**Notes**	**H2 FY20**	**H2 FY21F**	**H1 FY20**	**H1 FY21**	**H1 FY22F**	**H2 FY21F**	**H1 FY22F**
Pathology revenue		252.5	304.3	253.1	324.8	298.4	298.2	298.4
Clinic revenue		6.5	7.1	6.6	7.0	7.2	2.3	7.2
Patient revenue		**259.0**	**311.4**	**259.7**	**331.8**	**305.6**	**300.5**	**305.6**
Other revenue		2.2	1.8	1.9	2.0	1.8	(29.5)	1.8
Total revenue		**261.2**	**313.2**	**261.6**	**333.8**	**307.4**	**271.0**	**307.4**
Consumables		(44.5)	(55.3)	(44.8)	(61.4)	(53.6)	(54.4)	(53.6)
Labour costs		(117.5)	(129.2)	(129.8)	(125.3)	(132.8)	(131.2)	(133.2)
Property costs		(6.9)	(7.9)	(7.1)	(7.3)	(9.5)	(8.0)	(10.7)
Repairs and maintenance		(3.2)	(3.3)	(3.6)	(3.4)	(3.6)	(3.3)	(3.6)
Other operating expenses	3	(23.2)	(22.5)	(25.7)	(23.6)	(24.4)	(32.1)	(24.0)
Total operating costs (excluding consumables)		**(150.9)**	**(163.0)**	**(166.2)**	**(159.6)**	**(170.3)**	**(174.6)**	**(171.5)**
Total operating costs		**(195.5)**	**(218.3)**	**(211.0)**	**(221.0)**	**(224.0)**	**(229.0)**	**(225.1)**
EBITDA		**65.7**	**94.9**	**50.6**	**112.8**	**83.4**	**42.0**	**82.2**
Depreciation		(6.0)	(5.3)	(6.5)	(5.6)	(5.4)	(4.9)	(5.4)
Depreciation AASB 16		(36.4)	(38.9)	(37.6)	(38.6)	(38.9)	(37.9)	(37.9)
Depreciation		**(42.4)**	**(44.1)**	**(44.1)**	**(44.1)**	**(44.3)**	**(42.8)**	**(43.3)**
Amortisation of acquired intangible assets		**(0.1)**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.0)**	(0.1)
EBIT		**23.3**	**50.7**	**6.3**	**68.6**	**39.0**	**(0.9)**	**38.9**
Interest on loan		(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(3.3)	(0.8)
Amortisation of capitalised borrowing cost		(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(6.0)	(0.2)
Interest AASB 16		(5.4)	(5.3)	(5.6)	(5.7)	(5.3)	(5.2)	(5.2)
Net finance expense		**(6.4)**	**(6.2)**	**(6.5)**	**(6.7)**	**(6.2)**	**(14.5)**	**(6.1)**
PBT		**16.9**	**44.5**	**(0.2)**	**61.9**	**32.8**	**(15.4)**	**32.7**
Tax income (expense)		(5.1)	(13.3)	0.1	(18.6)	(9.8)	6.6	(9.8)
NPAT		**11.8**	**31.1**	**(0.1)**	**43.3**	**23.0**	**(8.8)**	**22.9**

Notes:
1. Refer to the Notes to Table 4.2 above.
2. The results of SunDoctors are included in the Statutory Forecast Results from the date of the Offer (included for eight weeks in H2 FY21F and for the entire half year period in H1 FY22F).
3. In addition to the items outlined in Note 8 to Table 4.2 in Section 4.3.1, Other operating expenses also includes the portion of the Offer costs expected to be expensed in H2 FY21F.

4.3.2 Statutory Historical Results

Table 4.4 below summarises the Statutory Historical Results for FY18, FY19 and FY20.

Table 4.4: Statutory Historical Results for FY18, FY19 and FY20

		Statutory Historical (1)		
AUD in millions	**Note**	**FY18**	**FY19**	**FY20**
Pathology revenue	2	376.1	445.9	487.5
Clinic revenue		–	–	–
Patient revenue		**376.1**	**445.9**	**487.5**
Other revenue	3	3.2	2.6	32.0
Total revenue		**379.2**	**448.5**	**519.5**
Consumables	4	(66.0)	(79.2)	(87.0)
Labour costs	5	(188.6)	(223.0)	(237.5)
Property costs	6	(76.9)	(90.5)	(18.3)
Repairs and maintenance	7	(5.3)	(6.2)	(6.7)
Other operating expenses	8	(35.2)	(43.7)	(44.7)
Total operating costs (excluding consumables)		**(306.0)**	**(363.3)**	**(307.2)**
Total operating costs		**(372.0)**	**(442.5)**	**(394.2)**
EBITDA		**7.3**	**5.9**	**125.3**
Depreciation		(11.3)	(11.5)	(11.3)
Depreciation AASB 16		–	–	(66.6)
Depreciation	9	**(11.3)**	**(11.5)**	**(77.9)**
Amortisation of acquired intangible assets		**–**	**–**	**–**
EBIT		**(4.0)**	**(5.6)**	**47.4**
Interest on loan		(3.6)	(3.9)	(4.1)
Amortisation of capitalised borrowing cost		–	–	–
Interest AASB 16		–	–	(12.5)
Net finance expense	10	**(3.6)**	**(3.9)**	**(16.6)**
PBT		**(7.6)**	**(9.5)**	**30.8**
Tax income (expense)	11	(1.4)	(0.8)	10.4
NPAT		**(9.0)**	**(10.3)**	**41.3**

Notes:

1. The Statutory Historical Results presented above have been extracted from the statutory historical consolidated financial statements of ACL for FY18, FY19 and FY20. The Statutory Historical Results for FY18 and FY19 reflect the application of the prevailing lease standard (AASB 117) in operation at the time, whilst the Statutory Historical Results for FY20 reflect the adoption of AASB 16. In addition the Statutory Historical Results do not include the historical results of SunDoctors, which is proposed to be acquired in conjunction with the Offer, or the historical results of Clinical Laboratories WA prior to becoming a wholly owned subsidiary in FY19.
2. Pathology revenue represents amounts earned on the rendering of pathology diagnostic tests on patient samples sourced from ACCs, skin clinics, public and private hospitals and other customers on a per episode basis. Pathology revenue is based on the applicable Medicare item rates or applicable agreed rates with customers.
3. Other revenue represents rental income earned on the sub-leasing of premises to medical professionals and other sundry revenue, as well as net JobKeeper Payments received from the Australian Government in FY20 (refer to Section 4.3.4).
4. Consumables represents the cost of laboratory reagents used in the conduct of pathology testing, and to a lesser extent the cost of collection equipment (e.g. tubes, pipettes and syringes), swabs and personal protective equipment (PPE) consumed in the collection and provision of pathology services to patients.
5. Labour costs include wages and salaries for employees as well as related bonuses, incentives and superannuation expense, along with leave provision movements, payroll tax and workers compensation insurance.
6. Property costs include outgoings, levies, council rates and land tax, as well as lease rental costs on short-term property leases or rolling leases not required to be accounted for under AASB 16 *Leases*.
7. Repairs and maintenance costs includes repairs, maintenance and service costs on laboratory equipment, computer equipment, buildings, and other low value assets.
8. Other operating expenses include advertising and marketing costs, professional fees, motor vehicle/external couriers, communications and utilities, bank fees, postage and stationery, travel, quality and accreditation, cleaning and waste disposal, insurance, ASX fees, and other costs.
9. Depreciation represents depreciation expense incurred in respect of IT equipment and property, plant and other equipment, along with the depreciation of right of use assets recognised on the first time application of AASB 16 in FY20.
10. Net finance expense represents the interest expense on the Existing Facilities and related party loans, as well as the amortisation of capitalised borrowing costs. Net finance expense in FY20 also reflects the interest expense incurred on lease liabilities recognised on the first time application of AASB 16.
11. Income tax expense reflects the application of the Australian corporate income tax rate of 30%.

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Table 4.5 below summarises the Statutory Historical Results for H1 FY20 and H1 FY21.

Table 4.5: Statutory Historical Results for H1 FY20 and H1 FY21

		Statutory Historical (1,2)	
AUD in millions	**Note**	**H1 FY20**	**H1 FY21**
Pathology revenue		244.2	316.2
Clinic revenue		–	–
Patient revenue		244.2	316.2
Other revenue	3	1.3	31.0
Total revenue		245.5	347.2
Consumables		(43.8)	(60.1)
Labour costs		(122.7)	(121.4)
Property costs		(11.0)	(7.0)
Repairs and maintenance		(3.5)	(3.4)
Other operating expenses		(22.5)	(24.3)
Total operating costs (excluding consumables)		(159.7)	(156.1)
Total operating costs		**(203.6)**	**(216.2)**
EBITDA		**42.0**	**131.0**
Depreciation		(5.9)	(5.0)
Depreciation AASB 16		(31.9)	(37.6)
Depreciation		(37.8)	(42.7)
Amortisation of acquired intangible assets		–	–
EBIT		**4.2**	**88.4**
Interest on loan		(2.1)	(1.4)
Amortisation of capitalised borrowing cost		–	(0.1)
Interest AASB 16		(6.4)	(5.7)
Net finance expense		**(8.4)**	**(7.1)**
PBT		**(4.2)**	**81.3**
Tax income (expense)	4	1.0	(24.2)
NPAT		**(3.2)**	**57.1**

Notes:
1. The Statutory Historical Results presented above have been extracted from the statutory historical consolidated half year financial statements of ACL for H1 FY20 and H1 FY21. These Statutory Historical Results for H1 FY20 and H1 FY21 reflect the application of AASB 16 in each period. In addition, the Statutory Historical Results do not include the historical results of SunDoctors, which is proposed to be acquired contemporaneously with the Offer, or the historical results of Clinical Laboratories WA prior to it becoming a wholly owned subsidiary in FY19.
2. Refer to the notes to Table 4.4 in Section 4.3.2.
3. Other revenue represents rental income earned on the sub-leasing of premises to medical professionals and other sundry revenue, as well as net JobKeeper Payments received from the Australian Government in H1 FY21. As discussed in Section 4.3.4, net JobKeeper Payments received from the Australian Government post 22 June 2020 have been repaid in March 2021, net of income tax.
4. Income tax expense which represents 30% of the profit before tax in H1 FY21, in line with the Company's effective tax rate.

4.3.3 Pro forma adjustments to the Statutory Historical Results and Statutory Forecast Results

Table 4.6 sets out the pro forma adjustments made to the Statutory Historical Results for FY18, FY19 and FY20 along with the Statutory Forecast Results for FY21F, at the revenue, EBITDA and NPAT levels.

Table 4.6: Pro forma adjustments to the Statutory Historical Results and Statutory Forecast Results for FY18, FY19, FY20 and FY21F

AUD in millions	Notes	FY18	FY19	FY20	FY21F
Statutory Revenue		379.2	448.5	519.5	618.2
Pro forma adjustments					
Acquisition of SunDoctors	1	29.3	31.9	32.7	26.8
AASB 16 impact	2	–	–	–	–
Historical acquisitions and divestments	3	86.9	29.2	(0.4)	–
One time items	4	–	–	(0.1)	–
Removal of JobKeeper Payments (received) / repaid	5	–	–	(28.9)	2.0
Pro forma Revenue		**495.4**	**509.6**	**522.8**	**647.0**
Statutory EBITDA		7.3	5.9	125.3	173.0
Pro forma adjustments					
Acquisition of SunDoctors	1	4.5	5.9	6.5	5.7
AASB 16 impact	2	80.8	83.4	7.0	1.9
Historical acquisitions and divestments	3	(1.9)	1.2	0.4	–
One time items	4	7.6	3.0	3.9	5.0
Removal of JobKeeper Payments (received)/repaid	5	–	–	(23.5)	5.7
IPO debt facilities	6	–	–	–	–
Costs of the Offer	7	–	–	–	19.4
Public company costs	8	(3.4)	(3.4)	(3.4)	(3.0)
Pro forma EBITDA		**95.0**	**96.1**	**116.3**	**207.7**
Statutory NPAT		(9.0)	(10.3)	41.3	48.3
Pro forma adjustments					
Acquisition of SunDoctors	1	1.7	3.2	4.0	3.5
AASB 16 impact	2	(2.5)	(2.6)	1.1	(0.1)
Historical acquisitions and divestments	3	(4.9)	0.9	0.4	–
One time items	4	7.6	3.0	3.9	5.0
Removal of JobKeeper Payments (received)/repaid	5	–	–	(23.5)	5.7
IPO debt facilities	6	1.9	2.2	2.2	8.7
Costs of the Offer	7	–	–	–	19.4
Public company costs	8	(3.4)	(3.4)	(3.4)	(3.0)
Tax loss carry forward (recognition and usage)	9	6.1	3.3	(21.3)	(1.2)
Tax impact of pro forma adjustments	10	(1.0)	0.1	6.9	(11.8)
Pro forma NPAT		**(3.5)**	**(3.6)**	**11.7**	**74.5**

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Notes:
1. Inclusion of the normalised historical and forecast results of SunDoctors as if the proposed acquisition had occurred on 26 June 2017. At the NPAT level, the results of SunDoctors are included net of the estimated amortisation expense on identifiable intangible assets that will be recognised by ACL upon the acquisition (refer to Section 4.2.4 for further details in respect of the proposed SunDoctors acquisition).
2. Application of AASB 16 *Leases* (which came into effect in FY20) as if it had been applied by ACL from FY18 onwards (refer to Section 4.2.5.1). FY18 and FY19 NPAT are reduced by the application of AASB 16 primarily due to the application of lease payments to principal versus interest. FY20 NPAT is increased as a result of spreading the initial negative impact on first time adoption into earlier periods. This adjustment has no cash flow impact.
3. Inclusion of the historical results of Clinical Laboratories WA into ACL in FY18 and FY19 (consolidated into ACL in FY19), as well as the removal of losses incurred from a discontinued business in FY19 and FY20.
4. Removal of non-recurring integration and transaction related expenses incurred by ACL, including integration, redundancy and other restructuring costs incurred post the acquisition of St John of God Health Care's pathology business and Perth Pathology in FY17, as well as transaction costs incurred in respect of the aborted sale and subsequent refinancing of ACL in FY20 and FY21F.
5. Removal of the net impact of the non-recurring benefit of the JobKeeper Payments received by ACL from the Australian Government. This reflects the amount of the wage subsidy received from ACL to the extent it subsidised amounts earned and payable to qualifying staff in the period, net of the wage subsidy amounts paid to staff who were not working, or where wages of staff who worked were below the relevant minimum threshold. The net impact of the JobKeeper Payments repaid by ACL in March 2021 have also been removed from pro forma NPAT (refer to Section 4.3.4 for further details).
6. Adjustment to reflect the capital structure expected to be in place post the Offer, including the removal of historical interest expense (including amortisation of capitalised borrowing costs) on the related party loans and Existing Facilities intended to be repaid from the proceeds of the Offer, net of the inclusion of interest expense (including amortisation of capitalised borrowing costs) on the New Banking Facilities that will be in place post the Offer.
7. Removal of the impact of that portion of the Offer Costs forecast to be expensed.
8. ACL's estimate of the incremental annual costs associated with being a publicly listed company. These costs include ASX and share registry fees, Non-Executive Director remuneration, Directors' and Officers' insurance premiums, incremental remuneration for senior executives, investor relations costs, as well as annual general meeting and annual report costs.
9. Removal of the income statement benefit of the recognition of carried forward income tax losses from prior financial years which was recorded in FY20, net of the inclusion of a pro forma income tax expense based on the effective income tax rate of 30% expected to be applicable going forward.
10. Cumulative income tax effect of the applicable pro forma adjustments noted above, based on the pro forma effective income tax rate of 30% expected to be applicable going forward.

Table 4.7: Pro forma adjustments to the Statutory Historical Results and Statutory Forecast Results for H2 FY20, H1 FY21, H2 FY21F and H1 FY22F

AUD in millions	Notes (1)	H2 FY20	H2 FY21F	H1 FY21	H1 FY22F
Statutory Revenue		274.0	271.0	347.2	307.4
Pro forma adjustments					
Acquisition of SunDoctors		16.1	11.0	15.9	–
AASB 16 impact		–	–	–	–
Historical acquisitions and divestments		–	–	–	–
One time items		–	–	–	–
Removal of JobKeeper Payments (received)/repaid		(28.9)	31.3	(29.2)	–
Pro forma Revenue		**261.2**	**313.2**	**333.8**	**307.4**
Statutory EBITDA		**83.4**	**42.0**	**131.0**	**82.2**
Pro forma adjustments					
Acquisition of SunDoctors		3.8	2.6	3.1	0.1
AASB 16 impact		1.7	0.9	1.0	1.0
Historical acquisitions and divestments		(0.0)	–	–	–
One time items		2.1	0.0	4.9	–
Removal of JobKeeper Payments (received)/repaid		(23.5)	31.3	(25.5)	–
IPO debt facilities		–	–	–	–
Costs of the Offer		–	19.4	–	–
Public company costs		(1.7)	(1.3)	(1.7)	–
Pro forma EBITDA		**65.7**	**94.9**	**112.8**	**83.4**

AUD in millions	Notes (1)	H2 FY20	H2 FY21F	H1 FY21	H1 FY22F
Statutory NPAT		**44.5**	**(8.8)**	**57.1**	**22.7**
Pro forma adjustments					
Acquisition of SunDoctors		2.7	1.6	1.9	0.1
AASB 16 impact		1.3	0.3	(0.4)	(0.2)
Historical acquisitions and divestments		(0.0)	–	–	–
One time items		2.1	0.0	4.9	–
Removal of JobKeeper Payments (received)/repaid		(23.5)	31.3	(25.5)	–
IPO debt facilities		1.1	8.2	0.5	–
Costs of the Offer		–	19.4	–	–
Public company costs		(1.7)	(1.3)	(1.7)	–
Tax loss carry forward (recognition and usage)		(21.6)	(0.9)	(0.4)	0.2
Tax impact of pro forma adjustments		7.0	(18.8)	7.0	0.2
Pro forma NPAT		**11.8**	**31.1**	**43.3**	**23.0**

Notes:

1. Refer to the Notes to Table 4.6 in Section 4.3.3.

4.3.4 Treatment of net JobKeeper benefit received/repaid

Table 4.8 below provides a reconciliation of the non-recurring net JobKeeper Payments received and repaid included in the Statutory Historical Results and Statutory Forecast Results, on a pre-tax and post-tax basis. These have been removed from the Pro Forma Historical Results and Pro Forma Forecast Results.

Table 4.8: Treatment of net JobKeeper benefit received/repaid for H2 FY20, FY20, LTM Dec-20, H1 FY21, H2 FY21F, FY21F, H1 FY22F and LTM Dec-21F

AUD in millions	Note	FY20	FY21F	LTM Dec-20	LTM Dec-21F	H2 FY20	H2 FY21F	H1 FY21	H1 FY22F
Statutory information									
Net JobKeeper Payments received	1	23.5	25.5	49.1	–	23.5	–	25.5	–
Net JobKeeper Payments repaid	2	–	(31.3)	–	(31.3)	–	(31.3)	–	–
PBT impact		**23.5**	**(5.7)**	**49.1**	**(31.3)**	**23.5**	**(31.3)**	**25.5**	**–**
Income tax impact	3	(7.1)	1.7	(14.7)	9.4	(7.1)	9.4	(7.7)	–
NPAT impact		**16.5**	**(4.0)**	**34.3**	**(21.9)**	**16.5**	**(21.9)**	**17.9**	**–**

Notes:

1. Net JobKeeper Payments received represents the non-recurring benefit of the JobKeeper Payments received by ACL from the Australian Government. This amount reflects the amount of the subsidy received from ACL to the extent it subsidised amounts earned and payable to qualifying staff in the relevant period, net of the wage subsidy amounts paid to staff who were not working, or where wages of staff who worked were below the relevant minimum threshold. Gross JobKeeper Payments received have been recorded as Other Income and wages and salaries included in Labour costs in the Statutory Historical Results and the Statutory Forecast Results. Net JobKeeper Payments received have been removed from the Pro Forma Historical Results and Pro Forma Forecast Results.
2. The gross JobKeeper Payments received by ACL in relation to the period post 22 June 2020 were voluntarily repaid by ACL in March 2021 (net of tax) and have also been removed from pro forma NPAT. As the voluntary repayment occurred post balance date for the H1FY21 period, the net effect of the repayment of JobKeeper has been recorded in H2 FY21F. This voluntary repayment is not deductible for income tax purposes. As a result, a cash payment of $21.9 million was made by ACL, representing $31.3 million of gross JobKeeper Payments before tax and prior to the amounts paid to staff as discussed in Note 1 above. The net impact of this voluntary repayment of the gross JobKeeper Payments received, and the payments that ACL made to staff that otherwise would not have been eligible to receive these additional payments, resulted in a ($4.0) million NPAT loss in the FY21F period.
3. Tax effect of the net of JobKeeper Payments and repayments. JobKeeper Payments received have been included in assessable income, whilst the voluntary repayment has been treated as non-deductible as discussed in Note 2 above, in line with the ATO guidance on JobKeeper voluntary repayments as at 25 March 2021.

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4.3.5 Impact of AASB 16 *Leases* on Pro Forma Historical Results and Pro Forma Forecast Results

As outlined in Section 4.2.5.1, the Pro Forma Historical Results and Pro Forma Forecast Results have been prepared on a consistent basis and are presented based on the estimated application of AASB 16 in all financial periods. Table 4.9 and Table 4.10 below provide a reconciliation of the Pro Forma Historical Results and the Pro Forma Forecast Results, both before and after the application of AASB 16.

Table 4.9: Reconciliation of Pro Forma Historical Results and Pro Forma Forecast Results between AASB 16 and AASB 117 for FY18, FY19, FY20, LTM Dec-20, FY21F and LTM Dec-21F

		Pro Forma Historical			Pro Forma Forecast	Pro Forma Historical	Pro Forma Forecast
AUD in millions	Notes	FY18	FY19	FY20	FY21F	LTM Dec-20	LTM Dec-21F
Pro forma EBITDA (AASB 16)	1	95.0	96.1	116.3	207.7	178.6	178.1
Less: Operating lease rentals (AASB 117)	2	(80.8)	(83.4)	(82.4)	(86.8)	(83.5)	(87.4)
Pro forma EBITDA (AASB 117)		**14.2**	**12.7**	**33.9**	**121.0**	**95.1**	**90.7**
Pro forma EBIT (AASB 16)	1	**7.7**	**7.8**	**29.6**	**119.3**	**91.9**	**89.6**
Add: Depreciation of Right of Use Asset (AASB 16)	3	72.5	74.8	74.0	77.4	75.0	77.8
Less: Operating lease rentals (AASB 117)	2	(80.8)	(83.4)	(82.4)	(86.8)	(83.5)	(87.4)
Pro forma EBIT (AASB 117)		**(0.6)**	**(0.7)**	**21.2**	**109.9**	**83.4**	**80.0**
Pro forma NPAT (AASB 16)	1	**(3.5)**	**(3.6)**	**11.7**	**74.5**	**55.2**	**54.0**
Add: Depreciation of Right of Use Asset (AASB 16)	3	72.5	74.8	74.0	77.4	75.0	77.8
Add: Interest expense on Lease liabilities (AASB 16)	4	10.8	11.1	11.0	11.0	11.1	10.6
Less: Operating lease rentals (AASB 117)	2	(80.8)	(83.4)	(82.4)	(86.8)	(83.5)	(87.4)
Pre tax impact Pro forma NPAT (AASB 117)		**(1.0)**	**(1.0)**	**14.3**	**76.1**	**57.8**	**55.0**
Income tax impact	5	(0.8)	(0.8)	(0.8)	(0.5)	(0.8)	(0.3)
Pro forma NPAT (AASB 117)		**(1.7)**	**(1.8)**	**13.5**	**75.6**	**57.0**	**54.7**

Notes:
1. Represents pro forma EBITDA, EBIT and NPAT after the application of AASB 16 in all periods.
2. Reflects the operating lease expenses that would have been recognised as property costs and hence reduced EBITDA under AASB 117.
3. Depreciation of the right of use assets under AASB 16.
4. Interest expense on the lease liabilities from leases arising from the adoption of AASB 16.
5. Income tax impact of the differences between AASB 16 and AASB 117.

Table 4.10: Reconciliation of Pro Forma Historical Results and Pro Forma Forecast Results between AASB 16 and AASB 117 for H2 FY20, H1 FY21, H2 FY21F and H1 FY22F

		Pro Forma Historical	Pro Forma Forecast	Pro Forma Historical	Pro Forma Forecast
AUD in millions	**Notes (1)**	**H2 FY20**	**H2 FY21F**	**H1 FY21**	**H1 FY22F**
Pro forma EBITDA (AASB 16)		65.7	94.9	112.8	83.4
Less: Operating lease rentals (AASB 117)		(40.5)	(43.8)	(43.0)	(43.5)
Pro forma EBITDA (AASB 117)		**25.2**	**51.1**	**69.9**	**39.9**
Pro forma EBIT (AASB 16)		**23.3**	**50.7**	**68.6**	**39.0**
Add: Depreciation of Right of Use Asset (AASB 16)		36.4	38.9	38.6	38.9
Less: Operating lease rentals (AASB 117)		(40.5)	(43.8)	(43.0)	(43.5)
Pro forma EBIT (AASB 117)		**19.1**	**45.8**	**64.2**	**34.4**
Pro forma NPAT (AASB 16)		**11.8**	**31.1**	**43.3**	**23.0**
Add: Depreciation of Right of Use Asset (AASB 16)		36.4	38.9	38.6	38.9
Add: Interest expense on Lease liabilities (AASB 16)		5.4	5.3	5.7	5.3
Less: Operating lease rentals (AASB 117)		(40.5)	(43.8)	(43.0)	(43.5)
Pre tax impact Pro forma NPAT (AASB 117)		**13.1**	**31.5**	**44.7**	**23.6**
Income tax impact		(0.4)	(0.1)	(0.4)	(0.2)
Pro forma NPAT (AASB 117)		**12.7**	**31.4**	**44.3**	**23.4**

Notes:

1. Refer to the Notes to Table 4.9 above.

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4.3.6 Key revenue, operating and financial metrics

Table 4.11 and Table 4.12 set out the key revenue, operating and financial metrics for ACL.

Table 4.11: Key revenue, operating and financial metrics for FY18, FY19, FY20, LTM Dec-20, FY21F, and LTM Dec-21F

		Pro Forma Historical			Pro Forma Forecast	Pro Forma Historical	Pro Forma Forecast
	Notes	FY18	FY19	FY20	FY21F	LTM Dec-20	LTM Dec-21F
Revenue metrics							
Non-COVID-19 pathology revenue	1	478.9	492.5	486.2	521.2	484.4	545.9
Clinic revenue	2	12.4	13.1	13.1	14.1	13.6	14.3
Total non-COVID-19 revenue		**491.4**	**505.6**	**499.4**	**535.3**	**498.0**	**560.2**
COVID-19 pathology revenue	1	–	–	19.3	107.9	92.9	56.8
Patient revenue		**491.4**	**505.6**	**518.7**	**643.2**	**590.9**	**617.0**
Pathology revenue		478.9	492.5	505.5	629.1	577.3	602.7
Clinic revenue	2	12.4	13.1	13.1	14.1	13.6	14.3
Patient revenue		**491.4**	**505.6**	**518.7**	**643.2**	**590.9**	**617.0**
Revenue growth %							
Non-COVID-19 pathology revenue (%)	3		2.8%	(1.3%)	7.2%	(3.4%)	12.7%
Clinic revenue (%)	4		5.4%	0.1%	7.3%	1.3%	5.2%
Total non-COVID-19 revenue (%)	**5**		**2.9%**	**(1.2%)**	**7.2%**	**(3.2%)**	**12.5%**
COVID-19 pathology revenue (%)	6		0.0%	100.0%	458.9%	100.0%	(38.9%)
Patient revenue (%)	**7**		**2.9%**	**2.6%**	**24.0%**	**14.8%**	**4.4%**
Pathology revenue (%)	8		2.8%	2.6%	24.4%	15.2%	4.4%
Operational metrics							
Number of non-COVID-19 Pathology episodes (# in 000's)	9	7,788	7,913	7,573	7,927	7,400	8,179
Number of COVID-19 Pathology episodes (# in 000's)	10	–	–	202	1,073	942	558
Number of Pathology episodes (# in 000's)	**11**	**7,788**	**7,913**	**7,775**	**9,000**	**8,342**	**8,736**
Non-COVID-19 Average Pathology revenue per episode (AUD)	12	61.5	62.2	64.2	65.8	65.5	66.8
COVID-19 Average Pathology revenue per episode (AUD)	13	–	–	95.5	100.6	98.7	101.8
Average Pathology revenue per episode (AUD)	**14**	**61.5**	**62.2**	**65.0**	**69.9**	**69.2**	**69.0**
Average FTEs (#)	15	2,777.1	2,776.1	2,716.3	2,744.4	2,664.1	2,802
Average Pathology episodes per FTE (#)	16	2,804.3	2,850.3	2,862.4	3,279.2	3,131.4	3,118
Labour cost per FTE (AUD in 000's)	17	(89.5)	(90.9)	(91.0)	(92.7)	(91.2)	(93.6)

		Pro Forma Historical			Pro Forma Forecast	Pro Forma Historical	Pro Forma Forecast
	Notes	FY18	FY19	FY20	FY21F	LTM Dec-20	LTM Dec-21F
Financial metrics							
Expenses % of revenue							
Consumables (%)	18	(16.6%)	(16.8%)	(17.1%)	(18.0%)	(17.8%)	(17.6%)
Labour costs (%)	19	(50.2%)	(49.5%)	(47.3%)	(39.3%)	(40.8%)	(42.2%)
Property costs (%)	20	(2.8%)	(2.8%)	(2.7%)	(2.4%)	(2.4%)	(2.8%)
Repairs and maintenance (%)	21	(1.3%)	(1.3%)	(1.3%)	(1.0%)	(1.1%)	(1.1%)
Other operating costs (%)	22	(10.0%)	(10.7%)	(9.4%)	(7.1%)	(7.9%)	(7.6%)
Total operating costs (excl. consumables) (%)	23	(64.2%)	(64.3%)	(60.7%)	(49.9%)	(52.2%)	(53.7%)
Total operating costs (%)	24	(80.8%)	(81.1%)	(77.8%)	(67.9%)	(70.0%)	(71.3%)
EBITDA margin (%)	**25**	**19.2%**	**18.9%**	**22.2%**	**32.1%**	**30.0%**	**28.7%**

Notes:
1. Refer to Section 4.6.2 for a description of Pathology revenue. ACL has conducted COVID-19 testing from 14 March 2020. Pathology revenue has been separated into Non-COVID-19 pathology revenue and COVID-19 related pathology revenue in the table above.
2. Refer to Section 4.6.2 for further details. None of the Clinic revenue relates to COVID-19.
3. Non-COVID-19 pathology revenue growth represents the percentage growth in Non-COVID-19 pathology revenue for the current period compared to the prior corresponding period.
4. Clinic revenue growth represents the percentage growth in Clinic revenue for the current period compared to the prior corresponding period.
5. Total non-COVID-19 revenue growth represents the percentage growth in Non-COVID-19 pathology revenue and Clinic revenue for the current period compared to the prior corresponding period.
6. COVID-19 pathology revenue growth represents the percentage growth in COVID-19 pathology revenue for the current period compared to the prior corresponding period.
7. Patient revenue growth represents the percentage growth in Total non-COVID-19 revenue and COVID-19 pathology revenue for the current period compared to the prior corresponding period.
8. Pathology revenue growth represents the percentage growth in pathology revenue for the current period compared to the prior corresponding period.
9. Number of non-COVID-19 Pathology episodes represents the total number of non COVID-19 items billed to customers, based on standard measures.
10. Number of COVID-19 Pathology episodes represents the total number of COVID-19 items billed to customers, based on standard measures.
11. Number of Pathology episodes represents the total number of pathology items billed to customers, based on standard measures. The number of pathology episodes excludes the number of patient visits to SunDoctors clinics.
12. Non-COVID-19 Average Pathology revenue per episode is calculated as total non-COVID-19 pathology revenue divided by the number of non-COVID-19 Pathology episodes, expressed in $.
13. COVID-19 Average Pathology revenue per episode is calculated as total COVID-19 pathology revenue divided by the number of COVID-19 Pathology episodes, expressed in $. COVID-19 Pathology revenue represents pathology revenue related to COVID-19. This includes specific COVID-19 tests, as well as other testing conducted as part of the same episode plus Patient Episode Initiation and Bulk Billing Incentive.
14. Average Pathology revenue per episode is calculated as total pathology revenue divided by the number of Pathology episodes, expressed in $.
15. Average FTEs represents the average monthly total of Full Time Equivalent (FTE) employees in a financial period.
16. Average Pathology episodes per FTE is calculated as the Number of Pathology episodes divided by the Average total FTE employees.
17. Labour costs per FTE is calculated as Labour costs divided by the Average total FTE employees.
18. Consumables % of revenue is calculated as pro forma Consumables expenses divided by pro forma total revenue expressed as a percentage.
19. Labour costs % of revenue is calculated as pro forma Labour costs divided by pro forma total revenue, expressed as a percentage.
20. Property costs % of revenue is calculated as pro forma Property costs divided by pro forma total revenue, expressed as a percentage.
21. Repairs and maintenance % of revenue is calculated as pro forma Repairs and maintenance expenses divided by pro forma total revenue, expressed as a percentage.
22. Other operating expenses % of revenue is calculated as pro forma Other operating expenses divided by pro forma total revenue, expressed as a percentage.
23. Total operating costs (excl. Consumables) % of revenue is calculated as the aggregation of pro forma Labour costs, Property costs, Repairs and maintenance expenses and Other operating costs, divided by pro forma total revenue, expressed as a percentage.
24. Total operating costs % of revenue is calculated as the aggregation of pro forma Total operating costs (excl. Consumables) and pro forma Consumables, divided by pro forma total revenue, expressed as a percentage.
25. EBITDA margin refers to the pro forma EBITDA divided by pro forma total revenue, expressed as a percentage.

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Table 4.12: Key revenue, operating and financial metrics for H2 FY20, H1 FY21, H2 FY21F and H1 FY22F

	Notes (1)	Pro Forma Historical H2 FY20	Pro Forma Forecast H2 FY21F	Pro Forma Historical H1 FY21	Pro Forma Forecast H1 FY22F
Revenue metrics					
Non-COVID-19 pathology revenue		233.2	270.0	251.2	275.9
Clinic revenue		6.5	7.1	7.0	7.2
Total non-COVID-19 revenue		**239.7**	**277.1**	**258.2**	**283.1**
COVID-19 pathology revenue		19.3	34.3	73.6	22.5
Patient revenue		**259.0**	**311.4**	**331.8**	**305.6**
Pathology revenue		252.5	304.3	324.8	298.4
Clinic revenue		6.5	7.1	7.0	7.2
Patient revenue		**259.0**	**311.4**	**331.8**	**305.6**
Revenue growth %					
Non-COVID-19 pathology revenue (%)			15.8%	(0.7%)	9.8%
Clinic revenue (%)			8.6%	6.1%	2.5%
Total non-COVID-19 revenue (%)			**15.6%**	**(0.6%)**	**9.6%**
COVID-19 pathology revenue (%)			77.6%	100.0%	(69.5%)
Patient revenue (%)			**20.2%**	**27.8%**	**(7.9%)**
Pathology revenue (%)			20.5%	28.4%	(8.1%)
Operational metrics					
Number of non-COVID-19 Pathology episodes (# in 000's)		3,599	4,123	3,805	4,056
Number of COVID-19 Pathology episodes (# in 000's)		202	333	740	225
Number of Pathology episodes (# in 000's)		**3,801**	**4,455**	**4,544**	**4,281**
Non-COVID-19 Average Pathology revenue per episode (AUD)		64.8	65.5	66.0	68.0
COVID-19 Average Pathology revenue per episode (AUD)		95.5	103.0	99.5	100.0
Average Pathology revenue per episode (AUD)		**66.4**	**68.3**	**71.5**	**69.7**
Average FTEs (#)		2,619.8	2,785.2	2,703.7	2,818.7
Average Pathology episodes per FTE (#)		1,450.8	1,599.7	1,680.7	1,518.7
Labour cost per FTE (AUD in 000's)		(44.9)	(46.4)	(46.3)	(47.1)
Financial metrics					
Expenses % of revenue					
Consumables (%)		(17.1%)	(17.7%)	(18.4%)	(17.5%)
Labour costs (%)		(45.0%)	(41.3%)	(37.5%)	(43.2%)
Property costs (%)		(2.6%)	(2.5%)	(2.2%)	(3.1%)
Repairs and maintenance (%)		(1.2%)	(1.1%)	(1.0%)	(1.2%)

	Notes (1)	Pro Forma Historical H2 FY20	Pro Forma Forecast H2 FY21F	Pro Forma Historical H1 FY21	Pro Forma Forecast H1 FY22F
Other operating costs (%)		(8.9%)	(7.2%)	(7.1%)	(8.0%)
Total operating costs (excl. consumables) (%)		(57.8%)	(52.0%)	(47.8%)	(55.4%)
Total operating costs (%)		(74.8%)	(69.7%)	(66.2%)	(72.9%)
EBITDA margin (%)		25.2%	30.3%	33.8%	27.1%

Notes:
1. Refer to the Notes to Table 4.11 above.

4.4 Pro Forma Historical Cash Flows, Statutory Historical Cash Flows, Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows

4.4.1 Pro Forma Historical Cash Flows, Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows

Table 4.13 below presents the Pro Forma Historical Cash Flows for FY18, FY19, FY20 and LTM Dec-20, as well as the Pro Forma Forecast Cash Flows for FY21F and LTM Dec-21F and Statutory Forecast Cash Flows for FY21F. The Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows are reconciled to the Statutory Historical Cash Flows and Statutory Forecast Cash Flows respectively in Section 4.4.3.

Table 4.13: Pro Forma Historical Cash Flows, Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows for FY18, FY19, FY20, LTM Dec-20, FY21F and LTM Dec-21F

		Pro Forma Historical			Pro Forma Forecast	Pro Forma Historical	Pro Forma Forecast	Statutory Forecast
AUD in millions	**Notes**	**FY18**	**FY19**	**FY20**	**FY21F**	**LTM Dec-20**	**LTM Dec-21F**	**FY21F**
EBITDA	1	95.0	96.1	116.3	207.7	178.6	178.1	173.0
Non-Cash items	2	1.0	1.5	0.9	0.8	1.3	0.6	0.3
Property related payments AASB 16	3	(80.8)	(83.4)	(82.4)	(86.8)	(83.5)	(87.4)	–
Cash EBITDA	**4**	**15.2**	**14.2**	**34.8**	**121.8**	**96.4**	**91.4**	**173.3**
Change in Net Working Capital	5	(4.5)	(6.4)	2.7	0.7	(1.6)	(4.8)	11.7
Operating cash flow pre capex		**10.7**	**7.9**	**37.5**	**122.5**	**94.8**	**86.6**	**185.0**
Capex	6	(9.6)	(14.4)	(9.4)	(8.4)	(7.0)	(10.2)	(8.4)
Free cash flow before interest and tax		**1.1**	**(6.5)**	**28.1**	**114.1**	**87.8**	**76.4**	**176.6**
Payments of principal portion of lease liabilities	7				–		–	(74.0)
Net Offer proceeds	8				–		–	136.0
Financing and investing activities	9				–		–	(203.4)
Interest paid	10				(1.5)		(1.5)	(38.7)
Income tax paid	11				(32.4)		(23.5)	(15.7)
Net cash flow	**12**				**80.2**		**51.4**	**(19.2)**

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Notes:
1. Represents EBITDA post AASB 16.
2. Non-Cash items includes share-based payments expenses and losses on the sale of assets.
3. Property related payments reflect cash rent payments on leased properties. This amount is consistent with the Profit and Loss charge that would have applied under AASB 117 (as shown in Section 4.3.5) as the impact of straight-lining is immaterial.
4. Cash EBITDA in the Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows represents EBITDA after adding Non-Cash items and deducting Property related payments. Cash EBITDA in the statutory forecast for FY21F excludes the payment of the principal portion of lease liabilities under AASB 16 discussed in Note 7 below and the interest paid in respect of the lease liabilities discussed in Note 10 below.
5. Change in Net Working Capital represents the movement in Net Working Capital balances between periods. The positive change in Net Working Capital in FY20 primarily reflected the increase in provisions at the FY20 year end.
6. Capex includes laboratory equipment, leasehold improvements for fit-out in laboratories and ACCs, software and capital improvement projects.
7. Payment of principal portion of lease liabilities in accordance with AASB 16. In ACL's statutory financial statements the payment of principal portion of lease liabilities is disclosed in financing cash flows.
8. Gross proceeds of the Offer from issue of New Shares ($142.3 million), less the portion of the Offer costs which has been capitalised gross of tax ($6.4 million). The expensed portion of the costs of the Offer ($19.4 million gross of tax) is included in the statutory forecast EBITDA.
9. Includes proceeds and repayments of borrowings, as well as dividends paid to existing shareholders.
10. Interest paid in the FY21F and LTM Dec-21F pro forma forecasts reflects the forecast interest paid on the New Banking Facilities. The FY21F statutory forecast also includes the interest on the leased properties in accordance with AASB 16.
11. Income tax paid reflects the effective rate of 30% of the profit before tax in the Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows. The Statutory Forecast Cash Flows reflects the estimated income tax payable for FY21F.
12. Net cash flow in the Statutory Forecast Cash Flows is after estimated costs of the Offer and before the expected pre-IPO dividends to be paid to the existing shareholders prior to the Offer.

