Acurity Health Group Limited
(formerly Wakefield Health Limited)

Target Company Statement

In response to Austron Limited's partial takeover offer for 50.01% of Acurity Health Group Limited

21 August 2012

This is an important document and requires your urgent attention. If you have any questions in respect of this document or the offer, you should seek advice from your financial or legal adviser.

Acurity
Health Group Limited

Contents

Chairman's letter

21 August 2012

Dear Acurity Health Group Limited shareholder

Austron Limited's Partial Takeover Offer for 50.01% of Acurity Health Group Limited

Introduction

On 9 August 2012, Austron Limited (**"Austron"**) sent you an offer to acquire 50.01% of the fully paid ordinary shares in Acurity Health Group Limited (formerly Wakefield Health Limited) (**"Acurity"**). Austron is owned by the two major shareholders in Acurity; namely Royston Hospital Trust Board (**"Royston"**) and Medusa Limited (**"Medusa"**), who each hold 19.99% of Acurity's shares. Completion of the offer will mean that Austron, controlled by Royston and Medusa, will hold the majority of Acurity's shares.

This letter forms part of Acurity's Target Company Statement in response to Austron's offer. The Target Company Statement is required by the Takeovers Code and includes your Directors' recommendation with respect to the offer, as well as an Independent Adviser's Report, prepared by the Independent Adviser, KordaMentha. You should read the Target Company Statement, including the Independent Adviser's Report, carefully and in full when considering whether to accept the offer.

Committee of Independent Directors

After receipt of Austron's takeover notice, your Board formed a Committee of Independent Directors (Directors not associated with Austron) to consider the offer, and to oversee preparation of this Target Company Statement.

The Committee sought advice from Cameron Partners Limited, as financial adviser, and Harmos Horton Lusk Limited as legal adviser.

Unanimous recommendation

The Committee of Independent Directors notes that the offer price is materially below the Independent Adviser's view of Acurity's value and unanimously recommends that you **SHOULD NOT** accept the offer, unless you have a short term objective to realise the certainty of some cash now.

You should, when deciding whether to accept the offer, consider your own individual circumstances, views on value and the merits of the offer and investment time horizons, and you are encouraged to take financial advice.

The offer

Acurity did not encourage or solicit, and had no prior notice of Austron's intention to make, the offer.

Medusa and Royston have been major shareholders, with Board representation, for some time and are well placed to form their own view of Acurity's future prospects. The Independent Directors do not view the offer as hostile and see it as indicative of Medusa and Royston's confidence in the prospects for Acurity.

Key features of the offer

The key features of the offer are as follows:

1. The offer is a partial offer to acquire 50.01% of the fully paid ordinary shares in Acurity at a price of **$6.00** per Acurity share. The Independent Adviser's assessed value range is **$6.92** to **$7.88** per share.
2. The offer was sent to shareholders on 9 August 2012 and will close at midnight on 6 September 2012.
3. Austron had, as at 14 August 2012, received acceptances in respect of 44.98% of Acurity's shares, including acceptances from Royston and Medusa for all of their respective Acurity shares and an acceptance on behalf of AMP Capital Investors (New Zealand) Limited (**"AMP"**) (which has an interest in 15.71% of Acurity's shares) for 862,998 shares controlled by AMP. AMP has agreed that it will also procure acceptances for any additional shares required to ensure that the offer is successful.
4. In light of AMP's agreement referred to above, the offer will succeed regardless of the number of acceptances received from other shareholders, unless the offer is withdrawn (which Austron cannot do without the approval of the Takeovers Panel) or the offer conditions are not satisfied. If the offer is withdrawn or the conditions are not satisfied, no shares will be acquired by Austron.
5. On completion of the offer, Austron and its shareholders will control at least 50.01% of Acurity's shares and have the power to determine the composition of the Board and the strategic direction of Acurity.

Mechanics of the partial offer

Under the terms of the offer, you can accept the offer for some or all of your shares.

If you accept the offer for **up to 50.01%** of your shares (fractions of shares will be rounded up), you will be guaranteed to have such shares acquired at completion of the offer. If you accept the offer for more than 50.01% of your shares, you may be subject to scaling down (a worked example is included in Appendix A of this Target Company Statement). The extent to which your additional shares are acquired will depend on the level of acceptances by other shareholders.

Royston, Medusa and AMP will be subject to scaling down on the same basis as all other shareholders, if Austron receives acceptances for more than its 50.01% target.

Outcome of the partial offer

As explained above, on completion of the offer, Austron will achieve its 50.01% ownership target. However, what cannot be determined until completion of the offer is how many shares will be retained by Royston and Medusa (and, therefore, the combined holdings of Austron, Royston and Medusa together) and how many shares will remain in the hands of other shareholders. In broad terms, the greater the level of acceptance by shareholders other than Royston and Medusa, the greater the level of shareholding in Acurity that will be controlled by Austron and its associates after the offer closes.

Acurity will, however, remain a listed company on the New Zealand Stock Exchange following completion of the offer. Accordingly, the Takeovers Code and the provisions of the Listing Rules (including restrictions on transactions with related parties (including Austron), limitations on the issue of new shares and the requirement for Independent Directors) will continue to provide a measure of protection for minority shareholders and a degree of alignment between the interests of Austron (and its associates) and other shareholders.

Assessment of the offer

In assessing the offer and formulating its recommendation, the Committee of Independent Directors took into account a range of factors, including the matters addressed in this letter, matters set out on page 3 of this Target Company Statement under the heading "Assessment of the Offer" and the merits of the offer discussed by the Independent Adviser in the Independent Adviser's Report.

Acceptance and timing

If you wish to accept the offer, use the acceptance form that accompanied Austron's Offer Document (and carefully follow the instructions on that form). If you decide not to accept the offer, you do not need to take any further action.

If you are considering accepting the offer, please be aware that there is no advantage in accepting the offer early, as the offer must remain open until 6 September 2012, acceptances are irrevocable, and shareholdings for scaling purposes will be assessed as at midnight on the closing date (and not, for example, on the date of acceptance). In addition, it is possible that new information relevant to the offer (such as if a possible competing transaction eventuates) may arise after the date of this Target Company Statement. Accordingly, the Committee of Independent Directors suggests that shareholders who are considering accepting the offer should do so towards the end of the offer period.

Conclusion

The Committee of Independent Directors will, as appropriate, advise shareholders of new information or changes in circumstances that it considers to be relevant to the offer.

On behalf of the Committee and the Board, I thank you for your support of Acurity.

Yours faithfully
Acurity Health Group Limited
(formerly Wakefield Health Limited)

Alan Isaac
Chairman of the Board and of the Committee of Independent Directors

Assessment of the Offer

Offer price and value

The offer price is **$6.00** per share.

Although this represents a 25% premium to Acurity's closing share price of $4.80 per share on 24 July 2012 (the day prior to the day on which Austron gave notice of its offer), it is **materially below** the Independent Adviser's assessed value range of **$6.92** to **$7.88** per share (with a mid-point of $7.40 per share).

The Independent Directors also assess the value of Acurity to be above $6.00 per share and believe Acurity has excellent medium to long term prospects.

However, the Committee of Independent Directors highlights that the value of Acurity is particularly sensitive to assumptions in relation to:

- Projected hospital admissions
- Ability to maintain and increase current pricing levels
- Volume and pricing of procedures funded by the Accident Compensation Corporation and District Health Boards
- The investment capital required to redevelop the Wakefield Hospital campus
- Attracting and retaining medical specialists to utilise Acurity's facilities

Austron has stated that it does not currently have any plans to change the business or Board of Directors of Acurity.

The future strategy pursued by Acurity when the Board is controlled by Austron will be a key influencer of Acurity's value. At this point, the Independent Directors are unable to assess the impact on the value and risk profile of Acurity of any potential changes to the Acurity business. The value may increase or decrease, and the risk profile of the business could also increase or decrease.

Liquidity and historical share price

Historically, Acurity has had low volumes of trading of Acurity shares (share trading liquidity; meaning the ability to buy and sell shares in Acurity).

On completion of the offer, liquidity in the trading of Acurity shares may decline as a result of Austron and its shareholders owning a larger percentage of the company, thus reducing the number of shares available for buying and selling.

The offer represents an opportunity to sell shares in Acurity at a price per share above recent historical levels on the NZSX. The Independent Adviser states that this factor is "the key benefit of the offer".

The offer price of $6.00 per Acurity share represents a premium of:

- 27% above the three month volume weighted average price ("**VWAP**") per Acurity share prior to 24 July 2012
- 28% above the six month VWAP per Acurity share prior to 24 July 2012
- 26% above the 12 month VWAP per Acurity share prior to 24 July 2012

Although the offer provides the certainty of cash now at a level above the recent historical market price for Acurity shares, the offer price is materially below the Independent Adviser's view of Acurity's underlying value.

Further, as the offer is a partial offer, shareholders will only receive the premium (relative to historical trading levels) on the portion of the shares that they are able to sell to Austron, and not on their entire shareholding.

Post offer share price

Prior to Austron giving notice of its intention to make the offer, the Acurity share price traded in a range of $4.40 to $5.30 per share during the previous 12 months. There is a risk that the share price, after the offer completes, may retreat to levels more closely in line with that historical range (see section 2.8 of the Independent Adviser's report).

However, support for a share price at the offer level of $6.00 per share, or higher, may be achieved as a result of a stronger outlook for the financial performance of the business or belief that a subsequent offer for 100% of the shares in Acurity may be made.

Unlikely to be competing offers

As at the date of this Target Company Statement, no other competing offers have been made and the Independent Directors are unaware of any competing offers that may be launched.

However, prior to Austron giving notice of its intention to make the offer, Acurity received an unsolicited approach from a party with existing hospital interests wishing to explore the potential for a transaction involving all of Acurity's shares. The interest in exploring a transaction was restated after the date of the takeover notice. The approach was informal and very preliminary, with no discussion of firm pricing or terms.

Given the acceptances from Royston and Medusa and AMP's agreement to accept, Austron will achieve its 50.01% acceptance target, and no competing offer can succeed until Austron's offer is concluded. For these reasons, the Independent Directors have not actively sought competing offers, and do not consider that they have a shareholder mandate to do so. The Independent Directors note that, while there has been significant publicity regarding the offer as a result of the Takeovers Code process, Acurity has not to date received any new expressions of interest. It is unlikely that another offer for the shares in Acurity will be made until after the current offer completes.

Control of Acurity will change

On completion of the offer, Austron will have effective control over Acurity. From that point, no change of control transaction (such as a full takeover offer by a third party) can be successful unless that transaction is supported by Austron.

Frequently asked questions

Who is behind the offer?

The company making the offer for your shares in Acurity Health Group Limited is Austron Limited.

Austron is jointly owned by Acurity's two largest shareholders, Medusa Limited and Royston Hospital Trust Board.

Two of Austron's Directors, Ms Jacqueline Gray and Mr Warwick Webb, are also Directors of Acurity.

Was Acurity aware that an offer was going to be made?

No. Acurity did not encourage the making of the offer and was not aware that Medusa and Royston proposed to make the offer.

However, Acurity sees the offer as a sign of confidence in the future of the company. Austron has stated that it has no present intention to make any material changes to the business of Acurity.

What is the offer price?

The offer price is **$6.00** per share.

How does the offer price compare to Acurity's share price?

The offer price of **$6.00** per share represents a 25% premium to Acurity's closing share price of $4.80 per share on 24 July 2012 (the date prior to the day on which Austron gave notice of its intention to make the offer).

As at market close on 14 August 2012, Acurity's share price on the NZSX was $5.70 per share. This is below the offer price, which may reflect the fact that the offer is a partial offer – under which shareholders who wish to accept the offer for more than 50.01% of their shareholdings may have their acceptances above this level scaled down – and are therefore not guaranteed of being able to dispose of that additional number of shares at the offer price.

What will happen to the market for Acurity shares following completion of the offer?

The current share price may be enjoying "price support" provided by the offer. It is, therefore, possible that Acurity's share price on the NZSX may fall below this level after the offer is completed.

However, support for a share price at the offer level of **$6.00** per share, or higher, may be achieved as a result of a stronger outlook for the financial performance of the business or belief that a subsequent offer for 100% of the shares in Acurity may be made.

Completion of the offer may reduce the availability of shares for sale in the market for Acurity shares, which could affect your ability to buy and sell shares (share trading liquidity); particularly your ability to sell your shares on market at short notice at a price that you consider acceptable.

How does the offer price compare to the Independent Adviser's view of value?

The Independent Adviser appointed by Acurity to prepare a report on the merits of the offer has assessed the value of Acurity's shares in the range of **$6.92** to **$7.88** per share.

Accordingly, the offer price is **below** the assessed value range.

What is the Board's recommendation?

The Board has formed a Committee of Independent Directors to consider and respond to the offer.

The Committee's recommendation and the reasons for it are set out in the Chairman's Letter at the front of this Target Company Statement (and also the section "Assessment of the Offer").

Do the Acurity Directors and Senior Officers intend to accept the offer?

As set out in Schedule One of this Target Company Statement, Acurity Directors James Tyler and Brian Martin, and Acurity Chief Executive Officer Andrew Blair, hold Acurity shares (on the basis set out in that Schedule).

Those Directors and the Chief Executive Officer have advised Acurity that they have decided to not accept the offer.

If I accept the offer, can I withdraw my acceptance?

No. Acceptances, once given, are irrevocable and cannot be withdrawn unless the offer lapses or Austron fails to pay you for your shares within the timeframe required by the Takeovers Code.

When will I be paid if I accept?

Austron's offer states that it will pay you no later than seven days after the latest of:

- the date on which the offer becomes unconditional;
- the date on which your acceptance is received; and
- 6 September 2012.

How long will the offer be open?

The offer must remain open until 6 September 2012. Austron has stated that it will not extend the offer.

Can I sell all of my shares to Austron under the offer?

The offer is a partial takeover offer. That means that Austron is only offering to purchase 50.01% of the shares in Acurity.

If Austron receives acceptances for more than its target of 50.01% of the Acurity shares, acceptances will be scaled down. Accordingly, you will be unlikely to be able to sell all of your shares to Austron.

For an explanation of how scaling works, see the answer to the question "How does scaling work?". See also answers to the questions "If I accept the offer for no more than 50.01% of my shares, will I be subject to scaling?" and "How many shares will Austron purchase from me if I accept the offer for more than 50.01% of my shares? ".

How does scaling work?

Scaling involves two steps.

First, Austron will take up the lesser of:

- 50.01% of all the shares held by each accepting shareholder; or
- the full number of shares for which a shareholder accepted the offer, where that number is equal to or less than 50.01% of the shareholder's total shareholding.

Second, if necessary to achieve its 50.01% target, Austron will then acquire further shares from those shareholders who accept the offer for more than 50.01% of their shareholdings, calculated on a proportional basis to the total excess acceptances.

A worked example of the scaling mechanism is set out in Appendix A of this Target Company Statement.

When is my shareholding assessed for the purposes of scaling?

Your shareholding is assessed for the purposes of scaling as at midnight on the closing date of the offer (and not, for example, on the date of the offer or the date of your acceptance).

If I accept the offer for no more than 50.01% of my shares, will I be subject to scaling?

No. You can accept the offer for up to 50.01% of your shares without being subject to scaling. For example, if you hold 1,000 shares, you may accept the offer for 501 shares (fractions of a share are rounded up) or less without your acceptance being scaled down.

How many shares will Austron purchase from me if I accept the offer for more than 50.01% of my shares?

If you accept the offer for more than 50.01% of your holding of Acurity shares, at completion of the offer Austron must purchase at least 50.01% of your shares. Whether, and the extent to which, Austron purchases further shares from you will depend on the total number of acceptances that Austron receives (see the answer to the question "How does scaling work?").

Is Austron assured that it will achieve the 50.01% ownership target?

Yes. Austron had, as at 14 August 2012, received acceptances in respect of 44.98% of Acurity's shares, including acceptances from Medusa and Royston (which each hold 19.99% of Acurity's shares) for all of their respective shareholdings and on behalf of AMP Capital Investors (New Zealand) Limited (which has an interest in 15.71% of Acurity's shares) for 862,998 Acurity shares. AMP has also agreed to procure acceptances of the offer for sufficient additional shares to ensure that Austron achieves its 50.01% target.

The offer is, however, conditional on certain matters set out in the Offer Document. Austron may withdraw the offer if one or more of these conditions are not satisfied. You should by now have received a copy of the Offer Document from Austron. If you have not received, or have misplaced, your Offer Document, please request a copy from Link Market Services by calling (09) 375 5998.

How does my acceptance influence the aggregate shareholdings of the persons associated with Austron?

Medusa and Royston will be subject to the scaling summarised above if total acceptances are received for more than 50.01% of the company, as they have accepted the offer for all (and not just 50.01%) of their respective shareholdings.

This means that your acceptance is likely to reduce the number of shares that Medusa and Royston will be able to sell to Austron under the offer and, therefore, increase the number of shares that Medusa and Royston will continue to hold directly. This, in turn, increases the number of shares that will be controlled by Austron, Medusa and Royston together, if the offer is completed.

Set out below is a table which illustrates the aggregate holdings of Austron, Medusa and Royston at different levels of acceptance by minority shareholders (i.e. the Acurity shareholders other than Medusa, Royston and AMP).

Shareholder	No acceptances of the offer are received from minority shareholders	All minority shareholders accept the offer for 50.01% of their shareholdings in Acurity*	All minority shareholders accept the offer for 100% of their shareholdings in Acurity*
Austron	50.01%	50.01%	50.01%
Royston	0.00%	8.56%	9.32%
Medusa	0.00%	8.56%	9.32%
Aggregate holding of Austron, Royston and Medusa	**50.01%**	**67.14%**	**68.64%**

* Assumes AMP procures acceptance of the offer for only 862,998 shares.

Will the offer have implications for future control transactions?

Yes. On completion of the offer, Austron will become the owner of 50.01% of the shares in Acurity and will be able to pass an ordinary resolution without reference to other shareholders. Austron will have control over Acurity.

In addition, Austron's shareholders, Medusa and Royston, may continue to hold shares directly (due to the operation of the scaling rules). This would result in Austron together with its shareholders having an aggregate shareholding in excess of Austron's direct shareholding – as illustrated in the table set out above under the heading "How does my acceptance influence the aggregate shareholdings of the persons associated with Austron?".

As Acurity's majority shareholder, Austron will determine the future control of Acurity. No change of control transaction (such as a full takeover offer by a third party) can be successful unless that transaction is supported by Austron.

Will Acurity remain listed?

Yes. As the offer is a partial offer, the offer will not result in Acurity being de-listed.

As a consequence, shareholders who choose to retain shares will continue to enjoy the shareholder protections afforded by the Takeovers Code and NZSX Listing Rules (including restrictions on Acurity entering into transactions with related parties (such as Austron), limitations on the issue of new shares and the requirement for Independent Directors).

Will imputation credits be lost as a result of the offer?

A minimum ownership continuity of 66% is required for imputation credits to be carried forward. Acurity has taken advice from its taxation advisors on this matter. This advice has confirmed that the transfer of Acurity shares by Medusa and Royston to Austron will not be a change in ownership for the purposes of assessing shareholding continuity as the ultimate beneficial owner is unchanged. The extent of ongoing ownership continuity will therefore be dependent on the extent to which shareholders other than Medusa and Royston accept the offer. Assuming that AMP procures acceptance of the offer in respect of no more than 862,998 Acurity shares, even if all other shareholders accept in respect of 100% of their Acurity shares, Acurity does not expect that the offer itself would result in a breach of ownership continuity for imputation credit purposes.

However, in combination with shareholding changes that occurred in prior periods, it is possible that a continuity breach could occur in respect of imputation credits earned prior to 1 June 2009. This would only occur in the event that acceptances from shareholders other than Medusa, Royston and AMP exceed 85% of the total number of shares held by shareholders other than Medusa, Royston and AMP. In such an event, up to $4.7 million of Acurity's imputation credit balance would be at risk.

While no breach of continuity is expected to arise from the offer unless there are very high levels of acceptances, the risk of continuity breaches being triggered in the future by further changes in shareholding will be increased on completion of the offer.

Target Company Statement (Takeovers Code disclosures)

This Target Company Statement has been prepared by Acurity Health Group Limited (formerly Wakefield Health Limited) (“**Acurity**”) pursuant to Rule 46 and Schedule 2 of the Takeovers Code in relation to a partial takeover offer made by Austron Limited (“**Austron**”).

1 Date

1.1 This Target Company Statement (“**Statement**”) is dated 21 August 2012.

2 Offer

2.1 This Statement relates to a partial takeover offer by Austron, a company owned by Acurity’s two major shareholders, Royston Hospital Trust Board (“**Royston**”) and Medusa Limited (“**Medusa**”), to purchase 50.01% of the fully paid ordinary shares (“**Shares**” or “**Acurity Shares**”) in Acurity, for a cash purchase price of $6.00 per Acurity Share (the “**Offer**”).

2.2 The terms of the Offer are set out in the Offer Document dated 7 August 2012 which was sent by Austron to Acurity Shareholders on 9 August 2012 (“**Offer Document**”).

3 Target company

3.1 The name of the target company is Acurity Health Group Limited (formerly Wakefield Health Limited).

4 Directors of Acurity

4.1 The names of the Directors of Acurity are as follows:

(a) Alan Raymond Isaac (Chairman and Independent Director);

(b) Richard Gordon Maxwell Christie (Independent Director);

(c) James Geoffrey Horne (Independent Director);

(d) Brian Joseph Martin (Independent Director);

(e) James Rowland Tyler (Independent Director);

(f) Jacqueline Antoinette Christina Gray (Director);

(g) Warwick Graham Webb (Director);

(h) Ronald David Hall (Alternate Director for Jacqueline Gray); and

(i) Mark James Stewart (Alternate Director for Warwick Webb).

5 Ownership of Acurity Shares

5.1 The number and the percentage of any Acurity Shares held or controlled by the Directors and Senior Officers of Acurity, and their associates, is set out in Schedule One of this Statement. For the purposes of this Statement, Acurity’s Board has determined that the Senior Officers of Acurity are:

(a) Graeme Andrew Blair (Chief Executive Officer);

(b) Bevan Keith Miller (Chief Financial Officer); and

(c) Gregory Brian Clarke (Chief Operating Officer).

5.2 Except as set out in Schedule One of this Statement, no Director or Senior Officer of Acurity, or their associates, holds or controls any Acurity Shares.

5.3 The number and the percentage of Acurity Shares held or controlled by any person known by Acurity to hold or control 5% or more of the Acurity Shares is set out in Schedule Two.

5.4 The number of Acurity Shares that Directors or Senior Officers of Acurity, or their associates, have, in the two year period ending on the date of this Statement:

(a) been issued; or

(b) obtained a beneficial interest in under any Acurity employee share scheme or other remuneration arrangement,

and the price at which those Acurity Shares were issued or provided, is set out in Schedule Three of this Statement.

