

ANNUAL  
REPORT  
2022

# connected healthcare





# Contents

## 01 Overview

About us	2
Our network	4
Building a sustainable business	6
Our strategy	8
Connected healthcare	10
FY 2022 Key milestones	12
Agilex Biolabs	14
Continuing to support communities through COVID-19	16

## 02 The year in review

Chair and CEO's letter	2
Group performance	4
Pathology	6
Imaging	8
Day Hospitals	10
Corporate	12

## 03 Directors and senior management

Board of Directors	18	30
Executive Leadership Team	20	32
Risk management	24	34



# Connecting Australians to better health outcomes

Healius is empowering healthcare excellence through technology to reimagine customer experiences and power clinical insights.

Each year:



**1 IN 3**

pathology samples  
tested in our  
laboratories



**3M+**

radiography  
examinations



**40,000+**

procedures in our  
day hospitals

**04**

## Directors' Report

Directors' Report	38
Remuneration Report	43
Corporate Governance Statement	66
Auditor's Independence Declaration	67
Independent Auditor's Report	68
Directors' declaration	72

**05**

## Finance Report

Financial statements	73
Notes to the financial statements	79

**06**

## Other information

Shareholder information	116
Financial calendar	119
Corporate information	120

## OVERVIEW

# About us

Healius is one of Australia's leading healthcare companies providing high quality, accessible and cost-efficient healthcare services through our Pathology, Imaging and Day Hospitals businesses. We are focused on building a digital future for diagnostics, transforming the service experience for our patients and referrers.

With a unique footprint of more than 2,000 locations and 11,000+ employees, Healius' focus is on the provision of quality healthcare services to consumers.



## Pathology

Healius Pathology is one of Australia's leading providers of private medical laboratory and pathology services.

Healius Pathology operates 97 medical laboratories and approximately 2,000 patient collection centres across metropolitan, regional and remote Australia. It employs around 200 specialist pathologists and over 6,000 scientists, technicians, collectors and team members.

Through a variety of established state-based and specialty brands, Healius Pathology provides leading medical laboratory and pathology services across key diagnostic activities. These include: anatomical pathology (histopathology and cytology), clinical pathology (biochemistry, haematology, immunology and microbiology), genomic diagnostics and veterinary pathology.

Healius Pathology brands include QML, Laverty, Dorevitch and Western Diagnostic Pathology which operate in Queensland, New South Wales, Victoria and South Australia, Western Australia and Northern Territory respectively. Key specialty brands include Genomic Diagnostics, Australia's leading non-government diagnostic genetic sequencing facility.

Each year, Healius Pathology provides one in every three pathology services in Australia. These services extend from exclusively servicing some of Australia's largest and most complex private and public hospitals to regional areas and remote Australian Aboriginal communities.

In January 2022, Healius acquired Agilex Biolabs, Australia's largest, most experienced and scientifically advanced bioanalytical laboratory with over 25 years' experience in clinical trials. Headquartered in Adelaide, Agilex Biolabs provides bioanalytical services for therapeutics, immunoassay bioanalysis of large molecules, biologics and vaccine development. With its extensive experience, Agilex is well positioned for growth in multiple therapeutics areas including oncology, which is the largest market for clinical trials.

Healius Pathology continues to play a critical role in Australia's public health response to the COVID-19 pandemic. The extensive community COVID-19 testing, collected through the division's dedicated drive through and COVID-19 ACC sites as well as in several hospital and aged care facilities, was supplemented by Healius Pathology's commercial and direct-to-consumer initiatives, which included testing at workplaces, mine sites, film sets and sporting codes.



## Imaging

Lumus Imaging operates a network of 146 sites across the country, comprising stand-alone community imaging centres, and imaging facilities located within private and public hospitals and in medical centres.

It has a highly-trained team of over 120 radiologists, together with radiographers, sonographers, nuclear medicine technologists, nurses, centre support and corporate teams. A full suite of modalities and services are offered which include: X-ray, ultrasound, computerised tomography (CT), mammography, magnetic resonance imaging (MRI), nuclear medicine, positron emission tomography (PET) and interventional radiology (including treatment by spinal and joint injections).

Radiologists undertake a range of imaging services including specialist women's health, cardiac, neurology, vascular, musculoskeletal and dental imaging. Over three million radiography examinations are conducted in Lumus Imaging's sites each year.



## Day Hospitals

The Montserrat Day Hospitals business comprises 11 day hospitals, 10 of these are stand-alone and one, called Warringah Day Surgery, is located within a medical centre in Brookvale Sydney. The stand-alone hospitals comprise one multi-specialist, short stay hospital called Westside Private, six smaller stand-alone day hospitals and three haematology/oncology clinics, collectively conducting over 40,000 procedures a year.

Founded in 1996, Montserrat Day Hospitals operates well-run facilities that are strategically located and accessible to both specialists and patients. Approximately 200 doctors work across Day Hospitals providing services in specialty areas including: Dermatology, ENT, Gastroenterology, General Surgery, Gynaecology, Haematology, IVF, Oncology, Ophthalmology, Oral Surgery, Plastic Surgery, and Urology.

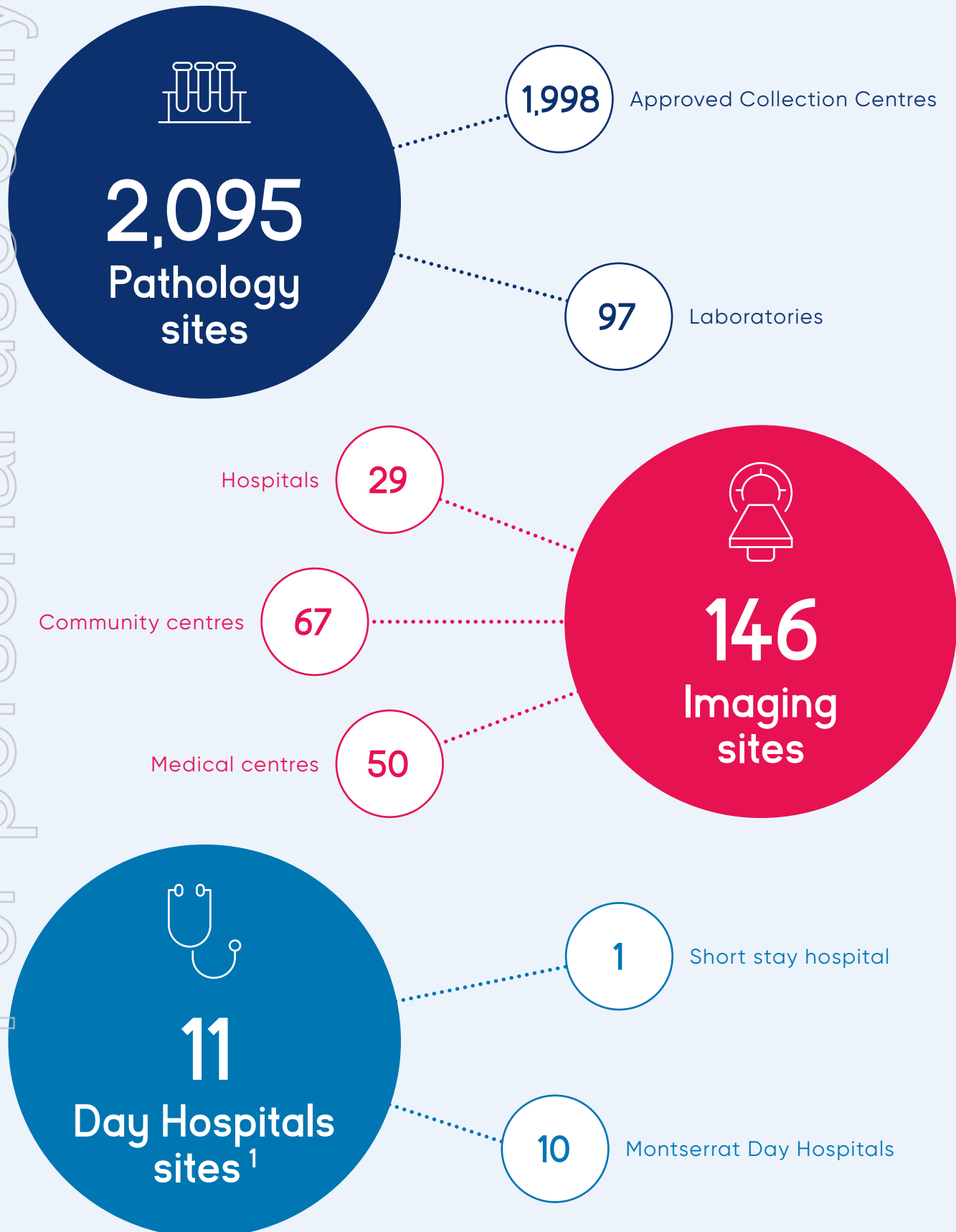
Westside Private Hospital is a short stay overnight facility located in Taringa, Brisbane which has over 50 specialists operating out of it and offers services across numerous specialty areas including Orthopaedics.

During the year, Montserrat commenced construction of Murdoch Private Hospital in Western Australia, an integrated hospital with short stay facilities and a cancer centre, due for completion in 2023.

In early FY 2023, Healius issued an Information Memorandum for its Day Hospitals division. As a result, this division will be held for sale in FY 2023.

# Our network

Sites as at July 2022



<sup>1</sup> Day Hospitals held for sale in FY 2023.

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205 Pathology  
5 Imaging  
4 Day Hospitals

**214**  
sites

20 Pathology

**20**  
sites

564 Pathology  
38 Imaging  
5 Day Hospitals

**607**  
sites

688 Pathology  
60 Imaging  
2 Day Hospitals

**750**  
sites

**40**  
sites

34 Pathology  
6 Imaging

**561**  
sites

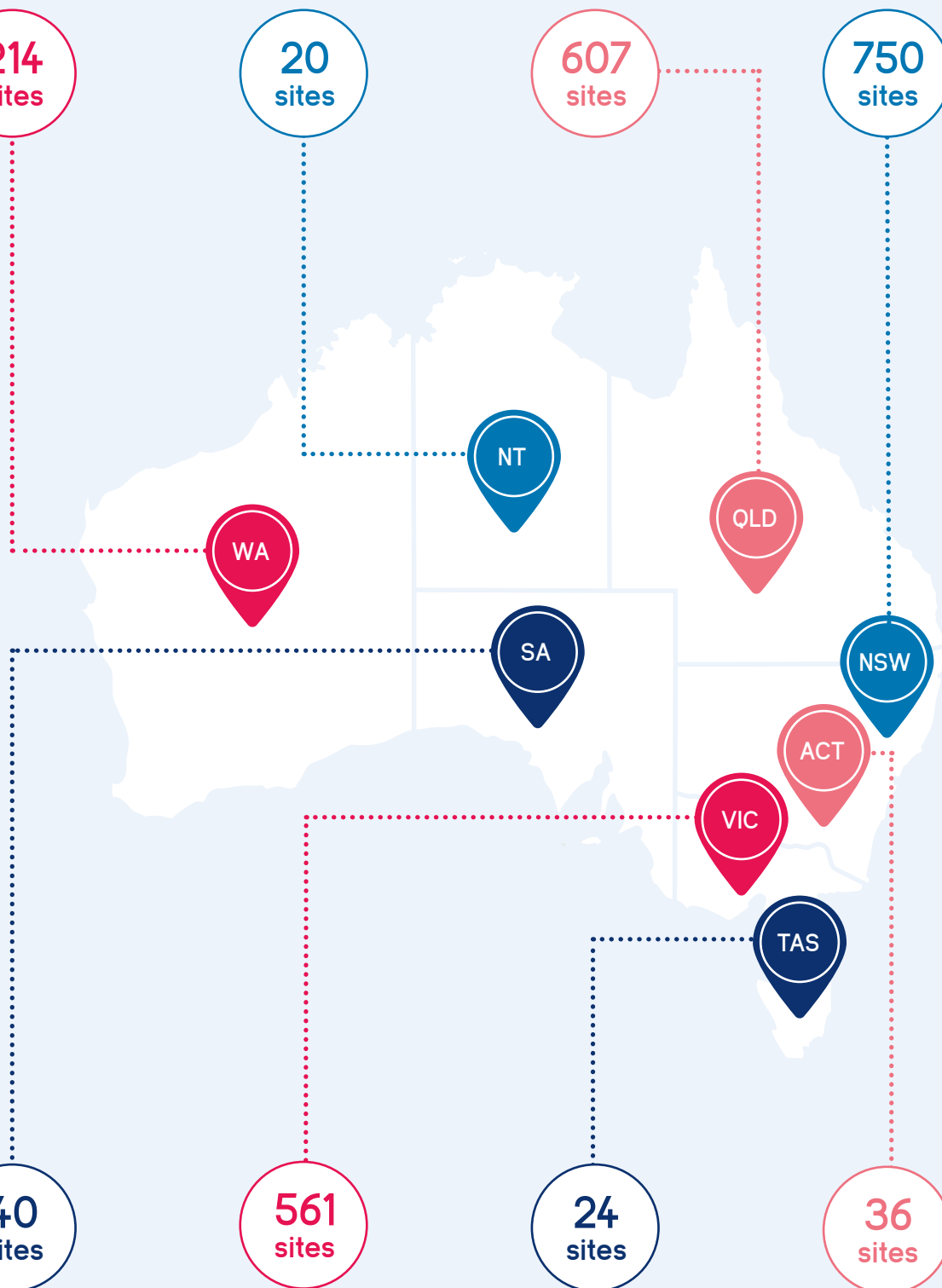
528 Pathology  
33 Imaging

**24**  
sites

24 Pathology

**36**  
sites

32 Pathology  
4 Imaging





## OVERVIEW

# Building a sustainable business



Through accessible, high-quality, connected healthcare services, Healius is committed to delivering excellence in healthcare, creating value for consumers, employees, shareholders and the many communities in which we operate.

Healius' mission is to seek and sustain life-enhancing healthcare, delivered by people who care.

Our sustainability **vision** is to become a leading socially-responsible company. Five key areas have been identified as priorities for the near to medium term:



## Our People

Improve employee recognition and benefits

Foster diversity and inclusion

Foster employee talent training and career pathways



## Our Customers

Through digitisation, automation and advanced applications, improve the way diagnosis is delivered to referrers and patients

Develop regular customer feedback mechanisms with targets

Enhance privacy and cyber security controls



## Key Investment Highlights

Well positioned in attractive markets:

- ▶ Solid core market fundamentals
- ▶ Scaled diagnostics operator
- ▶ Defensible incumbent positions
- ▶ Clear operating leverage
- ▶ Double-digit Return on Invested Capital (ROIC) growth opportunities
- ▶ Early positions in emerging diagnostics (e.g. genomics).

Ready to capture growth and create value:

- ▶ Ability to consolidate and integrate for network growth
- ▶ Cost-out track record
- ▶ Compelling digital proposition and strategy
- ▶ Customer-centric re-orientation
- ▶ Balance sheet strength
- ▶ Proven commitment to shareholder returns.



### Our Communities

Continue involvement with local charities

Develop a national charity partnership aligned to Healius' brand and vision

Support university partnerships and student placements

Expand work on human rights within supply chains with a focus on reducing risks of modern slavery



### Our Planet

Create a pathway to carbon neutrality for Scope 1 and 2 emissions through hybrid fleet, LEDs, solar power and green power purchasing

Improve the use of resources and the handling of waste including medical waste and single-use plastic

Consider other Scope 3 emissions/reduction opportunities



### Our Shareholders

Report against Sustainability Roadmap

Assess/adopt use of Sustainable Development Goals (SDG) and other global reporting frameworks

Consider review/audit of Sustainability data

## OVERVIEW

# Our strategy

With our customers at the centre of everything we do and through a culture of care and compassion, Healius strives to improve existing businesses and develop new opportunities as part of our long-term commitment to being a sustainable and socially responsible company.

Our vision is to create sustainable value for all our stakeholders by supporting clinical decisions across the Australian healthcare system, realised through the provision of personalised insights and superior customer experience across our national network of general pathology and diagnostic imaging businesses.

Our strategy rests on three pillars:

- **Insights:** Delivering precise and comprehensive insights for screening, diagnosis, therapy and research & development
- **Service:** Serving patients and clinicians with superior healthcare experiences
- **Growth:** Creating clinical and financial value in new and growing diagnostic markets.

This strategy is supported by global and Australian tailwinds in healthcare including, but not limited to, the increasing importance of screening and diagnosis in reducing downstream healthcare costs, the autonomy and decision-making of individuals as healthcare consumers, the convergence of diagnostic pathology and radiology in the treatment of disease, the innovations in diagnostic testing (especially genomics, specialty pathology, and AI), and the expansion of digital health.

Our capital allocation and group-wide programs (Sustainable Improvement Program (SIP) and Healius Digital) demonstrate our commitment to long-term sustainable growth, improving returns from core diagnostic businesses and developing the right capabilities. With a more simplified portfolio and strong balance sheet, the Company is well positioned for the future. The FY 2022 acquisition of Agilex is an example of disciplined adjacency growth (clinical trials research) where Healius has a natural advantage (at-scale operator of Australian laboratory services).

The strategic focus areas for the Group can be summarised as follows:

### Grow the core

This is centred around a customer-based strategy to increase revenue in core Australian markets by optimising mix, product, price and distribution. The business also continues to improve its Pathology Approved Collection Centre (ACC) and Imaging site networks with the focus on better performance per facility.

Progress during the year included:

- B2C and B2B launches and rollouts around COVID-19 testing and a patient feedback program
- ACC footprint optimisation based on a standardised approach supported by enhanced analytics. This is delivering efficiencies and improved collection economics, with revenue per ACC growing 10.9% since FY 2019
- Rebranding Imaging sites to Lumus Imaging with all 124 in-scope sites completed during the year
- Pursuing strategic opportunities with major health players to diversify revenue sources.

## Laboratories of the future

This is focused on modernisation of clinical information systems in our Pathology laboratories including improvement and standardisation of operational workflows across departments.

Progress during the year included:

- Progressed development of new Laboratory Information System Modules for Cytology and Microbiology to digitise effort-intensive workflows for pathologists and migrate out of legacy systems
- Commenced roll-out of a new Instrument Manager for standardised configuration of our Pathology lab analysers
- Built and launched Digital Pathology in histopathology and haematology including trials of AI supported workflows through global partnerships.

## Digital journeys

This is focused on digitising core services across Pathology and Imaging to improve experiences for customers (referrers and patients) and employees, as well as process efficiencies.

Progress during the year included:

- Built and launched an Electronic Referrals solution for doctors to send Pathology and Imaging requests via SMS to patients
- Built and launched a Collections Portal for staff in collection centres to digitise paper-based manual processes across registration, test ordering, and collection of specimens
- Built and launched a Booking System for staff in Imaging centres to prioritise and convert incoming referrals to appointments through outbound calls to patients
- Progressed with build of a Results App for Specialist doctors and staff in hospitals to view patient results and order add-on tests with a market-leading experience.

## Productivity potential

We are targeting the optimisation of our internal labour productivity across the Group and ensuring disciplined procurement management through price negotiation with vendors, volume and demand management by the businesses, and procurement policies and controls.

Progress during the year included:

- In Lumus Imaging, the national rollout of our Booking Optimisation tool for sonography was completed
- Across the Group, a new Time and Attendance module was rolled out to underpin our dynamic rostering tool
- Savings across a number of procurement categories including voice telecommunications, teleradiology and transcription services, with additional categories expected to benefit in FY 2023.



## OVERVIEW

# Connected healthcare

At Healius, we are building a digital future for diagnostics, transforming the service experience for our patients and referrers through the development of digital products.

Our focus is to create one leading diagnostics platform that connects our doctors, patients, pathologists, radiologists, scientists and technicians. We are taking an end-to-end approach across diagnostics.

As part of this transformation, we are updating our systems to a unified Laboratory Information System (LIS) that will provide benefits for all businesses across our network. We are also digitising our referrals and booking systems, results delivery and payments that will drive efficiencies and create more positive user experiences.

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## Power clinical insight

Unlocking the power of AI to deliver superior clinical insights, supporting the prevention and treatment of diseases, improving health outcomes for our patients



## Reimagine customer experiences

Creating and implementing efficiencies and solutions through digital journeys that improve the way we interact with doctors and patients



## Modernise diagnostic systems

Next generation of information systems that make life easier for clinicians

OVERVIEW

# FY 2022

## Key milestones

JULY  
2021

**Acquired**

Axis Diagnostics

—

**Lumus  
Imaging**

announced strategic  
partnership with Qure.ai

—

Record daily number  
of COVID tests

**65,000**

AUG  
2021

**Launched**

Lumus Imaging  
rebranding

DEC  
2021

**Completed**

~\$200 million  
share buyback

JAN  
2022

**Acquired**

Agilex Biolabs



## Appointed

John Mattick as  
Non-executive  
Director

—

## Launched

Digital Collections  
Portal

**APR  
2022**

**MAY  
2022**

## Announced

three-year partnership  
supporting Children's  
Cancer Institute

**JUN  
2022**

## Sale

of Adora Fertility and  
three Healus Day  
Hospitals

**FEB  
2022**

## Investment

in additional COVID testing  
capacity including rapid  
PCR testing

—

## Opened

Lumus Imaging  
Tweed Heads South

—

## Launched

E-referrals

**MAR  
2022**

Announced share  
buyback of up to

**\$100 million**

—

## Completed

refinancing of  
Group borrowings

—

## Commenced

construction of  
Murdoch Private Hospital,  
Western Australia

## OVERVIEW

# Agilex Biolabs

In January, Healius acquired Agilex Biolabs, one of Australia's leading bioanalytical service and toxicology study providers with over 25 years' experience in performing regulated bioanalysis.

### Customers

Employing over 100 scientific professionals across its Adelaide and Brisbane laboratories, Agilex provides a comprehensive suite of drug development support services to meet the end-to-end preclinical and clinical study needs of biotech and pharmaceutical companies around the world, across all major therapeutic areas. Clinical trials represent a global market consisting of global biotech and pharmaceutical customers who are required by regulators to investigate new vaccines and drugs for safety and efficacy through human trials. Bioanalytical laboratory services and prerequisite safety studies, such as provided by Agilex, are fundamental to the results of these trials.

### Markets

The global market for bioanalytical laboratory services is found within the research and development spend by pharmaceutical and biotech sponsors who are developing new therapeutic drugs and vaccines. Australia is an attractive international clinical trial destination given its reputation for high quality medical research and regulatory standards, in addition to speed and cost advantages relative to the US market.

### Capabilities

Agilex has capabilities that span a broad range of therapeutic areas, including particularly strong experience and exposure to oncology, which is the largest therapeutic area globally for clinical trials. Agilex Biolabs has a reputation for quality with internationally recognised certifications and is the only FDA audited bioanalytical laboratory in Australia.

Areas of expertise include:

- High performance, regulated bioanalysis of small molecules, peptides, proteins and biologics
- Immunoassay bioanalysis of large molecules (critical to drug development, ensuring drug safety and efficacy)
- Biomarkers
- Immunobiology bioanalysis (to understand the functional effects of a drug in preclinical or clinical programs)
- Toxicology.

Agilex is well positioned to benefit from clinical trial market growth trends and has recently increased the scale of its operations to meet growing demand. Over the last 12 months, Agilex has significantly expanded its scientific staff and in February completed its facility expansion in Adelaide, with capacity to accommodate significant growth over the coming years. The new Agilex large molecule facility features cutting-edge bioanalytical techniques and equipment such as digital droplet quantitative RT-PCR analysis and an EliSPOT/FluoroSPOT multi-spot reader for high-sensitivity molecule detection, specifically designed for fast-growing therapeutic areas including oncology, gene therapies and vaccines.





## Compelling strategic fit

The acquisition of Agilix Biolabs offers strategic benefits to Healius and a logical adjacency to Healius' core diagnostics business, providing a platform for growth via a unique Australian entry point into the attractive global clinical trials sector with growth opportunities. Agilix is a high margin, capital-light business with immediate and long-term growth potential and provides diversification of revenue with exposure to high quality global customers.

With its highly experienced team, Agilix increases the innovation and scientific/clinical research and development capabilities of Healius, adding to existing strengths in genomics and histopathology. This will not only enhance both Healius Pathology's and Agilix's service offerings, but it also improves our employee value proposition, especially for scientific and laboratory staff.

## Elevating Australia's scientific acumen

Agilix Biolabs stands tall as Australia's largest and most technologically advanced regulated bioanalytical laboratory for clinical trials.

The recent additions of toxicology study capabilities and cell and gene therapy analytical techniques have positioned us to accelerate our growth as a trusted partner to drug developers worldwide as more and more sponsors turn to Australia as their First-in-Human clinical trial destination for new molecular entities (NMEs) and novel vaccines. Unique to Australia is a remarkably efficient regulatory pathway to FIH studies and the Research and Development (R&D) Tax Scheme, which encourages international biotechnology companies to conduct their studies in Australia by offering a 43.5% cash rebate.

The Agilix Biolabs team consists of over 100 scientists, in addition to management and support staff. We are proud to carry the reputation we have earned as Australia's premier partner for biopharma. Our growing experience spans nearly a thousand studies so far: nonclinical and clinical, proprietary compounds and biomarkers, GLP and non-GLP, large and small molecules, with top biopharma clients in the USA, APAC, and EU.

Going forward, we are well positioned to provide reliable, high-quality support to the biopharma industry as they broach new frontiers with safe and effective therapeutics. In conjunction with Healius' network of pathology and diagnostic imaging, we are aligned in our mission to improve health outcomes with quality support services.

During the year, Agilix Biolabs launched a new laboratory for the analysis of large molecule therapeutics, more than doubling the geographic area of our Adelaide campus. The addition of this 2,520m<sup>2</sup> facility expands the service capabilities of Australia's most technologically advanced bioanalytical partner, with dedicated buildings and teams for large and small molecule projects.

We continue to expand and add capabilities to best serve Australia's growing life sciences sector and our international biopharma clientele. Our Brisbane campus is also set to expand by the end of 2022, significantly increasing our toxicology services capacity.



## OVERVIEW

# Continuing to support communities through COVID-19

Healius performed a record number of COVID-19 screening tests during the year, with over 13 million PCR tests conducted since the start of the pandemic. We are proud of our people for their resilience and extraordinary efforts.

Healius continues to support Australian communities delivering COVID-19 testing as part of Australia's public health response.

Since the start of the pandemic, Healius Pathology has conducted over 13 million COVID-19 PCR tests.

Due to the increased transmissibility of the Omicron strain, coupled with testing requirements for inter-state travel during the holiday season, there was a surge in demand for PCR testing over December and January. Our frontline workers including pathologists, scientists and lab workers, collectors, couriers, and our support teams including call centre, administration and IT, worked 24/7 during peak times in service of the community, many cancelling planned leave over the Christmas and New Year break. Throughout the year, our people worked tirelessly to process record levels of testing, on some days collecting up to 65,000 tests. Over the course of the year our collectors faced extreme conditions, including the heat, snow, flood and storm conditions.

Through our state-based pathology brands: Dorevitch Pathology in Victoria, Laverty in NSW and ACT, QML Pathology in Queensland and Western Diagnostic Pathology in Western Australia and Northern Territory, Healius continues to operate pop-up, drive-through testing sites, and walk-through clinics

in convenient metro and regional locations to provide critical testing services for Australian communities. Healius Pathology was able to utilise its strong network, moving tests to laboratories in different states to help meet surges in testing demand.

We are proud of our people for their commitment and continuous effort, who once again overcame the challenges presented by COVID, to care for and support our patients and local communities. Across all of our businesses, our people worked throughout lockdowns and restrictions, to deliver quality healthcare to our patients and referrers.

### Commercial COVID testing

Healius Pathology performs a range of commercial COVID testing and direct-to-consumer initiatives, which includes testing at workplaces, mine sites, film sets, for sporting teams and cruise lines. Healius also played a key role in the reopening of borders and recommencement of travel, offering travel testing direct to consumers and through strategic partnerships with the travel industry. Healius has worked with embassies and airlines to design and produce Travel Pathology Reports that meet country specific requirements, and are able to be authenticated by carriers, transit and final destinations globally. Healius was first to introduce IATA Travel

Pass integration. Healius' offering for travel testing includes market-leading, digitally verifiable results delivered securely with options for same day turn-around.

### Investment in COVID

The evolution of COVID has been difficult to forecast, with the virulence and transmissibility of each new strain varying, and continuing to evolve and evade vaccine immunity. Studies have shown that COVID PCR testing consistently detects COVID two to three days earlier in an infection than a Rapid Antigen Test.

In response to increasing COVID cases and to prepare for the possibility of the emergence of new, more transmissible variants, Healius invested in additional testing equipment including rapid PCR machines in order to strengthen Healius' testing capabilities. The investment has improved efficiencies, lowering cost per test and increasing capacity to keep turnaround times as short as possible. This has enabled our laboratories to flex up and down as required. PCR testing is also able to diagnose whether the infection is COVID, influenza or one of several other respiratory viruses. The additional testing capacity has been utilised recently to test for other respiratory illnesses that have once again started to circulate within our communities, to help keep our communities safe.

## Resilience of our people

BY QUEENIE COLQUHOUN

## Urban Village

Since the pandemic began in March of 2020 so many of us have suffered fatigue. If you think you had it bad, spare a thought for some of the frontline workers.

For Matthew Wilson, a respiratory collector at Laverty Pathology, fatigue has been a constant, but he's been able to stay resilient thanks to the great people he has met on the job. Matthew has been working in his role since the Avalon outbreak in January 2021 and has worked in several locations throughout Sydney since. He was spurred to work as a respiratory collector as he watched the Avalon cluster begin and wanted to assist the community during the difficult period. He was also drawn to the job due to his desire to gain practical experience in the medical field.

*"Working during a pandemic isn't always easy as the demands change daily, but the positive interactions with patients and fellow collectors make every day enjoyable. I would say I have stayed resilient due to the supportive team we get to work with," says Matthew.*

*"There hasn't been a time that I've wished I didn't come into work because I know that I work with such positive people that support and keep me motivated."*

For the most part, Matthew says that the public have been great to deal with, and incredibly understanding of the difficulty of his job. Although Matthew says he wishes people knew just how long he and his peers worked during their shifts. While respiratory collectors are involved in the COVID-19 protection process, they don't hold all the answers.

*"We as respiratory collectors are front line workers who are always questioned about many things that we do not have answers to such as vaccinations but are always questioned about it," he says.*

*"I would also like to say that all respiratory collectors including myself understand how frustrating and difficult this pandemic can be and we are all doing our best to help you to the best of our ability."*

Working in a safe and pleasant environment with great co-workers and excellent managers and supervisors who work hard, Matthew says it's easy to be inspired and motivated. When things begin to return to normal Matthew hopes to continue his career at Laverty Pathology as a phlebotomist. He thanks his employers and his coworkers for creating the atmosphere to fuel his ambitions, recognising that – for him – something positive has come out of the pandemic disruptions.

# Chair and CEO's letter



Dear shareholder,

FY 2022 has been a year of delivery for Healius, with record results underpinned by our success in rapidly scaling up and down our operations to meet changing demand in the year, the roll-out of nearly half of our Sustainable Improvement Program and substantial progress on our digital initiatives.

First and foremost, we would like to thank our people for their dedication and commitment in serving the healthcare needs of Australian communities and in delivering our record results this financial year. We are sure most readers have had enough of COVID-19, but we must thank our teams for their extraordinary response during the challenges of the Delta and Omicron outbreaks. During the year, our Pathology teams performed a daily record of 65,000 COVID-19 PCR tests, an incredible achievement. They have also shown adaptability as Omicron has become endemic in the population and disrupted the delivery of our business-as-usual services. They continue to respond with selfless dedication and we are grateful for their untiring service.

## FY 2022 in review

The strong financial performance of your Company is self-evident in the results, with returns at record levels. We reported a more than doubling of underlying net profit to \$309.3 million and free cash flow of \$532.2 million in the year. Approximately 45% of this was returned to shareholders in buybacks and dividends.

From July 2021 to January 2022, Healius conducted extensive COVID-19 testing. Thereafter testing reduced, with the Omicron variant becoming endemic in the population. Healius also provided critical non-COVID pathology services, but at lower-than-trend levels with its market share stable. It also continued to deliver its imaging and day hospital services, albeit variously impacted by lockdowns, elective surgery restrictions and cancellations due to COVID-19.

During the year we continued to invest in growth. In July 2021, we acquired Axis Diagnostics, based in Queensland, and we are pleased with its performance to date. We also

invested in two new Lumus Imaging sites based in Tweed Heads South and Nambucca Heads, both in NSW and rolled out the new Lumus Imaging brand.

In January, Healius acquired Agilix Biolabs, one of Australia's leading bioanalytical laboratories. This strategic acquisition provides us with a platform in the growing clinical trials sector. With high growth and margin potential, we believe Agilix is a logical adjacency to Healius' existing core diagnostics business.

Taking into consideration the strong performance of your Company and the level of buybacks in the year, total dividends of 16.0 cents per share fully-franked have been determined, up from 13.25 cents per share in FY 2021. This includes a final dividend of 6.0 cents per share and represents an annual yield of 4.4% (based on the 30 June 2022 closing share price).

