healius

ANNUAL REPORT 2020

For personal use only



Pathology

Imaging

Day Hospitals

Wellbeing at scale

HEALIUS LIMITED
ACN 064 530 516

Contents

01 Overview

About Healius 2
A market leading network 4
Our strategy 6
Key milestones 8
Healius supporting communities during COVID-19 10
Medical Centres 12

02 The year in review

Chair and CEO's letter 14
Group performance 16
Pathology 24
Imaging 26
Day Hospitals 28

03 Directors & senior management

Board of Directors 30
Executive Leadership Team 32
Risk management 34

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 80

06 Other information

Shareholder information 119
Financial calendar IBC
Corporate information IBC

For personal use only



For personal use only

The greatest care

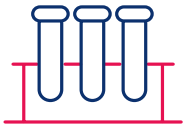
...for the greatest number



For personal use only

About Healius

Today Healius has three main businesses – Pathology, Imaging and Day Hospitals/IVF – and Healius Primary Care (which includes Healius' GP and Dental businesses and Health & Co), which is held for sale. Through its unique footprint of centres and 12,500 employees, Healius provides diagnostic services to consumers and their referring practitioners, as well as enabling a range of independent healthcare professionals to deliver patient care in partnership with Healius' nurses and support staff.



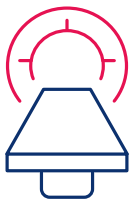
Pathology

Healius' Pathology division, Specialist Diagnostic Services or SDS, is one of Australia's leading providers of private medical laboratory and pathology services.

SDS operates around 100 medical laboratories and over 2,100 patient collection centres across metropolitan, regional and remote Australia. SDS employs around 200 specialist pathologists and over 6,000 scientists, technicians, collectors and team members. Each year, it provides one in every three pathology services in Australia, extending from exclusively servicing some of Australia's largest and most complex private and public hospitals to small and remote Australian Aboriginal communities.

SDS provides leading medical laboratory and pathology services covering key diagnostic activities of anatomical pathology (histopathology and cytology), clinical pathology (biochemistry, haematology, immunology and microbiology), genomic diagnostics and veterinary pathology.

It offers these services through a variety of state-based and specialty brands. These include QML, Laverty, Dorevitch and Western Diagnostic Pathology which operate in Queensland, NSW, Victoria and South Australia, Western Australia and Northern Territory respectively. Key specialty brands include Genomic Diagnostics, Australia's largest non-government diagnostic genetic sequencing facility.



Imaging

Healius' Imaging division, through its brand Healthcare Imaging Services or HIS, operates a network of sites across the country, in partnership with around 120 independent radiologists.

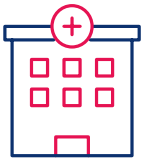
HIS manages over 140 sites in total, comprised of stand-alone community imaging centres, and imaging facilities located within Healius Primary Care's medical centres and private and public hospitals.

HIS provides professional and support services to radiologists enabling them to focus on the provision of quality care for their patients. HIS employs a highly-trained team of radiographers, sonographers, nuclear medicine technologists, nurses, centre support staff and corporate staff. 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).

The radiologists undertake a range of imaging services including specialist women's health, cardiac, neurology, vascular, musculoskeletal and dental imaging. Around three million radiography examinations are conducted in Healius' sites each year.

For personal use only

With the announced sale of Healius Primary Care in June 2020, we will transition out of the medical centres and dental businesses towards the end of 2020. Moving forward Healius will focus on its specialist diagnostic businesses – pathology and imaging – along with day hospitals and IVF.



Day Hospitals

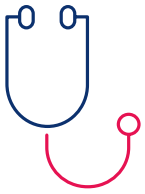
The Day Hospitals business comprises 15 day hospitals, 11 of these are stand alone and four Healius Day Hospitals are located within medical centres, all operating under the Montserrat brand. Healius operates four IVF clinics.

Montserrat

Driven by improving surgical technology and superior patient outcomes, the healthcare industry is experiencing a shift away from higher cost overnight procedures towards day hospital procedures, with the number of private day hospital admissions doubling in the last 10 years. This trend is likely to accelerate. Montserrat is a unique and high quality business with well-run facilities that are strategically located and accessible to both specialists and patients. The business provides a platform to diversify funding in non-Medicare revenues. With its combination of day hospitals and haematology/oncology clinics, it also delivers benefits and integration opportunities to the pathology and IVF businesses.

Adora Fertility

Healius' IVF business model, which brings together a team of IVF specialists, GPs, nurses and scientists, has been disrupting the IVF sector since 2014. The business has four major clinics around the country and is now expanding its footprint to include satellite clinics that enable wider access to high quality and affordable fertility services for couples residing outside major treatment centres.



Medical Centres

Healius Primary Care (held for sale)

Healius partners with independent general practitioners (GPs), dentists, specialists and other healthcare professionals (HCPs) who address both acute and chronic conditions in their patients. Healius provides a range of professional and support services to HCPs enabling them to focus on the provision of quality care for their patients. Healius has 69 Medical Centres[1] across Australia which are generally open 365 days a year, 7am to 10pm, and offer appointments and walk-in services. The majority of services provided by the independent HCPs in these centres are bulk billed.

Healius' large-scale, multi-disciplinary Medical Centres are equipped with treatment rooms, nursing support, pathology and radiology. Many centres have a range of specialist services including: Dental, Physiotherapy, Occupational Health, Allied Health Services, IVF, Eye Specialists, Skin Specialists, Skin Cancer checks and consultant Specialist Doctors.

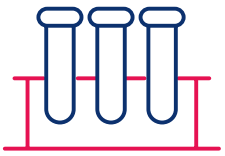
Health & Co is the brand under which Healius has built a network of 13 established GP practices. Health & Co partners with independent doctors who want to continue to run their practices with the benefits of its support, helping these owners to further build their businesses through smarter services and network advantages.