5.5 Except as set out in Schedule Three of this Statement, no Director or Senior Officer of Acurity, or their associates, have, in the two year period ending on the date of this Statement:

(a) been issued with any Acurity Shares; or

(b) obtained a beneficial interest in any Acurity Shares under any Acurity employee share scheme or other remuneration arrangement.

6 Trading in Acurity Shares

6.1 No Director or Senior Officer of Acurity, nor their associates, has during the six month period before the latest practicable date before the date of this Statement, being 14 August 2012, acquired or disposed of Acurity Shares.

6.2 The number of Acurity Shares, the consideration per Acurity Share and the date of acquisition or disposal of Acurity Shares by persons known by Acurity to hold or control 5% or more of the Acurity Shares during the six month period before the latest practicable date before the date of this Statement, being 14 August 2012, is set out in Schedule Four of this Statement.

7 Acceptance of Offer

7.1 The name of every Director or Senior Officer of Acurity, or their associates, who has accepted or intends to accept the Offer, and the number of Acurity Shares for which that person has accepted, or intends to accept, the Offer is set out in the following table:

Person who has accepted or intends to accept the Offer	Relevant relationship	Acurity Shares subject to an agreement to accept	Description
Royston	Associate of a Director (Jacqueline Gray)[1] Associate of an Alternate Director (Ronald Hall)[2]	3,450,266	On 24 July 2012, Royston and Medusa entered into a Joint Venture Agreement pursuant to which Royston and Medusa agreed to procure Austron to make the Offer. On 24 July 2012, Royston, Medusa and Austron entered into a Tripartite Lock-up Agreement pursuant to which, amongst other things, Royston agreed to accept the Offer in respect of all of the Acurity Shares held by Royston. Royston performed this obligation and accepted the Offer for all of its Acurity Shares on 13 August 2012.
Medusa	Associate of a Director (Warwick Webb)[3] Associate of an Alternate Director (Mark Stewart)[4]	3,450,266	On 24 July 2012, Medusa and Royston entered into a Joint Venture Agreement pursuant to which Medusa and Royston agreed to procure Austron to make the Offer. On 24 July 2012, Medusa, Royston and Austron entered into a Tripartite Lock-up Agreement pursuant to which, amongst other things, Medusa agreed to accept the Offer in respect of all of the Acurity Shares held by Medusa. Medusa performed this obligation and accepted the Offer for all of its Acurity Shares on 13 August 2012.

7.2 As set out in Schedule One, Directors James Tyler and Brian Martin, and Chief Executive Andrew Blair, hold Acurity Shares (on the basis set out in that Schedule). Each of Messrs Tyler, Martin and Blair have decided to not accept the Offer.

7.3 On 24 July 2012, AMP Capital Investors (New Zealand) Limited ("**AMP**") entered into a Bilateral Lock-up Agreement pursuant to which AMP agreed to accept the Offer in respect of 862,998 Acurity Shares controlled by AMP and such additional number of Acurity Shares (if any) which is required to be accepted by AMP in order to ensure that the minimum acceptance condition of 50.01% contained in the Offer is satisfied. On 10 August 2012, AMP procured acceptance of the Offer for 862,998 Acurity Shares.

7.4 The Lock-up Agreements referred to in paragraphs 7.1 and 7.3 above are summarised in paragraphs 11.9 and 11.10 of Austron's Offer Document.

8 Ownership of equity securities of Austron

8.1 Acurity does not hold or control any class of equity security of Austron ("**Austron Shares**").

8.2 The number, percentage and designation of Austron Shares held or controlled by Directors or Senior Officers of Acurity, or their associates, is set out in the following table:

1 Jacqueline Gray, a Director of Acurity, is the Chair of the Board of Trustees of Royston. Accordingly, Royston is an associate of Ms Gray for the purposes of the Takeovers Code. Ms Gray may also be associated with Medusa (see footnote 22).

2 Ronald Hall, who has been appointed by Jacqueline Gray as Ms Gray's Alternate Director in respect of Acurity's Board, is a member of the Board of Trustees of Royston. Accordingly, Royston is an associate of Mr Hall for the purposes of the Takeovers Code. Mr Hall may also be associated with Medusa (see footnote 23).

3 Warwick Webb, a Director of Acurity, is a shareholder in Masthead Holdings Limited, an indirect holding company of Medusa. In addition, Branford Management Limited, a company of which Mr Webb is a Director and joint shareholder, has entered into a consulting arrangement with Masthead Limited (an indirect holding company of Medusa). Accordingly, Medusa is an associate of Mr Webb for the purposes of the Takeovers Code. Mr Webb is also associated with Royston (see footnote 20).

4 Mark Stewart, who has been appointed by Warwick Webb as Mr Webb's Alternate Director in respect of Acurity's Board, is the sole Director of Medusa and is a Director of Medusa's direct and indirect holding companies (Anaconda Limited, Masthead Portfolios Limited, Masthead Holdings Limited and Masthead Limited). Mr Stewart is also a shareholder in Masthead Holdings Limited, an indirect holding company of Medusa and in Masthead Holdings Limited's holding company, Masthead Limited. Accordingly, Medusa is an associate of Mr Stewart for the purposes of the Takeovers Code. Mr Stewart is also associated with Royston (see footnote 21).

Holder of Austron Shares	Relevant relationship	Number and designation of Austron Shares held	Percentage of Austron Shares held
Royston	Associate of a Director (Jacqueline Gray)[5] Associate of an Alternate Director (Ronald Hall)[6]	100 Austron Shares (held jointly with Medusa)	100% (held jointly with Medusa)
Medusa	Associate of a Director (Warwick Webb)[7] Associate of an Alternate Director (Mark Stewart)[8]	100 Austron Shares (held jointly with Royston)	100% (held jointly with Royston)

8.3 As at the date of the Offer, Royston and Medusa were the joint holders of all of the issued share capital in Austron (being 100 shares). Pursuant to a Joint Venture Agreement entered into between Medusa and Royston on 24 July 2012, Medusa and Royston have agreed that once the amount of funds required to be paid to accepting Acurity Shareholders (other than Royston and Medusa) is known (the "**Relevant Date**"), each of Royston and Medusa will be transferred sole ownership of a percentage of the shares in Austron.

8.4 The respective percentages of shares in Austron will be calculated by reference to the amount of funds advanced by each of Royston and Medusa to Austron to be used to pay the consideration payable under the Offer. Each of Royston and Medusa has agreed to advance to Austron an amount equal to the amount required to pay for the Acurity Shares taken up by Austron from it under the Offer. Medusa has also agreed to advance further funds to Austron to contribute to the funds required to pay for the Acurity Shares taken up by Austron from accepting Acurity Shareholders (other than Royston and Medusa) and/or to fund certain offer-related expenses of Austron. The amount of that further advance by Medusa depends on the number of Acurity shares for which Austron receives acceptances from accepting Acurity Shareholders (other than Royston and Medusa). Accordingly, on the Relevant Date, Medusa's shareholding in Austron will be greater than 50% and Royston's shareholding in Austron will be less than 50%.

8.5 Notwithstanding that Medusa and Royston will not hold an equal number of shares in Austron, Medusa and Royston will have equal control of Austron at a board and shareholder level.[9]

9 Trading in equity securities of Austron

9.1 Acurity has neither acquired nor disposed of any Austron Shares during the six month period before the latest practicable date before the date of this Statement, being 14 August 2012.

9.2 The number of Austron Shares, the consideration per Austron Share and the date of acquisition or disposal of Austron Shares by Directors or Senior Officers of Acurity, or any of their associates, during the six month period before the latest practicable date before the date of this Statement, being 14 August 2012, is set out in the following table:

Holder of Austron Shares	Relevant relationship	Number and designation of Austron Shares held	Date of acquisition or disposal	Consideration per Austron Share acquired or disposed of
Royston	Associate of a Director (Jacqueline Gray)[10] Associate of an Alternate Director (Ronald Hall)[11]	100 ordinary shares in Austron (held jointly with Medusa)	24 July 2012	Nil
Medusa	Associate of a Director (Warwick Webb)[12] Associate of an Alternate Director (Mark Stewart)[13]	100 ordinary shares in Austron (held jointly with Royston)	24 July 2012	Nil

5 Refer to footnote 1.
6 Refer to footnote 2.
7 Refer to footnote 3.
8 Refer to footnote 4.
9 The description of the joint venture arrangements in paragraphs 8.3, 8.4 and 8.5 is taken from Austron's summary of those arrangements set out in paragraphs 11.4, 11.5 and 11.6 of Austron's Offer Document. Acurity has assumed that Austron's summary is accurate and complete.
10 Refer to footnote 1.
11 Refer to footnote 2.
12 Refer to footnote 3.
13 Refer to footnote 4.

10 Arrangements between Austron and Acurity

10.1 After giving its Takeover Notice on 25 July 2012, Austron agreed certain accommodations in respect of the conditions of the Offer, as follows:

(a) Austron agreed to amend the condition in paragraph 6.2(f) of the Offer Document to include the exception "other than any shareholding arrangements to which Austron, or an associate of Austron, is a party";

(b) Austron agreed to amend the condition in paragraph 6.2(n) of the Offer Document to include the exception "other than any proceedings brought by Austron, or an associate of Austron";

(c) Austron confirmed an intention to consent, for the purposes of the condition in paragraph 6.2(e) of the Offer Document, to the increase in the level of remuneration available to be paid to Directors, as approved by Acurity Shareholders at the Acurity annual meeting on 3 August 2012.

10.2 On 31 July 2012, Acurity wrote to Austron to seek information to assist it to prepare this Statement. In its response of 6 August 2012, Austron confirmed, amongst other things, that:

(a) Austron has no present intention to make any material changes to Acurity's business; and

(b) Austron has no present intention to make any changes to the composition of Acurity's Board of Directors.

10.3 On 6 August 2012, Austron requested that Acurity agree, for the purposes of rule 44(1)(b)(ii) of the Takeovers Code, to certain amendments to the terms of the Offer to address a number of minor or consequential matters, including to reflect the change of Acurity's name (as Austron's Takeover Notice was given when Acurity was called Wakefield Health Limited). Acurity approved the requested amendments.

10.4 As at the date of this Statement, except as set out in paragraphs 10.1 to 10.3, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Austron or any of its associates and Acurity or any related company of Acurity, in connection with, in anticipation of, or in response to, the Offer.

11 Relationship between Austron, and Directors and Senior Officers of Acurity

Arrangements

11.1 There are no agreements or arrangements (whether legally enforceable or not) that have been made, or are proposed to be made, between Austron, or its associates, and any of the Directors or Senior Officers of Acurity, or of any related company of Acurity in connection with, in anticipation of, or in response to, the Offer.

Relationship with Austron

11.2 Jacqueline Gray, who is a Director of Acurity, is also a Director of Austron and a Trustee on the Board of Trustees of Royston.[14]

11.3 Ronald Hall, who is an Alternate Director of Acurity, is also a Trustee on the Board of Trustees of Royston.

11.4 Warwick Webb, who is a Director of Acurity, is also a Director of Austron and its related company, Proteus Group Holdings Limited.[15]

11.5 Mark Stewart, being an Alternate Director of Acurity, is also a Director of Austron and is:[16]

(a) the sole Director of the following related companies of Austron:

(i) Medusa;

(ii) Anaconda Limited, the sole shareholder of Medusa;

(iii) Masthead Portfolios Limited, the 97.5% shareholder of Anaconda Limited;

(iv) Masthead Holdings Limited, the sole shareholder of Masthead Portfolios Limited;

(v) Masthead Limited, the 90.5% shareholder of Masthead Holdings Limited;

(vi) Windwhistle Holdings Limited;

(vii) Masthead Services Limited;

(viii) Forwood Forestry Limited;

(ix) Andos Holdings Limited;

(x) Masthead Investments Limited;

(xi) Woodbent Hill Limited;

(xii) Calibre Taxidermy Limited;

(xiii) Laindon Limited;

(xiv) Masthead Management Limited; and

(xv) Python Portfolios Limited,

(b) a Director of the following related companies of Austron:

(i) Southern Excursions Limited;

(ii) Proteus Group Holdings Limited;

(iii) Stravon Safaris Limited; and

(iv) Hororata Pie Company Limited.

11.6 Except as set out in paragraphs 11.2 to 11.5 above, none of the Directors or Senior Officers of Acurity are also Directors or Senior Officers of Austron, or any related company of Austron.

12 Agreement between Acurity, and Directors and Officers of Acurity

12.1 No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Acurity, or any related company of Acurity, and any of the Directors or Senior Officers of Acurity, or their associates, or its related companies, under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Offer.

13 Interests of Directors and Officers of Acurity in contracts of Austron (or a related company of Austron)

13.1 The names of the Directors or Senior Officers of Acurity, or their associates, that have an interest in any contract to which Austron, or a related company of Austron, is a party, and the nature, extent and monetary value of that interest, is set out in Schedule Five.

13.2 Except as set out in Schedule Five, no Director or Senior Officer of Acurity, nor their associates, has an interest in any contract to which Austron, or any related company of Austron, is a party.

14 Royston may be a related company of Austron as it, together with Medusa, is the joint sole shareholder of Austron. As referred to in paragraph 8.4, following completion of the Offer, the shares in Austron will be transferred to the sole ownership of each of Royston and Medusa. As Royston's shareholding will then be less than 50%, Austron will cease to be a subsidiary of Royston.
15 This information was provided by or on behalf of Warwick Webb in response to a questionnaire circulated by Acurity after receipt of Austron's Takeover Notice.
16 This information was provided by or on behalf of Mark Stewart in response to a questionnaire circulated by Acurity after receipt of Austron's Takeover Notice.

13A Interests of Acurity's substantial security holders in material contracts of Austron (or a related company of Austron)

13A.1 The persons, who, to the knowledge of the Directors or the Senior Officers of Acurity, hold or control 5% or more of Acurity's Shares and who have an interest in any material contract to which Austron, or any related company of Austron, is a party, and the nature, extent and monetary value of that interest, are set out in Schedule Five or are set out below.

Party to the material contract to which Austron or a related company of Austron is a party	Particulars of the nature and extent of the interest	Monetary value of the interest (if quantifiable)
AMP	On 24 July 2012, Austron and AMP entered into a Bilateral Lock-Up Agreement whereby AMP agreed to procure the acceptance of the Offer in respect of 862,998 Acurity Shares controlled by AMP and such additional number of Acurity Shares (if any) which is required to be accepted by AMP in order to ensure that minimum acceptance condition of 50.01% contained in the Offer is satisfied.	Were AMP to procure acceptance of the Offer only in respect of the 862,998 Acurity Shares controlled by AMP, then the monetary value of the acceptance of the Offer to AMP would be $5,177,988. The monetary value for each additional Acurity Share for which AMP procures acceptance of the Offer is $6.00.

13A.2 Except as set out in Schedule Five or paragraph 13A.1 above, no person, who, to the knowledge of the Directors or the Senior Officers of Acurity, holds or controls 5% or more of Acurity Shares, has an interest in any material contract to which Austron, or any related company of Austron, is a party.

14 Additional information

14.1 In the opinion of the Directors of Acurity, there is no additional information, within the knowledge of the Directors of Acurity, which is required to ensure that information in the Offer Document is correct or not misleading.

15 Recommendation

Committee of Independent Directors

15.1 The Acurity Board formed a Committee of Independent Directors (the Directors not associated with Austron) to consider, and oversee the response to, the Offer. The members of the Committee are Alan Isaac (Chairman), Rick Christie, Geoffrey Horne, Brian Martin and James Tyler.

Unanimous recommendation

15.2 The Committee of Independent Directors notes that the Offer price is materially below the Independent Adviser's view of Acurity's value and **unanimously** recommends that you **SHOULD NOT** accept the Offer, unless you have a short term objective to realise the certainty of some cash now.

15.3 Shareholders should, when deciding whether to accept the Offer, consider their own individual circumstances, views on value and the merits of the Offer and investment time horizons. Shareholders are encouraged to take financial advice.

15.4 The detail of the recommendation, and the reasons for it, are set out in the Chairman's Letter and the Assessment of the Offer sections of this Statement.

Abstentions

15.5 Jacqueline Gray is not a member of the Committee of Independent Directors and abstains from making a recommendation in respect of the Offer, as she is a Director of Austron and is associated with Royston (which, jointly with Medusa, holds all of the shares in Austron on the date of this Statement).

15.6 Warwick Webb is not a member of the Committee of Independent Directors and abstains from making a recommendation in respect of the Offer, as he is a Director of Austron and is associated with Medusa (which, jointly with Royston, holds all of the shares in Austron on the date of this Statement).

16 Actions by Acurity

16.1 Except for the arrangements summarised in paragraph 10, there are no material agreements or arrangements (whether legally enforceable or not) of Acurity or its related companies, entered into as a consequence of, in response to, or in connection with, the Offer.

16.2 There are no negotiations underway to which Acurity is party, as a consequence of, or in response to, or in connection with, the Offer, that relate to, or could result in:

(a) an extraordinary transaction (such as a merger, amalgamation, or reorganisation) involving Acurity or any of its related companies; or

(b) the acquisition or disposition of material assets by Acurity or any of its related companies; or

(c) an acquisition of equity securities by, or of, Acurity or any related company of Acurity; or

(d) a material change in equity securities on issue, or policy related to distributions, of Acurity.

16.3 Prior to Acurity's receipt of Austron's Takeover Notice, Acurity received an unsolicited approach from a party with existing hospital interests wishing to explore the potential for a transaction involving all of Acurity's Shares. The interest in exploring a transaction was restated after the date of the Takeover Notice. The approach was informal and very preliminary, with no discussion of firm pricing or terms. As at the date of this Statement, there are no negotiations or discussions underway between Acurity and the relevant party, nor is there any assurance that any such negotiations or discussions will eventuate.

17 Acurity shares

17.1 There are currently 17,259,959 Acurity Shares on issue. These are fully paid. Acurity Shareholders have in respect of each Acurity Share, subject to the NZSX Listing Rules and Acurity's constitution:

(a) the right to an equal share in dividends authorised by the Acurity Board;

(b) the right to an equal share in distribution of surplus assets of Acurity;

(c) the right to participate in any further issues of Acurity Shares by Acurity; and

(d) the right to cast one vote on a show of hands or the right to cast one vote on a poll (for each Acurity Share held) on any resolution, including a resolution to:

(i) appoint or remove a Director or the auditor;

(ii) alter Acurity's constitution;

(iii) approve a major transaction by Acurity;

(iv) approve an amalgamation involving Acurity (other than an amalgamation of a wholly owned subsidiary); and

(v) put Acurity into liquidation.

18 Financial information

Annual Report

18.1 Every person to whom the Offer is made is entitled to obtain from Acurity a copy of its most recent audited annual report (being the report for the 12 month period ended 31 March 2012) from Acurity's website at www.acurity.co.nz, or by making a written request to:

Acurity Health Group Limited
Private Bag 7909
Wellington 6242
New Zealand

Fax: + 64 4 381 8102
Email: admin@acurity.co.nz

Changes in the financial position, trading position or prospects of Acurity since the annual report for the period ended 31 March 2012

18.2 Set out in paragraphs 18.3, 18.4, 21.2 and 24.1 to 24.5 below is a summary of matters which may constitute material changes in the financial or trading position or prospects of Acurity since the annual report referred to in paragraph 18.1.

18.3 Acurity's unaudited management accounts for the four month period ended 31 July 2012 show:

(a) total revenue up 0.7% on the equivalent period in the prior financial year;

(b) earnings before interest, tax, depreciation and amortisation ("**EBITDA**") down 16.5% compared to the equivalent period in the prior financial year; and

(c) net profit after tax excluding interest rate swap revaluations ("**Adjusted NPAT**") down 25.9% compared to the equivalent period in the prior financial year.

18.4 In this respect, Acurity notes the following:

(a) the financial performance summarised in paragraph 18.3 reflects a decline in Acurity's EBITDA and Adjusted NPAT in April and May 2012 relative to results in those months in 2011, with May 2011 being Acurity's best month, in terms of EBITDA and Adjusted NPAT, in the 2012 financial year;

(b) Adjusted NPAT and EBITDA across June and July 2012 represented an improvement on the equivalent period in the prior financial year;

(c) significant month on month fluctuations have been the norm for the past three years and, therefore, the year to date variance from the prior comparable period is not unexpected; and

(d) Acurity currently expects that, based on current trading performance, its full year Adjusted NPAT is likely to be in line with, and the full year EBITDA is likely to be a small improvement on, the prior financial year's (FY12 Adjusted NPAT: $6.5 million, FY12 EBITDA: $16.2 million).

18.5 Other than as set out in the Chairman's Letter, this Statement and the Independent Adviser's Report, there is no other information about the assets, liabilities, profitability and financial affairs of Acurity that could reasonably be expected to be material to the making of a decision by Shareholders to accept or reject the Offer.

19 Independent advice on merits of the Offer

19.1 KordaMentha, as Independent Adviser, has prepared a report under Rule 21 of the Takeovers Code ("**Independent Adviser's Report**"). A full copy of the Independent Adviser's Report is set out in Appendix B.

20 Asset valuation

20.1 None of the information contained in this Statement refers to a valuation of any asset.

20.2 The Independent Adviser's Report refers to the valuation of Acurity. The basis of computation and key assumptions on which those valuations are based is set out in that report.

21 Prospective financial information

21.1 The Independent Adviser's Report contains prospective financial information in relation to Acurity and the principal assumptions on which the prospective financial information is based are set out in the Independent Adviser's Report.

21.2 While it is not Acurity's normal practice to provide guidance on forecast earnings, the Independent Adviser's Report sets out certain details of Acurity's budget for the financial year ending 31 March 2013 (FY13) (the "**Budget**"). In considering that information Shareholders should note that, while Board approved, the Budget (as is normally the case with budgets) was prepared for internal management purposes only and was not prepared for, or with the intention of giving, public guidance as to Acurity's expected future financial performance. Accordingly, the basis of preparation of the Budget, while appropriate for internal management purposes, may differ from the basis which would be adopted when preparing prospective financial information for external reporting purposes. Shareholders should also have regard to paragraphs 18.3 and 18.4 above.

22 Sales of unquoted equity securities under the Offer

22.1 The Acurity Shares, which are the subject of the Offer, are quoted on the NZSX (NZSX:ACY). As at the date of this Statement, Acurity has no unquoted equity securities on issue.

23 Market prices of quoted equity securities under Offer

23.1 The closing price on the NZSX market operated by NZX Limited of Acurity Shares on:

(a) 14 August 2012, being the latest practicable working day before the date on which this Statement is sent to Shareholders, was $5.70; and

(b) 24 July 2012, being the last day on which the NZSX was open for business before the date on which Acurity received Austron's Takeover Notice in respect of the Offer, was $4.80.

23.2 The highest and lowest closing market price of Acurity Shares on the NZSX and the relevant dates during the 6 months before the date on which Acurity received Austron's Takeover Notice (25 July 2012) were as follows:

(a) the highest closing market price was $4.95 on 21, 22 and 23 May 2012 and 1, 4 and 7 June 2012; and

(b) the lowest closing market price was $4.40 on 26 April 2012.