Table 4.14 below presents the Pro Forma Historical Cash Flows for H2 FY20 and H1 FY21 as well as the Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows for H2 FY21F and H1 FY22F. The Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows are reconciled to the Statutory Historical Cash Flows and Statutory Forecast Cash Flows respectively in Section 4.4.3.

Table 4.14: Pro Forma Historical Cash Flows, Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows for H2 FY20, H1 FY21, H2 FY21F and H1 FY22F

		Pro Forma Historical	Pro Forma Forecast	Pro Forma Historical	Pro Forma Forecast	Statutory Forecast (2)	
AUD in millions	**Notes (1)**	**H2 FY20**	**H2 FY21F**	**H1 FY21**	**H1 FY22F**	**H2 FY21F**	**H1 FY22F**
EBITDA		65.7	94.9	112.8	83.4	42.0	82.2
Non-Cash items		0.9	0.4	0.4	0.2	0.2	0.2
Property related payments AASB 16		(40.5)	(43.8)	(43.0)	(43.5)	–	–
Cash EBITDA		**26.1**	**51.5**	**70.3**	**40.0**	**42.1**	**82.4**
Change in Net Working Capital		(5.9)	(3.5)	4.3	(1.3)	(4.0)	(1.3)
Operating cash flow pre capex		**20.2**	**48.0**	**74.5**	**38.8**	**38.1**	**81.1**
Capex		(3.4)	(4.7)	(3.7)	(5.5)	(4.7)	(5.5)
Free cash flow before interest and tax		**16.8**	**43.2**	**70.9**	**33.3**	**33.4**	**75.6**
Payments of principal portion of lease liabilities			–		–	(37.2)	(37.3)
Net Offer proceeds			–		–	136.0	–
Financing and investing activities			–		–	(135.9)	–
Interest paid			(0.7)		(0.8)	(9.1)	(6.0)
Income tax paid			(13.4)		(10.0)	(6.5)	(6.2)
Net cash flow			**29.1**		**22.4**	**(19.4)**	**26.2**

Notes:
1. Refer to the Notes to Table 4.13 above.
2. The results of SunDoctors are included in the Statutory Forecast Results from the date of the Offer (included for eight weeks in H2 FY21F and for the entire half year period in H1 FY22F).

4.4.2 Statutory Historical Cash Flows

Table 4.15 below sets out the Statutory Historical Cash Flows for FY18, FY19 and FY20.

Table 4.15: Statutory Historical Cash Flows for FY18, FY19 and FY20

		Statutory Historical		
AUD in millions	**Notes**	**FY18**	**FY19**	**FY20**
EBITDA	1	7.3	5.9	125.3
Non-Cash items	2	1.8	1.0	0.4
Property related payments AASB 16		–	–	–
Cash EBITDA	**3**	**9.1**	**7.0**	**125.8**
Change in Net Working Capital	4	(4.2)	(5.1)	(11.5)
Operating cash flow pre capex		**5.0**	**1.9**	**114.2**
Capex	5	(8.6)	(14.4)	(9.4)
Free cash flow before interest, tax and financing activities		**(3.7)**	**(12.5)**	**104.8**
Payments of principal portions of lease liabilities	6	–	–	(60.9)
Financing and investing activities	7	3.5	10.4	(0.7)
Interest expense	8	(0.0)	(0.5)	(12.5)
Tax	9	0.1	(0.0)	0.1
Net cash flow		**(0.2)**	**(2.7)**	**30.9**

Notes:

1. Statutory EBITDA has been extracted from the statutory historical consolidated financial statements of ACL for FY18, FY19 and FY20. Statutory EBITDA for FY18 and FY19 reflected the application of the prevailing lease standard (AASB 117) in operation at the time, whilst the statutory EBITDA for FY20 reflected the adoption of AASB 16. Operating lease rental expenses are included in the determination of EBITDA in FY18 and FY19 under AASB 117. In FY20, under AASB 16, operating lease rental expenses are removed from EBITDA.
2. Non-Cash items include share-based payments expenses and profit / loss on the sale of assets.
3. Cash EBITDA represents EBITDA after adding Non-Cash items. Cash EBITDA in the Statutory Historical Cash Flows excludes the payment of the principal portion of lease liabilities under AASB 16 discussed in Note 6 below and the interest paid in respect of the lease liabilities discussed in Note 8 below.
4. Change in Net Working Capital represents the movement in Net Working Capital balances between periods. Change in Net Working Capital in FY20 was ($11.5) million, primarily reflecting the non-recurring JobKeeper Payments receivable at 30 June 2020. JobKeeper Payment receivables and accruals have been excluded in the Pro forma Historical Cash Flows and Pro forma Forecast Cash Flows.
5. Capex includes laboratory equipment, leasehold improvements for fit-out in laboratories and ACCs, software and capital improvement projects. The increase in FY19 was primarily driven by significant investments in laboratory testing equipment, systems and information technology. These investments have equipped ACL with a modern fleet of laboratory testing equipment.
6. Payment of principal portion of lease liabilities in accordance with AASB 16.
7. Includes proceeds and repayments of borrowings as well as dividends paid to existing shareholders.
8. Interest paid in FY20 reflects the interest paid on lease liabilities post AASB 16.
9. Income tax paid reflects the effective rate of 30% of the profit before tax.

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Table 4.16 below presents the Statutory Historical Cash Flows for H1 FY20 and H1 FY21.

Table 4.16: Statutory Historical Cash Flows for H1 FY20 and H1 FY21

		Statutory Historical	
AUD in millions	**Notes (1)**	**H1 FY20**	**H1 FY21**
EBITDA		42.0	131.0
Non-Cash items		0.1	0.2
Property related payments AASB 16		–	–
Cash EBITDA		**42.0**	**131.2**
Change in Net Working Capital		7.0	15.7
Operating cash flow pre capex		**49.0**	**146.9**
Capex		(6.0)	(3.7)
Free cash flow before interest, tax and financing activities		**43.0**	**143.3**
Payments of principal portions of lease liabilities		(28.6)	(36.8)
Financing and investing activities		(0.2)	(67.5)
Interest expense		(6.4)	(29.5)
Tax		0.1	(9.3)
Net cash flow		**7.9**	**0.2**

1. Refer to the Notes to Table 4.15.

4.4.3 Pro forma adjustments to the Statutory Historical Cash Flows and Statutory Forecast Cash Flows

Table 4.17 and Table 4.18 below set out the adjustments that have been made to the Statutory Historical Cash Flows and Statutory Forecast Cash Flows.

Table 4.17: Pro forma adjustments to the Statutory Historical Cash Flows and Statutory Forecast Cash Flows for FY18, FY19, FY20 and FY21F

AUD in millions	Notes	FY18	FY19	FY20	FY21F
Statutory net cash flow	**1**	**(0.2)**	**(2.7)**	**30.9**	**(19.2)**
Interest	1	0.0	0.5	12.5	38.7
Income tax paid	1	(0.1)	0.0	(0.1)	15.7
Payments of principal portions of lease liabilities	1	–	–	60.9	74.0
Net Offer proceeds	1	–	–	–	(136.0)
Financing and investing activities	1	(3.5)	(10.4)	0.7	203.4
Statutory free cash flow before interest, tax and financing activities		**(3.7)**	**(12.5)**	**104.8**	**176.6**
Acquisition of SunDoctors	2	4.5	5.9	6.5	5.7
Property related payments AASB 16	3	–	–	(73.3)	(84.9)
Historical acquisitions and divestments	4	(2.5)	(0.0)	1.7	–
One time items	5	5.6	3.0	3.9	4.9
Removal of JobKeeper received / repaid	6	–	–	(12.5)	(5.2)
Costs of the Offer	7	–	–	–	19.4
Public company costs	8	(2.9)	(2.9)	(2.9)	(2.5)
Pro forma free cash flow before interest, tax and financing activities		**1.1**	**(6.5)**	**28.1**	**114.1**
Interest paid					(1.5)
Income tax paid					(32.4)
Pro forma net cash flow					**80.2**

Notes:

1. Refer to Table 4.15 and 4.16 for the Statutory Historical Cash Flows and Table 4.13 and 4.14 for the Statutory Forecast Cash Flows.
2. Inclusion of the normalised historical cash flows of SunDoctors as if the proposed acquisition had occurred on 26 June 2017 (refer to Section 4.2.4 for further details in respect of the proposed SunDoctors acquisition).
3. Inclusion of the pro forma cash payments on property *leases* which under the application of AASB 16 Leases are removed and recorded as interest paid and financing activities. Statutory payments of principal portions of lease liabilities under AASB 16 have been excluded when arriving at Free cash flow before interest, tax and financing activities.
4. Inclusion of Clinical Laboratories WA cash contribution and removal of cash losses incurred on discontinued operations.
5. Removal of cash impact of non-recurring integration and transaction related expenses incurred by ACL, including integration, redundancy and other restructuring costs incurred post the acquisition of St John of God Health Care's pathology business and Perth Pathology in FY17, as well as transaction costs incurred in respect of the aborted sale and subsequent refinancing of ACL in FY20 and the FY21F.
6. Removal of the net impact of the non-recurring benefit of the JobKeeper Payments received by ACL, as well as the net impact of the JobKeeper Payments repaid by ACL (refer to Section 4.3.4 for further details).
7. Removal of the estimated Offer Costs.
8. ACL's estimate of the incremental annual costs associated with being a publicly listed company. These costs include ASX and share registry fees, Non-Executive Director remuneration, Directors' and Officers' insurance premiums, incremental remuneration for senior executives, investor relations costs, as well as annual general meeting and annual report costs.

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Table 4.18: Pro forma adjustments to the Statutory Historical Cash Flows and Statutory Forecast Cash Flows for H2 FY20, H1 FY21, H2 FY21F and H1 FY22F

AUD in millions	Notes (1)	H2 FY20	H2 FY21F	H1 FY21	H1 FY22F
Statutory net cash flow		**23.0**	**(19.4)**	**0.2**	**26.2**
Interest		6.1	9.1	29.5	6.0
Income tax paid		(0.1)	6.5	9.3	6.2
Payments of principal portions of lease liabilities		32.4	37.2	36.8	37.3
Net Offer proceeds		–	(136.0)	–	–
Financing and investing activities		0.5	135.9	67.5	–
Statutory free cash flow before interest, tax and financing activities		**61.8**	**33.4**	**143.3**	**75.6**
Acquisition of SunDoctors		3.8	2.6	3.1	0.1
Property related payments AASB 16		(38.4)	(42.4)	(42.5)	(42.5)
Historical acquisitions and divestments		1.2	–	–	–
One time items		2.1	(0.0)	4.9	–
Removal of JobKeeper received/repaid		(12.5)	31.3	(36.5)	–
Costs of the Offer		–	19.4	–	–
Public company costs		(1.2)	(1.0)	(1.4)	–
Pro forma free cash flow before interest, tax and financing activities		**16.8**	**43.2**	**70.9**	**33.3**
Interest paid			(0.7)		(0.8)
Income tax paid			(13.4)		(10.0)
Pro forma net cash flow			**29.1**		**22.4**

Notes:
1. Refer to the Notes to Table 4.17.

4.5 Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position

4.5.1 Overview

Table 4.19 below sets out a summary of the Statutory Historical Statement of Financial Position as at 31 December 2020, adjusted for certain pro forma items, including to take into account the effect of the acquisition of SunDoctors, the capital structure that will be in place following completion of the Offer, the impact of the Offer, repayment of the JobKeeper Payments and the dividend proposed to be paid prior to the Offer, as if they had occurred as at 31 December 2020.

Table 4.19: Statutory Historical Statement of Financial Position and Pro forma Historical Statement of Financial Position

AUD in millions	Notes	1 ACL Statutory	2 Add SunDoctors Acquisition	3 Net cash impact of the Offer	4 Debt and transaction settlement	5 ACL New debt	6 JobKeeper Repayment	7 Other Pre IPO Transactions	Pro forma
Cash and cash equivalents		35.0	2.0	119.0	(231.8)	103.3	(21.9)	4.4	10.0
Trade and other receivables		52.4	1.3	–	–	–	–	–	53.7
Inventories		13.7	0.6	–	–	–	–	–	14.2
Other assets	8	5.2	0.7	0.5	–	–	–	–	6.4
Total current assets		**106.3**	**4.6**	**119.5**	**(231.8)**	**103.3**	**(21.9)**	**4.4**	**84.3**
Plant and equipment		37.2	4.0	–	–	–	–	–	41.1
Right of use assets		148.8	4.7	–	–	–	–	–	153.5
Goodwill and other intangibles		35.7	67.7	–	–	–	–	–	103.5
Other financial assets	9	1.0	0.0	–	–	–	–	–	1.0
Deferred Tax Assets	10	17.8	–	5.5	–	–	–	–	23.3
Non-current assets		**240.5**	**76.4**	**5.5**	**–**	**–**	**–**	**–**	**322.4**
Total assets		**346.8**	**81.0**	**125.0**	**(231.8)**	**103.3**	**(21.9)**	**4.4**	**406.7**
Trade and other payables		(37.2)	(2.8)	–	–	–	–	–	(40.0)
Borrowings		(20.2)	(0.7)	–	20.9	0.3	–	–	0.3
Lease liabilities		(62.7)	(1.8)	–	–	–	–	–	(64.5)
Provisions		(43.9)	(0.5)	–	–	–	–	–	(44.4)
Deferred consideration	11	(8.0)	(0.1)	–	8.0	–	–	–	(0.1)
Current tax liabilities	12	(11.4)	(0.0)	2.0	2.3	–	–	–	(7.2)
Total current liabilities		**(183.4)**	**(6.0)**	**2.0**	**31.2**	**0.3**	**–**	**–**	**(155.9)**
Lease liabilities		(92.5)	(3.1)	–	–	–	–	–	(95.6)
Borrowings		(191.4)	(3.5)	–	194.9	(103.6)	–	–	(103.6)
Provisions		(2.7)	(0.2)	–	–	–	–	–	(2.9)
Deferred consideration	11	–	(0.1)	–	–	–	–	–	(0.1)
Deferred tax liabilities		(0.0)	(1.5)	–	–	–	–	–	(1.5)
Total non-current liabilities		**(286.6)**	**(8.4)**	**–**	**194.9**	**(103.6)**	**–**	**–**	**(203.7)**
Total liabilities		**(470.1)**	**(14.4)**	**2.0**	**226.1**	**(103.3)**	**–**	**–**	**(359.6)**
Net Assets		**(123.3)**	**66.7**	**126.9**	**(5.7)**	**–**	**(21.9)**	**4.4**	**47.1**
Total Equity		**(123.3)**	**66.7**	**126.9**	**(5.7)**	**–**	**(21.9)**	**4.4**	**47.1**

4. Financial Information

Notes:

1. Statutory Statement of Financial Position of Australian Clinical Labs Limited at 31 December 2020.
2. Inclusion of the statement of financial position of SunDoctors at 27 December 2020, inclusive of ACL's estimate of the identifiable intangible assets that will be recognised by ACL upon the acquisition (refer to Section 4.2.4 for further details in respect of the proposed SunDoctors acquisition).
3. Net cash impact of the Offer of $119.0 million, including Offer proceeds of $142.3 million less costs directly attributable to the Offer ($26.3 million, including $23.3 million of cash costs) which have been allocated net of tax to retained earnings ($13.9 million) and share capital ($4.5 million). The income tax credit on these costs has been recognised through Deferred Tax Assets of $5.5 million and current tax credit of $2.0 million. The costs of the Offer also include a $0.5 million payment for GST which is offset by a GST credit accrued in current assets.
4. Proposed changes to the capital structure in conjunction with the Offer, including repayment of the Existing Facilities and the write-off of $3.7 million of capitalised borrowing costs net of tax (which are netted off against Borrowings in the balance sheet). Refer to Notes 11 and 12.
5. Drawdown of the New Banking Facilities in conjunction with the Offer ($100.0 million drawn on Facility B; $4.3 million on Facility C), net of $1.0 million of borrowing costs capitalised against the loan balance ($0.3 million in Current Borrowings and $0.7 million in Non-current Borrowings). The capitalised borrowing costs are forecast to amortise over the life of the loan (i.e. three years).
6. As discussed in Section 4.3.4, ACL made a voluntary cash repayment of $21.9 million of JobKeeper Payments (representing $31.3 million of gross JobKeeper Payments received before tax) to the Australian Government in March 2021.
7. This adjustment reflects the net impact of the cash generated by ACL between the pro forma balance sheet date and the IPO date, net of the payment of pre IPO dividends. Dividends are expected to approximate $20.0 million. Crescent plans to acquire the management equity plan loan of $10 million resulting in a net cash outflow of c.$10 million. The pre IPO dividend will only be paid if the expected balance of cash and cash equivalents on hand post the Offer exceeds $10.0 million.
8. Other assets include $0.5 million of GST receivable.
9. Other financial assets include an immaterial investment in Geneseq which will be transferred to existing shareholders prior to the Offer.
10. Deferred Tax Assets at 31 December 2020 primarily relate to the recognition of carried forward income tax losses, recognised in FY20 in relation to income tax losses generated in previous financial periods. These income tax losses are expected to be utilised in H2 FY21F. Deferred Tax Assets of $5.5 million are expected to be recognised in conjunction with the tax-deductible costs of the Offer.
11. Deferred consideration includes an $8.0 million timing difference that existed at 31 December 2020 in relation to the acquisition of Clinical Laboratories Pty Ltd by ACL Finco Pty Ltd. This remaining element of the acquisition was completed and repaid in February 2021 and hence has been shown as an adjustment in the Pro forma Statement of Financial Position. Balance also includes outstanding earnout payments due on SunDoctors' acquisitions.
12. Current tax liabilities adjustments include $2.0 million adjustment for the costs of the Offer immediately deductible (mainly cash bonus paid), and $2.3 million primarily related to the write-off of $5.7 million of capitalised borrowing costs on the existing facility.

4.5.2 Capitalisation and Indebtedness

ACL's principal source of funding comes from the cash flow generated from operations, the cash and cash equivalents on its balance sheet and undrawn amounts under its bank facilities. Table 4.20 below sets out the statutory and pro forma indebtedness of ACL as at 31 December 2020.

Table 4.20: Summary Indebtedness as at 31 December 2020

AUD in millions	Statutory 31-Dec-20	Pro Forma 31-Dec-20
Non-current borrowings		
Existing Facility	(191.4)	–
New Bank Facilities	–	(103.6)
Current borrowings		
Existing Facility	(20.2)	–
New Bank Facilities	–	0.3
Total debt excluding lease liabilities	**(211.6)**	**(103.3)**
Cash and cash equivalents	35.0	10.0
Total net debt excluding lease liabilities	**(176.6)**	**(93.3)**
Lease liabilities	(155.2)	(160.1)
Net debt	**(331.9)**	**(253.4)**
Key metrics		
Net debt (excluding lease liabilities)/LTM Dec-20 EBITDA (AASB 117, excl. Non Cash items)	1.2	1.0
Net debt (excluding lease liabilities)/FY21F EBITDA (AASB 117, excl. Non Cash items)	1.8	0.8
Net debt (excluding lease liabilities)/LTM Dec-21F EBITDA (AASB 117, excl. Non Cash items)	3.5	1.0
Net debt/LTM Dec-20 EBITDA (AASB 16)	1.5	1.4
Net debt/FY21F EBITDA (AASB 16)	1.9	1.2
Net debt/LTM Dec-21F EBITDA (AASB 16)	2.7	1.4

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4.5.3 Description of bank facilities

Overview of bank facilities

As set out in Section 9.8, the Company has executed a commitment letter and term sheet with Commonwealth Bank of Australia in respect of the provision of both a term debt facility and a working capital facility (together, the **New Banking Facilities**) from the date of the Offer. The Company's financing arrangements therefore expected to be in place as at the date of the Offer are set out in Table 4.21 below.

Table 4.21: New Banking Facilities

Facility	Committed Amount	Pro forma Drawn Amount at 31 December 2020	Term
Redrawable Term Facility (Facility B)[2]	$100 million	$100 million	3 years
Cash advance, letter of credit and bank guarantee facility (Facility C)	$20 million	$4.3 million[1]	3 years

Notes:
1. An incremental utilisation of $6.0 million by way of letters of credit and bank guarantees.
2. Facility B can be used to refinance the Existing Facilities and pay costs, expenses and financing and transaction advisory fees in connection with the IPO and the New Facilities and to fund capital expenditure, permitted acquisitions, payments of permitted distributions and repayment of any other Financial Indebtedness;
   Facility C can be used for the working capital and general corporate purposes of the Group (including to issue guarantees, letters of credit or performance bonds to existing issuers of such instruments that have been issued on behalf of the Group and which are required to remain outstanding on Financial Close) and to fund capital expenditure, permitted acquisitions, payments of permitted distributions and repayment of any other Financial Indebtedness. Facility C may be drawn or utilised as revolving cash advances, L/Cs, performance bonds or bank guarantees and by way of bilateral ancillary facilities.

A summary of several key terms of the New Banking Facilities is set out below. Refer to Section 9.8 for further details.

- **Repayment profile**: No interim scheduled repayments are required under the facility prior to the maturity date. Repayable in full at maturity. May be prepaid voluntarily prior to maturity without penalty.
- **Margin**: Until delivery of the first compliance certificate, the margin shall be 1.50% per annum for Facility B and Facility C. Thereafter, the margin will be determined pursuant to the table below with reference to the net leverage ratio as set out in the most recent compliance certificate:

Net leverage ratio	Facility B and C (% per annum)
> 3.00x	2.40
>2.50x and <3.00x	2.05
>2.00x and <2.50x	1.85
>1.50x and <2.00x	1.65
<1.50x	1.50

Zero base rate floor provisions to apply.

- **Commitment Fee**: 40.0% of the applicable margin on undrawn commitments under Facility B and Facility C.
- **Covenants**: Net leverage ratio < 3.5x and Fixed Charge Cover Ratio > 1.5x.

4.5.4 Liquidity and cash reserves

ACL's principal sources of liquidity will be cash generated from operations, cash on hand and borrowings under the New Banking Facilities. As at 31 December 2020, on a pro forma basis (adjusted for the repayment of Existing Facilities), ACL had cash and cash equivalents of $10.0 million, borrowings of $104.3 million, netting off against $1.0 million of capitalised borrowing costs and undrawn debt of $15.7 million under the New Banking Facilities.

ACL's main uses of liquidity are to fund working capital requirements, capital expenditure including expenditure required to maintain its current assets and to expand its business, tax and interest payments and the payment of dividends. ACL believes that its cash from operations, cash on hand and undrawn borrowing capacity under the New Banking Facilities will be sufficient to meet its operational cash requirements for the foreseeable future.

4.6 Management discussion and analysis of the Pro Forma Historical Financial Information

4.6.1 General factors affecting the operating and financial performance

Set out below is a discussion of the general factors which affected ACL's operations and relative performance during the period of the Historical Financial Information and which the Directors expect may affect the Company's operating and financial performance over the period of the Forecast Financial Information.

The general matters discussed below are a summary only and do not represent all events and factors that affected ACL's historical operating and financial performance, nor everything that may affect its operating and financial performance in future periods. The information in this Section 4.6 should also be read in conjunction with the risk factors set out in Section 5 and the other information contained in this Prospectus.

4.6.2 Revenue Overview

ACL generates revenue from the following sources:

(A) **Pathology revenue** represents the majority of the revenue earned by ACL (97% of LTM Dec-20 pro forma revenue). It is earned on the rendering of pathology diagnostic tests on patient samples sourced from ACCs, skin clinics, public and private hospitals and other customers on a per episode basis. Pathology revenue is based on the applicable Medicare item rates or agreed rates with customers.

(B) **Clinic revenue** represented 2% of LTM Dec-20 pro forma revenue. It represents amounts earned on the rendering of clinic support and imaging services by SunDoctors. Clinic support revenue represents a percentage share of doctor billings earned on the provision of support services to doctors in the SunDoctors clinics, recognised on a net basis consistent with SunDoctors' role as collection agent for the doctors.

(C) **Other revenue** represents rental income earned on the sub-leasing of premises to medical professionals and other sundry revenue.

The key drivers of revenue for ACL are:

(A) **Pathology revenue**

The key drivers of pathology revenue are:

a. **The number of pathology episodes**, comprises a pathology service or services provided to a single patient on the same day and is independent from the number of pathology tests performed in this episode.

   Historically, the increase in episodes has been driven by various factors, including:

   i. **Community Pathology**
      1. the underlying growth in demand for pathology services in the markets in which ACL operates;
      2. opening of new, and expansion of existing, ACCs; and
      3. initiatives to improve the performance of existing ACCs.

   ii. **Private and Public Hospitals**
      1. addition of new contracts to provide pathology services to both public and private hospitals; and
      2. growth and expansion at existing serviced hospitals.

   iii. **Other Pathology**
      1. new contract/tender wins and growth in existing contracts; and
      2. organic growth.

   As noted in Section 3.1, ACL has 995 ACCs as at 1 February 2021. Community pathology accounted for 71% of ACL's total revenue for the LTM Dec-20 period. ACL is also contracted to provide pathology services to over 90 public and private hospitals, which together accounted for 16% of ACL's total revenue for the LTM Dec-20 period.

   The number of pathology episodes and the type of pathology episodes conducted have been impacted by the COVID-19 pandemic. Refer to Section 2.3.2 for further details.

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b. **Average pathology revenue per episode** is calculated as total pathology revenue divided by the total number of pathology episodes conducted.

The average pathology revenue per episode varies by channel as follows:

i. **Community Pathology**

1. Average pathology revenue per episode is determined by the rate paid by Medicare for the relevant item, which typically reflects approximately 85% of the applicable rate set out in the MBS schedule. MBS rates for pathology services are not subject to annual indexation. Community pathology revenue includes the Patient Episode Initiation fee, Bulk Billing Incentive (if fully bulk billed) as well as the total of the MBS rates for the pathology items billed, which varies as follows:

   a. If an episode is ordered by a general practitioner and includes more than three tests, ACL is only able to invoice for the three most expensive items as set out in the Medicare rules; and

   b. If an episode is ordered by a specialist, ACL is able to invoice all items.

ii. **Private Hospitals**

1. Average pathology revenue per episode is based on negotiated agreements with private health funds, with prices typically reviewed every three to five years.

iii. **Public Hospitals**

1. Average pathology revenue per episode is determined through a tender process and prices are typically pegged to a percentage of the MBS schedule.

iv. **Other Pathology**

1. Average pathology revenue per episode is either determined through contract/tender or the annually reviewed ACL price book.

As a result of the above factors, the average pathology revenue per episode is a function of the mix of both:

- the type of pathology tests; and
- the source/channel of the pathology test.

Historically, ACL has achieved an increase in fee per episode of approximately 1.5% per annum through an increase in the number of items billed per episode, increasing the relative share of more expensive items and an increase in ACL's share of private hospital contracts.

(B) **Clinic Revenue**

The key drivers of clinic revenue are:

a. The number of patient visits; and

b. Service fee charged to doctors practicing in the SunDoctors clinics, which is typically reflected as a percentage of patient fees billed.

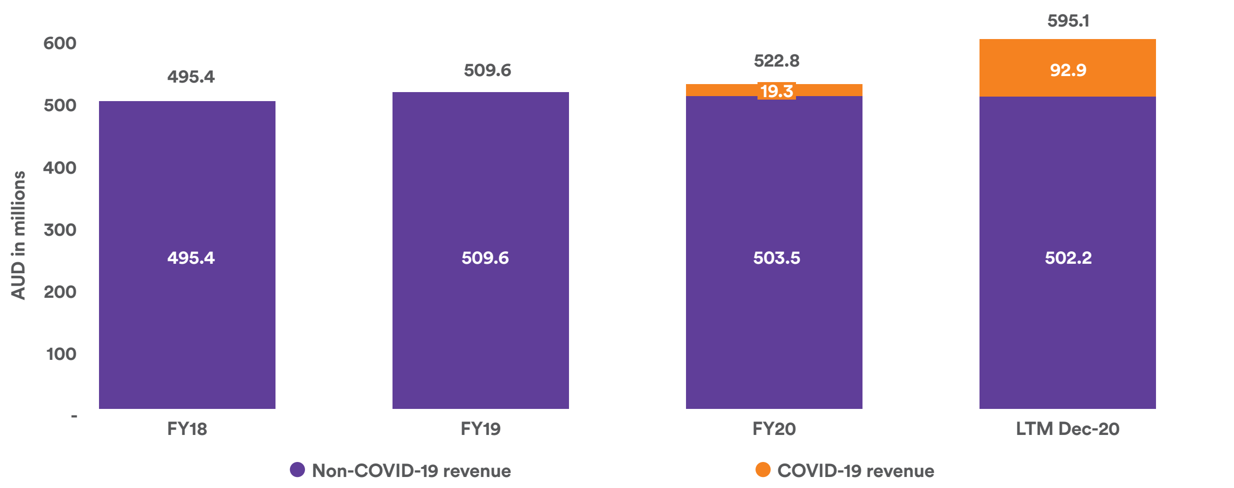
(C) **Other revenue**

Other revenue is a function of the rental income earned on the sub-leasing of premises to medical professionals and other sundry revenue.

4.6.3 Historical pro forma revenue trends

ACL's pro forma revenue has increased from $495.4 million in FY18 to $595.1 million in the LTM Dec-20 period, as shown in Figure 4.1 below.

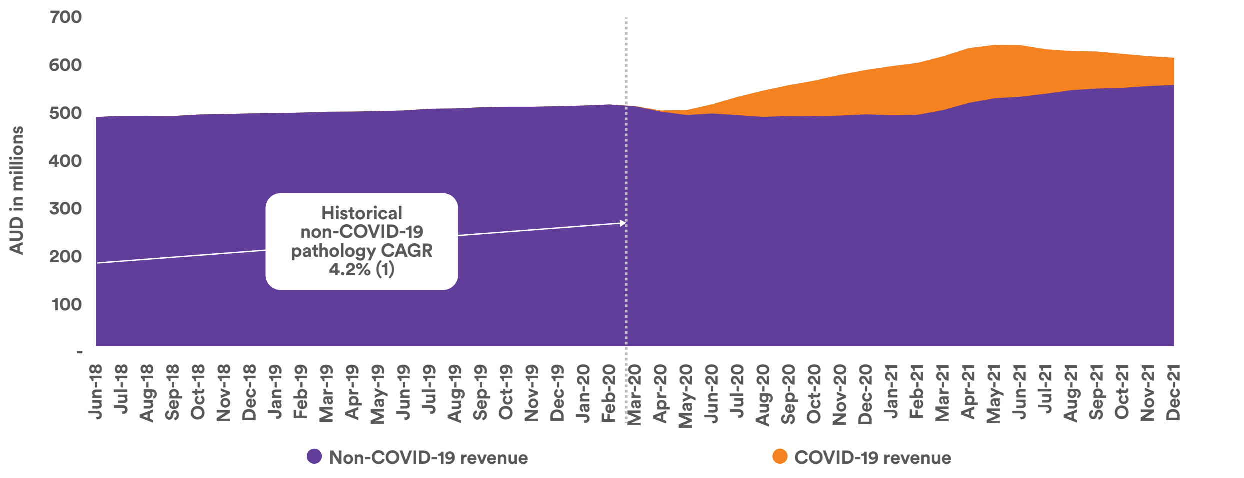
Figure 4.1: Pro forma revenue from FY18 to LTM Dec-20



4.6.4 Historical pro forma pathology revenue trends

As noted in Section 4.6.2 pathology revenue forms the majority of ACL's pro forma revenue. Figure 4.2 below shows the historical and forecast trends in pro forma pathology revenue on a rolling LTM basis between June 2018 and December 2021.

Figure 4.2: Rolling LTM pro forma pathology revenue from FY18 to LTM Dec-21F



Note:

1. CAGR of 4.2% represents the Compound Annual Growth Rate of underlying non-COVID-19 pathology revenues for the period between FY18 and the LTM to February 2020. Underlying non-COVID-19 revenues excludes the revenues attributable to two large hospital contracts won and lost in the period, namely the Northern Hospital contract (lost in FY19) and the Northern Beaches Hospital contract won in FY17.

Revenue trends prior to the COVID-19 pandemic

Between FY18 and the LTM to February 2020, ACL grew pro forma pathology revenue at a CAGR of 3.2%. This growth rate was impacted by the loss of c.$15 million of annual revenue from the end of the Northern Hospital contract in Victoria. The Northern Hospital is a public hospital that decided to insource its pathology operations. This is the only material hospital contract that has been lost by ACL in the past five years.

Excluding the loss of revenue from the Northern Hospital contract, as well as the revenue gained from the Northern Beaches Hospital contract won over this period, ACL achieved underlying non-COVID-19 pathology revenue growth of

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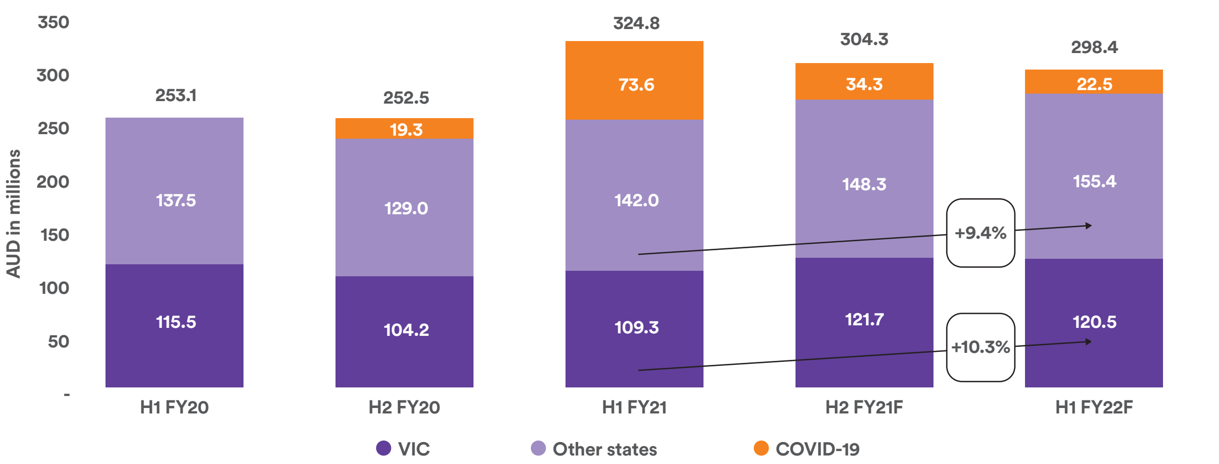
4.2% per annum between FY18 and the LTM to February 2020 (shown as non-COVID-19 pathology revenue CAGR in Figure 4.2 above). This growth rate, compared to long-term market growth rates of 4-6% as outlined in Section 2.3, was also impacted by the exit of several underperforming ACCs and commercial contracts, as ACL sought to optimise its revenue mix. This revenue optimisation process is now substantially complete.

Impact of the COVID-19 pandemic on revenues

Whilst the initial impact of the COVID-19 pandemic was negative on both ACL and the private pathology industry in Australia, the net impact of COVID-19 on ACL's pro forma pathology revenues has been positive from June 2020 onwards.

The changes in ACL's pro forma pathology revenue composition and growth trends as a result of COVID-19 are depicted on a half yearly basis as set out in Figure 4.3 below.

Figure 4.3: Pro forma pathology revenue by half year[1]



Note:

1. Non-COVID-19 Pathology revenues shown in Figure 4.3 have been split into Victoria and all other States in aggregate, primarily based on the State in which the sample is collected.

The initial impact of COVID-19 led to a significant reduction of non-COVID-19 testing volumes in March, April and May 2020 (11.2%, 26.8% and 18.4% decline in non-COVID-19 episodes compared to the prior comparable period respectively), caused by a decrease in general practitioner visits and surgery volumes as a result of lockdowns and restrictions on elective surgery. As a result, from H1 FY20 to H2 FY20, ACL's pro forma pathology revenue declined slightly, by $0.6 million (0.2%) from $253.1 million to $252.5 million, as the $19.9 million (7.9%) decline in non-COVID-19 pathology revenues (from $253.1 million to $233.2 million) was partially offset by COVID-19 pathology revenues of $19.3 million.

During the period from March 2020 to September 2020, ACL had negative growth rates in non-COVID-19 pathology revenues versus the prior comparable period. This trend was most significant in Victoria, which had an extended four-month lockdown through to October 2020. Victoria is also ACL's largest State, contributing 46% of pro forma revenue in FY19.

As discussed in Section 3.7, non-COVID-19 testing volumes broadly returned to prior year levels in all States except Victoria since June 2020 (with the exception of periods of isolated COVID-19 outbreaks). ACL's pro forma pathology revenues have therefore increased from May 2020 onwards, as COVID-19 episode volumes more than offset declines in non-COVID-19 episode volumes. As a result, ACL achieved pro forma pathology revenue growth of $71.8 million (28.4%) from H1 FY20 to H1 FY21 (from $253.1 million to $324.8 million). This overall growth represented:

- An overall decline in non-COVID-19 pathology revenues of $1.8 million (0.7%) from H1 FY20 to H1 FY21 (from $253.1 million to $251.2 million), representing the net impact of:
  - Non-COVID-19 pathology revenue growth in ACL's States outside of Victoria of $4.4 million (3.2%) (from $137.5 million to $142.0 million); and
  - Offset by the decline in non-COVID-19 pathology revenue in Victoria of $6.3 million (5.4%) (from $115.5 million to $109.3 million).
- This decline was more than offset by the growth in COVID-19 pathology revenues of $73.6 million.

By the October to December 2020 quarter, ACL's non-COVID-19 pathology revenue had also returned to year on year growth in Victoria.

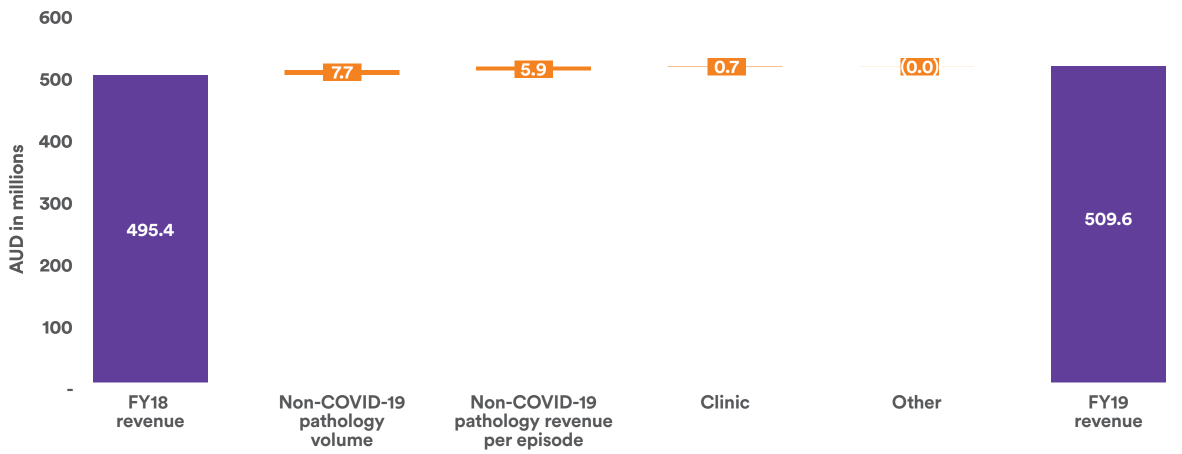
ACL's pro forma pathology revenue forecasts assume a significant decline in COVID-19 pathology revenues and a return to historical average growth rates for non-COVID-19 testing across all States (refer to Section 4.7.2 for details).

4.6.5 Historical pro forma revenue drivers

(A) **FY18 to FY19**

As shown in Figure 4.4 below, from FY18 to FY19, pro forma revenue increased by $14.2 million (2.9% growth) from $495.4 million to $509.6 million.