Primary Dental is Healius' dental business and is one of the top four dental operators in the country. The dental centres are situated within Healius Medical Centres in 62 locations across the country and offer accessible and affordable dental services.

1 Four small scale medical centres are in the process of being closed.

For personal use only

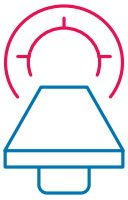
A market leading network



2,234

Pathology sites

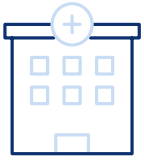
2,137 ACC[1]
97 LABORATORIES



146

Imaging sites

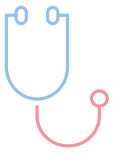
31 HOSPITALS
61 COMMUNITY CENTRES
54 MEDICAL CENTRES



15

Day Hospitals sites

15 MONTSERRAT
4 IVF CLINICS



Medical Centres [2]

1 Approved Collection Centres.
2 69 Medical Centres, 13 Health & Co and 62 Dental businesses held for sale. Four other small scale medical centres have been retained by Healius and are in the process of being closed.

For personal use only

WA
213 SITES

202	Pathology
6	Day Hospitals
5	Imaging

QLD
653 SITES

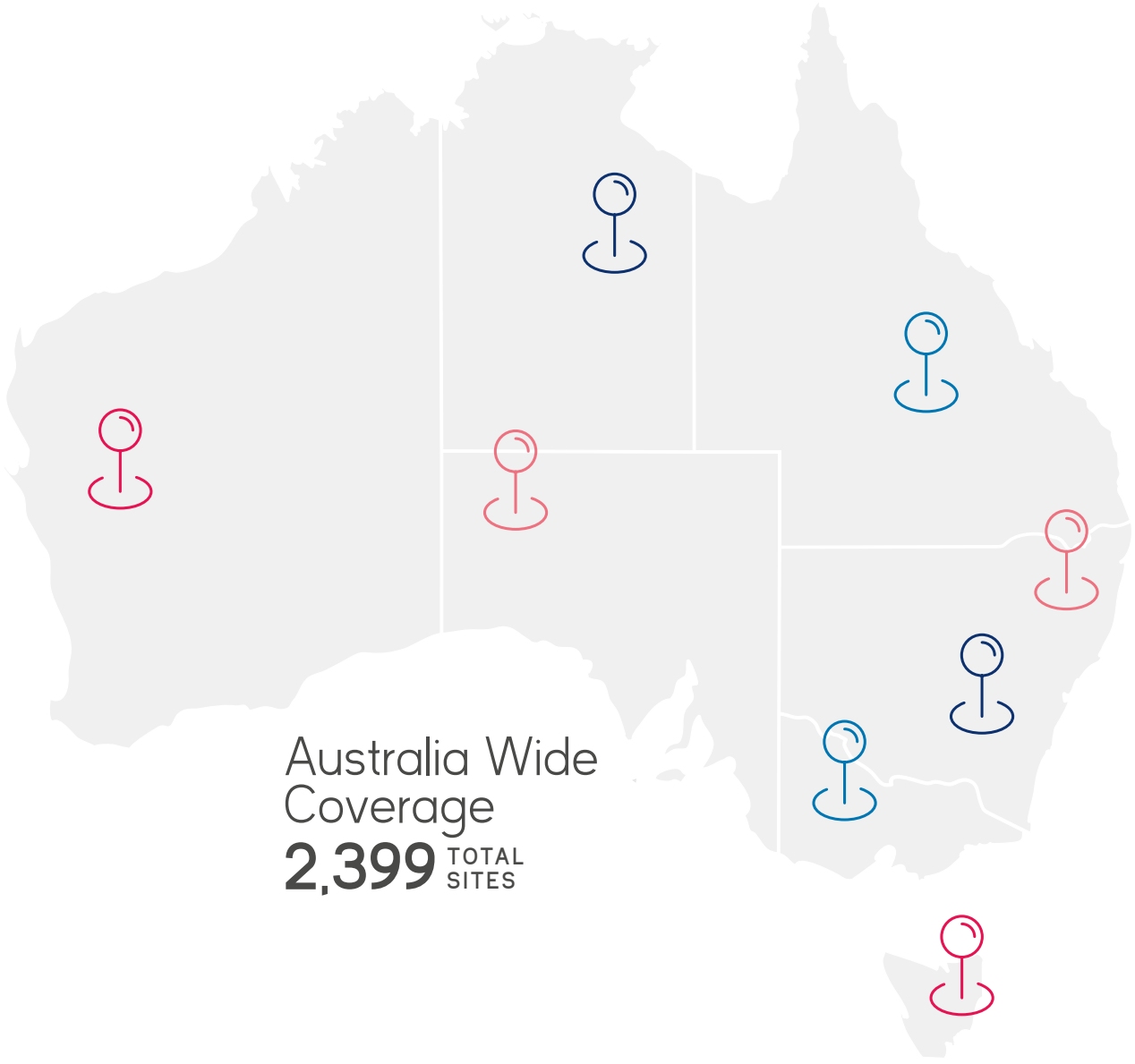
614	Pathology
6	Day Hospitals
33	Imaging

NSW
778 SITES

712	Pathology
2	Day Hospitals
64	Imaging

VIC
623 SITES

587	Pathology
1	Day Hospital
35	Imaging



Australia Wide Coverage
2,399 TOTAL SITES

SA
47 SITES

41	Pathology
6	Imaging

NT
17 SITES

17	Pathology

TAS
28 SITES

28	Pathology

ACT
36 SITES

33	Pathology
3	Imaging

As at July 2020.

For personal use only

Our strategy



Through accessible, high-quality, consumer-centric healthcare services, Healius is committed to delivering excellence in healthcare in Australia and creating value for consumers, employees, investors and the many communities in which it operates.