## Connected healthcare

Although we faced many challenges, Healius certainly did not waste the opportunities presented during this pandemic. We were the first to market in Australia with a commercial travel COVID-testing solution, helping consumers navigate the ever-changing landscape of travel testing. What's more, Healius was first to respond with paperless COVID drive-throughs, increasing convenience and safety for consumers, reducing both the risk of COVID transmission and human error, while allowing us to be more efficient.

During the year we also introduced a range of key consumer innovations in business-as-usual operations, including E-referrals in Pathology and Imaging and a digital collections portal to help with a seamless experience in our collection centres.





To support a rapid cycle of continuous improvement in our customer offerings, we have deployed a voice of customer program across our ~2,000 pathology sites this year with feedback embedded in management performance metrics.

### Compelling competitive position

Following a period of transformation, we now have a simplified portfolio, more competitive networks including a more profitable ACC footprint, broader growth options and more firepower for delivering this growth. We are in a far better position compared to FY 2019, with less capital intensity in our business and greater free cash flow producing a fortified balance sheet and strong shareholder returns.

Our return on invested capital has grown, over and above the COVID benefit, and through our Sustainable Improvement Program, our margins are expanding to highly competitive levels.

In FY 2023 we are exploring opportunities to sell the Day Hospitals business and we are pleased with the level of interest at this stage of the process.

### Sustainability focus

Over the past year, we have set our Sustainability aspiration and identified our five priority areas.

As a service company, our success is underpinned by our ability to attract and retain the right talent, putting our people front and centre, with the right tools and support to deliver the best possible outcomes. We aim to create a strong, collaborative, performance-driven culture with a clear sense of belonging.

We aim to be carbon neutral by FY 2026 with 75% of the program identified. We are optimistic that we will identify further reductions in the near future as electric cars and other green initiatives become more readily and cost-effectively available in Australia.

To ensure we embed Sustainability into the Group, we have set up the necessary governance structures with a dedicated executive Sustainability Steering Committee reporting to the main Board, as well as Sustainability KPIs within our Remuneration Framework. You can read more about our sustainability initiatives in our 2022 Sustainability Report.

### LOOKING AHEAD

In the near term, as the underlying healthcare demand drivers remain strong, including an ageing population with greater longevity but more complex health issues, reversion of our business-as-usual services to long-term growth rates is expected to occur as well as a period of catch-up from known underdiagnosis in the system. This, together with a baseload level of COVID-19 testing, will deliver growth in services, with Healius well-positioned to capitalise on the demand.

We are moving at pace, with a lot more exciting innovations in the pipeline for FY 2023. We are focused on optimising our businesses, achieving margin improvement and growth. We have made great headway in our digital program delivery, but there is plenty more to come.

Our long-term vision is to create sustainable value for our stakeholders by supporting clinical decisions across the Australian healthcare system. Our strategy rests on insights, customer service and growth. It is underpinned by the increasing importance of screening and diagnosis in reducing downstream healthcare costs, the convergence of pathology and radiology in the treatment of disease, and exciting innovations in testing, especially genomics, specialty pathology, precision medicine and AI.

We would like to thank the entire Healius family for their dedication and resilience in another extraordinary year. Finally, we thank you, our shareholders, for your continued support and look forward to delivering again in FY 2023.

**ROBERT HUBBARD**  
CHAIRMAN

**MALCOLM PARMENTER**  
MANAGING DIRECTOR  
AND CEO

## THE YEAR IN REVIEW

# Group performance

	30 JUNE 2022 \$M UNDERLYING <sup>1</sup>	30 JUNE 2021 \$M	30 JUNE 2022 \$M REPORTED	30 JUNE 2021 \$M
Revenue <sup>2</sup>	2,337.7	1,913.1	2,336.2	1,900.7
EBIT	492.3	266.5	467.4	255.4
NPAT (Reported incl. discontinued operations)	309.3	148.4	307.9	43.7
Dividends cps 100% franked			16.00	13.25

## Group underlying results

### Market conditions

In the year ended 30 June 2022 (FY 2022), Healius continued to play a pivotal role in Australia's response to the COVID-19 pandemic, during the Delta and Omicron outbreaks. Since February 2022, with Omicron becoming endemic in the population, PCR testing has reduced. It now sits between 10,000–12,000 per working day supplemented by respiratory testing as influenza resurfaces in the community.

Healius also continued to provide critical non-COVID pathology testing, as well as imaging and day hospital services. These services were at reduced volumes compared to the prior comparable period (pcp), due to the impacts of state-based lockdowns, elective surgery restrictions and isolation requirements in 1H 2022 and of endemic COVID-19 on both demand from patients and availability of staff in 2H 2022.

Importantly, broad demand for non-COVID services is expected to return as the underlying drivers in both pathology and imaging remain strong including an ageing population with greater longevity but more complex health issues. A period of catch-up for the resulting backlog in routine care is expected to occur although the timing is uncertain while COVID-19 remains endemic.

- 1 All comments in this year in review relate to underlying results for continuing operations unless otherwise noted. For a reconciliation to reported results, refer 'Group reported results' on page 23.
- 2 Group revenue is shown net of inter-segment sales of \$1.8 million (FY 2021: \$2.2 million) while the divisional tables are shown gross of inter-segment sales. For a reconciliation refer note A1 to the Consolidated Financial Statements.

### Healius performance

FY 2022 was a year of delivery for Healius with record results underpinned by the Group's ability to successfully scale up and down its operations with demand, roll-out of 45% of the Sustainable Improvement Program (SIP) Phase 2 initiatives (measured as annualised benefits), and substantial progress its digital program to reimagine its customer experience and power clinical insights.

Financial performance is self-evident in the results, with EBITDA and EBIT margins at record levels. While successfully managing its demand peaks, Healius also demonstrated cost containment, with labour cost growth contained at 12% and consumable costs at 17%, compared to revenue growth of 22%. Of particular note was the Pathology division's ability to flex down its costs as COVID-19 testing demand reduced in the second half of the year.

Underlying EBIT for the period excludes the costs relating to corporate transactions (\$10.5 million) and the Pathology digital costs (\$10.5 million). Adora Fertility was also excluded from underlying results, with its performance and profit on sale recognised as part of discontinued operations in reported NPAT.

Mirroring profits, gross operating cash flow was at a record level of \$677.1 million with EBITDA conversion over 90%. The Group generated free cash flow of \$532.2 million and approximately 45% of this was returned to shareholders in buybacks and dividends. Healius also invested for growth purchasing Axis Diagnostics and Agilex Biolabs, the latter a leading domestic clinical trials laboratory. At the end of the year the bank gearing ratio remained conservative at 1.0x, well below medium term targets of 1.7–2.2x.

Taking into consideration both the strong performance of the Company and the level of buybacks in the year, total dividends of 16.00 cps fully franked (13.25 cps in FY 2021) have been determined by the Board including a final dividend of 6.0 cps fully franked. This represents an annual yield of 4.4% (based on the 30 June 2022 closing share price).

# Group performance

## Cash flow and gearing

Group cash flows (including continuing and discontinued operations) for FY 2022 were as follows:

REPORTED	30 JUNE 2022 \$M	30 JUNE 2021 \$M
<b>Gross cash flows from operating activities</b>	<b>677.1</b>	<b>571.9</b>
Net income tax paid	(90.3)	(46.0)
<b>Net cash flows from operating activities</b>	<b>586.8</b>	<b>525.9</b>
Maintenance capex	(54.6)	(39.9)
<b>Free cash flow</b>	<b>532.2</b>	<b>486.0</b>
Growth capex	(38.9)	(33.6)
Payments relating to acquisitions	(303.3)	–
Proceeds from capital recycling	31.9	460.4
Montserrat earn-out and settlement, and deferred consideration	(36.8)	–
Net interest paid and finance costs (including on lease liabilities)	(48.0)	(72.1)
Payment of lease liabilities	(214.5)	(203.1)
Dividends, buyback of shares and shares purchased for Long Term Incentive Plan (LTIP)	(259.6)	(153.8)
Net debt funding/(repayment)	345.6	(555.7)
<b>Net increase/(decrease) in cash held</b>	<b>8.6</b>	<b>(71.9)</b>

In FY 2022, Healius achieved strong gross operating cash flows, 18.4% above the prior period, with cash flow conversion over 90%. Free cash flow grew by 9.5% to \$532.2 million. Approximately 45% of this was used to reward shareholders with \$139.4 million in buybacks and \$98.1 million in dividends paid in the year.

The Group has achieved materially lower capital intensity following the divestment of Healius Primary Care (HPC) in 1H 2021. However, as announced at the FY 2021 results, investments are now being undertaken in digital and other initiatives under the SIP program and in selective growth M&A. In the period, Healius invested:

- \$290.7 million for the acquisition of Agilex Biolabs (net of cash acquired)
- \$12.6 million for the acquisition of Axis Diagnostics (net of cash acquired)
- \$38.9 million in organic growth capital.

The Group's balance sheet remains strong and conservatively geared below medium-term targets, positioned to continue to meet the on-going capital needs of the business, reward shareholders, fund value-generating investments and maintain a liquidity buffer. Group net debt and key ratios on 30 June 2022 were as follows:

REPORTED	30 JUNE 2022 \$M	30 JUNE 2021 \$M
Bank loans and financing arrangements <sup>1</sup>	<b>606.1</b>	258.1
Cash <sup>2</sup>	<b>(81.3)</b>	(72.7)
Net debt	<b>524.8</b>	185.4
Bank gearing ratio (covenant <3.5x) <sup>3</sup>	<b>1.0x</b>	0.7x
Bank interest cover ratio (covenant >3.0x) <sup>4</sup>	<b>44x</b>	10x

1 Bank loans of \$610 million (FY 2021: \$260 million) are shown net of unamortised borrowing costs.

2 FY 2021 cash includes cash in discontinued operations.

3 Bank gearing ratio is calculated based on underlying EBITDA before the impact of AASB 15 and 16 and is adjusted for share-based payments. Net debt is adjusted for parent company guarantees and unamortised borrowing costs.

4 Bank interest cover ratio is calculated based on underlying EBITDA divided by finance costs (excluding AASB 16 interest).



## Group reported results

This year in review section focuses on the underlying results of Healius which adjust for items not considered to be part of core trading performance. The reconciliation between reported and underlying for FY 2022 is set out below.

### REVENUE

	30 JUNE 2022 \$M	30 JUNE 2021 \$M
<b>Underlying revenue</b>	<b>2,337.7</b>	1,913.1
Reclassification of grant income from revenue to other income	–	(9.8)
Transactions with discontinued operations <sup>1</sup>	(1.5)	(2.6)
<b>Reported revenue</b>	<b>2,336.2</b>	1,900.7

### EBIT

	30 JUNE 2022 \$M	30 JUNE 2021 \$M
<b>Underlying EBIT</b>	<b>492.3</b>	266.5
Pathology digital transformation	(10.5)	(11.3)
Corporate transactions	(10.5)	(1.1)
Montserrat earn-out and settlement expense	–	(3.0)
Transactions with discontinued operations <sup>1</sup>	(3.9)	4.3
<b>Reported EBIT</b>	<b>467.4</b>	255.4

### NPAT

	30 JUNE 2022 \$M	30 JUNE 2021 \$M
<b>Underlying NPAT</b>	<b>309.3</b>	148.4
After-tax adjustments to underlying EBIT (set out above)	(17.5)	(7.8)
After-tax adjustments to finance costs (close out of interest rate swaps)	–	(6.6)
ATO case – tax and interest	–	(63.1)
Tax differential for non-deductible items (underlying tax calculated at 30%) <sup>2</sup>	2.2	(4.6)
Profit/(Loss) from discontinued operations	13.9	(22.6)
<b>Reported NPAT incl. discontinued operations</b>	<b>307.9</b>	43.7

- Transactions with discontinued operations represent rental income received in Corporate from Healius Day Hospitals and corporate recharges for costs incurred on behalf of discontinued operations. In FY 2021 transactions with discontinued operations also included rental costs incurred by Pathology and Imaging from Healius Primary Care.
- Refer Note A4 to the Consolidated Financial Statements.

BUSINESS  
REVIEW

1,998  
APPROVED  
COLLECTION  
CENTRES

# Pathology

\$1.9B  
OPERATING  
REVENUE

\$498M  
UNDERLYING  
EBIT

Healius Pathology delivered record revenue of \$1.9 billion, with EBIT nearly doubling to just under \$500 million.

Healius Pathology continued to play a leading role in the COVID-19 testing regime, especially in 1H 2022. The division has conducted more than 13 million COVID-19 tests to-date, successfully scaling up its laboratories and collection footprint to meet demand. Healius Pathology also undertook extensive commercial and direct-to-consumer COVID-19 testing and invested in capacity, reducing the cost per test and improving turnaround times.

As demand for PCR screening declined in 2H 2022, Healius responded to market conditions by reducing the number of drive-through collection centres. It also utilised the additional capacity to test other respiratory illnesses, with influenza circulating in the community in recent months for the first time in two years.

The successful delivery of COVID-19 testing was a significant driver of revenue growth in FY 2022. Core or non-COVID revenue was down marginally, with the commercial channel achieving strong growth, and Healius' market share in bulk-billed revenue stable. Overall, the market was down on a like-for-like basis with the industry impacted by endemic COVID-19 infections in 2H 2022 (Medicare Benefits Schedule was down 3.9%<sup>1</sup>).

Healius expects non-COVID revenue will grow as COVID-19 infection numbers decrease and the community returns

## Underlying Performance

	30 JUNE 2022 \$M	30 JUNE 2021 \$M	BETTER/(WORSE) %
Revenue	1,890.4	1,452.1	30.2
EBITDA	698.4	428.3	63.1
Depreciation and amortisation	(200.0)	(175.5)	(14.0)
EBIT	498.4	252.8	97.2
Capital expenditure	43.7	31.0	(41.0)

1 COVID-19 testing removed plus an estimate of COVID PEI and BBI. Source: Australian Pathology.



to diagnostic testing, including a period of catch-up for the backlog of pathology services. Growth is likely to return to the long-term annual averages of around 5–6%, although the timing is uncertain.

EBITDA and EBIT margins of 37% and 26% respectively demonstrated strong operational delivery together with the benefits of the SIP program. Importantly second half EBITDA margins were consistent with FY 2021 levels, despite the 15% reduction in the scheduled COVID-19 fee from 1 January 2022, showcasing Healius Pathology's ability to flex costs down in the challenging market conditions.

Under the SIP program, Healius Pathology improved its EBIT through the optimisation of its operations. Development of digital solutions has progressed well throughout the year, with e-referrals and the collection portal deployed and instrument management and results portal solutions underway. In FY 2023, focus areas include courier route optimisation and standardising laboratory workflows.

A total of \$43.7 million in capital was invested in the period which included digital initiatives and the investment in PCR testing capacity. The Serum Work Area has been successfully completed with over 90% of the investment realised in benefits to-date.

In December, Healius announced the acquisition of Agilix Biolabs, a strategic adjacency in pathology offering a high-margin capital-light growth profile, revenue diversification and complementary capabilities. It is being reported in the Pathology division. Revenue for the five months post acquisition was up 30% on PCP while full year revenue was up 52%. The business is investing in its Australian operations for long-term growth.



BUSINESS  
REVIEW

146  
SITES

124  
SITES  
REBRANDED

\$394M  
OPERATING  
REVENUE

# Imaging

During the period, Lumus Imaging's revenue declined by 3%, reflecting the industry-wide impacts of lockdowns between July 2021 and January 2022 and endemic COVID-19 thereafter, as well as elective surgery restrictions.

Lumus Imaging's revenue was in line with market for the year and ahead in the second half with a strong performance in Queensland. Widespread use of telehealth and GP shortages impacted the division's Medical Centre volumes. (Lumus Imaging is the only listed imaging provider with contracts in medical centres, with its old Healus Primary Care business, now named ForHealth).

Volumes are expected to return, including a period of catch-up for delayed diagnostic screening and elective surgery. Lumus Imaging is well-placed to capitalise on this backlog with a strong hospital presence.

## Underlying Performance

	30 JUNE 2022 \$M	30 JUNE 2021 \$M	BETTER/(WORSE) %
Revenue	393.9	406.9	(3.2)
EBITDA	79.7	84.5	(5.7)
Depreciation and amortisation	(60.6)	(53.6)	(13.1)
EBIT	19.1	30.9	(38.2)
Capital expenditure	41.0	18.6	Large



### Lumus Imaging well positioned to deliver growth

The rebrand of our Imaging division to Lumus Imaging continues to deliver benefits, with all 124 in-scope sites rebranded during the year. The project has delivered a more cohesive Imaging network due to a range of initiatives including upgrading site locations, Lumus Imaging brand signage, updates to website and digital capabilities and new uniforms across the business. The unified national brand has boosted brand recognition within the community and employee engagement and has enhanced the way the business interacts with its patients and referrers.

During the year, Lumus Imaging invested in a new state of the art medical imaging facility in Tweed Heads South. The new facility offers multi-modality skilled staff, offering MRI, ultra-low dose CT, and other services that are predominantly bulk-billed. This regional investment is another example of Healus providing quality, affordable and accessible healthcare. The new regional facility means patients in the area no longer have to cross the border to Queensland for metropolitan-level medical imaging services, which was particularly difficult during COVID-19 lockdowns.

EBITDA margins were flat but EBIT margins declined. COVID-related effects and increased sick leave impacted margins, in addition to site closures under the BUPA Immigration screening contract. Depreciation increased mainly due to the full-year impact of third-party leases with ForHealth which further compressed EBIT margins.

SIP initiatives progressed, including the Lumus Imaging brand launch and development of automated booking, referral and rostering systems. These SIP investments are included in operating costs (previously treated as non-underlying items).

A total of \$41.0 million in capital was spent in the period. The increase over FY 2021 was due to the purchase rather than lease of imaging equipment and the buy-back of previously leased equipment. Going forward we expect that maintenance capital expenditure will return to long-term averages.



BUSINESS  
REVIEW

# Day Hospitals

**\$49M**  
OPERATING  
REVENUE

**\$5.3M**  
UNDERLYING  
EBIT

**11**  
DAY HOSPITAL  
SITES

Pleasingly, Westside Private Hospital, Montserrat's prototype for future short-stay facilities, again delivered strong revenue growth, up 12% in the year.

Montserrat's revenue and procedure numbers were down slightly, experiencing similar conditions to Lumus Imaging, with lockdowns impacting between July 2021 and January 2022 and endemic conditions thereafter.

Volumes are likely to return as COVID-19 case numbers decline, including a period of catch-up for delayed procedures and Montserrat is well-placed for this rebound.

The division's performance included investment to support the identification and roll-out of long-term growth initiatives including a new day hospital and cancer centre at Murdoch in Perth, Western Australia. Prior period results also included JobKeeper and commercial support payments which account for approximately 50% of the decline in EBIT.

Capital expenditure of \$3.7 million was invested in the period. In addition to the Murdoch facility, Montserrat has a pipeline of greenfield and M&A opportunities under consideration as it looks to capitalise in this growing sector.

In early FY 2023, Healius issued an Information Memorandum for its Day Hospitals division. As a result, this division will be held for sale in FY 2023.

## Underlying Performance

	30 JUNE 2022 \$M	30 JUNE 2021 \$M	BETTER/(WORSE) %
Revenue	48.7	49.5	(1.6)
EBITDA	12.6	15.5	(18.7)
Depreciation and amortisation	(7.3)	(6.5)	(12.3)
EBIT	5.3	9.0	(41.1)
Capital expenditure	3.7	2.9	(27.6)



# Corporate

Corporate functions include the management of centralised support services, where those functions benefit from scale, and core corporate costs including strategy, capital and stakeholder management, group finance, treasury, property, legal, Board costs and management incentives.

Overheads are allocated to the divisions in the form of a charge based on headcount, footprint, or usage. The remaining costs are classified as corporate overheads.

In FY 2022, revenue was earned on subleases to discontinued operations and from the transitional services agreement following the sale of HPC in 1H 2021, both of which were offset by correspondingly higher costs of delivery.

Corporate costs include the full year impact of the investment, during 2H 2021, in a previously-announced capability ramp up, in particular in IT support. This accounts for the increase in the year.

Capital expenditure of \$5.1 million was invested in the period with the majority of the spend on information technology systems.

## Underlying Performance

	30 JUNE 2022 \$M	30 JUNE 2021 \$M	BETTER/(WORSE) %
Revenue	6.5	6.8	n/a
EBITDA	(19.9)	(14.5)	(37.2)
Depreciation and amortisation	(10.6)	(11.7)	9.4
EBIT	(30.5)	(26.2)	(16.4)
Capital expenditure	5.1	5.8	12.1

# Board of Directors



**Robert Hubbard**

BA (HONS), FCA.  
NON-EXECUTIVE  
CHAIR

Mr Hubbard was appointed as a Non-executive Director in December 2014 and Chair of the Audit Committee in February 2015. He was appointed Chair of the Board on 24 July 2018, at which time he retired as Chair of the Audit Committee. He remains a member of the Audit Committee, joined the People & Governance Committee on 24 July 2018 and was a member of the Risk Management Committee up to that date. Rob holds a Bachelor of Accounting (Honours) degree from Birmingham City University. He is a Fellow of the Institute of Chartered Accountants in Australia. He previously held partnership positions in the accounting, corporate finance, assurance and audit divisions of PricewaterhouseCoopers and acted as external auditor for some of Australia's largest ASX-listed companies.



**Malcolm Parmenter**

MB, BS, MAICD.  
MANAGING  
DIRECTOR AND  
CHIEF EXECUTIVE  
OFFICER

Dr Parmenter joined Healius as Managing Director and Chief Executive Officer (CEO) in September 2017. He has a wealth of knowledge and practical experience in the operation of frontline care, with over nine years' tenure as CEO of Independent Practitioner Network Limited (IPN), both as a listed company and under the ownership of Sonic Healthcare Limited, and subsequently two years as CEO of Sonic Clinical Services. Malcolm has a strong understanding of healthcare delivery, both in Australia and abroad, and has spent more than 20 years as a General Practitioner.



**Gordon Davis**

B FOREST SC(HONS).  
MAG SC, MBA,  
GAICD.  
NON-EXECUTIVE  
DIRECTOR

Mr Davis was appointed as a Non-executive Director in August 2015. He was appointed as a member of the Risk Management Committee in March 2016, as Chair of the Audit Committee on 24 July 2018, and as Chair of the Risk Management Committee on 19 August 2019, at which time he ceased as Audit Committee Chair but remained a member of that committee. Gordon holds a Bachelor of Forest Science (Honours) and a Master of Business Administration from the University of Melbourne and a Master of Agricultural Science from the University of Tasmania. He is a Graduate of the Australian Institute of Company Directors. Prior to becoming a Non-executive Director, Gordon was Managing Director of AWB Limited between 2006 and 2010. He has also served in a senior capacity on various industry associations.



**Sally Evans**

BHSC, FAICD, GAIST.  
NON-EXECUTIVE  
DIRECTOR

Ms Evans was appointed as a Non-executive Director in August 2018, also being appointed as a member of the Nomination and Remuneration Committee and the Risk Management Committee. On 19 August 2019, she was appointed as Chair of the newly renamed People & Governance Committee. Sally has over 30 years' experience in private, government and social enterprise sectors and has worked in Australia, New Zealand, the United Kingdom and Hong Kong with responsibilities across the broader Asia Pacific region. Sally has served as a Non-executive Director of Gateway Lifestyle Operations Limited. She is a Fellow of the Australian Institute of Company Directors, Graduate of the Australian Institute of Superannuation Trustees, and holds a Bachelor of Applied Science from the University of Otago.



## Paul Jones

MB, BS, FAMA.

NON-EXECUTIVE  
DIRECTOR

Dr Jones was appointed as a Non-executive Director in November 2010. During FY 2022, he was a member of the Audit Committee and the People & Governance Committee. Paul has over 35 years' experience in a broad range of general medical practice, including 15 years' experience in Healus Group medical centres. He originally trained at the Repatriation and General Hospital, Concord NSW and subsequently at Calvary Public Hospital, Bruce ACT. He has been a Director and Federal Councillor of the Australian Medical Association (AMA), a past President of AMA ACT and a member of the Federal AMA Council of General Practice. He was formerly a general practitioner adviser to Calvary Public Hospital and held roles as GPVMO and Director, Medical Education Program. He is a former Chair of ACT GP Workforce Working Group and was a member of the ACT Health Minister's GP Task Force in 2009. In 2010 he was awarded Fellowship of the AMA.



## Jenny Macdonald

BCOM, MEI, GAICD,  
CA ANZ.

NON-EXECUTIVE  
DIRECTOR

Ms Macdonald was appointed as a Non-executive Director and Chair of the Audit Committee effective 3 November 2020. Jenny has a strong background in financial and general management roles across a range of industry sectors including fast moving consumer goods, resources, travel and digital media. Jenny commenced her career with KPMG, working in the London and Melbourne offices in a number of practice areas, including audit, she spent more than nine years with that firm. After gaining experience in the resources sector, Jenny held executive roles in the travel and tourism industries and digital media at Flight Centre and REA Group. From 2014–2016, Jenny was the Chief Financial Officer and then Interim Chief Executive Officer of Helloworld, an ASX-listed multi-channel travel company. Jenny holds a Bachelor of Commerce from Deakin University, a Master of Entrepreneurship and Innovation from Swinburne University, a Graduate Diploma from the Securities Institute of Australia and is a Graduate of the Australian Institute of Company Directors.



## John Mattick

AO, FAA, FTSE,  
FAHMS, FRSN, HON,  
FRCPA, GAICD.

NON-EXECUTIVE  
DIRECTOR

Professor Mattick was appointed as a Non-executive Director effective 31 March 2022. John is SHARP Professor of RNA Biology at UNSW Sydney and was previously Chief Executive of Genomics England, and Director of the Garvan Institute of Medical Research in Sydney. John was appointed an Officer of the Order of Australia in 2001 for services to scientific research in the fields of molecular biology, genetics and biotechnology. He is a Fellow of the Australian Academy of Science, the Australian Academy of Health & Medical Sciences, the Australian Academy of Technology & Engineering and the Royal Society of New South Wales. He has also been elected an Honorary Fellow of the Royal College of Pathologists of Australasia and an Associate Member of the European Molecular Biology Organization. John has been a member of the Australian Health Ethics Committee and the Research Committee of the National Health and Medical Research Council. John has received numerous awards including the Advance Global Impact Award, the University of Texas MD Anderson Cancer Center Bertner Award for Distinguished Contributions to Cancer Research, the Human Genome Organisation Chen Medal for Distinguished Academic Achievement in Human Genetics and Genomic Research, the International Union of Biochemistry and Molecular Biology Medal, and the inaugural Gutenberg Chair at the University of Strasbourg.



## Kate McKenzie

BA, LLB, MAICD.

NON-EXECUTIVE  
DIRECTOR

Ms McKenzie was appointed as a Non-executive Director effective 25 February 2021. Kate was appointed as a member of the People & Governance Committee and as a member of the Risk Management Committee on the same date. Kate is a highly experienced Chief Executive Officer and Non-executive Director with extensive experience in large change management. After starting her career in the public sector, Kate joined Telstra in 2004 as Group Managing Director Regulatory, Public Policy & Communications. In her 12 years at Telstra, Kate held a range of executive roles in strategy, marketing, products and wholesale. Prior to leaving Telstra, Kate was Chief Operating Officer, responsible for networks, IT, field services, property and NBN relations and delivery. In 2017 Kate was appointed Chief Executive Officer of Chorus, a New Zealand listed telecommunications company. Kate is passionate about innovation and technology, and co-founded muru-D, an incubator which has produced 136 graduating companies, with 107 still in operation; Gurrowa, a co-creation lab, and partnerships with universities, such as investment in Quantum Computing with the University of New South Wales.



# Executive Leadership Team



**Malcolm Parmenter**

MANAGING  
DIRECTOR AND  
CHIEF EXECUTIVE  
OFFICER

Dr Parmenter joined Healius as Managing Director and Chief Executive Officer (CEO) in September 2017.

He has a wealth of knowledge and practical experience in the operation of frontline care, with over nine years' tenure as CEO of Independent Practitioner Network Limited (IPN), both as a listed company and under the ownership of Sonic Healthcare Limited, and subsequently two years as CEO of Sonic Clinical Services.

Malcolm has a strong understanding of healthcare delivery, both in Australia and abroad, and has spent more than 20 years as a General Practitioner.



**Maxine Jaquet**

CHIEF FINANCIAL  
OFFICER AND  
CHIEF OPERATING  
OFFICER

Ms Jaquet was appointed Chief Financial Officer in August 2019 and her role was expanded to include Chief Operating Officer in January 2021. She joined Healius in July 2015 as Group Director – Commercial and Chief Executive for Health & Co from March 2016. Maxine has extensive commercial and operational line management experience in the consumer goods and industrials sectors.

Maxine has managed a number of significant transformations generating substantial margin improvement and business growth, including the turnaround of the International business for Qantas in her prior role as Head of Alliances.

With a depth of expertise in developing customer-centric growth, she has led a customer transformation program in a global FMCG and managed the Qantas Group's multi-brand commercial structure. Maxine also has a background in providing financial and strategic advice.



**John McKechnie**

CHIEF EXECUTIVE  
PATHOLOGY

Mr McKechnie was appointed Chief Executive Pathology in August 2019 following more than 35 years with the Healius Pathology division both in Western Australia and more recently in Queensland.

Commencing his career as a Medical Scientist, John has also worked as a laboratory and operations manager. In 1998, he was appointed the state operations manager of Western Diagnostic Pathology, before joining the QML team in 2002. Since 2015, John has been the CEO of both QML Pathology and TML Pathology, responsible for their strong performance, successful strategic direction, executive recruitment, and people-management. He has also been a member of the group executive team in Pathology. Throughout his career John has developed strong financial, analytical, change management, and people skills.



**Dean Lewsam**

CHIEF EXECUTIVE  
IMAGING

Mr Lewsam joined Healius in April 2012 and held various operational management roles in the Imaging Division. In October 2015, Dean was appointed Chief Executive for Imaging where he has continued to advocate for the expansion and advancement of Healius' Imaging network.

Dean has over 30 years' experience in the Australian healthcare sector having previously held executive management roles with major listed groups in the pathology, general practice and diagnostic imaging industries.

*Mr Lewsam departed Healius in July 2022.*



## Henry Barclay

CHIEF EXECUTIVE  
DAY HOSPITALS

Mr Barclay joined Healius in November 2021. Henry has over 20 years' experience in strategic, commercial, financial, and operational leadership and extensive involvement in the Australian day hospital industry.

Henry has a demonstrated track record of successful strategic organic and inorganic corporate business development. Prior to joining Montserrat, Henry was a member of the foundational management team of the Cura Day Hospitals Group for over 10 years, served as Chief Financial Officer at AMS Group and held the position of Director at Deloitte.



## Prasad Arav

GROUP EXECUTIVE  
DIGITAL AND  
TECHNOLOGY

Mr Arav joined Healius in April 2021 and is currently the Group Executive Digital and Technology.

Prasad has over 20 years' experience in technology-focused executive roles and management consulting. He has successfully managed digitisation of businesses and new market expansions across Big Four banking, health, insurance, and retail industries. Prior to joining Healius, Prasad was Chief Digital Officer and CIO for a health insurer and Chief Strategy Officer for a global technology company. Prasad is a graduate from the University of New South Wales and has also held senior consulting roles at McKinsey and KPMG.



## Mark Neeham

GROUP EXECUTIVE  
GOVERNMENT  
AFFAIRS

Mr Neeham has responsibility for developing and implementing Healius' relationship strategies with Government, professional and industry bodies and external stakeholders.

Mark joined Healius in May 2015 from the Crosby|Textor Group where he was the group's Executive Director. Having worked in senior professional positions for political parties in Australia and the UK, Mark has extensive experience in executive leadership, organisational management, strategy, communications and cultural change.

Since 2018, Mark has also been President of Australian Pathology, the peak body for private pathology in Australia.



## Janet Payne

GROUP EXECUTIVE  
CORPORATE AFFAIRS

Ms Payne was appointed as Group Executive, Corporate Affairs in July 2015, Ms Payne joined Healius from CIMIC Group Ltd where she was head of investor relations. Janet has worked in a range of roles, including investor and media advisory and board advisory.

Janet managed the Initial Public Offering and established investor relations at Qantas Airways Limited. Her former corporate roles were in the finance industry, having started her career at KPMG in London and Sydney.



## Peter Wilson

GROUP EXECUTIVE  
PEOPLE & SHARED  
SERVICES

Mr Wilson has been responsible for leading large businesses through transition and transformation within the aviation industry, having been Chief Operating Officer and Chief Pilot for Qantas Airways and later working with Virgin Australia and Tigerair. Peter was key in driving process and productivity improvements at Qantas to deliver a leaner operation while setting strategic direction and delivering on financial, customer, safety, people and regulatory objectives.