Figure 4.4: Pro forma FY18 to pro forma FY19 revenue bridge

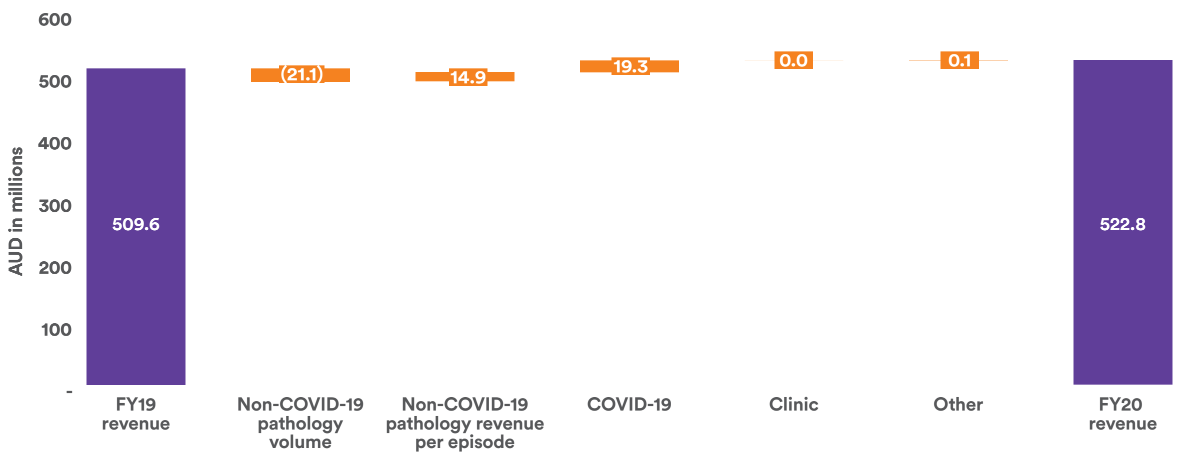


- Pathology revenue increased by $13.6 million (2.8% growth) from $478.9 million to $492.5 million, as a result of:
  - $7.7 million revenue increase resulting from the growth in the number of pathology episodes of 1.7% from c.7,788,000 to c.7,913,000. This growth rate was affected by the part year impact of the end of the Northern Hospital contract in Victoria as discussed in Section 4.6.4 (loss of 135,100 episodes and approximately $5.6 million of revenue in this period); and
  - $5.9 million revenue increase resulting from the growth in the average pathology revenue per episode of $0.70 (1.2% growth) from $61.5 to $62.2, consistent with average historical industry growth rates.
- Growth in clinic revenue of $0.7 million (5.4% growth) from $12.4 million to $13.1 million.
- Other revenue remained consistent in FY18 and FY19 at $4.0 million.

(B) **FY19 to FY20**

As shown in Figure 4.5 below, from FY19 to FY20, pro forma revenue increased by $13.2 million (2.6% growth) from $509.6 million to $522.8 million.

Figure 4.5: Pro forma FY19 to pro forma FY20 revenue bridge



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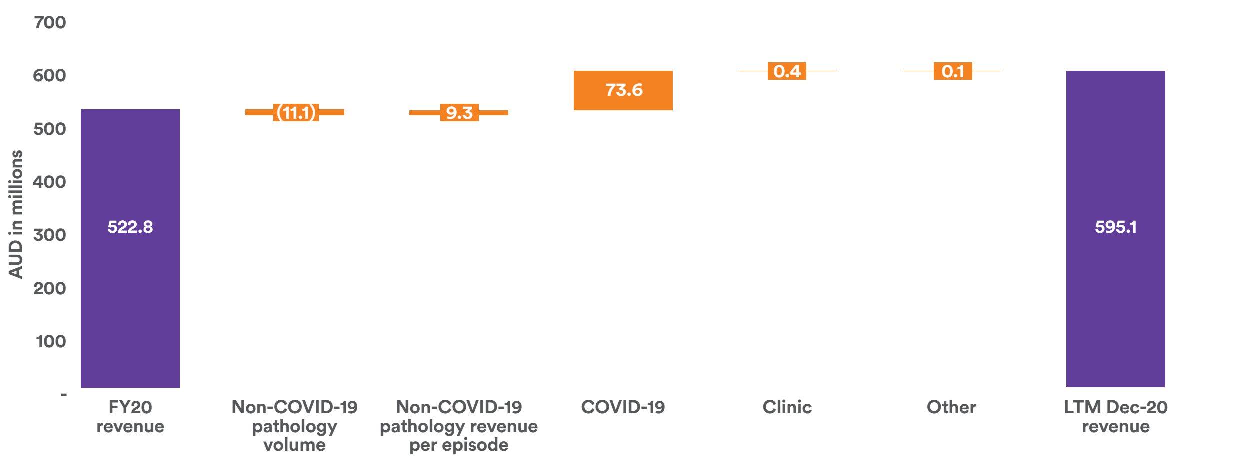
- Pathology revenue increased by $13.1 million (2.6% growth) from $492.5 million to $505.5 million, as a result of:
  - $21.1 million revenue decrease resulting from the decline in non-COVID-19 pathology episodes of 4.3% from c.7,913,000 to c.7,573,000 as the result of the loss of 195,600 episodes (approximately $8.6 million of revenue) in this period from the end of the Northern Hospital contract in Victoria discussed above and also due to the initial impact of COVID-19 from March 2020 to June 2020 (refer to Section 4.6.4); and
  - $14.9 million revenue increase resulting from growth in the average non-COVID-19 pathology revenue per episode of $2.0 (3.2% growth) from $62.2 to $64.2, driven by the change in mix of channels, as well as the mix of non-COVID-19 tests requested during the initial COVID-19 lockdown period between March 2020 and June 2020; and
  - During the final quarter of FY20, non-COVID-19 testing revenue was down by $14.9 million compared with the corresponding period in the prior year, which was offset by $18.8 million of COVID-19 testing.
- Clinic revenue remained consistent in FY19 and FY20 at $13.1 million.
- Other revenue increased by $0.1 million between FY19 and FY20 to $4.1 million.

(C) **FY20 to LTM Dec-20**

As shown in Figure 4.6 below, from FY20 to LTM Dec-20, pro forma revenue increased by $72.3 million (13.8% growth) from $522.8 million to $595.1 million.

Figure 4.6: Pro forma FY20 to LTM Dec-20 revenue bridge



- Pathology revenue increased by $71.8 million (14.2% growth) from $505.5 million to $577.3 million, as a result of:
  - $11.1 million revenue decrease from the decline in the number of non-COVID-19 pathology episodes of 2.3% from c.7,573,000 to c.7,400,000, primarily due to the extended four-month lockdown through to October 2020 in Victoria (refer to Section 4);
  - $9.3 million revenue increase resulting from growth in the average non-COVID-19 pathology revenue per episode of $1.3 (2.0% growth) from $64.2 to $65.5, driven by the change in mix of channels and mix of non-COVID-19 tests conducted;
  - $73.6 million revenue increase from COVID-19, driven by:
    - Increase in the number of COVID-19 testing episodes of 366.0% from c.202,000 to c.942,000; and
    - Growth in the average COVID-19 pathology revenue per episode of $3.1 (3.3% growth) from $95.5 to $98.7, driven by the mix of channels and mix of tests conducted in combination with COVID-19 tests.
- Clinic revenue increased by $0.4 million between FY20 to LTM Dec-20 to $13.6 million.
- Other revenue increased by $0.1 million between FY20 and LTM Dec-20 to $4.2 million.

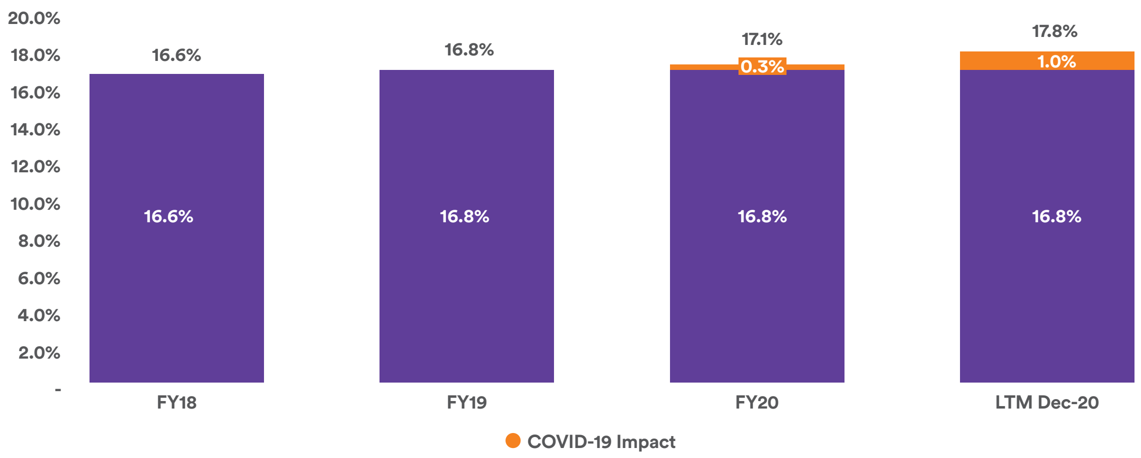
4.6.6 Operating costs

Consumables costs

Consumables costs represents the cost of laboratory reagents used in the conduct of pathology testing, and to a lesser extent the cost of collection equipment (e.g. tubes, pipettes and syringes), swabs and personal protective equipment (PPE) consumed in the collection and provision of pathology services to patients. Consumables costs are variable in nature and vary both with the volume and type of test conducted and the testing platform used.

As shown in Figure 4.7 below, ACL's consumables costs have increased from 16.6% of pro forma revenue in FY18 to 17.8% of pro forma revenue in the LTM Dec-20.

Figure 4.7: Consumables costs as percentage of pro forma revenue (%)



Excluding COVID-19 tests, consumables costs have remained steady as a percentage of pro forma revenue across the period (between 16.6% and 16.8%). The increase in total consumables costs has been primarily driven by the increased proportion of COVID-19 tests conducted, as COVID-19 tests require higher consumables costs relative to non-COVID-19 pathology tests.

Other operating costs (excluding consumables costs)

ACL's other operating costs include:

(A) Labour costs

Labour costs are the most significant costs for ACL and include costs for pathologists, scientists, collectors, couriers, support and management. Labour costs are largely fixed in nature and generally increase with wage rate inflation and incremental staff to support revenue growth. At the outset of COVID-19, when non-COVID-19 volumes were declining, ongoing initiatives to engage appropriate staff levels by function were accelerated and ACL undertook a business-wide staffing review in April 2020. This review has led to a permanent reduction in the total number of FTEs and a realignment of staffing mix.

(B) Property costs

Property costs include outgoings, utility costs and council costs associated with laboratories and ACCs. Post the introduction of AASB 16, the operating lease rentals have been replaced with depreciation (in respect of the right of use asset) and interest expense (in respect of the lease liabilities). Refer to Section 4.3.5 for further details. Property costs are largely fixed in nature and subject to annual price escalations.

(C) Repairs and maintenance costs

Repairs and maintenance costs includes repairs, maintenance and service costs on laboratory equipment, computer equipment, buildings, and other low value assets.

(D) Other operating costs

Other operating costs are largely fixed in nature and include advertising and marketing costs, professional fees, motor vehicle/external couriers, communications and utilities, bank fees, postage and stationery, travel, quality and accreditation, cleaning and waste disposal, insurance, ASX fees, and other costs.

As set out in Figure 4.8 below, ACL's operating costs (excluding consumables) have fallen by (2.4)% over the last three-and-a-half years from $318.3 million in FY18 to $310.6 million in LTM Dec-20.

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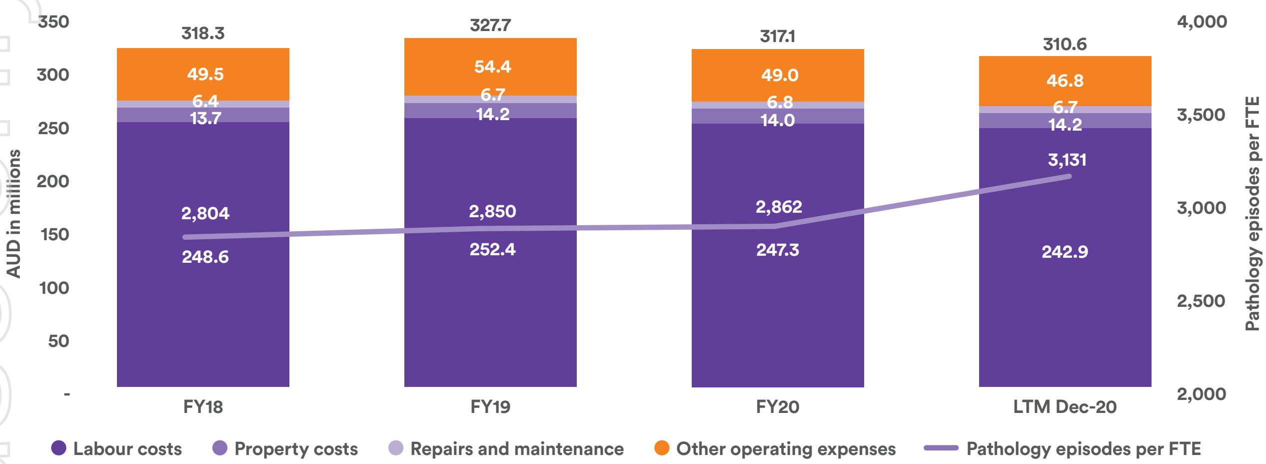
Figure 4.8: ACL's operating costs and pathology episodes per FTE



The fixed nature of ACL's cost base and the labour and cost efficiencies resulting from the benefits of integration, automation and the unified laboratory system have allowed ACL to maintain its operating costs at a consistent level, whilst simultaneously growing revenues over the period.

From FY18 to FY19, total operating costs (excluding consumables costs) grew by 3.0% from $318.3 million in FY18 to $327.7 million. This growth was primarily due to growth in other operating expenses, including communications, utilities and other expenses. In addition, labour costs increased by $3.8 million, with a 1.6% growth in labour costs per FTE being partially offset by improvements in labour efficiency (from 2,804.3 average pathology episodes per FTE in FY18 to 2,850.3 episodes per FTE in FY19).

From FY19 to FY20, total operating costs (excluding consumables costs) declined by 3.2% to $317.1 million. This decline was driven by staff stand-downs and ACC closures due to the initial nationwide lockdown. Labour efficiency increased from 2,850.3 episodes per FTE in FY19 to 2,862.4 episodes per FTE in FY20, whilst labour cost per FTE remained consistent with FY19.

From FY20 to LTM Dec-20, total operating costs fell by 2.1% to $310.6 million. ACL implemented new rostering schedules driving improved labour efficiencies, supported by the unified pathology system. Average pathology episodes per FTE increased by 9.4% to 3,131.4 episodes per FTE in LTM Dec-20.

4.6.7 EBITDA and EBITDA margin

ACL's EBITDA has increased from $95.0 million in FY18 to $178.6 million in LTM Dec-20 with a corresponding increase in EBITDA margin from 19.2% to 30.0%. EBITDA has increased from $50.6 million in H1 FY20 to $112.8 million in H1 FY21 with a corresponding increase in EBITDA margin from 19.3% to 33.8%. The increase in EBITDA margins was primarily driven by the revenue growth, operational improvements outlined above, and the benefits of operational leverage.

4.6.8 Change in working capital

In FY18, FY19 and the LTM Dec-20 period, the cash outflow from the change in net working capital was led by lower days payable outstanding. This was primarily driven by the automation of the accounts payable processes in FY18 and FY19.

In FY20, the cash inflow from the change in net working capital was primarily driven by the increase in employee liabilities in the period.

4.6.9 Capital expenditure

ACL has invested over $60 million over the six-year period to date in capital expenditure. This significant investment, along with more than $25 million of integration and restructuring costs, has allowed ACL to establish a national unified pathology system through the improvement of its physical infrastructure, systems and processes.

From FY18 to FY19, capital expenditure increased from $9.6 million to $14.4 million, an increase of 50.3%. The increase was primarily driven by significant investments in laboratory testing equipment, systems and information technology. These investments equipped ACL with a modern fleet of laboratory testing equipment.

From FY19 to FY20, capital expenditure decreased from $14.4 million to $9.4 million, a decrease of 34.7%. This was primarily driven by reduced capital requirements following significant investment in prior years.

From FY20 to LTM Dec-20 period, capital expenditure decreased from $9.4 million to $7.0 million, a decrease of 25.1% primarily driven by reduced capital requirements following significant investment in prior years and some deferred capital expenditure due to the operational impacts of the COVID-19 pandemic.

4.7 Management discussion and analysis of the Pro Forma Forecast Financial Information

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by ACL, which are in accordance with the Australian Accounting Standards, and are disclosed in Section 10. It is assumed that there will be no changes to Australian Accounting Standards, the Corporations Act or other financial reporting requirements that may have a material effect on ACL's accounting policies during the forecast period.

The Forecast Financial Information is based on a number of best estimate assumptions concerning future events, including those set out in this Section 4.7. In preparing the Forecast Financial Information, ACL has undertaken an analysis of historical performance and applied assumptions where appropriate in order to forecast future performance for FY21F and H1 FY22F. ACL believes it has prepared the Forecast Financial Information with due care and attention and considers all assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus, including each of the general assumptions set out in Section 4.7.1.

However, actual results may vary from the forecast and the variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingent events, many of which are outside the control of ACL and its Directors and are not reliably predictable.

Accordingly, none of ACL, its Directors or any other person can give any assurance that the Forecast Financial Information or any other prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material positive or negative impact on the Forecast Financial Information.

The assumptions detailed below should be read in conjunction with the sensitivity analysis set out in Section 4.8, the risk factors set out in Section 5 and the Independent Limited Assurance Report set out in Section 8.

4. Financial Information

4.7.1 General assumptions

In preparing the Forecast Financial Information, the Directors have adopted the following general assumptions:

- No material changes in the competitive and operating environments of the Australian pathology market in which ACL operates;
- No material changes in Federal, State or Local Government legislation, tax legislation, regulatory requirements or government policy that will have a material impact on ACL's financial performance, cash flows, financial position and accounting policies;
- No material changes in the MBS schedule of rates for pathology tests;
- No material adverse impact from any further geographically isolated COVID-19 lockdowns;
- No further national or State based COVID-19 lockdowns;
- No material change in applicable accounting standards, other mandatory professional reporting requirements or the Corporations Act, which will have a material impact on ACL's financial performance, financial position, accounting policies, financial reporting or disclosure;
- No material change in the current pathology market expectations of the recovery in economic conditions and episode volumes post the COVID-19 pandemic, as relevant to the geographic markets in which ACL operates;
- No material loss or change in scope of ACL's existing public and private hospital contracts, or any other contract, agreement or arrangement relating to ACL's business;
- No material disruption to the continuity of operations of ACL nor other material changes in its business;
- No material loss of key personnel and ACL maintains its ability to recruit and retain the personnel required to support future growth;
- No material industrial actions or other disturbances, environmental costs or claims;
- No change in the required superannuation guarantee charge;
- No material cash flow or income statement or financial position impact in relation to litigation (existing or otherwise);
- No material change in ACL's corporate or funding structure other than as set out in, or contemplated by, this Prospectus;
- No material acquisitions, divestments, restructuring or investments other than as set out in, or contemplated by, this Prospectus;
- None of the risks set out in Section 5 occur, or if they do, none of them has a material adverse impact on ACL's operations; and
- The proceeds from the Offer are raised in accordance with the timetable and terms set out in this Prospectus.

4.7.2 Specific assumptions

The Forecast Financial Information is based on various best estimate assumptions, of which the key assumptions are set out below. The assumptions below are a summary only and do not represent all factors that will affect ACL'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 and presentation of the Forecast Financial Information set out in Section 4.2, the general assumptions set out in Section 4.7.1 and the risk factors set out in Section 5.

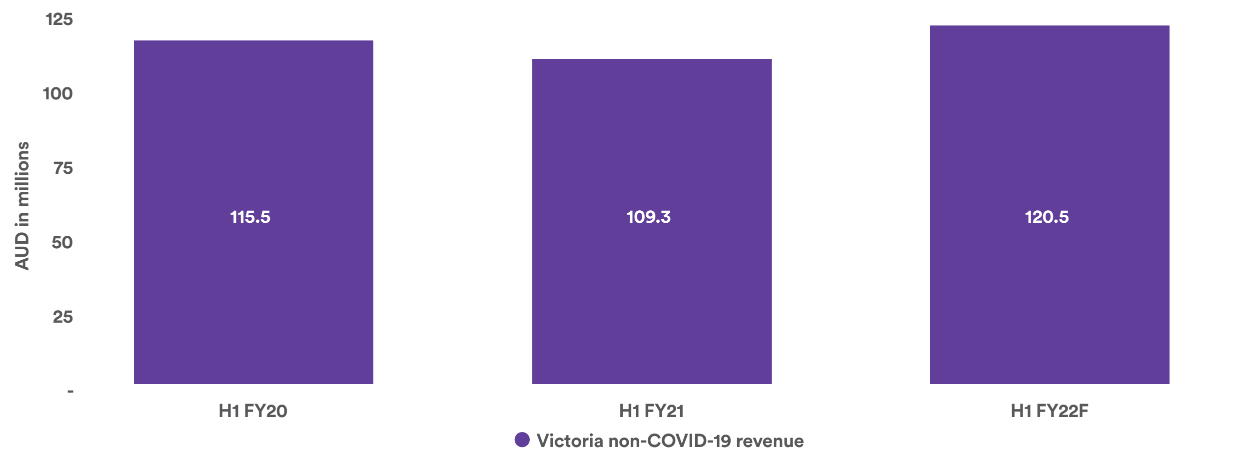
Non-COVID-19 revenue assumptions

ACL expects that non-COVID-19 pathology revenue will return to ACL's pre-COVID-19 underlying pathology growth rates of approximately 4% over the forecast period, following the revenue declines experienced in FY20 and H1 FY21 due to the impact of the COVID-19 lockdowns and restrictions on elective surgery as outlined in Section 4.6.4. As a result of depressed volumes in the aforementioned historical periods the volume growth rates outlined below are above historical trends but in line with long-term market growth rates.

The number of non-COVID-19 episodes is assumed to increase by 4.7% from FY20 to FY21F and by 6.6% from H1 FY21 to H1 FY22F. This forecast of non-COVID-19 volume growth assumes a return of existing ACCs to pre-COVID-19 testing levels, the opening of new ACCs, identified growth initiatives and organic growth.

As noted in Section 4.6.4, underlying non-COVID-19 pro forma pathology revenue growth for the period from FY18 to February 2020 was 4.2% per annum. The higher rate of growth in H1 FY22F of 9.8% is partly driven by the impact of the lengthy COVID-19 lockdowns in Victoria in H1 FY21 (see Figure 3.10 in Section 3.7) and there is an expected return to normal volumes, in line with the most recent trading results. Victoria accounts for 47.4% of ACL's patient revenue in FY21F (consistent with 47.1% in FY19) and is expected to experience stronger growth in H1 FY22F as it returns to historical average growth rates.

Figure 4.9: Victoria non-COVID-19 pro forma revenue[1]



Note:
1. Revenue from the conduct of non-COVID-19 tests where the sample was primarily sourced from Victoria.

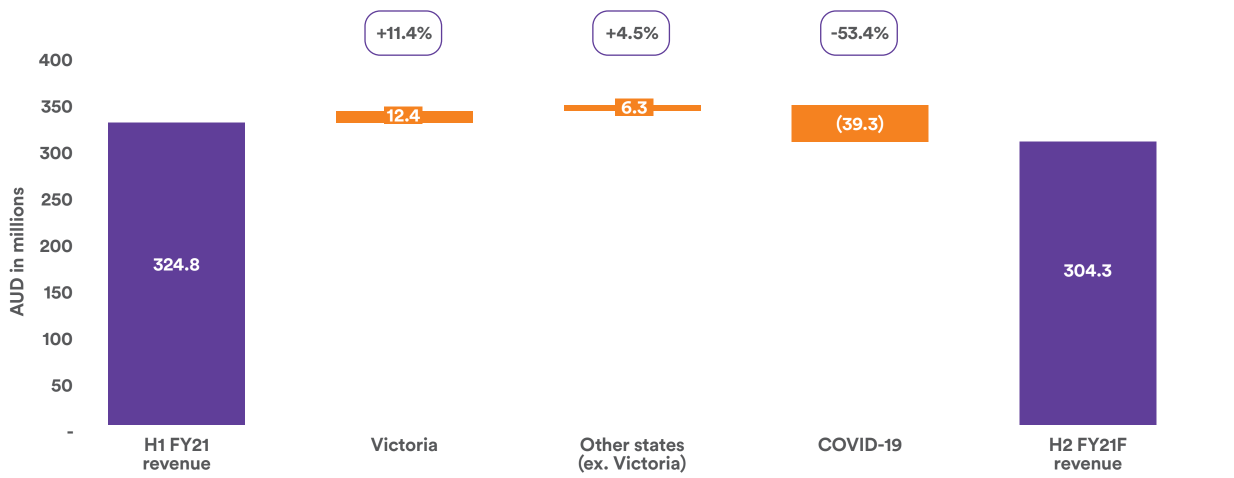
The average fee per non-COVID-19 episode is assumed to increase by 2.4% from FY20 to FY21F and by 3.0% from H1 FY21 to H1 FY22F. This forecast growth takes into account content improvement, various fee initiatives and the contracted fee increases in commercial contracts. It does not assume any changes in the MBS schedule for the price of pathology tests.

COVID-19 revenue assumptions

ACL's pro forma pathology revenue forecasts assume a significant decline in COVID-19 pathology revenue and a return to historical average annual growth rates for non-COVID-19 testing across all States. In particular:

(A) H2 FY21F

Figure 4.10: Pro forma H1 FY21 to H2 FY21F pathology revenue bridge



- An overall forecast decline in pathology revenues from H1 FY21 to H2 FY21F of $20.5 million (6.3%) (from $324.8 million to $304.3 million), representing the net impact of:
  - Non-COVID-19 pathology revenue growth of $18.8 million (7.5%) (from $251.2 million to $270.0 million), reflecting:
    - $12.4 million (11.4%) growth in Victoria from $109.3 million to $121.7 million; and
    - $6.3 million (4.5%) growth in Other States (excluding Victoria) from $142.0 million to $148.3 million.
- Decline in COVID-19 pathology revenue of $39.3 million (53.4%) (from $73.6 million to $34.3 million), reflecting the factors described further below.

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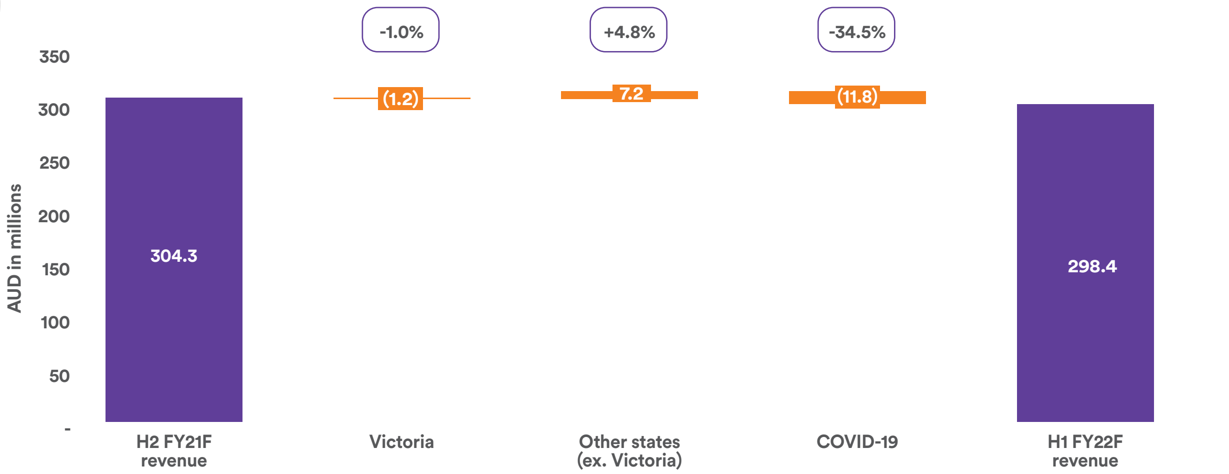
(B) H1 FY22F

Figure 4.11: H2 FY21F to H1 FY22F pathology revenue bridge

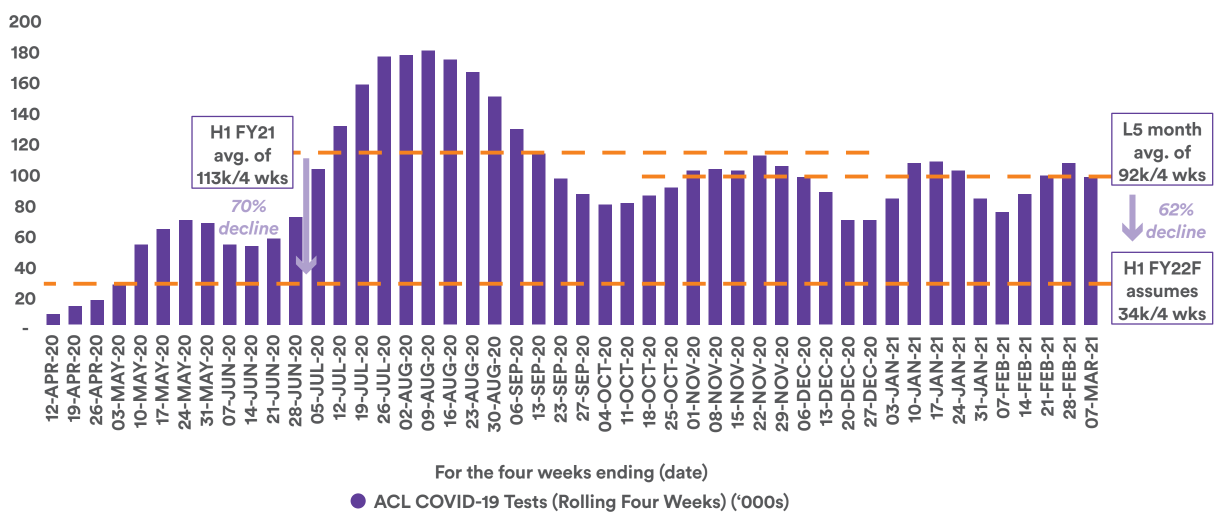


- An overall forecast decline in pathology revenues from H2 FY21F to H1 FY22F of $5.9 million (1.9%) (from $304.3 million to $298.4 million), representing the net impact of:
  - Non-COVID-19 pathology revenue growth of $5.9 million (2.2%) (from $270.0 million to $275.9 million), reflecting:
    - $1.2 million (-1.0%) decline in Victoria from $121.7 million to $120.5 million; and
    - $7.2 million (4.8%) growth in Other States (excluding Victoria) from $148.3 million to 155.4 million.
- Decline in COVID-19 pathology revenue of $11.8 million (-34.5%) (from $34.3 million to $22.5 million) reflecting the factors described further below.

As at the date of this Prospectus, demand for pathology services to address COVID-19 is expected to continue in the medium term, albeit at a lower rate than the number of COVID-19 episodes conducted in H1 FY21, as an increasing proportion of the community becomes vaccinated. The actual level of COVID-19 testing demand is dependent on various factors, including vaccine effectiveness and durability, potential mutations of the virus, antibody testing, social distancing and international travel (see Section 2.3.2).

ACL forecasts COVID-19 testing volumes to decrease from an average of 113 thousand episodes per four-week period in H1 FY21 to 34 thousand episodes per four week period H1 FY22F), a reduction of 70%. As set out in Figure 4.12 below and Figure 3.11 in Section 3.7, on a four-week rolling basis the level of COVID-19 testing performed by ACL has varied between 68 thousand tests and 178 thousand tests in the eight months to 7 March 2021. The level of community transmission of COVID-19 has been low, with only 3.3 positive COVID-19 cases a day on average in Australia in the five months to 7 March 2021.

Figure 4.12: COVID-19 Episodes – Rolling four weeks from 12 April 2020 to 7 March 2021



ACL forecasts that COVID-19 revenue in H1 FY22F will be $22.5 million, accounting for 7.3% of total pro forma revenue for the period. For comparison, in H1 FY21, COVID-19 revenue was $73.6 million and accounted for 22.0% of total pro forma revenue. As shown in Figure 4.12 above, the H1 FY22F assumes an average of 34 thousand COVID-19 episodes per four-week period, which represents a 70.0% decline on H1 FY21 and a 62.0% decline on the five months ended 7 March 2021.

It should be noted that ACL has experienced an inverse relationship between COVID-19 revenue and non-COVID-19 revenue. If there is a spike in COVID-19 cases, then COVID-19 revenue will likely increase and there will likely be a temporary decrease in non-COVID-19 revenue against historical growth levels. ACL's revenue forecasts assume that:

- there are limited outbreaks of COVID-19 in the period to December 2021;
- COVID-19 testing continues to decline in the H1 FY22F, falling to 30.5% of the average level of testing conducted in H1 FY21 and non-COVID-19 revenue returns to historical growth rates of pre-COVID levels of 4.2% growth for the two-and-a-half years since FY19. If there are outbreaks of COVID-19 which are limited to specific geographic areas, it is anticipated that COVID-19 testing volumes will provide additional revenue in excess of the loss of non-COVID-19 revenue, based on ACL's recent trading experience.

(C) FY21F

As a result of the factors noted above, from FY20 to FY21F, revenue is forecast to grow 23.8% from $522.8 million to $647.0 million.

- Non-COVID-19 revenue is forecast to grow 7.2% from $499.4 million in FY20 to $535.3 million.
- COVID-19 revenue is forecast to grow from $19.3 million in FY20 to $107.9 million in FY21F, largely driven by the elevated levels of pandemic level testing during H1 FY21 which resulted in COVID-19 pathology revenue of $73.6 million. As noted above, in H2 FY21F, COVID-19 pathology revenue is forecast to fall by 53.4% on H1 FY21 to $34.3 million.

(D) LTM Dec-20F

As a result of the factors noted above, from LTM Dec-20 to LTM Dec-21F, revenue is forecast to grow 4.3% from $595.1 million to $620.6 million.

- Non-COVID-19 revenue is forecast to grow 12.5% from $498.0 million in the LTM Dec-20 period to $560.2 million in the LTM Dec-21F.
- COVID-19 pathology revenue is forecast to decline by 38.9% from $92.9 million to $56.8 million.

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Hospital contracts

There are no material private and public hospital contracts that are up for renewal or extension during the forecast period and ACL's forecasts assume that aside from a limited number of smaller public hospital contracts (accounting for less than 1% of ACL's revenue), all existing hospital contracts will continue during the LTM Dec-21F period. The consolidation of pathology laboratories at Knox Private Hospital is forecast to offset the forecast declines from these smaller public hospital contracts (ACL will become the sole onsite provider to Knox Private Hospital as a competitor has been given notice that their lease will not be renewed).

Consumables costs

Consumables costs have been forecast at a State level and take into account the projected volume of consumables usage based on the forecast mix between non-COVID-19 and COVID-19 episodes. The consumables unit costs for each are based on prices set out in agreements with suppliers.

Consumables costs are forecast to increase by 30.6% from FY20 to FY21F (from 17.1% of revenue to 18.0% of revenue) and to decrease by (12.6)% from H1 FY21 to H1 FY22F (from 18.4% of revenue to 17.5% of revenue) as a result of the change in the mix of COVID-19 episodes relative to the prior period. The consumables costs for COVID-19 tests are on average a greater proportion of revenue than non-COVID-19 pathology tests.

Labour costs

Labour costs have been forecast by function and by site and take into the account the projected volume of pathologist and non-pathologist labour based on forecast average pathology episodes per FTE, forecast episode mix and wage increases applicable under current enterprise bargaining agreements, expected modern award increases and annual wage reviews for salaried employees which require approval by the Board.

Labour costs are forecast to increase by 2.9% from FY20 to FY21F and by 6.0% from H1 FY21 to H1 FY22F as staff numbers in H2 FY20 and H1 FY21 reduced from prior periods as a result of the COVID-19 pandemic. ACL expects that in addition to labour rate increases consistent with enterprise bargaining agreement and modern award increases, a number of additional roles will be required to support the forecast COVID-19 and non-COVID-19 pathology revenue growth, as well as footprint expansion and targeted specialist growth.

Property costs

Property costs have been forecast by site and take into account the projected number of laboratories, ACCs and contracted rent increases under current and expected leases. Property costs include depreciation and interest expenses associated with capitalised leases under AASB 16.

Property costs are forecast to increase by 8.6% from FY20 to FY21F and by 29.3% from H1 FY21 to H1 FY22F. The forecasts reflect the expected increase in short-term ACC leases (and hence not accounted for under AASB 16) as ACL continues to monitor market conditions.

Other operating costs

Other operating costs have been forecast at each individual cost line item level and take into account the projected expenses for motor vehicles, communications and utilities, repairs and maintenance, and cleaning amongst other items.

Other operating costs are forecast to decrease by (5.9)% from FY20 to FY21F and to increase by 3.6% from H1 FY21 to H1 FY22F.

EBITDA and EBITDA margins

From FY20 to FY21F, EBITDA is forecast to increase from $116.3 million to $207.7 million, with EBITDA margins expected to increase from 22.2% to 32.1%. The increase in EBITDA margins is expected to be primarily driven by the increased volume and leverage of the fixed cost base.

From H1 FY21 to H1 FY22F, EBITDA is forecast to decrease from $112.8 million to $83.4 million, with EBITDA margins expected to decrease from 33.8% to 27.1%. The decrease in EBITDA margins is expected to be primarily driven by the factors described above, including higher labour requirements as a result of organic growth in non-COVID-19 testing, additional collection labour to support forecast COVID-19 volume and contracted wage increases.

Depreciation and amortisation

Depreciation is a non-cash expense and forecasts are based on the useful life of ACL's asset base with any new capital expenditure being depreciated over its useful life in accordance with ACL's accounting policies. Depreciation expenses also includes the depreciation of right of use assets recognised under AASB 16.

Amortisation is a non-cash expense and forecasts are based on the expected useful life profile with any new expenditure being amortised over its useful life in accordance with ACL's accounting policies. Amortisation is forecast to include the amortisation of intangible assets recognised as part of the SunDoctors acquisition.

Interest expense

Interest expense is based on the term sheets supporting the New Banking Facilities agreed by the banks discussed in Section 9.8. Interest expense includes amortisation of upfront fees over the term of the respective facilities. The assumed effective interest rate for the New Banking Facilities is 1.5% for the LTM Dec-21F period.

Interest expenses also includes the interest on lease liabilities recognised under AASB 16.

Tax

ACL, along with its eligible Australian subsidiaries, forms an Australian income tax consolidated group. Australian corporate tax has been assumed to remain at 30%. Other relevant tax and duty rates are assumed to remain at the current statutory rates.

Working capital

Movements in net working capital are forecast to result in a $3.5 million decrease in operating cash flow in H2 FY21F, reflecting the reduction in accounts payable and provisions from 31 December 2020.

Movements in net working capital in H1 FY22F are forecast to result in a $1.3 million decrease in operating cash flow.

Capital expenditure

Capital expenditure is forecast to be $4.7 million in H2 FY21F before increasing to $5.5 million in the H1 FY22F. This includes regular maintenance capex, as well as planned investments in a digital scanning project and IT upgrades.