For personal use only

Streamlined portfolio

From FY 2021 onwards, with the completion of the sale of Healius Primary Care, Healius will focus on being a specialist diagnostics company with a growing day hospitals business leveraging its established market positions and scalable businesses with a clear pathway to enhanced shareholder value.

Healius will have balance sheet flexibility, low leverage and a high level of liquidity together with significantly reduced requirements for capital expenditure.

Being the second and third largest player in Pathology and Imaging respectively in Australia, Healius will be able to build on its strong brands, clinical leadership and established network with targeted investment for inorganic growth. It will look to invest in Day Hospitals, a sector with economic, technological and regulatory tailwinds, where short-stay multi-clinician facilities offer a low-cost and clinically-equivalent alternative to traditional overnight hospital care.

Healius has already undertaken an organisational review which has seen the management structure simplified, the divisions more autonomous and the group functions more efficient. It will complete the right-sizing of its support function cost base to reflect its smaller and more streamlined portfolio, with targeted savings of $15 million in overheads by the end of FY 2022.

Sustainable Improvement Program

The Sustainable Improvement Program (SIP) was introduced in late FY 2019 to systematically reduce costs and improve efficiencies across the Group. To-date it has served to reduce the cost inflation inherent in the businesses.

From FY 2021, the SIP program aims to deliver real margin expansion, with a focus on addressing more complex but higher value structural improvements. Initiatives are focused in four major categories:

- **Digitisation and automation** – optimise revenue, via improved consumer experience and development of new markets, and drive cost savings, via standardisation and automation of processes.
- **Network optimisation** – rationalise network footprints in Pathology and Imaging including laboratories, collection centres, fleet of couriers, warehouses and imaging facilities.
- **Workforce management** – develop a better balance of workloads in the frontline operations and a dynamic rostering capability to more efficiently match supply and demand with the workforce.
- **Sourcing** – reduce costs of external spend, currently $750 million, by direct sourcing or re-tendering.

Strategy

Group	Pathology	Imaging	Day Hospitals
Sale of HPC[1] to deliver portfolio simplification, strengthen Balance Sheet and remove a capital intensive business	Revenue growth through commercial opportunities in COVID-19 testing and specialties	Revenue growth opportunities in hospital channel specialties and selective M&A	Montserrat – continued ramp-up of new sites and selective inorganic growth from M&A and greenfields
SIP[2] savings to-date offsetting growth in cost base. FY 2021 targeting margin expansion from more complex but higher value structural improvements	Network optimisation of ACC footprint based on value not volume	Network optimisation, particularly NSW community sites	Healius Day Hospitals – margin improvement initiatives to turnaround and deliver value
Utilise Balance Sheet for selective and targeted inorganic growth in Day Hospitals and Imaging	Digitisation of customer journey	Digitisation of customer journey	Adora Fertility – charging for selective services and making the customer journey accessible online to deliver profitable growth
	Updated LIS[3] pathway targeting lower cost and risk and better alignment of benefits	iCAR[4] effective completion delivering efficiencies and improved service	
	Workforce planning and rostering	Workforce planning and rostering	

1 Healius Primary Care.
2 Sustainable Improvement Program.
3 Laboratory Information System.
4 Imaging Core Application Refresh.

Key milestones



JUL 2019

Adora Fertility opens new flagship clinic, NSW

AUG 2019

John McKechnie appointed as Chief Executive Pathology

AUG 2019

Maxine Jaquet appointed as Chief Financial Officer

SEP 2019

Laverty Pathology, NSW opens Serum Work Area

For personal use only

For personal use only



NOV 2019

Ben Korst appointed as Chief Executive Day Hospitals

JUN 2020

Sale of Healius Primary Care business announced

New state-of-the-art imaging site opens at St George Specialist Centre, Kogarah, NSW

NOV 2019

Tax case for FY 2003 to FY 2007 decided in favour of Healius (subject to appeal)

APR 2020

COVID-19 testing collaboration with Minderoo Foundation announced

For personal use only

Healius supporting communities during COVID-19

With a priority to protect the health and safety of its people and the communities around Australia, Healius set up dedicated COVID-19 collection centres, diagnostic testing capability, GP isolation rooms and telehealth services.

As the global COVID-19 pandemic continued to develop in Australia, this brought a level of concern of the virus spreading through enclosed community spaces, which included waiting rooms in Healius' medical centres and collection centres.

Dedicated COVID-19 testing centres were rolled out across the Healius network, followed by pop-up drive-through testing clinics in convenient locations, within cities and regional towns by our state-based pathology brands: Laverty in NSW and ACT, QML Pathology in Queensland, Dorevitch Pathology in Victoria and Western Diagnostic Pathology in Western Australia.

These clinics were set up at short notice to provide fast and convenient testing of patients, with new clinics continuing to be rolled-out as required, supporting and servicing the health and safety of local communities. To watch the drive-through process in action, you can view it using the following link: https://vimeo.com/417505970/27c11b437a.

At the same time, our teams within the medical centres were also able to adapt GP consultations via a telehealth service. This allowed patients who may have been suffering from COVID-19 symptoms, or for chronic patients who require regular monitoring and may have been nervous about visiting their GP for face-to-face consultations, to undertake their consultation remotely. It also allowed the vulnerable GPs within the Healius network to provide patient consultations in a safe environment.

In response to the exponential growth in testing volumes from May onwards, Healius' capacity for testing COVID-19 has been increased including with equipment brought into Australia by the Minderoo Foundation. This was foremost in Victoria where Healius' Dorevitch Pathology operation partnered with the Department of Health and Human Services (DHHS) to provide testing to many of the public hospitals in metropolitan and regional Victoria, as well as private hospitals and direct to GP-referred patients. To service the needs of the DHHS and Australian community, Dorevitch Pathology increased COVID-19 testing capacity with laboratories in Victoria operating 24 hours per day, modifying its laboratories to enable more COVID-19 testing equipment to be installed and prioritising cases according to clinical needs to ensure optimal turnaround times, while maintaining its capacity to manage general pathology testing. As a result, over 50% of Dorevitch's COVID-19 test results were reported within 24 hours in Victoria in July 2020.