He was appointed as Interim CEO with Tigerair to restructure business fundamentals, identify revenue opportunities and areas for cost reduction for the incoming CEO.

# Risk management

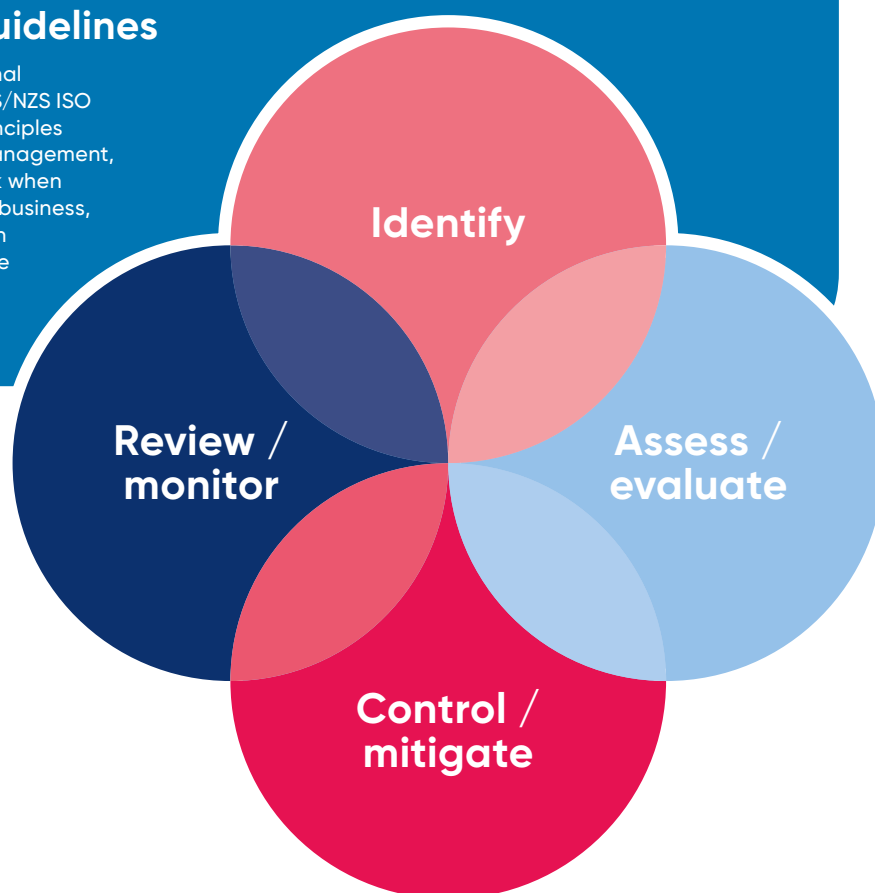
Healius has designed a Risk Management Framework consistent with current best practice.

Identifying and mitigating risk is key to Healius achieving its objectives, building a sustainable business and protecting shareholder value. The Risk Management Framework formalises the approach adopted by Healius' businesses to manage risk and provides Healius with a consistent methodology that can be applied to all strategic, operational and contractual objectives. Healius assesses the consequence and likelihood of risks in all areas including health and safety, environment, operations, finance, legal and compliance, and reputation.

The future performance of Healius, including share price performance, may be influenced by a range of risk factors, many of which are outside the control of Healius and its Directors. A non-exhaustive list of key risks, including those specific to Healius and those of a more general nature, is set out in this section. Healius' business, financial condition, or results of operations could be affected by any of these risks, either individually or in combination.

## Risk Management – Principles and Guidelines

Healius has adopted the International Organisation for Standardisation AS/NZS ISO 31000:2018 'Risk Management – Principles and Guidelines' approach to risk management, ensuring each division considers risk when making key decisions that drive our business, and maintains a disciplined focus on operational excellence and effective risk management.





CONTEXT	RISK PRIORITIES	AIMS AND ACTIONS
<b>Pandemic risks including COVID-19</b>	Pandemics such as COVID-19 pose a risk to Healius as community shutdowns may adversely impact demand for its traditional healthcare services. In addition, Healius may be unable to provide crucial services if people or facilities are impacted.	<p>Healius continually monitors daily volumes across all businesses and structures resources accordingly.</p> <p>Adherence to best-practice guidelines for self-isolation, use of personal protective equipment, hygiene, and office closures help mitigate the risk of infections.</p>
<b>Government policy and economic impacts</b>	<p>Healius is committed to providing affordable healthcare. Bulk-billing its services to patients and receiving reimbursement through the Federal Government's Medicare Benefits Schedule (MBS) is a key feature of this commitment and a substantial proportion of the Group's revenue is derived from the MBS, including from referrals from general practitioners (GPs) in Australia. Any changes to the MBS or any other government funding initiatives, including the level of rebates to GPs, could impact profitability (both positively or negatively) through changes to fees or test availability within the MBS system.</p> <p>Healius also charges out-of-pocket fees on some services and there may be a general perception that some healthcare services are expensive. Consequently, consumers may delay or not use services due to affordability concerns, impacting volumes and revenue.</p>	<p>Healius aims to diversify into non-MBS revenue streams, maintain tight control over costs and continually reviews the range of service offerings available to patients.</p> <p>Healius monitors legislative and regulatory developments and engages proactively to manage this risk. It maintains an active role in industry associations to ensure its voice is heard by governments at all levels.</p> <p>Healius advertises that its services are bulk-billed where appropriate and educates the consumer on any out-of-pocket costs.</p>
<b>Healthcare customers and consumers</b>	<p>Healius is reliant upon referrers, healthcare professionals such as surgeons, and consumers choosing to use its services and facilities.</p> <p>Healius is also dependent on its ability to negotiate and retain private health fund, public and private hospital, and other commercial contracts.</p>	<p>Healius has people dedicated to maintaining relationships, increasing engagement and addressing any issues with its clients and customers.</p> <p>Healius has invested in facilities, systems, people and services in its aim to meet and exceed the needs of its customers.</p>

# Risk management

CONTEXT	RISK PRIORITIES	AIMS AND ACTIONS
<b>People capabilities and employee relations</b>	<p>Sustainability for Healius is underpinned by its ability to attract and retain the right talent and capabilities.</p> <p>New technologies and changing consumer perceptions are driving the need for specialist skillsets including analytics, digital expertise and cyber security.</p> <p>There is significant competition to recruit such talent, which can increase labour costs and reduce profitability.</p> <p>A number of recent legislative amendments, Court decisions and Modern Award variations have increased the complexity of the employee-relations landscape.</p>	<p>Healius aims to be a workplace of choice, to live its WE CARE values, and to meet gender and other diversity, inclusion and equality goals.</p> <p>Healius is investing in the value proposition to its employees and implementing employee-related initiatives, such as paid parental leave across the Group.</p> <p>It is also enhancing its people information tools to better manage its people.</p> <p>Healius has created a dedicated function to assist it in remaining compliant with its employee relations requirements and obligations.</p>
<b>Data management and cyber security</b>	<p>Healius maintains sensitive clinical and financial information and failure to appropriately use and secure data can have severe consequences. Healius' systems and databases are increasingly subject to security risks including cyberattacks.</p>	<p>Healius understands that protection of privacy of individuals whose personal information is collected is paramount. It has an ongoing program to strengthen defences against unauthorised access and to protect clinical and financial data within these systems.</p>
<b>Supply chain and modern slavery</b>	<p>Healius is reliant upon the importation of consumables, such as reagents, and equipment. Prices and availability may impact the efficient operating of its services. There is also a risk of modern slavery within these supply chains.</p>	<p>Healius aims to continually manage known supply chain risks. It has a dedicated procurement function and a range of suppliers which helps to reduce disruption. Healius' commitment to human rights and the eradication of all types of modern slavery is overseen by the executive Sustainability Steering Committee. Its approach to modern slavery eradication is multi-faceted and includes supplier questionnaires, due diligence, risk assessments and specific terms included in supplier agreements.</p>
<b>Competition</b>	<p>Competition may come from new entrants into the market, existing competitors, or from disruptive technologies that may change the way services are delivered. A change in competition may impact Healius' profitability, the ability to attract and retain people, or secure attractive locations for its businesses.</p>	<p>Healius aims to maintain its competitive edge through a focus on and investment in data-led operations, consumer-centricity, product innovation, network optimisation and developing organisational competencies for the future.</p>

CONTEXT	RISK PRIORITIES	AIMS AND ACTIONS
<b>Acquisitions</b>	<p>Healius is exploring opportunities to fund strategic investments in adjacencies to the current portfolio and to extract synergistic value from its strong balance sheet. There is a risk that the acquisitions may not generate the financial returns or performance hurdles required to meet Healius benchmarks.</p>	<p>Healius has a due diligence process to assess the merits of each proposed acquisition and the transition of the acquired business into the Group.</p>
<b>Reputation and regulatory compliance</b>	<p>Healius recognises that its reputation can take time to build but can be easily eroded. Healius' reputation may be impacted by an event that creates adverse perception of the Group by the public, consumers and customers, investors, regulators, or rating agencies that directly or indirectly impacts earnings and value.</p> <p>Healius operates in sectors which are subject to extensive laws and significant levels of regulation relating to the development, licencing and accreditation of facilities and services.</p>	<p>Healius aims to maintain quality standards and a culture of accountability through its risk and governance systems, policies and procedures, with effective involvement of executive and clinical management to ensure it provides quality healthcare and minimises the risk of reputational damage. Healius aims to continually meet licencing and accreditation standards across all businesses.</p>
<b>Climate change</b>	<p>Healius recognises that climate change is a global issue. Climate change risks may be either 'physical' with financial implications resulting from potential damage to assets, 'indirect' through impacts from supply chain disruption, or 'transitional' through changes to regulations and consumer behaviour.</p>	<p>Healius aims to manage its operations in an environmentally sustainable manner, adapting to changes in consumer behaviour and reducing its carbon footprint. Healius has the stated aim to be carbon neutral by 2026.</p> <p>In the event of extreme weather conditions impacting operations, Healius has a network of facilities which can continue operations in alternative locations.</p>

# Directors' Report

## for the year ended 30 June 2022

The Directors of Healius Limited (referred to as 'Healius' or 'the Company') submit their Report for the financial year ended 30 June 2022 (referred to as 'the year' or 'FY 2022'), accompanied by the Financial Report of Healius and the entities it controlled (referred to as 'the Healius Group' or 'the Group') from time to time during the year. Pursuant to the requirements of the *Corporations Act 2001* (Cth) (Corporations Act), the Directors report as follows:

## Directors

### CONTINUING DIRECTORS DURING FY 2022

- Robert Hubbard
- Malcolm Parmenter
- Gordon Davis
- Sally Evans
- Paul Jones
- Jenny Macdonald
- Kate McKenzie

### NEW DIRECTORS DURING FY 2022

- John Mattick (from 31 March 2022)

## Qualifications and experience of Directors

### CONTINUING DIRECTORS

The qualifications and experience of each new and continuing Director are set out on pages 30–31 of this Annual Report.

## Committees of the Board in FY 2022

AUDIT COMMITTEE	PEOPLE & GOVERNANCE COMMITTEE	RISK MANAGEMENT COMMITTEE
<b>Chair</b> Jenny Macdonald	<b>Chair</b> Sally Evans	<b>Chair</b> Gordon Davis
<b>Members</b> Gordon Davis Robert Hubbard Paul Jones	<b>Members</b> Robert Hubbard Paul Jones Kate McKenzie	<b>Members</b> Sally Evans Jenny Macdonald Kate McKenzie

## Group Company Secretary

### QUALIFICATIONS AND EXPERIENCE OF COMPANY SECRETARIES DURING FY 2022

#### Charles Tilley B.Sc (Hons) LLB (Hons) FGIA FCIS

Mr Tilley has been Group Company Secretary since February 2015. Mr Tilley joined Healius in 2014 as a Senior Legal Counsel, advising the Healius Group on various matters concerning litigation and employment law. Prior to joining Healius, Mr Tilley had 15 years' experience in the financial services industry, advising a Big Four institution on corporate law, litigation, commercial and employment law.

#### Alison Stephenson BA Grad Dip Corp Gov AGIA ACIS

Ms Stephenson was formally appointed as a Company Secretary of the Company in August 2019. Ms Stephenson has served as Assistant Company Secretary of the Healius Group since August 2016. Prior to joining the Group, Ms Stephenson had 15 years' experience in company secretarial roles in various organisations, primarily in the financial services industry.



# Directors' Report

for the year ended 30 June 2022

## Directors' meetings during FY 2022

The number of meetings of the Board and of each Board committee held during FY 2022 and the number of meetings attended by each Director are set out below:

FY 2022	BOARD OF DIRECTORS		AUDIT COMMITTEE		PEOPLE & GOVERNANCE COMMITTEE		RISK MANAGEMENT COMMITTEE	
	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED
Robert Hubbard <sup>1</sup>	15	15	6	6	5	4	N/A	N/A
Gordon Davis	15	15	6	6	N/A	N/A	4	4
Sally Evans	15	15	N/A	N/A	5	5	4	4
Paul Jones <sup>2</sup>	15	12	6	6	5	5	N/A	N/A
Malcolm Parmenter	15	15	N/A	N/A	N/A	N/A	N/A	N/A
Jenny Macdonald	15	15	6	6	N/A	N/A	4	4
John Mattick <sup>3</sup>	4	3	N/A	N/A	N/A	N/A	N/A	N/A
Kate McKenzie	15	15	N/A	N/A	5	5	4	4

1 Robert Hubbard was granted leave of absence from one People & Governance Committee meeting.

2 Paul Jones was granted leave of absence from three Board of Directors meetings.

3 John Mattick was granted leave of absence from one Board of Directors meeting.

Any leaves of absence indicated above were typically granted in circumstances where the relevant meeting was called at short notice and other unavoidable commitments precluded the relevant Director from attending.

Further meetings occurred during the year on specific issues, including meetings of the Chair with the CEO and meetings of Directors with management. From time to time, Directors attend meetings of committees of which they are not currently members.

## Directorships of other listed companies held by Directors

DIRECTOR	COMPANY	POSITION	DATE APPOINTED	DATE CEASED
Gordon Davis	Midway Limited	Director and Chair	06/04/2016	
	Nufarm Limited	Director	31/05/2011	
Sally Evans	Ingenia Communities Holdings Limited	Director	01/12/2020	
	Oceania Healthcare Limited	Director	23/03/2018	
Robert Hubbard	Allkem Limited	Director	30/11/2012	
	Bendigo and Adelaide Bank Limited	Director	02/04/2013	09/11/2021
Jenny Macdonald	Australian Pharmaceutical Industries Limited	Director	09/11/2017	31/03/2022
	Bapcor Limited	Director	01/09/2018	
	Redbubble Limited	Director	22/02/2018	
	Redflow Limited	Director	22/12/2017	30/09/2019
	Siteminder Limited	Director	21/10/2021	
Kate McKenzie	Allianz Australia Limited	Director	01/01/2012	30/06/2020
	AMP Limited	Director	18/11/2020	
	Chorus Limited	Director	20/02/2017	20/11/2019
	Stockland Corporation Limited	Director	02/12/2019	

# Directors' Report

for the year ended 30 June 2022

## Significant change in the state of affairs

There was no significant change in the state of affairs of the Group during the year.

## Principal activities

During the year, the Group had three principal continuing activities – pathology, imaging and day hospitals. The Group provides facilities and support services to independent radiologists and a range of other healthcare professionals, enabling them in turn to deliver care to their patients in partnership with the Group's pathologists, nurses and other employees.

## Review and results of operations

A review of the operations of the Group during the year, and the results of those operations, appears on pages 20–29 of this Report.

## Events after the end of the year

Since the end of the reporting period the Group has decided to sell the Day Hospitals business in its entirety. The sale process was initiated in July 2022 when an Information Memorandum was distributed to potential buyers and is expected to be completed in FY 2023.

Other than the event described above, there has not been any other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## Future developments

Disclosure of information regarding likely developments in the operations of the Group in future financial years (including the Group's business strategies) and the expected results of those operations other than as disclosed in this Report is likely to result in unreasonable prejudice to the Group. Accordingly, no further information is included in this Report.

## Proceedings on behalf of the Company

There are no proceedings brought or intervened in, or applications to bring or intervene in proceedings, on behalf of the Company by a member or other person entitled to do so under section 237 of the Corporations Act.

## Rounding of amounts

The Company is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument, amounts in this Report and the Financial Report are rounded off to the nearest hundred thousand dollars, or where the amount is \$500,000 or less, zero in accordance with that Instrument.

## On-market buyback

Pursuant to ASX listing Rule 4.10.18, the Company notes that an on-market buyback is in progress as at the date of this Report.

## Securities purchased for employee incentive scheme

During FY 2022, the Company purchased 4,390,678 ordinary Shares on-market at an average price of \$5.034156 per Share to satisfy the entitlements of the holders of Performance Rights issued under the FY 2019 Long-Term Incentive Plan (an employee incentive scheme) to acquire ordinary Shares on the vesting of those Performance Rights.

## Dividends

During FY 2022, the FY 2021 final dividend of 6.75 cents per share (100% franked) was paid to the holders of fully paid ordinary Shares on 8 October 2021.

In respect of FY 2022 an interim dividend of 10.0 cents per share (100% franked), was paid to the holders of fully paid ordinary Shares on 5 April 2022. The Board determined payable a final dividend of 6.0 cents per share (100% franked), to be paid to the holders of fully paid ordinary Shares on 21 September 2022.

Healius operates a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP). These plans were suspended effective close of business on 16 February 2016 until further notice and consequently no Shares were issued in FY 2022 under either the DRP or the BSP.

# Directors' Report

for the year ended 30 June 2022

## Shares under option

Options are held by employees of the Group. Details of all unissued ordinary Shares of Healius under option at the date of this Report are set out below. No Option holder has any right under the options to participate in any other share issue of Healius or of any other entity.

	OPENING BALANCE	ISSUED SINCE PRIOR ANNUAL REPORT	EXERCISED SINCE PRIOR ANNUAL REPORT <sup>1</sup>	LAPSED SINCE PRIOR ANNUAL REPORT <sup>1</sup>	CLOSING BALANCE
Transformation Long-Term Incentive Plan (TLTIP) FY 2020–22	36,394,239	–	9,588,818	10,511,513	24,262,825
Balance as at date of this Report	36,394,239	–	9,588,818	10,511,513	24,262,825

<sup>1</sup> Cashless exercise mechanism resulted in 7,968,917 exercised Options subsequently lapsing; these are captured in both the exercised and lapsed columns as required under the Corporations Act, however do not impact the closing balance.

## Shares issued on the exercise of Options

1,619,901 fully paid ordinary Shares of Healius were issued during, or since the end of, FY 2022 on the exercise of Options.

## Indemnification of officers and auditors

Subject to the following, no insurance premium was paid during or since the end of FY 2022 for a person who is or has been an officer or auditor of the Group.

During the year, Healius paid a premium in respect of a contract insuring the Directors and Executive Officers of Healius and of any related body corporate, against liability incurred that is permitted to be covered by section 199B of the Corporations Act. It is a condition of the insurance contract that its limits of indemnity, the nature of the liability indemnified, and the amount of the premium, not be disclosed.

The Constitution of Healius provides that each officer of Healius must be indemnified by Healius against any liability incurred by that person in that capacity. However, Healius must not indemnify that person if to do so would be prohibited by section 199A of the Corporations Act, any other statutory provision, or judge-made law. Pursuant to this requirement, each Director of Healius is party to a Deed of Indemnity, Board Papers Inspection and D&O Coverage, which provides for indemnity against liability as a Director, except to the extent of indemnity under an insurance policy or where prohibited by statute.

To the extent permitted by law, Healius has agreed to indemnify its auditor, Ernst & Young (Australia) (EY), as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify EY during or since FY 2022. Healius has not otherwise, during or since the end of FY 2022, indemnified or agreed to indemnify an officer or auditor of Healius or any related body corporate against a liability as such an officer or auditor.

## Past employment with external auditor

There is no person who has acted as an officer of the Group during the year who has previously been a partner at EY when that firm conducted Healius' audit.

## Non-audit services

During the year EY performed certain other services in addition to their statutory duties as auditor.

The Audit Committee reviews the non-audit services performed by the auditor on a case-by-case basis. In accordance with advice received from the Audit Committee, the Directors are satisfied that the provision of these non-audit services by the auditor (or by another person or firm on the auditor's behalf) is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act. The Directors are so satisfied because the Audit Committee or its delegate has assessed each service, having regard to auditor independence requirements of applicable laws, rules and regulations, and concluded in respect of each non-audit service or type of non-audit service that the provision of that service or type of service would not impair the auditor's independence.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is included in this Report. Details of amounts paid or payable to the auditor of the Group for audit and non-audit services provided during the year are given in Note E8 on page 114 of this Report.

# Directors' Report

for the year ended 30 June 2022

## Management of safety risks

As a provider of healthcare, Healius is committed to ensuring a safe work environment for our people as well as safe spaces for our patients and customers. We review our Group Work Health and Safety Management System (WHSMS) annually and regularly audit our practices to ensure the highest standards of safety are maintained.

In FY 2022 a significant increase in reported incidents was seen related to COVID-19 exposures in the workplace. Excluding COVID-19, fewer people were injured across the Group and fewer people needed time off work. Further analysis is required to determine if the decline relates to changing work practices over the period, or a safer system of work.

Healius is self-insured for workers' compensation in NSW, Victoria, Queensland and Western Australia. Healius underwrites workers compensation claims in these States, with re-insurance policies in place in each of these states to provide protection against large cost claims. In the other States and territories Healius holds insurance policies for workers compensation.

Self-insurance licence obligations require that the Healius WHSMS is audited against the National Audit Tool Version 3. The tool evaluates safety performance and compliance and is used by state-based WorkSafe regulators to measure health and safety systems of the Group.

Key health and safety performance indicators are as follows:

	TARGET	FY 2022	FY 2021
Completion of Health and Safety Plan activities by worksites	90% of planned activities completed	92%	98%
Mini audits – measuring compliance to WHSMS	75% Compliance Rate	97% of the 162 mini audits conducted met or exceeded target	97% of the 218 mini audits conducted met or exceeded target
Internal Health and Safety audits – measuring compliance to National Audit Tool Version 3	80% Compliance Rate	94% of the 33 internal audits conducted met or exceeded target	91% of the 35 internal audits conducted met or exceeded target
Number of WHS prosecutions	Zero	Zero	Zero
Lost Time Incidents per Million Hours Worked	Zero	4.2 <sup>1</sup>	5.8

<sup>1</sup> Adjusted LTIFR. LTIFR including COVID-19 related exposure incidents is 18.2.

Performance against key proactive health and safety indicators stays strong. This indicates that over the past 12 months, we have not seen a decline in the site level implementation of the WHSMS, despite the operational challenges faced by the business. This is commendable given the environment, decreased site visits and remote auditing brought about by COVID-19.

Since the onset of COVID-19 in March 2020 we have adapted our safety protocols, equipment, and process as we navigate increased workload along with new ways of working and, pleasingly, we have maintained our safety standards.

The LTIFR, including COVID-19 exposure incidents, is 18.2, however the increase is not unexpected given the increased testing volumes in conjunction with significant outbreaks in NSW and VIC.

Through the course of FY 2022 the Group transitioned to a managed COVID-19 environment, where lockdowns and restrictions have largely ceased, with a new appreciation of what it takes to keep our people fit, mentally and physically, to ensure that we can continue to provide high levels of service to our patients and communities.

Increasing our organisational capacity and capability to manage fatigue well is a key priority for the Group. We will continually identify and address conditions yet to be fully understood that emerge from the pandemic.

Healius makes available to its people information on: Rights, Responsibilities and Obligations; Making a Claim; and Complaints Handling Procedures in relation to claims. As part of its management of claims, accounting provisions are recognised based on claims reported; and an estimate of claims incurred but not reported. These provisions are determined on a discounted basis and having regard to actuarial valuations. Reporting on current claims and provisions is made to senior management and to the Board.

Healius is engaged in continuous improvement to raise health and safety standards. Strategic projects are identified through the monitoring of incidents trends, employee feedback and WHS audit findings. In FY 2023 will commence work building out our WHSMS to effectively manage and report on the expanded obligations organisational Health and Wellbeing.

## Environmental regulation

The operations of the Group are not subject to any site-specific environmental licences or permits which would constitute particular or significant environmental regulation under the laws of the Australian Government or an Australian Territory.

Healius, through its internal policy and processes, is committed to managing operations in an environmentally sustainable manner to maximise resource efficiency in relation to the consumption of energy and natural resources and minimise waste.

More information on the Group's sustainability initiatives are available in the Sustainability Report, available at <https://www.healius.com.au/invest-in-us/reports/sustainability-report/>.



# Remuneration Report (Audited)

This report sets out the remuneration arrangements for the Company's executive Key Management Personnel (KMP) and Non-executive Directors for the year ended 30 June 2022 (FY 2022). It is prepared in accordance with section 300A of the *Corporations Act 2001* (Corporations Act).

	<b>Letter from the Chair of the People &amp; Governance Committee</b>	<b>44</b>
<b>1.</b>	<b>Overview of senior executive remuneration framework</b>	<b>45</b>
1.1	Overview	45
1.2	Notable components of the plans	46
<b>2.</b>	<b>Healius' Remuneration Governance</b>	<b>47</b>
<b>3.</b>	<b>Executive Key Management Personnel FY 2022</b>	<b>48</b>
<b>4.</b>	<b>Executive KMP – Framework and outcomes FY 2022</b>	<b>48</b>
4.1	FY 2022 Fixed Annual Remuneration	48
4.2	FY 2022 Short-Term Incentive Plan (STIP)	48
4.3	FY 2020 Transformation Long-Term Incentive Plan (TLTIP)	51
4.4	FY 2022 Company performance	53
<b>5.</b>	<b>Executive KMP – Table of opportunity, awards and receipts FY 2022 – non-statutory</b>	<b>54</b>
<b>6.</b>	<b>Executive KMP – Statutory disclosures FY 2022</b>	<b>56</b>
6.1	Executive KMP – Statutory disclosure FY 2022	56
6.2	Executive KMP – Service and Performance Rights and Options awarded, vested and lapsed during FY 2022	56
6.3	Executive KMP – Equity holdings FY 2022	57
<b>7.</b>	<b>Non-executive Director (NEDs) remuneration FY 2022</b>	<b>58</b>
7.1	Non-executive Director remuneration policy	58
7.2	Non-executive Director fees	58
7.3	Other Non-executive Director benefits	58
7.4	Non-executive Director remuneration	59
7.5	Non-executive Director equity holdings in FY 2022	59
<b>8.</b>	<b>Remuneration policies in detail FY 2022</b>	<b>60</b>
8.1	Senior executive employment terms	60
8.2	Senior executive Short-Term Incentive Plan details	60
8.3	Senior executive Transformation Long-Term Incentive Plan details	61
8.4	Remuneration-related policies	64
8.5	Transactions with KMP	64

# Directors' Report

for the year ended 30 June 2022

## Letter from the Chair of the People & Governance Committee

Dear Shareholder,

On behalf of your Board of Directors, I am pleased to present the audited Remuneration Report for the financial year ended 30 June 2022 (FY 2022) which sets out the remuneration framework for our senior executives and specific outcomes for our Key Management Personnel (KMP). Our framework aims to attract, retain and reward talented employees while aligning their 'at risk' arrangements to sustained shareholder value creation.

This year, we further streamlined the number of our KMPs to Group CEO, Group CFO/COO and Pathology CEO, as this better reflects the size and materiality of our current portfolio.

In FY 2022, we reviewed KMP fixed annual remuneration (FAR) taking into consideration the Group's size and complexity, an individual's skills, expertise and responsibilities, current market conditions and benchmarking including against comparator groups. As a result, our Group CFO/COO and Pathology CEO were awarded increases in FAR. In relation to the Group CEO, Dr Malcolm Parmenter, no increase has been awarded in this year or, indeed, since his commencement in 2017.

Turning to our variable remuneration, short-term incentives (STIs) have been granted for FY 2022 based on an individual's balanced scorecard which has assessed financial outcome as well as strategy and operations, with company values acting as a gateway and sustainability included for the first time. Consistent with last year, your Board considerations went beyond accepting the strong results as a given to assessing what was required to successfully deliver our COVID-19 testing program and business-as-usual services, as well as the progress on the strategic and margin expansion initiatives. As a result of our assessment, KMP have received STIs in the range of 89%–93% of the maximum available to them.

Importantly, FY 2022 is the first year of measurement of the TLTI which was approved at the AGM in November 2019. The TLTI was established by your Board to ensure senior executives were aligned to shareholder returns over five years given the long-dated nature of the strategic changes underway at that time including digital technology in Pathology. Hence, a mega grant of options was made in FY 2020 with performance hurdles tied to Earnings Per Share (EPS) and relative Total Shareholder Return (TSR) measured over a period of three to five years, being end of FY 2022 to FY 2024.

Looking at the growth in shareholder value over the period from 1 July 2019 to 30 June 2022, Healius share price has grown by 22% compared to a 1% decline in the ASX/S&P 200, our EPS CAGR is 61.1% and our TSR is 37.2%. The company is a stronger and better business than in FY 2019 with:

- More simplified portfolio
- More competitive margins and higher return on invested capital through two Sustainable Improvement Programs
- Fortified balance sheet with higher cash-generative businesses
- Significant advancement of our digital technology to improve consumer experience, internal business process efficiency and clinical insights
- Progress on our people and culture initiatives, recognising that our success is underpinned by our ability to attract and retain the right talent
- Greater rewards to shareholders through buybacks and increased dividends
- Successful delivery of our part in Australia's public health response to COVID-19.

While acknowledging the large quantum of options exercised this year under the TLTI, these options are a mathematical outcome of the terms of the TLTI and reflect its purpose in rewarding executives for growth in shareholder returns over a three-year period.

Coupled with a strong balance sheet which can be deployed to deliver inorganic growth, your company is well positioned to improve its performance and increase returns in its core businesses. We have multiple growth pathways including expansion of our efficient networks, enhancement of our digital experiences to patients and referrers, and growth in our diagnostic offerings in particular in high-margin clinical domains and specialties.

As FY 2022 was the final year to which the TLTI applied, a new executive LTI plan is under development for FY 2023 to be considered by shareholders at the 2022 AGM. The remit is to keep the plans as simple as possible while aligning them with our strategy, shareholder returns and general market practice.

For your Non-executive Directors (NEDs), we plan to undertake a review of fees in FY 2023 as these fees have not been updated since FY 2018. Your NEDs have a target of one year's fees in equity by 30 June 2025 or five years after the date of appointment if later, under the policy introduced in FY 2021. A policy requiring executive KMP to hold equity remains under active consideration by your Board.

As Chair of the People & Governance Committee, I look forward to engaging further with you and considering your valuable feedback. I hope you will continue to support us by voting to adopt this Remuneration Report at our upcoming Annual General Meeting.