23.3 There were, in the six month period prior to the date of this Statement, no issues of equity securities of Acurity or changes in the equity securities on issue that could have affected the market prices referred to in this paragraph 23.

24 Other information

Wakefield Hospital redevelopment

24.1 Acurity announced in May 2011 that it was undertaking a review of its buildings. This review indicated that while buildings at Royston Hospital and Bowen Hospital were above required seismic strength thresholds, some of the buildings at Wakefield Hospital required strengthening work to bring them up to desired standards. Acurity also highlighted other drivers for the redevelopment of Wakefield Hospital, including a commitment to provide expanded and enhanced cardiac and cardiology facilities as part of an agreement with specialists to develop the cardiac/cardiology centre of excellence on the site and the desire to improve operational efficiency of the facility.

24.2 On 3 August 2012, Acurity announced initial plans for the redevelopment of its health campus on the site of Wakefield Hospital in Newtown, Wellington. Acurity has undertaken a comprehensive review of the on-going development opportunities for the Wakefield Hospital site, including the investment required to strengthen some existing buildings on the Wakefield Hospital site which do not comply with current earthquake strength thresholds. The review has determined that:

(a) Wakefield Hospital has the core facilities and range of world class professionals to further widen and develop the scope of activities on its Wellington campus in the future; and

(b) with land resources comprising 2.2 hectares and three separate street frontages in the prime medical precinct in Wellington, Acurity has the flexibility to both alter existing buildings and their utilisation and to accommodate new facilities.

24.3 Accordingly, Acurity is committed to developing the site to its full potential. The first stage of the work due to commence in the next few months will involve the construction of accommodation to allow some of the existing buildings to be decommissioned for strengthening and/or future replacement, and is currently estimated to be completed over the next two to three year period. The total cost of the strengthening programme is expected to be between $20 million to $25 million, funded by operating cash flows and existing bank facilities.

24.4 While the redevelopment programme will be designed to ensure business continuity throughout the process, it will inevitably cause some disruption. There is therefore some risk that the redevelopment programme will impact business operations and revenues during the construction period.

24.5 Further redevelopment work on the Wakefield Hospital site will likely be required beyond this. However, the extent and timing of this work is dependent on the needs and preferences of the users of the facility and discussions with these parties are currently underway in order to determine the most favourable options.

Partial offer

24.6 The Offer is a partial takeover offer. This means that Austron is offering to purchase only 50.01% of the total number of Acurity Shares. As Austron cannot take up or acquire Acurity Shares in excess of this under the Offer, Acurity Shareholders who accept the Offer for more than 50.01% of their Acurity Shares may have their acceptances scaled down in accordance with the scaling formula set out in the Takeovers Code. For further information, see Appendix A.

Application of the scaling formula to beneficial owners

24.7 The scaling formula set out in the Takeovers Code does not take into account the underlying beneficial ownership of Acurity Shares. That formula treats a trustee company, nominee company or bare trustee ("**Custodians**") as a single Acurity Shareholder, even though a Custodian may hold Acurity Shares on behalf of multiple beneficial owners.

24.8 In order to address this anomaly, Austron has advised that it intends to rely on the exemption in clause 26 of the Takeovers Code (Class Exemptions) Notice (No. 2) 2001. The effect of this exemption is that beneficial owners of Acurity Shares who, through a Custodian, accept the Offer, will be treated as a Direct Acurity Shareholder for the purposes of the scaling of Offer acceptances.

24.9 For further information, see paragraph 5.9 of, and the Schedule to, Austron's Offer Document.

Rounding

24.10 All shareholding percentages in this Statement are rounded to two decimal places.

Reliance on information

24.11 In preparing this Statement, Acurity has relied on the completeness and accuracy of information provided to it by or on behalf of various persons, including Austron, Medusa, Royston and AMP.

25 Approval of Acurity Statement

25.1 Except as set out in paragraphs 25.2 and 25.3, this Statement has been unanimously approved by the Acurity Board.

25.2 The Acurity Directors associated with Austron, Jacqueline Gray and Warwick Webb, are not members of the Committee of Independent Directors, and abstained from approving the recommendation, the Chairman's Letter, the Assessment of the Offer and Frequently Asked Questions sections of this Target Company Statement, the Directors' intention statement set out in paragraph 7.2 and the Independent Adviser's Report (the "**CID Material**"), but approved the remainder of this Statement.

25.3 The CID Material has been unanimously approved by the Committee of Independent Directors, under an authority delegated to the Committee by the Acurity Board.

26 Certificate

26.1 To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this Statement is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by Acurity under the Takeovers Code.

SIGNED BY:

Alan Raymond Isaac
Director

Richard Gordon Maxwell Christie
Director

Graeme Andrew Blair
Chief Executive Officer

Bevan Keith Miller
Chief Financial Officer

Schedule One

Ownership of Acurity Shares by Directors or Senior Officers

Director or Senior Officer	Description	Number of Acurity Shares held or controlled by Director, Senior Officer or an associate	Designation of Acurity Shares	Percentage of total number of Acurity Shares
Andrew Blair[17]	Senior Officer	15,119	Ordinary	0.09%
James Tyler[18]	Director	240,000	Ordinary	1.39%
Brian Martin[19]	Director	319,937	Ordinary	1.86%
Warwick Webb[20]	Director	6,900,532	Ordinary	39.98%
Mark Stewart[21]	Alternate Director	6,900,532	Ordinary	39.98%
Jacqueline Gray[22]	Director	6,900,532	Ordinary	39.98%
Ronald Hall[23]	Alternate Director	6,900,532	Ordinary	39.98%

This information was provided by or on behalf of the named persons in response to questionnaires circulated by Acurity after receipt of Austron's Takeover Notice.

Schedule Two

Holders or controllers of more than 5% of Acurity Shares

Name of holder(s) of Acurity Shares	Number of Acurity Shares held or controlled	Designation of Acurity Shares	Percentage of total number of Acurity Shares
New Zealand Central Securities Depository	5,113,630	Ordinary	29.62%
Royston Hospital Trust Board	3,450,266	Ordinary	19.99%
Medusa Limited[24]	3,450,266	Ordinary	19.99%
AMP Capital Investors (New Zealand) Limited	2,711,919	Ordinary	15.71%
Fisher Funds Management Limited	1,322,126	Ordinary	7.66%

The information relating to New Zealand Central Securities Depository Limited is taken from Acurity's share register provided by Link Market Services Limited as at the record date of 30 July 2012.

The information relating to Royston, Medusa, AMP and Fisher Funds Management Limited was provided by or on behalf of the named persons in response to questionnaires circulated by Acurity after receipt of Austron's Takeover Notice.

17 Andrew Blair holds 15,119 Acurity Shares (representing 0.09% of the total issued share capital of Acurity) jointly with Brian Martin as trustees of the Nikau Trust.

18 James Tyler holds 240,000 Acurity Shares (representing 1.39% of the total issued share capital of Acurity) jointly with Brian Martin, Carol Tyler and Torquil Featherston Johnston as trustees of the Tyler Trust 1.

19 Brian Martin holds (i) 64,818 Acurity Shares (representing 0.38% of the total issued share capital of Acurity); (ii) 15,119 Acurity Shares (representing 0.09% of the total issued share capital of Acurity) jointly with Andrew Blair as trustees of the Nikau Trust; and (iii) 240,000 Acurity Shares (representing 1.39% of the total issued share capital of Acurity) jointly with James Tyler, Carol Tyler and Torquil Featherston Johnston as trustees of the Tyler Trust 1.

20 Warwick Webb, a Director of Acurity, is an associate of Medusa (see footnote 3). Medusa holds 3,450,266 Acurity Shares (representing 19.99% of the total issued share capital of Acurity). Austron's legal advisers have advised that Mr Webb is an associate of Royston, which holds 3,450,266 Acurity Shares (representing 19.99% of the total issued share capital of Acurity). In aggregate, Medusa and Royston hold 6,900,532 Acurity Shares (representing 39.98% of the total issued share capital of Acurity).

21 Mark Stewart, who has been appointed by Warwick Webb as Mr Webb's Alternate Director in respect of Acurity's Board, is an associate of Medusa (see footnote 4). Medusa holds 3,450,266 Acurity Shares (representing 19.99% of the total issued share capital of Acurity). Austron's legal advisers have advised that Mr Stewart is an associate of Royston, which holds 3,450,266 Acurity Shares (representing 19.99% of the total issued share capital of Acurity). In aggregate, Medusa and Royston hold 6,900,532 Acurity Shares (representing 39.98% of the total issued share capital of Acurity).

22 Jacqueline Gray, a Director of Acurity, is an associate of Royston (see footnote 1). Royston holds 3,450,266 Acurity Shares (representing 19.99% of the total issued share capital of Acurity). As noted in footnotes 20 and 21, Austron's legal advisers have advised that Warwick Webb and Mark Stewart are associates of Royston. It is, therefore, possible that Ms Gray is an associate of Medusa, which holds 3,450,266 Acurity Shares (representing 19.99% of the total issued share capital of Acurity). In aggregate, Medusa and Royston hold 6,900,532 Acurity Shares (representing 39.98% of the total issued share capital of Acurity).

23 Ronald Hall, who has been appointed by Jacqueline Gray as Ms Gray's Alternate Director, is an associate of Royston (see footnote 2). Royston holds 3,450,266 Acurity Shares (representing 19.99% of the total issued share capital of Acurity). As noted in footnotes 20 and 21, Austron's legal advisers have advised that Warwick Webb and Mark Stewart are associates of Royston. It is, therefore, possible that Mr Hall is an associate of Medusa, which holds 3,450,266 Acurity Shares (representing 19.99% of the total issued share capital of Acurity). In aggregate, Medusa and Royston hold 6,900,532 Acurity Shares (representing 39.98% of the total issued share capital of Acurity).

24 Medusa's direct and indirect holding companies, Anaconda Limited, Masthead Portfolios Limited, Masthead Holdings Limited and Masthead Limited may control the Acurity Shares held by Medusa. In addition, Adrienne Lady Stewart, Mark Stewart, Todd Stewart and Richard Burtt are trustees of certain trusts which together either control Masthead Limited (the ultimate parent company of Medusa) or otherwise have a relevant interest in the Acurity Shares in which Medusa has a relevant interest pursuant to a joint venture agreement dated 31 March 2003.

Schedule Three

Issues of Acurity Shares to Directors and Senior Officers during previous two years

Director or Senior Officer	Description	Number of Acurity Shares Issued to Director, Senior Officer or an associate	Designation of Acurity Shares	Price per Acurity Share Issued
Andrew Blair[25]	Senior Officer	3,119	Ordinary	$4.81
Brian Martin[26]	Director	21,641	Ordinary	$4.81
James Tyler[27]	Director	6,704	Ordinary	$4.81
Warwick Webb[28]	Director	1,379,439	Ordinary	$4.85
Mark Stewart[29]	Alternate Director	1,379,439	Ordinary	$4.85
Jacqueline Gray[30]	Director	1,379,439	Ordinary	$4.85
Ronald Hall[31]	Alternate Director	1,379,439	Ordinary	$4.85

This information is taken from responses to questionnaires circulated to the above Directors and Senior Officers (or their representatives) by Acurity after receipt of Austron's Takeover Notice and from placement allocation notices issued by Cameron Partners Limited in September and November 2011.

Schedule Four

Trading of Acurity Shares by substantial security holders during previous six months

Substantial security holder	Acquisition or disposal	Number of Acurity Shares	Date of acquisition or disposal	Price per Acurity Share traded
AMP Capital Investors (New Zealand) Limited	Disposal	153,700	In the week commencing 19 March 2012	$4.65
New Zealand Central Securities Depository Limited	Acquisition	5,000	27 February 2012	Nil
New Zealand Central Securities Depository Limited	Disposal	5,000	28 February 2012	Nil
New Zealand Central Securities Depository Limited	Acquisition	9,442	1 March 2012	Nil
New Zealand Central Securities Depository Limited	Disposal	10,000	13 August 2012	Nil

The information relating to AMP is taken from a response to a questionnaire circulated to AMP by Acurity after receipt of Austron's Takeover Notice.

The information relating to New Zealand Central Securities Depository Limited is taken from a holdings transaction report provided by Link Market Services Limited and has been confirmed by New Zealand Central Securities Depository Limited.

25 On 9 November 2011, Andrew Blair and Brian Martin jointly as trustees of the Nikau Trust were allotted 3,119 Acurity Shares under the Acurity Share Purchase Plan dated 12 October 2011.

26 On 9 November 2011, Brian Martin was allotted 11,818 Acurity Shares under Acurity's Top-Up Offer dated 12 October 2011, Brian Martin and Andrew Blair jointly as trustees of the Nikau Trust were allotted 3,119 Acurity Shares under the Acurity Share Purchase Plan dated 12 October 2011, and Brian Martin, James Tyler, Carol Tyler and Torquil Featherston Johnston jointly as trustees of the Tyler Trust 1 were allotted 6,704 Acurity Shares under Acurity's Top-Up Offer dated 12 October 2011.

27 On 9 November 2011, James Tyler, Brian Martin, Carol Tyler and Torquil Featherston Johnston jointly as trustees of the Tyler Trust 1 were allotted 6,704 Acurity Shares under Acurity's Top-Up Offer dated 12 October 2011.

28 Warwick Webb is an associate of Medusa (see footnote 3). Between 7 October and 10 November 2011 Medusa was allotted 712,225 Acurity Shares pursuant to Acurity's placement to existing major shareholders and institutional investors. See footnote 20, which records that Austron's legal advisers have advised that Mr Webb is an associate of Royston. Between 7 October and 10 November 2011 Royston was allotted 667,214 Acurity Shares pursuant to Acurity's placement to existing major shareholders and institutional investors.

29 Mark Stewart is an associate of Medusa (see footnote 4). Between 7 October and 10 November 2011 Medusa was allotted 712,225 Acurity Shares pursuant to Acurity's placement to existing major shareholders and institutional investors. See footnote 21, which records that Austron's legal advisers have advised that Mr Stewart is an associate of Royston. Between 7 October and 10 November 2011 Royston was alloted 667,214 Acurity Shares pursuant to Acurity's placement to existing major shareholders and institutional investors.

30 Jacqueline Gray is an associate of Royston (see footnote 1). Between 7 October and 10 November 2011 Royston was allotted 667,214 Acurity Shares pursuant to Acurity's placement to existing major shareholders and institutional investors. Ms Gray may also be an associate of Medusa (see footnote 22). Between 7 October and 10 November 2011 Medusa was allotted 712,225 Acurity Shares pursuant to Acurity's placement to existing major shareholders and institutional investors.

31 Ronald Hall is an associate of Royston (see footnote 2). Between 7 October and 10 November 2011 Royston was allotted 667,214 Acurity Shares pursuant to Acurity's placement to existing major shareholders and institutional investors. Mr Hall may also be an associate of Medusa (see footnote 23). Between 7 October and 10 November 2011 Medusa was allotted 712,225 Acurity Shares pursuant to Acurity's placement to existing major shareholders and institutional investors.

Schedule Five

Interests of Directors and Senior Officers of Acurity in contracts of Austron or related company

Party to the contract to which Austron or a related company of Austron is a party	Relevant relationship	Particulars of the nature and extent of the interest	Monetary value of the interest (if quantifiable)
Royston	Associate of a Director (Jacqueline Gray)[32] Associate of an Alternate Director (Ronald Hall)[33]	On 24 July 2012, Royston, Medusa and Austron entered into a Tripartite Lock-up Agreement whereby Royston and Medusa agreed to accept the Offer in respect of all of the Acurity Shares held by each of those entities at the Offer price of $6.00 per Acurity Share. As at the date of this Statement, Royston holds 3,450,266 Acurity Shares.	The monetary value is $6.00 per Acurity Share. By way of example, if all Shareholders accept the Offer for all of their Acurity Shares, the monetary value of the contract (being the Offer price paid by Austron to Royston) will be $10,352,874 (calculated as 50.01% x 3,450,266 (rounded up) x $6).
Medusa	Associate of a Director (Warwick Webb)[34] Associate of an Alternate Director (Mark Stewart)[35]	On 24 July 2012, Royston, Medusa and Austron entered into a Tripartite Lock-up Agreement whereby Royston and Medusa agreed to accept the Offer in respect of all of the Acurity Shares held by each of those entities at the Offer price of $6.00 per Acurity Share. As at the date of this Statement, Medusa holds 3,450,266 Acurity Shares.	The monetary value is $6.00 per Acurity Share. By way of example, if all Shareholders accept the Offer for all of their Acurity Shares, the monetary value of the contract (being the Offer price paid by Austron to Medusa) will be $10,352,874 (calculated as 50.01% x 3,450,266 (rounded up) x $6).
Royston	Associate of a Director (Jacqueline Gray)[36] Associate of an Alternate Director (Ronald Hall)[37]	On 24 July 2012, Royston and Medusa entered into a Joint Venture Agreement relating to Austron Limited whereby Royston and Medusa established Austron Limited as a joint venture for the purpose of making the Offer and acquiring and holding Acurity Shares.	Not quantified by Royston.
Medusa	Associate of a Director (Warwick Webb)[38] Associate of an Alternate Director (Mark Stewart)[39]	On 24 July 2012, Royston and Medusa entered into a Joint Venture Agreement relating to Austron Limited whereby Royston and Medusa established Austron Limited as a joint venture for the purpose of making the Offer and acquiring and holding Acurity Shares.	Not quantified by Medusa.
Royston	Associate of a Director (Jacqueline Gray)[40] Associate of an Alternate Director (Ronald Hall)[41]	Royston, Medusa and Austron intend to enter into a Shareholders' Investment Agreement and a Payment Directions Deed to effect the transactions referred to in paragraph 8.4 and the Offer Document.[42]	Not quantified by Royston.

32 Refer to footnote 1.
33 Refer to footnote 2.
34 Refer to footnote 3.
35 Refer to footnote 4.
36 Refer to footnote 1.
37 Refer to footnote 2.
38 Refer to footnote 3.
39 Refer to footnote 4.
40 Refer to footnote 1.
41 Refer to footnote 2.
42 This information was provided by or on behalf of Royston in response to a questionnaire circulated by Acurity after receipt of Austron's Takeover Notice. Acurity has not been provided with, or reviewed, the Shareholders' Investment Agreement or Payment Directions Deed.

Party to the contract to which Austron or a related company of Austron is a party	Relevant relationship	Particulars of the nature and extent of the interest	Monetary value of the interest (if quantifiable)
Medusa	Associate of a Director (Warwick Webb)[43] Associate of an Alternate Director (Mark Stewart)[44]	Royston, Medusa and Austron intend to enter into a Shareholders' Investment Agreement and a Payment Directions Deed to effect the transactions referred to in paragraph 8.4 and the Offer Document.[45]	Not quantified by Medusa.
Royston	Associate of a Director (Jacqueline Gray)[46] Associate of an Alternate Director (Ronald Hall)[47]	Royston and Medusa have entered into certain security arrangements pursuant to which each of Royston and Medusa have granted, as security for borrowing by Austron, a charge and security interest over certain of its respective assets. This includes a Deed of Subordination pursuant to which Royston and Medusa have agreed to subordinate all present and future indebtedness of Austron to it.[48]	Not quantified by Royston.
Medusa	Associate of a Director (Warwick Webb)[49] Associate of an Alternate Director (Mark Stewart)[50]	Royston and Medusa have entered into certain security arrangements pursuant to which each of Royston and Medusa have granted, as security for borrowing by Austron, a charge and security interest over certain of its respective assets. This includes a Deed of Subordination pursuant to which Royston and Medusa have agreed to subordinate all present and future indebtedness of Austron to it.[51]	Not quantified by Medusa.
Brandford Management Limited	Associate of a Director (Warwick Webb)[52]	Brandford Management Limited, of which Warwick Webb is a director and joint shareholder, and Masthead Limited (an indirect holding company of Medusa) have entered into a consulting agreement pursuant to which Brandford Management Limited provides services to the group of companies of which Masthead Limited is the majority shareholder.[53]	Acurity is advised that the consulting agreement was entered into in the ordinary course of business and on usual terms and conditions.
Masthead Group	Associate of an Alternate Director (Mark Stewart)[54]	Mark Stewart and interests associated with Mark Stewart are the ultimate owners of the group of companies of which Masthead Limited is the majority shareholder. [55]	Not quantified by Mr Stewart.

43 Refer to footnote 3.
44 Refer to footnote 4.
45 This information was provided by or on behalf of Medusa and Austron in response to a questionnaire circulated by Acurity after receipt of Austron's Takeover Notice. Acurity has not been provided with, or reviewed, the Shareholders' Investment Agreement or Payment Directions Deed.
46 Refer to footnote 1.
47 Refer to footnote 2.
48 This information was provided by or on behalf of Royston in response to a questionnaire circulated by Acurity after receipt of Austron's Takeover Notice. Acurity has not been provided with, or reviewed, the security arrangements.
49 Refer to footnote 3.
50 Refer to footnote 4.
51 This information was provided by or on behalf of Medusa in response to a questionnaire circulated by Acurity after receipt of Austron's Takeover Notice. Acurity has not been provided with, or reviewed, the security arrangements.
52 Refer to footnote 3.
53 This information was provided by or on behalf of Warwick Webb and Medusa in response to a questionnaire circulated by Acurity after receipt of Austron's Takeover Notice. Acurity has not been provided with, or reviewed, the consulting agreement.
54 Refer to footnote 4.
55 This information was provided by or on behalf of Mark Stewart in response to a questionnaire circulated by Acurity after receipt of Austron's Takeover Notice.

Appendices

Appendix A – How Scaling Works: A Worked Example

The Offer is a partial takeover offer for 50.01% of the Acurity Shares. As there are 17,259,959 Acurity Shares on issue, Austron will, if the Offer is declared unconditional, take up 8,631,706 Acurity Shares (50.01% of 17,259,959).

If Austron receives acceptances for more than 8,631,706 Acurity Shares, acceptances will be scaled. Under the Takeovers Code a two-step process is applied to calculate any necessary scaling, as summarised in this Appendix A.

An Acurity Shareholder who accepts the Offer in respect of 50.01% of its shareholding (or for a lesser number of Acurity Shares) will not be subject to any scaling.

Step 1:

At Step 1, Austron must take up from each accepting Acurity Shareholder the lesser of:

- 50.01% of all the Acurity Shares held by that accepting Shareholder; or
- the full number of Acurity Shares for which that Shareholder accepted the Offer, where that number is equal to or less than 50.01% of the Shareholder's total shareholding.

Step 2:

At Step 2, Austron determines:

- the number of Acurity Shares for which it received acceptances which were not taken up at Step 1 (the "**Surplus Shares**"); and
- the total number of additional Acurity Shares it needs to take up in order to achieve 50.01% ownership of Acurity.

The additional Acurity Shares referred to above are acquired from the Acurity Shareholders who accepted the Offer for more than 50.01% of their Acurity Shares (termed "**Surplus Acceptors**").