Laverty Pathology, NSW and QML Pathology, QLD have also increased laboratory testing capacity through the installation of new equipment as well as employing additional scientists, laboratory technicians and collectors to service the increased community testing volumes.

As the economy continues to open, our pathology business will be equipped to handle more testing for businesses, government and airlines when travel reopens.

For personal use only





Our IVF customers

ADORA FERTILITY

Our Adora Fertility clinics were closed during the four-week government-imposed shut-down of IVF centres due to COVID-19. During this period our Adora team rolled out a series of virtual webinar events as many patients were anxious about their IVF journey being put on hold. These webinars allowed existing and potential IVF patients to remain connected to their clinic and IVF team from the comfort and safety of their homes. The series of events were hosted by our experienced Fertility Specialists and National Medical Director, who spoke on a range of fertility topics and answered questions for around 200 potential new patients on the following:

- Initial Investigations and Treatment Options
- PCOS & Ovulation
- Assisted Reproductive Treatment
- Elective Egg Freezing

From May to July, IVF has bounced back with Adora seeing strong volumes and a high level of new patient enquiries.

Medical Centres

For personal use only

The Medical Centres division was the foundation upon which Healius was built and has grown to become a market leader with a unique and national footprint of large-scale centres.

1985 – Dr Edmund Bateman opened Warringah Mall 24 Hour Medical Centre in Brookvale, NSW offering a diversified range of services including dental, specialists, occupational health and integrated care.

1990 – Second Medical Centre opened – Chatswood Medical and Dental Centre, NSW.

2002 – First regional medical centre opens in Dubbo, NSW.

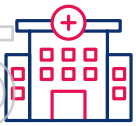
2003 – First medical centre outside NSW opens in Elizabeth, SA.

2008 – Primary Health Care acquired Symbion Group including Medical Centres.

2010 – 54th large scale medical centre opens.

2017 – Mixed billing network Health & Co commenced, first new medical centre in several years opened.

Medical Centres



Large scale centres

A mix of appointment and walk-in consultations offering a wide range of on-site services that provide quality, accessible and affordable care with longer opening times.



Bulk-billing

Services typically bulk-billed and high patient volumes with excess demand provide general practitioners with attractive earnings.



Catchment areas

Portfolio located in large and growing catchment areas with strong competitive positions.

Primary Dental

The Dental business is one of the top four dental operations in the country, with 62 dental locations. Healius Dental is focused on quality and affordable dental services.

Key features:



Co-location

Co-located with Medical Centres with high patient volumes and efficient delivery of services.



High quality care

Comprehensive service offering by dentists with a focus on providing high quality dental care.



Training

Strong training programs for dentists and staff.

For personal use only

SALE PROCESS

In February 2020, Healius announced a sale process for its Medical Centres and Dental businesses in line with its strategy to simplify the portfolio and focus on its diagnostic services and day hospitals.

The sale vehicle was called Healius Primary Care and included 69 Healius Medical Centres, 13 Health & Co clinics and 62 Primary Dental centres, 61 of which are located within the Healius Medical Centres, with four other small-scale centres retained by Healius which are in the process of being closed.

In June 2020, Healius announced the signing of a sale agreement with certain funds managed by BGH Capital for $500 million enterprise value which enabled the realisation of value for the Medical Centres not fully reflected in the historical share price.

Healius will continue to operate its existing pathology collection centres and imaging clinics located within the medical centres under long term leases at market rents.

In announcing the sale, Dr Malcolm Parmenter, Healius' CEO said: "This is a seminal moment in the history of Healius, which was founded as a medical centres business by Dr Edmund Bateman in 1985 and grew to over 86 medical centres, including the Health & Co clinics.

"Over the past few years we have transformed the operations of the business, with new and extended patient offerings, more flexible doctor contracts and updated facilities and systems. I am confident that, backed by the financial strength of BGH Capital, the business will continue to successfully serve the Australian community in the provision of quality, accessible and affordable frontline healthcare."

2018

Four new medical centres opened.

2019

Medical Centres rebrand to Healius. Introduced online appointments and several new services including skin and chronic disease management, and refreshed a number of medical centres as part of Project Leapfrog.

2020

Healius offers telehealth GP consultations during COVID-19 pandemic.

Health & Co

13 CENTRES

~10% FY 2020 REVENUE

~$2M AVERAGE REVENUE PER CENTRE

Smaller scale centres

With mainly appointment-based model and focus on general practitioner delivered services, offering longer patient consultation times and a mix of higher value services per patient.

Mixed billing centres

Allowing general practitioners to build patient following.

Chair and CEO's letter



Dear Shareholder,

We are pleased to present you with Healius' 2020 Annual Report. Healius aspires to be a purpose-led organisation caring for the health and wellbeing of Australians at every stage of life. Never has this purpose been so apparent than it has this year. From the day-to-day care that Healius' people deliver as they undertake their mission "to seek and sustain life enhancing healthcare", through to the key role we play in responding to the challenges of the COVID-19 pandemic, Healius really is here to support the health of Australia.

It has also been a year of intense corporate activity. In February 2020, we assessed and rejected an acquisition proposal by respected private equity firm Partners Group, on the basis that the offer did not adequately value our market leading businesses.

At the end of the year we also announced the sale of our Healius Primary Care business, which includes our medical centres and dental businesses, a seminal moment in our history but one core to the strategy of simplifying our portfolio.

COVID-19 impact

As a frontline healthcare provider, our overriding focus was, and continues to be, to play a key role in combating COVID-19. We made the decision early that preserving our frontline healthcare capacity and capability should be our prime focus. We responded quickly through setting up pathology drive-through testing centres, reworking our laboratories to expand COVID-19 testing capabilities, and creating GP isolation rooms and telehealth services, and most importantly, providing a safe environment for our people and patients.