Yours sincerely



**Sally Evans**  
Independent Non-executive Director  
Chair of the People & Governance Committee

# Directors' Report

for the year ended 30 June 2022

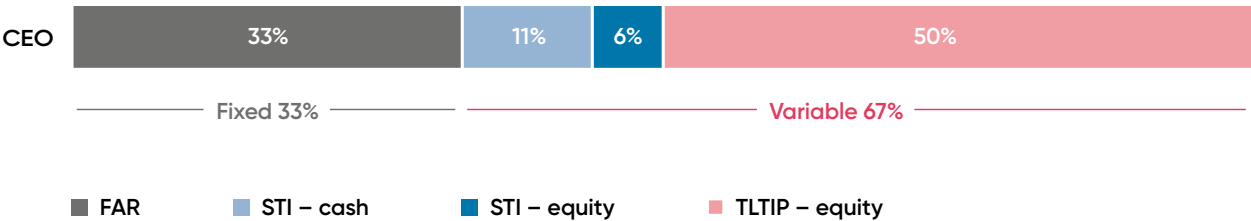
## 1. Overview of senior executive remuneration framework

### 1.1 OVERVIEW

Remuneration Principles		
<ul style="list-style-type: none"> <li>Support Healius' Purpose, Mission and Values and the business strategy</li> <li>Attract, reward and retain high calibre senior executives</li> <li>Align the rewards of these executives to performance and sustained shareholder value</li> <li>Continually reviewed to ensure relevance.</li> </ul>		
Fixed Remuneration (FAR)	Short-term Incentive Plan (STIP)	Long-term Incentive Plan (LTIP)
<ul style="list-style-type: none"> <li>Externally benchmarked against market relativities, including comparator group for rTSR in LTIP</li> <li>Based on individual experience with awards above the mid-point only where an individual has extensive experience in the industry, the role, and due to the scope of responsibilities</li> <li>Ongoing assessment against change in role scope, market relativities, and general wage movements</li> <li>Ongoing consideration of retention preferences and succession planning in a tight recruitment market.</li> </ul>	<ul style="list-style-type: none"> <li>45% of FAR at maximum (52.8% for CEO and CFO/COO)</li> <li>To reward achievement over the course of a single financial year</li> <li>Measured against an individual's scorecard which includes financial, operational and strategic Key Performance Indicators (KPIs) with leadership behaviours acting as a gateway to any award</li> <li>Comprises cash (two-thirds) and equity (one-third) in the form of Service Rights which are deferred for one year</li> <li>Creates senior executive equity ownership</li> <li>Scalability in financial metrics incentivises senior executives to continue to outperform when a lower goal has been achieved.</li> </ul>	<ul style="list-style-type: none"> <li>130% of FAR at maximum (152% for CEO and CFO/COO)</li> <li>Fixed mega-grant based on FAR at commencement of LTIP. Not indexed to increases in FAR over the duration of the LTIP</li> <li>Aligned with shareholder interests</li> <li>To reward multi-year performance, achievement of strategic objectives and retain key talent</li> <li>Measured by rTSR and underlying Earnings per Share (EPS) growth (also underlying EBIT growth before corporate recharges for Divisional CEOs)</li> <li>LTIP comprises a one-off grant of Options covering three years from FY 2020</li> <li>Options exercisable in equal tranches at the end of FY 2022, FY 2023 and FY 2024</li> <li>Creates senior executive equity ownership</li> <li>Scalability incentivises senior executives to continue to outperform when a lower goal has been achieved.</li> </ul>

#### CEO remuneration mix

The following diagram illustrates the remuneration mix of the Healius CEO at stretch or maximum potential:



# Directors' Report

for the year ended 30 June 2022

## 1.2 NOTABLE COMPONENTS OF THE PLANS

### Overall remuneration principles

#### Link to shareholder value

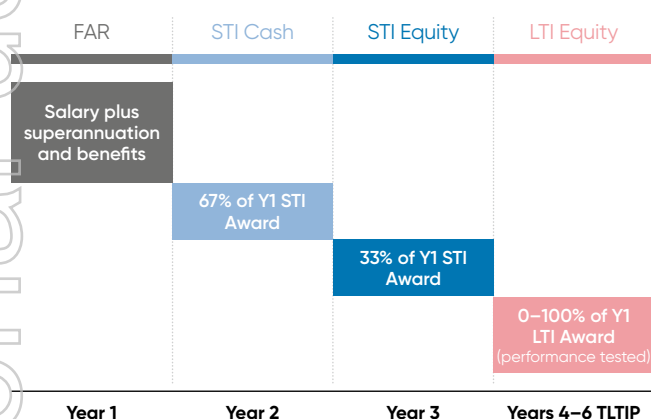
The remuneration of senior executives is designed to link reward with shareholder value, both current year and longer-term sustained value creation.

The link is achieved through the at-risk pay elements, or variable remuneration, of a senior executive's package.

These incentives are aligned to shareholder value through the financial, operational and strategic KPIs in the STIP, and rTSR and EPS targets in the TLTIIP.

#### Multi-year vesting of equity

The rolling nature of remuneration payments encourages executive retention. STIP equity is deferred for one year and TLTIIP Options are measured and vest after three, four or five years, subject to the achievement of performance.



#### Clawback provisions

Payments or vesting related to STIP and TLTIIP in the prior three financial years are subject to Healius' clawback policy, if it transpires that they were based on materially incorrect performance information or that actions taken by the relevant senior executive to secure a benefit were, are or will be detrimental to the best interests of Healius.

### FY 2022 STIP

#### Balanced scorecards

For the FY 2022 STIP, each KMP was assigned specific objectives around financial, operational and strategic outcomes, ensuring they were measured and rewarded for initiatives over which they have responsibility, which contribute directly to the Company's strategy and which deliver increased shareholder value.

Leadership and people behaviours were a gateway for the STIP award, including the Board's discretion to modify any award to zero if deemed necessary. Additionally, progress towards Sustainability targets has been included for the first time in FY 2022.

### FY 2020 TLTIIP

#### Use of underlying earnings

In the three-year FY 2020 TLTIIP, underlying earnings for continuing operations are used in the measurement of EPS growth and divisional EBIT, rather than statutory earnings, to ensure management do not benefit from a lower starting point in FY 2019 and, hence, higher growth over time.

(Up to FY 2019, Healius was undergoing a period of significant transition and statutory earnings were consistently lower than underlying earnings. The latter excluded, for example, the costs of turning around the Medical Centres business before its sale. From FY 2020 onwards, Healius has reduced the gap between statutory and underlying earnings).

From FY 2022 onwards, to provide confidence in the TLTIIP earnings base, adjustments to statutory results for the TLTIIP are limited to the investment in the Pathology laboratory information systems (now known as Pathology Digital).

The Pathology Digital implementation will form part of the STIP KPIs and hence project management, cost control and benefits realisation will be incorporated into remuneration considerations through this mechanism.

#### Minimisation of adjustments

In the three-year FY 2020 TLTIIP, no adjustment will be made for the impact of AASB 16 in the measurement period. This decision has been made notwithstanding the negative impact on the measurement of EPS growth during the period.

#### Positive gate for rTSR

A positive rTSR gate applies to the vesting of TLTIIP relating to Healius' rTSR performance against its comparator group. No award can be made if Healius' rTSR over the measurement period is zero or negative, even if Healius has performed better than the comparator group.

#### Dynamic comparator group for rTSR

As part of the introduction of the TLTIIP in FY 2020, the rTSR comparator group was reviewed, extended and updated to better reflect comparable market capitalisation, growth profiles, consumer surrogates and investment substitutes.



# Directors' Report

for the year ended 30 June 2022

## 2. Healius' Remuneration Governance

Healius' Remuneration Governance Framework and the Charter of the People & Governance Committee are available on the Company's remuneration governance portal at: <http://www.healius.com.au/about-us/corporate-governance/-us/corporate-governance/>

In summary the remuneration governance framework is as follows:

### Healius Board

Ultimate responsibility for all remuneration-related matters

### People & Governance Committee

Sally Evans – Chair | Robert Hubbard | Paul Jones | Kate McKenzie

Appointed and authorised by the Board to assist in fulfilling its statutory and fiduciary duties.

The Committee is responsible for making recommendations to the Board about:

- Diversity
- Healius' Purpose, Mission and Values
- Governance
- People and culture
- Senior executive remuneration, recruitment, retention, performance evaluation, incentives and termination
- Remuneration framework for Non-executive Directors
- Board succession planning and leadership development
- Performance evaluation of the Board, its committees and Directors
- Required competencies of Directors
- Appointment and re-election of Directors.

### Officers or employees

### External consultants

### Other stakeholders

- To assist it in meeting its responsibilities, the Committee has the authority to seek information and retain legal, accounting or other advisers, consultants or experts
- The Committee communicates with senior executives about remuneration-related matters, to ensure that senior executives are aware of the Board's performance expectations and the connection between the achievement of the Board's strategy for Healius, shareholder value and financial rewards for management
- The Committee consults widely with stakeholders including shareholders, proxy advisers and other stakeholders on their views on remuneration policy and disclosures.

# Directors' Report

for the year ended 30 June 2022

## 3. Executive Key Management Personnel FY 2022

KMP are the Non-executive Directors, the executive Director and employees who have authority and responsibility for planning, directing and controlling the material activities of the Group, directly or indirectly. The following roles and individuals were identified as executive KMP for FY 2022 (Non-executive Directors are identified in section 7). This includes a reduction from four to three KMP in FY 2022 to better reflect the size and materiality of the current portfolio of the Group.

NAME	ROLE	DATES
Malcolm Parmenter	Managing Director and Chief Executive Officer (CEO)	September 2017
Maxine Jaquet	Chief Financial Officer (CFO) and Chief Operating Officer (COO) Chief Financial Officer (CFO)	January 2021 August 2019
John McKechnie	Chief Executive Officer Pathology	August 2019

## 4. Executive KMP – Framework and outcomes FY 2022

### 4.1 FY 2022 FIXED ANNUAL REMUNERATION

A review of fixed annual remuneration (FAR) was undertaken in FY 2022 as part of an ongoing evaluation of remuneration policies and outcomes. This review considered the Group's size and complexity, an individual's skills, expertise and responsibilities, market realities including the current tightening in the recruitment market, and benchmarking.

The review of executive KMP FAR resulted in:

- Malcolm Parmenter's FAR did not increase for FY 2022
- Maxine Jaquet's FAR increased from \$800,000 to \$900,000 for FY 2022 due to benchmarking analysis of her role, together with succession planning and retention imperatives
- John McKechnie's FAR increased from \$725,000 to \$750,000 for FY 2022 due to benchmarking analysis of his role in overseeing the most complex division in the Group
- The increases in FAR did not result in a concurrent increase in options under the three-year TLTP.

The Board notes stakeholder comments in connection with the CEO's FAR in particular in comparison to the median of the index in which Healius currently sits (S&P/ASX 100-150) and comments as follows:

- Malcolm was recruited at a time when Healius was in the ASX 100 index and Malcolm's FAR was based on his extensive healthcare experience and capabilities. Since that time, Malcolm has not received any increase in his FAR
- Malcolm has overseen a period of significant progress in the performance and sustainability of the Group. This has been achieved through Malcolm's carriage of enterprise management together with fundamental improvements in the organisational structure, operations, people, technology platforms, and consumer focus.

### 4.2 FY 2022 SHORT-TERM INCENTIVE PLAN (STIP)

#### Framework

Key outline of the FY 2022 STIP is as follows, with further details set out in section 8 below:

- The purpose of the STIP is to reward achievement over a single financial year, measured against an individual's scorecard which includes relevant and tailored financial, operational and strategic KPIs
- The STIP ensures executive KMP are measured and rewarded for initiatives over which they have responsibility, which contribute directly to the Company's strategy and which deliver increased shareholder value
- Leadership behaviours act as a gateway for the STIP award, including the Board's discretion to modify any award to zero.
- In FY 2022 progress towards sustainability targets has been included in the scorecards of KMP
- The STIP currently equates to 45% of FAR at maximum (52.8% for CEO and CFO/COO) and the maximum opportunity equates to 120% of target
- Under the plans, the Board retains discretion to increase awards above maximum in exceptional circumstances
- Two-thirds of the STIP is paid in cash and one-third in the form of Service Rights which are deferred for one year.

# Directors' Report

for the year ended 30 June 2022

## Treatment rationale

In assessing the FY 2022 STIP awards, the Board was aware of the potential misinterpretation of the strong financial returns achieved in the year as being a windfall gain from COVID-19 testing (a COVID Bonus).

As was set out in last year's Remuneration Report, the overriding aim of your Company throughout the COVID-19 pandemic has been in ensuring Healius played an instrumental role in Australia's public health response by offering extensive COVID-19 screening services. The Board's view is that management has delivered on this aim throughout FY 2022 and in particular in 1H 2022 during the Delta and early Omicron outbreaks when extensive COVID-19 PCR screening was mandated and the teams worked around the clock, extended well beyond normal levels.

The Board also believes that management has successfully delivered in the year, over and above COVID-19 testing, as follows:

- On-going provision of critical non-COVID pathology testing as well as imaging and day hospital services.
- Operational success in delivery of strong margins, through rigorous cost control and agility in scaling operations as demand fluctuated.
- Structural improvements with 45% of its Sustainable Improvement Program initiatives (based on annualised benefits) completed.
- Investment in its digital future, with first-to-market COVID-19 offerings and substantial progress on customer-facing initiatives such as e-referrals and results portals and on the central laboratory system modernisation. This investment will serve to underpin the Sustainable Improvement Program margin growth and deliver further benefits in its own right.
- Successful capital management and delivery of greater shareholder rewards, including completion of the CY 2021 \$200 million share buyback, commencement of the CY 2022 share buyback (with a ceiling of \$100 million), together with a targeted program of capital investment in network assets including Imaging facilities and high-modality equipment.
- On-going portfolio optimisation with the completion of the Adora Fertility sale, the exploration of opportunities to realise value in Montserrat Day Hospitals, with a sale process underway in early FY 2023, and longer-term growth beyond the core with the acquisition of Agilix Biolabs as a specialty adjacency in Pathology.

## Outcomes

The following table provides the STIP outcomes for the executive KMP in FY 2022:

	MAXIMUM OPPORTUNITY	ACTUAL	% OF MAXIMUM OPPORTUNITY	CASH	DEFERRED EQUITY
Malcolm Parmenter	\$871,200	\$776,820	89.17%	\$517,880	\$258,940
Maxine Jaquet	\$475,200	\$443,520	93.33%	\$295,680	\$147,840
John McKechnie	\$337,500	\$306,562	90.83%	\$204,375	\$102,187

# Directors' Report

## for the year ended 30 June 2022

The KPI scorecard for CEO, Malcolm Parmenter, is set out below:

KPI	TARGET \$M/%	MAXIMUM \$M/%	ACTUAL (QUANTITATIVE OBJECTIVES) PERFORMANCE (QUALITATIVE OBJECTIVES)	MAXIMUM ACHIEVED	% OF MAXIMUM
<b>Financial 30%</b>					
Group underlying EBIT	\$206.8	\$248.2	\$492.3	Y	100%
Group cash flow (underlying EBITDA as proxy)	\$464.0	\$556.8	\$770.8	Y	100%
Underlying EBIT margin	11.15%	13.38%	21.06%	Y	100%
<b>Operational 10%</b>					
Maximise operational efficiency, service delivery and revenue potential across the network	SIP targets	> SIP targets	45% of Sustainable Improvement Program initiatives delivered and margin expansion goal reconfirmed. ACC network delivering 10.9% more revenue than FY 2019.	N	75%
<b>Strategic 40%</b>					
30%: Develop portfolio growth strategy for the Group specifically opportunity/ies for successful acquisition/growth adjacent to existing diagnostic capabilities			Successful integration of Imaging acquisition. Murdoch Day Hospital development approved. Purchase of strategic adjacency in Agilix Diagnostics with 52% annualised revenue growth. Day Hospitals prepared for sale.	Y	100%
30%: Develop and implement digital strategy for service delivery and operational efficiency, specifically consumer and referrer digital strategy and digital plan to support Group's operating model			Substantial progress on Digital agenda. First-to-market COVID-19 initiatives. Consumer-facing e-referrals rolled out in Pathology and Imaging, online bookings in Imaging, and collections portal in Pathology with results portal underway. Central LIS modernisation underway with instrument manager and laboratory portal progress.	N	83%
20%: Lead the recovery in non-COVID revenue across all businesses			All businesses sized for delivery of business-as-usual services. Strong cost containment in the year and demonstrable ability to scale up and flex down operations to meet fluctuations in demand, with >30% underlying EBITDA margin in FY 2022.	N	83%
20%: Through organisational review, embed leadership transitions for key divisions			Montserrat CEO transition delivered. New Imaging CEO signed up.	N	67%
<b>Sustainability 20%</b>					
Implement Sustainability strategy for the Group			Strategy implemented, focus areas identified and targets set, including carbon neutrality by 2026, KPIs cascaded to management. Report to be published in Q1 FY 2023	N	83%
<b>Leadership (Gateway)</b>					
Align to 'WE CARE' values			Gateway met	n/a	n/a
<b>People (Gateway)</b>					
Ensure plans for safety and wellbeing; capability, performance and development. Embed succession planning			Gateway met	n/a	n/a



# Directors' Report

for the year ended 30 June 2022

## 4.3 FY 2020 TRANSFORMATION LONG-TERM INCENTIVE PLAN (TLTIP)

The FY 2020 Transformation Long-Term Incentive Plan (TLTIP) was established in early FY 2020 by the Board to ensure senior executives were aligned to shareholder returns over a five-year period given the long-dated nature of the strategic changes underway at that time including core technology platforms in Pathology. A one-off mega-grant of Options representing three-years' worth of LTIs was made in early FY 2020 split into three equal tranches measured over a period of three, four and five years (FY 2022–FY 2024).

### Vesting conditions

FY 2022 represents the first year of measurement and vesting of the first tranche of TLTIP options. A summary of the vesting conditions for the TLTIP is set out below with further details set out in section 8.

TLTIP awards for executive KMP are determined using the following ratios:

TLTIP PERFORMANCE MEASURE	GROUP CEO AND CFO/COO	CEO PATHOLOGY
CAGR Group underlying EPS	67%	40%
Group rTSR	33%	20%
CAGR divisional underlying EBIT	0%	40%

Compound Annual Growth Rate (CAGR) of Underlying EPS was selected by the Board to ensure a measurable and close alignment to shareholder returns. Vesting conditions are as follows:

PERFORMANCE BAND	CAGR OF UNDERLYING NPAT/SHARES ON ISSUE	% OF OPTIONS EXERCISABLE
Below Entry	<4%	Nil
Entry	4%	25%
Between Entry and Mid-point	Straight line 4%–7%	Straight line 25%–50%
Mid-point	7%	50%
Between Mid-point and Maximum	Straight line 7%–10%	Straight line 50%–100%
At or above Maximum	≥ 10%	100%

rTSR was selected by the Board to motivate senior executives to drive returns which outperform those of comparable companies. rTSR has a positive gate and is measured against a comparator group as set out in Section 8. It is calculated as follows:

PERFORMANCE BAND	rTSR RANK (P VALUE)	% OF OPTIONS EXERCISABLE
Below Entry	<P50	Nil
Entry	P50	50%
Between Entry and Maximum	Straight line P50–P75	Straight line 50%–100%
At or above Maximum	≥P75	100%

CAGR of divisional underlying EBIT before corporate recharges was selected by the Board to incentivise divisional CEOs including KMP John McKechnie, the Pathology CEO, through a directly controllable metric. The underlying EBIT performance targets are established by the Board as part of the budgeting process each year. Prospective disclosures are not made as they are commercially sensitive.

# Directors' Report

## for the year ended 30 June 2022

### Treatment rationale

In deciding the outcomes of the first tranche of the three-year FY 2020 TLIP, the Board has considered a broad suite of principles including consistency, fairness for stakeholders, transparency in calculations, and minimisation of adjustments. Of note are the following decisions:

- Under the TLIP, underlying earnings for continuing operations are used in the measurement of Group EPS and divisional EBIT performance rather than statutory earnings, to ensure management do not benefit from a lower starting point for statutory earnings in FY 2019 and hence a higher growth over time. (Up to FY 2019, Healius underwent a period of significant transition and statutory earnings were consistently lower than underlying earnings. From FY 2020 onwards, Healius has reduced the gap between statutory and underlying earnings.) Importantly for the calculation of the TLIP, adjustments to statutory earnings are limited to the investment in Pathology Digital from FY 2022 onwards to ensure shareholders have confidence in the outcome of the plan. Other adjustments to statutory results in the Company's FY 2022 financial statements have been disregarded for TLIP performance measurement. This has increased statutory NPAT for continuing operations by \$7.3 million in FY 2022 for the calculation of the TLIP.
- In keeping with the principle of minimisation of adjustments, no adjustments between statutory and underlying earnings have been made for the impact of AASB 16 in the measurement period, although the AASB 16 impact was not contemplated when setting the targets in FY 2019. Neither the negative impact on Group EPS CAGR nor the positive impact on divisional EBIT CAGR are material to the TLIP outcomes.
- The two buybacks in the measurement period have been treated as dividends in both underlying EPS and rTSR calculations. For the underlying EPS calculation, the share base has been increased for the shares acquired in the buybacks while no adjustment has been made to earnings on the assumption that the capital would have been paid out in dividends, albeit with an immaterial timing difference. For the rTSR calculation, the returns of Healius have been increased for the amounts paid out in buybacks, again on the assumption the capital would have been paid out in dividends. Importantly, the returns of other relevant companies with buybacks on foot have also been adjusted to ensure consistency in the relative rankings.
- Underlying EBIT growth for the Pathology division was set before corporate recharges to ensure the divisional CEO was measured on performance on which he had direct control. In recognition of the lack of predictability of COVID-19 testing, the Board delayed setting the divisional underlying EBIT targets for FY 2022 TLIP until November 2021 so that four months trading would help determine more relevant targets. For the Pathology division, this ensured a higher underlying EBIT growth target was set.

### Outcomes

TLIP PERFORMANCE MEASURE	RESULT	% OF OPTIONS EXERCISABLE
CAGR of underlying EPS growth	61.1%	100%
rTSR	P73.5 of comparator group	97%
CAGR of divisional underlying EBIT (Pathology division)	63.1%	100%

These successful outcomes have been driven by management's delivery of key strategic initiatives which have made Healius a stronger and better business than in FY 2019, including:

- More simplified portfolio
- More competitive margins and higher return on invested capital through two Sustainable Improvement Programs
- Fortified balance sheet with higher cash-generative businesses
- Significant advancement of digital technology to improve consumer experience, internal business process efficiency and clinical insights
- Progress on people and culture initiatives, recognising that success is underpinned by the ability to attract and retain the right talent
- Greater rewards to shareholders through buybacks and increased dividends
- Successful delivery of Healius' part in Australia's public health response to COVID-19.

Coupled with a strong balance sheet which can be deployed to deliver inorganic growth, Healius is well positioned to improve performance and increase returns in core businesses. The Company has multiple growth pathways including expansion of efficient networks, enhancement of digital experiences to patients and referrers, and growth in diagnostic offerings in particular in high-margin clinical domains and specialties.

# Directors' Report

for the year ended 30 June 2022

## 4.4 FY 2022 COMPANY PERFORMANCE

The following provides a summary of the key financial results for the Company over the FY 2022 period and the previous four financial years in accordance with the requirements of the Corporations Act:

FY	REVENUE (UNDERLYING)	REPORTED NPAT	UNDERLYING NPAT	CLOSING SHARE PRICE	CHANGE IN SHARE PRICE	TOTAL DIVIDENDS PAID IN YEAR	SHORT-TERM CHANGE IN SHAREHOLDER VALUE OVER 1 YEAR		LONGER-TERM CHANGE IN SHAREHOLDER VALUE CUMULATIVE OVER 3 YEARS	
	\$M	\$M	\$M	\$	\$	\$	\$	%	\$	%
30-Jun-22	2,338	308	309	3.67	-0.96	0.168	-0.79	-17.12	0.94	31.21
30-Jun-21	1,913	44	148	4.63	1.58	0.065	1.65	53.93	1.48	43.86
30-Jun-20	1,600	-71	55	3.05	0.03	0.060	0.09	2.98	-0.33	-9.01
30-Jun-19	1,805	56	93	3.02	-0.35	0.093	-0.26	-7.63	-0.62	-15.59
30-Jun-18	1,740	4	88	3.37	-0.27	0.109	-0.16	-4.42	-1.28	-25.46

# Directors' Report

for the year ended 30 June 2022

## 5. Executive KMP – Table of opportunity, awards and receipts FY 2022 – non-statutory

The following table provides shareholders with a picture of:

- Remuneration **opportunities** of executive KMP in FY 2022, at maximum performance
- The total remuneration of executive KMP **awarded** in respect of FY 2022 performance, some of which may be paid or vest during subsequent financial years
- The total remuneration of executive KMP **received** during FY 2022, some of which may represent incentive awards from earlier financial years.

This information may be helpful to assist shareholders in understanding the cash and other benefits received by KMP from the various components of their remuneration during FY 2022.

This is a non-statutory table and does not include termination benefits. It does not follow the Australian Accounting Standards. Please refer to section 6 for Healius' statutory FY 2022 remuneration tables for executive KMP.

	FIXED ANNUAL REMUNERATION		SHORT-TERM INCENTIVE (STI) (FY 2022 & FY 2021: 67% CASH, 33% DEFERRED EQUITY)		
	FAR (INCL. SUPER)	FAR PAID FY 2022	MAXIMUM STI OPPORTUNITY	STI OUTCOME FOR YEAR (TO BE PAID IN FOLLOWING YEARS)	
	(\$) 1	(\$) 2	(\$) 3	STI AWARDED (\$) 4	STI AWARDED/ FORFEITED (% OF MAXIMUM) 5
<b>2022</b>					
<b>Current executive KMP</b>					
Malcolm Parmenter	1,650,000	1,650,000	871,200	776,820	89%/11%
Maxine Jaquet	900,000	900,000	475,200	443,520	93%/7%
John McKechnie	750,000	750,000	337,500	306,562	91%/9%
	3,300,000	3,300,000	1,683,900	1,526,902	–
<b>2021</b>					
<b>Current executive KMP</b>					
Malcolm Parmenter	1,650,000	1,650,000	871,200	1,452,000	167%/0%
Maxine Jaquet	800,000	775,000	422,400	704,000	167%/0%
John McKechnie	725,000	725,000	326,500	326,250	100%/0%
<b>Former executive KMP</b>					
Dean Lewsam	725,000	725,000	326,500	115,819	35%/65%
	3,900,000	3,875,000	1,946,600	2,598,069	–

### Guide to using the table:

**Column 1.** Fixed Annual Remuneration (FAR) amounts are shown on an annual basis.

**Column 1.** The FAR for Maxine Jaquet and John McKechnie in FY 2022 increased to \$900,000 and \$750,000 respectively based on performance and a comparator benchmarking exercise.

**Column 2.** Shows the pro-rata amount actually paid in the year.

**Column 3.** Maximum STI opportunity is 120% of Target STI.

**Columns 4–7.** Grant date for FY 2022 STI Award was 7 September 2022. The two-thirds cash portion is to be paid in October 2022, with Service Rights for the one-third equity portion to be issued in October 2022. Those Service Rights will vest after 1 July 2023. Note that the equity portion of the FY 2021 STI Award did not vest until FY 2023 and so will be reflected in next year's table.

**Column 8.** The Maximum LTI Opportunity amount represents the maximum LTIP Award for one year.



# Directors' Report

for the year ended 30 June 2022

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SHORT-TERM INCENTIVE (STI) (FY 2022 & FY 2021: 67% CASH, 33% DEFERRED EQUITY)		LONG-TERM INCENTIVE (LTI) (100% DEFERRED EQUITY)		TOTAL REMUNERATION	
STI FROM PRIOR YEARS (PAID IN THE YEAR)		MAXIMUM LTI OPPORTUNITY (ONLY AWARDED AFTER 3 YEAR PERIOD IF HURDLES ARE MET)	LTI FROM PRIOR YEARS	TOTAL REMUNERATION AWARDED FOR FY 2022 PERFORMANCE	TOTAL REMUNERATION RECEIVED DURING FY 2022
CASH STI PAYMENT FROM PRIOR YEAR (\$) 6	STI EQUITY VESTED FROM PRIOR YEARS (\$) 7	(\$) 8	(\$) 9	(\$) 10	(\$) 11
968,048	–	2,508,000	2,194,115	4,620,935	5,914,441
469,357	–	1,132,400	990,676	2,334,196	2,397,389
217,511	–	942,500	827,875	1,884,437	1,241,653
1,654,916	–	4,582,900	4,012,666	8,839,568	9,553,483
–	82,265	2,508,000	3,296,393	6,398,393	1,732,265
–	17,335	1,132,400	1,028,032	2,507,032	792,335
N/A	N/A	942,500	274,142	1,325,392	725,000
–	24,106	942,500	1,113,699	1,954,518	749,106
–	123,706	5,525,400	5,712,266	12,185,335	3,998,706

**Column 9.** The value of vested LTIs from prior years is determined using the Company's closing Share price on the day the relevant securities became eligible to vest. For FY 2022, the value of the FY 2020 TLTIIP was determined using the closing price on 1 July 2022, being \$3.65, less the Option Exercise Price of \$3.05.

**Column 10.** The total remuneration **paid or awarded for FY 2022** performance to the relevant KMP (with FY 2021 comparison), some of which may be paid in future periods. It is the sum of columns 2, 4 and 9. This includes the vesting of the first tranche of the FY 2020 TLTIIP which relates to the measurement period FY 2020–FY 2022 inclusive.

**Column 11.** The total remuneration **received during FY 2022** by the relevant KMP (with FY 2021 comparison), some of which relates to past periods. It is the sum of columns 2, 6 and 7 plus column 9 from the prior year.

# Directors' Report

for the year ended 30 June 2022

## 6. Executive KMP – Statutory disclosures FY 2022

### 6.1 EXECUTIVE KMP – STATUTORY DISCLOSURE FY 2022

The following tables outline the remuneration received by Healius' executive KMP during FY 2022 prepared according to statutory disclosure requirements and applicable accounting standards.

	SHORT-TERM				POST	LONG-TERM	SHARE-BASED PAYMENTS		
	SALARY	CASH STI	NON-MONETARY <sup>1</sup>	ANNUAL LEAVE <sup>2</sup>	SUPER	LSL <sup>2</sup>	STI <sup>3</sup>	LTI <sup>4</sup>	TOTAL
2022									
Current executive KMP									
Malcolm Parmenter	1,626,432	517,880	853	39,836	23,568	28,987	371,446	2,503,598	5,112,599
Maxine Jaquet	876,432	295,680	853	26,043	23,568	25,273	191,242	963,852	2,402,942
John McKechnie	726,432	204,375	–	12,692	23,568	20,037	105,463	593,269	1,685,836
	3,229,296	1,017,935	1,706	78,571	70,704	74,297	668,150	4,060,719	9,201,377
2021									
Current executive KMP									
Malcolm Parmenter	1,628,306	968,048	941	18,793	21,694	36,082	241,976	2,503,598	5,419,438
Maxine Jaquet	753,306	469,357	941	48,063	21,694	25,630	117,322	963,852	2,400,165
John McKechnie	703,306	217,511	–	28,585	21,694	29,585	54,370	593,269	1,648,319
Former executive KMP									
Dean Lewsam	703,306	77,213	941	3,446	21,694	11,616	19,303	897,042	1,734,560
	3,788,223	1,732,129	2,822	98,887	86,777	102,913	432,970	4,957,761	11,202,482

<sup>1</sup> Represents the taxable value of fringe benefits for the respective FBT year ended 31 March.

<sup>2</sup> Changes in accrued leave represent annual leave and long service leave accrued or utilised during the financial year. Negative amounts (if any) represent the utilisation of annual leave for continuing employees and reversal of balances for former employees.

<sup>3</sup> Relates to Service Rights granted in respect of the FY 2021 Plan and calculated in accordance with AASB 2 *Share-based Payments*.

<sup>4</sup> Relates to the Options granted in respect of the FY 2020–22 LTIP and all calculated in accordance with AASB 2 *Share-based Payments*.

### 6.2 EXECUTIVE KMP – SERVICE AND PERFORMANCE RIGHTS AND OPTIONS AWARDED, VESTED AND LAPSED DURING FY 2022

FY 2022 equity awards to executive KMP can be made in the form of Service Rights or Options. At the commencement of FY 2022, Executive KMP also held Performance Rights from the previous LTI Plan.

- **Service Rights** are used for the equity portion of STIP awards and, once issued, are subject to the relevant senior executive remaining employed by Healius for a predetermined period, at the end of which the Service Rights vest and one ordinary Share is issued for each vested Right. 100% of the Service Rights vest after one year. A Service Right is used for the equity portion of the STI award to enable deferral of a portion of the STI award to promote senior executive retention.
- **Options** are used for LTIP awards to senior executives under the LTIP and, once issued, are subject to various predetermined performance criteria being met by the Company over the measurement period. At the end of the measurement period, if the Board determines that the performance criteria have been met, the Options vest, that is, become exercisable (in a proportion determined by the Board) and, on payment of the Exercise Price, one ordinary Share is issued for each exercised Option. If the performance criteria have not been met then the Options lapse and no Shares are issued.
- **Performance Rights** were used for LTIP awards to senior executives under the previous LTI Plan and once issued, are subject to various predetermined performance criteria being met by the Company over the measurement period. At the end of the measurement period, if the Board determines that the performance criteria have been met, the Performance Rights vest and one ordinary Share is issued for each vested Right. If the performance criteria have not been met, then the Rights lapse and no Shares are issued.

Service Rights and Performance Rights are granted for nil monetary consideration and do not have an Exercise Price. Options are granted for nil monetary consideration but have an Exercise Price of \$3.05 under the terms of the LTIP. Each type of security is issued by Healius Limited.

No Options were awarded, vested or lapsed during FY 2022.

# Directors' Report

for the year ended 30 June 2022

## Service Rights

NAME	GRANT	AWARD DATE <sup>1</sup>	VESTING DATE	RIGHTS AWARDED DURING YEAR (NO.)	VALUE OF RIGHTS AWARDED DURING YEAR (\$) <sup>2</sup>	RIGHTS VESTED DURING YEAR (NO.)	RIGHTS LAPSED DURING YEAR (NO.)
<b>Current executive KMP</b>							
Malcolm Parmenter	FY 2021 STI	20 October 2021	1 July 2022	101,034	368,774	–	–
Maxine Jaquet	FY 2021 STI	20 October 2021	1 July 2022	48,986	178,799	–	–
John McKechnie	FY 2021 STI	20 October 2021	1 July 2022	22,701	82,859	–	–

1 Award date has been determined in accordance with the principles of AASB 2 *Share-based Payment*.

2 Calculated based on the closing share price on the day that ordinary Shares are allocated for vesting rights (the vesting date in the tables above) being \$3.65 on 1 July 2022.