Austron will take up Acurity Shares from each Surplus Acceptor on a proportionate basis relative to the total number of Surplus Shares. That proportion is calculated as follows:

$$\frac{\textbf{Total number of Acurity Shares required to achieve 50.01\% ownership post Step 1}}{\textbf{Total number of Surplus Shares}}$$

Example:

In this example, Austron receives acceptances for 15,411,038 Acurity Shares, on the basis that:

- AMP procures the acceptance of the Offer for 862,998 Acurity Shares (being the minimum number of Acurity Shares that it has agreed to procure the acceptance of the Offer for under the Lock-up Agreement between AMP and Austron).
- Each Shareholder, except for AMP, accepts the Offer for all of its Acurity Shares (being a total of 14,548,040 Acurity Shares).

Step 1 calculations

Austron will take up 8,138,473* Acurity Shares under the Step 1 calculations, being:

- 862,998 Acurity Shares from New Zealand Central Depository Limited (as that number of Acurity Shares is less than 50.01% of the total number of Acurity Shares controlled by AMP).
- 7,275,475* Acurity Shares from other Shareholders (being 50.01% of 14,548,040 (with any fraction of a share being rounded up)).

Step 2 calculations

In order to achieve 50.01% ownership of Acurity, Austron must take up, in total, 8,631,706 Acurity Shares. As Austron received acceptances for 15,411,038 Acurity Shares, it received acceptances for 6,779,332 Surplus Shares (i.e. acceptances for Acurity Shares in excess of the number needed to achieve 50.01% ownership).

The Step 1 calculations result in Austron taking up 8,138,473 Acurity Shares, leaving a shortfall of 493,233 Acurity Shares for Austron to achieve 50.01% ownership.

This shortfall, expressed as a percentage of the Surplus Shares, is 6.78% (i.e. 493,233 / (15,411,038 – 8,138,473) = 6.78%) (rounded to two decimal places).

Therefore, Austron must take up from each Surplus Acceptor 6.78% of the Acurity Shares accepted into the Offer by that Surplus Acceptor and not taken up from that Surplus Acceptor at Step 1.

An illustration

To illustrate this example, if you held **1,000** Acurity Shares and you accepted the Offer for your entire holding, Auston would take up **535** of your Acurity Shares, as follows:

- **501** Acurity Shares will be taken up in Step 1 (50.01% of 1,000).**
- **34** Acurity Shares will be taken up in Step 2 (6.78% of (1000 - 501)).**

At an Offer price of $6.00 per Acurity Share, you would receive **$3,210.00** for your Acurity Shares that are taken up by Austron.

You would retain **465** Acurity Shares following the close of the Offer.

* Note that values used in this worked example are an approximation only. The actual values that would result under this scenario depend on the number and composition of "relevant clients" (as that term is defined in Schedule 3 of the Takecovers Code (Class Exemptions) Notice (No. 2) 2001) and the application of rounding at Step 1.

** Fractions of a Share are rounded up.

KordaMentha

Partial takeover offer for 50.01% of Acurity Health Group Limited (formerly Wakefield Health Limited)

Independent Adviser's Report
August 2012

KordaMentha confirms that it:

(a) has no conflict of interest that could affect its ability to provide an unbiased report; and

(b) has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

KordaMentha has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

Table of contents

Glossary of key definitions

Acurity or the Company	Acurity Health Group Limited
Acurity Shares	17,259,959 ordinary shares in Acurity
ACC	Accident Compensation Corporation
Austron	Austron Limited
AMP	AMP Capital Investors (New Zealand) Limited
Budget	Acurity's budget for the year ending 31 March 2013
DCF	Discounted cash flow
DHB	District Health Board
EA and LA	Endoscopy Auckland and Laparoscopy Auckland
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
GFC	Global financial crisis
HFA	Health Funds Association of New Zealand
Medusa	Medusa Limited
NTA	Net tangible assets
NZSX	New Zealand Stock Exchange
the Offer	Partial takeover offer by Austron for 50.01% of the Acurity Shares at an offer price of $6.00 per share
the Report	This independent adviser's report on the Offer in accordance with Rule 21 of the Takeovers Code
Royston	Royston Hospital Trust Board
the Specified Number	The number of Acurity Shares Austron requires to reach 50.01% (being 8,631,706 ordinary shares)
VWAP	Volume weighted average price
WACC	Weighted Average Cost of Capital
YTD13	Financial year-to-date for the four months ended 31 July 2012

1 Introduction

Acurity Health Group Limited ('Acurity' or 'the Company') is a significant owner of private hospitals in New Zealand and specialises in the provision of surgical facilities and post-operative care.

Acurity changed its name from Wakefield Health Limited on 6 August 2012.

On 25 July 2012, Austron Limited ('Austron') announced its intention to make a partial takeover offer for 50.01% of Acurity at an offer price of $6.00 cash per ordinary share ('the Offer').

The Independent Directors of Acurity have appointed KordaMentha to prepare an independent adviser's report on the Offer in accordance with Rule 21 of the Takeovers Code ('the Report'). Our appointment was subsequently approved by the Takeovers Panel.

The Report has been prepared to assist Acurity shareholders to consider the merits of the Offer.

1.1 Background to the Offer

On 25 July 2012, Austron announced its intention to make a cash offer for 50.01% of Acurity (representing 8,631,706 of Acurity Shares). Austron dispatched the Offer to Acurity's shareholders on 9 August 2012.

Austron was incorporated on 21 June 2012 and is a company associated with Acurity's two major shareholders Royston Hospital Trust Board ('Royston') and Medusa Limited ('Medusa'). Each of Royston and Medusa owns 19.99% of Acurity's shares and has representation on the Acurity Board of Directors.

Royston is a charitable trust that acquired its shareholding in Acurity in January 2006, when Royston Hospital (based in Hawkes Bay) merged with Acurity.

Medusa is ultimately owned by Masthead Limited, which is controlled by the Stewart family, a high net worth family based in New Zealand which has invested in a number of New Zealand businesses, including EBOS Group Limited and PDL Holdings Limited.

Each of Royston and Medusa agreed on 24 July 2012 to accept the Offer in respect of their individual entire holdings of 3,450,266 fully paid ordinary shares in Acurity ('Acurity Shares').

AMP Capital Investors (New Zealand) Limited ('AMP') agreed on 24 July 2012 to accept the Offer in respect of a portion of its 15.71% of Acurity Shares it owns or manages. AMP has agreed to accept the Offer in respect of:

- 862,998 Acurity Shares (5.00% shareholding); and
- such additional number of Acurity Shares as required to be accepted to satisfy the minimum acceptance condition of the Offer.

The effect of AMP's agreement is to ensure that the Offer's minimum acceptance of 50.01% will be met.

1.2 Offer terms and conditions

Austron is offering to acquire 50.01% of Acurity's shares listed on the New Zealand Stock Exchange ('NZSX') for $6.00 per share.

The Offer is conditional on Austron receiving sufficient acceptances to take its stake in Acurity above 50%. This condition is required by the Takeovers Code and cannot be waived. However, given the agreements Austron has reached with Royston, Medusa and AMP this condition will be met.

The Offer is also subject to a range of other conditions that have become relatively standard in takeover offers. These conditions preclude Acurity from paying a dividend or other distribution during the Offer period or making any significant purchases or disposals, other than in the ordinary course of business.

These other conditions are for the benefit of Austron and may be waived by Austron at its discretion.

1.3 Acceptances and scaling

The maximum stake that Austron can achieve under the Offer is 50.01%. The number of Acurity Shares Austron requires to reach 50.01% is 8,631,706 ('the Specified Number').

If the Offer is accepted in respect of a number of Acurity Shares greater than the Specified Number, excess acceptances will be scaled down in accordance with the Takeovers Code and the terms of the Offer. The actual scaling mechanism is explained with an example in the Target Company Statement.

If there are excess acceptances, Austron intends to rely on the exemption in clause 26 of the Takeovers Code (Class Exemptions) Notice (No 2) 2001. The purpose of the exemption is to address the fact that the scaling formula contained in the Takeovers Code can give rise to anomalies where shares are held by a custodian on behalf of more than one beneficial owner. The effect of the exemption is to scale excess acceptances after taking into account the underlying beneficial ownership of the shares. Compliance on the part of custodians is voluntary.

A shareholder who accepts the Offer for up to 50.01% of their holding will not be scaled down. For a shareholder who accepts the Offer for more than 50.01% of their holding, the total number of shares they are able to sell into the Offer is uncertain, and will depend upon the level of acceptances received from other shareholders.

The maximum number of shares that an accepting shareholder is able to sell into the Offer will vary from 50.01% (if Austron receives acceptances for all outstanding shares) to 100% (if Austron receives acceptances for exactly 50.01% of the shares outstanding).

1.4 Other

The sources of information, to which we have had access and upon which we have relied, are set out in Appendix 1 of this report.

This report should be read in conjunction with the statements and declarations set out in Appendix 2 regarding our independence, qualifications, general disclaimer and indemnity and the restrictions upon the use of this report.

References are to New Zealand dollars, unless specified otherwise. References to years, financial years or "FY" mean Acurity's financial year end 31 March unless specified otherwise. Please note tables may not add due to rounding.

2 Merits of the Offer

The Takeovers Code requires the independent adviser to form an opinion as to the merits of the Offer and in doing so to take into consideration issues wider than just our valuation. In this section we consider the fundamentals of Acurity; pricing and valuation; potential outcomes of the Offer; and the likelihood of alternative offers.

The term 'merits' has no definition either in the Takeovers Code itself or in any statute dealing with securities or commercial law in New Zealand. While the Takeovers Code does not prescribe a meaning of the term 'merit', it suggests that merits include both positives and negatives in respect of an offer.

2.1 Acurity fundamentals

Key drivers of Acurity's financial performance include:

- demand for healthcare services and hospital admissions;
- economic conditions which influence private demand for elective surgery;
- DHBs' performance in providing elective surgery; and
- the Company's ability to attract and retain successful specialists to utilise Acurity's facilities.

Market commentators expect that an aging population will underpin an increased demand for private healthcare services in New Zealand in the long-term. However, the recent global economic climate has influenced short-term demand for private elective surgery. In addition, the proportion of the New Zealand population covered by private health insurance has declined recently, which has affected patients' ability to fund private elective surgery.

There is an inverse relationship between public performance in elective surgery and the propensity for patients to fund private surgery (either through insurance or self-funding). As a result, the recent increased focus and Government directive on District Health Boards' ('DHB') elective surgical volumes has reduced incentives for individuals to privately fund their care to avoid public waiting lists. Balancing this is the introduction of new Government protocols that make it easier for DHBs to subcontract elective surgery to private hospitals in order to reduce waiting lists.

Acurity's wholly owned hospitals were not immediately impacted by the recessionary conditions of FY08 and FY09. It was not until the first quarter of FY10 that the economic environment started to impact on the Company's patient numbers, revenue and profitability. In FY10 and FY11 patient numbers and revenue declined (particularly those that were privately funded). This had a magnified impact on earnings due to the significant proportion of fixed costs in the Company's cost base. As a result, Acurity's Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') declined from $22.4 million in FY09 to $14.7 million in FY11.

Private revenue remained subdued in FY12 due to the sluggish economy and people cancelling or reducing their level of private health insurance cover. However, Acurity experienced an increase in DHB and Accident Compensation Corporation ('ACC') funded work, which enabled it to increase revenue by 3.3%. The combination of revenue growth together with contained expenses resulted in a 9.5% increase in EBITDA in FY12 to $16.2 million.

Year-to-date July 2012 ('YTD13') EBITDA is $4.9 million. For valuation purposes, we have relied on full year FY13 EBITDA of $17 million.

In the medium to longer term, Acurity management expect increasing latent demand for health services (due to an aging population and increased health costs) and constraints on public funding to generate growth in revenue and profitability for Acurity.

In relation to investment, Acurity has incurred high levels of capital expenditure in recent years. One of the main reasons for the high level of capital expenditure was the redevelopment of Bowen Hospital. Total capital expenditure on Bowen Hospital will be approximately $34 million between FY10 and FY13.

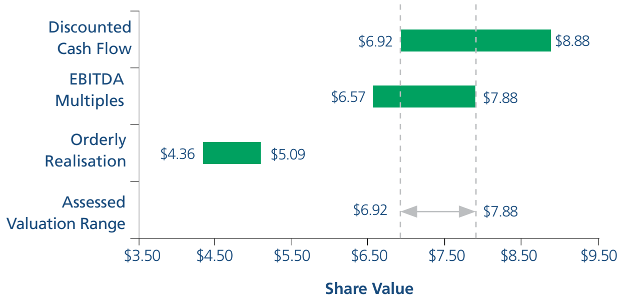
Acurity has also recently signalled to shareholders the planned redevelopment of Wakefield Hospital, which includes strengthening some of the existing buildings to achieve seismic compliance. Acurity's current estimate is that the completion of this phase of the project will take two to three years and will cost approximately $20 million to $25 million to complete. This investment will offset some future maintenance expenditure but it is largely rectification work and is not expected to add significantly to Acurity's earnings.

Acurity management considers upon completion of the Wakefield Hospital redevelopment the Company should be able to avoid incurring further capital expenditure of this magnitude across its wholly owned hospitals (unless growth opportunities are identified) for a decade or more. The expected benefits of this expenditure are not yet fully reflected in the Company's earnings, which we have considered in our valuation analysis.

2.2 Pricing and valuation

Our valuation results are summarised in Figure 6.1.

Figure 6.1: Valuation summary



Our multiple based valuation of Acurity is $6.57 to $7.88 per share. Our discounted cash flow ('DCF') valuation of Acurity is $6.92 to $8.88 per share. On the basis of these results, we have assessed the valuation range for Acurity to be $6.92 to $7.88 per share, with a mid-point of $7.40. We note that this range represents our estimate of value for 100% of the Company and we would not expect minority parcels to necessarily trade at this level (in the absence of a takeover offer).

Our assessed valuation range has been determined as follows:

- **low-end of the range:** is based on the low end of our DCF valuation; and
- **high-end of the range:** is based on the high end of our multiple valuation.

Our DCF valuation range is higher than our multiple based valuation range. This is because the financial projections on which our DCF valuation is based include an increase in earnings and cash flows over the forecast period in excess of expectations for comparable companies and transactions, whereas the multiple valuation is based on Acurity's short-term forecast earnings. Although Acurity operates in a fairly mature industry, its earnings are likely to be affected by its recent capital expenditure associated with Bowen Hospital. The uplift in earnings projected to accrue from this investment are yet to be fully reflected in Acurity's short-term earnings and therefore it makes sense that the DCF valuation generates a higher value than the multiples approach. This lends weight to preferring the results of the DCF valuation approach. However, we are cognisant of the sensitivity of DCF valuation results to relatively small changes in key assumptions and therefore have also placed some reliance on multiples when considering an appropriate valuation range.

Acurity's net tangible assets ('NTA') as at 31 July 2012 were $5.35 per share. However, we have assessed the value of Acurity based on undertaking an orderly realisation of assets between $4.36 and $5.09. This analysis is used as a broad cross-check only. We consider this reasonable given the intangible assets inherent in Acurity's business as a result of relationships with funders (ACC, DHBs and insurers), specialists and private customers as well as its brand and goodwill.

Austron's Offer price of $6.00 per share is 15% below the bottom of our range, and is 19% below the mid-point of our range.

The Acurity share price is currently (15 August 2012) trading at $5.70 per share, it has traded below the Offer price of $6.00 per share since the Offer was announced. This can largely be attributed to the partial nature of the Offer and the resulting likelihood that Acurity shareholders will not be able to divest their entire shareholding at $6.00 per share under the Offer (due to the scaling provisions under the Takeovers Code).

Acurity's shares have performed poorly over the last three years. From a peak of around $10.00 per share in mid-2009, the share price fell to a low of $4.40 per share on 26 April 2012 and closed at $4.80 on the day immediately preceding the announcement of the Offer. Key issues which have weighed on Acurity's share price include its relatively poor earnings performance, which is at least in part due to current economic conditions, and its high levels of capital expenditure incurred at Bowen Hospital and about to be incurred at Wakefield Hospital. The long-term outlook for Acurity is more positive with market commentators generally predicting uplift in demand for private health services as a result of New Zealand's aging population. There are risks to this outlook, including the observed recent decline in private health insurance and uncertainty around DHB and ACC funding of elective surgical procedures in private hospitals.

2.3 Partial offer

The maximum stake that Austron can achieve under the Offer is 50.01% of Acurity's shares.

Scaling

In a partial takeover offer, the proportion of shares that a shareholder will be able to sell into the offer is uncertain and depends upon the number of acceptances received from other shareholders. The scaling mechanism is stipulated in the rules of the Takeovers Code. The maximum number of shares that a shareholder is assured to be able to sell into the Offer will vary from a minimum of 50.01% (if Austron receives acceptances for all outstanding shares) to 100%. It is likely that shareholders wishing to exit Acurity will not be able to sell all of their shares into the Offer.

Until the calculations have been undertaken following the close of the Offer, accepting shareholders will not know how many of their shares will be acquired.

Premium over VWAP

Austron's Offer represents a premium of 26% to the volume weighted average price ('VWAP') per Acurity share in the month prior to the Offer.

However, given the partial nature of the Offer, shareholders will only receive the premium on the portion of shares that they are able to sell into the Offer.

2.4 Potential outcomes of the Offer

2.4.1 The Offer is successful

As a result of the agreements with Royston, Medusa and AMP, the Offer is certain to be successful in achieving a 50.01% shareholding in Acurity, unless a condition to the Offer is not satisfied or the Offer is withdrawn with the consent of the Takeovers Panel.

The certainty that the Offer will succeed does not preclude all other shareholders from participating in the Offer.

It is likely that existing Acurity shareholders, even if they have accepted all of their shares into the Offer, will continue to hold shares in Acurity (albeit smaller shareholdings) because of the scaling requirements under the Takeovers Code for partial offers.

Together, Austron and its owners (Royston and Medusa) may end up owning more than 50.01% of Acurity's Shares. In the event that there are acceptances for more than 50.01% of shares, Royston and Medusa will also have their acceptances (for all of their respective 19.99% shareholdings) scaled, according to the provisions of the Takeovers Code. As a result, if Austron receives acceptance for 100% of Acurity's shares, Austron would end up with a 50.01% shareholding and each of Royston and Medusa would be able to sell a shareholding of approximately 10% into the Offer and retain their remaining shareholdings of 9.99% each. This would result in Austron, Royston and Medusa together owning approximately 70% of Acurity's Shares. The actual shareholding controlled by Austron, Royston and Medusa will not be known until the scaling calculations have been undertaken following the close of the Offer but will be between 50.01% and 70% of Acurity's Shares.

Austron will control Acurity

The Offer will be successful (unless an Offer condition is not satisfied or the Offer is withdrawn with the consent of the Takeover Panel) and as a result Austron will be able to control the future direction of Acurity.

With a shareholding of 50.01%, Acurity would remain a listed company controlled by Austron. Austron, Royston and Medusa would together control between 50.01% and 70% of Acurity's Shares (depending on the level of acceptances from other shareholders). As a result, Austron would have effective control over the day-to-day operations of Acurity. The Companies Act, NZSX Listing Rules and the five Independent Directors on Acurity's Board provide some level of protection to minority shareholders. However, Austron would be entitled to appoint new directors to the Board of Acurity and, as a result of its majority shareholding, would control the outcome of any ordinary resolution put to Acurity shareholders. Austron would be prohibited from voting on any ordinary resolution that, if accepted, would result in an increase in its shareholding in Acurity. Remaining shareholders would still be able to exert influence on certain substantive matters which under the Companies Act require approval by special resolutions (which require a super majority of 75%) (such as the liquidation of the Company or a transaction with a value in excess of 50% of the Company's assets).

After 12 months from the closing of the Offer, Austron will be entitled to acquire an additional 5% shareholding in Acurity per annum under the "Creep" provisions of the Takeovers Code.

Austron's intentions

Austron's Offer states that it has no present intention to make any material changes to the business of Acurity or its subsidiaries should the Offer be successful.

KordaMentha has had some correspondence with Austron concerning its intentions for Acurity. The results of that are set out in Table 2.2.

Table 2.2: Austron's intentions

Request for comment from Austron	Austron's response
Why is Austron making the Offer	Both Royston and Medusa see the need for a strong private health sector in New Zealand, and this offer supports this view
Why Austron is making a partial takeover offer (as opposed to a full takeover offer)? And whether there is any intention to change its shareholding or effect a full takeover in the future	Austron is very happy with a 50.01% shareholding and has no present intentions to make a full takeover offer, but it reserves the right to do so
What strategic changes Austron intends to make to the business	Both Royston and Medusa as individual shareholders in Acurity have been very supportive of the strategic direction taken by the company in recent years. Austron has no present intentions to make any strategic changes
Austron's intended dividend policy	Austron has no present intention to make any material changes to the business of Acurity or its subsidiaries
Austron's intentions with the Wakefield Hospital proposed capital expenditure	Austron supports Acurity's proposed seismic strengthening capital expenditure
Whether Austron has identified any future or potential synergies or strategic benefits to Acurity from having Austron as a 50.01% shareholder	No synergies or strategic benefits have been identified

Austron, through its shareholders Royston and Medusa, has two representatives on the Acurity Board. Austron sees value in Acurity at $6.00 per share. If shareholders consider Austron and the Board can deliver operational improvements in the Company and increase the value of Acurity's shares they may wish to consider retaining their shares.

2.4.2 The Offer fails

Because of the agreements with Royston, Medusa and AMP the Offer will not fail unless Austron's Offer conditions are not met.

2.5 Likelihood of Austron increasing its Offer price

Austron is very unlikely to increase its Offer price given it has already secured 50.01% of Acurity through its agreements with Royston, Medusa and AMP. Austron has stated that it considers the price to be "full and fair".

2.6 Prospect of alternative takeover offers

Once control has been achieved by Austron, any future takeover offer needs the support of Austron to succeed.

In normal circumstances, we would consider it unlikely that an alternative offer would be made for Acurity as any party wishing to acquire more than 20% would either require Austron to sell its newly acquired shareholding or need approval from shareholders, which could be blocked by Austron.

However, Acurity has advised it has received an informal enquiry from a third party that has expressed interest in making an offer for Acurity's shares. That party has not had access to any detailed Acurity information and it is possible that no offer will be forthcoming. There is no certainty that an alternative offer will be made or indeed at what price and on what terms and conditions any such offer would be made but it is possible that an alternative offer could be made.

There is no need for shareholders to accept the Austron Offer early and shareholders do not need to do anything in relation to the Austron Offer until close to its closing date of 6 September 2012. Importantly, shareholders who have accepted the Austron Offer will not be able to accept any subsequent offer if the Austron Offer is still open.

We re-emphasise that there is no certainty that a takeover offer will be received from a potential new bidder.