We are grateful for the terrific response from our people. In addition to their huge effort in serving the community, their selfless participation in the various labour management initiatives kept our costs contained when revenue was reduced so swiftly in the early months of the pandemic. The Board and senior executives fully participated through pay reductions.

We are also grateful to our landlords who provided rental concessions and we received in the order of $7 million in delays or waivers.

The Federal Government provided $11 million of financial support to maintain our operating capacity and implement the Minderoo sourced testing equipment, increasing our capacity. This financial support offset a portion of our revenue decline from April when matters were at their worst. This enabled us to keep our remote and rural services operating and maintain our permanent staffing levels. We are very appreciative of this support and the strong working relationships we have developed with the public health authorities both Federally and in the States.

Without the collective support of our stakeholders, we would have necessarily undertaken further cost cutting measures including laying off staff, reducing services and inevitably reducing our capacity. As it was, we kept all our permanent staff on our payroll, including in Primary Dental and Adora IVF which were both required to cease operations for a period of time.

2020 in review

Looking at the financials, Healius delivered an Underlying Net Profit After Tax (NPAT) of $55.4 million for continuing operations for the year ended 30 June 2020 (FY 2020), compared to $70.3 million for the prior comparable period. Our businesses were tracking in line with guidance until mid-March 2020, with strong growth in revenue and earnings in Pathology, Imaging and Montserrat Day Hospitals.

For personal use only

For personal use only

When the spread of COVID-19 accelerated in Australia, we saw a rapid and significant decline in volumes in non-critical and routine services in line with community concerns around visiting healthcare centres. At their worst, volumes were down over 30% and 40% in Pathology and Imaging respectively on prior comparable periods.

With the reopening of the economy in May and June, Healius saw an improvement in volumes, however with differing recovery rates by business and by geography.

Pathology, our largest business, recovered strongly, delivering revenue growth of 3% to $1.2 billion and Underlying Earnings Before Interest and Tax (EBIT) of $115.1 million, a 4% increase.

In Imaging, revenue was down 4% to $376.7 million and underlying EBIT down significantly to $17.2 million, impacted by COVID-19 lock down measures and restrictions on elective surgery.

The Day Hospitals business is a tale of two parts, with Montserrat profitable, achieving EBIT of $3.1 million, while Healius Day Hospitals and Adora IVF were loss-making, impacted by relevant clinical restrictions in March and April. We are focused on turning Healius Day Hospitals and Adora IVF around to deliver profits in FY 2021.

The underlying results are used as our prime measure of operating performance. Statutory NPAT for the year was a loss of $70.5 million compared to a profit of $55.3 million in FY 2019.

The FY 2020 Statutory result included $142.5 million loss relating to the sale of the Healius Primary Care business, primarily driven by a non-cash impairment of goodwill.

At the end of FY 2020, we delivered a strong balance sheet with ratios comfortably within bank covenants, increased liquidity and a successful refinancing of our tranche 1 debt facility. Through cash conservation measures during COVID-19, operating cash flow was above the prior year and capital expenditure was carefully managed.

Sale of Medical Centre business

In June 2020, we announced that Healius had entered into a binding agreement to sell the Healius Primary Care business to funds managed by BGH Capital for an enterprise value of $500 million. We expect the receipt of approximately $470 million in cash proceeds in FY 2021, after buyer transaction and separation costs, which should deliver significant balance sheet flexibility.

Despite the challenging environment from the COVID-19 pandemic, the successful sale of Healius Primary Care is testament to the quality of this business and its people, enabling the realisation of value which we believe was not fully reflected in our share price. At the same time the sale has simplified our business portfolio to the strong foundations of our diagnostic businesses and the growth opportunities in day hospitals.

Our people

Our success depends on putting our people front and centre, with the right tools and support to deliver the best possible patient outcomes. This cultural focus on our organisational health will continue as our business evolves over the coming years.

In November 2019, Healius announced changes to its senior executives. Ben Korst was appointed Chief Executive Day Hospitals, managing Montserrat, Healius Day Hospitals and Adora Fertility. Ben has been the CEO of Montserrat since 2010.

Additionally, Errol Katz retired after serving nine years on our Board as Non-executive Director.

Sustainable improvement program

At the end of FY 2019, we introduced the Sustainable Improvement Program to systematically reduce costs and improve efficiencies across Healius, with a target of $70 million in savings, representing 4–5% of the cost base. During FY 2020, Healius delivered in-year savings of $37 million across more than 150 initiatives in labour, property, and consumables with an annualised run rate of $54 million. These savings were key to ameliorating cost inflation during the year.

In FY 2021, the program aims to deliver margin expansion, with a focus on addressing more complex but higher value structural improvements including digitisation and automation, network optimisation, workforce management and more competitive external contracting. In addition, with many of our strategic programs now complete, adjustments between our reported and underlying results should be significantly reduced with the Laboratory Information Systems (LIS) Platforms the only non-underlying project going forward.

Going forward

We remain committed to our crucial frontline role in the fight against COVID-19 and our overriding priority is the health and safety of our people, healthcare professionals, our patients and the Australian community.

Following the reopening of the economy in May, our Pathology division has demonstrated its resilience with increasing COVID-19 testing more than offsetting any softness in non-COVID-19 testing. This has continued into July and August with significantly elevated levels of testing in the community, up to 16,000 tests per day on occasion, in response to State based outbreaks. At the time of writing, we have completed more than 1 million COVID-19 tests, more than half since 30 June 2020, which we believe are an indispensable part of the country's fight against COVID-19.

We also have a number of commercial contracts for COVID-19 screening including for the Federal Government and Opposition, their staff and families and with the AFL. We expect these commercial contracts to continue to increase as organisations endeavour to operate in a safe environment when they reopen.