## Performance Rights

NAME	GRANT	AWARD DATE <sup>1</sup>	VESTING DATE	RIGHTS VESTED DURING YEAR (NO.)	VALUE OF RIGHTS VESTED DURING YEAR (\$) <sup>2</sup>	RIGHTS LAPSED DURING YEAR (NO.)
<b>Current executive KMP</b>						
Malcolm Parmenter	FY 2019 LTI – rROIC	1 March 2019	1 July 2021	402,490	1,831,330	–
	FY 2019 LTI – rTSR	1 March 2019	1 July 2021	321,992	1,465,064	80,498
Maxine Jaquet	FY 2019 LTI – rROIC	1 March 2019	1 July 2021	125,523	571,130	–
	FY 2019 LTI – rTSR	1 March 2019	1 July 2021	100,418	456,902	25,105
John McKechnie	FY 2019 LTI – rROIC	1 March 2019	1 July 2021	33,473	152,302	–
	FY 2019 LTI – rTSR	1 March 2019	1 July 2021	26,778	121,840	6,695

1 Award date has been determined in accordance with the principles of AASB 2 *Share-based Payment*.

2 Calculated based on the closing share price on the day that ordinary Shares are allocated for vested rights (the vesting date in the tables above) being \$4.55 on 1 July 2021.

## 6.3 EXECUTIVE KMP – EQUITY HOLDINGS FY 2022

### Ordinary Shares

The table below details movements during the year in the number of ordinary Shares in Healius Limited held by executive KMP, their close family members, and entities controlled, jointly controlled or significantly influenced by executive KMP or their close family members.

NAME	BALANCE AT BEGINNING OF YEAR (NO.)	VESTING OF RIGHTS (SHARES ISSUED) (NO.)	SHARES PURCHASED/ (SOLD) (NO.)	BALANCE AT END OF YEAR (NO.)
<b>Current executive KMP</b>				
Malcolm Parmenter	111,595	724,482	(154,553)	681,524
Maxine Jaquet	66,778	225,941	(252,624)	40,095
John McKechnie	19,700	60,251	–	79,951

# Directors' Report

for the year ended 30 June 2022

## Rights and Options

The table below details movements during the year in the number of Rights and Options in Healius Limited held by KMP, their close family members, and entities controlled, jointly controlled or significantly influenced by KMP or their close family members.

NAME	GRANT	BALANCE AT BEGINNING OF YEAR (NO.)	RIGHTS/ OPTIONS AWARDED AS COMPENSATION DURING YEAR (NO.) <sup>1</sup>	RIGHTS/ OPTIONS VESTED DURING YEAR (NO.) <sup>2</sup>	RIGHTS/ OPTIONS LAPSED DURING YEAR (NO.) <sup>3</sup>	RIGHTS/ OPTIONS FORFEITED DURING YEAR (NO.)	BALANCE AT ENDS OF YEAR (NO.)
<b>Current executive KMP</b>							
Malcolm Parmenter	Service Rights	–	101,034	–	–	–	101,034
	Performance Rights	804,980	–	(724,482)	(80,498)	–	–
	Options	11,081,391	–	–	–	–	11,081,391
Maxine Jaquet	Service Rights	–	48,986	–	–	–	48,986
	Performance Rights	251,046	–	(225,941)	(25,105)	–	–
	Options	5,003,416	–	–	–	–	5,003,416
John McKechnie	Service Rights	–	22,701	–	–	–	22,701
	Performance Rights	66,946	–	(60,251)	(6,695)	–	–
	Options	4,164,358	–	–	–	–	4,164,358

<sup>1</sup> Issue of FY 2021 STI Service Rights.

<sup>2</sup> Vesting of FY 2019 LTI Performance Rights.

<sup>3</sup> Lapsing of unvested FY 2019 LTI Performance Rights.

## 7. Non-executive Directors (NEDs) remuneration for FY 2022

### 7.1 NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

The NED Remuneration Policy, which applies to NEDs of the Company in their capacity as Directors, can be found at <https://www.healius.com.au/about-us/corporate-governance/>. It includes details on Board fees, committee fees, superannuation, other benefits, and securities. Key points include:

- The aggregate annual fee limit for NED remuneration is \$1.4 million, as approved by shareholders in 2008.
- Board fees are externally benchmarked against relevant comparator companies.
- Board fees, including superannuation, are set around the point at which 50% of relevant comparator companies lie below.
- NEDs are required by Healius' Constitution to retire by rotation at least every three years and may, if they wish to do so, stand for re-election. A third of NEDs on the Board (other than casual appointees and alternate Directors) must also retire at each AGM.
- From 1 July 2020, the Board adopted a NED Equity Holding Policy requiring NEDs to hold Healius Shares to the value of one year's fees (assessed at the time of purchase), with the holding to be in place by 30 June 2025 (or five years after the date of the relevant NED's appointment after 1 July 2020). A NED Share Plan, under which NEDs can salary-sacrifice fees for Shares in the Company, was approved by shareholders at the Company's 2019 AGM and has been implemented.

### 7.2 NON-EXECUTIVE DIRECTOR FEES

The following table sets out the fees applicable to NEDs for FY 2022. NEDs do not sit on any subsidiary Boards at Healius.

FUNCTION	ROLE	FEE (INCL SUPER) FY 2022 (\$)
Main Board	Chair	300,000 <sup>1</sup>
	Member	130,000
Audit Committee	Chair	30,000
	Member	15,000
People & Governance Committee	Chair	25,000
Risk Management Committee	Member	12,500

<sup>1</sup> The Chair's remuneration is all-inclusive and the Chair is not entitled to receive any additional remuneration for chairing, or being a member of, any committee of the Board.

The fees of Non-executive Directors were last assessed by an external remuneration consultant in FY 2018, at which time committee fees were raised in line with market practice. The Board is undertaking a review of NED fees in FY 2023.

### 7.3 OTHER NON-EXECUTIVE DIRECTOR BENEFITS

Non-executive Directors do not participate in Healius' LTI or STI plans, nor are they eligible to receive any performance-based remuneration such as cash incentives or equity awards.

Healius pays superannuation to NEDs in accordance with Australian superannuation guarantee legislation. Termination benefits other than those accrued through superannuation contributions are not provided to NEDs.



# Directors' Report

for the year ended 30 June 2022

## 7.4 NON-EXECUTIVE DIRECTOR REMUNERATION

The following table outlines the remuneration received by Healius' NEDs during FY 2022 prepared according to statutory disclosure requirements and applicable accounting standards.

NAME	YEAR	BOARD FEES \$	COMMITTEE FEES \$	SUPERANNUATION CONTRIBUTIONS \$	TOTAL \$
<b>Current Non-executive Directors</b>					
Robert Hubbard – Chair	2022	278,306	–	21,694	300,000
	2021	276,229	–	16,271	292,500
Gordon Davis	2022	130,000	40,000	–	170,000
	2021	126,750	39,000	–	165,750
Sally Evans	2022	118,182	34,091	15,227	167,500
	2021	115,753	33,390	14,169	163,313
Paul Jones	2022	118,182	25,000	14,318	157,500
	2021	115,773	23,021	13,185	151,979
Jenny Macdonald	2022	118,182	38,636	15,682	172,500
	2021	79,148	25,875	9,977	115,000
Kate McKenzie	2022	118,182	22,727	14,091	155,000
	2021	40,566	7,798	4,595	52,958
John Mattick (from 31 March 2022)	2022	32,757	–	3,982	36,739
	2021	–	–	–	–
<b>Former Non-executive Directors</b>					
Arlene Tansey (until 22 Oct 2020)	2021	36,238	11,862	4,570	52,669
Total	2022	913,790	160,455	84,995	1,159,239
	2021	790,457	140,946	62,766	994,169

## 7.5 NON-EXECUTIVE DIRECTOR EQUITY HOLDINGS FY 2022

NAME	INSTRUMENT	OPENING BALANCE NUMBER	PURCHASED/ISSUED NUMBER	VESTED NUMBER	CLOSING BALANCE NUMBER
Robert Hubbard <sup>1</sup>	Shares	84,123	24,386	–	108,509
	NED Share Rights <sup>7</sup>	14,346	20,080	(24,386)	10,040
Gordon Davis <sup>2</sup>	Shares	55,759	8,032	–	63,791
	NED Share Rights <sup>7</sup>	–	16,064	(8,032)	8,032
Sally Evans <sup>3</sup>	Shares	18,586	13,197	–	31,783
	NED Share Rights <sup>7</sup>	7,173	12,048	(13,197)	6,024
Paul Jones <sup>4</sup>	Shares	43,457	9,754	–	53,211
	NED Share Rights <sup>7</sup>	5,738	8,032	(9,754)	4,016
Jenny Macdonald <sup>5</sup>	Shares	15,000	26,024	–	41,024
	NED Share Rights <sup>7</sup>	–	12,048	(6,024)	6,024
Kate McKenzie <sup>6</sup>	Shares	2,500	3,004	–	5,504
	NED Share Rights <sup>7</sup>	–	2,008	(1,004)	1,004
John Mattick	Shares	–	–	–	–
	NED Share Rights <sup>7</sup>	–	–	–	–

1 51,951 Shares held by Paris SMSF ATF Robert Hubbard & Leanne Muller. 25,000 Shares held by Hubbard Investments Pty Ltd. 31,558 shares and all NED Share Rights held by Robert Hubbard.

2 55,759 Shares held by GR & G Davis Superannuation Fund. 8,032 and all NED Share Rights held by Gordon Davis.

3 15,000 Shares held by RBC Investor Services Australia Nominees Pty Ltd <Evans A/C>. 16,783 Shares and all NED Share Rights held by Sally Evans.

4 40,588 Shares held by Pannly Pty Ltd ATF Jones Family Trust. 12,623 Shares and all NED Share Rights held by Paul Jones.

5 All Shares and NED Share Rights held by Jennifer Macdonald.

6 4,500 Shares held by MCK Family Holdings Pty Ltd. 1,004 shares and all NED Share Rights held by Kathryn McKenzie.

7 FY 2021 NED Share Rights and FY 2022 NED Share Rights issued under the NED Share Plan to participating NEDs through salary sacrifice. All securities were issued pursuant to shareholder approval under ASX Listing Rule 10.14. During FY 2022, the final 67% of FY 2021 NED Share Rights vested into Shares in August 2021 following the Company's FY 2021 results announcement. Also during FY 2022, FY 2022 NED Share Rights were issued. 50% of FY 2022 NED Share Rights vested into Shares in March 2022 following the Company's HY 2022 results announcement. The remaining 50% of FY 2022 NED Share Rights vested in FY 2023 following the announcement of the Company's FY 2022 results, which will be reflected in the Company's 2023 Remuneration Report.

# Directors' Report

for the year ended 30 June 2022

## 8. Remuneration policies in detail FY 2022

### 8.1 SENIOR EXECUTIVE EMPLOYMENT TERMS

KEY TERM	SUMMARY OF KEY TERM
Senior executives	The CEO, other KMP who hold executive roles, and other direct reports to the CEO.
Employing company	Idameneo (No 789) Ltd. (This is the service company in the Healius Group and a large number of Group employees are employed by this entity).
Basis of employment	Permanent full time. No fixed or maximum term.
Period of notice	Six to 12 months, from either party.
Termination without notice	Healius may terminate the senior executive's employment without notice if, in the opinion of Healius, the senior executive engages in misconduct, fraud, commits a serious or persistent breach of the agreement, or other specified circumstances occur.
Termination payments	Capped at 12 months Fixed Annual Remuneration (Healius is not required to pay or provide, or procure the payment or provision, of any payment or benefit to the senior executive which would require shareholder approval). The treatment of incentives under the STIP and TLIP in the case of termination is addressed in separate sections of this Report.

### 8.2 SENIOR EXECUTIVE SHORT-TERM INCENTIVE PLAN DETAILS

KEY TERM	SUMMARY OF KEY TERM
Period	1 July 2021–30 June 2022 inclusive.
Eligibility	Senior executives and other persons approved by the Board. NEDs are not eligible to participate.
Potential annual award	For the CEO and CFO/COO, 52.8% of FAR, equivalent to 17% of Total Potential Remuneration (at maximum level performance). For other executive KMP, 45% of FAR, equivalent to 17% of Total Potential Remuneration (at maximum level performance).
Plan gate and Board discretion	The Board retains the discretion to either abandon the plan or modify outcomes to ensure that they are appropriate given the circumstances that have prevailed over the measurement period (this is intended to ensure alignment between performance and reward outcomes).  A specified 'gate' condition may apply to offers of STI such that no award will be payable in relation to any KPI if the gate condition is not met or exceeded.  FY 2022: Must meet leadership behavioural standards aligned to the Company's 'WE CARE' values.  FY 2023 invitations: To be determined.
Termination of employment	If a STIP participant ceases to be an employee of the Healius Group, and the termination of their employment is in circumstances other than Special Circumstances (defined below), then all unvested Rights held by the participant will be forfeited and lapse unless and to the extent otherwise determined by the Board.  If an STIP participant's termination is in Special Circumstances, then Service Rights granted under the STIP in the financial year of termination may still vest on Vesting Day.  Service Rights that do not lapse at the termination of employment will continue to be held by participants with a view to testing for vesting at the end of the relevant measurement period.  <b>Special Circumstances</b> means death, total and permanent disablement as determined by the Board, retirement with the prior consent of the Board, redundancy, retrenchment or other Company-initiated terminations other than for cause.
Change of Control including takeover	A <b>Change of Control</b> occurs when the Board advises participants that one or more persons acting in concert have acquired, or are likely to imminently acquire 'control' of the Company as defined in section 50AA of the Corporations Act.  In the event of a Change of Control, the Board may: <ul style="list-style-type: none"> <li>• terminate the STIP for the measurement period and pay pro-rata awards based on the completed proportion of the measurement period and taking into account performance up to the date of the Change of Control</li> <li>• continue the STIP but make interim non-refundable pro-rata awards based on the completed proportion of the measurement period and taking into account performance up to the date of the Change of Control, or</li> <li>• allow the STIP to continue.</li> </ul> In the absence of the Board exercising its discretion above, unvested STIP Service Rights immediately vest on at least a pro-rata basis upon the Change of Control.

# Directors' Report

for the year ended 30 June 2022

## 8.3 SENIOR EXECUTIVE TRANSFORMATION LONG-TERM INCENTIVE PLAN DETAILS

KEY TERM	SUMMARY OF KEY TERM
<b>Purpose</b>	The purpose of the TLTIIP is to create a strong link between performance and reward by providing an at-risk element of executive remuneration that focuses on performance over the strategic plan period, up to five years. The TLTIIP aims to align management rewards with shareholder value, thereby incentivising management to deliver the Company's current strategic plan.
<b>Eligibility</b>	Senior executives and other persons approved by the Board. NEDs are not eligible to participate.
<b>Potential annual award</b>	For the CEO and CFO/COO, 152% of FAR, equivalent to 50% of Total Potential Remuneration (at maximum level performance).  For other executive KMP, 130% of FAR, equivalent to 47% of Total Potential Remuneration (at maximum level performance).
<b>Form of awards</b>	Under the TLTIIP, awards to executive KMP are made in the form of Options.  The number of Options to be issued is calculated using the fair market value of the Options as calculated by an independent external accountant using standard methodologies.  The number of Options issued is sufficient to satisfy maximum level performance.
<b>Multiple year grant</b>	For Senior executives, the years FY 2020–FY 2022 inclusive were the subject of a multiple year grant ('mega grant'), in which three years' worth of TLTIIP Options were granted, split into three equal Tranches, in FY 2020. No additional grants were made in FY 2021 or FY 2022.  The measurement period for the Performance Conditions for each Tranche is as follows: <ul style="list-style-type: none"> <li>• Tranche 1 (1/3 of the Options issued to the relevant participant) FY 2020–FY 2022 inclusive</li> <li>• Tranche 2 (1/3 of the Options issued to the relevant participant) FY 2020–FY 2023 inclusive, and</li> <li>• Tranche 3 (1/3 of the Options issued to the relevant participant) FY 2020–FY 2024 inclusive.</li> </ul>
<b>Exercise of Options</b>	Any Option issued under the TLTIIP is an option to purchase an ordinary Share of the Company on a specified future date (the Exercise Date) for a specified price (the Exercise Price).  If the Exercise Price on the Exercise Date is exceeded by the Company's traded Share price on the Exercise Date, the Option is 'in the money' and can be exercised and the issued Shares sold by the relevant participant for a profit. If the Exercise Price on the Exercise Date is higher than or equal to the Company's traded Share price on the Exercise Date, the Option is 'out of the money' and will generally not be exercised (and so will lapse).  For the FY 2020–FY 2022 multiple year grant of Options, the Exercise Price was set by the Board at the standard volume weighted average price (VWAP) for the Company's Shares for the 10 trading days following 1 July 2019, the starting point for each measurement period, which was \$3.05.  The relevant TLTIIP participant has the choice as to whether an Option is exercised on the Exercise Date.  The Board may determine to allow a cashless exercise of Options.  Exercise of Options is also conditional on the Performance Conditions being satisfied.  The Exercise Date Schedule for FY 2020 TLTIIP Options is as follows: <ul style="list-style-type: none"> <li>• Tranche 1 (1/3 of the Options issued to the relevant participant) will be exercisable at the end of FY 2022</li> <li>• Tranche 2 (1/3 of the Options issued to the relevant participant) will be exercisable at the end of FY 2023, and</li> <li>• Tranche 3 (1/3 of the Options issued to the relevant participant) will be exercisable at the end of FY 2024.</li> </ul>

# Directors' Report

for the year ended 30 June 2022

KEY TERM	SUMMARY OF KEY TERM
<b>Expiry date of Options</b>	<p>The Options expire on the first to occur of:</p> <ul style="list-style-type: none"> <li>(a) 3 March 2035</li> <li>(b) the Option lapsing in accordance with a provision of the Equity Incentive Plan Rules (including in accordance with a term of an offer under the TLTIIP)</li> <li>(c) failure to meet a vesting condition or any other condition applicable to the Option within the vesting period, or</li> <li>(d) the receipt by the Company of a notice in writing from a participant to the effect that the participant has elected to surrender the Option.</li> </ul>
<b>rTSR comparator group</b>	<p>When implementing the TLTIIP, the Board determined to update the comparator group of companies used to assess rTSR. The comparator group was extended from 21 to 36, removing previous companies which were not considered comparable, and including non-healthcare companies from the ASX 51–150 in order to better reflect comparable market capitalisation, growth profiles, consumer surrogates and investment substitutes. The comparator group is as follows (an asterisk denotes the relevant company was also part of the previous comparator group used under the Company's previous Long-Term Incentive Plan):</p> <ul style="list-style-type: none"> <li>• 1300 Smiles Limited<sup>*2</sup></li> <li>• Accent Group Limited</li> <li>• Ansell Limited<sup>*</sup></li> <li>• ARB Corporation Limited</li> <li>• Australian Pharmaceutical Industries Limited<sup>*2</sup></li> <li>• Australian Clinical Labs Limited<sup>1</sup></li> <li>• Bapcor Limited</li> <li>• Bega Cheese Limited</li> <li>• Blackmores Limited</li> <li>• Bravura Solutions Limited</li> <li>• Breville Group Limited</li> <li>• Capitol Health Limited<sup>*</sup></li> <li>• Carsales.Com Limited</li> <li>• Clinuvel Pharmaceuticals Limited</li> <li>• Collins Foods Limited</li> <li>• Corporate Travel Management Limited</li> <li>• Eagers Automotive Limited</li> <li>• Estia Limited<sup>*</sup></li> <li>• Event Hospitality &amp; Entertainment Limited</li> <li>• Inghams Group Limited</li> <li>• Invocare Limited</li> <li>• Japara Healthcare Limited<sup>*2</sup></li> <li>• JB Hi-Fi Limited</li> <li>• Link Administration Holdings Limited</li> <li>• McMillan Shakespeare Limited</li> <li>• Metcash Limited</li> <li>• Pacific Smiles Group Limited<sup>*</sup></li> <li>• Pact Group Holdings Limited</li> <li>• Premier Investments Limited</li> <li>• Ramsay Health Care Limited<sup>*</sup></li> <li>• Regis Healthcare Limited<sup>*</sup></li> <li>• Resmed Inc<sup>*</sup></li> <li>• Sigma Healthcare Limited<sup>*</sup></li> <li>• Somnomed Limited<sup>*</sup></li> <li>• Sonic Healthcare Limited<sup>*</sup></li> <li>• Southern Cross Media Group Limited</li> <li>• Virtus Health Limited<sup>*2</sup></li> </ul> <p>1 The Board added Australian Clinical Labs Limited to the comparator group following the ASX listing of this direct competitor of the Company in 2021.</p> <p>2 Companies which have been delisted or which are subject to a control premium as at the date of assessment of rTSR may be removed or have their TSR adjusted at the Board's discretion.</p>
<b>Re-testing</b>	There is no re-testing of Performance Conditions or deferral of the Exercise Date of Options.
<b>Lapse and transferability</b>	<p>Any Option not exercised on the Exercise Date automatically lapses.</p> <p>Other than in limited circumstances, Options may not be disposed of, transferred or otherwise dealt with, and lapse immediately on a purported disposal, transfer or dealing.</p>

# Directors' Report

for the year ended 30 June 2022

## KEY TERM

## SUMMARY OF KEY TERM

### Termination of employment

If a participant ceases to be an employee of the Company, and the termination of their employment is in circumstances other than Special Circumstances (defined below), then all unvested Options held by the participant will be forfeited and lapse unless and to the extent otherwise determined by the Board. If a participant's termination is in Special Circumstances, then Options on issue will be forfeited on a pro-rata basis unless otherwise determined by the Board.

Options that do not lapse at the termination of employment will continue to be held by participants with the same Performance Conditions, Exercise Date and Exercise Price.

**Special Circumstances** means death, total and permanent disablement as determined by the Board, retirement with the prior consent of the Board, redundancy, retrenchment or other Company-initiated terminations other than for cause.

### Bonus issues, rights issues and capital reorganisation

In cases of bonus Share issues by the Company, the number of Options held by a participant will be increased by the same number as the number of bonus Shares that would have been received by the participant had the Options been fully paid ordinary Shares in the Company (except in the case that the bonus Share issue is in lieu of a dividend payment, in which case no adjustment will apply). In the case of general rights issues to shareholders there will be no adjustment to Options. In the case of an issue of rights other than to the Company's shareholders, there will be no adjustment to Options.

In the case of other capital reconstructions, the Board may make such adjustments to Options as it considers appropriate.

### Change of Control including takeover

A **Change of Control** occurs when the Board advises participants that one or more persons acting in concert have acquired, or are likely to imminently acquire 'control' of the Company as defined in section 50AA of the Corporations Act.

In the event of a Change of Control of the Company, the Board has discretion to determine that vesting of all or some of the Options should be accelerated. If a Change of Control occurs before the Board has exercised its discretion, a pro rata portion of Options will vest, calculated based on the portion of the relevant performance period that has elapsed up to the Change of Control, and the Board retains a discretion to determine if the remaining Options will vest or lapse.

### Amendment

The Board may amend or terminate the TLTP at any time provided that the rights of participants to awards earned prior to the amendment or termination are not affected, unless otherwise agreed in writing by the participants.



# Directors' Report

for the year ended 30 June 2022

## 8.4 REMUNERATION-RELATED POLICIES

KEY TERM	SUMMARY OF KEY TERM
<b>Securities Trading Policy</b>	<p>KMP may only trade during a 'trading window' (with some limited exceptions as set out in the policy). The following periods in a calendar year are 'trading windows', unless otherwise determined by the Board:</p> <ul style="list-style-type: none"><li>• Four weeks commencing one trading day after the day of release of the Appendix 4D (half-year report), typically in mid-February</li><li>• Four weeks commencing one trading day after the day of release of the Appendix 4E (preliminary final report), typically in late August</li><li>• Four weeks commencing one trading day after the day of Healius' Annual General Meeting, typically in late October or November</li><li>• The duration of the offer period for an offer of securities made pursuant to a prospectus or cleansing statement</li><li>• Any other period declared by the Board in its discretion to be a trading window.</li></ul>
<b>Equity Holding Policy</b>	<p>Healius does not currently have an equity holding policy applicable to executive KMP; the adoption of such a policy remains under consideration by the Board.</p>
<b>Executive Remuneration Consultant Policy and Payments</b>	<ul style="list-style-type: none"><li>• Healius' policy requires that Executive Remuneration Consultants (ERCs) are approved and engaged by the Board before any advice is received. This policy enables the Board to state whether the advice received from ERCs has been independent and why. Interactions between management and the ERC must be approved and are supervised by the People &amp; Governance Committee when appropriate.</li><li>• Where KMP remuneration recommendations are received from an ERC, the Board can be satisfied that those KMP remuneration recommendations are free from undue influence from KMP to whom the recommendations related because:<ul style="list-style-type: none"><li>- the Board is confident that the policy for engaging ERCs is being adhered to and is operating as intended</li><li>- the Board is closely involved in all dealings with ERCs, and</li><li>- each KMP remuneration recommendation received is accompanied by a declaration from the ERC to the effect that their advice has been provided free from undue influence from the KMP to whom the recommendation relates.</li></ul></li><li>• During FY 2022, KMP remuneration options were provided to the Board by an ERC in respect of the FY 2023 LTI plan. No remuneration recommendations were made by that ERC.</li></ul>

## 8.5 TRANSACTIONS WITH KMP

KEY TERM	SUMMARY OF KEY TERM
<b>Transactions with current KMP</b>	<ul style="list-style-type: none"><li>• From time to time, KMPs (and their personally-related entities) enter into transactions with the Healius Group, including the use or provision of services under normal customer, supplier or employee relationships. These transactions:<ul style="list-style-type: none"><li>- occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the Group would have adopted if dealing at arm's length with an unrelated person</li><li>- do not have the potential to adversely affect decisions about the allocation of scarce resources made by users of the financial report, or the discharge of accountability by the KMP, and</li><li>- are trivial or domestic in nature.</li></ul></li></ul>
<b>Loans to current KMP</b>	<ul style="list-style-type: none"><li>• No loans have been made to any of the KMP or their related parties during FY 2022.</li></ul>

# Directors' Report

for the year ended 30 June 2022

## Signing of Directors' Report

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors.



**Robert Hubbard**  
Chair

16 September 2022

# Corporate Governance Statement

Healius is committed to ensuring that its policies and practices reflect a high standard of corporate governance.

The Board has adopted a comprehensive framework of Corporate Governance Guidelines. Throughout FY 2022, Healius' governance arrangements were generally consistent with the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

In accordance with ASX Listing Rule 4.10.3, Healius' FY 2022 Corporate Governance Statement can be viewed at: <https://www.healius.com.au/about-us/corporate-governance/>.

# Auditor's Independence Declaration



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Sydney NSW 2000 Australia  
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## Auditor's independence declaration to the directors of Healius Limited

As lead auditor for the audit of the financial report of Healius Limited for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Healius Limited and the entities it controlled during the financial year.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that appears to read 'Douglas Bain'.

Douglas Bain  
Partner  
16 September 2022

# Independent Auditor's Report



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200 George Street  
Sydney NSW 2000 Australia  
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## Independent auditor's report to the members of Healius Limited

### Report on the audit of the financial report

#### Opinion

We have audited the consolidated financial report of Healius Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying consolidated financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the consolidated financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial report of the current year. These matters were addressed in the context of our audit of the consolidated financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial report.



# Independent Auditor's Report



## CARRYING VALUE OF GOODWILL

Why significant	How our audit addressed the key audit matter
<p>As disclosed in Note B2 of the consolidated financial report and in accordance with the requirements of Australian Accounting Standards, the Group performed an annual impairment test of all cash generating units (CGUs) to which goodwill of \$2,344.3m was allocated to determine whether the recoverable value of each CGU exceeded its carrying amount at 30 June 2022.</p> <p>A fair value less cost of disposal model was used to calculate the recoverable amount of each cash generating unit.</p> <p>This was considered a Key Audit Matter due to the value of the balance relative to the Group's total assets, extent of audit effort and significant judgment required to assess the reasonableness of cash flow forecasts, growth rates, discount rates and terminal growth rates used by the Group in undertaking the impairment review.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>▶ Assessed whether the impairment testing methodology used by the Group met the requirements of Australian Accounting Standards.</li><li>▶ Assessed the basis of preparing cash flow forecasts, by considering the reliability of previous forecasts and budgets, current trading performance and the impact of COVID-19.</li><li>▶ Assessed the appropriateness of other key assumptions such as the discount and growth rates applied with reference to publicly available information on comparable companies in the industry and markets in which the Group operates.</li><li>▶ Tested the mathematical accuracy of the cash flow models.</li><li>▶ Performed sensitivity analyses on the key assumptions including discount rates, terminal growth rates and EBIT forecasts for each of the Group's CGUs.</li><li>▶ Assessed the implied EBITDA multiples as a cross-check of the recoverable amount derived from the discounted cashflow models against a range from comparable companies and transactions.</li><li>▶ We involved our valuation specialists in performing these procedures.</li><li>▶ Assessed the adequacy of the financial report disclosures contained in Note B2.</li></ul>

### Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2022 annual report, but does not include the consolidated financial report and our auditor's report thereon.

Our opinion on the consolidated financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

# Independent Auditor's Report



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In connection with our audit of the consolidated financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the directors for the financial report**

The directors of the Group are responsible for the preparation of the consolidated financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the consolidated financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this consolidated financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# Independent Auditor's Report



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- ▶ Evaluate the overall presentation, structure and content of the consolidated financial report, including the disclosures, and whether the consolidated financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 43 to 64 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Healius Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized signature of 'Ernst &amp; Young' in a cursive script.

Ernst & Young

A stylized signature of 'Douglas Bain' in a cursive script.

Douglas Bain  
Partner

16 September 2022

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# Directors' declaration

The Directors of Healius Limited (Healius) declare that:

- A. in the Directors' opinion, there are reasonable grounds to believe that Healius will be able to pay its debts as and when they become due and payable
- B. in the Directors' opinion, the financial statements and notes thereto are in accordance with the *Corporations Act 2001* (Cth), including section 296 (compliance with accounting standards) and section 297 (true and fair view)
- C. the financial statements and notes thereto are in compliance with International Financial Reporting Standards issued by the International Accounting Standards Board as provided in the introduction to the Notes to the consolidated financial statements
- D. there are reasonable grounds to believe that Healius and the controlled entities identified in Note D2 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the Deed of Cross Guarantee between Healius and those controlled entities pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, and
- E. the Directors have been given the declarations required by section 295A of the *Corporations Act 2001* (Cth) from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2022.

Signed in accordance with a resolution of the Directors made pursuant to section 295(4) of the *Corporations Act 2001* (Cth).

On behalf of the Directors



**Robert Hubbard**  
Chair

16 September 2022

# Financial statements

Consolidated statement of profit or loss	74
Consolidated statement of other comprehensive income	75
Consolidated statement of financial position	76
Consolidated statement of changes in equity	77
Consolidated statement of cash flows	78
<b>Notes to the financial statements</b>	<b>79</b>
<b>About this Report</b>	<b>79</b>
<b>A Group performance</b>	<b>80</b>
A1 Segment information	80
A2 Revenue	82
A3 Expenses	82
A4 Income tax expense	83
A5 Earnings per share	84
<b>B Operating assets and liabilities</b>	<b>85</b>
B1 Receivables	85
B2 Goodwill	86
B3 Property, plant and equipment	88
B4 Other intangible assets	89
B5 Lease liabilities	90
B6 Right of use assets	90
B7 Payables	91
B8 Deferred consideration	91
B9 Provisions	92
<b>C Financing and capital structure</b>	<b>94</b>
C1 Interest-bearing liabilities	94
C2 Issued capital	95
C3 Treasury shares	95
C4 Dividends on equity instruments	96
C5 Financial instruments	96
C6 Commitments for expenditure	101
<b>D Group structure</b>	<b>102</b>
D1 Subsidiaries	102
D2 Deed of cross guarantee	105
D3 Parent entity disclosures	106
<b>E Other disclosures</b>	<b>107</b>
E1 Notes to the statement of cash flows	107
E2 Discontinued operations	108
E3 Taxation	109
E4 Contingent liabilities	110
E5 Share-based payments	111
E6 Related party disclosures	113
E7 Key Management Personnel disclosures	113
E8 Remuneration of auditor	114
E9 Businesses acquired	114
E10 Adoption of new and revised standards	115
E11 Subsequent events	115
<b>Shareholder information</b>	<b>116</b>
<b>Financial calendar</b>	<b>119</b>
<b>Corporate information</b>	<b>120</b>



# Consolidated statement of profit or loss

for the year ended 30 June 2022

	NOTE	2022 \$M	2021 \$M
Revenue	A2	2,336.2	1,900.7
Other income and gains		0.5	13.5
Employee benefits expense	A3	(951.4)	(848.9)
Property expenses	A3	(53.1)	(59.6)
Consumables		(316.7)	(270.6)
Repairs and maintenance		(30.5)	(29.1)
IT expenses		(48.3)	(42.7)
Insurance		(7.6)	(7.6)
Transaction and digital transformation costs		(21.0)	(15.4)
Short-term equipment hire		(35.7)	(8.5)
Other expenses		(126.5)	(129.1)
Depreciation		(44.5)	(38.1)
Depreciation – right of use assets		(219.7)	(195.4)
Amortisation of intangibles		(14.3)	(13.8)
<b>Earnings before interest and tax</b>		<b>467.4</b>	<b>255.4</b>
Finance costs	A3	(50.5)	(87.6)
<b>Profit before tax</b>		<b>416.9</b>	<b>167.8</b>
Income tax expense	A4	(122.9)	(101.5)
<b>Profit for the year from continuing operations</b>		<b>294.0</b>	<b>66.3</b>
Gain/(loss) for the year from discontinued operations	E2	13.9	(22.6)
<b>Profit for the year</b>		<b>307.9</b>	<b>43.7</b>
<b>Attributable to:</b>			
Equity holders of Healius Limited		307.9	43.7

	NOTE	2022 CENTS PER SHARE	2021 CENTS PER SHARE
Basic earnings per share from continuing operations	A5	50.4	10.7
Basic earnings per share from continuing and discontinued operations	A5	52.8	7.1
Diluted earnings per share from continuing operations	A5	49.7	10.6
Diluted earnings per share from continuing and discontinued operations	A5	52.0	7.0

Notes to the financial statements are included on pages 79 to 115.