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4.7.3 Pro Forma Forecast Income Statement

Table 4.22: Pro forma forecast income statement in FY20, FY21F, LTM Dec-20, LTM Dec-21F, H1 FY21 and H1 FY22F

	Pro Forma Historical	Pro Forma Forecast	Pro Forma Historical	Pro Forma Forecast	% change	% change
AUD in millions	**FY20**	**FY21F**	**LTM Dec-20**	**LTM Dec-21F**	**FY20 to FY21F**	**LTM Dec-20 to LTM Dec-21F**
Pathology revenue	505.5	629.1	577.3	602.7	24.4%	4.4%
Clinic revenue	13.1	14.1	13.6	14.3	7.3%	5.2%
Patient revenue	**518.7**	**643.2**	**590.9**	**617.0**	**24.0%**	**4.4%**
Other revenue	4.1	3.8	4.2	3.6	(7.7%)	(13.9%)
Total revenue	**522.8**	**647.0**	**595.1**	**620.6**	**23.8%**	**4.3%**
Consumables	(89.4)	(116.7)	(106.0)	(109.0)	30.6%	2.8%
Labour costs	(247.3)	(254.5)	(242.9)	(262.2)	2.9%	8.0%
Property costs	(14.0)	(15.3)	(14.2)	(17.3)	8.6%	21.7%
Repairs and maintenance	(6.8)	(6.8)	(6.7)	(6.9)	(0.6%)	2.9%
Other operating expenses	(49.0)	(46.1)	(46.8)	(47.1)	(5.9%)	0.7%
Total operating costs (excluding consumables)	**(317.1)**	**(322.6)**	**(310.6)**	**(333.5)**	**1.7%**	**7.4%**
Total operating costs	**(406.5)**	**(439.3)**	**(416.5)**	**(442.4)**	**8.1%**	**6.2%**
EBITDA	**116.3**	**207.7**	**178.6**	**178.1**	**78.6%**	**(0.3%)**
Depreciation	(12.5)	(10.8)	(11.6)	(10.6)	(13.6%)	(8.7%)
Depreciation AASB 16	(74.0)	(77.4)	(75.0)	(77.8)	4.7%	3.8%
Depreciation	**(86.5)**	**(88.3)**	**(86.5)**	**(88.4)**	**2.0%**	**2.2%**
Amortisation of acquired intangible assets	**(0.2)**	**(0.2)**	**(0.2)**	**(0.2)**	**0.0%**	**0.0%**
EBIT	**29.6**	**119.3**	**91.9**	**89.6**	**303.0%**	**(2.5%)**
Interest on loan	(1.6)	(1.6)	(1.6)	(1.6)	0.0%	0.0%
Amortisation of capitalised borrowing cost	(0.3)	(0.3)	(0.3)	(0.3)	0.0%	0.0%
Interest AASB 16	(11.0)	(11.0)	(11.1)	(10.6)	0.2%	(4.9%)
Net finance expense	**(12.9)**	**(12.9)**	**(13.0)**	**(12.5)**	**0.2%**	**(4.2%)**
PBT	**16.7**	**106.4**	**78.8**	**77.1**	**536.8%**	**(2.3%)**
Tax expense	(5.0)	(31.9)	(23.7)	(23.1)	536.8%	(2.3%)
NPAT	**11.7**	**74.5**	**55.2**	**54.0**	**536.8%**	**(2.2%)**

	Pro Forma Historical	Pro Forma Forecast	
AUD in millions	**H1 FY21**	**H1 FY22F**	**% change H1 FY21 to H1 FY22F**
Pathology revenue	324.8	298.4	(8.1%)
Clinic revenue	7.0	7.2	2.5%
Patient revenue	**331.8**	**305.6**	**(7.9%)**
Other revenue	2.0	1.8	(11.6%)
Total revenue	333.8	307.4	(7.9%)
Consumables	(61.4)	(53.6)	(12.6%)
Labour costs	(125.3)	(132.8)	6.0%
Property costs	(7.3)	(9.5)	29.3%
Repairs and maintenance	(3.4)	(3.6)	4.3%
Other operating expenses	(23.6)	(24.4)	3.6%
Total operating costs (excluding consumables)	**(159.6)**	**(170.3)**	**6.7%**
Total operating costs	**(221.0)**	**(224.0)**	**1.3%**
EBITDA	**112.8**	**83.4**	**(26.1%)**
Depreciation	(5.6)	(5.4)	(3.9%)
Depreciation AASB 16	(38.6)	(38.9)	0.9%
Depreciation	**(44.1)**	**(44.3)**	**0.3%**
Amortisation of acquired intangible assets	**(0.1)**	**(0.1)**	**0.0%**
EBIT	**68.6**	**39.0**	**(43.1%)**
Interest on loan	(0.8)	(0.8)	0.0%
Amortisation of capitalised borrowing cost	(0.2)	(0.2)	0.0%
Interest AASB 16	(5.7)	(5.3)	(8.1%)
Net finance expense	**(6.7)**	**(6.2)**	**(6.9%)**
PBT	**61.9**	**32.8**	**(47.0%)**
Tax expense	**(18.6)**	**(9.8)**	**(47.0%)**
NPAT	**43.3**	**23.0**	**(47.0%)**

4.8 Sensitivity analysis

The Forecast Financial Information 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 and contingencies, many of which are beyond the control of ACL, the Directors and management. These estimates and assumptions include future business decisions and opportunities, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, ACL's future financial performance can be expected to deviate, both positively and negatively, from the figures forecast in this Prospectus.

To assist investors in assessing the impact of these assumptions on the financial information, a summary of the sensitivities of the impact on the pro forma forecast NPAT for FY21F and LTM Dec-21F to a number of key variables is

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set out below. The changes in the key variables 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. In particular, actual performance could exceed the ranges shown.

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 assumptions, in order to illustrate the likely impact on the pro forma forecast NPAT for FY21F and LTM Dec-21F. For example, to calculate the sensitivity to changes in pathology episodes, it has been assumed that there has been no change in costs except for consumables costs and that the product and geographic mix of episodes is consistent with what has been forecast in FY21F and LTM Dec-21F respectively. In practice, changes in variables may offset each other or be additive, and it is likely that management would respond to any adverse change in one item to seek to minimise the net effect on ACL's financial performance and cash flows.

Table 4.23: Sensitivity analysis on forecast pro forma NPAT for FY21F and LTM Dec-21F

AUD in millions	Notes	FY21F (1)	LTM Dec-21F (1)
Impact to NPAT			
1% change in pathology episodes	2	+ / - 1.2	+ / - 2.9
1% change in pathology revenue per episode	3	+ / - 1.4	+ / - 3.5
1% change in Clinic/Other revenue	4	+ / - 0.0	+ / - 0.1
1% change in consumables costs per episode	5	+ / - 0.3	+ / - 0.6
1% change in labour	6	+ / - 0.6	+ / - 1.6
1% change in other operating costs (ex consumables and labour)	7	+ / - 0.2	+ / - 0.4
1% change in lease depreciation and interest	8	+ / - 0.2	+ / - 0.5

Notes:

1. Sensitivities are considered on the FY21F and LTM Dec-21F forecast periods. These periods represent eight months of actual results to February 2021 and four months of forecasts in the FY21F and two months of actual results and ten months of forecasts in the LTM Dec-21F period.
2. Impact to NPAT should the number of pathology episodes increase or decrease by 1%. Calculated post consumables costs, on the assumption that there is no change to the average pathology revenue per episode or consumables costs per episode from that included in the forecast, including the forecast mix of COVID-19 and non-COVID-19 episodes. Excluding consumables, all other operating costs are assumed to be fixed and hence it is assumed that they would not change based on a 1% increase or decrease in the number of pathology episodes.
3. Impact to NPAT should the average pathology revenue per episode increase or decrease by 1%. Calculated on the assumption that there would be no change to the number of pathology episodes and hence the change in average pathology revenue would not be offset by any changes in consumables costs. Excluding consumables, all other operating costs are assumed to be fixed and hence it is assumed that they would not change based on a 1% increase or decrease in the average pathology revenue per episode.
4. Impact to NPAT should the aggregation of Clinic and Other revenue increase or decrease by 1%. Calculated on the assumption that a 1% increase or decrease in Clinic and Other revenue would not result in any changes to forecast operating costs.
5. Impact to NPAT should consumables costs per episode increase or decrease by 1%. Calculated on the assumption that there would be no change to the number of pathology episodes, average revenue per episode or forecast operating costs (excluding consumables).
6. Impact to NPAT should labour costs increase or decrease by 1%. It is assumed that all other operating costs would not change.
7. Impact to NPAT should other operating expenses (excluding consumables and labour) increase or decrease by 1%. It is assumed that consumables and labour costs would not change.
8. Impact to NPAT should the depreciation and interest expenses relating to property leases in accordance with AASB 16 increase or decrease by 1%. It is assumed that all other operating costs would not change.

4.9 Dividend policy

It is intended that the first dividend paid by ACL will be an interim dividend in respect of the period from 1 July 2021 to 31 December 2021.

The payment of a dividend by ACL is at the discretion of the Board and will be a function of a number of factors, including general business and financial conditions, ACL's cash flow including cash from operations, capital expenditure requirements, working capital requirements, potential acquisition and expansion opportunities, unusual or non-recurring items, taxation requirements and other factors that the Board considers relevant.

Depending on the available profits and the financial position of ACL, it is the current intention of the Board to pay interim dividends in respect of the financial half years ending 31 December and final dividends in respect of financial full years ending 30 June each year. The Board intends to target a payout ratio of 50% to 70% of NPAT. However, the level of payout ratio is expected to vary between periods depending on the factors described above. It is expected that all future dividends will be franked to the maximum extent possible. No assurances can be given by any person, including the Board, about the payment of any dividend and the level of franking of any such dividend.

Key Risks

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5. Key Risks

5.1 Introduction

This Section 5 describes some of the potential risks associated with an investment in ACL.

An investment in ACL is subject to risks both specific to ACL and ACL's business activities, as well as general risks. Each of these risks could, either individually or in combination, if they eventuate, have a material adverse impact on ACL's business, financial position, operating and financial performance and the value of the Shares. Some of the circumstances giving rise to these risks are partially or completely beyond ACL's control and that of ACL's Directors and senior management. There can be no guarantee that ACL will achieve its stated objectives or that any forward-looking statements or forecasts will eventuate. You should note that past performance may not be a reliable indicator of future performance.

You should note that the risks described in this Section 5 are not the only risks faced by ACL. Additional risks (including risks of which ACL and ACL's Directors are currently unaware) also have the potential to have a material adverse effect on ACL's business, financial position, operating and financial performance and the value of ACL's Shares. The selection of risks has been based on an assessment of the combination of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk if it did occur. The assessment is based on the knowledge of the Directors and ACL's senior management as at the date of the Prospectus, but there is no guarantee or assurance that the importance of risks will not change or other risks will not emerge.

Before deciding whether to invest in ACL, you should read this Prospectus carefully and in its entirety and satisfy yourself that you have a sufficient understanding of the actual and potential risks associated with such an investment. You should consider whether an investment in ACL is suitable for you, having regard to your personal circumstances, investment objectives, financial circumstances, taxation position and particular needs. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in ACL, you should seek professional advice from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser.

5.2 Risks specific to an investment in ACL

5.2.1 Government policy and regulation may change

ACL seeks to provide affordable pathology services to its patients. This is facilitated through bulk-billing the vast majority of its services to patients and receiving reimbursements through the Australian Government's Medicare Benefits Schedule (**MBS**). The MBS is subject to continual review and change, with the included services and prices being determined by the Federal Government. Over 70% of ACL's revenue is derived from the MBS with almost all community pathology being directly paid for under the MBS and some hospital contracts linked to services and pricing in the MBS. Any changes to the MBS or any other Government funding initiatives, including reduction in fees or tests that will be covered by the MBS, could lead to a reduction in revenue for ACL and may adversely affect ACL's ability to provide testing and demand for ACL's services. This could include a reduction in COVID-19 fees or the fee paid for any particular test. Any such changes have the potential to negatively impact ACL's financial performance and profitability.

ACL operates in a highly regulated industry and is subject to laws, government policies and regulations. Changes to these laws, Federal and State Government policies and regulations, including the introduction of new laws, government policies and regulations, may have a material adverse impact on the financial and operational performance of ACL including by increasing costs or reducing fees or demand for its services. The nature, timing and impact of future changes to laws, government policies and regulations are not predictable and are beyond ACL's control. Failure by ACL to comply with applicable laws, regulations and other professional standards and accreditation may lead to enforcement actions that disrupt ACL's operations and result in it being subject to fines, penalties, damages and disruption to its operations. Any such penalties, damages, fines, operational disruptions or damage to reputation, individually or together, could adversely affect ACL's operations and its financial results.

ACL monitors legislative and regulatory developments and engages proactively with key stakeholders to manage this risk. ACL is an active participant in Australian Pathology, the national representative body for private pathology in Australia.

5.2.2 ACL may lose or breach a licence, certification or accreditation

In Australia, private pathology providers are subject to extensive laws and significant levels of regulation relating to the development, licensing and accreditation of facilities and services, including environmental legislation for both ACL and SunDoctors. ACL may be unable to secure or retain a licence or accreditation required to operate one or more of its facilities or services. This could be due to the conduct of ACL and/or regulatory changes to the nature and extent of a relevant licensing or accreditation regime.

These licenses and accreditations are subject to regular review. Breaches of licence or accreditation conditions (including the failure to provide pathology services to the required standard) can lead to, among other things, penalties, loss of licences, prohibition on recovery of Medicare rebates or payments from private health funds. If ACL is unable to secure or retain licences or accreditations for the operation of its business, it could damage ACL's reputation, adversely impact ACL's ability to operate its businesses or result in additional cost to address any deficiencies.

ACL maintains high quality standards and audit processes to ensure it continually meets licencing and accreditation standards across its business. ACL's established procedures (which are consistent across the business), focus on best practice, clinical excellence and continuous service improvements, which serves to mitigate operational risk and address regulatory compliance.

ACL is subject to environmental legislation which is regularly reviewed. Breaches of environmental legislation can lead to, among other things, penalties, fines and regulatory actions. If ACL is unable to comply with the requirements of this legislation for the operation of its business, it could damage ACL's reputation, adversely impacting ACL's ability to operate its businesses or result in additional cost to address any deficiencies.

ACL regularly monitors its compliance with legislation to mitigate operational risk.

5.2.3 COVID-19 or another pandemic may impact ACL's business

Pandemic risks, such as COVID-19, pose business continuity risk to ACL. There is the risk from lockdowns across communities in response to a pandemic that the volume of routine (non-COVID-19) pathology testing may be adversely impacted. In April 2020, the volume for routine pathology tests fell by more than 30% in some States for ACL, primarily driven by lockdowns, patient reluctance to visit general practitioners or conduct non-essential tests and restrictions on elective surgery.

There is a risk that staff and laboratories are adversely impacted by a pandemic, such as COVID-19, which limits ACL's ability to provide testing facilities. ACL staff are front line personnel providing collection services to customers potentially infected by COVID-19. Notwithstanding policies and procedures in place to mitigate such risks, there is a risk that staff in key operational roles are infected, impacting ACL's operations. In addition, should ACL be unable to secure equipment or test supplies for its operations or personal protective equipment for its staff during a pandemic, the operations and financial performance of ACL's businesses would be adversely impacted.

ACL continually monitors daily volumes across the States where it operates and structures resources accordingly. ACL also continually monitors and reports on staff and healthcare professionals impacted by a pandemic such as COVID-19, and requires staff to self-isolate in circumstances where there has been a possible link to COVID-19. A pandemic, including COVID-19, could impact ACL's volumes and/or ability to provide core services, which would have a material adverse impact of the financial performance of ACL. Whilst ACL's response to the COVID-19 pandemic to date has demonstrated ACL's ability to adapt to changing circumstances and the important role a large private pathology company such as ACL plays in Australia's response to the COVID-19 pandemic, this may not be the case in every pandemic circumstance.

5.2.4 ACL's relationships with referring practitioners, and other referring parties, may deteriorate

ACL's relationships with referring physicians (including general practitioners, surgeons and other specialists), hospital groups and other parties with whom ACL provides pathology and associated services are critical to its business. The majority of ACL's referrers are under no obligation to refer their patients to ACL, so there is a risk that some referrers may reduce or cease requesting services from ACL. This could be the result of the referrer's desire for change or prompted by the actions of ACL's competitors. If, for any reason, ACL failed to maintain relationships with these parties or damaged its reputation with them, there would be a risk that it could lose their business to competitors. This would adversely impact ACL's financial and operating performance.

ACL has a diverse referrer base across physicians and other parties, with low revenue concentration by referrer. ACL has managers and staff dedicated to maintaining relationships, increasing engagement and addressing any issues with referring physicians, hospital groups or other parties with whom ACL provides pathology and associated services to on a timely basis.

5. Key Risks

5.2.5 ACL's relationship with private health insurance funds may deteriorate or the private health insurance landscape may change

The revenue that ACL receives from inpatients at private hospitals is based on, among other things, the fee schedules negotiated between private health insurance funds and ACL. The fee schedules are documented in Medical Purchaser Provider Agreements (**MPPAs**) with relevant private health insurance funds. For the 12 months to 31 December 2020, private and public hospitals represented 16%[1] of ACL's revenue. A large portion of this revenue is funded by Medicare or State Governments for public hospitals.

The profitability of ACL's business depends in part on the ability to maintain ongoing commercial agreements with private health insurance funds. Failure to reach a commercial agreement with a private health insurance fund, including private health insurance funds declining to cover pathology services, declining to contract with ACL or contracting with ACL's competitors or a reduced negotiated fee schedule, could negatively impact the financial performance of ACL or cause ACL to bill patients directly, increasing debtors.

ACL may also be affected by factors adversely affecting the profitability of private health insurance funds. This is dependent on a number of factors, including the number of members and types of policies and coverage members have with those funds, and the level of claims and investment income. A number of factors including, but not limited to, a worsening economic climate, changes in economic incentives, annual increases to private health insurance premiums and other factors may cause the number of members in private health insurance funds to fall or result in members choosing to decrease the level of their private health insurance coverage. A decline in the profitability of private health insurance funds, or the inability of private health insurance funds to obtain premium increases, may result in ACL being unable to achieve growth in the direct and indirect funding it receives from private health insurance funds, or ACL being unable to renew contracts with private health insurance funds on suitable terms. It may also result in patients being faced with higher out-of-pocket expenses, which could reduce demand for ACL's pathology services and erode ACL's competitive position.

A decline in private health insurance participation rates, or an increase in privately-insured inpatients opting to be treated as public inpatients, may also reduce ACL's revenue from inpatients at private hospitals.

5.2.6 ACL may be subject to increased competition

Increased competition may arise from new entrants into the market which ACL operates in, existing competitors attempting to increase their market share or from disruptive technologies that may change the way services are delivered. If ACL's current or future competitors are able to secure attractive locations for ACCs, develop better relationships with referrers, are successful in tendering for contracts for the provision of pathology services, succeed in replacing ACL in relation to the provision of pathology services to ACL's clients, introduce technological changes in testing, or provide new skin cancer treatments among other things, ACL's financial performance may be adversely impacted through reduced revenues or operating margins.

ACL seeks to differentiate itself through maintaining its strong relationship with medical practitioners, operating its unified pathology system, investing in innovation and operating a continuous improvement, cost-efficient, operating model. ACL management continually assesses market developments and seeks to position ACL to address any competitive threats.

5.2.7 ACL's clients may insource pathology services

ACL's clients, in particular hospitals, as well as referring physicians, may also insource pathology services that have historically been performed by private pathology providers such as ACL. In the 12 months to 31 December 2020, revenue derived from hospital contracts represented approximately 16% of ACL's total revenue. These contracts are typically long-term in nature. ACL management believes that it generally performs these contracts at a lower cost than insourced pathology services, but for various reasons, some hospitals may choose to insource the service for non-cost-based reasons.

In the past five years, Northern Hospital and a number of immaterial regional public hospital contracts chose to insource their pathology services. In the next 12 months, a number of smaller public hospitals (with less than 1% of ACL's revenue) may also insource their pathology services. Over this time period, ACL was awarded one new material public hospital contract (Northern Beaches Public Hospital). If a hospital group that ACL currently provides pathology services to decides to insource their pathology services, this could have a material impact on ACL's financial performance.

1. Represents percentage based on patient and clinic revenue (excluding other revenue).

In addition, for certain medical specialties, there is an ongoing trend to consolidate smaller practices into larger practices through acquisitions. Similarly, although to a smaller degree, practices in certain specialties have been and may continue to be acquired by hospitals. This may lead to these specialities using the hospital's own laboratories for their testing needs. If these trends become more pronounced and ACL's clients insource pathology testing functions, the demand for ACL's pathology testing services may be reduced and ACL's business may be adversely affected.

5.2.8 ACL's IT system may fail and may be subject to cyber security risks

ACL is heavily dependent on technology for the delivery of the services it provides its customers. Any information technology system is potentially vulnerable to interruption and/or damage from a number of sources, including but not limited to computer viruses, cyber security attacks and other security breaches, power, systems, internet and data network failures, and natural disasters. Should ACL's systems not be adequately maintained, secured or updated, or ACL's disaster recovery processes not be adequate, any interruption and/or damage to ACL's systems may be more likely, prolonged and pronounced. A breach of ACL's cyber security defences could result in data and records being compromised or other negative outcomes that may harm ACL's reputation or result in financial loss.

ACL is currently working through the upgrade of its core Laboratory Information System (**LIS**) and the upgrade of the current OpenText database technology. This upgrade is intended to improve the stability of the underlying database and eliminate limits on archiving historical data. In addition, ACL is working on transitioning item codes in its LIS from two character codes to three character codes. The LIS already has the provision to support three character item codes, however, ACL's created reports and programs will need updating. These transitions are planned to occur during CY2021 and CY2022. If these upgrades do not occur as planned, ACL will need to seek an extension of the database support package and archive additional historical data. If there are issues in these upgrades or the database transition, there may be impacts on patient results communication and testing which may affect the reputation of ACL and result in financial loss for ACL.

Medicare is currently migrating to a web-based claims process. If ACL does not successfully upgrade its processes prior to March 2022, it will not be able to continue to claim funds from Medicare electronically. In addition, ACL utilises software from a number of vendors that are reaching end of life issues. For example, ACL is working on upgrading its current report writing capabilities that utilise Adobe and needs to work through various technical issues to enable this upgrade. ACL is also undergoing a restructure of its database for its eResults and its externally hosted websites.

ACL is committed to preventing and reducing cybersecurity risks. ACL has an information security policy and standards framework established in accordance with the international standard Information Security Management (ISO27001). ACL implements and operates IT security in-house with the assistance of partners and common IT security technologies to protect, detect and respond to security concerns. ACL conducts routine testing of systems and works closely with third-party security specialists to implement its security roadmap.

5.2.9 ACL's pathology equipment may fail

ACL relies on high throughput testing equipment, which is typically equipped with robotic tracks linked to the LIS, in order to provide timely, effective service. Service disruptions may result from system outages including equipment failures, breakdowns, maintenance and power outages and lead to a loss of revenue. In case of equipment failures and breakdowns, ACL's loss of revenue may not be fully compensated for by warranties and maintenance contracts and repairs and servicing may not be able to be performed in a timely manner. If ACL experiences greater than anticipated system outages or if it is unable to promptly obtain the service necessary to keep its systems functioning effectively, ACL's revenues could decline and its ability to provide services could be impacted.

ACL has a business continuity plan that mitigates service disruptions from equipment failures. In addition, ACL's laboratories have redundant capacity that can be used in case of equipment failures. ACL conducts regular maintenance of its equipment to minimise downtime and has third-party maintenance contracts that provide priority access to technicians. ACL's unified laboratory system mitigates equipment risk through the ability to shift samples to different laboratories, both intrastate and interstate within the ACL network.

5.2.10 ACL may be unable to recruit and retain key personnel

The successful operation of ACL's business relies on its ability to recruit and retain experienced and high-performing management, pathologists, scientists, and IT and operating staff. Relationships with certain referrers may be heavily reliant on particular ACL personnel (especially pathologists and scientists), such that their departure from the business could have an adverse impact on ACL's relationship with the referrer. There is significant competition to recruit these personnel, which can lead to increased labour costs. ACL is also reliant on the various medical colleges and universities that train scientists to attract and provide appropriate training of the future workforce. The unexpected loss of any key members of management or operating staff, or the inability on the part of ACL to attract experienced staff (including pathologists and scientists), may adversely affect its ability to develop and implement its business strategies.

ACL's success depends on its ability to attract and retain quality management, pathologists and scientists. ACL's success is also dependent on its ability to fulfil key management, pathologist, and scientist positions in a timely manner as they become available and to enable adequate workforce planning. If ACL is unable to execute adequate workforce planning in relation to its management, pathologists and scientists, this could have a material detrimental impact on ACL's ability to generate revenue, its ability to deliver on its business strategy, and its future financial performance.

ACL is reliant on a number of people with knowledge of its systems and processes. ACL's LIS is developed and supported by an in-house team which ACL relies on to be equipped with appropriate skill sets to support its platform. ACL has a partnership with the current vendor of the LIS, Cirdan, which supports ACL should a system-related issue arise in the future.

ACL's focus on diagnostic excellence through its centres of excellence and commitment to continuing professional education for staff and referrers, including training the next generation of pathologists and scientists, help to attract and retain a professional workforce. ACL's unified pathology system also provides flexibility to its national workplace.

5.2.11 ACL is subject to labour agreement negotiations

The majority of ACL's employees have terms and conditions of employment governed by enterprise agreements or modern awards which periodically require classification assessment, renegotiation or renewal. Any such classification assessment, renegotiation or renewal may result in increased direct and indirect labour costs for ACL, and issues may also arise during the processes which lead to strikes or other forms of industrial action that could disrupt ACL's operations. This could adversely impact on the financial performance and reputation of ACL.

In addition, any deterioration in the relationship with employees or unions could potentially lead to reputational damage, loss of key employees, increased direct and indirect labour costs or the inability for ACL to undertake the level of services it anticipates in the future.

Enterprise agreements and modern awards which cover the majority of ACL's employees have recently been negotiated or are in the process of being certified by the Fair Work Commission. In addition, ACL has managers and staff dedicated to negotiating workplace agreements and ensuring staff engagement.

5.2.12 ACL's exposure to international developments may impact its operations

ACL sources testing supplies such as reagents and equipment from international markets. Prices of these supplies and equipment are subject to change driven by, among other factors, foreign exchange rates, market demand and supply, and scientific and technological advancements. ACL is unable to pass on cost increases as a substantial portion of ACL's revenue is derived from the MBS with almost all community pathology being bulk-billed under the MBS and some private hospital contracts linked to services in the MBS. Any adverse movements in testing supplies and equipment may increase ACL's costs of business and may have a material adverse impact on ACL's performance.

ACL relies on readily available reagents and equipment to provide high quality testing services. There is a risk that international developments, including but not limited to legislative changes, acts of terrorism, an outbreak of international hostilities, lockdowns, embargos, forced closures, lockouts, labour market strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences may disrupt the supply chain of ACL's supplies and equipment. This may result in ACL being unable to provide core services. The nature, timing and magnitude of these international market developments are not predictable and are largely beyond ACL's control and ACL has limited ability to insure against some of these risks.

ACL manages supply price risk by entering into long-term fixed price arrangements with major suppliers for consumable products and by sourcing consumables locally in Australia. ACL remains vigilant in actively monitoring international developments, and managing supply costs and disruptions. For example, ACL successfully managed the surge in demand for COVID-19 testing in 2020 with no material operational disruptions.

5.2.13 Scientific development and technology change could adversely affect ACL's business

The pathology and associated industries may be subject to scientific developments and changes in technology, evolving industry standards and client demand for new diagnostic technologies and skin cancer treatments. Advances in science and technology may result in the creation of enhanced diagnostic tools that enable laboratories, hospitals, physicians, patients or third parties to provide or perform specialised diagnostic services and the creation of new testing methods or new skin cancer treatments that are more patient-friendly, efficient or cost-effective. Failure by ACL to anticipate and respond to new technologies could also materially adversely affect its ability to compete effectively. These developments may result in a decrease in the demand for ACL's services.

ACL may be impacted by its ability to maintain and update its technological infrastructure to address scientific development and technological changes. There is a risk that ACL may not be successful in addressing these developments in a timely manner. Maintaining and updating ACL's technology could involve additional costs. ACL's inability to respond to technological change may have a material adverse impact on its business and financial and/or operating performance.

ACL maintains a focus on research, innovation and advocacy to remain nimble for any scientific developments and technology change. In addition, ACL continually assesses opportunities including introducing new tests to the market to enhance its revenue stream.

5.2.14 ACL may suffer damage to its reputation and may be subject to litigation, claims, disputes and regulatory investigations

Healthcare providers rely on the information provided by ACL in providing patient care. If ACL or an employee of ACL is negligent in performing services or incurs diagnostic error or equipment failure, such as when the equipment or reagent batches do not function as required, it could lead to injury, patient harm, financial loss and/or reputational damage to ACL, or other adverse events and legal action (not all of which may be covered by insurance).

ACL's reputation with doctors, public and private hospitals, general practitioners, other medical specialists, employees (including pathologists) and members of the public could be adversely affected by any negative publicity. This could result in reduced demand for ACL's services and affect ACL's ability to recruit and retain pathologists and scientists. If this were to occur, ACL's financial performance may be negatively impacted.

ACL may be subject to other litigation, claims and disputes in the course of its business, including employment disputes, class actions, contractual disputes, regulatory enforcement actions or investigations or occupational and personal claims. Such litigation, claims, investigations and disputes, including the costs of settling claims and operational impacts, could adversely affect ACL's business, operating and financial performance.

The risk of medical indemnity or like claims and litigation is relevant for ACL. Current or former patients may, in the normal course of business, start or threaten litigation for medical negligence against not only the pathologist in question but also ACL. Subject to the medical indemnity insurance arrangements which ACL and all pathologists have in place at the relevant time, future medical malpractice litigation, or threatened litigation, against ACL could have an adverse impact on the financial performance (including through damages or fines being payable by ACL or an increase in the cost of medical malpractice insurance), position and future prospects of ACL if that litigation were to result in damages being awarded against not only the pathologist but also ACL.

ACL has a risk management framework designed to manage exposure to operational, financial and reputational risk. See Section 3.6.6 for additional details on ACL's risk management framework.

5.2.15 ACL's insurance cover may be inadequate or unavailable

ACL maintains insurance coverage in relation to many different aspects of its business. However, no assurance can be given that such insurance will be available in the future on a commercially reasonable basis or that ACL will have adequate insurance cover against claims made. If ACL incurs uninsured losses or liabilities, its assets, profits and prospects may be materially adversely affected. In particular, there is a risk that ACL may be subject to claims in respect of both historical and future incidents. If such claims arise, there is a risk that ACL's insurance cover may not adequately protect ACL against those claims, which may have a material adverse effect on ACL. Further, ACL may not be able to recover under its insurance if the company or companies providing the insurance (or any reinsurance) are under financial distress or fail. Additionally, various factors may influence insurance premiums, which may have a detrimental impact on ACL's profitability. Finally, if ACL does not maintain an appropriate level of insurance coverage, it may be exposed to a wide range of liabilities.

ACL has in place a well-established suite of insurance policies with specialist insurers, all set to a minimum S&P rating of at least A-. The program is subject to a formal yearly review of all policies, including and assessment of market practise and the insurable risk profile of the Group.

5.2.16 Forecast financial information may not be realised

The forward-looking statements, opinions and estimates provided in this Prospectus (including any forecast financial information provided) rely on various contingencies and assumptions including assumptions on COVID-19 testing, some of which are described in Section 4. Various factors and risks, both known and unknown, many of which are outside the control of ACL, may impact upon the Company's performance and cause actual performance to vary significantly from expected results. While the forecasts have been prepared with due care and attention, and ACL considers the assumptions underlying those forecasts to be reasonable, future events and conditions cannot be reliably predicted

5. Key Risks

and the assumptions are subject to significant uncertainties. Actual results are likely to vary from the forecast and any variation may be materially positive or negative. There is no guarantee that ACL will achieve its stated objectives or that any forward-looking statements or forecasts contained in this Prospectus will eventuate.

5.2.17 ACL may be subject to lease risks associated with the IPO

The ACCs, pathology laboratories and skin cancer clinics which comprise ACL's national network operate from leased premises including with medical centres and private hospital groups such as SJGHC and Healthscope. These leases have different legal terms, expiry dates and renewal options. A small number of these leases may require ACL to seek the consent of the landlord for a change of control in connection with implementation of the IPO. There is a risk that such consent may not be obtained, or, if it can be obtained, it may not be obtained on reasonable terms and conditions and/or within a reasonable timeframe. ACL considers that there is a low probability of consents being withheld for all of these leases and accordingly, does not consider that this will have a material effect on ACL's operations or financial performance.

5.2.18 ACL may breach its service level agreements

ACL has entered into contracts to provide pathology services to private hospitals, and commercial and public sector clients under service level agreements. These agreements set out the term and renewal, termination, change of control, exclusivity (if applicable), pricing, service delivery obligations, liability and indemnity arrangements between ACL and its clients. In the event that ACL breaches a service level agreement, including if it fails to deliver pathology services to the specified standard, ACL may be liable for damages under the relevant agreement and in certain cases the clients may be entitled to terminate the agreement. ACL's service level agreements may also not be renewed for a number of reasons, including performance below required service levels, adverse publicity or increased competition. Such developments may result in contracts not being renewed without any contributing factors within ACL's control. Any breach of a service level agreement between ACL and its clients could materially adversely affect ACL's financial position and prospects.

ACL has a long history of operating under service level agreements. ACL's risk framework includes ongoing reporting and monitoring of operational performance. In addition, the service level agreements typically provide for a remediation process.

5.2.19 A workplace accident or incident may occur

ACL employees provide pathology, skin cancer treatment and associated services by performing a range of activities across a variety of settings and these activities can range from sample collection at ACCs and patient homes to operating equipment in pathology laboratories. Depending on the specific activity and environment, ACL's employees could be at risk of workplace accidents and incidents. Should an employee be injured in the course of their employment, ACL may be liable for penalties or damages as a result. If ACL was required to pay monetary penalties, this may adversely affect its financial position as well as the reputation of ACL. Such claims or events may not be covered by ACL's insurance or may exceed ACL's insured limits.

ACL has occupational health and safety procedures that comply with relevant legislation and standards which all staff are required to follow. Workplace accidents or incidents are assessed and changes implemented to help prevent similar events from occurring in the future. However, there is a risk that workplace accidents or incidents may occur in the future which could have an adverse effect on ACL's reputation and operations.

ACL's human resources team routinely reports any workplace accidents and incidents which are reviewed by the ACL Board and by the ACL Risk Committee.

5.2.20 Unexpected liabilities related to the SunDoctors acquisition

ACL will complete the acquisition of SunDoctors contemporaneously to Completion of the Offer. ACL has carried out due diligence in relation to the SunDoctors business. However, there is a risk the due diligence investigation did not identify all latent liabilities within the SunDoctors business. The Group will be responsible for these liabilities following completion of the acquisition. However, there is a risk that the proceeds may not cover all of the relevant liability and ACL will suffer loss associated with the liability.

5.2.21 Integration of future acquisitions may not be successful

In addition to the SunDoctors acquisition, ACL may consider future acquisitions that are considered by the ACL management team to be complementary to ACL's future growth strategy. There are a number of difficulties and uncertainties associated with acquisitions such as the integration of financial, operational and managerial resources. If the acquired businesses (including SunDoctors) are not successfully integrated this may have an adverse effect on ACL's financial and operational performance.

In addition, while ACL will conduct due diligence on any proposed acquisitions, there is no assurance that an acquisition will perform as forecasted once fully integrated, or successfully achieve the desired objectives and synergies. These acquisitions may include opportunities outside Australia which can add additional risk and complexity due to differences in regulations, work practices and cultures.

ACL has a track record of successfully integrating businesses. ACL originated from the aggregation of Healthscope's Australian pathology business (2015), St John of God Health Care's (**SJGHC**) pathology business (2016) and Perth Pathology (2016), and over the past six years ACL has improved its operational performance through the integration and optimisation of these businesses.

5.2.22 ACL's possible expansion into new markets may not be successful

Any future acquisitions or expansions into new geographical markets may expose ACL to unforeseen risks. A number of these risks could include regulatory requirements, complications or inefficiencies related to staff, managerial and operational performance, enforcing contractual obligations and intellectual property rights, competition from existing established competitors, political or economic instabilities, and taxation.

ACL will make informed decisions on the attractiveness and effectiveness of any future acquisitions or expansions into new markets, based on information available to ACL at that time. If such information turns out to be inaccurate, or circumstances arise outside of ACL's control while entering these new markets, there may be a material adverse effect on the financial and/or operational performance of the Company.

5.3 General risks of an investment in ACL

5.3.1 Price of shares and general investment risks

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. The events relating to COVID-19 have recently resulted in a decline in general economic conditions together with significant volatility to the market including the prices of shares trading on the ASX. These factors may cause the Shares to trade at prices above or below the price at which the Shares are being offered under this Prospectus. There is no assurance that the price of the Shares will increase following the quotation of the Company on the ASX, even if ACL's operations and financial performance improves. Some of the factors which may affect the price of the Shares include:

- fluctuations in the domestic and international market for listed stocks;
- general economic conditions, including interest rates, inflation rates, exchange rates and commodity and oil prices, changes to government fiscal, monetary or regulatory policy, legislation or regulation;
- changes in ASX regulation or policies;
- actual or anticipated fluctuation in ACL's financial performance and those of other public companies in its sector;
- acquisition and dilution;
- pandemic risk;
- technological change;
- the nature of the markets in which ACL operates; and
- general operational and business risks.

Other factors which may negatively affect investor sentiment and influence ACL specifically, or the stock market more generally, include acts of terrorism, an outbreak of international hostilities or tensions, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease, other man-made or natural events and the general state of the international economy. ACL has a limited ability to insure against some of the risks mentioned above.

5.3.2 Trading in Shares may not be liquid

Once the Shares are quoted on the ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid or at which the Shares were issued.

5. Key Risks

5.3.3 Crescent Entities, Crescent Co-Investors and Management Shareholders retain a significant stake in the Company post-Listing

Following Completion, the Crescent Entities, Crescent Co-Investors and Management Shareholders will hold 49.0% of the issued capital of ACL.

98.6 million Shares, representing 48.7%[2] of the issued capital of ACL, will be subject to escrow restrictions with one-third of these Shares to be released after ACL releases its H1 FY22 results, a further one-third of these Shares to be released after ACL releases its full year FY22 financial results and the balance of these Shares to be released when ACL releases its H1 FY23 results. The details of the escrow mechanism are described in Sections 7.15 and 9.7. There will be no restrictions on the sale of any escrowed Shares on and from the date on which those escrow restrictions are released in accordance with the terms of the relevant restriction, or sooner, in the event an exception to the restriction is available.

Following the end of the escrow period, a significant sale of Shares by some or all of the Escrowed Shareholders, or the perception that such sales have occurred or might occur, may adversely affect the price of Shares. The interests of the Escrowed Shareholders may be different from the interests of investors who acquire Shares in the Offer. See Sections 7.15 and 9.7 for more information about the terms of the escrow arrangements entered into by the Escrowed Shareholders in connection with the Offer.

Alternatively, the absence of any sale of Shares by the Crescent Entities, Crescent Co-Investors and Management Shareholders may cause or contribute to a diminution in the liquidity of the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares.

5.3.4 Accounting standards

Australian Accounting Standards are set by the AASB and are outside the control of ACL, its Directors, or its senior management team. The AASB is due to introduce new or refined Australian Accounting Standards in future periods, which may affect future measurement and recognition of key statement of income and balance sheet items, including sales and receivables.

There is also the risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key statement of income and balance sheet items, including sales and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in ACL's consolidated financial statements.

5.3.5 Exposure to changes in tax rules or their interpretation

Tax rules or their interpretation in relation to equity investments, divestments and other transactions entered into in the ordinary course of ACL's business may change. In particular, both the level and basis of taxation may change.

In addition, from time to time the Australian Taxation Office also reviews the tax treatment of transactions entered into by ACL. Any actual or alleged failure to comply with, or any change in the application or interpretation of, tax rules applied by ACL in respect of such transactions, could increase its tax liabilities or expose it to legal, regulatory or other actions.

In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Each investor considering an investment in ACL is encouraged to seek professional tax advice in connection with any investment in ACL. See Section 9.12 for additional taxation considerations.

5.3.6 Future capital needs

ACL may be required to raise capital in the future through public or private financing or other arrangements. Such financing may not be available on acceptable terms, or at all, and a failure to raise capital when needed could harm ACL's business. If ACL cannot raise funds on acceptable terms, it may not be able to grow its business or respond to competitive pressures.

5.3.7 Risk of Shareholder dilution

In the future, ACL may elect to issue Shares in connection with fundraisings, including raising proceeds for acquisitions ACL may decide to make. Shareholder interests may be diluted and Shareholders may experience a loss in value of their equity if ACL issues Shares as consideration for acquisitions, funds acquisitions through raising equity capital or if ACL engages in fundraisings for any other reason, including the repayment of debt. While ACL will be subject to the constraints of the ASX Listing Rules regarding the percentage of ACL's capital it is able to issue within a 12-month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and fundraisings.

2. 0.3% of the Shares on issue at Completion of the Offer that are held by Management Shareholders will not be subject to voluntary escrow because certain Management Shareholders have chosen not to sell their vested MEP Shares through SaleCo.

5.3.8 No guarantee of future dividend payments

There is no guarantee that the Group will generate sufficient cash flow from its operations in the future to pay dividends. The Group's dividend policy is set out in Section 4.9. Further, ACL expects future dividends to be franked to the maximum extent possible. However, there is no guarantee that ACL will have sufficient franking credits in the future to fully frank dividends or that the imputation system will not be varied or abolished.

The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

5.3.9 Force majeure events may occur

Events may occur within or outside the Australian market that negatively impact ACL's financial performance, ACL's operations and/or the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters or other natural or man-made events or occurrences that may have a material adverse effect on ACL's ability to conduct business. ACL has only a limited ability to insure against some of these risks.

5.3.10 Epidemics and pandemics

In addition to force majeure events mentioned in Section 5.3.9 above, a rapid spread of infectious disease to a large number of people within a short period of time may occur within or outside the geographical regions in which ACL operates. In particular, a pandemic similar in nature to the 2002-03 outbreak of Severe Acute Respiratory Syndrome, the 2009 swine flu outbreak or the 2019-20 COVID-19 (novel coronavirus pneumonia) outbreak may adversely affect general economic sentiment, the global economy, stock markets and other financial markets. COVID-19 is currently of significant concern to the worldwide community and has clouded the near and medium-term outlook for the global economy. Financial markets have also been volatile as market participants and governments worldwide assess the risks associated with the coronavirus and global supply chains are being severely impacted across major industries. Measures introduced to limit transmission of the virus are likely to have a negative impact on the global economy and economic growth. As a result of the global outbreak monetary policy has been eased to provide additional support to employment and economic activity. Given the evolving situation, it is difficult to predict the nature and extent of the risk and the impact on ACL. The impact of the virus on consumer sentiment, demand and confidence generally could materially adversely affect ACL's operations and/or financial performance.

5.3.11 Expected future events may not occur

Certain statements in this Prospectus constitute forward-looking statements. Such forward-looking statements rely on various contingencies and assumptions and involve known and unknown risks, uncertainties and other factors which may cause ACL's actual results, performance and achievements 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 forward-looking statements. In addition, under no circumstances should forward-looking statements be regarded as a representation or warranty by ACL or any other person referred to in this Prospectus that a particular outcome or future event is guaranteed.