2.7 Prospect of an investor acquiring a strategic shareholding less than 20%

It is possible that an investor could acquire a strategic shareholding of less than 20% of Acurity. A shareholding of greater than 10% could be considered a blocking stake because it would prevent another shareholder from achieving the 90% shareholding necessary to compulsorily acquire the Company under the Takeovers Code. It is possible that any acquisition of a strategic shareholding could be made at a premium to the Offer price of $6.00.

2.8 Share price after the Offer

Partial takeovers are relatively uncommon in the New Zealand market. There have only been 10 successful partial takeovers since the introduction of the Takeovers Code in 2001. After the successful close of a partial takeover, the share price has tended to fall below the Offer price. This is broadly to be expected given share prices reflect prices for small parcels of minority shares whereas a partial takeover offer, would typically include some premium for control.

For the 10 successful partial takeovers, the median share price one month after the close of the offer was 10% below the offer price and only one had a share price above the offer.

In the absence of any other factors, we consider there is a real prospect that Acurity's share price may recede from current levels, following the Offer.

2.9 Liquidity

When the Offer is successful, the remaining free float of Acurity's shares will decrease. Currently Acurity's four substantial security holders hold 63.35% of the total shares (Table 4.2). In our view the Offer is likely to attract acceptances from at least some of Acurity's shareholders (apart from Royston, Medusa and AMP). Therefore, it is likely that the remaining free float of Acurity Shares will decrease following the Offer. This will further limit the liquidity of trading in Acurity's shares.

2.10 Follow on offers

The Takeovers Code allows serial offers without timing or pricing restrictions. Hence Austron will be able to make additional offers to purchase some or all of the remaining shares in Acurity. Austron would be free to offer more or less than the current Offer price of $6.00.

2.11 Summary

The Offer is certain to be successful in achieving a 50.01% shareholding in Acurity, unless a condition to the Offer is not satisfied or the Offer is withdrawn with the consent of the Takeovers Panel.

Key issues to be considered when assessing the merits of the Offer include:

- Acurity operates in a sector that is currently impacted by weak economic conditions but has attractive long term growth prospects. Having undertaken significant capital expenditure and planning further redevelopment at Wakefield Hospital the Company is now poised for growth and a significant improvement in cash flows once Wakefield Hospital is complete;
- Austron's Offer price of $6.00 per share is 15% below the bottom of our valuation range, and is 19% below the mid-point of our range. We note that this range represents our estimate of value for 100% of the Company and we would not expect minority parcels to trade at this level (in the absence of a takeover offer);
- the Offer is above the Acurity closing price on 15 August 2012 of $5.70 per share. In the absence of any other factors, we consider there is a real prospect that Acurity's share price may recede from current levels, following the Offer;
- the key benefit of the Offer is that it offers some liquidity for Acurity's minority shareholders at a price approximately 26% above share trading levels observed in advance of the Offer; and
- Acurity's shares are closely held and there is a lack of trading volume. This limits the liquidity available to shareholders and their ability to sell shares. Austron has said it has no present intentions to make a full takeover offer, but it reserves the right to do so. Therefore, although the Offer price is below our valuation there may not be a better exit opportunity for Acurity's minority shareholders in the short term.

Shareholders with a short term investment outlook or who are uncomfortable with Acurity's current trading performance; planned capital expenditure; prospects for growth; or the potential change in control may benefit from selling all or part of their shareholding into the Offer.

For those shareholders with a longer term investment outlook who are willing to remain as minority shareholders there is, on balance, reason to believe that Acurity can grow its earnings from current levels as a result of anticipated future growth in demand for private health services. This growth in earnings should in turn lead to appreciation of Acurity's share price. However, there are risks to Acurity delivering on its growth plans and the Company is yet to produce a strong track record of earnings growth.

Austron's stated intentions are to make no material changes to the business of Acurity or its subsidiaries.

The partial nature of the Offer means that the maximum number of shares a shareholder is able to sell into the Offer is uncertain and depends on the actions of all of Acurity's shareholders. It also affects shareholders' ability to obtain any future premium for control in relation to their remaining shareholdings, unless Austron decides to sell its controlling stake.

Given that a party other than Austron has spoken to the Company about making an offer, there is the prospect of an alternative offer. However, given the circumstances, namely that Austron would (following completion of the Offer) have to accept or allow a competing offer, it would be presumptive to assume any future offer would necessarily be forthcoming. Shareholders considering accepting the Austron Offer should therefore wait until towards the end of the offer period to see whether an alternative offer eventuates.

The closing date for the Offer is Thursday, 6 September 2012 and the closing date will not be extended.

Acceptance or rejection of the Offer

Acceptance or rejection of the Offer is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser.

3 Industry profile

3.1 New Zealand health sector overview

The health industry is principally made up of three tiers:

- Primary Sector: professional healthcare received in the community, e.g. General Practitioners;
- Secondary Sector: provided by medical specialists and other health professionals who generally do not have first contact with patients, e.g. cardiologists, urologists, psychiatrists and dermatologists. The secondary sector typically occurs in hospitals; and
- Tertiary Sector: highly specialised consultative healthcare, which is usually on referral from the primary and secondary sectors, in a facility that has personnel and facilities for advances in medical investigations and treatment. Examples include neurosurgery and cardiac surgery. Acurity is focussed on secondary and tertiary care.

The New Zealand health sector can be split into two parts, public and private. The public sector is overseen by the Ministry of Health and its business units. The day-to-day operations of the public health sector are administered by DHBs, which plan, manage and provide health services for the population of their respective districts.

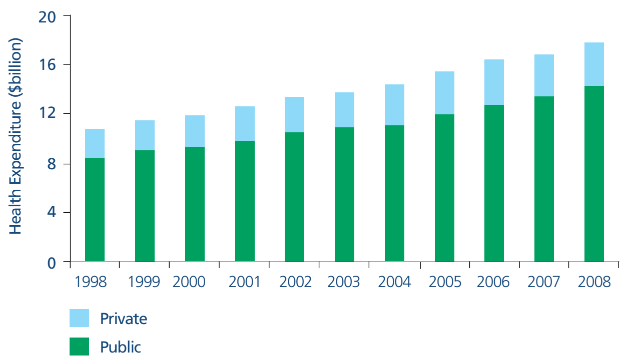
One of the key criteria, on which DHBs are measured, is time taken for patient access to elective surgery. The Government has announced that its target waiting time for elective surgery will reduce from six months to four months by 2014. In Acurity management's opinion the impact of this is to create:

- a disincentive for New Zealanders to privately fund health care (e.g. through health insurance); offset by
- opportunities for private health providers (like Acurity) to provide services to DHBs. Particularly, given limits on capital investment in new public health facilities.

Prior to World War II, private funding dominated the New Zealand healthcare market. However, this gradually reversed over time and the percentage of funding from public sources is now around 80% of total funding, which has persisted since the mid-1990s.

Figure 3.1 below shows, while health expenditure has been progressively increasing since 1998, the proportion of private expenditure has remained steady between 20% and 23%.

Figure 3.1: Total Health Expenditure (June year-end)



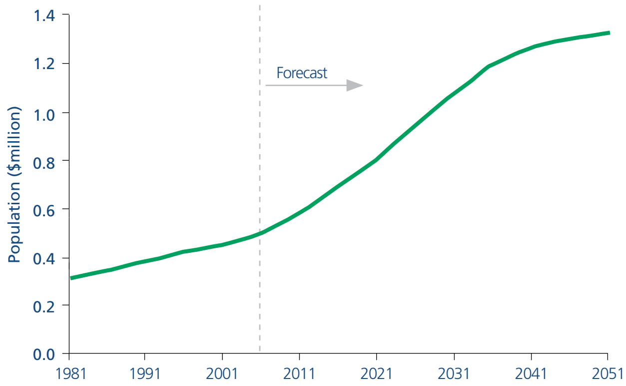
Source: Health Expenditure Trends in New Zealand 1998-2008, Ministry of Health

3.2 Demographics

Much continues to be written about the aging of the population and the impact that this will have on the provision of healthcare services. It is expected that an aging population will underpin an increased demand for healthcare services.

Figure 3.2 below shows the 65+ age demographics trend from 1981 to the last census undertaken in 2006, and the forecasted trend to 2051. The 2011 census was cancelled as a result of the Christchurch earthquake, however we are not aware of any evidence to indicate any significant change in the projection profile.

Figure 3.2: New Zealand 65+ population actual to 2006 and forecast to 2051



Source: Statistics NZ "New Zealand's 65+ Population: A statistical volume (2007)"

The proportion of the population aged 65+ is estimated by Treasury to be 12%, but accounts for 40% of health funding. By 2050, the proportion of population 65+ is expected to be approximately 24%, with the share of total health spending increasing to 63%.

3.3 Surgical and post-operative care

Acurity offers surgical and post-operative care, being the management of patient after surgery. The goal of post-operative care is to prevent complications such as infection, to promote healing of the surgical incision, and to return the patient to a state of health.

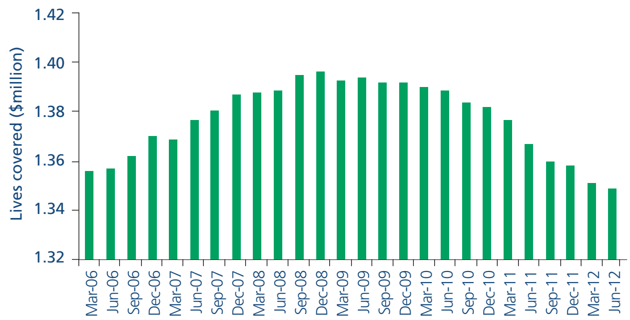
Research by the Health Funds Association of New Zealand ('HFA') predicts that total elective surgery demand is expected to increase by 39% over the next two decades.

The success of a private hospital is largely dependent on its ability to attract surgeons and specialists to use its facilities. Surgeons book theatre time in the hospital of their choice. In contrast to commercial businesses having fixed term tenancies, a hospital often has no certainty that a surgeon will continue to be a patron on an on-going basis and is at risk of losing surgeon support if more attractive alternatives become available.

3.4 Insurance

The number of New Zealanders with health insurance has shown several consecutive quarters of decline, according to figures released by the HFA. There has also been a trend for on-going erosion in the quality of plans, with greater excesses and restrictions being taken on to minimise premium increases. Figure 3.3 below shows a decline of health insurance cover since the beginning of 2009 of 3.4%, coinciding with the global financial crisis ('GFC').

Figure 3.3: Quarterly Health Insurance Cover from Mar-06 to Jun-12



Source: Health Funds Association of New Zealand website

Health insurance cover has historically varied along with economic conditions, therefore health insurance cover is expected to increase as the New Zealand economy improves. Notwithstanding the decline in the number of people insured, claims paid out have increased steadily as the insured population ages and the costs of surgery increase at rates above the rate of inflation. Claims paid in the year to March 2012 were up 1.9% on those paid for the previous period.

3.5 Summary

The recent global economic climate has influenced private elective surgery volumes. In addition, the proportion of the New Zealand population covered by private health insurance is declining. Balancing this trend is the introduction of new government protocols that make it easier for DHBs to subcontract elective surgery to private hospitals in order to reduce waiting lists.

4 Company overview

4.1 Overview

Acurity is one of New Zealand's largest providers of private surgical healthcare services. The Company operates three wholly owned private hospitals, Wakefield Hospital and Bowen Hospital in Wellington; and Royston Hospital in Hastings.

Acurity is also an investor in part owned private hospitals, Grace Hospital (60% owned) in Tauranga; Endoscopy Auckland and Laparoscopy Auckland ('EA and LA') (30% owned) in Auckland; and Boulcott Hospital (12% owned) in Lower Hutt.

4.2 History

There has been a hospital on the present Wakefield Hospital site in the Wellington suburb of Newtown for over 80 years. Wakefield Hospital's origins trace back to Lewisham Hospital, which was opened in 1929.

Since this time there has been constant upgrading and expansion of facilities at Wakefield Hospital, with major projects including the addition of new theatres and other modern facilities.

In order to access new capital for continued redevelopment and to allow for a broader investor base, Wakefield Hospital Limited listed on the NZSX in September 2001.

In April 2003, Wakefield Hospital Limited acquired Bowen Hospital from the Bowen Hospital Trust Board. Bowen Hospital has operated on its present site since the early 1970s, having moved from a smaller facility in Bowen Street, from which it derived its name.

Wakefield Hospital Limited changed its name to Wakefield Health Limited in 2005 to reflect the broadening of the Company's activities, which at that time also included an investment in a clinical trials company, which was subsequently sold in 2008.

In 2006, Wakefield merged with Royston Hospital Limited, the owner of Royston Hospital in Hastings. Royston Hospital opened in 1924 and shifted to its present site in 1931 following the Hawkes Bay earthquake. It was wholly owned and operated by a charitable trust, until 1993 when Royston Hospital Limited was formed as a joint venture company with local medical specialists to own and operate it.

A major redevelopment on the Bowen Hospital site commenced in late 2009 and is about to be completed. This involved the construction of the "Bowen Centre", housing new consulting, radiology and endoscopy facilities, followed by the construction of new operating theatres and related facilities and a new day stay admissions unit. The redevelopment is one of the largest development projects Acurity has undertaken.

In August and September 2011, Acurity acquired Norfolk Investments Limited, which owns 60% of Tauranga's Grace Hospital through a joint venture partnership with Southern Cross Hospitals. Grace Hospital opened in 2007 and caters for a broad range of specialties.

Also in September 2011, Acurity acquired 30% shareholdings in EA and LA. As part of the purchase agreement, Acurity's stake in these businesses is likely to increase to 50% by 2016. These businesses share modern, purpose-built facilities in Epsom, Auckland. Endoscopy Auckland is the leading private provider of endoscopy services in the Auckland region. Laparoscopy Auckland is a private hospital that specialises in a focused range of laparoscopic surgical procedures.

On 6 August 2012, Acurity changed its name from Wakefield Health Limited.

4.3 Summary of operations

Acurity's core business is private healthcare – primarily the provision of surgical facilities and post-operative care, as well as the provision of facilities and patient care for other specialist medical procedures such as endoscopy and cardiology.

Acurity develops, owns and operates private hospital facilities. It also leases space on its hospital campus to specialists for consulting rooms and to other independent providers of services that are compatible with those that Acurity itself provides (such as radiology, physiotherapy and pathology).

The specialists who treat their patients in Acurity's hospitals are independent practitioners who book their patients into the Company's hospitals. Acurity supplies the operating facilities, equipment, medical supplies, nursing staff and other related services while the specialist is responsible for directing the patient's care.

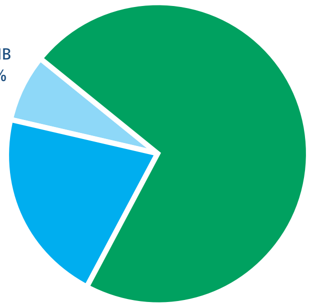
The ability to attract and retain successful specialists to utilise Acurity's facilities is a key driver of the Company's success.

4.3.1 Sources of revenue

Acurity's revenue is funded from three primary sources as set out in Figure 4.1:

- private patients (funded either via the patient's insurance or by the patient themselves);
- surgery contracted by the ACC; and
- surgery contracted by DHBs.

Figure 4.1: Acurity's revenue by source in FY12



Source: Management accounts

4.3.2 Private patients

Private patients make up the majority of Acurity's business. We understand that the key drivers for patients to choose treatment in private as opposed to a public care are:

- Choice: the ability to choose the specialist, the facility in and the treatment or technique that is performed;
- Timelines: the ability to gain access to treatments as and when required;
- Availability of treatments not provided by the public system: for example obesity surgery, cosmetic procedures and innovative/high technology procedures; and
- Quality of experience: more individual attention and more comfortable facilities.

Acurity management consider there is an inverse relationship between public (DHBs) performance in elective surgery and the propensity for patients to fund private surgery (either through insurance or self-funding). As a result, the recent increased focus and Government directive on DHBs' elective surgical volumes has reduced incentives for individuals to privately fund their care to avoid public waiting lists.

Private patients are funded through either insurance or self-funding.

Insurance

As discussed above, in recent years there has been a decline in the number of people with private health insurance. We also understand that over a similar period there has been on-going erosion in the quality of private health insurance plans (with greater excesses and restrictions to minimise premiums). As a result of these combined effects, Acurity has observed subdued demand for services from insured private patients.

Self-funded

New Zealand has experienced relatively subdued economic conditions in recent years following the GFC. In Acurity management's view this has had a direct impact on self-funding patient volumes, which have also been subdued.

4.3.3 Accident Compensation Corporation

ACC purchases surgical services from private and public providers in order to provide treatment and rehabilitation for patients who have suffered injury as a result of accidents. Acurity performs a range of surgical procedures for ACC under rolling contracts with prices set according to a national pricing schedule and providing a total budget for work in the coming year, though there are no committed volumes. In general pricing is at a discount to Acurity's private patient charges.

We understand that ACC has been focussed on reducing purchasing costs and has itself admitted that its focus on declining surgery over 2010 and 2011 went too far. Acurity experienced an increase in ACC funded surgery in 2012 as ACC relaxed some of its criteria, however funding is still constrained.

4.3.4 District Health Boards

DHB work is contracted from DHBs who either lack the capacity to complete the work themselves or do not have the capability to provide specialised procedures in-house. This is a smaller work stream and has historically been unpredictable in nature and timing. However, given the fixed cost nature of Acurity's business, relatively small increases in work from DHBs can have a material impact on Acurity's profitability.

4.4 Overview of facilities

Table 4.1 summarises Acurity's wholly owned and operated hospitals as well as its part owned investment in hospitals and health care facilities.

4.4.1 Wakefield Hospital

Wakefield Hospital (Wellington) is the largest private hospital in central New Zealand, located in Newtown, Wellington.

Wakefield Hospital performs a range of diagnostic, interventional and surgical procedures, including cardiac surgery. The hospital includes seven operating theatres and approximately 70 patient beds, including five intensive care beds and three endoscopy beds. Wakefield Hospital also has outpatient clinics including: Wakefield Specialist Medical Centre, Wakefield Sports Medicine Clinic, Wakefield Heart Centre and Wakefield Gastroenterology Centre.

Acurity has already signalled to shareholders the planned redevelopment of Wakefield Hospital. There are a number of drivers for the redevelopment (including growth opportunities), however, one of the most pressing issues concerns the need to strengthen some of the existing buildings to achieve desired levels of seismic compliance.

While council regulations provide the Company with 10 years to complete this work, Acurity say such a timeframe is incompatible with its commitment to provide high-quality facilities to patients, specialists and staff. As a result, it has developed a plan for completion of necessary work within an accelerated timeframe.

Subject to finalisation of the detailed design and tendering of the work involved, Acurity's current estimate is that the completion of this phase of the project will take two to three years and will cost approximately $20 million to $25 million to complete.

The building programme proposed for Wakefield Hospital affects the value of Acurity.

4.4.2 Bowen Hospital

Bowen Hospital (Wellington) offers a range of surgical services. Bowen Hospital's operating suite comprises three theatres and a gastroenterology unit with a single procedure room.

Acurity is about to complete a major redevelopment of Bowen Hospital, which has been one of the largest projects that the Company has undertaken. Total capital expenditure is expected to be approximately $34 million.

In January this year, the new theatre suite was opened, which initially provided three digital operating theatres. Provision for two further theatres in the complex has been created to allow for anticipated future growth. This followed the completion of the first phase of the project, which was the construction of the Bowen Centre to provide expanded on-site consulting, radiology and endoscopy facilities (including provision for a second procedure room as and when demand requires it). Key tenants include Wellington Orthopaedic Sport Surgeons; Bowen Breast Centre; and Pacific Radiology. The centre is now 77% occupied, with remaining space available to accommodate new opportunities.

4.4.3 Royston Hospital

Royston Hospital (Hastings) has 3 operating theatres; an endoscopy procedure room; and an 8 bed recovery unit. The Royston Centre, adjoining the hospital, provides specialist consulting rooms as well as physiotherapy and radiology facilities.

4.4.4 Grace Hospital

Grace Hospital (Tauranga) was opened in August 2007. It was initially established as a joint venture between Southern Cross Hospitals and Norfolk Investments (a group of approximately 30 surgeons and anaesthetists). The facility incorporates 6 operating theatres, a procedure room, High Dependency Unit, a large day stay unit and has a total of 50 inpatient beds.

Through acquiring Norfolk Investments Limited, Acurity obtained its 60% stake in Grace Hospital during FY12, the only private surgical hospital in the Tauranga and eastern Bay of Plenty region. Grace Hospital is owned via a partnership agreement. Although Acurity is the majority partner, control is effectively shared between Acurity and Southern Cross by virtue of the partnership agreement.

Acurity's FY12 results include seven months of Grace Hospital's earnings.

Table 4.1: Acurity's hospitals and healthcare facilities

	Ownership	Location	Operating theatres	Beds
Wholly owned facilities				
Wakefield Hospital	100%	Wellington	7	~70
Bowen Hospital	100%	Wellington	3	~40
Royston Hospital	100%	Hastings	3	~30
Partially owned facilities				
Grace Hospital	60%	Tauranga	6	~50
EA and LA	30%[1]	Auckland	1	~10
Boulcott Hospital	12%	Lower Hutt	3	~40

Source: Management information

1 EA and LA are subject to back-to-back put and call options for 10% exercisable each of September 2014 and September 2016 respectively. Exercise price is set at 6.0 times historical EBITDA. Acurity management say that it is highly likely that Acurity's shareholding will increase to 50% by September 2016.

4.4.5 Endoscopy Auckland and Laparoscopy Auckland

During FY12, Acurity also acquired 30% of EA and LA, together with options that are expected to result in Acurity's ownership in these businesses increasing to 50% by 2016. EA and LA are two businesses operating from the same site in the Auckland market. These investments have established a presence for Acurity in Auckland.

Endoscopy Auckland is a stand-alone facility focused on the investigation and treatment of problems related to the gastrointestinal tract. More specifically, the main procedure undertaken is bowel cancer screening.

Laparoscopy Auckland is a laparoscopic surgical unit where both day-stay and overnight procedures are performed. It is unique in being a specialised hospital dedicated to laparoscopic general surgery and bariatric procedures (less invasive obesity surgery). The one operating theatre is typically used four days a week by Laparoscopy Auckland. Therefore the facility has some capacity to meet further demand.

4.4.6 Boulcott Hospital

Boulcott Hospital is owned by Boulcott Clinic Limited (in which Acurity holds a 12% shareholding). The remaining shares are held primarily by medical specialists, with a small number of private investors also involved. Acurity is the largest individual shareholder in Boulcott Clinic Limited.

It is located in Lower Hutt, directly adjacent to Hutt Hospital (a public hospital operated by the Hutt Valley DHB). Its primary catchment area is the Hutt Valley.

4.4.7 Corporate office

In addition to the hospitals, the Company has a small corporate office comprising executive management and the group-wide IT function.