# Consolidated statement of other comprehensive income

for the year ended 30 June 2022

	2022 \$M	2021 \$M
<b>Profit for the year</b>	<b>307.9</b>	43.7
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value gain/(loss) on cash flow hedges	0.8	(1.8)
Reclassification adjustments relating to realised cash flow hedges for amounts recognised in profit or loss	5.3	7.8
Reclassification adjustments relating to ineffective cash flow hedges	–	11.3
Exchange differences arising on translation of foreign operations	–	(0.4)
Income tax relating to items that may be reclassified subsequently to profit or loss	(1.8)	(5.2)
<b>Other comprehensive income for the year, net of income tax</b>	<b>4.3</b>	11.7
<b>Total comprehensive income for the year</b>	<b>312.2</b>	55.4

# Consolidated statement of financial position

as at 30 June 2022

	NOTE	30 JUNE 2022 \$M	30 JUNE 2021 \$M
<b>Current assets</b>			
Cash	E1	81.3	70.1
Receivables	B1	241.3	199.8
Consumables		49.2	35.9
Assets held for sale		–	25.1
<b>Total current assets</b>		<b>371.8</b>	<b>330.9</b>
<b>Non-current assets</b>			
Goodwill	B2	2,344.3	2,042.3
Right of use assets	B6	1,074.9	1,087.2
Property, plant and equipment	B3	196.0	157.7
Other intangible assets	B4	75.2	76.3
Other financial assets		5.8	5.6
Deferred tax asset	E3	68.8	82.2
<b>Total non-current assets</b>		<b>3,765.0</b>	<b>3,451.3</b>
<b>Total assets</b>		<b>4,136.8</b>	<b>3,782.2</b>
<b>Current liabilities</b>			
Payables	B7	169.6	195.5
Deferred consideration	B8	5.7	38.9
Tax liabilities	E3	67.3	46.8
Provisions	B9	175.0	165.7
Lease liabilities	B5	223.7	224.4
Liabilities held for sale		–	13.4
<b>Total current liabilities</b>		<b>641.3</b>	<b>684.7</b>
<b>Non-current liabilities</b>			
Provisions	B9	18.6	28.9
Interest-bearing liabilities	C1	606.1	258.1
Lease liabilities	B5	949.2	953.2
<b>Total non-current liabilities</b>		<b>1,573.9</b>	<b>1,240.2</b>
<b>Total liabilities</b>		<b>2,215.2</b>	<b>1,924.9</b>
<b>Net assets</b>		<b>1,921.6</b>	<b>1,857.3</b>
<b>Equity</b>			
Issued capital	C2	2,422.9	2,575.6
Treasury shares	C3	–	(3.6)
Reserves		19.9	16.9
Accumulated losses		(521.2)	(731.6)
<b>Total equity</b>		<b>1,921.6</b>	<b>1,857.3</b>

Notes to the financial statements are included on pages 79 to 115.

# Consolidated statement of changes in equity

for the year ended 30 June 2022

\$M	ISSUED CAPITAL	TREASURY SHARES	CASH FLOW HEDGE RESERVE	SHARE-BASED PAYMENTS RESERVE	OTHER RESERVES	ACCUMULATED LOSSES	TOTAL
<b>Balance at 1 July 2021</b>	<b>2,575.6</b>	<b>(3.6)</b>	<b>(4.5)</b>	<b>22.1</b>	<b>(0.7)</b>	<b>(731.6)</b>	<b>1,857.3</b>
Profit for the year	-	-	-	-	-	307.9	307.9
Fair value gain on cash flow hedges	-	-	0.8	-	-	-	0.8
Reclassification adjustments relating to realised cash flow hedges recognised in profit or loss	-	-	5.3	-	-	-	5.3
Income tax relating to components of other comprehensive income	-	-	(1.8)	-	-	-	(1.8)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>4.3</b>	<b>-</b>	<b>-</b>	<b>307.9</b>	<b>312.2</b>
Buyback of shares (Note C2)	(135.8)	-	-	-	-	-	(135.8)
Shares issued via Non-executive Director (NED) Share Plan	0.2	-	-	-	-	-	0.2
Payment of dividends	-	-	-	-	-	(98.1)	(98.1)
Shares purchased for Long Term Incentive Plan	(22.1)	-	-	-	-	-	(22.1)
Share based payments	-	-	-	7.9	-	-	7.9
Transfers	5.0	3.6	-	(9.2)	-	0.6	-
<b>Balance at 30 June 2022</b>	<b>2,422.9</b>	<b>-</b>	<b>(0.2)</b>	<b>20.8</b>	<b>(0.7)</b>	<b>(521.2)</b>	<b>1,921.6</b>

\$M	ISSUED CAPITAL	TREASURY SHARES	CASH FLOW HEDGE RESERVE	SHARE-BASED PAYMENTS RESERVE	OTHER RESERVES	ACCUMULATED LOSSES	TOTAL
<b>Balance at 1 July 2020</b>	<b>2,672.3</b>	<b>-</b>	<b>(16.6)</b>	<b>13.5</b>	<b>(0.3)</b>	<b>(737.6)</b>	<b>1,931.3</b>
Profit for the year	-	-	-	-	-	43.7	43.7
Exchange differences arising on translation of foreign operations	-	-	-	-	(0.4)	-	(0.4)
Fair value loss on open cash flow hedges	-	-	(1.8)	-	-	-	(1.8)
Reclassification adjustments relating to realised cash flow hedges recognised in profit or loss	-	-	7.8	-	-	-	7.8
Reclassification adjustments relating to ineffective cash flow hedges	-	-	11.3	-	-	-	11.3
Income tax relating to components of other comprehensive income	-	-	(5.2)	-	-	-	(5.2)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>12.1</b>	<b>-</b>	<b>(0.4)</b>	<b>43.7</b>	<b>55.4</b>
Buyback of shares (Note C2 & C3)	(97.4)	(3.6)	-	-	-	-	(101.0)
Shares issued via Short Term Incentive Plan	0.7	-	-	(0.7)	-	-	-
Payment of dividends	-	-	-	-	-	(40.2)	(40.2)
Share based payments	-	-	-	11.8	-	-	11.8
Transfers	-	-	-	(2.5)	-	2.5	-
<b>Balance at 30 June 2021</b>	<b>2,575.6</b>	<b>(3.6)</b>	<b>(4.5)</b>	<b>22.1</b>	<b>(0.7)</b>	<b>(731.6)</b>	<b>1,857.3</b>

Notes to the financial statements are included on pages 79 to 115.

# Consolidated statement of cash flows

for the year ended 30 June 2022

	NOTE	2022 \$M	2021 \$M
<b>Cash flows from operating activities</b>			
Receipts from customers		2,456.2	2,129.6
Payments to suppliers and employees		(1,779.1)	(1,557.7)
Gross cash flows from operating activities		677.1	571.9
Net income tax paid		(90.3)	(46.0)
<b>Net cash provided by operating activities</b>	E1	586.8	525.9
<b>Cash flows from investing activities</b>			
Proceeds from sale of business (net of cash disposed)		28.2	459.3
Payment for property, plant and equipment		(81.4)	(48.4)
Payment for business acquired (net of cash received) – Agilex Biolabs	E9	(290.7)	–
Payment for business acquired (net of cash received) – Axis Diagnostics	E9	(12.6)	–
Payments for earn out, settlement and deferred consideration		(36.8)	–
Payment for Imaging healthcare professionals		–	(0.7)
Payment for Pathology healthcare practices and subsidiaries		–	(1.5)
Payment for other intangibles		(12.1)	(12.9)
Proceeds from the sale of property, plant and equipment and intangibles		3.7	1.1
Payment for Healius Primary Care (HPC) healthcare professionals – discontinued operations		–	(5.3)
Payment for Healius Primary Care (HPC) practices and subsidiaries – discontinued operations		–	(4.7)
<b>Net cash (used in)/from investing activities</b>		(401.7)	386.9
<b>Cash flows from financing activities</b>			
Finance costs on interest-bearing liabilities		(13.0)	(21.9)
Interest paid on ineffective hedge close out		–	(11.3)
Interest paid on lease liabilities		(35.0)	(39.5)
Interest received		–	0.5
Payments for buyback of shares		(139.4)	(97.4)
Shares purchased for Long Term Incentive Plan		(22.1)	–
Proceeds from/(repayments of) borrowings		345.6	(555.7)
Payment of lease liabilities		(214.5)	(203.1)
Dividends paid		(98.1)	(56.3)
<b>Net cash used in financing activities</b>		(176.5)	(984.7)
<b>Net increase/(decrease) in cash held</b>		8.6	(71.9)
Cash at the beginning of the year	E1	72.7	144.5
Effect of exchange rate movements on cash held in foreign currencies		–	0.1
<b>Cash at the end of the year</b>	E1	81.3	72.7

Notes to the financial statements are included on pages 79 to 115.



# Notes to the financial statements

for the year ended 30 June 2022

## About this Report

### OVERVIEW

Healius Limited (Healius), is a for-profit entity domiciled in Australia. These financial statements represent the consolidated financial statements of Healius for the financial year ended 30 June 2022 and comprise Healius and its subsidiaries (together referred to as "the consolidated entity" or "the Group").

### STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### BASIS OF PREPARATION

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars. The financial report has been prepared on a going concern basis. Where applicable, prior year comparatives have been restated in line with current year presentation.

### NEW AND AMENDED STANDARDS ADOPTED

There are no new accounting standards or interpretations that are applicable for the first time in financial year 2022 which have a material impact on the disclosures or amounts recognised in the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

### ROUNDING OF AMOUNTS

Healius is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument, amounts in the financial report are rounded to the nearest hundred thousand dollars, unless otherwise indicated.

### SIGNIFICANT ACCOUNTING POLICIES

Accounting policies have been consistently applied to all the years presented, unless otherwise stated. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Significant accounting policies are included within the relevant notes to the financial statements.

Preparation of the financial report requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Information on key accounting estimates and judgements can be found in the following notes:

ACCOUNTING ESTIMATE AND JUDGEMENT	NOTE	PAGE
Carrying value of goodwill	B2	86
Recognition and recoverability of other intangible assets	B4	89
Measurement of deferred consideration	B8	91
Provisions	B9	92

### BASIS OF CONSOLIDATION – SUBSIDIARIES

Subsidiaries are those entities controlled by Healius. The financial statements of subsidiaries are included in the consolidated financial report from the date that control is obtained until the date that control ceases. All inter-entity transactions, balances and any unrealised gains and losses arising from inter-entity transactions have been eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Investments in subsidiaries are carried at their cost of acquisition in the parent company's financial statements.

# Notes to the financial statements

for the year ended 30 June 2022

## A. Group performance

This section contains details of the way the business measures performance for the purpose of internal reporting along with details of the key elements of the consolidated statement of profit or loss, earnings per share, accounting policies and key assumptions relevant to the consolidated statement of profit or loss.

### A1. Segment information

Operating segments are identified based on the way that the Chief Executive Officer and Board of Directors (also collectively known as the chief operating decision makers) regularly review and assess the financial performance of the business and determine the allocation of resources. For internal management reporting purposes, the Group is organised into the following four divisions or operating segments:

OPERATING SEGMENT	ACTIVITY
Pathology	Provider of pathology services, including speciality pathology and clinical trials.
Imaging	Provider of imaging services from stand-alone imaging sites, hospitals and medical centres.
Day Hospitals	Operator of day hospitals.
Other	Comprises corporate functions.

The Group operates predominantly in Australia.

#### Intersegment

Cross segment fees are charged for the use of facilities and services. These charges are eliminated on consolidation.

#### Presentation of segment revenue and results

Segment revenues and segment results are presented on an underlying basis.

Underlying results exclude the impact of non-underlying items relating to:

- Strategic initiatives, and
- Other significant non-recurring items.

Underlying results include the payment for rent, recharging of costs and other transactions with discontinued activities which are required to be excluded from reported results.

### UNDERLYING RESULTS

2022	PATHOLOGY \$M	IMAGING \$M	DAY HOSPITALS \$M	OTHER \$M	TOTAL CONTINUING OPERATIONS \$M
Segment revenue	1,890.4	393.9	48.7	6.5	2,339.5
Intersegment sales					(1.8)
<b>Total revenue</b>					<b>2,337.7</b>
EBITDA <sup>1</sup>	698.4	79.7	12.6	(19.9)	770.8
Depreciation	(21.2)	(16.2)	(3.0)	(4.1)	(44.5)
Amortisation of intangibles	(7.2)	(3.1)	–	(4.0)	(14.3)
Depreciation – right of use assets	(171.6)	(41.3)	(4.3)	(2.5)	(219.7)
<b>EBIT<sup>2</sup></b>	<b>498.4</b>	<b>19.1</b>	<b>5.3</b>	<b>(30.5)</b>	<b>492.3</b>

<sup>1</sup> EBITDA is a non-statutory profit measure representing underlying earnings before interest, tax, depreciation and amortisation.

<sup>2</sup> EBIT is a non-statutory profit measure representing underlying earnings before interest and tax.

# Notes to the financial statements

for the year ended 30 June 2022

## A1. Segment information (continued)

2021	PATHOLOGY \$M	IMAGING \$M	DAY HOSPITALS \$M	OTHER \$M	TOTAL CONTINUING OPERATIONS \$M
<b>Segment revenue</b>	1,452.1	406.9	49.5	6.8	1,915.3
Intersegment sales					(2.2)
<b>Total revenue</b>					1,913.1
<b>EBITDA<sup>1</sup></b>	428.3	84.5	15.5	(14.5)	513.8
Depreciation	(20.8)	(10.7)	(2.7)	(3.9)	(38.1)
Amortisation of intangibles	(7.3)	(2.8)	–	(3.7)	(13.8)
Depreciation – right of use assets	(147.4)	(40.1)	(3.8)	(4.1)	(195.4)
<b>EBIT<sup>2</sup></b>	252.8	30.9	9.0	(26.2)	266.5

1 EBITDA is a non-statutory profit measure representing underlying earnings before interest, tax, depreciation and amortisation.

2 EBIT is a non-statutory profit measure representing underlying earnings before interest and tax.

Reconciliation of underlying segment revenue to reported revenue:

	SEGMENT RESULT	
	2022 \$M	2021 \$M
Total underlying segment revenue from continuing operations	2,337.7	1,913.1
Reclassification of grant income from revenue to other income	–	(9.8)
Transactions with discontinued operations	(1.5)	(2.6)
<b>Reported revenue</b>	<b>2,336.2</b>	<b>1,900.7</b>

Reconciliation of underlying segment result to reported profit before tax:

	SEGMENT RESULT	
	2022 \$M	2021 \$M
Underlying results from continuing operations before tax	492.3	266.5
Strategic initiatives and other significant non-recurring items	(21.0)	(15.4)
Transactions with discontinued operations	(3.9)	4.3
<b>Reported EBIT</b>	<b>467.4</b>	<b>255.4</b>
Finance cost	(50.5)	(87.6)
<b>Reported profit before tax</b>	<b>416.9</b>	<b>167.8</b>

# Notes to the financial statements

for the year ended 30 June 2022

## A2. Revenue

	2022 \$M	2021 \$M
Trading revenue	2,336.2	1,900.7

### ACCOUNTING POLICIES – REVENUE

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognises revenue when it transfers control of goods or services to a customer.

The Group recognises revenue from the following major sources:

- Provision of pathology services
- Provision of imaging services, and
- Hospital Provider Agreements.

#### (a) Provision of pathology services and provision of imaging services

Revenue from the provision of pathology services and the provision of imaging services is recognised at the point in time when the relevant test has been completed.

#### (b) Hospital Provider Agreements

Day Hospitals negotiate Hospital Provider Agreements with private health funds, from which the majority of revenue is generated. Transactions with private health funds primarily involve the provision of day medical procedures. These transactions reflect the performance of a single obligation and revenue is recognised on the date the service is provided to the patient.

## A3. Expenses

### EMPLOYEE BENEFITS EXPENSE

	2022 \$M	2021 \$M
Employee benefits	878.9	780.4
Defined contribution superannuation	64.6	54.8
Share-based payments	7.9	13.7
	951.4	848.9

Healius and its related entities meet their obligations under the *Superannuation Guarantee Charge Act 1992* by making superannuation contributions, at the statutory rate, to complying defined contribution superannuation funds on behalf of its employees. Contributions to defined contribution funds are recognised as an expense as they become payable.

### PROPERTY EXPENSES

	2022 \$M	2021 \$M
Short-term lease payments	19.5	26.9
Other property expenses	33.6	32.7
	53.1	59.6

### FINANCE COSTS

	2022 \$M	2021 \$M
Interest cost from FY 2003–2007 tax case	–	23.6
Interest expense	12.8	17.4
Interest on lease liabilities	35.0	34.0
Unwinding of discounting on provisions	–	1.1
Ineffective cash flow hedge	–	7.6
Amortisation of borrowing costs	2.7	3.9
	50.5	87.6

For more information on the interest impact from FY 2003–2007 tax case, refer to Note A4.

# Notes to the financial statements

for the year ended 30 June 2022

## A3. Expenses (continued)

Interest expense comprises the interest expense on interest-bearing liabilities and gains/losses arising on interest rate swaps accounted for as cash flow hedges reclassified from equity.

Unwinding of the interest component of discounted non-current provisions is classified as a finance cost.

Other borrowing costs associated with arranging interest-bearing liabilities are initially recognised in the consolidated statement of financial position (refer Note C1) and are subsequently amortised through the consolidated statement of profit or loss on a straight-line basis over the term of the interest-bearing liability they relate to.

## A4. Income tax expense

	2022 \$M	2021 \$M
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit before tax	416.9	167.8
Income tax calculated at 30% (2021: 30%)	125.1	50.3
Tax effect of non-temporary differences:		
Share related (benefit)/expense	(4.2)	4.1
Non deductible acquisition costs	1.6	–
Other items	0.3	1.7
	(2.3)	5.8
2003–2007 tax objection (see note below)	–	46.6
Under/(over) provision in prior years	0.1	(1.2)
<b>Income tax expense</b>	<b>122.9</b>	<b>101.5</b>
Comprising:		
Current tax	110.3	69.0
Deferred tax	12.5	(12.9)
Under provision in prior years	0.1	45.4
<b>Income tax expense</b>	<b>122.9</b>	<b>101.5</b>

Current and deferred tax is recognised as an expense or income in the consolidated statement of profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

### NOTE: ATO OBJECTION DECISIONS – YEARS 2003–2007

Healius had previously recognised an income tax benefit and a tax receivable of \$46.6 million, and associated interest receivable of \$23.6 million in its 30 June 2020 financial statements, based on a favourable decision received from the Federal Court of Australia relating to its tax objections for the 2003–2007 years regarding lump sum payments made to healthcare practitioners during those years.

The Commissioner appealed the Federal Court of Australia's decision and on 9 October 2020 the Full Federal Court decided in favour of the Commissioner. On 6 November 2020 Healius applied for special leave to appeal the Full Court's decision, however on 4 March 2021 the High Court of Australia dismissed the special leave application. Healius therefore reversed the income tax benefit and tax receivable of \$46.6 million and associated interest receivable of \$23.6 million (less \$7.1 million tax) in its 30 June 2021 financial statements.

# Notes to the financial statements

for the year ended 30 June 2022

## A5. Earnings per share

### BASIC AND DILUTED EARNINGS PER SHARE

EARNINGS	2022 \$M	2021 \$M
The earnings used in the calculation of basic and diluted earnings per share are the same and can be reconciled to the consolidated statement of profit or loss as follows:		
Profit for the year from continuing operations	294.0	66.3
Profit attributable to equity holders of Healius Limited	307.9	43.7
WEIGHTED AVERAGE NUMBER OF SHARES	2022 000's	2021 000's
The weighted average number of shares used in the calculation of basic earnings per share	583,542	618,819
Effects of dilution from service rights	8,364	7,715
The weighted average number of shares used in the calculation of diluted earnings per share	591,906	626,534
EARNINGS PER SHARE	2022 CENTS	2021 CENTS
Basic earnings per share from continuing operations	50.4	10.7
Basic earnings per share from continuing and discontinued operations	52.8	7.1
Diluted earnings per share from continuing operations	49.7	10.6
Diluted earnings per share from continuing and discontinued operations	52.0	7.0

Any share options and performance rights on issue are contingently issuable shares and are included in the calculation of diluted earnings per share only where the performance conditions have been met as at 30 June 2022.



# Notes to the financial statements

for the year ended 30 June 2022

## B. Operating assets and liabilities

This section provides information on the assets used by the Group to generate operating profits and the liabilities incurred.

### B1. Receivables

	2022 \$M	2021 \$M
<b>Measured at amortised cost</b>		
<b>Current</b>		
Trade receivables	199.5	170.6
Allowance for expected credit losses	(22.0)	(23.1)
	177.5	147.5
Prepayments	21.6	15.7
Accrued revenue	36.3	33.9
Other receivables	5.9	2.7
	241.3	199.8
<b>Ageing of trade receivables</b>		
Current	54.5	84.2
30–60 days	36.4	26.7
60–90 days	8.7	11.8
90 days +	99.9	47.9
	199.5	170.6
<b>Movement in allowance for expected credit losses</b>		
Balance at beginning of year	23.1	23.0
Provision for the year	14.1	20.3
Amounts written off during the year as uncollectable	(15.2)	(19.6)
Transfer to assets held for sale	–	(0.6)
	22.0	23.1

Trade and other receivables are initially recognised at fair value and are subsequently carried at amortised cost, using the effective interest rate method, less an allowance for expected credit losses (allowance for doubtful debts).

No interest is charged on trade receivables. The Group's policy requires customers to pay the Group in accordance with agreed payment terms. All credit and recovery risk associated with trade receivables has been provided for in the consolidated statement of financial position. Trade receivables have been aged according to their original due date in the above ageing analysis.

The Group applies a simplified approach in calculating expected credit losses using a provision matrix based on its historical credit loss experience and adjusting for any known forward-looking issues specific to the debtors and the economic environment.

Further discussion of the credit risk associated with trade receivables is included in Note C5.

# Notes to the financial statements

for the year ended 30 June 2022

## B2. Goodwill

	2022 \$M	2021 \$M
<b>Carrying value</b>		
Opening balance	2,042.3	2,040.2
Acquisition of businesses	302.0	2.1
<b>Closing balance</b>	<b>2,344.3</b>	<b>2,042.3</b>
<b>Impairment tests</b>		
Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:		
Pathology	1,876.1	1,589.0
Imaging	371.5	356.6
Day Hospitals	96.7	96.7
	<b>2,344.3</b>	<b>2,042.3</b>

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition. Goodwill is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the CGUs, or group of CGUs, expected to benefit from the synergies of the business combination.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

The accounting for the acquisition of Agilex Biolabs Pty Ltd (Note E9) has not yet been finalised, however the Group has allocated the estimated value of goodwill arising from this acquisition to the Pathology CGU on a provisional basis.

### IMPAIRMENT OF GOODWILL AND OTHER NON-FINANCIAL ASSETS

The carrying amount of goodwill is tested for impairment annually at 30 June and whenever there is an indicator that the asset may be impaired. Where an asset is deemed to be impaired, it is written down to its recoverable amount.

In its impairment assessment, the Group determines the recoverable amount based on a fair value less costs of disposal calculation, under a five-year discounted cash flow model cross checked to available market data (level 3 fair value measurement in the fair value hierarchy – refer Note C5 for further details on the hierarchy). The five-year discounted cash flow uses:

- year one cash flows derived from the financial year 2023 Board-approved budget, and
- for financial years 2024–2027, growth rates have been determined with reference to historical company experience, industry data and a long-term growth rate consistent with historic industry trend levels.

The Board-approved budget takes into account the Group's view with regards to the potential economic impacts of COVID-19 on the business. In determining the FY 2023 cash flow projections, management has considered the impact of COVID-19 on trading results in FY 2022, and potential impact in FY 2023.

# Notes to the financial statements

for the year ended 30 June 2022

## B2. Goodwill (continued)

The key assumptions in the Group's discounted cash flow model as at 30 June 2022 are as follows:

ASSUMPTION	HOW DETERMINED
<b>Forecast revenue</b>	<p>Cumulative average revenue growth rates for FY 2023–FY 2027 are as follows:</p> <ul style="list-style-type: none"> <li>• Pathology: (0.7%) (30 June 2021: 2.3%)</li> <li>• Imaging: 5.8% (30 June 2021: 6.2%)</li> <li>• Day Hospitals: 9.4% (30 June 2021: 7.7%)</li> </ul> <p>Consistent with the prior year, forecast revenue has been determined with reference to historical company experience and industry data. Pathology revenue growth rate factors in assumptions for change in COVID volumes in future years.</p>
<b>Terminal value growth rates</b>	<p>The terminal value growth rates assumed are:</p> <ul style="list-style-type: none"> <li>• Pathology: 3.0% (30 June 2021: 3.0%)</li> <li>• Imaging: 3.0% (30 June 2021: 3.0%)</li> <li>• Day Hospitals: 3.0% (30 June 2021: 3.0%)</li> </ul> <p>The terminal value growth rates have been determined with reference to historical company experience for the CGU and expectations of long-term operating conditions. The growth rates do not exceed long-term growth rates for the industry in which the business operates.</p>
<b>Discount rates</b>	<p>Post-tax discount rates for each CGU reflect the Group's estimate of the time value of money and risks specific to each CGU.</p> <p>In determining the appropriate discount rate for each CGU, consideration has been given to the estimated weighted average cost of capital (WACC) for the Group, adjusted for business risks specific to that CGU. The post-tax discount rate for each CGU is:</p> <ul style="list-style-type: none"> <li>• Pathology: 7.8% (30 June 2021: 7.8%)</li> <li>• Imaging: 8.0% (30 June 2021: 8.0%)</li> <li>• Day Hospitals: 8.75% (30 June 2021: 8.75%)</li> </ul>

### SENSITIVITY ANALYSIS

The Group has conducted a sensitivity analysis on the key assumptions above to assess the effect on the recoverable amount of changes in the key assumptions.

The following table sets out the change in forecast revenue growth rates, terminal value growth and discount rates that would be required in isolation in order for the carrying value of the Pathology, Imaging and Day Hospitals CGUs to equal the recoverable amount.

CGU	INCREASE/(DECREASE) IN ASSUMPTIONS REQUIRED FOR RECOVERABLE AMOUNT TO EQUAL CARRYING AMOUNT		
	REVENUE GROWTH PER ANNUM	TERMINAL GROWTH PER ANNUM	DISCOUNT RATE
Pathology	(1.4%)	(4.6%)	3.3%
Imaging	(0.5%)	(1.9%)	1.5%
Day Hospitals	(0.9%)	(1.7%)	1.3%

### ACCOUNTING ESTIMATES AND JUDGEMENTS: IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the fair value of the CGUs or group of CGUs to which goodwill has been allocated. The valuation model used to estimate the fair value of each CGU or group of CGUs requires the Directors to estimate the future cash flows expected to arise from the CGU or group of CGUs and apply a suitable discount rate in order to calculate net present value. The key assumptions used to estimate fair value of the group's CGUs are disclosed above.

# Notes to the financial statements

for the year ended 30 June 2022

## B3. Property, plant and equipment

2022 \$M	PLANT AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	ASSETS UNDER CONSTRUCTION	TOTAL
<b>Net book value</b>				
Opening balance	79.7	72.3	5.7	157.7
Additions	39.1	0.8	41.5	81.4
Business combinations	6.2	0.3	0.8	7.3
Capitalisation of assets under construction	25.9	6.2	(32.1)	–
Transfers and disposals	(1.5)	(0.6)	(3.8)	(5.9)
Depreciation expense	(32.5)	(12.0)	–	(44.5)
<b>Closing balance</b>	<b>116.9</b>	<b>67.0</b>	<b>12.1</b>	<b>196.0</b>
<b>Cost</b>	<b>377.2</b>	<b>170.0</b>	<b>12.1</b>	<b>559.3</b>
Accumulated depreciation and impairment	(260.3)	(103.0)	–	(363.3)
<b>Closing balance</b>	<b>116.9</b>	<b>67.0</b>	<b>12.1</b>	<b>196.0</b>

2021 \$M	PLANT AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	ASSETS UNDER CONSTRUCTION	TOTAL
<b>Net book value</b>				
Opening balance	86.2	75.4	5.1	166.7
Additions	21.8	1.2	22.7	45.7
Capitalisation of assets under construction	1.3	20.1	(21.4)	–
Disposals	(1.5)	(1.3)	(0.7)	(3.5)
Depreciation expense	(26.8)	(13.0)	–	(39.8)
Transferred to assets held for sale	(1.3)	(10.1)	–	(11.4)
<b>Closing balance</b>	<b>79.7</b>	<b>72.3</b>	<b>5.7</b>	<b>157.7</b>
<b>Cost</b>	<b>315.0</b>	<b>170.3</b>	<b>5.7</b>	<b>491.0</b>
Accumulated depreciation and impairment	(235.3)	(98.0)	–	(333.3)
<b>Closing balance</b>	<b>79.7</b>	<b>72.3</b>	<b>5.7</b>	<b>157.7</b>

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation commences once an asset is available for use and is calculated on a straight-line basis so as to write off the net cost of each asset to its estimated residual value over its expected useful life. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period. Where, as a result of this review, there is a change in the estimated remaining useful life of an asset, it is accounted for on a prospective basis with depreciation in future periods based on the written down value of the asset as at the date the change in useful life is determined.

The following estimated useful lives are used in the calculation of depreciation:

CLASS OF PROPERTY, PLANT AND EQUIPMENT	USEFUL LIFE
Leasehold improvements	1–20 years
Plant and equipment	3–20 years

Property, plant and equipment is reviewed at each reporting period to determine whether there is any indication that the assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs of disposal and value in use.

An impairment loss is recognised in profit or loss for the amount by which an asset's carrying amount exceeds its recoverable amount.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

# Notes to the financial statements

for the year ended 30 June 2022

## B4. Other intangible assets

2022 \$M	IT SOFTWARE	LICENCES	INTANGIBLES UNDER CONSTRUCTION	TOTAL
<b>Net book value</b>				
Opening balance	64.5	9.0	2.8	76.3
Additions	4.2	–	7.9	12.1
Business combinations	0.3	–	–	0.3
Capitalisation of intangible assets under construction	7.2	–	(7.2)	–
Other	–	–	0.8	0.8
Amortisation expense	(13.5)	(0.8)	–	(14.3)
<b>Closing balance</b>	<b>62.7</b>	<b>8.2</b>	<b>4.3</b>	<b>75.2</b>
Cost	156.5	40.4	4.3	201.2
Accumulated amortisation and impairment	(93.8)	(32.2)	–	(126.0)
<b>Closing balance</b>	<b>62.7</b>	<b>8.2</b>	<b>4.3</b>	<b>75.2</b>

2021 \$M	IT SOFTWARE	LICENCES	INTANGIBLES UNDER CONSTRUCTION	TOTAL
<b>Net book value</b>				
Opening balance	63.1	9.9	6.3	79.3
Additions	4.0	–	8.2	12.2
Capitalisation of intangible assets under construction	11.1	–	(11.1)	–
Disposals	(0.3)	(0.1)	(0.6)	(1.0)
Amortisation expense	(13.3)	(0.8)	–	(14.1)
Transferred to assets held for sale	(0.1)	–	–	(0.1)
<b>Closing balance</b>	<b>64.5</b>	<b>9.0</b>	<b>2.8</b>	<b>76.3</b>
Cost	146.9	40.3	2.8	190.0
Accumulated amortisation and impairment	(82.4)	(31.3)	–	(113.7)
<b>Closing balance</b>	<b>64.5</b>	<b>9.0</b>	<b>2.8</b>	<b>76.3</b>

Intangible assets acquired separately or developed internally are recognised initially at cost. Intangible assets acquired in a business combination are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition intangible assets are recognised at cost less amortisation and impairment (if any).

An internally-generated intangible asset arising from development is only recognised once the feasibility, intention and ability to complete the intangible asset can be demonstrated. Any expenditure on research activities is recognised as an expense when incurred.