5.3.12 Climate change

Climate change and the corresponding increase in the likelihood of events such as floods, droughts, fires, heatwaves and cyclones could impact ACL by causing increased costs, closures, disruption to operations or lack of access, among other things. Such events may lead to an increase in operational costs or business interruption and may have a detrimental impact on ACL's financial and/or operational performance.

5.3.13 No guarantee in respect of investment

The above list of risk factors should not be taken as an exhaustive list of the risks faced by ACL or by investors in ACL. The above factors, and others not specifically referred to above, may materially affect the financial performance of ACL and the value of the Shares under the Offer. The Shares issued under the Offer carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX. Furthermore, there is no guarantee that the Shares will remain continuously quoted on the ASX, which could impact the ability of prospective Shareholders to sell their Shares.

Investors should consult their professional adviser(s) before deciding whether to apply for Shares under the Offer.

6 Key People, Interests, Benefits

6.1 Board of Directors

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

Name	Expertise, experience and qualifications
 **Michael Alscher** *Non-Executive Chair*	Mr Michael Alscher has been Chair of ACL since its acquisition by Crescent Capital Partners in 2015. Michael is the Managing Partner and founder of Crescent, a leading Australian private equity investment firm, specialising in high growth companies and certain industry sectors such as healthcare. Michael is the current Chair of Cardno Limited, National Dental Care Limited, National Home Doctor Service Pty Ltd and is a Non-Executive Director of Clearview Wealth Limited. Michael's former director roles include Chair of Cover-More Group Limited, LifeHealthcare Group Limited and Director of Metro Performance Glass Limited. Prior to founding Crescent in 2000, Michael was a strategy consultant at Bain International and LEK Partnership as well as holding several senior operating roles. As a result of his affiliation with Crescent, which will continue to have a 34.6% shareholding post IPO, Michael is not considered to be an Independent Chair. Michael holds a Bachelor of Commerce (Finance and Mathematics) Degree from the University of New South Wales.
 **Melinda McGrath** *Chief Executive Officer and Executive Director*	Ms Melinda McGrath has been the Chief Executive Officer and Executive Director of ACL since 2015. Melinda has more than 30 years' experience in healthcare with over 20 years of experience in chief executive roles and over 13 years of experience in pathology CEO roles. Melinda has played a lead role in the organisation's transformation, building ACL's scale and operational performance improvement over the past six years, overseeing the integration of Healthscope's Australian pathology business, St John of God Health Care's pathology business, Perth Pathology and SunDoctors. She has also driven the establishment of one performance oriented culture across the organisation, via one unified integrated pathology system. Melinda was Chief Executive Officer of QML Pathology (part of Healius) from 2008 to 2015, where she developed five QML brands and established Tasmania Medical Laboratories. Prior to that, Melinda held various chief executive roles at private regional and tertiary referral hospitals in Queensland including The Sunshine Coast Private Hospital, St Andrew's War Memorial Hospital and St Stephens Private Hospital. Melinda has held board member positions at Metro North Hospitals and Health Service including Royal Brisbane, Prince Charles, Redcliffe, Caboolture and related health services, and a superannuation fund, UC Super. Melinda holds a Bachelor of Human Movement Studies Degree and a Bachelor of Arts Degree from the University of Queensland, a Master of Business Administration from the University of Central Queensland, and a Certificate in Governance Practice from the Governance Institute of Australia.

6. Key People, Interests, Benefits

Name	Expertise, experience and qualifications
 **Nathanial Thomson** *Non-Executive Director*	Mr Nathanial Thomson has been a Non-Executive Director of ACL since April 2018. Nathanial is a Partner at Crescent, a leading Australian private equity investment firm. Nathanial has over 20 years of experience in strategy consulting, private equity and investment banking. He has significant consulting experience from his prior role at McKinsey & Co. Nathanial is a current Director of Cardno Limited, National Dental Care Limited, Clearview Wealth Limited and National Home Doctor Service Pty Ltd. Nathanial's former director roles include Deputy Chair of Cover-More Group Limited and a Non-Executive Director of Metro Performance Glass Limited. As a result of his affiliation with Crescent, which will continue to have a 34.6% shareholding post IPO, Nathanial is not considered to be an Independent Director. Nathanial holds a Bachelor of Commerce Degree and Bachelor of Laws Degree from the University of Western Australia.
 **Andrew Dutton** *Independent Non-Executive Director*	Mr Andrew Dutton has been a Non-Executive Director of ACL since 28 April 2021. Andrew has 30 years of management, business development and technology experience across Australia, Asia and Europe. Andrew is the current Chair of Land Registry Services and was recently an Advisor to FinancialForce APJ. He has had extensive Chief Executive Officer and Board experience globally and within Australia. Andrew's former roles include Chair of NVOI Pty Ltd and SAI Global Pty Ltd; Chief Executive Officer at Land Registry Services and Integrated Research Limited; Managing Director of the Asia Pacific/Japan region for VMware Inc.; and senior executive positions at IBM, Computer Associates, BEA Systems Inc., Lend Lease and Norwich Union Financial Services Group including roles as CFO, CMO, CRO and Divisional Heads. At IBM, Andrew was elected to the Worldwide Senior Leadership Team. Andrew holds a Bachelor of Science Degree from the University of Sydney and is a member of the Australian Institute of Company Directors.
 **Dr Leanne Rowe AM** *Independent Non-Executive Director*	Dr Leanne Rowe has been a Non-Executive Director of ACL since 28 April 2021. Leanne is a clinical professor and medical practitioner with over 30 years of clinical experience in the public and private health systems across acute care, aged care, mental health and community health. Leanne is currently Chair of Nexus Hospitals and a Non-Executive Director of Japara Healthcare Limited, Doctor Care Anywhere Group PLC, the Medical Indemnity Protection Society and MIPS Insurance. Previously she was Chair of the Royal Australian College of General Practitioners and a Non-Executive Director of Medibank Private, I-MED Radiology Network, GMHBA, Australian Health Management, Barwon Health and Beyond Blue. Leanne is a former Deputy Chancellor of Monash University and has been awarded a Doctor of Laws (Honoris Causa) for her services. Leanne has also received a Member of the Order of Australia for her services to medicine and is a Fellow of the Royal Australian College of General Practitioners and the Australian Institute of Company Directors. Leanne holds a Doctor of Laws (Honoris Causa), Doctor of Medicine and a Bachelor of Medicine Degree and Bachelor of Surgery Degree from Monash University.

Name	Expertise, experience and qualifications
 **Dr Michael Stanford AM** *Independent Non-Executive Director*	Dr Michael Stanford has been a Non-Executive Director of ACL since 28 April 2021. Michael has over 25 years of Non-Executive Director experience across a range of industries including healthcare services, diagnostics, biotech, pharmaceutical, property, aged care and higher education. Michael is the current Chair of Diabetes Australia, an Independent Non-Executive Director of NorthWest Healthcare Property Management Limited and Nucleus Network Limited, and a Senior Advisor at Medibank Private Limited. Michael's former roles include Non-Executive Director for ACL between 2016 and 2019, Healthscope Limited, Virtus Health Limited, and Deputy Chancellor of Curtin University. He was in Group Chief Executive Officer roles for 23 years including 16 years at St John of God Health Care. Michael has also received a Member of the Order of Australia for his service to the health sector to tertiary education and in the community of Western Australia. Michael holds a Bachelor of Medicine Degree and Bachelor of Surgery Degree from the University of New South Wales and a Master of Business Administration from Macquarie University. Michael is also a fellow of the Australasian Institute of Company Directors and was formerly a specialist in public health medicine.
 **Mark Haberlin** *Independent Non-Executive Director*	Mr Mark Haberlin has been a Non-Executive Director of ACL since 28 April 2021. Mark has over 25 years of audit, risk management, capital transactions and mergers and acquisitions experience across industries including healthcare, real estate and financial services. Mark is the Lead Independent Director and Chair of the Audit & Risk Committee of Abacus Property Group. Mark is also an Independent Non-Executive Director and the Chair of the Audit & Risk Committee of Laybuy Group Limited. Previously, Mark was the Chair of PwC Australia and PwC's Public Reporting Panel, as well as a Director of the European Australia Business Council and PwC Asia Pacific. Mark holds a Bachelor of Science (Civil Engineering) (Honours) from Imperial College London and qualified as a Chartered Accountant in the United Kingdom.

The composition of the Board committees and a summary of its key corporate governance policies are set out in Sections 6.6.6 and 6.6.7.

Each Director above has confirmed to the Company that they anticipate being able to perform their duties as a non-executive director or executive director, as the case may be, without constraint having regard to their other commitments.

6. Key People, Interests, Benefits

6.2 Key Management

Name	Expertise, experience and qualifications
 **Melinda McGrath** ***Chief Executive Officer and Executive Director***	Ms Melinda McGrath has been the Chief Executive Officer and Executive Director of ACL since 2015. Melinda has more than 30 years' experience in healthcare with over 20 years of experience in chief executive roles and over 13 years of experience in pathology CEO roles. Melinda has played a lead role in the organisation's transformation, building ACL's scale and operational performance improvement over the past six years, overseeing the integration of Healthscope's Australian pathology business, St John of God Health Care's pathology business, Perth Pathology and SunDoctors. She has also driven the establishment of one performance oriented culture across the organisation, via one unified integrated pathology system. Melinda was Chief Executive Officer of QML Pathology (part of Healius) from 2008 to 2015, where she developed five QML brands and established Tasmania Medical Laboratories. Prior to that, Melinda held various chief executive roles at private regional and tertiary referral hospitals in Queensland including The Sunshine Coast Private Hospital, St Andrew's War Memorial Hospital and St Stephens Private Hospital. Melinda has held board member positions at Metro North Hospitals and Health Service including Royal Brisbane, Prince Charles, Redcliffe, Caboolture and related health services, and a superannuation fund, UC Super. Melinda holds a Bachelor of Human Movement Studies Degree and a Bachelor of Arts Degree from the University of Queensland, a Master of Business Administration from the University of Central Queensland, and a Certificate in Governance Practice from the Governance Institute of Australia.
 **James Davison** ***Chief Financial Officer***	Mr James Davison joined Healthscope Limited (precursor to ACL) in 2011 and has been the Chief Financial Officer since 2015. James is responsible for the financial functions of ACL and has over 20 years of experience in the healthcare industry. James has comprehensive experience across financial management, planning, reporting and governance. James also has significant experience in pathology acquisitions, divestments, restructures, operational efficiency improvements and cost-out programs. Prior to joining ACL, James held executive finance roles as General Manager Finance Pathology of Australia and International at Healthscope, Chief Financial Officer at Australia Diagnostics Group and General Manager Finance at Mayne/Symbion Health Limited and Primary Healthcare/Healius Limited. James has an in-depth knowledge of pathology in international markets including Singapore, Malaysia and New Zealand. James holds a Bachelor of Business Degree from Swinburne University of Technology and is a Certified Practicing Accountant.

Name	Expertise, experience and qualifications
 **Associate Professor Tony Landgren** ***National Medical Director and Chief Pathologist***	Associate Professor Tony Landgren joined ACL in 2009 as the National Medical Director and Chief Pathologist. He is the Designated Person under the terms of ACL's accreditation with NATA and has executive responsibility for clinical governance, risk management, patient safety and regulatory compliance. Prior to joining ACL, Tony has worked as a pathologist, medical administrator and commercial lawyer in private, public and academic practice in Queensland, New South Wales, Victoria and the United States. He is the current Chair of The Board of Royal College of Pathologists of Australasia Quality Assurance Programs Pty Ltd and Director of the Department of Anatomical Pathology at the Royal Melbourne Hospital. He holds academic positions at the University of Melbourne. He was for 12 years the Chair of the Board of Education and Assessment and a Director of the Royal College of Pathologists of Australasia. Tony graduated in Medicine and Law from the University of Melbourne then trained in anatomical and forensic pathology in Victoria. He is a fellow of the Royal College of Pathologists of Australasia, the Australasian College of Legal Medicine and is a member of the Royal Australian College of Medical Administrators. He is also a Barrister and Solicitor of the Supreme Court of Victoria specialising in biotechnology and health law.
 **Anthony Friedli** ***Chief Operating Officer and Victoria CEO***	Mr Anthony Friedli joined ACL in 2016 and is the Chief Operating Officer and Chief Executive Officer of Victoria. Anthony's responsibilities include leading the business transformation on a national basis and managing the Victorian operation. Anthony also oversees the human resources, quality and risk and business improvement functions across ACL. Anthony has over 20 years of experience in business transformation and over seven years of experience in pathology. Prior to joining ACL, Anthony was the Managing Director of Australia and New Zealand for Kepner-Tregoe, a management consulting company specialising in business transformation. Anthony has also held management roles within the telecommunications, banking and manufacturing industries where he led transformation programs. Anthony holds a Bachelor of Engineering Degree from University of Technology Sydney and a Master of Business Administration (Finance/Strategy) from Macquarie Graduate School of Management. Anthony is a certified Six Sigma Master Blackbelt and qualified project manager.

6. Key People, Interests, Benefits

Name	Expertise, experience and qualifications
 **Sean Jackson** ***Chief Information Officer***	Mr Sean Jackson joined Healthscope Limited (precursor to ACL) in 2011 and has been the Chief Information Officer since 2015. Sean has more than 20 years of information related experience in the pathology industry that includes management, operations and application development. Sean has led transformation projects spanning multiple IT disciplines, including the provision of technology systems for start-up labs, team transformation, major relocations, stand-up of disaster recovery systems, laboratory information system implementations, upgrades and laboratory acquisitions and divestments. Prior to joining ACL, Sean was the Pathology IT Manager of Australia and International at Healthscope, Chief Information Officer at Australian Diagnostics Group and National Software Development Manager (Pathology) at Healius Limited. Sean commenced his career as a Programmer and Network Administrator at Barratt and Smith Pathology. Prior to commencing in the field of information technology, Sean studied Biotechnology at the University of Technology Sydney.
 **Joe Geran** ***National Marketing Director***	Mr Joe Geran joined ACL in 2015 and is the National Marketing Director. Joe is responsible for marketing strategy and managing ACL's brand portfolio. Joe has over 20 years of experience in healthcare including over 17 years of experience in pathology. Joe's former roles include National Sales and Marketing Executive for SDS Pathology (Healius) and Marketing / Metro Business Manager for QML Pathology. Prior to joining ACL, Joe held senior positions at Healius Limited and has previously worked for BUPA and International SOS. Joe's focuses include revenue maximisation, strategy development, chronic disease management and the integration of technology in general practice leveraging a deep understanding of ordering patterns of referrers and Medicare funding. Joe holds a Bachelor of Nursing Degree from Griffith University.
 **Chris Brownlow** ***New South Wales and Australian Capital Territory CEO***	Mr Chris Brownlow has been the Chief Executive Officer of New South Wales and ACT since joining ACL in 2011. Chris has 20 years of healthcare experience which includes experience in medical laboratories since 2002. Chris has held executive and senior management roles at Healthscope Limited, Healius Limited, Symbion Health Limited and Mayne Health. Chris has been a Board member of National Association of Testing Authorities and is currently a Board member and Treasurer of Australian Pathology, the national peak body for private pathology in Australia. Chris' focuses include strategy development and execution, leadership and change management. Chris has been involved in and led a number of transformation projects including the design, accreditation and commissioning of new laboratories as well as major relocations, laboratory acquisitions, divestments and mergers. Chris holds a Bachelor of Business Degree from the University of Technology Sydney and is a member of the Australian Institute of Company Directors.

Name	Expertise, experience and qualifications
 **Shae Seymour** ***Western Australia CEO***	Ms Shae Seymour joined ACL as Chief Executive Officer of Western Australia in 2018 to lead the Western Australian business through its integration and operational change within ACL. Shae has over 15 years' experience in health care and hospital management and has held executive and senior management roles within the Department of Health as well as various commercial, contract and finance roles in the private sector. Prior to joining ACL, Shae was the Executive Director of the Armadale Kalamunda Hospital Group. Shae's key interests include clinical and corporate governance, leadership and culture development, strategy execution and change management. Shae has advised on and led State-wide health reform initiatives as well as being involved in a number of transformation projects including emergency department reform across Western Australia and the commissioning of the Fiona Stanley Hospital. Shae holds Bachelor of Commerce, Bachelor of Science (Physiotherapy) and Bachelor of Social Science Degrees from Curtin University. Shae also completed the Harvard Business School Executive Program "Leading Health Care Delivery" in 2018 and is a member of the Australian Institute of Company Directors.
 **Eric Swayn** ***South Australia and Northern Territory CEO***	Mr Eric Swayn joined ACL in 1999 and has been the Chief Executive Officer of South Australia and the Northern Territory since 2015. Eric has over 20 years of experience in pathology, and has held various scientific and leadership roles across a number of metropolitan and regional community and hospital laboratories. Eric is a current Director of the National Association of Testing Authorities. Eric led the design and commissioning of the new Adelaide Airport central laboratory in 2018, and previously managed the successful consolidation of three Queensland laboratories into one state-of-the-art central laboratory for Healthscope. Eric's current role includes National Procurement Manager. During 2020, he was instrumental in setting up COVID-19 testing platforms in each of the central laboratories across Australia. His former roles include State Manager for Healthscope Pathology in Queensland, South Australia and the Northern Territory, as well as managing a number of regional laboratories within both hospital and community settings. Eric holds a Bachelor of Applied Science Degree and a Graduate Certificate in Business Administration from the University of South Australia.

6. Key People, Interests, Benefits

6.3 Interests and benefits

This Section sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director of the Company or proposed Director;
- person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds, as of the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the 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 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 person for services in connection with the formation or promotion of the Company or the Offer or to any Director to induce them to become, or qualify as, a Director of the Company.

6.3.1 Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer:

- BofA Securities and Goldman Sachs Australia Pty Ltd have acted as Joint Lead Managers to the Offer and the fees payable to the Joint Lead Managers pursuant to the Underwriting Agreement are described in Section 9.6.1;
- Bell Potter Securities Limited, Canaccord (Genuity) Australia Limited, Commonwealth Securities Limited and Ord Minnett Limited have acted as Co-Lead Managers to the Offer and the fees payable to the Co-Lead Managers are described in Section 9.6.1;
- MST Financial Services Pty Ltd has acted as Co-Manager to the Offer and the fees payable to the Co-Manager are described in Section 9.6.1;
- Gilbert + Tobin has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately $750,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Gilbert + Tobin in accordance with its normal time-based charges;
- PricewaterhouseCoopers Securities Ltd has acted as the Investigating Accountant in connection with the Offer and has performed work in relation to the Investigating Accountant's Report. The Company has paid, or agreed to pay, approximately $700,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to PricewaterhouseCoopers Securities Ltd in accordance with its normal time-based charges; and
- Gilbert + Tobin has acted as the Australian taxation adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately $340,000 to Gilbert + Tobin (excluding disbursements and GST) until the Prospectus Date. Further amounts may be paid to Gilbert + Tobin in accordance with its normal time-based charges.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.

6.4 Directors' interests and remuneration

6.4.1 Directors' appointment letters

Before the date of this Prospectus, each Non-Executive Director has entered into appointment letters with the Company, confirming the terms of the appointments, their roles and responsibilities, and the Company's expectations of them as Directors.

6.4.2 Non-Executive Director remuneration

Under the Constitution, the Company in general meeting may determine the maximum aggregate remuneration to be provided to or for the benefit of the Non-Executive Directors as remuneration for their services as a Director. Further, under the ASX Listing Rules, the total amount of fees paid to the Non-Executive Directors (subject to certain exceptions) must not exceed in aggregate in any financial year the amount fixed by the Company's members in general meeting.

Initially, and until a different amount is determined, the maximum aggregate Non-Executive Directors' remuneration for the purposes of the ASX Listing Rules and the Constitution is $1,500,000 per annum of which $885,000 is currently utilised. This amount excludes, among other things, amounts payable to any executive Director under any executive services agreement with the Group or any special remuneration which the Board may grant to the Directors for special exertions or additional services performed by a Director for or at the request of the Company.

The following annual base fees and additional fees for chairing or sitting on an ACL Board committee are payable to Directors (with effect from Completion).

Role	Director fees (in AUD)	As at Completion
Base fee – Chair	$60,000	Michael Alscher
Base fee – Member	$120,000	Michael Alscher
		Nathanial Thomson, Andrew Dutton, Leanne Rowe, Michael Stanford, and Mark Haberlin
Audit Committee – Chair	$15,000	Mark Haberlin
Risk Committee – Chair	$15,000	Michael Stanford
Remuneration and Nomination Committee – Chair	$15,000	Andrew Dutton
Committee Member	$10,000	As set out in Section 6.6.6

All Directors' fees include superannuation payments required by law to be made.

Melinda McGrath does not receive any fees in her capacity as a Director.

6.4.3 Deeds of access, insurance and indemnity

The Company has entered into a deed of access, insurance and indemnity with each Director. Each deed contains the Director's right of access to certain books and records of the Company or Group Company for the period from the date of the deed until seven years after the Director ceases to hold office of the Company or Group Company. This seven-year period can be extended where certain proceedings or investigations commence before the seven-year period expires.

Pursuant to the Constitution, the Company may indemnify all Directors, executive officers and other officers, past and present, against all liabilities incurred as an officer of the Company or Group Company to the extent permitted by law. Under the deed of access, insurance and indemnity, the Company indemnifies each Director against any liability that may arise from their position as an officer of the Company or Group Company, to the extent permitted by law. The deed provides that the Company must meet the full amount of any such liabilities, including legal costs that are reasonably incurred, charges and expenses.

Pursuant to the Constitution, the Company may arrange and maintain directors' and officers' insurance for its Directors to the extent permitted by law. Under the deed of access, insurance and indemnity, the Company must maintain such insurance for the period from the date of the deed until seven years after the Director ceases to hold office of the Company or Group Company. This seven-year period can be extended where certain proceedings or investigations commence before the seven-year period expires.

In this summary, "Group Company" means the Company, a subsidiary of the Company, any companies which are 50% or more owned directly or indirectly by any other Group Company, or any partnership or unincorporated joint venture in which any Group Company or a related body corporate of the Company has an interest of 50% or more.

6. Key People, Interests, Benefits

6.4.4 Directors' interests in Shares and other securities

The Directors are not required by the Constitution to hold any Shares.

The Directors' interests in Shares and other securities in the Company as at the Prospectus Date and as at Completion are set out in the table below:

	Interests held at the Prospectus Date		Interests held at Completion	
Director[1]	Shares	Performance Rights	Shares	Performance Rights
Michael Alscher	Nil[2]	Nil	Nil	Nil
Melinda McGrath	4,652,455 [3]	Nil	2,791,473	Nil
Nathanial Thomson	Nil[4]	Nil	Nil	Nil
Andrew Dutton	Nil	Nil	Nil	Nil
Leanne Rowe	Nil	Nil	Nil	Nil
Michael Stanford	Nil	Nil	Nil	Nil
Mark Haberlin	Nil	Nil	Nil	Nil

The Directors (and their associated entities) are entitled to apply for Shares under the Priority Offer. The above table does not include any Shares which may be acquired as part of the Priority Offer. The Non-Executive Directors have indicated that they (either directly or via their associated entities) currently intend to acquire additional Shares as part of the Priority Offer. Based on these indications these Non-Executive Directors have expressed an interest in acquiring in aggregate up to a maximum of 417,500 Shares in the Offer. Final shareholdings held directly or indirectly by the Directors (and their associated entities) will be notified to ASX following Listing. The Shares recorded in the above table as held by Melinda McGrath will be subject to voluntary escrow arrangements as outlined in Section 9.7.

6.4.5 Other information about Directors' interests and benefits

Directors may also be reimbursed travel and other expenses incurred in attending to Company affairs, including attending and returning from general meetings or meetings of the Board or committees of the Board. A Director who performs additional or special duties for the Company at the request of the Board may be paid such additional or special remuneration (as determined by the Board).

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

1. And/or their associated entities.
2. Michael Alscher and Nathanial Thomson will have an indirect aggregate interest of less than 0.04% in Shares through personal investment vehicles that hold an interest in Crescent Capital Partners Specific Trust VB (alongside a number of other investors).
3. ACN 633 176 100 Pty Ltd holds 668,027 shares in its capacity as trustee for McGrath Family Trust.
4. Michael Alscher and Nathanial Thomson will have an indirect aggregate interest of less than 0.04% in Shares through personal investment vehicles that hold an interest in Crescent Capital Partners Specific Trust VB (alongside a number of other investors).

6.5 Executive remuneration

They key management personnel of the Company are Melinda McGrath (Chief Executive Officer and Executive Director) and James Davison (Chief Financial Officer). Their employment arrangements are set out below.

Melinda McGrath (Chief Executive Officer and Executive Director)

Term	Description
Employer	Clinical Laboratories Pty Ltd
Role	Chief Executive Officer and Executive Director
Fixed annual remuneration	Ms McGrath is entitled to receive annual fixed remuneration of $900,000, inclusive of superannuation.
Short-term variable remuneration (STVR)	Ms McGrath's STVR is set at 100% of her fixed annual remuneration at target and she will be eligible to receive an annual cash STVR of up to 200% of her fixed annual remuneration.
Long-term variable remuneration (LTVR)	Ms McGrath will be eligible to participate in an annual grant of share appreciation rights (**SARs**) and performance rights (**Performance Rights**) under the Company's LTVR Plan, with an amount of up to 100% of her fixed annual remuneration. The Company's LTVR Plan is set out in Section 6.6.
Other benefits	Ms McGrath is entitled to receive the following benefits: • Motor vehicle and fuel card; • Mobile phone and laptop computer; • Australian Institute of Company Director membership; and • Qantas Club membership. Ms McGrath will be entitled to receive reimbursement for all reasonable business-related expenses and Director and officer's policy of insurance, with indemnity limit to be determined by the ACL Board.
Notice period, termination and termination payments	Ms McGrath is entitled to 6 months' written notice of termination by either party.
Non-solicitation/ restrictions of future activities	Ms McGrath will be bound by non-compete and non-solicitation restraints that apply within Australia for 12 months after notice of termination is given.

James Davison (Chief Financial Officer)

Term	Description
Employer	Clinical Laboratories Pty Ltd
Role	Chief Financial Officer
Fixed annual remuneration	Mr Davison is entitled to receive annual fixed remuneration of $505,000, inclusive of superannuation.
Short-term variable remuneration (STVR)	Mr Davison's STVR is set at 100% of his fixed annual remuneration at target and he will be eligible to receive an annual cash STVR of up to 200% of his fixed annual remuneration.

6. Key People, Interests, Benefits

Term	Description
Long-term variable remuneration (LTVR)	Mr Davison will be eligible to participate in an annual grant of SARs and Performance Rights under the Company's LTVR Plan, with an amount of up to 80% of his fixed annual remuneration. The Company's LTVR plan is set out in Section 6.6.
Other benefits	Mr Davison will be entitled to receive reimbursement for all reasonable business-related expenses and Director and officer's policy of insurance, with indemnity limit to be determined by the ACL Board.
Notice period, termination and termination payments	Mr Davison is entitled to receive 6 months' written notice of termination by either party.
Non-solicitation/ restrictions of future activities	Mr Davison will be bound by a non-compete restraint that will apply within Australia for 6 months after his termination date in circumstances where he has terminated the employment. The restraint will not apply if ACL has terminated the employment. Mr Davison will also be bound by a non-solicitation restraint that applies within Australia for 6 months after termination date.

6.5.1 Short-Term Variable Remuneration (STVR)

The Company has established a STVR Plan under which cash awards may be payable to participants, subject to the satisfaction of specified performance criteria.

Participation in the STVR Plan will be determined by the Board, in its absolute discretion, and will be conditional upon the achievement of:

- the Company's financial performance against criteria set by the Board; and
- individual performance criteria tailored to each respective role (if any).

6.6 Equity-based remuneration arrangements

6.6.1 Long-Term Variable Remuneration (LTVR)

The Company has established a LTVR Plan to assist in the motivation, retention and reward of eligible employees. The LTVR Plan is designed to align the interests of employees with the interests of Shareholders by providing an opportunity for employees to receive an equity interest in the Company. Under the LTVR Plan, eligible participants may be offered Options or Performance Rights which will be subject to vesting conditions set by the Board.

A summary of the key terms of the LTVR Plan is set out in the table below:

Term	Description
Eligibility	The Board has the discretion to determine which employees are eligible to participate in the LTVR Plan, and the number of Rights they will be offered.
Rights	The Rights that may be offered under the LTVR Plan consist of Performance Rights for all participants and SARs for the CEO, CFO and other members of the key management team. The Board may, at its discretion, vary, reduce or waive any vesting conditions and/or exercise conditions attached to Rights at any time, subject to applicable law.
Acquisition price	The grant of Rights under the LTVR Plan are not subject to the payment of an acquisition price by the participant.
Exercise price	The exercise price will be set out in the individual invitations and may be settled by a deduction from the Share Price at the time of the issue of the Shares.

Term	Description
Shares as a Right or on vesting of a Right	Shares granted under the LTVR Plan or issued or transferred on the exercise Rights will rank equally in all respects, and carry the same rights and entitlements, as other issued Shares, including dividend and voting rights. Depending on the terms of a Right, Shares may be subject to disposal restrictions.
Vesting and exercise of Options and Rights	Rights will vest and become exercisable in accordance with the vesting and exercise conditions in the individual terms of grant unless these conditions are waived by the Board. Following the valid exercise of a Right, the Company will issue or arrange the transfer of such number of Shares to the Participant. Alternatively, the Board may determine to make a cash payment in lieu of the issue or transfer of Shares.
Expiry of Options and Rights	Rights which have not been exercised by the date five years from the date of grant of the Rights, or such other date determined by the Board and specified in the invitation, will lapse unless the Board determines otherwise.
Forfeiture/lapse of Rights	In various circumstances unvested Rights should be forfeited, subject to Board discretion, including: • fraud, defalcation and gross misconduct; • if a Participant engages in any activities or communications that, in the opinion of the Board, may cause harm to the operations or reputation of the Company or the Board; • if the Board determines that a Participant or Participants took actions that caused harm or are expected to cause harm to the Company's stakeholders; • if the Board forms the view that a Participant or Participants have taken excessive risks or have contributed to or may benefit from unacceptable cultures within the Company; • if the Board forms the view that Participants have exposed employees, the broader community or the environment to excessive risks, including risks to health and safety; • if a Participant joins a competitor (unless otherwise determined by the Board); and • if there has been a material misstatement in the Company's financial reports, which once resolved, indicates that a larger number of Rights previously vested than should have, in light of the corrected information.
Dividend and voting entitlements	Rights do not carry dividend or voting entitlements. Shares and restricted shares received following exercise of a Right will be Shares that carry dividend and voting entitlements.
Restrictions	Rights may not be sold, transferred, mortgaged, pledged, charged, granted as security or otherwise disposed of, unless required by law. Participants must not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to any unvested Rights.
Quotation	Rights, except Shares, will not be quoted on the ASX. The Company will apply for official quotation of any Shares issued under the LTVR Plan, in accordance with the Listing Rules.
Cessation of employment	In the event of a cessation of employment during a measurement period any unvested Rights will be forfeited in full. Vested Rights held following termination of employment must be exercised within 21 days of the latest date when no unvested Rights are held by the Participant.

6. Key People, Interests, Benefits

Term	Description
Malus and clawback	In various circumstances, unvested Rights should be forfeited, subject to Board discretion, including: • fraud, defalcation and gross misconduct; • if a Participant engages in any activities or communications that, in the opinion of the Board, may cause harm to the operations or reputation of the Company or the Board; • if the Board determines that a Participant or Participants took actions that caused harm or are expected to cause harm to the Company's stakeholders; • if the Board forms the view that a Participant or Participants have taken excessive risks or have contributed to or may benefit from unacceptable cultures within the Company, • if the Board forms the view that Participants have exposed employees, the broader community or the environment to excessive risks, including risks to health and safety; • if a Participant joins a competitor (unless otherwise determined by the Board); and • if there has been a material misstatement in the Company's financial reports, which once resolved, indicates that a larger number of Rights previously vested than should have, in light of the corrected information.
Change of control	In the event of a change of control, unvested Rights will vest in the proportion that the elapsed portion of the measurement period bears to the full measurement period. The Board, in its discretion, may determine that none, some or all of the remaining unvested Rights also vest. Any Rights that remain unvested following exercise of the Board's discretion will lapse.
Plan Limit	The number of Rights which may be granted under the Rights Plan prior to approval of the LTVR Plan by shareholders following listing will not exceed 5% of the total issued capital of the Company at the date of listing of the Company on the ASX, being 10,116,659 Rights.

The Rights to be granted under the LTVR Plan for FY22 (**FY22 Grant**) will be on the terms generally described above and as set forth in the table below:

Term	Description
Eligibility	The FY22 Grant is being made to the CEO (Melinda McGrath), CFO (James Davison) and other members of the senior management team as the Board invites.
Grant date	Shortly after Completion of the IPO.
Exercise price	The exercise price will be nil.
Performance period	The FY22 Grant is being granted under the LTVR Plan will be subject to a performance period of three years, commencing at the beginning of FY22.
Vesting conditions	Rights granted as part of the FY22 Grant which have not lapsed will vest based on performance of the Company measured at the end of the performance period. The total number of Rights to be granted pursuant to the FY22 Grant will be subject to the satisfaction of a vesting condition related to the Company's total shareholder return (**TSR**) compared to an index.

<table>
<tr><th>Term</th><th>Description</th></tr>
<tr><td>Vesting scales</td><td>
The total number of Rights subject to the satisfaction of a TSR condition will be measured against the S&P/ASX 300 industrials Ex-Financials and Resources Index.
50% of the TSR component will be subject to the following vesting schedule. A threshold level of performance must be achieved for any Right to vest, and there is pro-rata vesting between threshold and target.
<table>
<tr><th>Performance level</th><th>Company's TSR compared to S&P/ASX300 industrials Ex-Financials, A-REIT and Data Processing & Outsources Services Index over performance period</th><th>% of rights to vest</th></tr>
<tr><td>Target</td><td>= index movement + 5% CAGR</td><td>100%</td></tr>
<tr><td>Threshold</td><td>= index movement</td><td>50%</td></tr>
</table>
50% of the TSR component will be subject to the following binary vesting schedule, of which no Rights will vest unless target performance is achieved i.e., there is no pro-rata vesting below target.
<table>
<tr><th>Performance level</th><th>Company's TSR compared to S&P/ASX300 Ex- Financials and Resources Index over performance period</th><th>% of Rights to vest</th></tr>
<tr><td>Stretch</td><td>= index movement + 10% CAGR</td><td>100%</td></tr>
<tr><td>Below Stretch</td><td><index movement + 10% CAGR</td><td>0%</td></tr>
</table>
Gate
For the TSR component, a positive TSR gate applies i.e., no Rights will vest unless the Company has produced a positive TSR over the performance period.
</td></tr>
<tr><td>Vesting and exercise</td><td>
The Company will give the Participants a vesting notice upon vesting conditions having been satisfied or waived by the Board. Unvested Rights will lapse.
Rights which are vested may be exercised at any time from the date specified in the vesting notice until the expiry date by the Participant giving an exercise notice to the Company and paying the exercise price (if applicable).
</td></tr>
<tr><td>Restrictions on dealing</td><td>
Participants will be free to deal with the Shares allocated on vesting of Rights pursuant to the FY22 Grant, subject to the requirements of the Company's Securities Trading Policy.
</td></tr>
<tr><td>Cessation of employment</td><td>
In the event of a cessation of employment during a performance period, any unvested grants will be forfeited in full.
Vested Rights held following termination of employment must be exercised within 21 days of the latest date when no unvested Rights are held by the Participant.
</td></tr>
</table>

6. Key People, Interests, Benefits

The following grants of Rights will be made to the following senior management members (including the CEO and the CFO) of the Company under the FY22 Grant. No previous grants have been made under the LTVR Plan. The number of Rights to be granted are calculated via the application of the following formula:

Maximum LTVR $ ÷ Value of the Right

where Right value is equal to the Black-Scholes value of a Right (undiscounted for vesting conditions) based on the Offer Price. The right value is $3.64. The Rights will be issued for nil consideration under the LTVR Plan.

Participant	Number of Rights to be granted immediately following Completion	Exercise price	Final date of vesting periods
Melinda McGrath (CEO and Executive Director)	247,253	Nil	30 June 2024
James Davison (CFO)	110,989	Nil	30 June 2024
Senior management	392,283	Nil	30 June 2024

For the purposes of Listing Rule 10.15.2, Ms McGrath is captured by Listing Rule 10.14.1 as she is an Executive Director of the Company. To this end, the Company has sought a waiver from the ASX, the details of which are set out in Section 9.11 below.

Details of any securities issued under the LTVR Plan will be published in the annual report of ACL relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14.

Any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of securities under the LTVR Plan after the resolution is approved and who were not named in the Prospectus will not participate until approval is obtained under that rule.

6.6.1.1 Management Equity Plan

The Company established an equity incentive plan under which key management personnel received ordinary shares as part of their incentive arrangements (**Management Equity Plan**). Equity issued under the Management Equity Plan will be dealt with as described below to ensure that participants continue to be motivated to achieve sustained growth for shareholders following Listing.

Certain key management, including the CEO, Melinda McGrath and the CFO, James Davison currently hold Shares issued under the Management Equity Plan (**MEP Shares**) and will continue to hold MEP Shares after completion of the Offer.

The MEP Shares will be subject to the Company's Securities Trading Policy and the escrow arrangements described in Section 9.7 of the Prospectus. Under the arrangements for the issue of the MEP Shares, if a participant ceases to be employed by the Group, the participant will no longer have an entitlement to unvested MEP Shares. The holders of the MEP Shares will be able to elect to sell up to 40% of their MEP Shares into the Offer through SaleCo with such number of shares vesting on the Settlement Date.

The total number of MEP Shares granted is as at the date of this Prospectus 13,035,765 and details about the MEP Shares, including the vesting conditions, are set out in the table below:

Participant	Number of MEP Shares held as at the Prospectus Date	Vesting
Melinda McGrath	4,652,455	Up to 40% will vest on the Settlement Date One-third of the remaining unvested MEP Shares will vest after the release of the Company's results for the period to 31 December 2021 One-third of the remaining unvested MEP Shares will vest after the release of the Company's results for the period to 30 June 2022 One-third of the remaining unvested MEP Shares will vest after the release of the Company's results for the period to 31 December 2022

Participant	Number of MEP Shares held as at the Prospectus Date	Vesting
James Davison	1,257,317	Up to 40% will vest on the Settlement Date
		One-third of the remaining unvested MEP Shares will vest after the release of the Company's results for the period to 31 December 2021
		One-third of the remaining unvested MEP Shares will vest after the release of the Company's results for the period to 30 June 2022
		One-third of the remaining unvested MEP Shares will vest after the release of the Company's results for the period to 31 December 2022
Other management	7,124,793	Up to 40% will vest on the Settlement Date
		One-third of the remaining unvested MEP Shares will vest after the release of the Company's results for the period to 31 December 2021
		One-third of the remaining unvested MEP Shares will vest after the release of the Company's results for the period to 30 June 2022
		One-third of the remaining unvested MEP Shares will vest after the release of the Company's results for the period to 31 December 2022

6.6.2 Related party agreements

Other than as disclosed in this Prospectus, ACL is not party to any material related party arrangements.

The Company has historically paid director fees to CCPM in respect of director services provided to the Company. The total fee per annum paid by the Company to CCPM under this arrangement was $240,000. This arrangement will be terminated immediately before Listing and there are will be continuing obligations from the Company to CCPM or CCPM to the Company under this arrangement.

6.6.3 Corporate governance

This Section explains how the Board oversees the management of the Company's business. The Board is responsible for the overall corporate governance of the Company, including establishing and monitoring key performance goals. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy, including approving the strategic goals of the Company and considering and approving an annual business plan (including a budget).

The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of the Company. In conducting the Company's business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company and its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The Company is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released its fourth edition of the Corporate Governance Principles and Recommendations for Australian listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it and must also disclose what (if any) alternative governance practices it adopted instead of the recommendation during that period.

Prior to Completion, copies of the Company's key policies and practices and the charters for the Board and each of its committees will be available at www.clinicallabs.com.au/.

6. Key People, Interests, Benefits

6.6.4 The Board of Directors

The names and biographical details of the current members of the Board of Directors are contained in Section 6.1.

Each Director has confirmed to the Company that he or she anticipates being available to perform his or her duties as a Non-Executive Director or Executive Director without constraint having regard to their other commitments.

The Board considers an independent Director to be a Non-Executive Director who is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders generally. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted guidelines to assist in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time. In assessing independence, the Board will have regard to the ASX Recommendations.

The Board Charter sets out guidelines of materiality for the purpose of determining independence of Directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

Andrew Dutton, Leanne Rowe, Michael Stanford and Mark Haberlin are considered to be independent Directors.

Melinda McGrath is currently considered by the Board not to be independent on the basis that she is employed in an executive capacity by ACL.