However, the Stage 4 lock-down in Victoria, which commenced in early August 2020, has negatively impacted business-as-usual testing in the Pathology and Imaging divisions, in particular in the Imaging division which does not have a COVID-19-testing revenue 'hedge'.

Looking to the future, Healius is in a strong position as we deliver critical and largely non-discretionary health services at scale. With the sale of Healius Primary Care, Healius will have a streamlined portfolio and a sound balance sheet. As the second and third largest player respectively in Pathology and Imaging in Australia, we will continue to build on our strong brands, scalable platforms, clinical leadership and established positions. We will look to invest further in Day Hospitals, a sector with economic, technological and regulatory tailwinds as alternative to traditional overnight hospital care.

We would like to thank the Healius management team, healthcare professionals, employees and our fellow Directors for their continued passion, commitment and sheer hard work and sacrifices over the last 12 months. We are extremely proud of the efforts and dedication of our people during the demands of the COVID-19 pandemic. We would also like to thank you, as shareholders, for your continued support and encouragement.



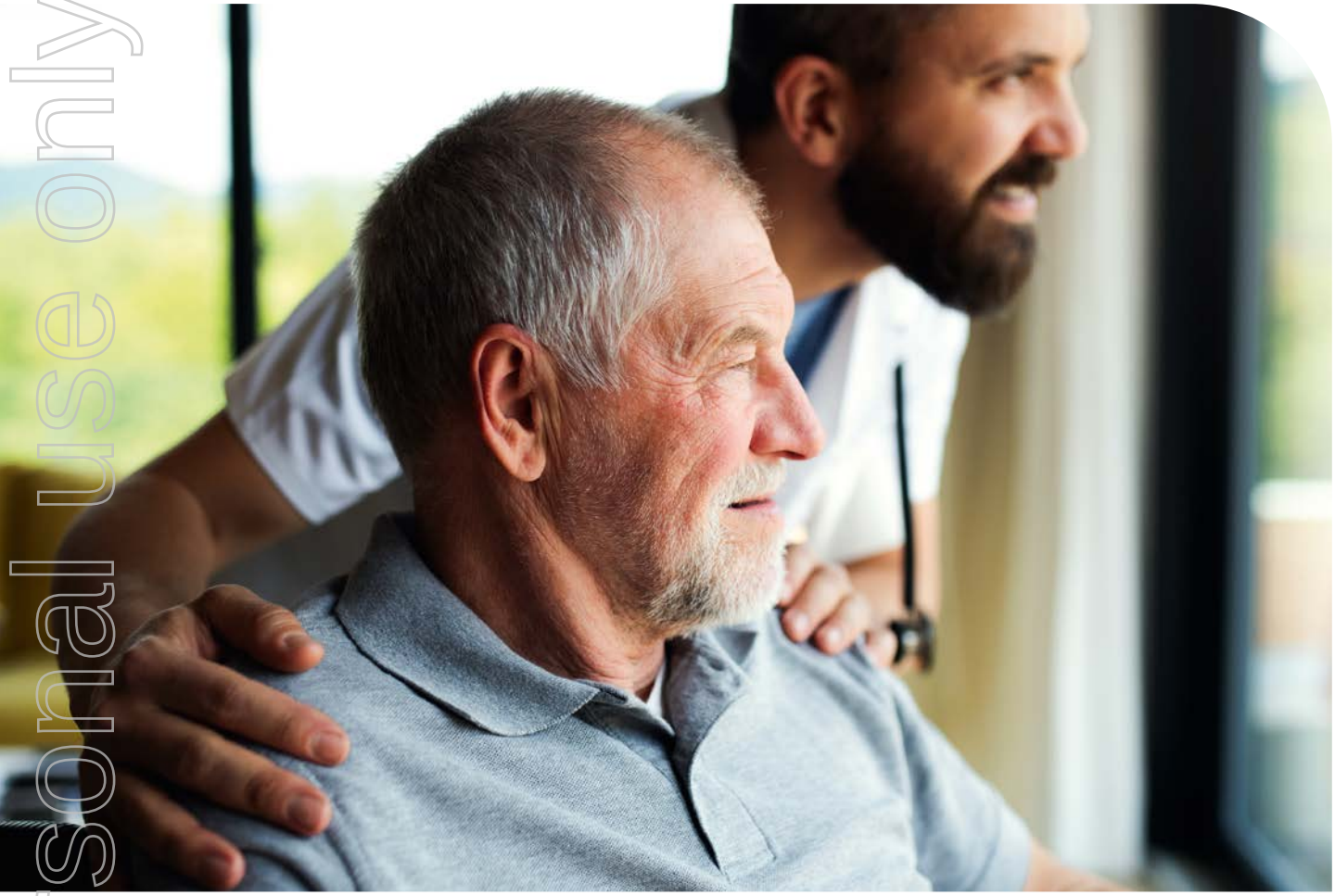
ROBERT HUBBARD
CHAIR



MALCOLM PARMENTER
CEO

Group performance

For personal use only



Group performance

	UNDERLYING[1]		REPORTED	
	30 JUNE 2020 $M	30 JUNE 2019 $M	30 JUNE 2020 $M	30 JUNE 2019 $M
Revenue	**1,600.4**	1,565.4	**1,597.4**	1,566.4
EBIT	**102.7**	125.9	**76.0**	107.6
NPAT (continuing operations)	**55.4**	70.3	**72.0**	57.2
NPAT (incl. adjustment for discontinued operations)			**(70.5)**	55.3

Underlying results

During the year ended 30 June 2020, Healius was tracking ahead of the prior comparative period and in line with guidance until mid-March, with strong growth in revenue and EBIT in Pathology, Imaging and Montserrat Day Hospitals.