All intangible assets have a finite life and are amortised on a straight-line basis over their estimated useful life. The estimated useful lives and amortisation methods are reviewed at the end of each annual reporting period. Where, as a result of this review, there is a change in the estimated remaining useful life of an asset, it is accounted for on a prospective basis with amortisation in future periods based on the net written down value of the asset as at the date the change in useful life is determined. The following estimated useful lives have been used for each class of asset:

CLASS OF OTHER INTANGIBLES	USEFUL LIFE
Licences	3–8 years
IT software	3–10 years

Intangible assets are reviewed at each reporting period to determine whether there is any indication that the assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs of disposal and value in use. An impairment loss is recognised in profit or loss for the amount by which an asset's carrying amount exceeds its recoverable amount.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

### ACCOUNTING ESTIMATES AND JUDGEMENTS – OTHER INTANGIBLE ASSETS

Judgement must be exercised when determining whether it is appropriate to capitalise costs related to internally developed intangible assets, in particular costs related to the development of IT software. Judgement is also required when estimating the expected useful life of other intangible assets and the period over which these assets are amortised.

# Notes to the financial statements

for the year ended 30 June 2022

## B5. Lease liabilities

	2022 \$M	2021 \$M
Opening balance	1,177.6	937.8
New leases and remeasurement of leases during the year	208.8	439.8
Interest	35.0	34.4
Payments	(248.5)	(225.5)
Transfer to assets held for sale	–	(8.9)
Closing balance	1,172.9	1,177.6
Presented as:		
Current lease liabilities	223.7	224.4
Non-current lease liabilities	949.2	953.2
Total lease liabilities	1,172.9	1,177.6

## B6. Right of use assets

2022	PROPERTY \$M	EQUIPMENT \$M	TOTAL \$M
Opening balance	1,019.2	68.0	1,087.2
New and remeasurement of leases during the year	214.1	(6.7)	207.4
Depreciation	(207.9)	(11.8)	(219.7)
Closing balance	1,025.4	49.5	1,074.9

2021	PROPERTY \$M	EQUIPMENT \$M	TOTAL \$M
Opening balance	793.5	83.4	876.9
New leases and remeasurement of leases during the year	415.1	(0.4)	414.7
Depreciation	(181.4)	(15.0)	(196.4)
Transfer to assets held for sale	(8.0)	–	(8.0)
Closing balance	1,019.2	68.0	1,087.2

## ACCOUNTING ESTIMATES AND JUDGEMENTS – LEASES

### (a) The Group as lessee

The Group assesses whether a contract is (or contains) a lease at inception of the contract. The Group recognises a lease liability and right of use asset arrangements in which it is the lessee, except for short-term leases (being leases with a lease term of less than 12 months) and leases of low value items (generally small items of IT equipment). For these leases, the Group recognises the lease payment as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured as the present value of the lease payments not paid at the commencement date.

Lease payments include:

- Fixed lease payments less any lease incentives receivable
- Variable lease payments that depend on an index (such as CPI) initially measured using the index at the commencement date
- In relation to equipment leases the amount expected to be payable on the exercise of purchase options where it is reasonably certain that the option will be exercised.

Lease payments are discounted using the rate implicit in the lease. If this rate cannot be readily determined (which is the case for all property leases) the Group uses its incremental borrowing rate of 3.02% (30 June 2021: 3.11%).

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right of use assets comprise the initial measurement of the corresponding lease liability less any lease incentives received. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right of use assets are depreciated over the lease term unless the Group expects to exercise a purchase option (primarily in relation to Imaging equipment leases) where the right of use asset is depreciated over the useful life of the underlying asset.



# Notes to the financial statements

## for the year ended 30 June 2022

### B6. Right of use assets (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- The lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index (such as CPI) in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate.
- The lease contract is modified and the lease modification is not accounted for as a separate lease in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate effective at the date of the modification.

#### (b) The Group as lessor

The Group enters into lease agreements as lessor in respect of some property leases. In this situation, where the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts.

The sub-lease is a finance lease where it transfers substantially all the risks and rewards of ownership to the lessee.

All other sub-leases are operating leases. The determination of whether a sub-lease is classified as a finance or operating lease is made by reference to the right of use asset arising from the head lease.

The majority of sub-leases have lease terms substantially shorter than the head lease and accordingly are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### B7. Payables

	2022 \$M	2021 \$M
<b>Current</b>		
Trade payables and accruals	169.6	195.5
<b>Total payables</b>	<b>169.6</b>	<b>195.5</b>

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

### B8. Deferred consideration

	2022 \$M	2021 \$M
<b>Current</b>		
Montserrat Day Hospitals	–	36.0
Other deferred consideration	5.7	2.9
<b>Total current deferred consideration</b>	<b>5.7</b>	<b>38.9</b>

Deferred consideration relates to businesses acquired and is initially measured at fair value as at the acquisition date. Subsequent to initial recognition, deferred consideration continues to be measured at fair value with any changes in fair value recognised in the profit or loss.

The Montserrat Day Hospitals deferred consideration, which comprised of \$32.1 million payable under the terms of the earn-out clause in the Montserrat/Healius share sale agreement, plus a \$3.9 million settlement sum negotiated with the vendors regarding other commercial matters, was paid in FY 2022.

#### ACCOUNTING ESTIMATES AND JUDGEMENTS – DEFERRED CONSIDERATION

The measurement of deferred consideration requires management to estimate the amount likely to be paid in the future. This requires the exercise of judgement, in particular where the amount payable is dependent on the future financial performance of the business that has been acquired.

# Notes to the financial statements

for the year ended 30 June 2022

## B9. Provisions

	2022 \$M	2021 \$M
<b>Current</b>		
Provision for employee benefits	155.5	146.1
Self-insurance provision	5.9	6.4
Make good provision	3.3	0.6
Other provisions	10.3	12.6
<b>Total current provisions</b>	<b>175.0</b>	<b>165.7</b>
<b>Non-current</b>		
Provision for employee benefits	10.1	12.0
Self-insurance provision	7.1	6.4
Make good provision	1.4	4.1
Other provisions	–	6.4
<b>Total non-current provisions</b>	<b>18.6</b>	<b>28.9</b>

2022	SELF- INSURANCE \$M	MAKE GOOD \$M	OTHER \$M
Opening balance	12.8	4.7	19.0
Arising during the year	3.9	0.1	7.3
Utilised	(3.7)	(0.1)	(16.0)
<b>Closing balance</b>	<b>13.0</b>	<b>4.7</b>	<b>10.3</b>

2021	SELF- INSURANCE \$M	MAKE GOOD \$M	OTHER \$M
Opening balance	11.7	5.1	53.4
Arising during the year	1.9	0.2	3.0
Reclassification to right of use asset	–	–	–
Utilised	(0.8)	(0.6)	(37.4)
<b>Closing balance</b>	<b>12.8</b>	<b>4.7</b>	<b>19.0</b>

Provisions are recognised when:

- The Group has a present obligation (legal or constructive) as a result of a past event
- it is probable that the Group will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

# Notes to the financial statements

for the year ended 30 June 2022

## B9. Provisions (continued)

### EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

### SELF-INSURANCE

The Group is self-insured for workers' compensation in New South Wales, Victoria, Queensland and Western Australia. Provisions are recognised based on claims reported, and an estimate of claims incurred but not reported. These provisions are determined on a discounted basis and having regard to actuarial valuations.

### MAKE GOOD PROVISION

The Group recognises make good provisions where under certain lease agreements the Group has an obligation to restore the leased premises to a specified condition at the end of the lease term.

# Notes to the financial statements

for the year ended 30 June 2022

## C. Financing and capital structure

This section contains details of the way the business is financed including details around debt and equity, the key financial risks that Healius faces and how they are managed, and accounting policies and key assumptions relevant to borrowings and equity.

### C1. Interest-bearing liabilities

	2022 \$M	2021 \$M
<b>Non-current</b>		
Gross bank loans	610.0	260.0
Refinancing valuation adjustment	0.1	0.5
Unamortised borrowing costs	(4.0)	(2.4)
	<b>606.1</b>	<b>258.1</b>

#### CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2022	GROSS BANK LOANS \$M	VALUATION ADJUSTMENT \$M	BORROWING COSTS \$M	TOTAL \$M
Opening balance	260.0	0.5	(2.4)	258.1
Cash draw down	515.0	–	–	515.0
Borrowing repayments	(165.0)	–	–	(165.0)
Borrowing cost on refinancing	–	–	(4.3)	(4.3)
Amortisation	–	(0.4)	2.7	2.3
<b>Closing balance</b>	<b>610.0</b>	<b>0.1</b>	<b>(4.0)</b>	<b>606.1</b>

2021	GROSS BANK LOANS \$M	VALUATION ADJUSTMENT \$M	BORROWING COSTS \$M	TOTAL \$M
Opening balance	815.0	0.9	(5.8)	810.1
Borrowing repayments	(555.0)	–	–	(555.0)
Borrowing cost on refinancing	–	–	(0.7)	(0.7)
Borrowing cost written off	–	–	1.9	1.9
Amortisation	–	(0.4)	2.2	1.8
<b>Closing balance</b>	<b>260.0</b>	<b>0.5</b>	<b>(2.4)</b>	<b>258.1</b>

Interest-bearing liabilities are recorded initially at fair value (usually the amount of the proceeds received) less transaction costs. Subsequent to initial recognition, interest-bearing liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the term of the interest-bearing liability using the effective interest method.

Interest rate sensitivity and liquidity analysis disclosures relating to the Group's interest-bearing liabilities are disclosed in Note C5.

# Notes to the financial statements

for the year ended 30 June 2022

## C2. Issued capital

	2022 NO. OF SHARES 000's	2021 NO. OF SHARES 000's	2022 \$M	2021 \$M
<b>Opening balance</b>	<b>599,446</b>	<b>622,743</b>	<b>2,575.6</b>	<b>2,672.3</b>
Shares issued via Short Term Incentive Plan	–	265	–	0.7
Shares issued via Non-executive Director (NED) Share Plan	<b>62</b>	<b>14</b>	<b>0.2</b>	–
Shares issued via Long Term Incentive Plan	<b>4,391</b>	–	<b>8.6</b>	–
Own shares acquired for 2019 LTIP	<b>(4,391)</b>	–	<b>(22.1)</b>	–
Own shares acquired during buyback	<b>(29,529)</b>	(23,576)	<b>(135.8)</b>	(97.4)
Own shares acquired during buyback	<b>(772)</b>	–	<b>(3.6)</b>	–
<b>Closing balance</b>	<b>569,207</b>	<b>599,446</b>	<b>2,422.9</b>	<b>2,575.6</b>

Issued capital consists of fully paid ordinary Shares carrying one vote per share and the right to dividends.

Transaction costs that are incurred directly in connection with the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

### SHARE OPTIONS ON ISSUE

As at 30 June 2022, the company has 36,394,239 (2021: 36,394,239) share options on issue, exercisable on a 1:1 basis for 36,394,239 (2021: 36,394,239) ordinary Shares of Healius at an Exercise Price of \$3.05. The share options will vest between July 2022 and July 2024 subject to the satisfaction of applicable service and performance conditions and carry no rights to dividends and no voting rights.

### RIGHTS ON ISSUE

As at 30 June 2022, the company had 228,341 (2021: nil) service rights on issue, exercisable on a 1:1 basis for 228,341 (2021: nil) ordinary Shares of Healius at an Exercise Price of \$nil.

As at 30 June 2022, the company has 5,549,056 (2021: 9,731,935) performance rights on issue, exercisable on a 1:1 basis for 5,549,056 (2021: 9,731,935) ordinary Shares of Healius at an Exercise Price of \$nil. The performance rights will vest between July 2022 and October 2023 subject to the satisfaction of applicable service and performance conditions and carry no rights to dividends and no voting rights.

As at 30 June 2022, the company had 35,140 (2021: 22,257) Non-executive Director (NED) share rights on issue, exercisable on 1:1 basis for 35,140 (2021: 22,257) ordinary Shares of Healius at an Exercise Price of \$nil.

### RESTRICTED SHARES ON ISSUE

As at 30 June 2022, the company had 76,024 (2021: 13,627) restricted shares on issue, exercisable on a 1:1 basis for 76,024 (2021: 13,627) ordinary Shares of Healius at an Exercise Price of \$nil.

## C3. Treasury shares

	2022 NO. OF SHARES 000's	2021 NO. OF SHARES 000's	2022 \$M	2021 \$M
Opening balance	<b>772</b>	–	<b>3.6</b>	–
Own shares acquired during buyback	–	772	–	3.6
Shares cancelled	<b>(772)</b>	–	<b>(3.6)</b>	–
<b>Closing balance</b>	<b>–</b>	<b>772</b>	<b>–</b>	<b>3.6</b>

On 9 December 2020 Healius announced an on-market share buyback of up to \$200 million to be conducted between 29 December 2020 and 28 December 2021. The treasury shares purchased under the buyback and not cancelled prior to 30 June 2021 are disclosed in the comparatives above. These shares were cancelled in July 2021.

# Notes to the financial statements

for the year ended 30 June 2022

## C4. Dividends on equity instruments

	2022 CENTS PER SHARE	2021 CENTS PER SHARE	2022 \$M	2021 \$M
<b>Recognised amounts</b>				
Final dividend – previous financial year	6.75	–	40.2	–
Interim dividend – this financial year	10.00	6.50	57.9	40.2
	16.75	6.50	98.1	40.2
<b>Unrecognised amounts</b>				
Final dividend – this financial year	6.00	6.75	34.2	40.2

In respect of FY 2022:

- A final dividend of 6.75 cents per share (100% franked) was paid with regards to the year ended 30 June 2021 on 8 October 2021
- an FY 2022 interim dividend of 10 cents per share (100% franked) was paid to the holders of fully paid ordinary Shares on 5 April 2022.

The Dividend Reinvestment Plan and Bonus Share Plan were suspended effective 16 February 2016 until further notice.

<b>FRANKING ACCOUNT</b>	2022 \$M	2021 \$M
Closing balance as at 30 June	194.4	125.6

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables recognised for income tax and dividends as at the reporting date.

## C5. Financial instruments

### FINANCIAL RISK MANAGEMENT

#### Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk, including interest rate, currency and price risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and procedures for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout this financial report.

#### Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of risk management and this is delegated through the Group's:

- Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies (excluding financial reporting risks), and
- Audit Committee, which is responsible for developing and monitoring the Group's financial risk management policies and financial reporting risks.

These committees report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Risk Management Committee (in relation to material business risks excluding financial reporting risks) and Audit Committee (in relation to financial reporting risks) oversee how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the Risk Management Framework in relation to the risks faced by the Group.



# Notes to the financial statements

for the year ended 30 June 2022

## C5. Financial instruments (continued)

### Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial asset held by the Group fails to meet its contractual obligations under the terms of the financial asset (to deliver cash to the Group).

The Group's exposure to credit risk arises principally from cash and derivatives held with financial institutions and trade receivables due from external customers. The credit risk on cash and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-ratings agencies. The Group's maximum exposure to credit risk from trade receivables is equal to the carrying amount of the Group's trade receivables as at the reporting date of \$199.5 million (30 June 2021: \$170.6 million). The ageing of the Group's trade receivables and an analysis of the Group's provision for expected credit losses is provided in Note B1.

The Group's exposure to credit risk is also influenced by the bulk-billing of services by medical practitioners to whom the Group charges service fees for the use of imaging facilities. A large proportion of the Group's receivables are due from Medicare Australia (bulk-billed services), health funds and commercial contracts with public and private hospitals. The remaining trade receivables are due from individuals. The concentration of credit risk relating to this remaining debt is limited due to the customer base being large and unrelated.

### Liquidity risk

Liquidity risk refers to the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial liability.

The Group manages liquidity risk by continually monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and financial liabilities and ensuring that sufficient unused borrowing facilities are in place should they be required to refinance any short-term financial liabilities.

The Group had access to the following financing facilities as at the end of the reporting period:

	2022 \$M	2021 \$M
<b>Financing facilities</b>		
<b>Non-current</b>		
Unsecured Syndicated Debt Facilities		
Amount used	610.0	260.0
Amount unused	390.0	340.0
<b>Total financing facilities</b>	<b>1,000.0</b>	<b>600.0</b>

The first tranche of the Syndicated Facility Agreement of \$500 million matures on 11 March 2025 and the second tranche of \$500 million matures on 11 March 2027.

Amounts unused on non-current facilities are able to be drawn during the course of the ordinary working capital cycle of the Group. The following tables detail the Group's remaining contractual maturity for its non-derivative and derivative financial liabilities.

The tables include the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows except for expected interest payments which have already been recorded in trade and other payables. The cash flows for the interest rate swaps represent the net amounts to be paid.

The repayment of contractual cash flows due in the period less than one year from 30 June 2022 will be met through the ordinary working capital cycle of the Group, including the collection of trade receivables (30 June 2022: 199.5 million) and the unused headroom in the Syndicated Debt Facility (30 June 2022: \$390.0 million).

# Notes to the financial statements

for the year ended 30 June 2022

## C5. Financial instruments (continued)

2022	CARRYING AMOUNT \$M	CONTRACTUAL CASH FLOWS			
		TOTAL \$M	LESS THAN 1 YEAR \$M	1 TO 5 YEARS \$M	GREATER THAN 5 YEARS \$M
<b>Consolidated</b>					
<b>Non-derivative financial liabilities</b>					
Gross bank loan <sup>1</sup>	610.0	747.0	24.8	722.2	–
Payables	169.6	169.6	169.6	–	–
Deferred consideration	5.7	5.7	5.7	–	–
Lease liabilities	1,172.9	1,326.1	260.4	819.7	246.0
	<b>1,958.2</b>	<b>2,248.4</b>	<b>460.5</b>	<b>1,541.9</b>	<b>246.0</b>

2021	CARRYING AMOUNT \$M	CONTRACTUAL CASH FLOWS			
		TOTAL \$M	LESS THAN 1 YEAR \$M	1 TO 5 YEARS \$M	GREATER THAN 5 YEARS \$M
<b>Consolidated</b>					
<b>Non-derivative financial liabilities</b>					
Gross bank loan <sup>1</sup>	260.0	275.6	4.2	271.4	–
Payables	195.5	195.5	195.5	–	–
Deferred consideration	38.9	38.9	38.9	–	–
Lease liabilities	1,177.6	1,317.8	256.3	686.0	375.5
	<b>1,672.0</b>	<b>1,827.8</b>	<b>494.9</b>	<b>957.4</b>	<b>375.5</b>

<sup>1</sup> Contractual cash flows include notional interest and assumes there is no change to the carrying amount.

### Interest rate risk

The Group is exposed to interest rate risk as the Group borrows funds at floating interest rates plus a fixed margin. Interest rate risk is managed by the Group by the use of interest rate swap contracts (cash flow hedges), executed by authorised representatives of the Group within limits approved by the Risk Management Committee.

The following tables detail the Group's exposure to interest rate risk on non-derivative financial assets and financial liabilities as at 30 June. Lease liabilities below relate to financing arrangements for equipment with a variable interest component.

2022	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE \$M	FIXED INTEREST RATE		
			LESS THAN 1 YEAR \$M	1 TO 5 YEARS \$M	TOTAL \$M
<b>Financial assets</b>					
Cash	0.57	81.3	–	–	81.3
<b>Financial liabilities</b>					
Gross bank loans	1.56	(610.0)	–	–	(610.0)
Lease liabilities – equipment	2.18	(19.2)	(5.0)	(24.0)	(48.2)
		<b>(547.9)</b>	<b>(5.0)</b>	<b>(24.0)</b>	<b>(576.9)</b>

2021	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE \$M	FIXED INTEREST RATE		
			LESS THAN 1 YEAR \$M	1 TO 5 YEARS \$M	TOTAL \$M
<b>Financial assets</b>					
Cash	0.55	70.1	–	–	70.1
<b>Financial liabilities</b>					
Gross bank loans	1.71	(260.0)	–	–	(260.0)
Lease liabilities – equipment	2.28	(48.4)	(4.5)	(14.5)	(67.4)
		<b>(238.3)</b>	<b>(4.5)</b>	<b>(14.5)</b>	<b>(257.3)</b>

# Notes to the financial statements

for the year ended 30 June 2022

## C5. Financial instruments (continued)

The Group uses interest rate swaps to hedge its interest rate risks. The following table details the notional principal amounts and the remaining terms of interest rate swap contracts outstanding at the end of the reporting period. The average interest rate disclosed in the table represents the average rate payable by the Group on the notional principal value hedged using cash flow hedges plus the fixed margin on the underlying debt which reflects the cost of funds to the Group.

2022	AVERAGE CONTRACTED FIXED INTEREST RATE %	NOTIONAL PRINCIPAL \$M	FAIR VALUE \$M
<b>Interest rate swaps</b>			
Less than 1 year	2.37	200	(0.2)
1 to 2 years	2.73	30	(0.1)
		230	(0.3)

The aggregate notional principal amount of the outstanding interest rate swap contracts as at 30 June 2022 was \$230 million.

2021	AVERAGE CONTRACTED FIXED INTEREST RATE %	NOTIONAL PRINCIPAL \$M	FAIR VALUE \$M
<b>Interest rate swaps</b>			
1 to 2 years	2.37	200.0	(5.6)
2 to 5 years	2.73	30.0	(0.8)
		230.0	(6.4)

### Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the Group's exposure to variable interest rates during the financial year, projecting a reasonably possible change taking place at the beginning of the financial year, held constant throughout the financial year and applied to variable interest payments made throughout the financial year. A 100 basis point increase represents management's assessment of a reasonably possible change in interest rates. If interest rates had been 100 basis points higher or lower and all other variables were held constant, the impact on the profit after tax and other comprehensive income would have been as follows:

	PROFIT AFTER TAX		OTHER COMPREHENSIVE INCOME	
	100BP INCREASE \$M	100BP DECREASE \$M	100BP INCREASE \$M	100BP DECREASE \$M
<b>Consolidated</b>				
30 June 2022 – variable rate instruments	(1.8)	1.8	0.4	(0.4)
30 June 2021 – variable rate instruments	(0.4)	0.4	2.6	(2.6)

### Cash flow hedges (Interest rate swap contracts)

The Group uses interest rate swap contracts to hedge its interest rate risks, predominantly arising from financing activities. Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the cash flow exposures on the variable rate debt and are accounted for as cash flow hedges. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the yield curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below.

The Group's cash flow hedges settle on a monthly basis. The Group settles the difference between the fixed and floating interest rate payable/(receivable) under each cash flow hedge on a net basis.

### ACCOUNTING POLICY

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges as they reduce the Group's cash flow exposure resulting from variable interest rates on its gross bank loans.

Interest rate swap contracts are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The effective part of any gain or loss on the interest rate swap is recognised directly in equity. Any gain or loss relating to the ineffective portion (if any) of the interest rate swap is recognised immediately in the consolidated statement of profit or loss.

Payments under the interest rate swaps and the interest payments on the underlying financial liability occur simultaneously and the amount accumulated in equity is reclassified to the statement of profit or loss over the period that the floating rate interest payments on the underlying financial liability affect the statement of profit or loss.

# Notes to the financial statements

for the year ended 30 June 2022

## C5. Financial instruments (continued)

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is immediately recognised in the consolidated statement of profit or loss.

### Fair value of financial instruments

#### Basis for determining fair value

The determination of fair values of the Group's financial instruments that are not measured at cost or amortised cost in the financial statements are summarised as follows:

#### (i) Cash flow hedges (interest rate swap contracts)

The fair value of the Group's cash flow hedges are measured as the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates at the end of the financial year.

#### Fair value measurement – valuation methods

The table below analyses the Group's financial instruments carried at fair value, by valuation method. The definition of each "level" below is as required by accounting standards as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Deferred consideration relates to business combinations. The fair value of deferred consideration is measured as the present value of the estimated future cash outflows which are based on Board-approved budgets and earnings multiples as set out in the relevant acquisition documentation.

### Carrying amount

2022 \$M	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Financial liabilities</b>				
Interest rate swaps	–	0.3	–	0.3
Deferred consideration	–	–	5.7	5.7
<b>2021 \$M</b>	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
<b>Financial liabilities</b>				
Interest rate swaps	–	6.4	–	6.4
Deferred consideration	–	–	38.9	38.9

### Fair value of other financial instruments

The fair value of cash, receivables, payables and lease liabilities approximates their carrying amount. The fair value of the non-current interest-bearing liabilities approximates the carrying amount of the gross bank loans of \$610.0 million (2021: \$260.0 million).

### Other risks

#### Currency risk

The Group transacts predominately in Australian dollars and has a relatively small exposure to offshore assets or liabilities. The Group predominately uses the spot foreign currency market to service any foreign currency transactions. A sensitivity analysis has not been performed on the currency risk as this is not considered material.

### Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance and providing a stable capital base from which Healius can pursue its corporate strategic objectives.

The capital structure of the Group consists of debt, which includes the interest-bearing liabilities disclosed in Note C1, cash and equity attributable to equity holders of the parent, comprising of issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. The Group's policy is to borrow centrally on a long term basis from committed long term revolving bank facilities and through recycling capital in order to meet anticipated funding requirements.

# Notes to the financial statements

for the year ended 30 June 2022

## C6. Commitments for expenditure

	2022 \$M	2021 \$M
<b>Capital commitments</b>		
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:		
Within 1 year	14.3	6.1
Later than 1 year but not later than 5 years	–	1.7
	14.3	7.8

# Notes to the financial statements

for the year ended 30 June 2022

## D. Group structure

This section contains details of the way the business is structured including details of controlled entities and changes to the group structure during the year and the financial impact of these changes.

### D1. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:

NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP	
		2022 %	2021 %
Healius Limited	Australia		
Former AP Pty Ltd	Australia	100	100
Former SDS Pty Limited	Australia	100	100
The Sydney Diagnostic Services Unit Trust	Australia	100	100
Healius Nominees Pty Ltd	Australia	100	100
Healius Training Institute Pty Ltd	Australia	100	100
Idameneo (No. 124) Pty Ltd	Australia	100	100
Idameneo (No. 789) Ltd	Australia	100	100
ACN 063 535 884 Pty Ltd	Australia	100	100
ACN 063 535 955 Pty Ltd	Australia	100	100
ACN 138 935 403 Pty Ltd	Australia	100	100
Crystal Eye Clinic (WA) Pty Ltd <sup>1</sup>	Australia	100	100
Digital Diagnostic Imaging Pty Ltd	Australia	100	100
Healius Health Care Institute Pty Ltd	Australia	100	100
HLS Camden Pty Ltd	Australia	100	100
Primary (Camden) Property Trust	Australia	100	100
HLS Healthcare Holdings Pty Ltd	Australia	100	100
HLS Imaging Holdings Pty Ltd	Australia	100	100
ACN 088 631 949 Pty Ltd	Australia	100	100
Orana Service Unit Trust	Australia	100	100
Amokka Java Pty Limited	Australia	100	100
Brystow Pty Ltd	Australia	100	100
Healthcare Imaging Services (SA) Pty Ltd	Australia	100	100
Healthcare Imaging Services (Victoria) Pty Ltd	Australia	100	100
Healthcare Imaging Services (WA) Pty Ltd	Australia	100	100
Healthcare Imaging Services Pty Ltd	Australia	100	100
Campbelltown MRI Pty Ltd	Australia	100	100
Queensland Diagnostic Imaging Pty Ltd	Australia	100	100
Axis Diagnostic Holdings Pty Ltd <sup>2</sup>	Australia	100	0
Granite Belt Diagnostic Imaging Pty Ltd <sup>2</sup>	Australia	100	0
Keperra Diagnostic Imaging Pty Ltd <sup>2</sup>	Australia	100	0
Toowoomba Diagnostic Imaging Pty Ltd <sup>2</sup>	Australia	100	0
Whitsunday Radiology Pty Ltd <sup>2</sup>	Australia	100	0
Northcoast Nuclear Medicine (QLD) Pty Ltd	Australia	100	100
HLS Pathology Holdings Pty Ltd	Australia	100	100



# Notes to the financial statements

for the year ended 30 June 2022

## D1. Subsidiaries (continued)

NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP	
		2022 %	2021 %
Agilex Biolabs Pty Ltd <sup>3</sup>	Australia	100	0
AME Medical Services Pty Ltd	Australia	100	100
HLS Pathology Holdings Asia Pty Ltd	Australia	100	100
SDS Pathology (Singapore) Private Limited	Singapore	100	100
Healius Pathology India Private Limited <sup>4,5</sup>	India	100	100
Healius Pathology Pty Ltd	Australia	100	100
Moaven & Partners Pathology Pty Ltd	Australia	100	100
Pathways Unit Trust	Australia	100	100
Queensland Medical Services Pty Ltd	Australia	100	100
SDS Healthcare Solutions Inc. <sup>6</sup>	Philippines	99.98	99.98
Jandale Pty Ltd	Australia	100	100
Integrated Health Care Pty Ltd	Australia	100	100
Queensland Specialist Services Pty Ltd	Australia	100	100
Specialist Haematology Oncology Services Pty Ltd	Australia	100	100
Specialist Veterinary Services Pty Ltd	Australia	100	100
HLS Millers Point Pty Ltd	Australia	100	100
Primary Millers Point Property Trust	Australia	100	100
HLS Richmond Pty Ltd	Australia	100	100
HLS PST Pty Ltd	Australia	100	100
Primary (Greensborough) Property Sub Trust	Australia	100	100
Primary (Richmond) Property Trust	Australia	100	100
Primary (Robina) Property Sub Trust	Australia	100	100
John R Elder Pty Ltd	Australia	100	100
Larches Pty Ltd	Australia	100	100
Kelldale Pty Ltd	Australia	100	100
MGSF Pty Ltd	Australia	100	100
HLS Employee Share Acquisition Plan Pty Ltd <sup>7</sup>	Australia	100	100
Senior Executive Short Term Incentive Plan Trust	Australia	100	100
Symbion Employee Share Acquisition Plan Trust	Australia	100	100
Symbion Executive Short Term Incentive Plan Trust	Australia	100	100
PHC Finance (Australia) Pty Ltd	Australia	100	100
PSCP Holdings Pty Ltd	Australia	100	100
Saftsai Pty Ltd	Australia	100	100
Aksertel Pty Ltd	Australia	100	100
Onosas Pty Ltd	Australia	100	100
Sumbrella Pty Ltd	Australia	100	100
HLS Health Insurance Pty Ltd	Australia	100	100
The Ward Corporation Pty Ltd	Australia	100	100
Symbion International BV	Netherlands	100	100
Idameneo UK Ltd	United Kingdom	100	100

# Notes to the financial statements

for the year ended 30 June 2022

## D1. Subsidiaries (continued)

NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP	
		2022 %	2021 %
Mayne Nickless Incorporated	United States	100	100
Symbion Holdings (UK) Ltd	United Kingdom	100	100
Wellness Holdings Pty Ltd	Australia	100	100
MB Healthcare Pty Ltd	Australia	100	100
Albany Day Hospital Pty Ltd	Australia	100	100
Bendigo Day Hospital Pty Ltd <sup>8</sup>	Australia	100	0
Bunbury Day Surgery Pty Ltd	Australia	100	100
Felpet Pty Ltd	Australia	100	100
Montserrat Healthcare Pty. Ltd	Australia	100	100
Montserrat Medical Services Pty Ltd	Australia	100	100
Murdoch Haematology & Oncology Clinic Pty Ltd <sup>9</sup>	Australia	100	0
Western Breast Clinic Pty Ltd	Australia	100	100
Western Haematology & Oncology Clinics Pty Ltd	Australia	60	60
Murdoch Private Hospital Pty Ltd <sup>10</sup>	Australia	100	0
North Lakes Day Hospital Pty Ltd	Australia	100	100
Oxford Medical Pty Ltd	Australia	100	100
The Oxford Unit Trust	Australia	100	100
Peel Private Development Pty Ltd	Australia	100	100
Windermere House Pty Ltd	Australia	100	100
Montserrat DH Pty Ltd	Australia	100	100
Brookvale Day Hospital Pty Ltd	Australia	100	100
PHC (No. 01) Pty Ltd	Australia	100	100
Transport Security Insurance (Pte) Limited	Singapore	100	100

<sup>1</sup> Crystal Eye Clinic (WA) Pty Ltd changed ownership from Montserrat DH Pty Ltd to Idameneo (No.789) Limited on 10 May 2022.

<sup>2</sup> Entity acquired on 1 July 2021.

<sup>3</sup> Entity acquired on 31 January 2022.

<sup>4</sup> Name changed from Specialist Diagnostic Services Pathology (India) Private Limited to Healius Pathology India Private Limited on 20 June 2022.

<sup>5</sup> Entity has a 31 March year end.

<sup>6</sup> Entity has a 31 December year end.

<sup>7</sup> Name changed from PHC Employee Share Acquisition Plan Pty Ltd to HLS Employee Share Acquisition Plan Pty Ltd on 20 June 2022.

<sup>8</sup> Entity incorporated on 10 May 2022.