4.5 Competitors

While not a direct competitor in the strictest sense, public hospitals provide an alternative treatment pathway for patients and the extent to which timely treatment is available in the public sector is one of the determining factors of private demand. Some public hospitals also perform work under contract with ACC, so compete with the private sector (which is a major supplier of surgical services to ACC) in this respect.

Acurity faces competition from other private health providers on a regional basis.

4.5.1 Wellington and Lower Hutt

Acurity's most significant presence is in the Wellington region with the wholly owned Wakefield Hospital and Bowen Hospital; and 12% ownership interest in Boulcott Hospital.

Southern Cross Wellington is located in Newtown, close to the Public Hospital and Wakefield Hospital. This facility accommodates most specialties, though currently no interventional cardiology, cardiac surgery or neurosurgery is done there. Southern Cross have extensively expanded and upgraded facilities over recent years. Several of the specialists who work at Wakefield or Bowen Hospitals also work at Southern Cross.

There are three main public hospitals in the greater Wellington region, Wellington Hospital; Kenepuru Hospital; and Hutt Hospital. Wellington Hospital is the region's tertiary level facility, providing publicly funded cardiac and neurosurgical and other high complexity surgical services to the lower North Island. A significant number of the specialists who work at Wakefield and Bowen Hospitals split their time between private practice and a public appointment at one of the DHBs.

4.5.2 Hawke's Bay

Royston Hospital, located in Hastings, is currently the only private hospital in the Hawkes Bay region. The nearest other private hospitals are Aorangi and Southern Cross in Palmerston North and Chelsea Hospital in Gisborne.

The Hawkes Bay is also served by Hawkes Bay public hospital, which is located close to Royston Hospital.

4.5.3 Bay of Plenty

Grace Hospital is the only private hospital in Tauranga and the Eastern Bay of Plenty region.

There are a small number of small-scale private clinics that perform a narrow range of day stay procedures in Tauranga.

The Bay of Plenty is also served by two public hospitals, Tauranga Hospital and Whakatane Hospital.

4.5.4 Auckland

EA and LA are niche businesses performing a high volume of a narrow range of procedures.

Endoscopy Auckland competes with endoscopy units operated by several of the larger private hospitals, as well as two other specialty endoscopy clinics (one in Epsom and one on the North Shore).

Laparoscopy Auckland competes with other larger private hospitals in Auckland.

There are a large number of private surgical providers in Auckland. The two largest providers are the Mercy Ascot Group and Southern Cross.

Mercy Ascot Group has a strong position in private tertiary care in Auckland. It operates Mercy Hospital in Epsom, Ascot Hospital in Remuera and an endoscopy clinic on the North Shore. Mercy Ascot Group is owned by private investors.

Southern Cross operates nine hospitals across New Zealand (with two in Auckland and one on the North Shore). Southern Cross is trust owned.

4.6 Strategic direction

Acurity has identified four key strategic priorities for the Company:

- **Progress and grow its existing businesses**: including developing consultant relationships, promoting Acurity's hospitals and the specialists that practise there, improving the Company's operational model, focusing on the quality of the patient experience and continuing to enhance the quality of facilities. Key initiatives the Company is undertaking include cost management and seeking to secure additional work from DHBs, including achieving additional surety around current work levels and building relationships for further growth should DHBs need to outsource surgical services increase.
- **Seek growth and diversification via merger and acquisition**: Acurity considers that further consolidation in the private hospital sector is both desirable and inevitable. Merger and acquisition activity provides the potential for Acurity to diversify its geographic revenue sources (which are focussed on Wellington) and increase economies of scale across its hospitals. Acurity continues to seek value-adding opportunities. Recent examples of this activity include investments in the Auckland and Tauranga markets through EA and LA and Grace Hospital respectively. Acurity considers these markets attractive as a result of the combination of population growth and ageing continuing to underpin strong demand for private

surgical services. The Company also has a preference for entering new markets via ownership in established businesses as opposed to greenfield investments. The Company continues to actively consider merger and acquisition opportunities that arise and expects that further opportunities will present in the future.

- **Build the capacity and capability for future growth**: Acurity considers that private healthcare will have an increasing role to play in meeting New Zealand's future medical needs due to demographic factors, constraints on public funding, continuing changes in technology and increasing awareness and expectations of consumers. The Company intends to develop the physical capacity and the people and information technology capabilities to ensure that it is well positioned to meet these future opportunities.
- **Maximise the benefit of investments**: Acurity has diversified its ownership approach from one of owning and operating hospitals to, in some cases, being an investor through its investments in Grace Hospital, EA and LA. The Company intends to maximise the benefits of these investments through working with its joint venture partners to ensure success in their existing business as well as looking for new business opportunities that leverage off their activities.

4.7 Shareholders

Acurity currently has 17,259,959 fully paid ordinary shares. The 20 largest ordinary shareholders, by beneficial interest, as at 31 July 2012 are listed in Table 4.2.

Acurity's substantial security holders are Royston; Medusa; AMP; and Fisher Funds Management.

Table 4.2 shows Acurity's shares are relatively closely held. 20 shareholders control 78% of shares and the remaining 22% of shares are held by small shareholders.

Trading of Acurity Shares over the three months prior to the announcement of the Offer is summarised in Table 4.3 and shows that approximately 1.6% of Acurity Shares were traded over this period. This highlights relatively low liquidity in the market for Acurity Shares.

Table 4.2: Top 20 Ordinary Shareholders as at 31 July 2012

	Shares	Percentage
Royston Hospital Trust Board	3,450,266	19.99%
Medusa Limited	3,450,266	19.99%
AMP Capital Investors (New Zealand) Limited	2,711,919	15.71%
Fisher Funds	1,322,126	7.66%
Accident Compensation Corporation	585,995	3.40%
Milford Asset Management	295,394	1.71%
J R Tyler + B J Martin + C A Tyler + T A Quentin + F Johnston	240,000	1.39%
J A Calder + C M Calder + R G Keddell	231,938	1.34%
Police Health Plan Limited	172,556	1.00%
JL and GC Talbot Family Trust	144,419	0.84%
M J Knapton + M M Knapton + Independent Trustees Limited	140,000	0.81%
Craigs Investment Partners NZ Equities Fund	120,000	0.70%
A J Mora & C E Mora	100,000	0.58%
G C Hare & P J Benson	96,300	0.56%
National Nominees New Zealand Limited[1]	95,088	0.55%
New Zealand Superannuation Fund[2]	86,185	0.50%
L F Wilson	74,757	0.43%
R G Neal + B J Neal + S A Greer	71,817	0.42%
P F Mountfort	67,200	0.39%
B J Martin	64,818	0.38%
Top 20	**13,521,044**	**78.34%**
Remaining shareholders	3,738,915	21.66%
Total	**17,259,959**	**100.00%**

Source: Acurity management

1 Acurity has been unable to confirm the beneficial interest of the shares held by National Nominees New Zealand Limited.
2 New Zealand Superannuation Fund has a total shareholding of 459,628 Acurity Shares. Of this balance, 373,443 Acurity Shares are managed on their behalf by AMP and included in the AMP interest above. The remaining balance is managed by other investment managers.

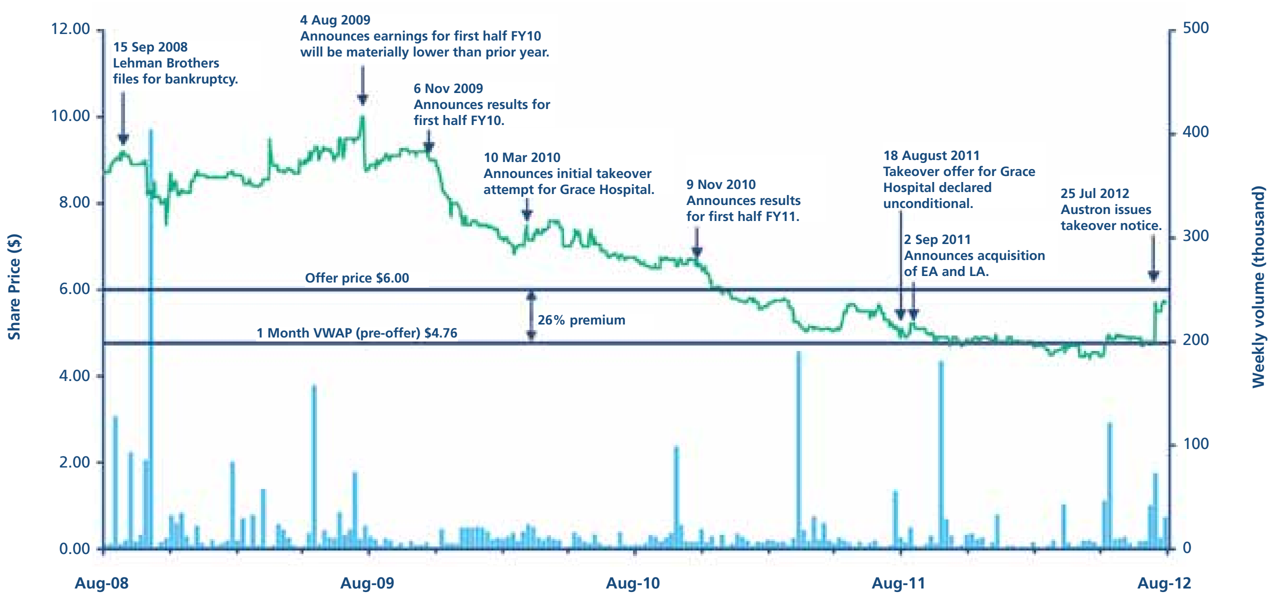
4.8 Share price performance

Acurity's ordinary shares are traded on the NZSX. Figure 4.2 illustrates the share price of Acurity and the volumes of share trades since August 2008.

In mid-2009, Acurity Shares were trading at around $10.00, however following an announcement on 4 August 2009 that earnings for the first half of FY10 would be materially lower than FY09, the share price dropped to $8.80 by 5 August 2009. Acurity's share price continued to track down to a low (over the period analysed) of $4.40 on 26 April 2012 as a result of subdued earnings. Acurity's share price has traded between $4.40 and $4.95 from 26 April 2012 until 25 July 2012 when the Offer was made.

Table 4.3 shows Acurity's share trading in the three months immediately prior to the Offer.

Figure 4.2: Acurity's share price performance



Source: Capital IQ

Table 4.3: Share trading prior to 25 July 2012

Period	Share Price Low	Share Price High	VWAP[1]	Cumulative Volume	% of Issued Capital
1 Week	4.71	4.80	4.78	42,104	0.24%
1 Month	4.61	4.88	4.76	56,994	0.33%
3 Months	4.40	4.95	4.74	278,059	1.61%

Source: Capital IQ and Bloomberg

Since Austron's announcement that it intended to make an offer the share price has tended to trade in a range between $5.50 and $5.75 (up to 15 August 2012).

The Offer price of $6.00 per share represents a:

- premium of 25.0% to the closing price of $4.80 on the day before the Offer;
- premium of 25.6% to the VWAP in the week prior to the Offer of $4.78;
- premium of 26.0% to the VWAP in the month prior to the Offer of $4.76; and
- premium of 26.6% to the VWAP in the three months prior to the Offer of $4.74.

5 Financial analysis

5.1 Group overview

Acurity consolidates the financial performance of its wholly owned hospitals and its corporate overheads in the Company's financial statements.

Grace Hospital, EA and LA are equity accounted. This means that revenue and expenses for these investments are not consolidated into the group accounts and are instead accounted for as a single line in Acurity's statement of financial performance (share of profit in associates and joint venture partnership).

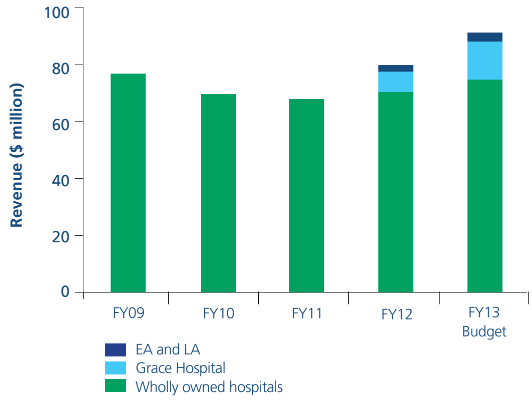
Acurity currently accounts for its 12% shareholding in Boulcott Hospital as an "available for sale financial asset". Changes in value of the Boulcott Hospital investment are accounted for in the Statement of Comprehensive Income (i.e. earnings are not included in its statement of financial performance).

Our valuation takes this difference in accounting treatment of wholly owned and partially owned facilities into account.

The Company's wholly owned hospitals were not immediately impacted by the recessionary conditions of FY08 and FY09. It was not until the first quarter of FY10 that the economic environment started to impact on Acurity's patient numbers, revenue and profitability.

In FY10 and FY11 patient numbers and revenue declined. During this period there was a reduction in patient admissions (particularly those that were privately funded). Furthermore, much of Acurity's decline in revenue and EBITDA was experienced at its Wakefield Hospital as a result of a drop in high value surgery, both privately and publicly funded.

Figure 5.1: Summary of Acurity's revenue (including associates and joint venture partnership in proportion to ownership)[2]



Source: Management accounts

1 "Volume weighted average price"
2 FY12 represents seven months performance for Grace Hospital, EA and LA.

Private revenue remained subdued in FY12 due to the sluggish economy and people cancelling or reducing their level of private health insurance cover. However, Acurity experienced an increase in DHB and ACC funded work.

In September 2011, Acurity acquired its stakes in Grace Hospital, EA and LA. Reported revenue and EBITDA is not affected because the partially owned facilities are not consolidated.

5.1.1 Year-to-date July 2012

YTD13 Acurity has performed below Budget and also below the previous year's YTD period. Table 5.1 compares the performance of YTD13 to Budget.

Table 5.1: YTD13 Contribution to EBIT vs. Budget

$'000	Actual	Budget	Variance
Total Admissions	5,085	5,244	(159)
Revenue	27,165	28,712	(1,547)
EBITDA	**4,909**	**6,278**	**(1,369)**
EBITDA Margin	*18%*	*22%*	
Associate earnings	895	972	(77)

Source: Management accounts

YTD13 EBITDA is $1.4 million below Budget. Acurity management have informed us that the previous financial year started very strongly and its FY13 Budget was based on FY12 seasonality.

5.1.2 Financial projections

KordaMentha's valuation analysis is based on Acurity's board approved Budget for FY13 and nine years of financial projections from FY14 to FY22. The principal assumptions underlying these projections are set out later in this section.

Acurity's FY13 Budget was approved in April 2012. Projections for FY14 to FY22 were subsequently compiled based on this Budget.

There have been no subsequent revisions to the FY13 Budget. However, actual financial results for the four months ended 31 July 2012 have been tracking below Budget. We consider this indicates a degree of downside risk to the full year Budget.

For valuation purposes, we have made some adjustments to the financial projections, which we discuss later in the Report.

Acurity's FY13 Budget has been approved by the Board and while financial projections for subsequent years are included in our valuation assessment they are not Board approved and have not been disclosed in the Report.

5.2 Wholly owned hospitals

The three wholly owned hospitals are key value drivers for Acurity. Table 5.2 shows the financial performance for the three wholly owned hospitals and corporate overheads.

Table 5.2: Acurity's wholly owned hospitals financial performance

$000	FY09	FY10	FY11	FY12	FY13 Budget
Revenue	77,902	70,488	68,879	71,133	75,529
Medical supplies	(19,708)	(18,138)	(18,402)	(19,390)	(20,734)
Employee costs	(26,442)	(26,684)	(26,159)	(26,027)	(26,406)
Other expenses	(9,372)	(9,316)	(9,606)	(9,487)	(9,908)
EBITDA	**22,380**	**16,350**	**14,712**	**16,229**	**18,481**
EBITDA margin	*28.7%*	*23.2%*	*21.4%*	*22.8%*	*24.5%*

Source: Management accounts

Recent performance

As noted, it was not until the first quarter of FY10 that the economic environment started to impact Acurity's patient admissions.

In FY10 and FY11 there was a reduction in patient admissions (particularly those partially funded by insurance or those who self-funded their surgery procedures). We understand that fully-insured patients were initially less affected by the economic slowdown. A significant drop-off in DHBs outsourcing work was also a factor in the fall in FY10 patient numbers and revenue.

Revenue from private sources remained subdued in FY12. However, Acurity was able to increase revenue (3.3%[1]) as a result of an increase in DHB and ACC funded work. At Royston Hospital, Acurity signed a three-year outsourcing agreement with the Hawkes Bay DHB in 2011, which is working well for the Company and providing a degree of certainty around the level of its workflows.

Acurity was also able to improve its EBITDA margin in FY12 as a result of employee efficiency initiatives, one-off costs of $350,000 incurred in FY11 and a range of cost saving measures which were offset by a substantial increase in insurance premiums of $420,000.

The combination of revenue growth together with contained expenses resulted in a 9.5% increase in EBITDA in FY12.

Financial projections

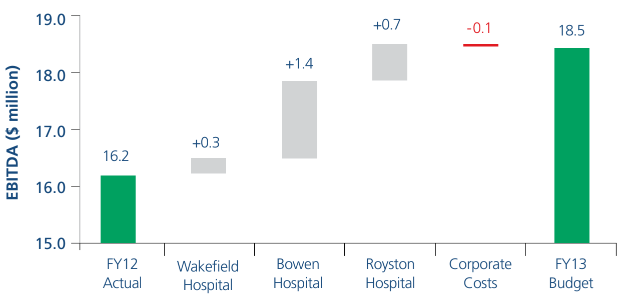
FY13

Acurity currently expects a slightly improved operating environment in FY13, with private demand continuing to be subdued for the same reasons as the Company has experienced recently.

The Budget includes meaningful growth at Bowen Hospital following completion of its redevelopment and an increase in throughput anticipated from new surgeons and specialists. Acurity is budgeting for a modest increase in EBITDA at Wakefield Hospital and Royston Hospital.

Acurity budgeted for FY13 EBITDA of $18.5 million, up from FY12 actual results of $16.2 million. The key changes to the FY13 Budget from FY12 results are highlighted in Figure 5.2.

Figure 5.2: Key changes between FY12 and FY13 Budget for wholly owned hospitals.



Source: Management accounts

Principal assumptions underpinning the FY13 Budget are:

- the expectation that private demand will remain somewhat subdued in line with current conditions;
- an expectation that growth in ACC funded surgery will continue. 2012/13 ACC contracts did subsequently allow for modest growth in price and volumes;
- the expectation that revenue from DHBs in FY13 will match FY12 levels;
- continued strong competition for DHB contracts, impacting pricing;
- meaningful growth at Bowen Hospital following completion of the redevelopment;
- steady growth in the Hawke's Bay market contributing to earnings growth for Royston Hospital; and
- a relatively stable labour market keeping costs in check.

As noted above, and agreed with Acurity management, we consider that there are some downside risks to the FY13 Budget for wholly owned hospitals after taking into account YTD13 financial performance and Acurity's trading update on 17 August 2012. Specific risks include:

- a further slowing in private demand. Currently, Acurity is achieving growth from DHB and ACC work with private revenues flat. Given the number of New Zealanders with health insurance is declining this could result in a decline in private demand; and
- contracting by DHBs continues to be done largely on a short-term basis and is unpredictable in extent and timing. This will likely result in further volatility.

For the purposes of our valuation analysis, we have made an adjustment to FY13 Budget EBITDA of the wholly owned hospitals of $1.5 million in order to address these downside risks. As a result, for valuation purposes we have adopted EBITDA of $17 million. That is not to say the FY13 Budget will not be achieved but we consider a prospective purchaser of Acurity may adjust FY13 Budget, at the current time. In the high-end of our DCF valuation range we rely on EBITDA set out in the original FY13 Budget.

1 Revenue set out above is wholly attributable to Acurity. In Acurity's statutory accounts revenue includes charges passed on to specialists and other suppliers.

FY14 to FY22

In the medium to longer term, Acurity management expects increasing latent demand for health services and constraints on public funding to generate growth in revenue and profitability for Acurity. This is expected to lead to year-on-year growth in revenue of approximately 6% and EBITDA margins improving to 30% by FY22 as a result of the wholly owned hospitals having a high degree of operating leverage.

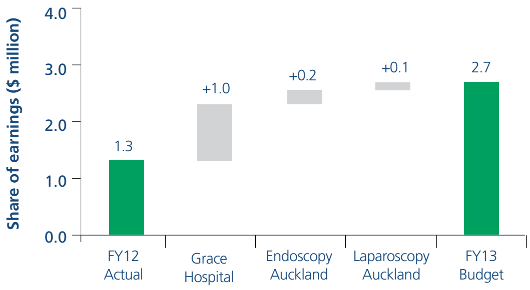
Principal assumptions underlying the FY14 to FY22 financial projections are:

- one of the most important assumptions in the financial projections is the level of admissions as this drives many of Acurity's revenues and expenses. Other than short term growth at Bowen Hospital in FY14 (reflecting the benefits of the redevelopment) the financial projections include growth of between 2.5% and 3.0% across the hospitals. A small proportion of this growth is expected to be driven by population growth but the more important factors are the aging of the population (with Statistics New Zealand projecting growth in the over 65 population of 2.5% to 3.0% per annum) and limits in the availability of public funding creating increasing levels of demand for private health services;
- theatre hours per admission and IPDE[1] per admission are assumed to remain constant;
- price growth of less than 3.0% per annum. This is below the long run historical trend, where medical inflation has significantly outstripped general inflation due to an imbalance in the supply and demand for qualified clinical staff and the increasing impact of technology and regulation;
- labour cost increases in the health sector have been more restrained in recent years. However, due to expected on-going scarcity of qualified staff, the level of labour cost increases is expected to increase slightly from current levels;
- staff numbers are assumed to remain at current levels except where additional capacity is added; and
- additional capacity from construction of a new medical centre and additional theatres across the wholly owned hospitals.

5.3 Partially owned hospitals and medical centres

Acurity's partially owned hospitals and medical centres represent an area of growth for the Company as illustrated in Figure 5.3, which shows key changes to Acurity's share of profit in associates and joint venture partnership between FY13 Budget and FY12 results.

Figure 5.3: Key changes between FY12 and FY13 Budget for share of investment earnings[2]



Source: Management accounts

The increase in earnings mainly arises from a full year of earnings from each investment in FY13 Budget compared to the inclusion of seven months of earnings in FY12.

5.3.1 Grace Hospital

Acurity owns 60% of Grace Hospital through Norfolk Southern Cross Partnership, a joint venture with Southern Cross.

Recent performance

Acurity management notes that Grace Hospital has performed in line with expectations since it was purchased in September 2011, despite economic activity in the Bay of Plenty being adversely affected by the PSA virus in the region's kiwifruit orchards.

Grace Hospital has achieved relatively steady revenue and EBITDA for FY11 and FY12.

5.3.2 Endoscopy Auckland and Laparoscopy Auckland

Acurity owns 30% of EA and LA.

Recent performance

EA and LA's actual earnings for FY12 exceeded its budget.

EA and LA have experienced growth in revenue and EBITDA in FY12. FY12 EBITDA is $4.4 million.