In mid-March, the spread of COVID-19 accelerated in Australia and the Federal Government instigated a national lock-down. As a frontline healthcare provider, Healius focused on helping to combat the virus with dedicated COVID-19 pathology drive-throughs and collection centres, increased COVID-19 testing capabilities at its pathology laboratories, and GP isolation rooms and telehealth services.

1 All comments in this Review relate to underlying results for continuing operations unless otherwise noted. Underlying results for continuing operations for the year ended 30 June 2020 exclude the results of Healius Primary Care, the impact of the loss on sale of Healius Primary Care, items considered to be outside the underlying activities of the Group and the impact of AASB 16. For a reconciliation and analysis, refer section below titled "Group reported results".

For personal use only

The Group experienced an increase in its COVID-19 testing and telehealth services but a sharp and rapid decline in volumes in non-critical and routine services in line with community concerns around visiting healthcare centres and the cessation of all non-urgent elective surgery. At their worst, volumes were down over 30% and 40% in Pathology and Imaging respectively compared to the prior comparable period. Additional costs for personal protective equipment and screening in GP clinics were incurred to provide a safe environment for patients and staff.

During mid-March to April with the extent of the volume declines and the timing of any recovery unknown, management implemented measures to cut its operating costs, notwithstanding its largely fixed cost base, including reducing opening hours and temporarily closing pathology metropolitan collection centres and imaging sites. While keeping all its permanent workforce employed, it undertook labour management with the assistance of employees and unions. It also negotiated approximately $7 million in short-term rental concessions across the Group.

The Pathology division is eligible for government assistance, currently estimated at $11 million in connection with its revenue declines in April, in return for the ongoing delivery of its services including in remote and regional areas, maintaining permanent staffing levels, and reducing senior management and Board salaries and fees. Montserrat and Healius Day Hospitals will receive a combined $1.7 million in JobKeeper and viability payments. Without this support, further reductions in services and other measures would have been undertaken.

From May onwards, the economy started progressively opening up and Healius saw a good recovery in its volumes although with differing recovery rates by division and by state. This dynamic situation has continued into FY 2021 and the Group remains focused on the proactive management of the business in response to localised COVID-19 outbreaks and state government initiatives.

Overall in FY 2020, the Group recorded a 2% growth in revenue, notwithstanding the significant impact of COVID-19. Underlying EBIT was down 18%, underpinned by a strong trading performance in Pathology and Montserrat in combination with cost-saving initiatives. This partially offset the significant COVID-19-related decreases in Imaging.

Divisional results

The underlying EBIT performance of each operating division is set out below. An analysis of the performance and the strategies which underpin each business is contained in the following divisional sections.

FY 2020 $M	PATHOLOGY	IMAGING	DAY HOSPITALS	CORPORATE	GROUP[1]
Revenue	1,160.1	376.7	65.4	0.1	**1,600.4**
EBITDA	142.3	31.8	(1.7)	(15.3)	**157.0**
Depreciation	(20.9)	(12.1)	(4.9)	(4.3)	**(42.3)**
Amortisation	(6.3)	(2.5)	(0.2)	(3.3)	**(12.0)**
EBIT	115.1	17.2	(6.8)	(22.9)	**102.7**

FY 2019 $M	PATHOLOGY[2]	IMAGING[2]	DAY HOSPITALS	CORPORATE[2]	GROUP[1]
Revenue	1,128.3	391.3	46.7	0.3	**1,565.4**
EBITDA	136.1	53.8	(0.2)	(15.8)	**174.0**
Depreciation	(19.8)	(13.4)	(2.9)	(3.1)	**(39.2)**
Amortisation	(5.3)	(2.0)	(0.3)	(1.3)	**(8.9)**
EBIT	111.0	38.4	(3.3)	(20.2)	**125.9**

1 $1.9 million of intercompany revenue/expenses have been eliminated at the Group level (FY 2019 $1.2 million).

2 FY 2019 includes minor restatement of long service leave balances: Pathology $0.1 million, Imaging $0.3 million, Corporate $0.1 million.

Group performance

For personal use only

Dividends

On 26 February 2020, Healius' Board determined that an interim dividend of 2.6 cents per share, fully franked, would be payable. On 14 April 2020, due to the negative impacts of COVID-19 on the business at that time, the Board determined to defer payment of this dividend for six months. This dividend is expected to be paid as rescheduled on 15 October 2020.

Notwithstanding its relatively strong FY 2020 result, the Board does not consider it appropriate to pay a final dividend for FY 2020 because it has received the benefit of assistance and, in some cases, personal sacrifices from its stakeholders including its people, landlords and Government throughout a challenging second half of FY 2020.

Given the strong outlook for FY 2021, the Board expects regular dividends to re-commence in the first half of 2021. Moreover, following the completion of the sale of Healius Primary Care, the Board intends to review its capital structure including consideration of an out-of-cycle dividend and other capital uses. The Board hopes to provide an update on this capital management review at its Annual General Meeting (AGM) on 22 October 2020.

Sale of Healius Primary Care

Together with its 1H 20 results, Healius announced a sale process for its Medical Centres and Dental businesses including Health & Co, called Healius Primary Care, in line with its strategy to simplify the portfolio and focus on its diagnostic services and day hospitals.

In June 2020, Healius announced the signing of a sale agreement signed with certain funds managed by BGH Capital for $500 million enterprise value, enabling the realisation of value not fully reflected in the historical share price. The sale proceeds of approximately $470 million[1] will significantly strengthen the Group's balance sheet and support growth initiatives. Completion is expected in 1H 21.

Group results for continuing operations in FY 2020 exclude the trading of Healius Primary Care since this business is deemed to be 'held for sale' under the accounting standards for this period. The comparable period has also been adjusted. Reported results for FY 2020 include an adjustment for a loss from discontinued operations which primarily represents a non-cash write-off of goodwill (refer section titled 'Healius Primary Care (Discontinued operations)').