Michael Alscher and Nathanial Thomson are currently considered by the Board not to be independent having regard to their roles with Crescent which is and will continue to be a significant shareholder post listing. The current structure and composition of the Board and its committees has been determined having regard to the nature and size of ACL's operations, the skill set of ACL's Directors both individually and collectively, and the best interests of Shareholders.

Accordingly, as at Listing, the Board will consist of a majority of independent Directors consistent with the ASX Recommendations.

As at the date of this Prospectus, ACL will be compliant with the ASX Recommendations except as set out in the table below:

ASX Recommendations	Summary of position of ACL
Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The current structure and composition of the Board has been determined having regard to the nature and size of ACL's operations, the skill set of ACL's Directors both individually and collectively, and the best interests of Shareholders. However, Michael Alscher is currently considered by the Board not to be independent having regard to his role with Crescent which is and will continue to be a significant shareholder post listing. ACL is satisfied that non-compliance with Recommendation 2.5 will not be detrimental to ACL.

6.6.5 Board Charter

The Board Charter adopted by the Board sets out the responsibilities of the Board in greater detail. It provides that the Board should comprise Directors with the appropriate mix of skills, experience, expertise and diversity which are relevant to the Company's businesses and the Board's responsibilities. The Board Charter allows the Board to delegate powers and responsibilities to committees established by the Board. The Board retains ultimate accountability to Shareholders in discharging its duties.

6.6.6 Board Committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit Committee, a Risk Committee and a Remuneration and Nomination Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements, and the skills and experience of individual Directors.

6.6.6.1 Audit Committee

The role of the Audit Committee is to assist the Board in fulfilling its responsibilities for corporate governance and overseeing the Company's financial reporting and internal and external audit functions. This includes confirming the quality and reliability of the financial information prepared by the Company, working with the external auditor on behalf of the Board and reviewing non-audit services provided by the external auditor to confirm they are consistent with maintaining external audit independence.

The Company will comply with the recommendations set by the ASX Corporate Governance Council in relation to the composition and operation of the Committee. The Committee will comprise of Mark Haberlin (Chair), Michael Stanford and Andrew Dutton.

6.6.6.2 Risk Committee

The role of the Risk Committee is to assist the Board in fulfilling its responsibilities for corporate governance, Clinical Governance and overseeing the Company's internal control structure and risk management systems.

The Risk Committee provides advice to the Board and reports on the status and management of the risks to the Company. The purpose of the Committee's risk management process is to assist the Board in relation to risk management policies (including Clinical Governance), procedures and systems and ensure that risks are identified, assessed and appropriately managed.

The Company will comply with the recommendations set by the ASX Corporate Governance Council in relation to the composition and operation of the Committee. The Committee will comprise of Michael Stanford (Chair), Leanne Rowe and Mark Haberlin.

6.6.6.3 Remuneration and Nomination Committee

The role of the Remuneration and Nomination Committee is to assist the Board in fulfilling its responsibilities for corporate governance and overseeing the Company's remuneration and nomination policies and practices which enable it to attract and retain senior executives of the Group and appropriately align their interests with those of key stakeholders.

This includes reviewing and making recommendations to the Board on remuneration packages and policies related to the Directors and senior executives. The Remuneration and Nomination Committee is also responsible for administering short-term and long-term incentive plans (including any equity plans). In addition, the Committee is responsible for reviewing and making recommendations in relation to the composition and performance of the Board and its committees and ensuring that adequate succession plans are in place (including for the recruitment and appointment of Directors and senior management). Independent advice will be sought where appropriate.

The Company will comply with the recommendations set by the ASX Corporate Governance Council in relation to the composition and operation of the Committee. The Committee will comprise of Andrew Dutton (Chair), Nathanial Thomson and Leanne Rowe.

6.6.7 Corporate governance policies

The Board has adopted the following corporate governance policies, each of which has been prepared having regard to the ASX Principles.

6.6.7.1 Disclosure Policy

Once listed on ASX, ACL will need to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, ACL will be required to immediately disclose to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of ACL's Shares were that information to be generally available.

ACL is committed to observing its continuous disclosure obligations. As such, this policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations and provides timely disclosure in accordance with those obligations. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with ASX, and continuous disclosure announcements will be made available on the Company website at www.clinicallabs.com.au/.

6. Key People, Interests, Benefits

6.6.7.2 Shareholder Communication Policy

The Board's aim is to ensure that Shareholders are informed in a timely and readily accessible manner of all major developments affecting the state of affairs of ACL. Information will be communicated to Shareholders through the lodgement of information with ASX as required by ACL's continuous disclosure obligations and publishing information on ACL's website at www.clinicallabs.com.au/. The website will contain information about ACL, including periodic releases, key policies, the terms of reference of Board committees and other information relevant to Shareholders. All announcements made to the market and any other relevant information will be posted on the website following release to ASX.

6.6.7.3 Securities Trading Policy

ACL has adopted a Securities Trading Policy which will apply to ACL's Directors, senior management and any other person designated by the Board from time to time. This policy is designed to explain the types of conduct in relation to dealings in Shares that are prohibited under the Corporations Act and to establish procedures in relation to such persons' dealing in the Shares. Subject to certain exceptions, the Securities Trading Policy defines certain "blackout periods" during which trading in Shares by ACL's Directors, officers, employees, contractors and people close to them is prohibited.

6.6.7.4 Code of Conduct

The Company is committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Board has adopted a formal Code of Conduct that outlines how it expects ACL's Directors, officers, employees, contractors, consultants and managers to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards.

The Code of Conduct is designed to provide a benchmark for professional behaviour throughout the Company's business, support its business reputation and corporate image within the community and make representatives of the Company aware of the consequences if they breach this policy. ACL will carry on business honestly and fairly, acting only in ways that reflect well on ACL in strict compliance with all laws and regulations.

6.6.7.5 Diversity Policy

The workforce of ACL is made up of individuals with diverse skills, backgrounds, perspectives and experiences, and this diversity is recognised, valued and respected. The diversity policy aims to align ACL's business operations with the positive outcomes that can be achieved through a diverse workforce that recognises and utilises the contribution of diverse skills and talents amongst its Board, management and employees.

6.6.7.6 Whistleblower Protection Policy

ACL has adopted a whistleblower policy to encourage its employees, suppliers, contractors, customers, tenderers and other persons who have business dealings with ACL to raise any concerns and report instances of unethical, illegal, socially irresponsible or fraudulent conduct, where there are reasonable grounds to suspect such conduct, without fear of intimidation, disadvantage or reprisal. The whistleblower policy sets out ACL's commitment to investigating all matters reported in an objective and fair manner as soon as possible after the matter has been reported. The Board will be informed of any material concerns raised under the whistleblower policy that call into question the culture of ACL.

6.6.7.7 Anti-bribery and Corruption Policy

ACL is committed to operating in a manner consistent with the laws and regulations of the jurisdictions in which its businesses operate, including those relating to bribery and corruption. Accordingly, the Board has adopted an anti-bribery and corruption policy which sets out the responsibilities of ACL and its employees or other personnel or representatives in observing and upholding the prohibition on bribery and related improper conduct and provides information and guidance on how to recognise and deal with instances of bribery and corruption. The Board will be informed of any material breaches of the anti-bribery and corruption policy.

Details of the Offer

7

7. Details of the Offer

7.1 Description of the Offer

This Prospectus relates to an initial public offering of new Shares by the Company and the sale of Existing Shares by SaleCo at an Offer Price of $4.00 per Share. A total of 102.1 million Shares will be available under the Offer. These Shares will be available for investors under the Broker Firm Offer, the Institutional Offer, the Priority Offer and the Employee Offer. Shares will also be available under the Priority Employee Discount Offer at a discounted price of 85% of the Offer Price.

The Shares offered under this Prospectus, excluding the Employee Gift Offer, will represent approximately 50.5% of the Shares on issue at Completion of the Offer[1]. The Offer (excluding the Employee Gift Offer, under which no proceeds will be raised) is expected to raise approximately $142.3 million from the issue of New Shares by the Company and for the Company's benefit and approximately $266.2 million from the sale of Existing Shares by SaleCo.

The total number of Shares on issue at Completion will be 202.3 million[1] and all Shares will, once issued, rank equally with each other.

Shares held by Crescent Entities, Crescent Co-Investors, Management Shareholders and Employee Shareholders will be subject to escrow arrangements described in Section 9.7 of this Prospectus.

The Offer (other than the Employee Gift 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 9.6.1.

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

7.1.1 Structure of the Offer

The Offer comprises the following components:

- the **Broker Firm Offer**, which is an offer to Australian and New Zealand resident retail clients of Brokers who have received a firm allocation of Shares from their Broker (see Section 7.3);
- the **Priority Offer**, which is open to selected investors in Australia nominated by the Company (see Section 7.4);
- the **Priority Employee Discount Offer**, which is open to Eligible Priority Employees who have received an offer from the Company to acquire Shares at a discounted price of 85% of the Offer Price (see Section 7.5);
- the **Employee Gift Offer**, which is open to Eligible Employees who have received an offer from the Company to apply for $1,000 worth of Shares at no cost and have not elected to receive the equivalent cash gift (see Section 7.6);
- the **Employee Offer**, which is open to Eligible Priority Employees, Eligible Employees and Eligible Casual Employees who have received an offer from the Company to apply for Shares at the Offer Price (see Section 7.7); and
- the **Institutional Offer**, which consists of an offer to Institutional Investors in Australia, New Zealand and certain other jurisdictions around the world, made under this Prospectus (see Section 7.10).

The Broker Firm Offer, the Priority Offer, the Priority Employee Discount Offer, the Employee Gift Offer and the Employee Offer are collectively referred to as the "**Retail Offer**".

No general public offer of Shares will be made under the Offer. Members of the public wishing to apply for Shares under the Offer must do so through a Broker with a firm allocation of Shares under the Broker Firm Offer. The allocation of Shares between the Broker Firm Offer, the Priority Offer, the Priority Employee Discount Offer, the Employee Gift Offer, the Employee Offer and the Institutional Offer will be determined by agreement between ACL and the Joint Lead Managers, having regard to the allocation policies outlined in Section 7.3.4, Section 7.4.4, Section 7.5.4, Section 7.6.4, Section 7.7.4 and Section 7.10.2.

All Shares being offered to investors in New Zealand under the Offer are being offered under the Mutual Recognition Regime.

1. The total number of New Shares on issue on Completion of the Offer including New Shares issued under the Broker Firm Offer, the Priority Offer, the Priority Employee Discount Offer, the Employee Offer, the Employee Gift Offer and the Institutional Offer, and the New Shares issued in connection with the SunDoctors acquisition is equal to 50.8% of the Shares on issue on Completion of the Offer.
2. This includes New Shares issued under the Broker Firm Offer, the Priority Offer, the Priority Employee Discount Offer, the Employee Offer, the Employee Gift Offer and the Institutional Offer, and the New Shares issued in connection with the SunDoctors acquisition.

7.1.2 Purpose of the Offer

The purpose of the Offer is to:

- Raise capital to repay ACL's existing liabilities;
- Allow Shareholders as at the Prospectus Date to realise part of their investment in ACL through the sale of Existing Shares through SaleCo;
- Broaden ACL's shareholder base and provide a liquid market for Shares;
- Provide ACL with the benefits of an increased brand profile that arises from being a publicly listed entity; and
- Pay transaction costs.

7.1.3 Sources and uses of funds

The proceeds of the Offer received by the Company will be applied as described in Figure 7.1. The Offer is expected to raise gross proceeds of approximately $408.6 million. The proceeds of the Offer received by SaleCo in respect of the sale of Shares by it will be paid to SaleCo and paid by SaleCo to the Selling Shareholders.

Figure 7.1: Sources and uses of funds

Sources of funds	$ million	Uses of funds	$ million
ACL			
Cash proceeds received by ACL under the Offer from the issue of New Shares[1]	142.3	Repayment of existing liabilities	119.0
		Transaction costs[2]	23.3
SaleCo			
Cash proceeds received under the Offer from the sale of Shares by SaleCo	266.2	Payments to Selling Shareholders	266.2
Total sources	**408.6**	**Total uses**	**408.6**

Notes:
1. Cash proceeds received by ACL relates only to the issue of New Shares under the Broker Firm Offer, Priority Offer, Priority Employee Discount Offer, Employee Offer and Institutional Offer. ACL did not receive funds for the issue of New Shares under the Employee Gift Offer or the issue of New Shares in connection with the acquisition of SunDoctors.
2. Transaction costs includes the fees payable to advisers as referred to in Section 6.3 as well as other costs such as registry fees, ASX listing fees and other adviser fees.

The Board retains the right to vary these uses of funds, acting in the best interests of Shareholders and as circumstances require.

7.1.4 Pro forma historical statement of financial position

The Company's Pro Forma Historical Statement of Financial Position following Completion, including details of the pro forma adjustments, is set out in Section 4.5.

7. Details of the Offer

7.1.5 Shareholding structure of ACL

The Company's ownership structure on the Prospectus Date and following Completion of the Offer is set out in Figure 7.2 below.

Figure 7.2: Ownership structure

	Prospectus Date		Completion	
Shareholder[1,2]	Shares	%	Shares	%
Crescent Entities	101.4	68.8%	69.9	34.6%
Crescent Co-Investors	32.9	22.3%	19.7	9.8%
Management Shareholders	13.0	8.8%	9.4	4.7%
Minority Investors	-	-	0.4	0.2%
New Shares to be issued under the Offer or at Completion of the Offer[3]	-	-	36.3	17.9%
Existing Shares to be sold under the Offer	-	-	66.6	32.9%
Total[4]	**147.3**	**100.0%**	**202.3**	**100.0%**

Notes:
1. Shareholders may hold their interests in Shares directly, or through entities associated with them (e.g. through holdings by companies or trusts).
2. Refer also to Section 6.4.4 for further information on interests and benefits (including Directors' interests in Shares).
3. Assuming all Shares under the Employee Gift Offer are taken up.
4. This includes New Shares issued under the Employee Gift Offer and the New Shares issued in connection with the SunDoctors acquisition.

The Share numbers presented in Figure 7.2 have been rounded up. This also excludes any Shares that may be acquired by Directors (or their associated entities), key management or other employees under the Offer. At Completion, 98.6 million of the Shares will be subject to voluntary escrow arrangements. In the opinion of the Company, the free float of Shares at the time of Listing on the Official List will be no less than 20% of Shares on issue at that time. See Section 9.7 for further information.

7.1.6 Control implications of the Offer

The Directors do not expect any single Shareholder to control the Company on Completion (based on the definition of "control" in section 50AA of the Corporations Act).

7.1.7 Potential effect of the Offer on the future of ACL

The Directors believe that on Completion, ACL will have sufficient working capital from the funds raised from the Offer and its operations to carry out its stated objectives in this Prospectus.

7.2 Terms and conditions of the Offer

Figure 7.3: Terms and conditions of the Offer

What is the type of security being offered?	Shares (being fully paid ordinary shares in the issued capital of ACL).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.14.
What is the consideration payable for the Shares?	Successful applicants under the Offer (other than the Priority Employee Discount Offer and Employee Gift Offer) will pay the Offer Price, being $4.00 per Share. Applicants under the Priority Employee Discount Offer will pay a discounted price of 85% of the Offer Price, being $3.40 per Share.
What is the Offer period?	The Retail Offer will open at 8:30am (Sydney time) on Thursday, 6 May 2021 and will close at 5:00pm (Sydney time) on Wednesday, 12 May 2021. The key dates, including details of the Offer Period, are set out on page 4 of this Prospectus. The timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney, Australia time. The Company and SaleCo, in consultation with the Joint Lead Managers, reserve 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 Offer Period relating to any component of the Offer, or 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). 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. No Shares will be issued on the basis of this Prospectus later than the expiry date of 13 months after the Prospectus Date.
What are the cash proceeds to be raised under the Offer?	Approximately $408.6 million will be raised if the Offer proceeds (comprising $142.3 million from the issue of New Shares by ACL for ACL's benefit and $266.2 million for the sale of Existing Shares held by SaleCo).
Is the Offer underwritten?	The Joint Lead Managers have fully underwritten the Offer (other than the Employee Gift Offer) pursuant to the Underwriting Agreement. Details are provided in Section 9.6.1.
Who is the Lead Manager for the Offer?	The Joint Lead Managers are BofA Securities and Goldman Sachs Australia Pty Ltd

7. Details of the Offer

What is the minimum and maximum application size under the Retail Offer?	**Broker Firm Offer** The minimum application size for investors in the Broker Firm Offer is $2,000 worth of Shares at the Offer Price. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. ACL and SaleCo, along with the Joint Lead Managers, reserve the right to treat any Applications in the Broker Firm Offer that are from persons who they believe may be Institutional Investors, as bids in the Institutional Offer or to reject or scale back Applications. ACL and SaleCo, along with the Joint Lead Managers, also reserve the right to aggregate any Applications believed to be multiple applications from the same person. **Priority Offer** The minimum application size for investors in the Priority Offer is $2,000 worth of Shares at the Offer Price. There is no maximum value of Shares that may be applied for under the Priority Offer. **Priority Employee Discount Offer** The minimum application size for Eligible Priority Employees in the Priority Employee Discount Offer is $2,000 worth of Shares, at the discounted price of 85% of the Offer Price. The maximum application size is $50,000 worth of Shares, rounded down to the nearest whole share based on the Offer Price, at the discounted price of 85% of the Offer Price. **Employee Gift Offer** Under the Employee Gift Offer, Eligible Employees who submit a valid Application will receive, at no cost, $1,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price). The Employee Gift Offer may only be accepted in full. Eligible Employees also have the option to elect to receive an equivalent cash gift of $1,000 instead of Shares. **Employee Offer** The minimum application size for Eligible Priority Employees, Eligible Employees and Eligible Casual Employees in the Employee Offer is $500 worth of Shares at the Offer Price (rounded down to the nearest whole Share based on the Offer Price). There is no maximum application value of Shares that may be applied for under the Employee Offer.

What is the allocation policy?	The allocation of Shares between the Institutional Offer and the Retail Offer (including the Broker Firm Offer, the Priority Offer, the Priority Employee Discount Offer, the Employee Gift Offer and the Employee Offer) was determined by agreement between the Company and the Joint Lead Managers, having regard to the allocation policy outlined in Sections 7.3.4, 7.4.4, 7.5.4, 7.6.4, 7.7.4 and 7.10.2 of this Prospectus. **Broker Firm Offer** With respect to the Broker Firm Offer, it is a matter for the Brokers as to how they allocate Shares among their retail clients. **Priority Offer** The allocation of Shares under the Priority Offer is at the absolute discretion of the Company. **Priority Employee Discount Offer** All Eligible Priority Employees who submit a valid Application for Shares under the Priority Employee Discount Offer are guaranteed the allocation of those Shares up to the relevant maximum application sizes, being $50,000 (rounded down to the nearest whole Share at the Offer Price). **Employee Gift Offer** All Eligible Employees who submit a valid Application for Shares under the Employee Gift Offer are guaranteed an allocation of $1,000 worth of Shares (rounded down to the nearest whole Share) for nil consideration. **Employee Offer** All Eligible Priority Employees, Eligible Employees and Eligible Casual Employees who submit a valid Application for Shares under the Employee Offer are guaranteed a minimum allocation of $500 worth of Shares (rounded down to the nearest whole Share at the Offer Price). Total proceeds raised under the Priority Employee Discount Offer will be capped at $2 million. Except for Shares to be issued under the Priority Employee Discount Offer, the Employee Gift Offer and the Employee Offer in respect of valid Applications from Eligible Priority Employees (in respect of the Priority Employee Discount Offer and Employee Offer), Eligible Employees (in respect of the Employee Gift Offer and the Employee Offer) and Eligible Casual Employees (in respect of the Employee Offer), ACL, along with the Joint Lead Managers, has absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate fewer Shares than the number or equivalent dollar amount applied for, in its absolute discretion. ACL and SaleCo, in conjunction with the Joint Lead Managers, also reserve the right to aggregate or refuse any Applications that they believe may be multiple Applications from the same person.
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about Thursday, 20 May 2021. Refunds (without interest) to Applicants who make an Application and are scaled back (or otherwise receive Shares having a lesser value than the amount of Application Monies they have paid) will be made as soon as possible after Completion of the Offer.

7. Details of the Offer

Will the Shares be quoted?	ACL will apply within seven days of the Prospectus Date to the ASX for admission to the Official List and quotation of Shares on ASX (which is expected to be under the code "ACL"). Completion is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. ACL will be required to comply with the ASX Listing Rules, subject to any waivers obtained by us from time to time. The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ACL may be admitted to the Official List is not to be taken as an indication of the merits of ACL or the Shares offered for sale.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on or around Friday, 14 May 2021 on a deferred settlement basis. Shares are expected to commence trading on the ASX on a normal settlement basis on or around Wednesday, 19 May 2021. It is the responsibility of each Applicant to confirm their holding before trading Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. ACL, SaleCo, their respective Directors and officers along with the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them or a Broker or from the ACL Offer Information Line.
Are there any escrow arrangements?	Yes. Details are provided in Section 9.7.
Has any ASIC relief or ASX waiver been sought or obtained?	Yes. Details are provided in Section 9.11.
Are there any taxation considerations for Australian investors?	Yes. Refer to Section 9.12.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 9.6 for details of various fees payable by ACL to the Joint Lead Managers and by the Joint Lead Managers to certain Brokers (on behalf of the Company).
What should I do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the ACL Offer Information Line on 1800 882 147 (toll free within Australia) or +61 1800 882 147 (outside Australia) from 8:30am until 5:30pm (Sydney time) Monday to Friday (excluding public holidays). All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

7.3 Broker Firm Offer

7.3.1 Who may apply

The Broker Firm Offer is open to persons who have received a firm allocation of Shares from their Broker and who have a registered address in Australia or New Zealand and are not located in the United States. If you have received an invitation to participate from your Broker, you will be treated as eligible to become a Broker Firm Offer Applicant under the Broker Firm Offer. You should contact your Broker to determine whether you can receive an allocation of Shares under the Broker Firm Offer.

7.3.2 How to apply

If you have received an allocation of Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Forms or Application Monies to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker to request a Prospectus and Broker Firm Offer Application Form or download a copy at https://clinicallabs.com.au/offer. 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 (Sydney time) on the Closing Date for the Retail Offer (5:00pm (Sydney time) on Wednesday, 12 May 2021) or any earlier closing date as determined by your Broker.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your firm allocation of Shares. Broker Firm Offer Application Forms 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.

The minimum Application under the Broker Firm Offer is $2,000 worth of Shares. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. ACL, SaleCo and the Joint Lead Managers reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person or reject or scale back any Applications in the Broker Firm Offer. Any amount applied for in excess of the amount allocated to you will be refunded by your Broker in full (without interest). ACL and SaleCo 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 their discretion in compliance with applicable laws.

ACL, SaleCo, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 8:30am (Sydney time) on Thursday, 6 May 2021 and is expected to close at 5:00pm (Sydney time) on Wednesday, 12 May 2021. ACL, SaleCo and 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. Please contact your Broker for instructions.

7.3.3 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions provided by that Broker.

7. Details of the Offer

7.3.4 Allocation policy

The allocation of Shares to the Broker Firm Offer, and the identity and level of participation of Brokers participating in the Broker Firm Offer, have been determined by agreement between the Joint Lead Managers, ACL and SaleCo. Shares that have been allocated to Brokers for allocation to their Australian and New Zealand resident retail clients will be issued or transferred to the Applicants nominated by those Brokers (subject to the right of ACL, SaleCo and the Joint Lead Managers to reject, aggregate or scale back Applications).

It will be a matter for each Broker as to how they allocate Shares among their retail clients, and they (and not ACL, SaleCo or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares. Applicants under the Broker Firm Offer should confirm their allocation through the Broker from whom they received their allocation. However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the ACL Offer Information Line or confirmed your allocation through a Broker.

ACL, SaleCo, their respective directors and officers, the Joint Lead Managers and the Share Registry disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the ACL Offer Information Line or confirmed your firm allocation of Shares through a Broker.

7.3.5 Acceptance of applications

An application under the Broker Firm Offer is an offer by you to the Company and SaleCo to apply for Shares in the dollar amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Application Form. To the extent permitted by law, an application by an applicant may not be varied and is irrevocable.

An application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the applicant. Acceptance of an application will give rise to a binding contract on allocation of Shares to successful applicants conditional on Settlement and the quotation of Shares on the ASX on an unconditional basis.

The Company, SaleCo and the Joint Lead Managers reserve the right to reject any application which is not correctly completed or which is submitted by a person whom the Company believes is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by the applicant in completing their application.

The final allocation of Shares to applicants in the Broker Firm Offer will be at the Company's absolute discretion and the Company may reject an application, or allocate fewer Shares than the number or equivalent dollar amount applied for.

7.3.6 Application Monies

Application Monies received under the Broker Firm Offer will be held in a special purpose account until Shares are issued or transferred to successful applicants. Applicants under the Broker Firm Offer whose applications are not accepted, or who are allocated a lesser dollar amount of Shares than the amount applied for, will be mailed (or otherwise in the Company's discretion provided with) a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

7.4 Priority Offer

7.4.1 Who may apply

The Priority Offer is open to investors who have received an invitation to participate in the Priority Offer from ACL and who have a registered address in Australia and are not located in the United States. If you have been invited by ACL to participate in the Priority Offer, you will be treated as an Applicant under the Priority Offer in respect of those Shares that are allocated to you and you will receive a personalised invitation to apply for Shares in the Priority Offer.

7.4.2 How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for some or all of those Shares, you should follow the instructions on your personalised invitation.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applications under the Priority Offer must be for a minimum of $2,000 worth of Shares. There is no maximum number or value of Shares that may be applied for under the Priority Offer.

Applications must be received by the Share Registry on or before the closing date for the Retail Offer (5:00pm (Sydney time) on Wednesday, 12 May 2021).

7.4.3 How to pay

Payment must be made in Australian dollars and via BPAY®, and must otherwise be made in accordance with the instructions provided on your personalised invitation. Application monies must be received by the Share Registry by 5:00pm (Sydney time) on Wednesday, 12 May 2021. It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5:00pm (Sydney time) on Wednesday, 12 May 2021. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment.

7.4.4 Allocation policy

The allocation of Shares to Applicants under the Priority Offer will be made at the absolute discretion of ACL. ACL may reject an Application, or allocate a lesser dollar amount of Shares than the amount applied for, in its absolute discretion.

7.5 Priority Employee Discount Offer

7.5.1 Who may apply

The Priority Employee Discount Offer is open to Eligible Priority Employees. Eligible Priority Employees are persons who have a registered address in Australia and are not located in the United States, and are employees of the Company as management or pathologists.

Eligible Priority Employees will receive a personalised invitation to apply for Shares under the Priority Employee Discount Offer on the Prospectus Date. Eligible Priority Employees should read the invitation and this Prospectus carefully and in their entirety before deciding whether to apply for Shares under the Priority Employee Discount Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

7.5.2 How to apply

Eligible Priority Employees who wish to apply for Shares under the Priority Employee Discount Offer must apply for Shares by submitting the Priority Employee Discount Offer Application Form in accordance with the instructions on your personalised invitation. Eligible Priority Employees must comply with the instructions on their personalised invitation and the Application Form.

The minimum Application under the Priority Employee Discount Offer is $2,000 worth of Shares.

Each Eligible Priority Employee may apply for a maximum of $50,000 worth of Shares at a discounted price of 85% of the Offer Price.

By making an Application, you declare that you were given access to this 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.

Applications must be received by the Share Registry on or before the closing date for the Retail Offer (5:00pm (Sydney time) on Wednesday, 12 May 2021).

7. Details of the Offer

7.5.3 How to pay

Payment must be made in Australian dollars and via BPAY®, and must otherwise be made in accordance with the instructions provided on your personalised invitation. Application monies must be received by the Share Registry by 5:00pm (Sydney time) on Wednesday, 12 May 2021. It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5:00pm (Sydney time) on Wednesday, 12 May 2021. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment.

7.5.4 Allocation policy

Eligible Priority Employees who submit a valid Application will receive a guaranteed allocation of up to $50,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price).

7.5.5 Restrictions on disposing of Shares

Eligible Priority Employees may not sell, transfer or otherwise dispose of any Shares acquired under the Priority Employee Discount Offer until the release of 30 June 2022 results, unless the Eligible Priority Employee ceases to be employed by ACL or the dealing is required by law (in which case the Shares will be released).

ACL will implement necessary arrangements to give effect to this restriction. By applying for Shares under the Priority Employee Discount Offer, Eligible Priority Employees will be agreeing to the imposition of any restriction, including a holding lock, on a sale, transfer or disposal of those Shares.

Once the restriction period ends or Shares are released, Eligible Priority Employees will, subject to the requirements of the Company's Securities Trading Policy, be free to deal with the Shares acquired under the Priority Employee Discount Offer. Priority Employee Discount Offer Shares are not subject to forfeiture.

7.6 Employee Gift Offer

7.6.1 Who may apply

The Employee Gift Offer is open to Eligible Employees, who are persons who are full or part time employees of the Group, with a start date prior to 31 December 2020 who have a registered address in Australia and are not located in the United States, and who have received an offer from the Company to acquire $1,000 worth of Shares in the Company at no cost and have not elected to receive the equivalent cash gift or receive the equivalent amount in cash. Directors of the Company are not eligible to participate in the Employee Gift Offer.

Eligible Employees will receive a personalised invitation to apply for Shares under the Employee Gift Offer on the Prospectus Date. Eligible Employees working more than 38 hours per fortnight will have the option to acquire $1,000 worth of Shares in the Company at no cost and receive an additional $1,000 in cash, or elect to receive $2,000 in cash. Eligible Employees working less than 38 hours per fortnight will have the option to acquire $1,000 worth of Shares in the Company at no cost, or elect to receive $1,000 in cash. Eligible Employees should read the invitation and this Prospectus carefully and in their entirety before deciding whether to apply for Shares under the Employee Gift Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

7.6.2 How to apply

Eligible Employees who wish to apply for Shares under the Employee Gift Offer must apply for Shares by submitting the Employee Gift Offer Application Form in accordance with the instructions on your personalised invitation. Eligible Employees must comply with the instructions on their personalised invitation and the Application Form.

By making an Application, you declare that you were given access to this 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.

Applications under the Employee Gift Offer must be received on or before the closing date of the Retail Offer (5:00pm (Sydney time) on Wednesday, 12 May 2021).

The Employee Gift Offer may only be accepted in full.

7.6.3 How to pay

No payment for Shares is required under the Employee Gift Offer.

7.6.4 Allocation policy

Eligible Employees who submit a valid Application will receive a guaranteed allocation of $1,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price).

7.6.5 Restrictions on disposing of Shares

Eligible Employees may not sell, transfer or otherwise dispose of any Shares acquired under the Employee Gift Offer for a minimum period of three years, unless the Eligible Gift Employee ceases to be employed by ACL or the dealing is required by law (in which case the Shares will be released).

ACL will implement necessary arrangements to give effect to this restriction. By applying for Shares under the Employee Gift Offer, Eligible Employees will be agreeing to the imposition of any restriction, including a holding lock, on a sale, transfer or disposal of those Shares.

Once the restriction period ends or Shares are released, Eligible Employees will, subject to the requirements of the Company's Securities Trading Policy, be free to deal with the Shares acquired under the Employee Gift Offer. Employee Gift Offer Shares are not subject to forfeiture.

7.7 Employee Offer

7.7.1 Who may apply

The Employee Offer is open to Eligible Priority Employees (as defined in Section 7.5.1), Eligible Employees (as defined in Section 7.6.1) and Eligible Casual Employees, being casual employees of the Group who have worked at least 1 shift in 8 fortnights over the past 12 months and with a start date prior to 31 December 2020, who are persons who have a registered address in Australia and are not located in the United States. Directors of the Company are not eligible to participate in the Employee Offer.

Eligible Priority Employees, Eligible Employees and Eligible Casual Employees will receive a personalised invitation to apply for Shares under the Employee Offer on the Prospectus Date. Eligible Priority Employees, Eligible Employees and Eligible Casual Employees should read the invitation and this Prospectus carefully and in their entirety before deciding whether to apply for Shares under the Employee Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

7.7.2 How to apply

Eligible Priority Employees, Eligible Employees and Eligible Casual Employees who wish to apply for Shares under the Employee Offer must apply for Shares by submitting the Employee Offer Application Form in accordance with the instructions on your personalised invitation. Eligible Priority Employees, Eligible Employees and Eligible Casual Employees must comply with the instructions on their personalised invitation and the Application Form.

Each Eligible Priority Employee, Eligible Employee and Eligible Casual Employee may apply for a minimum of $500 worth of Shares at the Offer Price under the Employee Offer. There is no maximum value of Shares that may be applied for under the Employee Offer.

By making an Application, you declare that you were given access to this 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.

Applications must be received by the Share Registry on or before the closing date for the Retail Offer (5:00pm (Sydney time) on Wednesday, 12 May 2021).

7.7.3 How to pay

Payment must be made in Australian dollars and via BPAY®, and must otherwise be made in accordance with the instructions provided on your personalised invitation. Application monies must be received by the Share Registry by 5:00pm (Sydney time) on Wednesday, 12 May 2021. It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5:00pm (Sydney time) on Wednesday, 12 May 2021. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment.

7. Details of the Offer

7.7.4 Allocation policy

Eligible Priority Employees, Eligible Employees and Eligible Casual Employees who submit a valid Application will receive a guaranteed allocation of $500 worth of Shares (rounded down to the nearest whole Share based on the Offer Price).

Total allocations under the Employee Offer will be capped at a maximum of $2 million worth of Shares (rounded down to the nearest whole Share based on the Offer Price).

7.8 Acceptance of Applications under the Retail Offer

An Application under the Retail Offer (which incorporates the Broker Firm Offer, the Priority Offer, the Priority Employee Discount Offer, the Employee Gift Offer and the Employee Offer) is an offer by you to ACL and SaleCo to apply for Shares in the dollar amount specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Application Form. To the extent permitted by law, an Application by an Applicant may not be varied and is irrevocable.

By making an Application, you declare that you were given access to this 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 paper copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

An Application may be accepted by ACL or SaleCo in respect of the full amount specified on the Application Form, or any amount lower than that, without further notice to the Applicant. ACL and SaleCo reserve the right to decline any Application (in whole or in part) if they believe any provisions or procedures in this Prospectus, the Application Form or other laws or regulations may not be complied with in relation to the Application, or for any other reason.

ACL, SaleCo and the Joint Lead Managers reserve the right to reject any Application which is not correctly completed or which is submitted by a person whom they believe is ineligible to participate in the Retail Offer, or to waive or correct any errors made by an Applicant in completing their Application. In addition, ACL, SaleCo and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregation of Applications) which they believe may be from an Institutional Investor, or are for more than $250,000 worth of Shares.

Successful Applicants in the Retail Offer will be issued Shares at the Offer Price. Acceptance of an Application will give rise to a binding contract, conditional on Settlement and quotation of Shares on the ASX.

7.9 Application monies

Application Monies received under the Retail Offer will be held in a special purpose account until Shares are issued to Successful Applicants. Applicants under the Retail Offer whose Applications are not accepted, or who are allocated a lesser dollar amount of Shares than the amount applied for, will receive a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by ACL. You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your BPAY® payment or electronic funds transfer. If the amount of your BPAY® payment or electronic funds transfer is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares.

7.10 Institutional Offer

7.10.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain institutional investors in Australia, New Zealand and a number of other eligible jurisdictions outside the United States to bid for an allocation of Shares at the Offer Price. The Joint Lead Managers separately advised Institutional Investors of the application procedures for the Institutional Offer.

7.10.2 Allocation policy under the Institutional Offer

The allocation of Shares among bidders in the Institutional Offer was determined by agreement between the Joint Lead Managers, ACL and SaleCo. ACL, the Joint Lead Managers and SaleCo had absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers.

The allocation policy was influenced, but not constrained, by the following factors:

- the number of Shares bid for by particular applicants;
- the timeliness of the bid by particular applicants;
- the Company's desire for an informed and active trading market following listing on the ASX;
- the Company's desire to establish a wide spread of institutional Shareholders;
- the overall level of demand under the Broker Firm Offer, the Priority Offer and the Institutional Offer;
- the likelihood that particular bidders will be long-term Shareholders; and
- any other factors that the Company, the Joint Lead Managers and SaleCo considered appropriate, in the Company's sole discretion.

7.11 Restrictions on distributions

No action has been taken to register or qualify this Prospectus, the Shares that are subject of the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia and New Zealand.

The Offer does not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, such an offer or invitation would be unlawful. This Prospectus may not be released or distributed in the United States, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus 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 an offer to buy, securities in the United States. In particular, the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. securities laws.

Each Applicant under the Retail Offer, as well as each person to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. securities laws;
- it is not in the United States or a U.S. Person;
- it has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia and New Zealand except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company, the Share Registry or a Broker receives an Application Form (including electronically), it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;

7. Details of the Offer

- authorised the Company and the Joint Lead Managers, and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and tax issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia or New Zealand (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

7.12 Discretion regarding the Offer

ACL and SaleCo may withdraw the Offer at any time before the issue or transfer of Shares to successful applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

ACL, SaleCo and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any application, or (subject to the terms of any guaranteed allocations referred to in this Prospectus) allocate a lesser number of Shares than that applied for.

7.13 ASX Listing, registers and holding statements, and deferred settlement trading

7.13.1 Application to the ASX for listing and quotation of Shares

ACL will apply to the ASX for admission to the Official List and quotation of Shares on the ASX within seven days of the Prospectus Date (which is expected to be under the code “ACL”).

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit ACL to the Official List is not to be taken as an indication of the merits of ACL or the Shares offered under this Prospectus.

If permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received by ACL will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

From the date of listing on the ASX, ACL will be required to comply with the ASX Listing Rules, subject to any waivers obtained by ACL from time to time (including those described in Section 9.11).

7.13.2 CHESS and issuer sponsored holdings

ACL will apply to participate in CHESS and must comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are affected in an electronic form.

For successful applicants under the Institutional Offer, the Broker Firm Offer and the Priority Offer, when the Shares become approved financial products under the ASX Settlement Operating Rules, holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register. The Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register. Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder’s HIN for CHESS holders or, where applicable, the SRN of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

For successful applicants under the Priority Employee Discount Offer, the Employee Gift Offer and the Employee Offer, when the Shares become approved financial products under the ASX Settlement Operating Rules, holdings will be registered in an issuer sponsored sub-register. All Shares will be registered on the issuer sponsored sub-register. Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of the SRN of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

For all successful applicants, Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. ACL and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.13.3 Conditional and deferred settlement trading and selling Shares on-market

It is expected that trading of the Shares on ASX, on a conditional and deferred basis, will commence on or about Friday, 14 May 2021.

Trades occurring on the ASX before Settlement will be conditional on Settlement occurring.

If the Offer is withdrawn before shares have commenced trading on an unconditional basis, all contracts for the sale of Shares on ASX will be cancelled and any Application Monies received will be refunded as soon as possible.

Conditional and deferred settlement trading will continue until the Company has advised the ASX that Settlement has occurred and that the Company and SaleCo have issued and transferred Shares to successful Applicants under the Offer, which is expected to be prior to market open on Wednesday, 19 May 2021. Unconditional and normal settlement trading is expected to commence on or about Wednesday, 19 May 2021.

If Settlement has not occurred within 14 days (or such longer period as the ASX allows) after the day Shares are first quoted on the ASX, the Offer and all contracts arising on acceptance of the Offer will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through the ASX participating organisations during the conditional trading period will be cancelled and of no effect.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If Shares are sold before receiving a holding statement, Successful Applicants do so at their own risk. The Company, SaleCo, the Share Registry, the Joint Lead Managers, the Co-Lead Manager and Co-Managers disclaim all liability, whether in negligence or otherwise, if a Shareholder sells Shares before receiving a holding statement, even if the Shareholder obtained details of their holding from the ACL Offer Information Line or confirmed their firm allocation through a Broker.

Shares are expected to commence trading on the ASX on a normal settlement basis on Wednesday, 19 May 2021.

7.14 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

The rights and liabilities attaching to ownership of Shares are:

- detailed in the Constitution; and
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and all other applicable laws and regulations.

A summary of the significant rights, liabilities and obligations attaching to Shares and a description of other material provisions of the Constitution is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that ACL is admitted to the Official List.

7.14.1 Voting at a general meeting

At a general meeting of ACL, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each Share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid Share held and in respect of each partly paid Share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid Share bears to the total amounts paid and payable (excluding amounts credited) on that Share. Amounts paid in advance of a call are ignored when calculating the proportion. The Chairperson does not have a casting vote.

7.14.2 Meetings of members

Every Shareholder is entitled to receive notice of and, except in certain circumstances, attend and vote at general meetings of ACL and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and ASX Listing Rules. At least 28 days' notice of a meeting must be given to Shareholders.

7. Details of the Offer

7.14.3 Dividends

Subject to the Corporations Act, the Constitution and any special terms and conditions of issue, the Directors may, from time to time, pay, resolve to pay, rescind or amend a decision to pay a dividend or declare any interim, special or final dividend as, in their judgement, the financial position of the Company justifies.