Acurity is expected to increase its share of EA and LA by 10% in each of 2014 and 2016. The cost of acquiring these additional shareholdings as well as the uplift in Acurity's share of earnings is reflected in the financial projections.

5.3.3 Boulcott Hospital

Acurity owns a 12% shareholding in Boulcott Hospital. Boulcott Hospital has delivered consistent earnings over the past two years with EBITDA of approximately $4 million.

1 In Patient Day Equivalent ('IPDE') is used to measure the utilisation of a hospital facility. An overnight stay counts as one IPDE and a day only stay counts as a half a IPDE.
2 Excludes Boulcott Hospital (available-for-sale financial asset).

5.4 Financial position

Table 5.3 summarises the balance sheet for Acurity as at 31 March 2012 and 31 July 2012.

Table 5.3: Acurity's consolidated balance sheet

$ million	31-Mar-2012	31-Jul-2012
Inventories	1.8	1.8
Debtors	6.6	7.8
Creditors, other payables and accruals	(10.2)	(11.5)
Net working capital	**(1.7)**	**(1.9)**
Property plant and equipment	107.9	107.6
Intangible assets	22.5	22.3
Deferred tax liability	(12.0)	(12.0)
Net other operating assets	**118.4**	**117.8**
Investment in associates (EA and LA)	7.2	7.2
Investment in joint venture partnership (Grace Hospital)	24.2	24.8
Available-for-sale financial asset (Boulcott Hospital)	1.9	1.9
Investments	**33.3**	**33.9**
Cash and cash equivalents	1.0	0.8
Borrowings	(35.8)	(37.2)
Derivative financial instruments	(1.2)	0.0
Net debt	**(36.1)**	**(36.4)**
Total equity	**113.8**	**113.4**
Net tangible assets[1]	*92.7*	*92.3*
Net tangible assets per share	*$5.37*	*$5.35*

Source: Management accounts

Key points to note on Acurity's balance sheet include:

- Acurity has relatively low levels of net working capital requirements;
- Acurity's property, plant and equipment totalled $107.9 million at 31 March 2012, and is discussed further below;
- intangible assets of $24.8 million relate to goodwill on acquisition;
- investments in EA and LA; Grace Hospital; and Boulcott Hospital have a recorded book value of $33.9 million. The investments are equity accounted, with the exception of Boulcott Hospital which is valued based on its most recent share trade (for a small minority of shares in 2011);
- Acurity had net debt of $36.4 million at 31 July 2012. Net debt is calculated based on bank debt of $37.2 million offset by cash of $0.8 million. We understand that Acurity's net debt does not fluctuate significantly during the year and as a result have used net debt of $36.4 million for valuation purposes; and
- Acurity has NTA of $92.3 million or $5.35 per share as at 31 July 2012.

5.4.1 Property, plant and equipment

Table 5.4 shows a breakdown of Acurity's property plant and equipment.

Table 5.4: Break down of property, plant and equipment

$ million	31-Mar-2012
Land and buildings	96.5
Plant and equipment	10.8
Capital work in progress	0.6
Total	**107.9**

Source: Management accounts

Acurity's land and buildings are valued annually for financial reporting purposes.

5.4.2 Capital expenditure

Table 5.5: Capital expenditure and depreciation

$ million	FY09	FY10	FY11	FY12	FY13 Budget
Capital expenditure	6.5	9.4	17.6	15.9	12.0
Depreciation	5.6	6.7	6.7	6.6	7.3

Source: Annual report and management accounts

Acurity has incurred high levels of capital expenditure in recent years. Its capital expenditure has been significantly in excess of its depreciation, resulting in the asset base of the Company growing.

One of the main reasons for the high level of capital expenditure was the redevelopment of Bowen Hospital. Total capital expenditure on Bowen Hospital was approximately $34 million between FY10 and FY13.

FY13 includes estimated capital expenditure of $7 million in connection with the proposed seismic strengthening of Wakefield Hospital. Subject to finalisation of the detailed design and tendering of the work involved, Acurity's current estimate is that the completion of this phase of the project will take two to three years and will cost approximately $20 million to $25 million to complete. This project will improve the buildings and help offset future maintenance expenditure but it is largely rectification work. It is not expected to add significantly to Acurity's earnings. There are additional growth opportunities for Wakefield Hospital that require additional capital expenditure and are reflected in management's financial projections.

Acurity management considers upon completion of the Wakefield Hospital redevelopment the Company should be able to avoid incurring further capital expenditure of this magnitude across its wholly owned hospitals (unless growth opportunities are identified) for a decade or more. The expected benefits of this expenditure are not yet fully reflected in the Company's earnings, which we have considered in our valuation analysis.

Acurity management considers that the Company's long-run maintenance capital expenditure would be approximately $6 million per annum.

1 Excludes goodwill and includes software.

6 Valuation

6.1 Valuation methodologies

There are four methodologies commonly used for valuing businesses:

- DCF analysis;
- capitalisation of earnings;
- estimate of proceeds from an orderly realisation of assets; and
- industry rules of thumb.

Each of these valuation methodologies is appropriate in different circumstances. A key factor in determining which methodology is appropriate is the actual practice commonly adopted by purchasers of the type of businesses involved.

6.1.1 Discounted cash flow

It is a fundamental principle that the value of an asset or business is represented by its expected future cash flows, discounted to present value at a rate which reflects the risk inherent in those cash flows. This approach, referred to as the DCF methodology, is particularly suited to situations where a business is in a growth phase or requires significant additional investment to achieve its projected earnings.

The DCF methodology requires considerable judgement in estimating future cash flows and the valuer generally places significant reliance on medium to long term projections prepared by management. The DCF valuation methodology can also be very sensitive to changes in underlying assumptions. Notwithstanding these limitations, DCF valuations are appropriate where current earnings are not representative of reasonable expectations of future earnings.

6.1.2 Capitalisation of earnings

The capitalisation of earnings methodology requires an assessment of the maintainable earnings of the business and the selection of an appropriate capitalisation rate, or earnings multiple. This methodology is most appropriate where there is a long history of relatively stable returns and capital expenditure requirements are neither large nor irregular. In practice, it is often difficult to obtain accurate forecasts of future cash flows and therefore the capitalisation of earnings methodology is often used as a surrogate for the DCF methodology.

Three commonly used approaches to the capitalisation of earnings methodology are the capitalisation of:

- EBITDA by an appropriate EBITDA multiple to obtain an enterprise value (which comprises the value of the enterprise's debt and equity);
- Earnings Before Interest and Tax ('EBIT') by an appropriate EBIT multiple to obtain an enterprise value; or
- tax-paid profits at an appropriate price earnings ('PE') multiple to obtain the value of the subject business' equity.

PE multiples are commonly used in the context of the share market, however EBITDA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes. The choice between EBITDA and EBIT multiples is usually not critical and typically gives broadly similar results. Given Acurity's recent capital expenditure programme has affected its depreciation charges we have based our analysis on an EBITDA multiple.

6.1.3 Realisation of assets

The realisation of assets approach is based on an estimate of the proceeds from an orderly sale of assets. This methodology is more commonly applied to businesses that are not going concerns. The valuation result reflects liquidation values and typically attributes no value to any goodwill associated with on-going trading.

6.1.4 Industry rules of thumb

In some industries, businesses are valued using well established 'rules of thumb'. Generally these rules of thumb are used as a cross-check for other valuation methodologies.

6.1.5 Our valuation approach

KordaMentha has adopted the DCF and capitalisation of earnings as our valuation methodologies. We have also considered the realisation of assets methodology as an additional cross-check to the results of our preferred approaches. We are not aware of any industry rules of thumb appropriate for valuing Acurity.

Where a company is operating in a mature industry and has relatively stable earnings, the capitalisation of earnings methodology can provide a reliable means of valuing the company. Acurity operates in a fairly mature industry and there are some broadly comparable companies and transactions in Australasia, although there are no directly comparable listed hospital operators in New Zealand.

Although Acurity operates in a fairly mature industry, its earnings are affected by its recent capital expenditure associated with Bowen Hospital. The uplift in earnings projected to accrue from this investment is yet to be fully reflected in Acurity's earnings. Furthermore, Acurity management considers that the Company's earnings are affected by current conditions in the New Zealand economy and would be expected to improve as the economy recovers. Unless Acurity is materially different from the observed comparable multiples, we would expect the economic conditions and their impact on earnings to be reflected in valuation multiples. Given Acurity's recent and projected investment profile it is important that our valuation assessment appropriately considers the DCF valuation approach.

We have also undertaken valuation analysis using a high level estimate of the realisation of assets for Acurity based on book values of assets. We have adopted this approach as a cross-check only as it is likely that Acurity will continue to operate as a going concern.

Any valuation by its very nature must attribute a current value that reflects the expected future financial performance of the subject business. Consequently, information regarding the expected future performance such as financial projections is vital to the valuation exercise. We have relied on budgets and projections prepared by Acurity management.

As already discussed, after undertaking a high-level review of the projections we have identified some areas warranting adjustment in the projections, for valuation purposes.

6.2 Capitalisation of earnings

To apply the capitalisation of earnings methodology it is necessary to determine an appropriate EBITDA multiple as well as an estimate of EBITDA to which the multiple is applied.

6.2.1 EBITDA multiple

Comparable multiples are generally derived by using two sources of information: (1) earnings multiples based on the current share price of comparable trading companies; and (2) earnings multiples based upon recent transactions involving acquisitions of comparable companies.

6.2.2 Trading multiples

Our preference was to benchmark Acurity against listed hospital operators, however, there is a small set of listed private hospitals in Australasia. Apart from Acurity, there are no listed New Zealand companies that operate private hospitals. As a result, we have also reviewed a range of diversified healthcare operators. These companies are involved in all aspects of the health industry, including medical centres, dental, pathology, rehabilitation and ophthalmic services.

The only New Zealand listed company that is even broadly comparable to Acurity is Abano Healthcare Group Limited ('Abano'). Abano is not an operator of hospitals. Instead it operates medical and healthcare services primarily in New Zealand and Australia. Key subsidiaries include a network of dental practices and diagnostics laboratories. Abano is influenced by the state of the health sector in New Zealand which makes it broadly comparable to Acurity however given the fundamental differences in their operating model we have placed limited reliance on Abano's trading multiples.

Due to the lack of New Zealand listed companies comparable to Acurity we have also reviewed Australian listed private hospital companies. There are two Australian companies that operate hospitals and are broadly comparable to Acurity:

- Ramsay Health Limited ('Ramsay') which operates 117 hospitals and day surgery facilities. 66 of those are in Australia, 38 in the United Kingdom, 10 in France and three in Indonesia; and
- Pulse Health Limited ('Pulse'), which operates private hospitals, day surgeries and community home care across Australia.

Ramsay is much larger than Acurity and both Australian hospital companies operate in a very different market environment to Acurity with different economic and competitive forces. As a result, only broad conclusions can be drawn from the Australian private hospitals trading multiples.

Given the lack of listed private hospitals in Australasia we have also reviewed the trading multiples of diversified health care operators.

Observed trading multiples should be adjusted for various factors such as relative size, growth, profitability, risk and return on investment. It is also important to note that trading multiples are based upon trading in small parcels of shares, and exclude a control premium.

Appendix 3 shows EBITDA trading multiples for listed companies that are broadly comparable to Acurity. Key results of our analysis at Appendix 3 include that the median multiple of:

- historical EBITDA for the entire sample is 9.2x (based on latest 12 months of available data);
- current year forecast EBITDA for the sample is 8.8x;
- historical EBITDA for the Australian listed private hospital is 11.3x (based on latest 12 months of available data); and
- current year forecast EBITDA for the Australian listed private hospital is 10.1x (however information is only available for Ramsay).

There are a number of fundamental differences between Acurity and many of the comparable companies, including country of operation; segments in which they operate; whether land and buildings are owned or leased; current earnings performance; growth prospects; and size (as evidenced by market capitalisation).

We consider that Ramsay and Pulse have the most comparable businesses to Acurity. However, they operate in a different geographical area within a different health system and Ramsay is considerably larger and as a result we would expect it to trade at a premium to Acurity. We also note that in general Australian listed companies tend to have higher trading multiples than New Zealand businesses due to a range of factors including the relative size of Australian companies and better growth prospects in the larger Australian economy. Ramsay has a forecast EBITDA multiple of 10.1x and Pulse's is not available.

On balance, we consider that the trading multiples provide limited evidence of valuation benchmarks for Acurity. The companies in the sample are at best broadly comparable to Acurity and as a result we have preferred to rely on transaction multiples, as discussed below.

6.2.3 Transaction multiples

Appendix 4 shows the EBITDA multiples derived from our sample of comparable transactions. The details of the transactions are also set out in Appendix 4.

The comparable transactions have been executed in a range of 8.0x to 11.1x historical EBITDA. The median of all of the transactions is 8.9x historical EBITDA and the median of the New Zealand transactions is 8.4x.

The comparable transactions have forecast EBITDA multiples in a range of 7.0x to 11.3x. The median of all of the transactions is 8.2x forecast EBITDA and the median of the New Zealand transactions is 7.6x forecast EBITDA.

The comparable transaction multiples have occurred over two time periods, pre and post the beginning of the GFC. The transactions, in the sample, post the GFC have a median EBITDA forecast multiple of 8.2x.

We consider that the comparable transactions provide strong evidence of pricing for private hospitals in Australasia. Based on the historical and forecast EBITDA multiples, we consider there is broad support for transaction multiples when acquiring 100% interests in private hospitals in Australasia in a range of 7.5x to 8.5x forecast EBITDA.

Transaction multiples typically include a premium for control, which usually reflects expected synergies, as well as the prevailing economic environment and other non-quantifiable factors.

6.2.4 Capitalisation of earnings valuation

Interpretation of the trading and transaction multiples is inherently subjective. In determining the appropriate multiple to apply to Acurity's wholly owned hospitals and partially owned hospitals and health care facilities we have made allowances for the following factors:

- observed trading multiples should be adjusted for various factors such as relative size, growth, profitability, risk and return on investment;
- trading multiples are based upon trading in small parcels of shares, and exclude a control premium; and
- transaction multiples typically include a premium for control, which usually reflects expected synergies, the prevailing economic climate and other non-quantifiable factors.

Wholly owned hospitals

We have assessed an appropriate EBITDA multiple for Acurity's wholly owned hospitals in a range of 7.5x to 8.5x, after taking into account the:

- median EBITDA multiple (based on current year forecasts) of the comparable listed companies is 8.8x. However as noted we have placed limited reliance on the comparable listed companies because none are directly comparable to Acurity;
- comparable transactions are typically in the range of 7.0x to 10.0x forecast EBITDA, with a median of 8.2x across all transactions and 7.6x for New Zealand transactions. The median forecast EBITDA multiple of the transactions post GFC is 8.2x;
- Acurity's earnings are yet to fully reflect the impact of the Bowen Hospital redevelopment and as a result we would expect an uplift in the EBITDA multiple to account for this;
- the relatively poor recent financial performance of Acurity (albeit with some improvement in FY12) is likely to influence multiples that a prospective purchaser would be willing to pay for the Company until there is a good track record of earnings growth. This issue has influenced our assessment at the low-end of our valuation multiple range;
- relative size of Acurity to the comparable listed companies and transactions; and
- control premium that would apply to a 100% shareholding in Acurity.

Partially owned facilities

We have assessed an appropriate EBITDA multiple for Acurity's partially owned facilities in a range of 7.0x to 8.0x after taking into account:

- our assessed EBITDA multiple range for Acurity's wholly owned hospitals is in a range of 7.5x to 8.5x, including a premium for control; and
- Acurity has non-controlling interests in its partially owned facilities, ranging from a 12% shareholding in Boulcott Hospital to a 60% shareholding in Grace Hospital (albeit that interest is non-controlling under the terms of the partnership agreement with Southern Cross).

6.2.5 Wholly owned hospitals

Adjusted earnings

For the purposes of our valuation analysis, we have made an adjustment to Acurity's FY13 Budget EBITDA for the wholly owned hospitals of $1.5 million in order to address downside risks to achieving it. As a result, for the purposes of our valuation, we have applied forecast EBITDA multiples to an adjusted FY13 EBITDA of $17 million.

Capitalisation of earnings

Applying our assessed EBITDA multiple range of 7.5x to 8.5x to adjusted FY13 EBITDA of $17.0 million, results in a valuation range for the wholly owned hospitals of $79.2 million to $96.2 million, as shown at Table 6.1.

Table 6.1: Wholly owned hospitals' multiple based valuation summary ($ million)

	Low	High
Adjusted FY13 EBITDA	17.0	17.0
EBITDA Multiple	7.5x	8.5x
Enterprise Value	**127.5**	**144.5**
Less: Net debt	36.4	36.4
Less: Wakefield Hospital Capex	11.9	11.9
Equity value	**79.2**	**96.2**

Source: Management accounts, KordaMentha analysis

Other important elements of our valuation include:

- **Net debt**: we have deducted net debt of $36.4 million, based on Acurity's net debt balance at July 2012.
- **Adjustment for Wakefield Hospital capex**: Acurity has announced that it intends to undertake rectification work at Wakefield Hospital which will have an associated cost of between $20 million and $25 million. This capital expenditure is not expected to generate any incremental earnings for Acurity, however it does offset future maintenance capital expenditure. As a result, we treat the net present value of the proposed capital expenditure of $11.9 million as a surplus liability.

6.2.6 Partially owned hospitals and health care facilities

Earnings

For the purposes of our valuation analysis we have relied on the EBITDA projections in Acurity's FY13 Budget for the partially owned hospitals and healthcare facilities.

Capitalisation of earnings

Applying our assessed EBITDA multiple range of 7.0x to 8.0x to FY13 EBITDA of the partially owned hospitals, results in a valuation range of $34.1 million to $39.8 million, as shown at Table 6.2.

Table 6.2: Partially owned hospitals' multiple based valuation summary ($ million)

	Low	High
Acurity's share of FY13 EBITDA	5.7	5.7
EBITDA Multiple	7.0x	8.0x
Enterprise Value	**39.7**	**45.4**
Less: Acurity's share of net debt	5.6	5.6
Value of Acurity's investment	**34.1**	**39.8**

Source: Management accounts, KordaMentha analysis

Other important valuation parameters in our analysis include:

- **Net debt**: we have deducted Acurity's share of net debt for each subsidiary based on the latest available balance sheet.
- **Shareholdings**: are based on Acurity's share of equity at the date of the Report.

6.2.7 Capitalisation of earnings valuation summary

Our capitalisation of earnings valuation approach results in a valuation range of $6.57 to $7.88 per share, as shown in Table 6.3.

Table 6.3: Summary of multiple based valuation of Acurity ($ million)

	Low	High
Wholly owned hospitals and corporate	79.2	96.2
Partially owned hospitals	34.1	39.8
Equity value	**113.3**	**136.0**
Shares on issue (millions)	17.3	
Value per share	**$6.57**	**$7.88**

Source: Management accounts, KordaMentha analysis

6.3 Discounted cash flow

Key valuation parameters that we have used in our DCF valuation are set out below.

Forecast period: The DCF valuation is based on Acurity's Budget for FY13 and six years of financial projections for FY14 to FY19 (the principal assumptions underpinning the projections are discussed above). By FY19, Bowen Hospital has achieved uplift in earnings as a result of its redevelopment and the redevelopment costs of Wakefield Hospital have been incurred. As a result of continued growth in revenue and Acurity's operational leverage, EBITDA margins projected between FY19 and FY22 improve. While this may be reasonable, for valuation purposes we consider that a hypothetical potential purchaser may discount uncertain and substantial earnings growth as far into the future as FY22 and assume terminal growth rates from FY19.

Capital expenditure: Capital expenditure is based on Acurity's financial projections, except in the terminal year of cash flows where capital expenditure is set equal to depreciation.

Terminal value assumptions: Terminal value is calculated by assuming terminal year unlevered free cash flows grow in perpetuity at the terminal growth rate. We have adopted a terminal growth rate of 2.0%, which is in line with current inflation forecasts. This implies that cash flows are flat in real terms after the final year of discrete cashflows. This is a critical input into the DCF valuation and as a result we highlight its sensitivity.

Valuation date: 31 July 2012.

Weighted Average Cost of Capital: We have estimated Acurity's post-tax, nominal Weighted Average Cost of Capital ('WACC') at 8.7%. The WACC has been determined as follows:

[illegible]

where:

- R_d = Pre-tax cost of debt = 7.0%, based on our assessment of Acurity's long term borrowing costs
- T_c = Marginal corporate tax rate = 28%
- D / (D + E) = Target gearing (where E represents market capitalisation) = 25%
- R_e = Cost of equity = 9.7% to 10.2%

We have determined the cost of equity using the Brennan-Lally specification of the Capital Asset Pricing Model, which uses the following formula:

[illegible]

where:

- R_f = Risk free rate = 3.7%, based on long term government bond yields
- T_i = Investors' effective tax rate on interest, dividends and capital gains = 28%

  β_a = Asset Beta = 0.70 to 0.75 (based upon a review of the betas of comparable companies and Acurity's reliance on privately funded revenues, which tend to be affected by economic conditions)

  β_e = Equity Beta = β_a (1+D/E) = 0.93 to 1.00
- R_m - R_f (1- T_i) = Expected excess return, after investor taxes, on the market portfolio of equity investments = 7.5%

6.3.1 DCF valuation summary

Our DCF valuation approach results in a valuation range of $6.92 to $8.88 per share, as shown in Table 6.4

Table 6.4: Summary of DCF based valuation of Acurity ($ million)

	Low	High
Enterprise value	162.5	196.3
Less: Net debt[1]	43.1	43.1
Equity value	**119.5**	**153.2**
Shares on issue (millions)	17.3	
Value per share	**$6.92**	**$8.88**

Source: Management accounts, KordaMentha analysis

The low-end of our DCF valuation range is based on Acurity's financial projections with adjustment for FY13 EBITDA of $17 million; and revenue growth beyond FY13 is reduced to approximately 3.3% per annum (in line with growth experienced in FY12). Acurity projects higher revenue growth than this as a result of underlying drivers and the Bowen Hospital redevelopment. We have not assessed these projections as unreasonable, but, for valuation purposes, we consider it prudent to rely on lower revenue growth projections at the low-end of our valuation range. It is plausible that a potential purchaser of Acurity would place more of a discount on its revenue growth projections until it is able to show a strong track record of revenue growth.

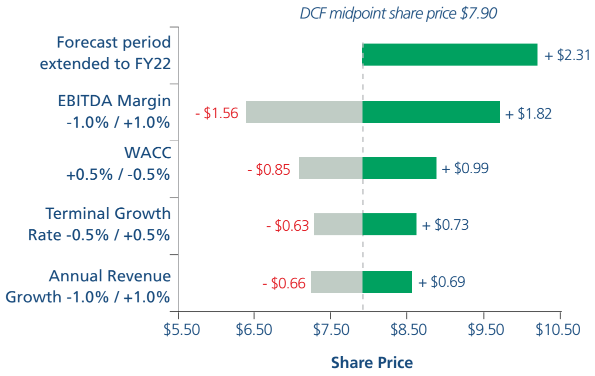
The high-end of the valuation range is based on Acurity's financial projections.