<sup>9</sup> Entity incorporated on 11 October 2021.

<sup>10</sup> Entity incorporated on 16 September 2021.

Refer to Note E2 for the subsidiaries that the Group has ceased control of during the current and prior year.

All entities are domiciled in their country of incorporation. No controlled entities carry on material business operations other than in their country of incorporation.

# Notes to the financial statements

## for the year ended 30 June 2022

### D2. Deed of cross guarantee

Pursuant to ASIC Corporations Instrument (Wholly-owned Companies) Instrument 2016/785, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

It is a condition of the Instrument that the relevant holding entity and each of the relevant subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that each holding entity guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries in each Group under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the *Corporations Act 2001*, each holding entity will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that each holding entity is wound up.

#### HEALIUS GROUP – DEED OF CROSS GUARANTEE

Healius Limited has entered into a Deed of Cross Guarantee with certain of its wholly-owned subsidiaries. The holding entity and subsidiaries, subject to the Deed of Cross Guarantee as at 30 June 2022 are as follows:

ACN 138 935 403 Pty Ltd	HLS Pathology Holdings Pty Ltd
Albany Day Hospital Pty Ltd	Idameneo (No. 124) Pty Ltd
Brookvale Day Hospitals Pty Ltd	Idameneo (No.789) Limited
Bunbury Day Surgery Pty Ltd	Integrated Health Care Pty Ltd
Crystal Eye Clinic (WA) Pty Ltd	MB Healthcare Pty Ltd
Digital Diagnostic Imaging Pty Ltd	Moaven & Partners Pathology Pty Ltd
Felpet Pty Ltd	Montserrat DH Pty Ltd
Former AP Pty Ltd	Montserrat Healthcare Pty Ltd
Former SDS Pty Ltd	Montserrat Medical Services Pty Ltd
Healius Limited (holding entity)	North Lakes Day Hospital Pty Ltd
Healius Pathology Pty Ltd	Oxford Medical Pty Ltd
Healius Training Institute Pty Ltd	Queensland Diagnostic Imaging Pty Ltd
Healthcare Imaging Services (SA) Pty Ltd	Queensland Medical Services Pty Ltd
Healthcare Imaging Services (Victoria) Pty Ltd	Specialist Haematology Oncology Services Pty Ltd
Healthcare Imaging Services (WA) Pty Ltd	Specialist Veterinary Services Pty Ltd
Healthcare Imaging Services Pty Ltd	Western Breast Clinic Pty Ltd
HLS Healthcare Holdings Pty Ltd	Windermere House Pty Ltd
HLS Imaging Holdings Pty Ltd	

Consolidated income statements and consolidated balance sheets, comprising holding entities and subsidiaries which are parties to the above Deed, after eliminating all transactions between parties to the Deed, at 30 June 2022 are materially consistent with the Group's consolidated statement of profit or loss and consolidated statement of financial position disclosed elsewhere in this financial report.

# Notes to the financial statements

for the year ended 30 June 2022

## D3. Parent entity disclosures

The accounting policies of the parent entity, Healius Limited, which have been applied in determining the information shown below, are the same as those applied in the consolidated financial statements except in relation to investments in subsidiaries which are accounted for at cost less any impairment losses in the financial statements of Healius Limited.

The summary statement of financial position of Healius Limited at the end of the financial year is as follows:

	2022 \$M	2021 \$M
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>Assets</b>		
Current	–	–
Non-current	2,287.2	2,208.2
<b>Total assets</b>	<b>2,287.2</b>	<b>2,208.2</b>
<b>Liabilities</b>		
Current	1.5	36.9
Non-current	605.8	263.7
<b>Total liabilities</b>	<b>607.3</b>	<b>300.6</b>
<b>Net assets</b>	<b>1,679.9</b>	<b>1,907.6</b>
<b>Equity</b>		
Issued capital	2,442.8	2,591.9
Accumulated losses	(783.4)	(701.9)
Other reserves	20.5	17.6
<b>Total equity</b>	<b>1,679.9</b>	<b>1,907.6</b>

The statement of comprehensive income of Healius Limited for the financial year is as follows:

	2022 \$M	2021 \$M
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Profit for the year	15.9	103.6
Other comprehensive income	4.3	11.7
<b>Total comprehensive income</b>	<b>20.2</b>	<b>115.3</b>

### Parent company guarantees

Healius Limited had previously provided parent company guarantees (PCGs) in relation to certain property leases entered into by Healius Primary Care (HPC). As part of the sale of the HPC business the majority of these PCGs were extinguished. As at 30 June 2022 the value provided by Healius to certain landlords of Healius Primary Care in relation to property leases was \$9.8 million. Refer to Note E4 for further details.

# Notes to the financial statements

for the year ended 30 June 2022

## E. Other disclosures

This section contains details of other items required to be disclosed in order to comply with accounting standards and other pronouncements.

## E1. Notes to the statement of cash flows

	NOTE	2022 \$M	2021 \$M
<b>Reconciliation of cash</b>			
For the purpose of the statement of cash flows, cash includes cash on hand and in banks.			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:			
Cash as disclosed in the statement of financial position		81.3	70.1
Cash classified as asset held for sale		–	2.6
<b>Cash as disclosed in the Group statement of cash flows</b>		<b>81.3</b>	<b>72.7</b>
<b>Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities</b>			
Profit for the year		307.9	43.7
Finance costs		50.7	99.2
Depreciation of plant and equipment		44.5	39.8
Depreciation of right of use assets		219.7	196.4
Amortisation of HCP upfronts		2.4	12.8
Amortisation of intangibles		14.3	14.1
Gain on sale of Adora	E2	(16.5)	–
Share-based payment expense		7.9	11.8
Deferred consideration		–	3.0
Loss on sale of Healius Primary Care	E2	–	8.3
Gain on derecognition of right of use assets		(0.5)	(5.2)
Loss on sale of property plant and equipment and intangibles		0.3	1.0
Net exchange differences		–	0.2
Other non-cash items		(1.3)	–
Increase/(decrease) in:			
Trade payables and accruals		(36.4)	(56.8)
Provisions		2.5	34.4
Deferred revenue		2.8	(0.8)
Income tax and deferred taxes		33.9	86.8
Decrease/(increase) in:			
Consumables		(12.4)	(8.9)
Receivables and prepayments		(33.0)	46.1
<b>Net cash provided by operating activities</b>		<b>586.8</b>	<b>525.9</b>

## NON-CASH INVESTING AND FINANCING

During the financial year Nil (2021: 265,634) shares were issued pursuant to the Short-Term Incentive Plan. These transactions are not reflected in the cash flow statement.

## FINANCING FACILITIES

Details of financing facilities available to the Group are provided at Note C5.

# Notes to the financial statements

for the year ended 30 June 2022

## E2. Discontinued operations

### (a) Healius Primary Care (HPC)

The Group sold HPC on 23 November 2020. The profit and loss impact of the disposal on the results to 30 June 2022 includes the income and costs incurred in relation to the Transitional Services Agreement that the Group has with HPC.

### (b) Adora IVF and Healius Day Surgeries Businesses (Adora)

In May 2021 Healius announced its intention to divest Adora and issued an Information Memorandum to interested parties. Consequently, Adora was accounted for as a discontinued operation in the 2021 financial year.

On 24 March 2022, the Group entered into a binding sale agreement with Liverpool Partners to sell Adora. The sale completed on 1 June 2022. The results of the business up until this date have been presented in the results from discontinued operations in the 2022 financial year.

The results of discontinued operations for the year are presented below:

	2022 \$M	2021 \$M
Revenue and other gains	27.6	134.8
Expenses	(28.7)	(130.4)
<b>Earnings before interest, tax and impairment</b>	<b>(1.1)</b>	4.4
Finance costs	(0.2)	(11.6)
<b>Loss before tax and impairment</b>	<b>(1.3)</b>	(7.2)
Impairment loss recognised on the remeasurement to fair value less costs to sell	–	(2.3)
Profit/(loss) on sale	16.5	(8.3)
<b>Profit/(loss) before tax from discontinued operations</b>	<b>15.2</b>	(17.8)
Income tax expense	(1.3)	(4.8)
<b>Profit/(loss) from discontinued operations</b>	<b>13.9</b>	(22.6)

The net cash flows of discontinued operations are:

	2022 \$M	2021 \$M
Operating	4.7	28.8
Investing	28.0	(16.5)
Financing	(1.0)	5.3
<b>Net cash inflow</b>	<b>31.7</b>	17.6

The profit/(loss) per share attributable to discontinued operations is as follows:

	2022 CENTS	2021 CENTS
Basic profit/(loss) per share from discontinued operations	2.4	(3.7)
Diluted profit/(loss) per share from discontinued operations	2.3	(3.6)



# Notes to the financial statements

for the year ended 30 June 2022

## E3. Taxation

### CURRENT TAX BALANCES

#### INCOME TAX

	2022 \$M	2021 \$M
Income tax payable is attributable to:		
Entities in the tax consolidated group	(65.5)	(45.2)
Other	(1.8)	(1.6)
	(67.3)	(46.8)

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be paid to or recovered from the taxation authorities based on the current year's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

### DEFERRED TAXATION

2022 \$M	1 JULY 2021 OPENING BALANCE	CREDITED/ (CHARGED) TO INCOME	ACQUISITIONS AND OTHER ADJUSTMENTS	30 JUNE 2022 CLOSING BALANCE
Receivables	(3.8)	(0.9)	(0.9)	(5.6)
Consumables	(10.4)	(3.9)	–	(14.3)
Prepayments	(1.2)	0.3	–	(0.9)
Property, plant and equipment	3.1	(6.9)	(0.9)	(4.7)
Right of use assets	(326.1)	6.7	(3.1)	(322.5)
Intangibles and capitalised costs	(1.1)	0.1	–	(1.0)
Entitlement offer	0.8	(0.4)	–	0.4
Payables	12.3	(4.6)	–	7.7
Provisions	51.7	3.6	0.9	56.2
Lease liabilities	353.2	(4.7)	3.3	351.8
Other financial liabilities <sup>1</sup>	2.2	0.1	(1.8)	0.5
Net temporary differences	80.7	(10.6)	(2.5)	67.6
Tax losses – revenue	1.5	(1.9)	1.6	1.2
<b>Deferred tax asset</b>	<b>82.2</b>	<b>(12.5)</b>	<b>(0.9)</b>	<b>68.8</b>

1 Other financial liabilities are credited to equity.

# Notes to the financial statements

for the year ended 30 June 2022

## E3. Taxation (continued)

2021 \$M	1 JULY 2020 OPENING BALANCE	CREDITED/ (CHARGED) TO INCOME	ACQUISITIONS AND OTHER ADJUSTMENTS	30 JUNE 2021 CLOSING BALANCE
Receivables	(13.8)	10.0	–	(3.8)
Consumables	(7.8)	(2.6)	–	(10.4)
Prepayments	(1.1)	(0.1)	–	(1.2)
Property, plant and equipment	8.4	(2.5)	(2.8)	3.1
Right of use assets	(263.1)	(63.0)	–	(326.1)
Intangibles and capitalised costs	(7.0)	2.6	3.3	(1.1)
Entitlement offer	1.2	(0.4)	–	0.8
Payables	16.4	(4.0)	(0.1)	12.3
Provisions	51.1	0.9	(0.3)	51.7
Lease liabilities	281.2	72.0	–	353.2
Other financial liabilities <sup>1</sup>	7.2	0.2	(5.2)	2.2
Net temporary differences	72.7	13.1	(5.1)	80.7
Tax losses – revenue	1.7	(0.2)	–	1.5
Deferred tax asset	74.4	12.9	(5.1)	82.2

<sup>1</sup> Other financial liabilities are credited to equity.

Deferred tax arises when there are temporary differences between the carrying amount of assets and liabilities and the corresponding tax base of those items. Deferred taxes are not recognised for temporary differences relating to:

- the initial recognition of assets and liabilities that is not a business combination which affects neither taxable income nor accounting profit
- the initial recognition of goodwill, and
- investments in subsidiaries where the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that future taxable amounts will be available against which the assets can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted by reporting date.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### TAX CONSOLIDATION

Healius Limited and its wholly-owned Australian entities elected to form an income tax consolidated group as of 1 July 2002.

The entities in the income tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the entities' joint and several liability in the case of an income tax payment default by the head entity, Healius Limited.

The entities continue to adopt the stand-alone taxpayer method in measuring current and deferred tax amounts for each entity, as if it continued to be a taxable entity in its own right.

The entities have also entered into a tax funding agreement under which the entities fully compensate Healius Limited for any current income tax payable assumed and are compensated by Healius Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Healius Limited under the income tax consolidation legislation.

## E4. Contingent liabilities

	2022 \$M	2021 \$M
<b>Guarantees</b>		
Workers compensation statutory requirement	22.6	19.6
Property related <sup>1</sup>	32.7	34.6
	55.3	54.2

<sup>1</sup> \$9.8 million (2021: \$19.8 million) relates to parent company guarantees.

# Notes to the financial statements

## for the year ended 30 June 2022

### E5. Share-based payments

The Group uses Options, Performance Rights and Service Rights to remunerate senior executives.

Options and Performance Rights are subject to both service and performance conditions whilst Service Rights are subject to service conditions only. Options and Rights will vest if the relevant conditions are met. Details of service conditions and performance conditions for each share based payment plan are set out below.

Options and Rights carry no rights to dividends and no voting rights.

If a participant ceases employment, any unvested Options or Rights will lapse unless otherwise determined by the Board.

The Group operate the following share based payment plans:

#### (a) Transformation Long Term Incentive Plan (TLTIP) – Options Plan

The purpose of the TLTIP is to retain and motivate the executive team to deliver over the term of the strategic plan. The strategic plan aims to deliver a sustainable increase in shareholder returns over time. The key components of the TLTIP are a close alignment to cumulative shareholder returns and a measurement period of up to five years.

For members of the executive leadership team (that is the CEO and direct reports to the CEO) (ELT), the TLTIP was granted in the form of Options, with a one-off grant of Options to cover a three-year period from FY 2020 with Options exercisable in equal tranches at the end of FY 2022, FY 2023 and FY 2024. The vesting of the Options is subject to continued employment throughout the relevant measurement period and the following performance conditions:

- For the CEO, CFO/COO and ELT members in functional roles, Earnings Per Share (EPS) growth and relative Total Shareholder Return (rTSR), split 2/3 to 1/3 between EPS growth and rTSR, or
- For ELT members who are Chief Executives of operational divisions, divisional Earnings Before Interest and Tax (EBIT) growth as well as EPS growth and rTSR, split 40%/20%/40% between EPS growth, rTSR and EBIT growth.

The Options granted in FY 2020 are allocated evenly to three tranches with the measurement period being 1 July 2019 to 30 June 2022 (three years) for Tranche 1, 1 July 2019 to 30 June 2023 (four years) for Tranche 2 and 1 July 2019 to 30 June 2024 (five years) for Tranche 3.

Retesting of performance conditions will not occur under any of these awards.

The relevant Exercise Date for each tranche is:

- Tranche 1: the day following the release of the FY 2022 results
- Tranche 2: the day following the release of the FY 2023 results, and
- Tranche 3: the day following the release of the FY 2024 results.

On vesting, an Option may be exercised by the participant on the relevant Exercise Date for the Exercise Price. On exercise, one fully paid ordinary Share in the Company is issued for each exercised Option. For the FY 2020 Options Plan the Exercise Price for all three tranches of Options is the standard volume weighted average price (VWAP) for the Company's shares for the 10 trading days following 1 July 2019 which was \$3.05. The Options must be exercised on the relevant Exercise Date as set out above. The Board may determine to allow a cashless exercise of Options.

Further details of the TLTIP Options Plan can be found in the Remuneration Report.

#### (b) Long Term Incentive Plan (LTIP) and previously Transformation Long Term Incentive Plan (TLTIP) – Performance Rights Plans

In FY 2022 and FY 2021, Performance Rights were granted under the LTIP to senior executives other than members of the ELT (the ELT held Options under the TLTIP as discussed above). In FY 2020, Performance Rights were granted under the TLTIP to senior executives other than members of the executive leadership team, who were granted Options under the TLTIP as discussed above.

The Performance Rights are subject to continued employment throughout the measurement period and the following performance conditions:

- In FY 2022 the Performance Rights are subject to EPS growth and rTSR performance conditions (split 2/3 to 1/3 between EPS growth and rTSR), and
- In FY 2021 and FY 2020:
  - for executives in functional roles, the Performance Rights are subject to EPS growth and rTSR performance conditions (split 2/3 to 1/3 between EPS growth and rTSR), or
  - for executives in operational divisions, the Performance Rights are subject to divisional EBIT growth, EPS growth and rTSR performance conditions (split 40%/20%/40% between EPS growth, rTSR and EBIT growth).

The measurement period for Performance Rights granted under the FY 2022 award is three years: 1 July 2021 to 30 June 2024 (FY 2021 award: 1 July 2020 to 30 June 2023).

# Notes to the financial statements

## for the year ended 30 June 2022

### E5. Share-based payments (continued)

Retesting of performance conditions will not occur under any of these awards.

Each Performance Right is an entitlement to one fully paid ordinary Share in Healius. On vesting, a Performance Right is exercised automatically for nil consideration and one fully paid ordinary Share in the Company is allocated to the participant; this allocation may be by way of issue or on-market purchase.

#### (c) Short Term Incentive Plan (STIP)

The purpose of the STIP is to motivate senior executives to achieve the short-term annual objectives linked to Company success and shareholder value creation, and to create a strong link between performance and reward. Awards made under the STIP are subject to various financial and non-financial performance conditions (KPIs) measured over a 12 month period ending 30 June.

In FY 2021, the ELT received two-thirds of any STIP award in cash and one-third in equity in the form of Service Rights subject to a service period of 12 months following the end of the measurement period. Each Service Right is an entitlement to one fully paid ordinary Share in Healius. On vesting, Service Rights are exercised automatically for nil consideration and convert to fully paid ordinary Shares in the Company.

For all other participants in the STIP the nature of any award (cash or equity) was at the discretion of management.

Set out below are summaries of the equity instruments granted under each of the plans as at 30 June 2022:

DESCRIPTION	GRANT DATE <sup>1</sup>	BALANCE AS AT 1 JULY 2021 NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	FORFEITED DURING THE YEAR NUMBER <sup>2</sup>	BALANCE AS AT 30 JUNE 2022 NUMBER
FY 2019 LTIP	1 March 2019	4,858,579	–	4,390,678	467,901	–
FY 2020 TLIP – Options	28 February 2020	33,816,116	–	–	–	33,816,116
FY 2020 LTIP – Rights	20 March 2020	1,473,325	–	–	–	1,473,325
FY 2021 LTIP	26 October 2020	1,284,313	178,590	–	–	1,462,903
FY 2021 STIP – Rights	20 October 2021	–	228,341	–	–	228,341
FY 2022 LTIP	21 May 2022	–	2,024,047	–	–	2,024,047

<sup>1</sup> Grant date has been determined in accordance with the requirements of AASB 2 *Share based Payment*. These dates may differ from the dates on which notice was given to the ASX of the proposed issue of securities.

<sup>2</sup> Options and Performance Rights forfeited will generally remain on the Company's Options Register until the Exercise Date for the relevant Options or Performance Rights tranche, at which time they will lapse. Unlisted securities may be treated as forfeited for the purpose of calculating share based payments in the case of departed employees, whilst those securities remain on the Register until the relevant Exercise Date, at which they are formally lapsed on the Register. As at 30 June 2022, there were 2,578,123 Options and 588,781 Rights forfeited however still maintained on the Company's Register. These forfeited securities are included in Note C2 (Issued Capital) but are not included in the table above.

#### FAIR VALUE OF RIGHTS GRANTED

The fair value of the Options and Performance Rights granted under the FY 2022, FY 2021 and FY 2020 Plans were estimated at the grant date using a Monte-Carlo simulation model taking into account the terms and conditions on which the Options and Performance Rights were granted including the rTSR performance condition where applicable. As the EPS and EBIT performance conditions are non market conditions they are not taken into account when determining the fair value of the Options and Performance Rights but rather are considered when determining the number of Options and Performance Rights that will ultimately vest.

The fair values of Rights granted during the year are set out below:

DESCRIPTION	TRANCHE	GRANT DATE	MEASUREMENT PERIOD	GRANT DATE FAIR VALUE PER RIGHT \$
FY 2022 TLIP – Performance Rights	EPS	21 May 2022	1 July 2021 to 30 June 2024	3.87
FY 2022 TLIP – Performance Rights	rTSR	21 May 2022	1 July 2021 to 30 June 2024	1.67
FY 2021 STIP – Service Rights	12 month service period	20 October 2021	N/A	4.79

#### ACCOUNTING POLICY

Options and Performance Rights granted to employees are measured at the fair value of the equity instruments at the grant date. The fair value is recognised as an employee benefits expense on a straight-line basis over the vesting period with a corresponding increase in the share based payments reserve. The fair value of the Rights granted includes any market performance conditions such as rTSR and the impact of any non-vesting conditions, but excludes the impact of service and non market performance conditions such as EPS growth, EBIT growth and ROIC.

At the end of each reporting period, in relation to service and non market performance conditions, the Group revises its estimate of the number of Options and Rights that are expected to vest. The impact of the revision to the original estimate, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share based payments reserve.

# Notes to the financial statements

for the year ended 30 June 2022

## E6. Related party disclosures

### TRANSACTIONS WITHIN THE WHOLLY-OWNED GROUP

Loans between wholly-owned entities in the Group are repayable at call. If both parties to the loan are within the same tax consolidated Group, no interest is charged on the loan. If this is not the case, interest is charged on the loan at normal commercial rates.

During the financial year rental of premises occurred between wholly-owned entities within the Group at commercial rates.

## E7. Key Management Personnel disclosures

### KEY MANAGEMENT PERSONNEL COMPENSATION

Key Management Personnel (KMP), including Non-executive Directors, compensation details are set out in the Remuneration Report section of the Directors' Report.

	2022 \$000	2021 \$000
Short-term employee benefits	5,410	6,553
Post-employment benefits	156	150
Other long-term employee benefits	74	103
Termination payments	–	–
Share-based payments	4,729	5,391
	10,369	12,197

### TRANSACTIONS WITH PAUL JONES

In FY 2021 the Group provided medical centre management services (Services) to Dr Paul F Jones Pty Limited, a company controlled by Dr Paul Jones, a Non-executive Director of Healius. The Services were provided to Dr Jones' general medical practice, which is conducted at one of Healius' former medical centres, on ordinary arm's length terms. These services ceased following the sale of Healius Primary Care.

The Service fees received by the Group for FY 2021 was \$44,831. This Service fee revenue was accounted for by Healius in the same way as revenue from other healthcare practices.

There were no amounts payable or receivable as at 30 June 2022 (30 June 2021: \$nil).

### OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

From time to time, KMPs (and their personally-related entities) enter into transactions with entities in the Group, including the use or provision of services under normal customer, supplier or employee relationships. These transactions:

- Occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the Group would have adopted if dealing with the KMP or their personally-related entity at arm's length in the same circumstances
- do not have the potential to adversely affect decisions about the allocation of scarce resources made by users of the financial report, or the discharge of accountability by the KMP, and
- are trivial or domestic in nature.

# Notes to the financial statements

for the year ended 30 June 2022

## E8. Remuneration of auditor

	2022 \$000	2021 \$000
<b>Fees to Ernst &amp; Young (Australia)</b>		
Fees for auditing the statutory financial report of the Group	745	789
Fees for other assurance and agreed-upon-procedures services		
Internal controls and compliance	5	27
<b>Fees for other services</b>		
Tax consulting	142	56
Due diligence	413	300
Advisory	–	27
<b>Total fees to Ernst &amp; Young (Australia)</b>	<b>1,305</b>	<b>1,199</b>
<b>Fees to overseas member firms of Ernst &amp; Young (Australia)</b>		
Fees for auditing the financial report of the Group's controlled entities	37	46
<b>Fees for other services</b>		
Tax consulting	18	6
<b>Total fees to overseas member firms of Ernst &amp; Young (Australia)</b>	<b>55</b>	<b>52</b>
<b>Total auditor's remuneration</b>	<b>1,360</b>	<b>1,251</b>

## E9. Businesses acquired

### AXIS DIAGNOSTIC HOLDINGS PTY LTD

On 1 July 2021 the Group acquired 100% of the issued capital of Axis Diagnostic Holdings Pty Ltd, the parent entity of the Axis Group (Axis). Axis is a high-quality Queensland-based imaging business. The acquisition accounting for Axis has been finalised. The fair values of the identifiable assets and liabilities, as at the date of acquisition, are presented below.

### AGILEX BIOLABS PTY LTD

On 31 January 2022 the Group acquired 100% of the issued capital of Agilex Biolabs Pty Ltd (Agilex). Agilex is one of Australia's leading bioanalytical laboratories, with 25 years' experience in providing bioanalysis services to meet the clinical trial needs of biotech and pharmaceutical companies.

The provisional goodwill amount of \$286.7 million is attributable to the expected benefits arising from the acquisition.

The initial accounting for the Agilex business combination has been performed on a provisional basis because the identification and fair value measurement of the assets and liabilities remains ongoing. The provisional fair values of the identifiable assets and liabilities, as at the date of acquisition, are presented below.

	AXIS \$M	AGILEX \$M
Current assets	0.6	10.4
Non-current assets	1.6	19.2
Current liabilities	(0.8)	(11.0)
Non-current liabilities	(0.1)	(12.5)
<b>Total identifiable net assets at fair value</b>	<b>1.3</b>	<b>6.1</b>
Goodwill arising on acquisition	14.9	286.7
<b>Total consideration</b>	<b>16.2</b>	<b>292.8</b>
Less: Deferred consideration	(3.3)	–
Add: Purchase price adjustments	–	0.2
<b>Cash paid to vendors on acquisition</b>	<b>12.9</b>	<b>293.0</b>
Less: Cash acquired	(0.3)	(2.3)
<b>Net cash transferred on acquisition</b>	<b>12.6</b>	<b>290.7</b>



# Notes to the financial statements

for the year ended 30 June 2022

## E10. Adoption of new and revised standards

### STANDARDS AFFECTING AMOUNTS REPORTED IN THE CURRENT PERIOD (AND/OR PRIOR PERIODS)

A number of amendments to Standards issued by the Australian Accounting Standards Board (AASB) and Interpretations are applicable for the first time in the 2022 financial year, however adoption does not have a material impact on the disclosures or amounts recognised in the consolidated financial statements of the Group.

### STANDARDS ON ISSUE NOT YET ADOPTED

At the date of authorisation of the financial statements, a number of Standards and Interpretations were on issue but not yet effective for the Group. In the Directors' opinion, the Accounting Standards on issue but not yet effective, will not have a material impact on the amounts reported by the Group in future financial periods.

## E11. Subsequent events

Since the end of the reporting period the Group has decided to sell the Day Hospitals business in its entirety. The sale process was initiated in July 2022 when an Information Memorandum was distributed to potential buyers, and is expected to be completed in the 2023 financial year.

Other than the event described above, there has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

# Shareholder information

## Number of shareholders

As at 31 August 2022, there were 569,435,248 fully paid ordinary Shares held by 15,096 shareholders.

## Distribution of ordinary Shares as at 31 August 2022

NUMBER OF SHARES HELD	INDIVIDUALS
1–1,000	5,431
1,001–5,000	6,226
5,001–10,000	2,029
10,001–100,000	1,346
100,001–999,999,999	64
<b>Total</b>	<b>15,096</b>

1,122 shareholders hold less than a marketable parcel of Shares.

## Number of Rights holders

As at 31 August 2022, there were 4,960,275 Rights held by 58 persons.

## Distribution of Rights as at 31 August 2022

NUMBER OF RIGHTS HELD	INDIVIDUALS
1–1,000	0
1,001–5,000	0
5,001–10,000	4
10,001–100,000	35
100,001–999,999,999	19
<b>Total</b>	<b>58</b>

# Shareholder information

## Number of Options holders

As at 31 August 2022, there were 33,816,116 Options held by eight persons.

## Distribution of Options as at 31 August 2022

NUMBER OF OPTIONS HELD	INDIVIDUALS
1–1,000	0
1,001–5,000	0
5,001–10,000	0
10,001–100,000	0
100,001–999,999,999	8
<b>Total</b>	<b>8</b>

## Securities Exchange Listing

Healius Limited is a listed public company, incorporated and operating in Australia. The Shares of Healius Limited are listed on the Australian Securities Exchange Limited (ASX) under the code "HLS".

## Voting Rights

Votes of members are governed by Healius' Constitution. In summary, each member is entitled either personally or by proxy or attorney or representative, to be present at any general meeting of Healius and to vote on any resolution on a show of hands or upon a poll. Every member present in person, by proxy or attorney or representative, has one vote for every Share held.

Healius fully paid ordinary Shares carry voting rights of one vote per Share.

Healius Options carry no voting rights.

Healius Rights carry no voting rights.

# Shareholder information

## Top 20 shareholders as at 31 August 2022

RANK	NAME	SHARES	% OF SHARES
1.	HSBC Custody Nominees (Australia) Limited	198,479,240	34.86
2.	Citicorp Nominees Pty Limited	101,183,349	17.77
3.	J P Morgan Nominees Australia Pty Limited	90,379,207	15.87
4.	National Nominees Limited	41,496,199	7.29
5.	BNP Paribas Noms Pty Ltd <DRP>	25,266,177	4.44
6.	Argo Investments Limited	19,132,634	3.36
7.	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	3,168,078	0.56
8.	Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	2,830,728	0.50
9.	RinRim Pty Ltd	2,392,047	0.42
10.	Citicorp Nominees Pty Ltd <Colonial First State Inv A/C>	2,340,989	0.41
11.	Brispot Nominees Pty Ltd <House Head Nominee A/C>	2,085,603	0.37
12.	BNP Paribas Noms Pty Ltd <Global Markets DRP>	1,233,546	0.22
13.	BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	838,813	0.15
14.	Dr Malcolm Parmenter	722,961	0.13
15.	Ecapital Nominees Pty Ltd <Accumulation A/C>	714,444	0.13
16.	Joromada Pty Ltd	700,000	0.12
17.	Merrill Lynch (Australia) Nominees Pty Ltd	682,338	0.12
18.	Netwealth Investments Limited <Wrap Services A/C>	656,266	0.12
19.	Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	649,430	0.11
20.	Mr Gregory Anthony Thomas Bateman	636,213	0.11
<b>Total</b>		<b>495,588,262</b>	<b>87.03</b>

## Substantial shareholders as at 31 August 2022

NAME	NUMBER OF FULLY PAID ORDINARY SHARES AS AT DATE OF EACH NOTICE	% OF TOTAL ISSUED CAPITAL AS AT THE DATE OF EACH NOTICE
Perpetual Limited <sup>1</sup>	53,696,389	9.27
Australian Retirement Trust Pty Ltd ATF Australian Retirement Trust <sup>2</sup>	42,908,937	7.41
Dimensional Entities <sup>3</sup>	30,485,918	6.04
Tanarra Capital Australia Pty Ltd and its related entities <sup>4</sup>	29,816,008	5.15
State Street Corporation and its related entities <sup>5</sup>	29,319,794	5.06
Vanguard Group <sup>6</sup>	29,004,002	5.00

<sup>1</sup> Substantial shareholder notice received by the Company on 2 September 2022 (date of change 31 August 2022).

<sup>2</sup> Substantial shareholder notice received by the Company on 8 August 2022.

<sup>3</sup> Substantial shareholder notice received by the Company on 6 December 2013.

<sup>4</sup> Substantial shareholder notice received by the Company on 8 June 2022.

<sup>5</sup> Substantial shareholder notice received by the Company on 3 August 2022.

<sup>6</sup> Substantial shareholder notice received by the Company on 27 July 2022.

## Auditor

**Ernst & Young**  
The EY Centre  
200 George Street  
SYDNEY NSW 2000

# Financial calendar

## 2022

Half year results announcement	23 February
Record date for interim dividend	25 March
Interim dividend paid	5 April
Year end	30 June
Full year results announcement	30 August
Record date for final dividend	8 September
Final dividend payable	21 September

## 2023

Half year results announcement	22 February
Year end	30 June
Full year results announcement	30 August

# Corporate information

## Company's Registered Office

Level 22  
161 Castlereagh Street  
SYDNEY NSW 2000  
(02) 9432 9400

## Company's Principal Administrative Office

(and location of Register of Option Holders)

Level 22  
161 Castlereagh Street  
SYDNEY NSW 2000  
(02) 9432 9400

## Share Registry

(and location of Register of Rights Holders)

### **Computershare Investor Services Pty Ltd**

Level 3, 60 Carrington Street  
SYDNEY NSW 2000  
GPO Box 7045  
SYDNEY NSW 1115  
Sydney Office: (02) 8234 5000  
Investor enquiries: 1300 855 080



# Our brands

Healius' businesses operate a number of brands across Australia representing quality, affordability and accessible care. We are developing number of new brands with a shared aim of becoming the best customer-centric organisation in healthcare in Australia. Our current brands are set out below:

## Pathology



## Imaging



## Day Hospitals



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