The Directors may fix the amount, time and method of payment of the dividends. The payment, resolution to pay, or declaration of a dividend does not require any confirmation by a general meeting.

7.14.4 Transfer of Shares

Subject to the Constitution and to any restrictions attached to any Shares or classes of shares, Shares may be transferred by proper ASTC transfer (effected in accordance with the ASX Settlement Operating Rules, Corporations Regulations and ASX Listing Rules) or by a written transfer in any usual form or in any other form approved by the Board and permitted by the Corporations Act and ASX Listing Rules. The Directors may, in circumstances permitted under the ASX Listing Rules or ASX Settlement Rules, decline to register a transfer of Shares or apply a holding lock to prevent a transfer of Shares. 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.

7.14.5 Issue of further shares in the Company

Subject to the Constitution, the ASX Listing Rules, the ASX Settlement Operating Rules and any special rights conferred on the holders of any Shares or class of shares, the Directors may issue Shares or grant options over unissued shares to any person and they may do so at such times and on the conditions they think fit. The shares may be issued with preferred, deferred or special rights, or special restrictions about dividends, voting, return of capital, participation in the property of the Company on a winding up or otherwise as the Directors see fit.

7.14.6 Preference shares

ACL may issue preference shares, including preference shares which are, or at the option of ACL or a holder are, liable to be redeemed or converted into Shares. The rights attaching to preference shares are those set out in the Constitution.

7.14.7 Winding up

If the Company is wound up, then subject to the Constitution and to the rights or restrictions attached to a class of shares, any surplus assets must be divided among the Company's members in proportion to the Shares held by them (irrespective of the amounts paid or credited as paid on the Shares), less any amounts which remain unpaid on these Shares at the time of distribution.

7.14.8 Sale of Non-marketable parcels

In accordance with the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, and provided that the procedures set out in the Constitution are followed, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of those Shares. A marketable parcel of Shares is defined in the ASX Listing Rules and is generally a holding of Shares with a market value of at least $500.

7.14.9 Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by Shareholders passing a special resolution by the third anniversary of either the date those provisions were adopted or the date those rules were last renewed.

7.14.10 Variation of class rights

Subject to the Corporations Act and the terms of issue of a class of shares, wherever the capital of the Company is divided into different classes of shares, the rights attached to any class of shares may be varied with:

- the written consent of the holders of at least three-quarters of the issued shares in the particular class; or
- the sanction of a special resolution passed at a separate meeting of the holders of shares in that class.

7.14.11 Dividend reinvestment plan

The Constitution contains a provision allowing Directors, on the terms and conditions they think fit, to implement, amend, suspend or terminate a dividend reinvestment plan (under which any Shareholder or any class of shareholders may elect that the dividends payable by the Company be reinvested by a subscription for Shares in the Company).

7.14.12 Directors – appointment and retirement

Under the Constitution, the number of Directors shall be a minimum of three Directors and a maximum of 12 Directors or such lower number as the Directors determine, provided ACL resolves to authorise such determination at a general meeting. Directors are elected or re-elected by resolution by shareholders at general meetings of ACL.

The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who (other than the managing director) will then hold office until the next annual general meeting of the Company and is then eligible for election at that meeting.

No Director (other than the managing director) may hold office without re-election after three years or beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected (whichever is later).

7.14.13 Directors – voting

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 an equality of votes on a resolution, the chair of the meeting does have a casting vote on the proposed resolution. Where only two directors are present or qualified to vote, the chair of the meeting will not have a second or casting vote and the resolution will be taken as having been lost.

A written resolution of the Board may be passed without holding a meeting of the Board, if all of the Directors sign or assent to the resolution (other than Directors permitted not to vote on the resolution in accordance with the terms of the Constitution).

7.14.14 Powers and duties of Directors

The Directors are responsible for managing the business of ACL and may exercise to the exclusion of ACL in general meeting all the powers of ACL which are not required by law or by the Constitution to be exercised by ACL in general meeting.

7.14.15 Directors' and officers' indemnity

The Company, to the extent permitted by law, indemnifies each person who is a current or former Director, executive officer, officer or auditor of the Company, and such other officers or former officers of the Company or its related bodies corporate as the Directors in each case determine, against any losses or liability incurred by that person as an officer or auditor of the Company or of a related body corporate of the Company including, but not limited to, a liability for negligence or for legal costs.

The Company, to the extent permitted by law, may enter into and pay premiums on a contract insuring any person who is a current or former Director, executive officer, officer or auditor of the Company, and such other officers or former officers of the Company or its related bodies corporate as the Directors in each case determine, against any liability incurred by the person as an officer or auditor of the Company or of a related body corporate of the Company including, but not limited to, a liability for negligence or for legal costs.

The Company has entered into deeds of access, insurance and indemnity with each Director. These are summarised in Section 6.4.3.

7.14.16 Amendment

The Constitution may only be amended in accordance with the Corporations Act, which requires a special resolution passed by at least 75% of Shareholders present (in person or by proxy, attorney or representative) and entitled to vote on the resolution at a general meeting of ACL. The Company must give at least 28 days' written notice of its intention to propose a resolution as a special resolution.

7.15 Escrow arrangements

Upon Completion of the Offer, 98.6 million Shares will be subject to voluntary escrow arrangements (other than any Shares acquired by them, or entities related to them, under the Offer at the Offer Price). The Escrowed Shareholders have entered into voluntary escrow arrangements which prevent them from disposing of their Escrowed Shares during the relevant Escrow Period (subject to relevant exceptions). See Section 9.7 for details on escrow arrangements.

Investigating Accountant's Report

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The Directors
Australian Clinical Labs Limited
1868 Dandenong Road
Clayton VIC 3168

The Directors
ACL SaleCo Limited
Level 29, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

28 April 2021

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Australian Clinical Labs Limited historical and forecast financial information and Financial Services Guide

We have been engaged by Australian Clinical Labs Limited (the **Company**) and ACL SaleCo Limited (**SaleCo**), to report on the historical and forecast financial information of the Company, as defined below, for inclusion in the prospectus dated on or about 28 April 2021 and relating to the issue and transfer of ordinary shares in the Company as part of an initial public offering and associated listing of the Company on the Australian Securities Exchange (**Prospectus**).

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001 (Cth) (**Corporations Act**). PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Each reference in this investigating accountant's report to "you" is a reference to the Company and SaleCo collectively.

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8. Investigating Accountant's Report

Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following financial information of the Company (the responsible party) and its subsidiaries included in the Prospectus (collectively the **Financial Information**):

Statutory Historical Financial Information

The **Statutory Historical Financial Information** being the:

i. statutory historical consolidated income statements for the financial years ended 30 June 2018 (**FY18**), 30 June 2019 (**FY19**), 30 June 2020 (**FY20**), as well as the financial half years ended 31 December 2019 (**H1 FY20**), 30 June 2020 (**H2 FY20**) and 31 December 2020 (**H1 FY21**) (**Statutory Historical Results**);

ii. statutory historical consolidated cash flows for FY18, FY19 and FY20, as well as H1 FY20 H2 FY20 and H1 FY21 (**Statutory Historical Cash Flows**); and

iii. statutory historical consolidated statement of financial position as at 31 December 2020 (**Statutory Historical Statement of Financial Position**).

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The historical financial information has been extracted from the financial reports of the previous holding company of the ACL Group, Clinical Laboratories Pty Ltd (ACN 006 823 089) (**Clinical Laboratories**), for FY18, FY19 and 30 June FY20, and the Company for H1 FY21. The financial reports of Clinical Laboratories for FY18, FY19 and FY20 were audited by Pitcher Partners, in accordance with the Australian Auditing Standards. Pitcher Partners issued unmodified audit opinions on these financial reports. The half year financial report of the Company for H1 FY21 was reviewed by Pitcher Partners, in accordance with the Australian Auditing Standards. Pitcher Partners issued an unmodified review conclusion on the half year financial report. The 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.

Pro Forma Historical Financial Information

The **Pro Forma Historical Financial Information** being the:

i. pro forma historical consolidated income statements for FY18, FY19, FY20 and for the 12 months ended 31 December 2020 (**LTM Dec-20**), as well as H1 FY20, H2 FY20 and H1FY21 **(Pro Forma Historical Results)**;

ii. pro forma historical consolidated cash flows for FY18, FY19, FY20 and LTM Dec-20, as well as H1 FY20, H2 FY20 and H1 FY21 (**Pro Forma Historical Cash Flows**); and

iii. pro forma historical consolidated statement of financial position as at 31 December 2020 (**Pro Forma Historical Statement of Financial Position**).

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of the Company, after adjusting for the effects of pro forma adjustments described in section 4.3.3, 4.4.3 and 4.5.1 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as if those event(s) or transaction(s) had occurred as at the date of the Statutory 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/or cash flows.

Statutory Forecast Financial Information

The **Statutory Forecast Financial Information** being the:

i. statutory forecast consolidated income statements for the financial year ending 30 June 2021 (**FY21F**), as well as the financial half years ended 30 June 2021 (**H2 FY21F**) and 31 December 2021 (**H1 FY22F**) (**Statutory Forecast Results**); and;

ii. statutory forecast consolidated cash flows for FY21F, as well as H2 FY21F and H1 FY22F (**Statutory Forecast Cash Flows**).

The directors' best-estimate assumptions underlying the Statutory Forecast Financial Information are described in section 4.7 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies;

Pro Forma Forecast Financial Information

The **Pro forma Forecast Financial Information** being the:

i. pro forma forecast consolidated income statements for FY21F and for the 12 months ending 31 December 2021 (**LTM Dec-21F**), as well as H2 FY21F and H1 FY22F (**Pro Forma Forecast Results**); and;

ii. pro forma forecast cash flows for FY21F, LTM Dec-21F, H2 FY21F and H1 FY22F (**Pro Forma Forecast Cash Flows**).

The Pro Forma Forecast Financial Information has been derived from the Company's Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in section 4.3.3 and 4.4.3 of the Prospectus. The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information being the recognition and measurement principles contained in Australian Accounting Standards applied to the and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 4.3.3 and 4.4.3 of the Prospectus, as if those event(s) or transaction(s) had occurred as at 1 July 2017. Due to its nature, the Pro Forma Forecast Financial Information does not represent the Company's actual prospective financial performance, and/or cash flows for the financial year ending 30 June 2021, 12 month period ending 31 December 2021 and financial half years ended 30 June 2021 and 31 December 2021.

8. Investigating Accountant's Report

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Directors' responsibility

The directors of the Company are responsible for the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information.

The directors of the Company are also responsible for the preparation of the Statutory Forecast Financial Information, including its basis of preparation and the best-estimate assumptions underlying the Statutory Forecast Financial Information. They are also responsible for the preparation of the Pro Forma Forecast Financial Information, including its basis of preparation and the selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of the Statutory Historical Financial Information, Pro Forma Historical Financial Information, Statutory Forecast Financial Information and Pro Forma Forecast Financial Information that are free from material misstatement.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, the Pro Forma Historical Financial Information, the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, the best-estimate assumptions underlying the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, and the reasonableness of the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information themselves, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists 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 an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Statutory 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 Statutory Historical Financial Information, as described in section 4.3.2, 4.4.2 and 4.5.1 of the Prospectus, and comprising the:

i. Statutory Historical Results;

ii. Statutory Historical Cash Flows; and

iii. Statutory Historical Statement of Financial Position

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are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2.2 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

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 as described in section 4.3.1, 4.4.1 and 4.5.1 of the Prospectus, and comprising the:

i. Pro Forma Historical Results;

ii. Pro Forma Historical Cash Flows; and

iii. Pro Forma Historical Statement of Financial Position

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2.2 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 4.3.3 and 4.4.3 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the Statutory Historical Financial Information.

Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information; and
- in all material respects, the Statutory Forecast Financial Information:
    - is not properly prepared on the basis of the directors' best-estimate assumptions as described in section 4.7 of the Prospectus; and
    - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and
- the Statutory Forecast Financial Information itself is unreasonable.

8. Investigating Accountant's Report

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Pro Forma Forecast Financial Information

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 Financial Information do not provide reasonable grounds for the Pro Forma Forecast; and
- in all material respects, the Pro Forma Forecast Financial Information:
  - is not properly prepared on the basis of the directors' best-estimate assumptions, as described in section 4.7 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies, applied to the Statutory Forecast Financial Information and the pro forma adjustments as if those adjustments had occurred as at the date of the Statutory Forecast Financial Information; and
- the Pro Forma Forecast Financial Information itself is unreasonable.

Statutory Forecast Financial Information and Pro Forma Forecast Financial Information

The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information 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 financial year ending 30 June 2021, 12 month period ending 31 December 2021 and financial half years ended 30 June 2021 and 31 December 2021. There is a considerable degree of subjective judgment involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information are based relate to future event(s) and/or transaction(s) 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 directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information are based however such evidence is generally future-oriented 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. 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 in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in sections 4.8 and 5 of the Prospectus. The sensitivity analysis described in section 4.8 of the Prospectus demonstrates the impact on the Pro Forma Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information will be achieved.

The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information have been prepared by the directors for the purpose of the inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. 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.

Notice to investors outside Australia

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

Restriction on Use

Without modifying our conclusions, we draw attention to section 4.2 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Prospectus.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

8. Investigating Accountant's Report

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

Troy Porter
Authorised Representative
PricewaterhouseCoopers Securities Ltd

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Appendix A

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 28 April 2021

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) (**PwC Securities**) has been engaged by Australian Clinical Labs Limited (the **Company**) and ACL SaleCo Limited (**SaleCo**) to provide a report in the form of an Investigating Accountant's Report in relation to the Financial Information (the **Report**) for inclusion in the Prospectus dated on or about 28 April 2021.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide (**FSG**) is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian Financial Services Licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

8. Investigating Accountant's Report

5. **Fees, commissions and other benefits we may receive**

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. Our fees charged for preparation of this Report are set out in section 6.3.1 of the Prospectus.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. **Associations with issuers of financial products**

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers is the auditor of the Company.

7. **Complaints**

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority ("**AFCA**"), an external complaints resolution service. AFCA can be contacted by calling 1800 931 678. You will not be charged for using the AFCA service.

8. **Contact Details**

PwC Securities can be contacted by sending a letter to the following address:

Troy Porter
Authorised Representative
PricewaterhouseCoopers Securities Ltd

Tower 1, International Towers Sydney
200 Barangaroo Avenue
Barangaroo NSW 2000
Australia

Additional information

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9. Additional information

9.1 Registration

ACL was incorporated in Victoria on 6 November 2020 as a private company limited by shares and was converted to a public company limited by shares on 9 March 2021. The Company changed its name to Australian Clinical Labs Limited on 23 March 2021.

SaleCo was incorporated in New South Wales on 23 February 2021.

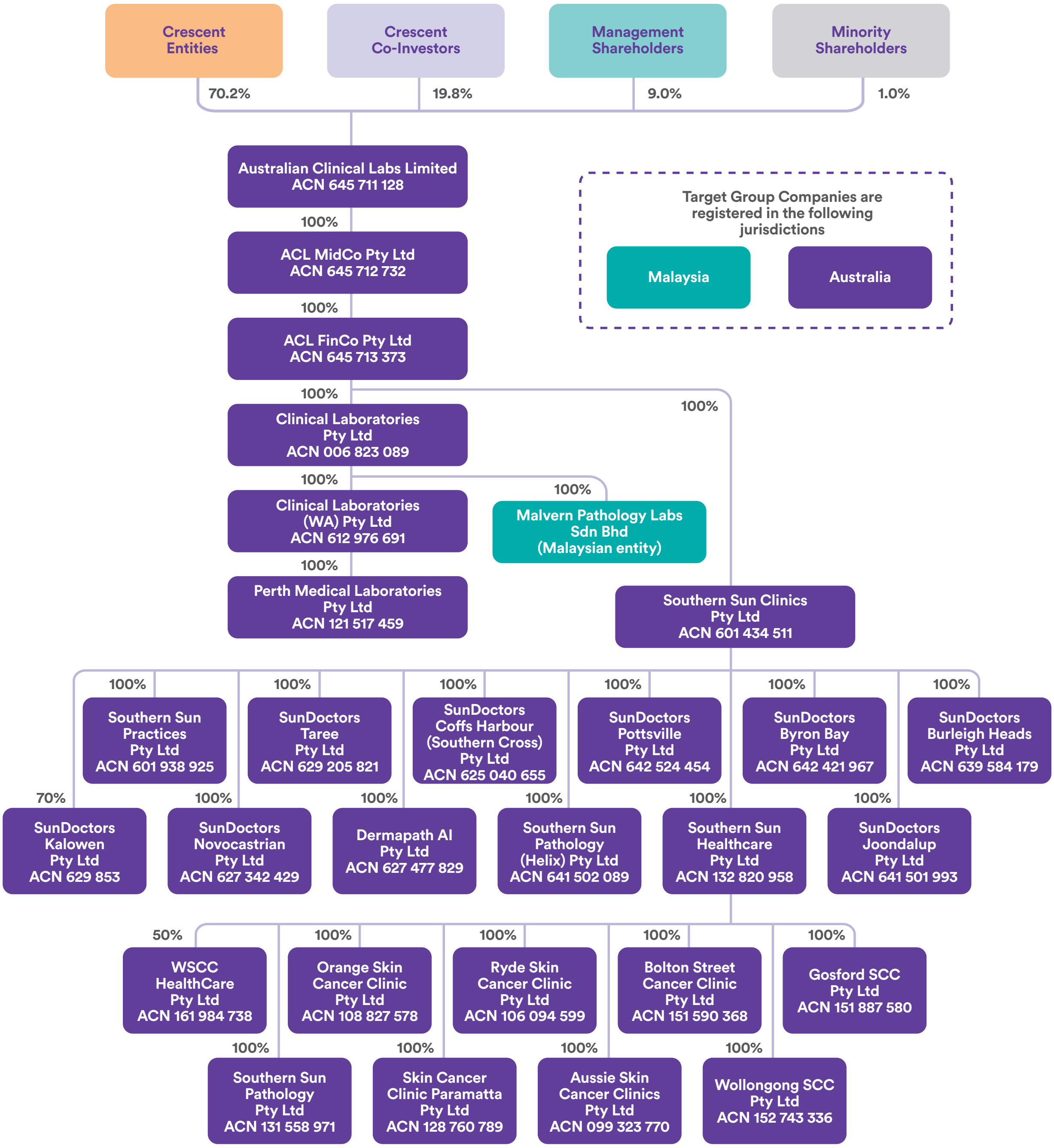
9.2 Company tax status and financial year

The Company will be subject to tax at the Australian corporate tax rate.

The Company's financial year for taxation purposes ends on 30 June.

9.3 Corporate structure

The following diagram shows the corporate structure of the Group Companies immediately before Completion of the Offer (including post the acquisition of SunDoctors).



9.4 Acquisition of SunDoctors

Conditional on Settlement of the Offer, ACL FinCo Pty Ltd will acquire all of the issued share capital in SunDoctors. SunDoctors is held 81.2% by entities managed or advised by Crescent. Under the terms of the share purchase deed in relation to the acquisition of the SunDoctors Shares (**Purchase Deed**), the SunDoctors vendors will receive Shares as consideration for the acquisition by ACL FinCo Pty Ltd of their SunDoctors Shares (**SunDoctors Consideration Shares**). The total number of SunDoctors Consideration Shares to be issued is 18.7 million which represents 9.2% of the total issued share capital in the Company following completion of the Offer.

The Purchase Deed is on arm's length terms customary for an agreement of its nature. Specifically, it includes warranties and indemnities in favour of ACL FinCo Pty Ltd in relation to the SunDoctors business. The Company also provides warranties in relation to title, capacity and the information provided to the SunDoctors vendors.

9.5 Sale of Shares by SaleCo

SaleCo, a special purpose vehicle, has been established to facilitate the sale of Existing Shares by the Selling Shareholders.

Each of the Selling Shareholders has entered into a deed poll in favour of SaleCo under which the relevant Selling Shareholder has agreed to sell to SaleCo some or all of their Existing Shares, which will be sold by SaleCo into the Offer, free from encumbrances and third-party rights.

The Existing Shares which SaleCo acquires from the Selling Shareholders will be transferred to Successful Applicants at the Offer Price. The price payable by SaleCo for these Existing Shares is the Offer Price. The Company will also issue Shares to Successful Applicants under the Offer.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement and the deeds described above. The sole shareholder of SaleCo is Peter Lyon-Mercado. The directors of SaleCo are Melinda McGrath, Michael Alscher and Nathanial Thomson.

The Company has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and has indemnified SaleCo in respect of costs of the Offer. The Company has indemnified SaleCo and the shareholder and officers of SaleCo for any loss which they may incur as a consequence of the Offer.

9.6 Material Contracts

9.6.1 Underwriting Agreement

Pursuant to the Underwriting Agreement, the Company has appointed BofA Securities and Goldman Sachs Australia Pty Ltd as Joint Lead Managers to arrange, manage and underwrite the Offer.

9.6.1.1 Commissions, fees and expenses

The Company has agreed to pay the Joint Lead Managers an underwriting fee equal to 2.25% (excluding GST) and a management fee equal to 0.50% (excluding GST) of an amount equal to the number of New Shares to be issued and Sale Shares to be sold under the Institutional Offer and Retail Offer, excluding the Employee Gift Offer and the Shares issued for nil consideration under the Priority Employee Discount Offer, multiplied by the Offer Price (together, the **Gross Offer Proceeds**). The underwriting and management fees will become payable by the Company on Settlement and will be paid to the Joint Lead Managers in equal proportions.

The Company, in its absolute discretion, may pay the Joint Lead Managers a further incentive fee of 0.75% (excluding GST) of the Gross Offer Proceeds, allocated to each Joint Lead Manager at the Company's discretion, by 5:30pm on the Settlement Date.

The Joint Lead Managers are responsible for the payment (and the Company has authorised the Joint Lead Managers to make payment on its behalf) of any commission and fees due to any co-lead managers, co-managers and brokers to the Offer out of the fees payable to the Joint Lead Managers by the Company under the Underwriting Agreement. The Co-Lead Managers and Co-Manager will receive fees on the following basis:

- Co-Lead Managers:
  - a base fee of $100,000;
  - a fee based on the value of each of the final broker allocations under the Offer calculated as (1.5% x Broker Firm Allocation);

9. Additional information

  - an incentive fee of $50,000 conditional on submitting a broker firm bid of at least $25,000,000; and
  - an additional incentive fee of $50,000 for every incremental $25,000,000 worth of Shares above the initial $25,000,000 broker firm bid; and
- Co-Manager: a base fee of $100,000.

In addition to the fees described above, the Company has agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

9.6.1.2 Termination events

A Joint Lead Manager may, at any time after the date of the Underwriting Agreement and before the Allotment Date (without cost or liability by notice to the Company, SaleCo and the other Joint Lead Manager), terminate if any of the following events occur:

- in the reasonable opinion of the Joint Lead Manager, any of the pathfinder version of this Prospectus or this Prospectus, certain other public disclosures or any aspect of the Offer does not comply with the Corporations Act or NZ Acts (including if a statement in any of them is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from any of them);
- there occurs a new circumstance that arises after this Prospectus is lodged that would have been required to be included in this Prospectus if it had arisen before lodgement;
- the Company or SaleCo issues or, in the opinion the Joint Lead Manager, is required to issue, a supplementary prospectus or the Company or SaleCo lodge a supplementary prospectus with ASIC in a form that has not been approved by the Joint Lead Managers;
- at any time the S&P/ASX 200 Index falls to a level that is 87.5% or less of the level as at the close of trading on the date of the Underwriting Agreement and is at or below that level at the close of trading:
  - for two consecutive Business Days during any time after the date of the Underwriting Agreement; or
  - on the Business Day immediately prior to, either, the Settlement Date or the Allotment Date;
- any restriction agreement is withdrawn, varied, terminated, rescinded, altered, amended or breached or becomes void, voidable, unenforceable or there is a failure to comply with any of them;
- there are not, or there ceases to be, reasonable grounds in the opinion of the Joint Lead Manager for any statement or estimate in the Prospectus or pathfinder version of the Prospectus which relate to a future matter;
- the Company, SaleCo, or any of their respective directors or officers engage, or have engaged, in any fraudulent conduct or activity whether or not in connection with the Offer;
- approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to:
  - the Company's admission to the official list of ASX; or
  - the quotation of all of the Company's Shares on ASX or for the IPO Shares to be traded through CHESS,

  or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- any of the following notifications are made in respect of the Offer:
  - ASIC issues an order (including an interim order) under section 739 of the Corporations Act;
  - ASIC holds a hearing under section 739(2) of the Corporations Act;
  - an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or this Prospectus (or the pathfinder version of this Prospectus) or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or the Prospectus;
  - any person who has previously consented to the inclusion of its name in the Prospectus (or the pathfinder version of this Prospectus) withdraws that consent; or
  - any person (other than a Joint Lead Manager) gives a notice under section 730 of the Corporations Act in relation to the Prospectus (or the pathfinder version of this Prospectus),

  unless such notification is not made public and is withdrawn within the earlier of three Business Days and the Business Day prior to the Settlement Date;
- the Company fails to comply with the requirements of the NZ Financial Markets Law to enable the Offer to proceed under the Mutual Recognition Regime;
- any New Zealand regulatory body having jurisdiction in respect of the Offer issues an order prohibiting the Company or SaleCo from making the Offer under the Mutual Recognition Regime or the NZFMA exercises any power under Part 8 of the NZ FMCA in a manner which is materially adverse in relation to the Offer;

- the Company or SaleCo does not provide a certificate under the Underwriting Agreement as and when required by the Underwriting Agreement;
- the Company or any member of the Company group breaches, or defaults under, any provision, undertaking, covenant or ratio of the debt funding documents or any related documentation to which that entity is a party;
- an event of default or event which gives a lender or financier the right to accelerate or require repayment of the debt or financing, or other similar material event, occurs under or in respect of the debt funding documents to any such debt or financing arrangement or related documentation;
- the Company or SaleCo withdraws this Prospectus (or the pathfinder version of this Prospectus) or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- any Group Member becomes insolvent, or there is an act or omission which is likely to result in a Group Member becoming Insolvent;
- an event specified in the Timetable up to and including the Settlement Date is delayed by more than one Business Day (other than any delay agreed between the Company, SaleCo and the Joint Lead Managers);
- the Company is prevented from transferring or allotting and issuing (as applicable) the new Shares, or SaleCo is prevented from transferring the sale Shares, within the time required by the Timetable, this Prospectus or the pathfinder version of this Prospectus, the Listing Rules, by applicable laws, an order of a court of competent jurisdiction or a governmental authority;
- the Company:
  - alters the issued capital of the Company or a Group Member; or
  - disposes or attempts to dispose of a substantial part of the business or property of the Company or a Group Member,

  without the prior written consent of the Joint Lead Managers;
- if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company or SaleCo to perform their obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Prospectus (or the pathfinder version of this Prospectus);
- there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal or commercially impossible for the Joint Lead Manager to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer;
- a change in Chief Executive Officer or Chief Financial Officer of the Company occurs;
- any of the following occur:
  - a director or proposed director named in the Prospectus of the Company or SaleCo is charged with an indictable offence;
  - any governmental agency commences any public action against the Company or SaleCo or any of their respective directors in its capacity as a director of the Company or SaleCo (as applicable), or announces that it intends to take action; or
  - any director or proposed director named in the Prospectus of the Company or SaleCo is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;
- this Prospectus (or the pathfinder version of this Prospectus) or any aspect of the Offer does not comply with the Corporations Act or NZ Acts (and all regulations under those acts), the Listing Rules or any other applicable law or regulation or the Company or SaleCo defaults on one or more of its obligations under the Underwriting Agreement;
- a representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of the Company or SaleCo (whether severally or jointly) is breached, becomes not true or correct or is not performed;
- the Company varies any term of its constitution without the prior written consent of the Joint Lead Managers;
- hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United Kingdom, the United States, the People's Republic of China, Hong Kong, Japan, or any member of the European Union or a major terrorist act is perpetrated in any country;
- a statement in a certificate issued in accordance with the Underwriting Agreement is false, misleading, inaccurate or untrue or incorrect;

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- any of the following occurs:
  - a general moratorium on commercial banking activities in Australia, the People's Republic of China, Singapore, Hong Kong, the United Kingdom, the United States or a 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
  - trading in all securities quoted or listed on ASX, New York Stock Exchange, Hong Kong Stock Exchange or the London Stock Exchange is suspended or limited in a material respect for one day (or a substantial part of one day) on which that exchange is open for trading.

9.6.1.3 Termination events subject to materiality

A Joint Lead Manager may terminate the Underwriting Agreement, after the date of the Underwriting Agreement and before the Allotment Date (without cost or liability by notice to the Company, SaleCo and the other Joint Lead Manager), if any of the following events occur and there are reasonable grounds that the event (i) has, or is likely to have, a materially adverse effect on the marketing, success or settlement of the Offer, or on the ability of the Joint Lead Manager to market, promote or settle the Offer or on the likely price at which the Offer Shares will trade on ASX or on the willingness of investors to subscribe for the Offer Shares; or (ii) will, or is likely to, give rise to a liability of the Joint Lead Manager under, or a contravention by the Joint Lead Manager or its affiliates or the Joint Lead Manager or its affiliates being involved in a contravention of, any applicable law:

- if any of the obligations of the relevant parties under any of the contracts that are material to the business of the Group or the material contracts are not capable of being performed in accordance with their terms (in the reasonable opinion of the Joint Lead Manager) or if all or any part of any of such contracts:
  - is amended or varied without the consent of the Joint Lead Managers;
  - is terminated;
  - is breached;
  - ceases to have effect, otherwise than in accordance with its terms; or
  - 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, rescinded or avoided or of limited force and affect, or its performance is or becomes illegal;
- the due diligence report or verification material or any other information supplied by or on behalf of the Company or SaleCo to the Joint Lead Managers in relation to the Group or the Offer is (or is likely to be), or becomes (or becomes likely to be), misleading or deceptive, including by way of omission;
- any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company and the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Company), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or the Group from those respectively disclosed in this Prospectus (or pathfinder version of this Prospectus) or certain public information;
- there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, New Zealand or any State or Territory of Australia a new law, or the Reserve Bank of Australia or New Zealand, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- any of the following occurs:
  - the commencement of legal proceedings against the Company, SaleCo, any other Group Member or against any director of the Company, SaleCo or any other Group Member in that capacity; or
  - any regulatory body commences any enquiry or public action against a Group Member; or
- any adverse effect on the financial markets in the United Kingdom, Hong Kong or the United States, or in foreign exchange rates; or
- there is a contravention by the Company, SaleCo or any other Group Member of the Corporations Act, the Competition and Consumer Act 2010 (Cth), the ASIC Act (any regulations under those acts), its constitution, or any of the Listing Rules;
- any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of a Group Member to the Joint Lead Manager in respect of the Offer or the Group is, or is found to be, misleading or deceptive, or likely to mislead or deceive (including, by omission).

9.6.1.4 Conditions, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company and SaleCo to the Joint Lead Managers (as well as customary conditions precedent, including the entry into an escrow deed by each of the Escrowed Shareholders, and ASIC and ASX granting the waivers and modifications necessary to enable the Offer to proceed in accordance with the timetable).

The representations and warranties given by the Company and SaleCo relate to matters such as the nature of the Company and SaleCo, conduct of the Company and SaleCo, eligibility for Listing, power and authorisations, information provided to the Joint Lead Managers, information in this Prospectus, the conduct of the Offer, and compliance with laws, the ASX Listing Rules, regulations and all other applicable laws.

The Company also provides additional representations and warranties in connection with matters including in relation to its financial information in this Prospectus, assets, litigation, material contracts, licences, insurance, non-disposal of Escrowed Shares, entitlements of third parties, title to property, internal controls, taxation, environmental laws, labour disputes, intellectual property, data privacy, IT systems and disaster recovery.

The Company's undertakings relate to matters including, but not limited to, provision of and consultation with the Joint lead Managers in respect of ASIC or ASX correspondence, notification of breach to the Joint Lead Managers, variation of its constitution and undertakings that it will not, during the period following the date of the Underwriting Agreement until 180 days after Shares have been issued and transferred under the Offer:

- allot or agree to allot or indicate in any way that it may or will allot or agree to allot any equity securities or securities that are convertible or exchangeable into equity, or that represent the right to receive equity, of the Company or any member of the Group, without the prior written consent of the Joint Lead Managers subject to certain exceptions;
- reduce, reorganise or otherwise alter the capital structure of Company, or agree or announce to do any of those things, without the prior written consent of the Joint Lead Managers; or
- dispose of (or permit any member of the Group to dispose of) all or any material part of its (or their) business or acquire any material asset except in the ordinary course,

except as disclosed in the pathfinder version of this Prospectus and this Prospectus.

9.6.1.5 Indemnity

Subject to certain exclusions relating to, amongst other things, the gross negligence, fraud or wilful misconduct of a Joint Lead Manager or certain representatives, the Company agrees to keep the Joint Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer.

9.7 Voluntary escrow arrangements

Escrow arrangements

The following Shareholders are subject to voluntary escrow arrangements:

Shareholder	Number of Escrowed Shares on Completion of the Offer (million shares)	Escrowed Shares (as a % of Shares on issue on Completion of the Offer)
Crescent Entities	69.9	34.6%
Crescent Co-Investors	19.7	9.8%
Melinda McGrath	2.8	1.4%
James Davison	0.8	0.4%
Other Management Shareholders	5.4	2.7%[1]
Total	**98.6**	**48.7%**

Each Escrowed Shareholder has agreed to enter into an escrow deed in respect of their Shareholding on Completion of the Offer (other than Shares acquired under the Offer), which prevents them from disposing of their respective Escrowed Shares, for the applicable Escrow Period as described above.

The restriction on disposing is broadly defined in the voluntary escrow deeds outlined in this Section 9.7. It restricts the Escrowed Shareholder from, among other things, selling, assigning, transferring or otherwise disposing of any legal, beneficial or economic interest in the Escrowed Shares, creating or agreeing to create a security interest over the

1. 0.3% of the Shares on issue at Completion of the Offer that are held by Management Shareholders will not be subject to voluntary escrow because certain Management Shareholders have chosen not to sell their vested MEP Shares through SaleCo.

9. Additional information

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 Escrowed Shares, or agreeing to do any of those things.

9.7.1 Escrow Periods

The Escrow Shares will be subject to voluntary escrow arrangements as follows:

- one-third until the release of the Company's financial results for the period ending 31 December 2021;
- one-third until the release of the Company's financial results for the period ending 30 June 2022; and
- one-third until the release of the Company's financial results for the period ending 31 December 2022,

(collectively the **Escrow Periods** and each an **Escrow Period**).

9.7.2 Restrictions on transfers

During the Escrow Periods, Escrowed Shareholders may dispose of any of their Escrowed Shares to the extent that the disposal is:

- to enable the Escrowed Shareholder to accept an offer under a takeover bid in relation to its Escrowed 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. However, the escrow obligations will continue to apply to any Escrowed Shares which are not unconditionally bought by the bidder under the takeover bid;
- to enable the Escrowed Shares to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act. However, the escrow obligations will continue to apply to the Escrowed Shares if the merger does not take effect;
- required by an order of a court of competent jurisdiction; and
- a transfer which does not involve any change in the beneficial ownership of the Escrowed Shares, does not extend the Escrow Period and the related party of the Escrowed Shareholders agrees to the same restrictions on disposal that apply to the Escrowed Shares.

9.8 Finance arrangements

The Company has executed a commitment letter and term sheet with Commonwealth Bank of Australia as mandated lead arranger for the provision of a three-year redrawable term facility and a three-year redrawable working capital facility (together, the **New Banking Facilities**). On Completion of the Offer, funding to be provided under a facility agreement to be entered into for the New Banking Facilities (together with certain proceeds from the issue of new Shares under the Offer) will be utilised to fully repay the existing $233 million syndicated debt facility and certain other obligations (**Existing Facilities**). Upon repayment of the Existing Facilities, the associated guarantees and security will be discharged.

The availability of funding under the New Banking Facilities is conditional upon confirmation that the Company will be listed on the ASX as contemplated by the Offer and certain other conditions precedent which are within the control of the Company. Accordingly, on Completion of the Offer, the Company will have debt funding available to assist with the repayment of the Existing Facilities and to provide for funding needs after Listing.

The key terms of the facilities are as follows:

New Banking Facilities	
Facility	The New Banking Facilities will comprise of: • $100 million three-year term redrawable cash advance facility (**Facility B**); and • $20 million three-year redrawable cash advance, letter of credit and bank guarantee facility (**Working Capital Facility**).
Interest	The New Banking Facilities have variable interest rates based upon Bank Bill Swap Rate (**BBSY**) plus a margin. There is also a commitment fee in relation to undrawn commitments under the New Banking Facilities.
Facility B	Facility B will be fully drawn at Listing and is repayable in full at maturity, being three years from the date of first draw down under the New Banking Facilities. No interim scheduled principal repayments are required under the facility prior to the maturity date. Facility B may be prepaid voluntarily prior to maturity without penalty.
Working Capital Facility	The drawn amount of the Working Capital Facility will be $4 million at Listing in respect to cash advances. An incremental $6 million of the Working Capital Facility will be utilised by way of letters of credit and bank guarantees in respect of the Group's existing lease and contractual obligations. All amounts outstanding under the Working Capital Facility are repayable in full at maturity, being three years from the date of first draw down under the New Banking Facilities. No interim scheduled principal repayments are required during the term of the facility. The Working Capital Facility may be prepaid voluntarily prior to maturity without penalty.
Financial undertakings	The financial undertakings are as follows: • Net leverage ratio to be not greater than 3.50x, being certain of the Group's finance debt net of cash to EBITDA; and • Fixed Charge Cover Ratio to be not less than 1.50x, being the Group's EBITDA plus rental expenses to net interest expense plus rental expenses. The financial undertakings which will be tested at financial year end (being 30 June) and financial half-year end (being 31 December) based on the previous 12-month period. The first date that the financial undertakings will be tested will be 31 December 2021.
Representations, warranties and undertakings	The New Banking Facilities contain representations, warranties and undertakings which are usual for facilities of their nature, including undertakings to provide certain information, restrictions on making financial accommodation and distributions and restrictions on making acquisitions and disposals of assets (in each case subject to exceptions usual for facilities of their nature).
Defaults	The New Banking Facilities also contain events of default which are usual for facilities of their nature. These include failure to make payments that are due, failure to comply with any obligation or the misrepresentation of facts (in each case subject to a grace period in certain circumstances), and the occurrence of an insolvency event. An event of default may lead to the funds borrowed becoming due and payable and the New Banking Facilities being cancelled. The New Banking Facilities contain review events including in respect of a change of control. If a review event occurs, the parties are required to negotiate revised terms. If agreement cannot be reached within a certain period, it may lead to the funds borrowed becoming immediately due and payable and the New Banking Facilities being cancelled.

9. Additional information

New Banking Facilities	
Security and Guarantees	The New Banking Facilities will be unsecured. The Group must ensure that at financial year end and financial half-year end, the aggregate total assets and aggregate EBITDA of the guarantors under the New Banking Facilities will not be less than 90% of the consolidated total assets and EBITDA of the Group (in each case calculated excluding non-wholly owned subsidiaries).

9.9 Litigation and claims

The Company may, from time to time, be party to litigation and other claims and disputes incidental to the conduct of its business, including employment disputes, contractual disputes, indemnity claims and occupational and personal claims. Such litigation, claims and disputes, including the costs of settling claims and operational impacts, could materially adversely affect the Company's business, operating and financial performance.

As far as the Company is aware, however, 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.

9.10 Ownership restrictions

The sale and purchase of Shares in Australia is regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 9.10 contains a general description of these laws.

Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company either themselves or through an associate.

FATA and Federal Government Foreign Investment Policy

Generally, the FATA applies to acquisition of shares and voting power in a company of 20% or more by a single foreign person and its associates (**Substantial Interest**), or 40% or more by two or more unassociated foreign persons and their associates (Aggregate Substantial Interest). Where a foreign person holds a Substantial Interest in the Company or foreign persons hold an Aggregate Substantial Interest in the Company, the Company will itself be a "foreign person" for the purposes of FATA.

In addition, FATA applies to acquisitions of a direct interest in an Australian company by foreign governments and their related entities irrespective of the acquisition value. A "direct interest" is an interest of 10% in the entity but may also include an interest of less than 10% where the investor has entered into business arrangements with the entity or the investor is in a position to influence or participate in the management and control or policy of the entity. There are exemptions which can apply to certain acquisitions.

Where FATA applies to the acquisition, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either notified that there is no objection to the proposed acquisition (with or without conditions) or a statutory period has expired without the Federal Treasurer objecting.

An acquisition to which the FATA applies may be the subject of a divestment order by the Federal Treasurer unless the process of notification, and either a non-objection notification or expiry of a statutory period without objection, has occurred. Criminal offences and civil penalties can apply to failing to give notification of certain acquisitions, undertaking certain acquisitions without no objection notification or contravening a condition in a no objection notification.