1 Includes Acurity's portion of net debt held by the partially owned facilities.

DCF sensitivity

Figure 6.1 shows that relatively small changes in key assumptions can have a material impact on the results of the DCF valuation. This is a result of the magnitude of negative and positive cash flows and the long-dated nature of cash flows where steady state returns are not achieved until late in the projection period. The negative cash flows in the early years of the projection period mostly relate to capital expenditure at Wakefield Hospital. The DCF valuation is particularly sensitive to EBITDA margin assumptions where a change of +/-1% results in a change in value of -$1.56 to $1.82 per share.

Figure 6.1: DCF sensitivity to changes in key assumptions



Source: Management accounts, KordaMentha analysis

6.3.2 Orderly Realisation of Assets

Acurity has a high level of fixed assets (mainly land and buildings), which are required to generate its earnings. There are also limited alternative uses for Acurity's buildings given the specialised nature of hospitals.

If Acurity were to sell any of these assets it would need to lease them back in order to continue its existing operations. This approach could create an opportunity for Acurity to unlock capital employed in the business. We understand that this has been considered by Acurity but is not something that is currently being pursued by the Company. Austron has not stated its intentions as to whether it might sell and lease back certain of the Company's assets. There could be a possible value impact if assets were to be sold and leased back. However, this is not incorporated in our analysis. It is unlikely that a sale and leaseback could be undertaken until Bowen Hospital and Wakefield Hospital have completed their respective redevelopments.

At 31 July 2012, Acurity's NTA value per share was $5.35, which is 10.8% lower than the Offer price of $6.00.

Although we do not consider the orderly realisation of assets approach to be appropriate for valuing Acurity, we have considered this approach as a broad cross-check only.

The following realisation assumptions were made:

- assets are realised at the end of FY14;
- net proceeds from the sale of assets (including the costs of winding up the business and any related expenses) are between 90% and 100% of the book value of assets;
- the assets would continue to generate the cashflows projected in the DCF analysis to the end of FY14; and
- proceeds are discounted at our assessed discount rate.

Table 6.5 – Price per share for orderly realisation of asset

	90%	100%
Price per share	**$4.36**	**$5.09**

Source: Management accounts, KordaMentha analysis

Table 6.5 shows, on the assumption that Acurity is able to realise its assets (net of costs) for between 90% and 100% of forecast book value, the value per share of Acurity would be between $4.36 and $5.09.

The earnings based valuation approaches that we have adopted for Acurity are in excess of the value assessed using an orderly realisation of assets approach. We consider this reasonable given the intangible assets inherent in Acurity's business as result of relationships with funders (ACC, DHBs and insurers), specialists and private customers as well as its brand and goodwill.

6.4 Broker Valuations

Acurity is covered by Forsyth Barr. Forsyth Barr's most recent note on Acurity is summarised in Table 6.6.

Table 6.6 Broker recommendations on Acurity's Shares

	Date	Guidance	WACC	DCF	EBITDA ($million)	
					FY13	FY14
Forsyth Barr	Jul-12	Hold	9.4%	$5.94	18.4	20.4

Source: Forsyth Barr broker reports

Forsyth Barr's DCF valuation is $5.94 per share, which has not been updated following the Offer given there was no announced change to underlying performance. The Offer price of $6.00 represents a 1% premium over Forsyth Barr's DCF valuation.

Craigs Investment Partners also provides limited coverage of Acurity but does not provide valuation analysis or forecasts. Its view was "Neutral" on 22 May 2012.

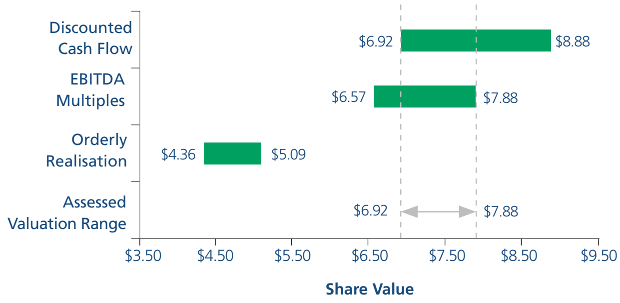
6.5 Synergies and strategic benefits

Austron is an investment vehicle with no trading history. Austron says it has not identified any synergies or strategic benefits which could be extracted as part of the proposed transaction.

6.6 Acurity valuation summary

Our valuation results are summarised in Figure 6.2.

Figure 6.2: Valuation summary



Source: Management accounts, Budget and forecast, KordaMentha analysis

For the purpose of the Report, we have assessed a valuation range for Acurity's equity between $6.92 and $7.88 per share, with a mid-point of $7.40 per share. Our range has been determined as follows:

- low-end of the range: is based on the low end of our DCF valuation; and
- high-end of the range: is based on the high end of our multiple valuation.

Our DCF valuation range is higher than our multiple based valuation range. This is because the financial projections, on which our DCF valuation is based include an increase in earnings and cash flows over the forecast period in excess of expectations for comparable companies and transactions, whereas the multiple valuation is based on Acurity's short-term forecast earnings. Although Acurity operates in a fairly mature industry, its earnings are likely to be affected by its recent capital expenditure associated with Bowen Hospital. The uplift in earnings projected to accrue from this investment are yet to be fully reflected in Acurity's earnings and therefore it makes sense that the DCF valuation generates a higher value than the multiples approach. This lends weight to preferring the results of the DCF valuation approach. However, we are cognisant of the sensitivity of DCF valuation results to relatively small changes in key assumptions and therefore have also placed some reliance on multiples when considering an appropriate valuation range.

Acurity's NTA value as at 31 July 2012 was $5.35 per share. We have assessed the value of Acurity based on undertaking an orderly realisation of assets between $4.36 and $5.09. This analysis is used as a broad cross-check only. The earnings based valuation approaches that we have adopted for Acurity are in excess of the value assessed using an orderly realisation of assets approach. We consider this reasonable given the intangible assets inherent in Acurity's business as a result of relationships with funders (ACC, DHBs and insurers), specialists and private customers as well as its brand and goodwill.

Appendix 1: Sources of information

Documents relied upon

Documents relied upon include, but are not limited to, the following:

- Acurity's FY13 Budget;
- Acurity's FY14 to FY22 annual projections;
- Acurity Management Accounts;
- Acurity Annual Report 2011 and 2012;
- Acurity shareholder notices;
- Acurity website: http://www.acurity.co.nz/;
- Acurity Board papers;
- Acurity internal WACC review;
- Capital IQ website: http://www.capitaliq.com;
- NZSX website: http://www.nzx.co.nz;
- Broker reports on Acurity by Forsyth Barr and Craigs Investment Partners;
- Health Funds Association of New Zealand website: http://www.healthfunds.org.nz/;
- Financial statements of the comparable companies set out in Appendix 3; and
- Other publicly available information.

We have also had discussion with some of Acurity's management executives in relation to the nature of the business operations, and Acurity's specific risks and opportunities for the foreseeable future.

Reliance upon information

In forming our opinion we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Acurity and its advisers. We have no reason to believe any material facts have been withheld.

We have evaluated that information through analysis, enquiry and examination for the purposes of forming our opinion but we have not verified the accuracy or completeness of any such information. We have not carried out any form of due diligence or audited the accounting or other records of Acurity. We do not warrant that our enquiries would reveal any matter that an audit, due diligence review or extensive examination might disclose.

Appendix 2: Qualifications and declarations

Qualifications

KordaMentha is an independent New Zealand Chartered Accounting practice, internationally affiliated with the KordaMentha group. The firm has established its name nationally through its provision of professional financial consultancy services with a corporate advisory and insolvency emphasis, and because it has no business advisory, audit or tax divisions, avoids any potential conflicts of interest which may otherwise arise. This places the firm in a position to act as an independent adviser and prepare independent reports.

The persons responsible for preparing and issuing this report are Grant Graham (BCom, CA); Shane Bongard (BCom (Hons)); and Shaun Hayward (BCom and BProp). All three have significant experience in providing corporate finance advice on mergers, acquisitions and divestments, advising on the value of shares and undertaking financial investigations.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of KordaMentha's opinion as to merits of the proposed transaction. KordaMentha expressly disclaims any liability to any Acurity equity security holder that relies or purports to rely on the Report for any other purpose and to any other party who relies or purports to rely on the Report for any purpose.

This report has been prepared by KordaMentha with care and diligence and the statements and opinions given by KordaMentha in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by KordaMentha or any of its officers or employees for errors or omissions however arising (including as a result of negligence) in the preparation of this report, provided that this shall not absolve KordaMentha from liability arising from an opinion expressed recklessly or in bad faith.

Indemnity

Acurity has agreed that, to the extent permitted by law, it will indemnify KordaMentha and its partners, employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of this report. This indemnity does not apply in respect of any negligence, misconduct or breach of law. Acurity has also agreed to indemnify KordaMentha and its partners, employees and officers for time incurred and any costs in relation to any inquiry or proceeding initiated by any person except where KordaMentha or its partners, employees and officers are guilty of negligence, misconduct or breach of law in which case KordaMentha shall reimburse such costs.

Independence

KordaMentha does not have at the date of this report, and has not had, any shareholding in, or other relationship, or conflict of interest with Acurity that could affect its ability to provide an unbiased opinion in relation to this transaction.

KordaMentha will receive a fee for the preparation of this report. This fee is not contingent on the success or implementation of the offer or any transaction complementary to it. KordaMentha has no direct or indirect pecuniary interest or other interest in this transaction.

We note for completeness that a draft of this report was provided to Acurity and its legal advisers, solely for the purpose of verifying the factual matters contained in the Report. While minor changes were made to the drafting, no material alteration to any part of the substance of this report, including the methodology or conclusions, were made as a result of issuing the draft.

Consent

KordaMentha consents to the issuing of this report, in the form and context in which it is included, in the information to be sent to Acurity shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without the prior written consent of KordaMentha as to the form and context in which it appears.

Appendix 3: Comparable companies

Table A3.1: Comparable companies

Company	Primary Industry	Primary location of operations	Market Cap (NZ$m)	Historical EBITDA Multiple	Forecast EBITDA Multiple	Forecast EBITDA growth
Private hospitals						
Ramsay	Private hospitals	AUS	6,008.7	10.7x	10.1x	5.9%
Pulse Health	Private hospitals	AUS	28.3	11.9x	n/a	n/a
Other health facilities						
Sonic Healthcare	Diagnostic	AUS	6,289.2	10.8x	10.4x	3.8%
Primary Health Care	Medical centres/Diagnostic	AUS	1,946.5	7.8x	7.5x	3.6%
1300 Smiles	Dental	AUS	186.2	13.9x	n/a	n/a
Abano	Dental/Diagnostic/Rehabilitation	NZ	78.4	63x[1]	4.5x	39.9%
Vision Eye Institute	Ophthalmic	AUS	46.2	4.5x	n/a	n/a
Capitol Health	Diagnostic	AUS	28.5	5.8x	n/a	n/a
Median	**Private hospitals only**			**11.3x**	**10.1x**	**5.9%**
Median	**All healthcare**			**9.2x**	**8.8x**	**4.9%**

Source: Capital IQ, company financial statements and company announcements.

Ramsay

Ramsay engages in the ownership and operation of private hospitals. It operates 117 hospitals and day surgery facilities, including 66 in Australia, 38 in the United Kingdom, 10 in France, and three in Indonesia with approximately 9,000 beds.

Ramsay is headquartered in Australia.

Pulse Health

Pulse Health engages in the acquisition and operation of private hospitals and related health care focused organizations in Australia. It operates private hospitals, day surgeries and community home care and recruitment agencies.

Pulse Health is headquartered in Australia.

Sonic Healthcare

Sonic Healthcare Limited ('Sonic Healthcare') provides medical diagnostic services and administrative services and facilities to medical practitioners. It offers laboratory services and radiology and diagnostic imaging services to medical practitioners, hospitals, community health services, and their collective patients. It has operations in Australia, New Zealand, the United Kingdom, the United States, Germany, Switzerland, Belgium, and Ireland.

Sonic Healthcare is headquartered in Australia.

Primary Health Care

Primary Health Care Limited ('Primary Health Care') provides various medical services and facilities to general practitioners, specialists, and other health care providers in Australia. It offers diagnostic imaging services, such as general X-ray and pathology services in various disciplines. It operates medical centres, which provide radiology, chemist, pathology collection, physiotherapy, and other support services. It also operates specialist skin cancer, occupational health care, cosmetic, dental, eye, ear, nose, and throat clinics. Primary Health care operates 87 medical centres, 87 pathology labs, 782 collection centres, and 161 diagnostic imaging sites.

Primary Health Care is headquartered in Australia.

1 Excludes loss from affiliates.

1300 Smiles

1300 Smiles Limited ('1300 Smiles') provides dental services in Australia. It owns and operates dental facilities at 21 sites located in Cairns, Townsville, Mackay, Rockhampton, Gladstone, Bundaberg, Caloundra, Brisbane, Tweed Heads, and Toowoomba.

1300 Smiles is based in Townsville, Australia.

Abano

Abano operates as a medical and healthcare services provider primarily in New Zealand, Australia, Hong Kong, Malaysia, Singapore, and Taiwan. The Dental segment provides a range of general dental work, including complex restorative and cosmetic dental services. The Diagnostics segment operates in two areas, pathology and radiology. The Rehabilitation segment operates in the brain injury rehabilitation sector. The Orthotics segment provides a range of clinical orthotic services and specialist products.

Abano is based in New Zealand.

Vision Eye Institute

Vision Eye Institute Limited ('Vision Eye Institute') provides private ophthalmic services in Australia. It offers services in the areas of cataract, refractive, glaucoma, cornea, medical and surgical retina, and oculoplastics. It owns and manages 18 consulting clinics, nine day surgeries, and seven refractive surgery facilities in Victoria, New South Wales, and Queensland.

Vision Eye Institute is headquartered in Australia.

Capitol Health

Capitol Health Limited ('Capitol Health') provides medical diagnostic imaging services in Australia. It operates 33 radiology clinics in Victoria.

Capitol Health is based in Australia.

Appendix 4: Comparable transactions

Table A4.1: Comparable private hospital transactions

Target	Acquirer	Primary location of target	Date	% Acquired	Enterprise Value (Local $m)	Historical EBITDA Multiple	Forecast EBITDA Multiple
Healthcare Holdings	Waterman Capital	NZ	Aug-11	22%	unknown	*n/a*	*n/a*
Norfolk Investments	Acurity	NZ	Aug-11	60%	NZ$23.5	8.4x	8.2x
Healthe Care	Archer Capital	AUS	Jun-11	100%	A$250	9.0x	*n/a*
Healthscope	TPG Capital; The Carlyle Group	AUS	Jul-10	100%	A$2,646	10.1x	9.6x
Bay Audiology[1]	Crescent Capital Partners	NZ	Aug-09	100%	NZ$118	8.0x	7.0x
Community Private Health Care	Pulse Health	AUS	Dec-07	100%	A$20.5	11.1x	*n/a*
Royston Hospital	Acurity Health	NZ	Jan-06	100%	NZ$31.1	9.1x	8.6x
Ex-Affinity Hospitals	Healthscope	AUS	Sep-05	100%	A$490	8.6x	*n/a*
Ascot Hospital & Clinics	Integrated Hospitals	NZ	Apr-05	100%	NZ$64.9	8.2x	7.0x
Affinity Healthcare	Ramsay	AUS	Apr-05	100%	A$1428	8.8x	*n/a*
Nova Health	Healthscope	AUS	Mar-05	100%	A$85	*n/a*	11.3x
Benchmark Healthcare	Ramsay	AUS	Jul-04	100%	A$125	*n/a*	7.0x
Bowen Hospital	Acurity Health	NZ	Oct-02	100%	NZ$5	9.6x	*n/a*
Median (all transactions)						**8.9x**	**8.2x**
Median (New Zealand transactions)						**8.4x**	**7.6x**
Median (post GFC transactions)						**8.7x**	**8.2x**

Source: Capital IQ, company financial statements, independent advisors' reports, company announcements and other publicly available information.

Healthcare Holdings

Waterman Capital acquired a 22% stake in Healthcare Holdings (Mercy Ascot Group) from Emerald Group Holdings in August 2011.

Healthcare Holdings owns and operates the Mercy Ascot hospitals in Auckland and is a shareholder in Kensington Hospital (Whangarei) and Boulcott Hospital. It also holds interests in a number of complementary joint ventures in the areas of cancer care, angiography, radiology, endoscopy, laparoscopy and other day surgery operations.

Norfolk Investments

Acurity completed the acquisition of Norfolk Investments Limited on 1 September 2011. This resulted in Acurity gaining its 60% shareholding in Grace Hospital.

Healthe Care

Healthe Care operates a network of hospitals in Australia. It offers health care services, which include inpatient, outpatient, home nursing and domestic, workplace health, occupational rehabilitation as well as community based health care. Healthe Care was founded in 2005.

Archer Capital and Healthe Care senior management team won a competitive process to acquire Healthe Care for A$250 million on 7 June 2011. The acquisition was completed on 24 June 2011.

Healthscope

Healthscope is involved in the ownership and management of hospitals and medical centres, as well as providing diagnostic services (pathology). Healthscope operates 43 medical/surgical, rehabilitation, and psychiatric private hospitals, as well as approximately 45 medical centres within Australia; and provides pathology services in Australia, New Zealand, Singapore, and Malaysia.

The Carlyle Group and TPG Partners completed the acquisition of Healthscope on 12 October 2010.

Bay Audiology

Bay Audiology offers a range of hearing aids, and hearing testing services.

Crescent Capital Partners completed the acquisition of Bay Audiology on 3 November 2009.

Community Private Health Care

Pulse Health entered into an agreement to acquire the operating businesses of Community Private Health Care for A$20.5 million on 12 December 2007.

Pulse Health completed the acquisition of operating businesses and assets of Community Private Health Care on 7 April 2008.

1 Bay Audiology provided Audiology services; it is the only transaction which is not for a private hospital operator. We include it here because it is an acquisition of a majority holding of a New Zealand healthcare provider.

Royston Hospital

Acurity entered into an agreement to acquire Royston Hospital for $21.5 million in shares on 13 September 2005. Acurity issued new shares to Royston shareholders to effect the merger. The number of shares to be issued was determined based on a formula reflecting valuations of the companies agreed for the purpose of the merger. The deal was unanimously approved by the boards of both companies.

Acurity completed the acquisition of Royston Hospital on 31 January 2006.

Ex-Affinity Hospitals

On 5 September 2005, Healthscope announced an agreement with Ramsay under which Healthscope acquired 14 private hospitals for A$490 million. The hospitals were previously acquired by Ramsay under its takeover of Affinity Healthcare (see transaction below) and were required to be divested in accordance with an undertaking given to the Australian Competition and Consumer Commission (ACCC) to address competition issues associated with the takeover.

Ascot Hospital & Clinics

Ascot Hospital is a purpose built private healthcare facility in Auckland. On 14 April 2005, Integrated Hospitals Limited announced a full takeover offer of $1.53 per ordinary share for Ascot Hospital. Integrated Hospitals Limited held 76.7% prior to the offer.

Affinity Healthcare

On 14 April 2005 Ramsay announced the acquisition of Affinity Healthcare for total consideration of A$1.4 billion (A$1.5 billion including transaction costs). At the time, Affinity Healthcare operated 48 hospitals in metropolitan and regional Australia and 3 hospitals in Indonesia. Affinity Healthcare had annual revenue of approximately A$1.3 billion and was the largest private hospital operator in Australia. Simultaneous with the acquisition, Ramsay agreed to divest 14 of the acquired hospitals to address competition issues of the ACCC.

Nova Health

Nova Health operates approximately nine private hospitals and provides healthcare services in Victoria and New South Wales.

On 30 March 2005 the boards of Healthscope and Nova Health announced a proposal for the two companies to merge, to be effected by way of a takeover offer by Healthscope for all of the outstanding shares in Nova Health for cash consideration of AUD$0.30 per share.

The offer was unanimously recommended by the directors of Nova and was completed on 25 May 2005.

Benchmark Group

In May 2004, Ramsay announced an agreement to acquire all of the shares in Benchmark Healthcare for cash consideration of A$125 million. Benchmark Healthcare operates and manages 10 hospitals in Victoria and South Australia, comprising 980 hospital beds and 68 aged care beds. Of the 10 hospitals, four are owned, five are leased and one is managed under contract whereby the owner retains all operational risk.

At the time of the acquisition Benchmark Healthcare had annual revenue of approximately A$200 million.

The transaction was settled in July 2004.

Bowen Hospital

In July 2002, Acurity announced an in-principle agreement with the Bowen Hospital Trust to acquire the Bowen Hospital and the site in, Wellington for $5 million. At the time, Bowen Hospital had three surgical theatres and 45 beds.

The transaction was completed 1 April 2003.

Glossary

Acurity	Acurity Health Group Limited (formerly Wakefield Health Limited)
Acurity Share or **Share**	A fully paid ordinary share in Acurity
AMP	AMP Capital Investors (New Zealand) Limited
Austron	Austron Limited
Independent Adviser	KordaMentha, the Independent Adviser appointed to prepare the report required by Rule 21 of the Takeovers Code
Medusa	Medusa Limited
NZSX	New Zealand Stock Exchange
Offer	Austron's partial takeover offer for 50.01% of the Shares in Acurity
Offer Document	The Offer Document setting out the terms of Austron's Offer, dated 7 August 2012
Royston	Royston Hospital Trust Board
Statement	This Target Company Statement
Takeover Notice	Austron's notice of intention to make the Offer, dated 25 July 2012

Directory

Board of Directors	Alan Raymond Isaac (Chairman and Independent Director) Richard Gordon Maxwell Christie (Independent Director) James Geoffrey Horne (Independent Director) Brian Joseph Martin (Independent Director) James Rowland Tyler (Independent Director) Jacqueline Antoinette Christina Gray (Director) Warwick Graham Webb (Director) Ronald David Hall (Alternate Director for Jacqueline Gray) Mark James Stewart (Alternate Director for Warwick Webb)
Takeovers Code Independent Adviser	KordaMentha (New Zealand) Limited
Financial Adviser	Cameron Partners Limited
Legal Adviser	Harmos Horton Lusk Limited
Share Registry	Link Market Services Limited
Registered Office	30 Florence Street Newtown Wellington New Zealand
Postal Address	Private Bag 7909 Wellington 6242 New Zealand
Contact Phone Number	+64 4 381 8100
Contact Facsimile Number	+64 4 381 8102
Website	www.acurity.co.nz

Acurity
Health Group Limited
Florence Street, Newtown,
Wellington 6021

Private Bag 7909,
Wellington 6242,
New Zealand

P: +64 4 920 0131
F: +64 4 381 8102
E: admin@acurity.co.nz