9.11 Regulatory relief

ASIC exemptions and relief

ASIC has granted the following exemptions from, and modifications to, the Corporations Act:

- relief to extend the benefit of ASIC Class Order 14/1000 to the grant of options under the LTVR Plan; and
- relief under section 741(1)(a) of the Corporations Act from the application of section 707(3) of the Corporations Act to permit the 'on-sale' of certain Shares offered other than under this Prospectus.

ASX waivers and confirmations

ASX has granted waivers and confirmations in respect of the following ASX Listing Rules:

- confirmation that the company may undertake deferred and conditional settlement trading of Shares, subject to certain conditions to be approved by the ASX; and
- confirmation that the Company has a structure and operations acceptable to ASX for admission to the official list for the purposes of Listing Rule 1.1 (Condition 1).

ACL has also sought the following waivers and confirmations in respect of the following ASX Listing Rules:

- confirmations in respect of Listing Rules 7.1, 10.11 and 10.14 (or in the alternative, a waiver from Listing Rule 10.11) in relation to the issue of the Rights to be granted under the FY22 Grant; and
- confirmations in respect of Listing Rule 1.1 Condition 12 in respect of grants to be made under the LTVR Plan.

9.12 Taxation considerations

9.12.1 Introduction

This Section 9.12 provides a general summary of the Australian tax consequences for investors who acquire Shares under the Offer.

The categories of investors considered in this summary are limited to individuals, complying superannuation entities and certain companies, trusts or partnerships, each of whom holds their Shares on capital account.

This Section 9.12 does not consider the consequences for investors who are insurance companies or banks, investors that hold their shares on revenue account or carry on a business of trading in shares, investors who acquired Shares in connection with an employee share scheme (including the Employee Gift Offer), or investors who are exempt from Australian tax. This Section 9.12 also does not cover the consequences for investors who are subject to Division 230 of the *Income Tax Assessment Act 1997* (Cth).

The comments in this Section 9.12 are based on the Australian taxation laws (including established interpretations of those laws) and understanding of the practice of the Australian Taxation Office as at the date of this document. This Section 9.12 is general in nature and is not intended to be an authoritative or complete statement of the Australian taxation laws. It should be noted that the Australian taxation laws are complex and the investor's own circumstances may affect the taxation outcomes of making an investment in the Company. It is therefore recommended that investors seek independent professional advice having regard to their own specific circumstances in considering an investment in the Company.

Taxation issues, such as (but not limited to) those covered by this Section 9.12, are only one of the matters an investor needs to consider when making a decision about a financial product. Investors should consider taking advice from someone who holds an Australian Financial Services Licence before making such a decision.

9.12.2 Taxation of dividends

Dividends may be paid to Shareholders by the Company. The Company may attach "franking credits" to such dividends. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

It should be noted that the concept of a dividend for Australian income tax purposes is very broad and can include payments that are made in respect of such things as off-market share buy-backs.

9.12.2.1 Australian tax resident Shareholders

Australian tax resident Shareholders will be required to include dividends in their assessable income in the income year in which the dividends are paid. To the extent that the dividends are franked, subject to the comments below, the associated franking credits should also be included in the Australian tax resident Shareholder's assessable income (that is, the dividends are required to be "grossed-up"). In such circumstances, Shareholders are subject to tax at their applicable rate of tax on the grossed-up dividends received (but may be entitled to a tax offset for the associated franking credits as discussed below).

9. Additional information

To the extent that the dividends are unfranked, there is no gross-up (or tax offset) and Australian resident Shareholders should be subject to tax at their applicable rate of tax on the unfranked dividends received.

Generally, Shareholders should be entitled to a "tax offset" equal to the amount of any franking credits received.

To the extent that the franking credits received by non-corporate Shareholders (such as individuals and complying superannuation entities) exceed the amount of tax payable, those Shareholders should be entitled to a refund from the Australian Taxation Office of any excess franking credits. Where the franking credits are less than the tax payable on the dividends, those Shareholders will need to pay an additional amount of tax.

In relation to non-corporate Shareholders that are trustees (other than trustees of complying superannuation entities) or partnerships, such Shareholders should include any franking credits in determining the net income of the trust or partnership. The relevant beneficiary or partner may then be entitled to a corresponding tax offset, subject to certain requirements being satisfied.

Corporate Shareholders are also entitled to a tax offset equal to the amount of franking credits received; however, unlike non-corporate Shareholders, they are unable to claim refunds for excess franking credits.

Where excess franking credits exist, a corporate Shareholder should be entitled to have the surplus credits converted into carry forward tax losses.

Corporate Shareholders should also be entitled to a franking credit in their franking accounts equal to the franking credits received in respect of the dividends. A corporate Shareholder may be able to then use the credits to make franked distributions to its shareholders.

There are certain limitations imposed by the Australian taxation law which may prevent a Shareholder from obtaining the benefit of any franking credits. In this regard, Shareholders seeking to claim tax offsets for franking credits must be "qualified persons" in respect of the relevant dividends.

In broad terms, Shareholders who have held their Shares "at risk" for at least 45 days (excluding the dates of acquisition and disposal) should be qualified persons and should be able to claim a tax offset for the amount of franking credits received. Furthermore, individual Australian Shareholders whose total franking tax offsets (for all franked distributions received in the income year) do not exceed $5,000 for the income year should generally be deemed to be qualified persons. Special rules apply to arrangements which involve the making of related payments to pass on the benefit of any dividends paid, or in the context of franked dividends received via trusts or partnerships.

9.12.2.2 Non-resident Shareholders

Generally, unfranked dividends paid to Shareholders that are not Australian tax residents should be subject to dividend withholding tax. Australian dividend withholding tax is levied at a flat rate of 30% on the gross amount of the dividends unless a Shareholder is a tax resident of a country that has an applicable double tax treaty with Australia. In these circumstances, the withholding tax is generally limited to 15%, although in certain cases, depending on the Shareholder's country of residence and the size of their shareholding, the rate may be reduced further. In some circumstances, unfranked dividends that are attributable to certain types of foreign income derived by the Company may be able to be distributed free of dividend withholding tax under Australia's conduit foreign income rules.

Fully franked dividends are not subject to Australian dividend withholding tax.

It is recommended that non-resident Shareholders also consider the tax implications of receiving dividends from the Company under their respective domestic tax regimes.

9.12.3 Taxation of future share disposals

9.12.3.1 Australian tax resident Shareholders

Australian tax resident Shareholders who hold their Shares on capital account will be required to consider the impact of the Australian capital gains tax (**CGT**) provisions in respect of the disposal of their Shares.

Where the capital proceeds received on disposal of the Shares exceed the CGT cost base of those Shares, Australian tax resident Shareholders will be required to recognise a capital gain. The CGT cost base of the Shares should generally be equal to the issue price or acquisition price of the Shares plus, among other things, incidental costs associated with the acquisition and disposal of the Shares. In respect of the CGT cost base of the Shares, this amount may be reduced as a result of receiving non-assessable distributions from the Company, such as returns of capital.

Conversely, Australian tax resident Shareholders may recognise a capital loss on the disposal of Shares where the capital proceeds received on disposal are less than the reduced CGT cost base of the Shares.

All capital gains and losses recognised by an Australian tax resident Shareholder for an income year are added together. To the extent that a net gain exists, such Shareholders should be able to reduce the gain by any amount of unapplied net capital losses carried forward from previous income years (provided certain loss recoupment tests are satisfied). Any remaining net gain (after the application of any carried forward tax losses) will then be required to be included in the Australian tax resident Shareholder's assessable income (subject to comments below in relation to the availability of the CGT discount concession) and will be taxable at the Shareholder's applicable rate of tax. Where a net capital loss is recognised, the loss will only be deductible against future capital gains. Capital losses are capable of being carried forward indefinitely, provided the relevant loss recoupment tests are satisfied.

Non-corporate Shareholders may be entitled to a concession which discounts the amount of capital gain that is assessed. Broadly, the concession is available where the Shares have been held for at least 12 months prior to disposal. The concession results in a 50% reduction in the assessable amount of a capital gain for an individual Shareholder or trust, and a one-third reduction of a capital gain for an Australian resident complying superannuation entity Shareholder. The concession is not available to corporate Shareholders.

In relation to trusts, the rules surrounding capital gains and the CGT discount are complex, but the benefit of the CGT discount may flow through to relevant beneficiaries, subject to certain requirements being satisfied.

9.12.3.2 Non-resident Shareholders

Non-resident Shareholders who hold their Shares on capital account should generally not be subject to Australian CGT upon disposal of their Shares except in limited circumstances; for example, where the Shares are used in the carrying on of a business through a permanent establishment in Australia or where the Shares are "indirect Australian real property interests" at the time of sale. In this regard, the Shares should be indirect Australian real property interests to the extent that, broadly, the following two requirements are satisfied:

- The Company is considered "land rich" for Australian income tax purposes (that is, greater than 50% of the market value of the Company's underlying assets is derived from Australian real property interests or certain interests in relation to Australian minerals); and
- The non-resident Shareholder has an associate-inclusive interest of at least 10% in the Company.

9.12.4 Tax file number and Australian Business Number

A Shareholder is not obliged to quote a tax file number (**TFN**), or where relevant, Australian Business Number (**ABN**), to the Company. However, if a TFN or ABN is not quoted and no exemption is applicable, income tax is required to be deducted by the Company at the highest marginal rate (currently 45%) plus Medicare Levy (currently 2%) from certain dividends paid.

No withholding requirement applies in respect of fully franked dividends paid by the Company on the Shares.

9.12.5 Stamp Duty

No stamp duty should be payable by a Shareholder on the acquisition of Shares pursuant to the Offer. Further, stamp duty should not be payable on any subsequent acquisition of Shares by a Shareholder provided the Company remains listed on the Australian Securities Exchange. This is on the basis that neither acquisition will result in a Shareholder together with its related persons, associates, or any other Shareholders who acquired Shares pursuant to substantially the same arrangement, holding 90% or more of the issued Shares.

9.12.6 Goods and services tax

Goods and services tax (**GST**) should not be payable in respect of the issue, acquisition or transfer of Shares. However, GST may be payable on brokerage fees. Shareholders should seek their own independent advice in respect of their entitlement to claim a refund of the GST cost of such fees and any other associated expenses.

9.13 Consents to be named and disclaimers of responsibility

Each of the parties listed below in this Section 9.13, each a consenting party, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for, any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the parties listed below has given and has not, at the time of lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of statements in this Prospectus that are specified below in the form and context in which the statements appear:

9. Additional information

- each of BofA Securities and Goldman Sachs Australia Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Joint Lead Manager to the Offer in the form and context in which it is named;
- Bell Potter Securities Limited, Canaccord (Genuity) Australia Limited, Commonwealth Securities Limited and Ord Minnett Limited have given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, their written consent to be named in this Prospectus as Co-Lead Managers to the Offer in the form and context in which they have been named;
- MST Financial Services Pty Ltd has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Co-Manager to the Offer in the form and context in which it has been named;
- Gilbert + Tobin has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to taxation matters) to the Company and SaleCo in relation to the Offer in the form and context in which it is named;
- PricewaterhouseCoopers Securities Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Financial Information in the form and context in which it is named and to the inclusion of its Investigating Accountant's Report on the Financial Information set out in Section 8 in the form and context in which it appears in this Prospectus;
- Gilbert + Tobin has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as tax advisers to the Company in the form and context in which it is so named;
- Pitcher Partners has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor to the Company in the form and context in which it is so named;
- Link Market Services Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Share Registry of the Company in the form and context in which it is named. Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to the Company. Link Market Services Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus; and
- Partners in Performance has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to all statements by it or said to be based on statements by it in the form and context in which they are included. The statements are in the 'Important Notices', Chair's letter and Sections 1, 2 and 3 of this Prospectus. Partners in Performance has also given its written consent to be named in the Prospectus in the form and context in which it is named.

9.14 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under the 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.

9.15 Statement of directors

This Prospectus is authorised by each director of the Company and SaleCo who consent to its lodgement with ASIC and its issue.

9.16 Selling restrictions

This Prospectus 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 or New Zealand except to the extent permitted below.

European Union

This document has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this document may not be made available, nor may the Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the Prospectus Regulation).

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of New Shares in the European Union is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).

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 (the "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 and any rules made under that ordinance).

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. 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.

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007 no. 75. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act. The Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in the Norwegian Securities Trading Act.

Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) an "accredited investor" (as defined in the SFA). If you are not an investor falling within one of these categories, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares constitutes a prospectus or a similar notice, as such terms are understood under art. 35 of the Swiss Financial Services Act or the listing rules of any stock exchange or regulated trading facility in Switzerland.

Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to investors who qualify as "professional clients" (as defined in the Swiss Financial Services Act). This document is personal to the recipient and not for general circulation in Switzerland.

No offering or marketing material relating to the New Shares has been, nor will be, filed with or approved by any Swiss regulatory authority or authorised review body. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

9. Additional information

United Arab Emirates

This document does not constitute a public offer of securities in the United Arab Emirates and the Shares may not be offered or sold, directly or indirectly, to the public in the UAE. Neither this document nor the Shares have been approved by the Securities and Commodities Authority ("SCA") or any other authority in the UAE.

This document may be distributed in the UAE only to "qualified investors" (as defined in the SCA Board of Directors' Chairman Decision No. 37 RM of 2019, as amended) and may not be provided to any person other than the original recipient. No marketing of the Shares has been, or will be, made from within the UAE other than in compliance with the laws of the UAE and no subscription for any securities may be consummated within the UAE.

No offer or invitation to subscribe for Shares is valid, or permitted from any person, in the Abu Dhabi Global Market or the Dubai International Financial Centre.

United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

The Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

10 Key Accounting Policies

10. Key Accounting Policies

The key accounting policies adopted in the preparation of the Financial Information included in Section 4 are set out below.

10.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with AAS adopted by the AASB and the Corporations Act. The consolidated financial statements comply with IFRS adopted by the IASB.

Basis of measurement

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair value of the consideration given in exchange for assets.

Going concern

The Financial Information has been prepared on a going concern basis, as the Directors have concluded that the Group will be able to continue in operation for the foreseeable future and will be able to meet its obligations as and when they fall due, with consideration of the profitability of the Group, positive operating cash flow and access to undrawn debt facilities post the Offer.

As at 31 December 2020, the Group recorded a net current asset deficiency position. This has been caused by the impacts of:

- the nature of the business model, with trade receivables payments terms being of shorter duration to supplier payment terms;
- AASB 16 leases, whereby a portion of lease liabilities have been recognised as current, however the corresponding right of use asset is non-current; and
- the capital restructure in November 2020 resulted in additional current net debt at 31 December 2020.

10.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group. The Group controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

When control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

10.3 Business combination

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method unless it is a common control acquisition.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at its acquisition-date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is carried at its acquisition-date fair value.

Goodwill is recognised initially at the excess of:

(a) the aggregate of the consideration transferred, the amount of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition); over

(b) the acquisition date amount of the identifiable assets acquired and liabilities assumed.

If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, the difference is immediately recognised as a gain in profit or loss. Acquisition related costs are expensed as incurred.

Common Control Acquisition

On 17 December 2020, a restructure took place that resulted in a newly incorporated company, ACL Holdco Pty Ltd obtaining control over Clinical Laboratories Pty Ltd and its controlled entities ("Clinical Labs"). The shareholders in ACL Holdco Pty Ltd prior to the restructure were also all shareholders in Clinical Labs with the same proportionate economic and beneficial interests. Notwithstanding the direct ownership of Clinical Labs changed as a result of the restructure, there was ultimately no change in the control over its assets.

Accordingly, the Directors have accounted for the restructure as a common control acquisition in accordance with the AAS. As such, the consolidated financial statements of ACL Holdco Pty Ltd have been presented as a continuation of the pre-existing entities. Those entities being:

- Clinical Laboratories Pty Ltd;
- Clinical Laboratories (WA) Pty Ltd;
- Perth Medical Laboratories Pty Ltd;
- Malvern Pathology Labs Sdn Bhd; and
- ACL Specialist Investments Pty Ltd (deregistered 5 August 2020).

10.4 Foreign currency translation and balances

Function and presentational currency

The financial statements for each entity within the Group are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year. All resulting exchange arising on settlement or restatement are recognised as revenue or expenses for the financial year.

Foreign subsidiaries

Subsidiaries that have a functional currency different to the presentation currency of the consolidated Group are translated as follows:

- Assets and liabilities are translated at the closing rate on reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised in other comprehensive income.

10.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates or other similar allowances.

Rendering of services

Revenue from the provision of services is recognised when the related services are completed. Revenue is accrued at balance date for services which are completed but yet to be invoiced.

Clinic revenue

Clinic revenue represents support services provided to doctors (enabling them to treat patients), in consideration for a % share of billings, as determined by each doctor's medical services agreement. Revenue is recognised in the period in which doctors' services are rendered to patients.

10.6 Other income

Government grant income is only recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them, and the grant will be received. Specifically, JobKeeper income has been recognised for all completed JobKeeper fortnights.

10. Key Accounting Policies

10.7 Income tax

Income tax expense or benefit represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting year.

Deferred Tax

Deferred Tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred Tax Liabilities are generally recognised for all taxable temporary differences. Deferred Tax Assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of Deferred Tax Assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred Tax Liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred Tax Assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred Tax Assets and Liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred Tax Assets and Deferred Tax Liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Tax consolidation

Australian Clinical Labs Ltd and its wholly-owned Australian controlled entities have implemented the Australian tax consolidation legislation.

Australian Clinical Labs Ltd and subsidiaries in the tax-consolidated group have entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries in the tax consolidated group recognise current or deferred tax amounts arising in respect of their own transactions, events and balances;
- current tax liabilities and Deferred Tax Assets arising in respect of tax losses, are transferred from the subsidiaries in the tax consolidated group to the head entity as inter-company payables or receivables.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

10.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on demand deposits. Cash equivalents are short-term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

10.9 Inventories

Inventories represent medical and laboratory supplies. They are measured at the lower of cost and net realisable value.

10.10 Plant and equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and accumulated impairment losses.

- Plant and equipment is measured on the cost basis.
- Leasehold improvements are measured on the cost basis.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, but excluding freehold land is depreciated over their useful lives to the Group, commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual accounting period, with the effect of any changes recognised on a prospective basis.

The ranges of depreciation rates used for each class of depreciable assets are:

Class of property, plant and equipment	Depreciation rate
Leasehold improvements	2% to 100%
Plant & equipment	5% to 50%
Leased assets	14% to 20%

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal, and is included in operating profit before income tax of the Group in the year of disposal.

10.11 Leases

At the commencement date of a lease (other than leases of 12 months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any re-measurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments. These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate.

10. Key Accounting Policies

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments reduced by rental accruals for missed lease payments. Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments (once confirmed) and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Leases of 12 months or less and leases of low value assets

Lease payments made in relation to leases of 12 months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense as incurred.

COVID-19 related rent concessions

The Group has elected to apply the practical expedient (as permitted by AAS) not to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications, and to account for any changes in lease payments resulting from the rent concessions as if the changes were not lease modifications. Any gains arising from COVID-19 related rent concessions are recognised in profit or loss.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

10.12 Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

10.13 Impairment testing of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives such as goodwill and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at a re-valued amount in which case the impairment is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit other than goodwill) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a re-valued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

10.14 Financial instruments

Recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Classification of financial assets

Financial assets recognised by the Group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

(a) the Group's business model for managing the financial assets; and

(b) the contractual cash flow characteristics of the financial asset.

Classification of financial liabilities

Financial liabilities classified as held-for-trading, contingent consideration payable by the Group for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the Group are subsequently measured at amortised cost.

Trade and other receivables

Trade and other receivables arise from the Group's transactions with its customers.

Consistent with both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

Impairment of financial assets

Receivables from customers are tested for impairment by applying the 'expected credit loss' impairment model.

The Group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for both receivables from contracts with customers and contract assets. Under the AASB 9 simplified approach, the Group determines the allowance for credit losses for receivables from contracts with customers and contract assets on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

The Group considers a range of information when assessing whether the credit risk has increased significantly since initial recognition. This includes such factors as the identification of significant changes in external market indicators of credit risk, significant adverse changes in the financial performance or financial position of the counterparty, significant changes in the value of collateral, and past due information.

The Group assumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 120 days past due.

The Group determines expected credit losses using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. When material, the time value of money is incorporated into the measurement of expected credit losses. There has been no change in the estimation techniques or significant assumptions made during the reporting period.

The gross carrying amount of a financial asset is written off (i.e., reduced directly) when the counterparty is in severe financial difficulty and the Group has no realistic expectation of recovery of the financial asset. Financial assets written off remain subject to enforcement action by the Group. Recoveries, if any, are recognised in profit or loss.

10. Key Accounting Policies

10.15 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal value, using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group operates share-based payment employee share and option schemes for accounting purposes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is measured at the market bid price at grant date. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

10.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

10.17 Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the Statement of Cash Flows on a gross basis. 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 operating cash flows.

10.18 Significant accounting estimates and judgements

In the consolidated financial statements of the Group, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The following are the estimates and judgements that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Employee entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at:

- Future increases in salaries and wages;
- Future on-cost rates;
- Experience of employee departures and period of service; and
- Appropriate discount rate to reflect long term liabilities at present value.

Impairment of tangible and intangible assets

Determining whether assets are impaired requires an estimation of recoverable amount for the cash-generating units to which these assets have been allocated. The recoverable amount of each cash-generating unit is the greater of its value in use or fair value less costs to sell.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form. Value in use is determined by applying assumptions specific to the Group's continued use and cannot take into account future development. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the day on which they are granted. The fair value is determined using a Black-Scholes model and is recognised as an expense over the vesting period, with a corresponding increase to an equity account.

Deferred tax balances

The extent to which Deferred Tax Assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and carry-forward tax losses can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Determination of the lease term as the non-cancellable term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal including penalties to terminate, the value of leasehold improvements remaining plus current and future expected economic performance from use of the asset.

After the commencement date, the Group generally can only make a reasonable certainty assessment within six to twelve months of the exercise of an option or at other times if there is a significant event or change in circumstances that is within its control and affects the ability to exercise (or not to exercise) the option to renew.

Calculation of the incremental borrowing rates

Where the Group cannot readily determine the interest rate implicit in lease contracts the present value of the Group's lease liabilities are estimated using the incremental borrowing rate as if leasing over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group uses observable inputs such as market interest rates as applicable.

10.19 Adoption of new and revised Accounting Standards

The Group has applied all new and revised AAS that apply to annual reporting periods beginning on or after 1 July 2019, including AASB 16 *Leases*. In addition, the Group has elected to early AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions* with effect from 1 July 2019.

Glossary

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11. Glossary

Term	Meaning
1/2H	First/Second Half.
H1 FYXX	Half Financial Year (ending 31 December).
A	Actual.
AUD, Dollar or $	Australian dollars unless otherwise stated.
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board.
AASB 117	Australian Accounting Standard AASB 117 *Leases*.
AASB 16	Australian Accounting Standard AASB 16 *Leases*.
AASB 8	Australian Accounting Standard AASB 8 *Operating Segments*.
ABN	Australian Business Number.
ACC	Approved Collection Centre.
ACL	Australian Clinical Labs Limited (ACN 645 711 128).
ACL Offer Information Line	1800 882 147 (toll free within Australia) or +61 1800 882 147 (outside Australia) between 8:30am and 5:30pm (Sydney time), Monday to Friday (excluding public holidays).
ACN	Australian Company Number.
AIDS	Acquired Immunodeficiency Syndrome.
Allotment Date	19 May 2021, being the date on which the Shares are allotted under the Offer.
Applicant	A person who submits an Application.
Application	An application made to subscribe for Shares offered under this Prospectus.
Application Form	The application form attached to or accompanying this Prospectus and any supplementary or replacement prospectus (including the electronic form provided by an online application facility).
Application Monies	The amount of money accompanying an Application Form submitted by an Applicant.
ASAE 3450 Assurance Engagement	Australian Standard on Assurance Engagements, 3450 involving Fundraising and/or Prospective Financial Information.
ASIC	The Australian Securities and Investments Commission.
ASTC	ASX Settlement and Transfer Corporation.
ASX	Australian Securities Exchange.
ASX Listing Rules	The listing rules of the ASX.
ASX Principles	ASX Corporate Governance Principles and Recommendations 4th edition.

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Term	Meaning
ASX Recommendations	Revised in 2019, the fourth edition ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.
ASX Settlement Operating Rules	The settlement rules of ASX as amended, varied or waived from time to time.
ATO	Australian Tax Office.
Board or **Board of Directors**	The Board of Directors of ACL.
BofA Securities	Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795).
Broker	Any ASX participating organisation selected by the Joint Lead Managers and the Company to act as a Broker to the Offer.
Broker Firm Offer	The offer of Shares under this Prospectus to Australian and New Zealand resident retail clients of Brokers who have received a firm allocation from their Broker, as described in Section 7.3.
Broker Firm Offer Applicant	A person who submits an Application under the Broker Firm Offer.
BTOS	Medicare Broad Type of Service ('BTOS') are broad classifications of the Medicare Benefits Schedule used for reporting.
Business Day	A day on which trading takes place on the stock market of ASX.
CAGR	Compound Annual Growth Rate.
Capital Expenditure or Capex	Has the meaning given in Section 4.2.5.3.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
CGT	Capital Gains Tax.
CHESS	The ASX's Clearing House Electronic Subregister System, operated in accordance with the ASX Listing Rules and the ASX Settlement Operating rules.
Clinical Governance	A systemic and integrated approach to assurance and review of clinical responsibility and accountability that continually improves quality and safety of services provided to patients resulting in optimal patient outcomes. Clinical Governance extends across the boundaries of functions and organisations delivering services along the whole patient care path. Interfaces in, or split responsibility for, delivering patient care are considered points of increased risk.
Clinical Laboratories	Clinical Laboratories Pty Ltd (ACN 006 823 089).
Closing Date	The date on which the Offer is expected to close, being Wednesday, 12 May 2021 in respect of the Retail Offer and Tuesday, 27 April 2021 in respect of the Institutional Offer. These dates may be varied without prior notice.

Term	Meaning
Co-Lead Managers	Bell Potter Securities Limited (ACN 006 390 772), Canaccord Genuity (Australia) Limited (ACN 075 071 466), Commonwealth Securities Limited (ACN 067 254 399) and Ord Minnett Limited (ACN 002 733 048).
Co-Manager	MST Financial Services Pty Ltd (ACN 617 475 180).
Company, we, us, our or ACL	Australian Clinical Labs Limited (ACN 645 711 128).
Completion	The date on which Shares are issued or transferred to successful applicants in accordance with the terms of the Offer.
Constitution	The Company's Constitution as at the date of Listing.
COO	Chief Operating Officer.
Corporate Governance Principles and Recommendations	Revised in 2019, the fourth edition ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.
Corporations Act	*Corporations Act 2001* (Cth).
Corporations Regulations	*Corporations Regulations 2001* (Cth).
COVID-19	Coronavirus disease (COVID-19) is an infectious disease caused by a newly discovered coronavirus.
Crescent Co-Investors	The various funds that ROC Capital Pty Limited (ACN 167 858 764) or Instanz Nominees Pty Ltd (ACN 073 513 658) is the trustee of, whose interests in ACL are managed by Crescent under a co-investment arrangement.
Crescent Entities	Each of Crescent Capital Partners V LP (ACN 34 348 297 440), CCP Trusco 1 Pty Limited (ACN 143 361 488) as trustee for Crescent Capital Partners Specific Trust VA (ABN 54 564 537 306), CCP Trusco 2 Pty Lim-ited (ACN 143 361 497) ATF Crescent Capital Partners Specific Trust VB (ABN 47 152 294 308), CCP Trusco 4 Pty Ltd (ACN 143 361 522) ATF Crescent Capital Partners Designated Trust VA (ABN 21 726 625 016), CCP Trusco 5 Pty Ltd (ACN 147 892 706) ATF Crescent Capital Partners Designated Trust VB (ABN 79 114 845 257).
Crescent or CCPM	Crescent Capital Partners Management Pty Limited (ABN 18 108 571 820).
CY	Calendar Year.
DALY	Disability-Adjusted-Life-Year.
Deferred Tax Assets	The amounts of income taxes recoverable in future periods in respect of: (a) deductible temporary differences; (b) the carry forward of unused tax losses; and (c) the carry forward of unused tax credits.
Directors	The directors of the Company.
DNA	Deoxyribonucleic Acid.

11. Glossary

Term	Meaning
EBIT	Earnings Before Interest and Tax.
EBITDA	Represents net profit/(loss) before interest expense (including interest on the lease liability recognised under AASB 16), income tax expense, depreciation (including depreciation on the right of use asset recognised under AASB 16) and amortisation (including amortisation of acquired intangible assets).
Eligible Casual Employees	All Australian tax resident casual employees who are employed by the Group and who have worked at least 1 shift in 8 fortnights over the past 12 fortnights and with a start date prior to 31 December 2020.
Eligible Employees	All Australian tax resident employees (including full and part time employees, but not Eligible Casual Employees) who are employed by the Group, with a start date prior to 31 December 2020, and who have received an offer from the Company to acquire $1,000 worth of Shares in the Company at no cost and have not elected to receive the equivalent cash gift or receive cash.
Eligible Priority Employees	All Australian tax resident employees who are employed by the Group in a management or pathologist role who have received an offer from the Company to acquire up to $50,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price) at the discounted price of 85% of the Offer Price under the Priority Employee Discount Offer, as described in Section 7.
Employee Gift Offer	The offer of Shares to Eligible Priority Employees, Eligible Employees and Eligible Casual Employees at no cost, as described in Section 7.6.
Employee Offer	The offer of Shares to Eligible Employees at the Offer Price, as described in Section 7.7.
Employee Shareholder	Means Eligible Priority Employees who successfully subscribe for Shares under the Priority Employee Discount Offer.
Escrow Period	Has the meaning given in Section 9.7.1.
Escrow Shares	The Shares held by the Escrowed Shareholders the subject of the escrow arrangements described in Section 9.7.
Escrowed Shareholders	The Shareholders in Section 9.7.
Existing Facilities	The syndicated facility agreement dated 4 December 2020 between, among others, ACL Finco Pty Ltd, Commonwealth Bank of Australia and CBA Corporate Services (NSW) Pty Ltd.
Existing Shares	The Shares on issue as at the Prospectus Date.
Exposure Period	The seven-day period after the Prospectus Date, which may be extended by ASIC for up to an additional seven days.
F	Forecast.
FATA	*Foreign Acquisitions and Takeovers Act 1975* (Cth).
Financial Information	The Statutory Financial Information and the Pro Forma Financial Information.
Fixed Charge Cover Ratio	The ratio of the Group's EBITDA plus rental expenses to net interest expense plus rental expenses.

Term	Meaning
Forecast Financial Information	The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information.
FTE	Full Time Equivalent.
FY	Financial Year (ending 30 June).
FY22 Grant	The Rights to be granted under the LTVR Plan for the financial year ending 30 June 2022.
Gross Offer Proceeds	Has the meaning given in Section 9.6.1.1.
Group	The Company and each of its subsidiaries.
Group Company	Has the meaning given in Section 6.4.3.
GST	Goods and services tax.
Healius	Healius Limited (ACN 064 530 516) (ASX: HLS).
Healthscope	Healthscope Limited (ACN 144 840 639).
HIN	Holder Identification Number for CHESS.
Historical Financial Information	Has the meaning given in Section 4.1.
HPV	Human Papillomavirus.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards.
Institutional Investors	Investors who are: • 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 • persons in New Zealand who are “wholesale investors” within the meaning of clause 3(2) of schedule 1 of the Financial Markets Conduct Act 2013 of New Zealand; or • institutional investors in certain other jurisdictions, as agreed by the Company and the Joint Lead Managers 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 governmental agency (except one with which the Company is willing in its discretion to comply); provided that if such person is in the United States, it is either a person that the Joint Lead Managers reasonably believe to be a “qualified institutional buyer” as defined in Rule 144A under the U.S. Securities Act or a dealer or other professional fiduciary within the meaning of Rule 902(k)(2)(i) of Regulation S under the U.S. Securities Act.
Institutional Offer	The invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 7.10.
Investigating Accountant	PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617).

11. Glossary

Term	Meaning
Investigating Accountant's Report	The report in Section 8.
IPO or Offer	The offer under this Prospectus of ordinary shares in the Company and the sale of a proportion of the existing Shares in the Company by SaleCo.
IPO Shares	Shares acquired under the Offer.
IT	Information Technology.
ITAA 1997	The *Income Tax Assessment Act 1997* (Cth).
Item	MBS Item ('Item') is an entry listed on the MBS detailing description of services, fee and benefit.
JobKeeper Payment	A wage subsidy provided by the Australian Government for businesses significantly impacted by COVID-19.
Joint Lead Managers	Merrill Lynch Equities (Australia) Limited and Goldman Sachs Australia Pty Ltd and Joint Lead Manager means any one of them.
LIS	Laboratory Information System.
Listing	The commencement of trading in Shares on the Official List of the ASX.
Listing Rules	The listing rules of ASX.
LTM	Last Twelve Months.
LTVR	Long-Term Variable Remuneration.
LTVR Plan	The Company's Long-Term Variable Remuneration plan.
Management Shareholders	A member of the management team of ACL who owns Shares as at the Prospectus Date and on and from Completion of the Offer, includes current and former members of the management team of SunDoctors who will own Shares.
Medicare	Australia's universal health insurance scheme.
Medicare Benefits Schedule or MBS	Listing of the Medicare services subsidised by the Australian Government.
MEP	Management Equity Plan.
MEP Shares	Has the meaning given in Section 6.6.1.1.
Minority Investors	Certain investors who, as at the Prospectus Date, hold shares in SunDoctors.
Mutual Recognition Regime	The mutual recognition regime established under subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 of New Zealand and Part 9 of the Financial Markets Conduct Regulations 2014 of New Zealand.
NATA	National Association of Testing Authorities, Australia.

Term	Meaning
Net Working Capital	Net working capital as defined in Section 4.2.5.3.
New Banking Facilities	Has the meaning given in Section 9.8.
New Shares	The new Shares to be issued by the Company under the Offer.
New Shareholders	Persons acquiring Shares under the Offer (excluding any Crescent Entities, Crescent Co-Investors, Management Shareholders and Minority Investors who acquire Shares under the Offer).
NIPT	Non-Invasive Prenatal Testing.
NPAT	Net Profit After Tax.
NZ Financial Markets Laws	The Financial Markets Conduct Act 2013 of New Zealand and the Financial Markets Conduct Regulations 2014 of New Zealand.
NZ FMCA	The Financial Markets Conduct Act 2013 of New Zealand.
NZFMA	The New Zealand Financial Markets Authority.
Offer	The offer under this Prospectus of ordinary shares in the Company and the sale of a proportion of the existing Shares in the Company by SaleCo.
Offer Costs	Costs incurred in undertaking and completing the Offer.
Offer Period	The period commencing from the opening date of the Offer and ending on the applicable Closing Date.
Offer Price	$4.00 per Share.
Official List	The official list of ASX.
Opening Date	The opening date for receipt of Application Forms under this Prospectus being Thursday, 6 May 2021.
Option	An option to acquire a Share.
Participants	A participant in the LTVR Plan.
Pathologist	A specialist medical doctor who has undertaken specific postgraduate training in pathology and is registered with the Royal College of Pathologists of Australasia.
PCR	Polymerase Chain Reaction.
Performance Rights	Has the meaning given in Section 6.5.
PMO	Project Management Office.
PPE	Property, plant and equipment.
Priority Employee Discount Offer	The offer to Eligible Priority Employees who have received a personalised invitation to apply for Shares at a discounted price of 85% of the Offer Price, as described in Section 7.5.

11. Glossary

Term	Meaning
Priority Offer	The component of the Offer under which investors who have received a personalised invitation are invited to apply for Shares, as described in Section 7.4.
Pro Forma Financial Information	The Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information.
Pro Forma Forecast Cash Flows	Pro Forma forecast cash flows for FY21F, LTM Dec-21F, H2 FY21F and H1 FY22F.
Pro Forma Forecast Financial Information	The Statutory Forecast Financial Information, Pro Forma Forecast Results, and the Pro Forma Forecast Cash Flows.
Pro Forma Forecast Results	Pro Forma forecast consolidated income statements for FY21F and LTM Dec-21F, as well as H2 FY21F and H1 FY22F.
Pro Forma Historical Cash Flows	Pro Forma historical consolidated cash flows for FY18, FY19 and FY20 and LTM Dec-20, as well as H1 FY20, H2 FY20 and H1 FY21.
Pro Forma Historical Financial Information	The Pro Forma Historical Results, Pro Forma Historical Cash Flows and Pro Forma Historical Statement of Financial Position.
Pro Forma Historical Results	Pro Forma historical consolidated income statements for FY18, FY19 and FY20 and LTM Dec-20, as well as H1 FY20, H2 FY20 and H1 FY21.
Pro Forma Historical Statement of Financial Position	Pro Forma historical consolidated statement of financial position as at 31 December 2020.
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document.
Prospectus Date	The date on which this Prospectus was lodged with ASIC, being 28 April 2021.
Purchase Deed	The share purchase deed in relation to the acquisition of the SunDoctors Shares.
Retail Offer	The Broker Firm Offer, the Priority Offer, the Priority Employee Discount Offer, the Employee Gift Offer and the Employee Offer, as described in Sections 7.3, 7.4, 7.5, 7.6 and 7.7.
Rights	A performance right and/or a share appreciation right issued under the LTVR Plan, as the context requires.
SaleCo	ACL SaleCo Limited (ACN 648 177 646).
SAR	Has the meaning given in Section 6.5.
Selling Shareholders	Holders of Existing Shares who will sell existing Shares through SaleCo.
Settlement	The settlement in respect of the Shares the subject of the Offer occurring under the Underwriting Agreement and associated settlement support arrangements.
Settlement Date	The date on which Settlement occurs.

Term	Meaning
Share	A fully paid ordinary share in the capital of the Company and, where the context permits, means the Shares the subject of the Offer.
Share Price	the volume weighted average share price at which the Company's shares were traded on the ASX over the ten (10) trading days prior to the date for which the calculation is made.
Share Registry	Link Market Services Limited (ACN 083 214 537).
Shareholders	The holders of Shares.
SJGHC	St John of God Health Care.
Sonic Healthcare	Sonic Healthcare Limited (ACN 004 196 909) (ASX:SHL).
SRN	Securityholder Reference Number.
Statutory Financial Information	The Statutory Historical Financial Information and the Statutory Forecast Financial Information.
Statutory Forecast Cash Flows	Statutory forecast consolidated cash flows for FY21F, H2 FY21F and H1 FY22F.
Statutory Forecast Financial Information	The Statutory Forecast Results and Statutory Forecast Cash Flows.
Statutory Forecast Results	Statutory forecast consolidated income statements for FY21F, LTM Dec-21F, H2 FY21F and H1 FY22F.
Statutory Historical Cash Flows	Statutory historical consolidated cash flows for FY18, FY19, FY20, H1 FY20, H2 FY20 and H1 FY21.
Statutory Historical Financial Information	The Statutory Historical Results, Statutory Historical Cash Flows and Statutory Historical Statement of Financial Position.
Statutory Historical Results	Statutory historical consolidated income statements for FY18, FY19, FY20, H1 FY20, H2 FY20 and H1 FY21.
Statutory Historical Statement of Financial Position	Statutory historical consolidated statement of financial position as at 31 December 2020.
STVR	Short-Term Variable Remuneration.
STVR Plan	The Company's Short-Term Variable Remuneration plan.
Successful Applicant	An Applicant who is issued or transferred Shares under the Offer.
SunDoctors	Southern Sun Clinics Pty Ltd (ACN 601 434 511).
SunDoctors Consideration Shares	Shares as consideration for the acquisition by ACL FinCo Pty Ltd of SunDoctors Shares.

Term	Meaning
SunDoctors Share	A fully paid ordinary share in the capital of SunDoctors.
Test	A pathology analysis of blood, tissue, cell or samples obtained by biopsy.
TSR	Total Shareholder Return.
U.S. Securities Act	U.S. Securities Act of 1933, as amended.
Underwriting Agreement	The underwriting agreement (as amended or supplemented) entered into between the Joint Lead Managers, the Company and SaleCo dated 28 April 2021.
US$	U.S. Dollars.

Corporate Directory

Company's Registered Office

Australian Clinical Labs Limited
1868-1892 Dandenong Road
Clayton VIC 3168

Joint Lead Managers

Merrill Lynch Equities (Australia) Limited
Level 34
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Goldman Sachs Australia Pty Ltd
Level 46
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Legal Adviser

Gilbert + Tobin
Level 35, Tower Two
200 Barangaroo Avenue
Barangaroo NSW 2000

Auditor

Pitcher Partners
Level 13
664 Collins Street
Docklands VIC 3008

Share Registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

Tax Adviser

Gilbert + Tobin
Level 35, Tower Two
200 Barangaroo Avenue
Barangaroo NSW 2000

Investigating Accountant

PricewaterhouseCoopers Securities Ltd
One International Towers Sydney Watermans Quay
Barangaroo NSW 2000

Offer Information Line

Between 8:30am and 5:30pm (Sydney time),
Monday to Friday (excluding public holidays)

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1800 882 147

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+61 1800 882 147

Offer Website

https://clinicallabs.com.au/offer