Sustainable Improvement Program ('SIP')

The Sustainable Improvement Program (SIP) was introduced at the end of FY 2019 to systematically reduce costs and improve efficiencies across the Group. Pathology and Imaging labour, Pathology property and Pathology consumables were identified as the largest addressable opportunities with a target of $70 million in savings announced, representing 4–5% of the cost base.

In FY 2020, over 150 initiatives commenced, delivering savings in labour, property, consumables and IT. Across the Group, in year savings of $37 million[2] were achieved, notwithstanding the inevitable shifting of focus to COVID-19-related challenges from mid-March onwards. The annualised run rate of $54 million[2] in savings makes up a good portion of the program's total target of $70 million. These savings have served to partially offset cost inflation across the Group.

From FY 2021, the program aims to deliver margin expansion, with a focus on addressing more complex but higher value structural improvements. Initiatives are focused in four major categories:

- **Digitisation and automation** – optimise revenue, via improved consumer experience and development of new markets, and drive cost savings, via standardisation and automation of processes.
- **Network optimisation** – rationalise network footprints in Pathology and Imaging including laboratories, collection centres, fleet of couriers, warehouses and imaging facilities,
- **Workforce management** – develop a better balance of workloads in the frontline operations and a more dynamic rostering capability to better match supply and demand with the workforce, and
- **Sourcing** – reduce costs of external spend, currently at $750 million, by direct sourcing or re-tendering.

Healius' corporate costs include centralised support services for the Group where functions benefit from scale, and core corporate costs including strategy, capital and stakeholder management, Board fees and executive incentives. Approximately $90 million is managed at a Group level of which approximately $70 million is allocated to the operations in the form of an overhead charge based on headcount, footprint, and usage. Divisional overhead allocations were reset following the sale of Healius Primary Care at appropriate go-forward rates.

Healius has already undertaken an organisational review which has seen the management structure simplified, the divisions more autonomous and the Group functions more efficient. It will complete the right-sizing of its support function cost base to reflect its smaller and more streamlined portfolio, with targeted savings of $15 million in overheads by the end of FY 2022.

1 Up to $75 million may be deferred up to 18 months, payable once the dental business returns to pre-COVID-19 trading levels. Also subject to movements in working capital and capital expenditure and sale costs over the period until completion.

2 After implementation costs of $13 million.

For personal use only

Streamlined portfolio

With the completion of the sale of Healius Primary Care, Healius will be a specialist diagnostics company with a growing day hospitals business. It will have balance sheet flexibility, low leverage and a high level of liquidity together with significantly reduced requirements for capital expenditure.

Being the second and third largest player in Pathology and Imaging respectively in Australia, Healius will build on its strong brands, clinical leadership and established positions with targeted investment for growth. Over time, it will look to invest in Day Hospitals, a sector with economic, technological and regulatory tailwinds as an alternative to traditional overnight hospital care.

Balance sheet management

At the end of FY 2020, Healius delivered a strong balance sheet with ratios comfortably within bank covenants. Through cash conservation measures during COVID-19, operating cash flow was above the prior year and capital expenditure was carefully managed.

Healius successfully refinanced the first tranche of its syndicated bank debt facility of $500 million which was due to mature in January 2021. The facility has been increased by $70 million to $570 million and its maturity extended to January 2024, with covenants remaining unchanged. The second tranche of $525 million is due to expire in January 2023. As a result of the refinance, Healius had $424 million of liquidity at 30 June 2020 and a good buffer to sustain any further disruptions from COVID-19.

The completion of the sale of Healius Primary Care in FY 2021 will deliver cash proceeds in the order of $470 million[1] which will give the Group significant flexibility for capital management and value-generating investments.

In addition, a substantial portion of capital expenditure will cease following the sale of Healius Primary Care in FY 2021 with 35% of FY 2020 capital expenditure totalling $122 million relating to Healius Primary Care.

Cash flow

Group cash flow for FY 2020 was as follows:

	30 JUNE 2020 $M	30 JUNE 2019 $M
Operating cash flow	**339.2**	127.6
Maintenance capital	**(55.9)**	(51.6)
Growth capital	**(66.0)**	(176.4)
Payment of lease liabilities	**(186.4)**	–
Cash flow after capital investment and lease liabilities	**30.9**	(100.4)
Proceeds from issuing shares	**–**	244.0
Debt funding/(reduction)	**15.0**	(66.0)
Dividends	**(21.2)**	(52.3)
Capital Recycling	**–**	10.5
Net increase in cash held	**24.7**	35.8
Opening cash	**119.7**	84.0
FX	**0.1**	(0.1)
Closing cash	**144.5**	119.7

The Group's operating cash flow before AASB 16 was $153.4 million and exceeded FY 2019 notwithstanding the impact of COVID-19, reflecting management's cash conservation during 2H 20, including network rationalisation, rental negotiations, and labour management.

1 Up to $75 million may be deferred up to 18 months, payable once the dental business returns to pre-COVID-19 trading levels. Also subject to movements in working capital and capital expenditure and sale costs over the period until completion.

Group performance

For personal use only

Capital expenditure

Operating cash flow was used to fund $55.9 million in maintenance capital (FY 2019 $51.6 million) and $66.0 million in growth capital (FY 2019 $176.4 million including $68.3 million for the acquisition of Montserrat).

Maintenance capital expenditure for Pathology, Imaging and Day Hospitals totalled $34.3 million in FY 2020 and for Healius Primary Care totalled $21.6 million primarily on upfront payments to healthcare professionals. The latter expenditure will no longer be required following the sale of Healius Primary Care in FY 2021.

Growth capital expenditure for Pathology, Imaging and Day Hospitals totalled $44.7 million in FY 2020 and included:

- $10.7 million for strategic projects,
- $11.0 million for the Montserrat acquisition earn-out relating to the commissioning of the four new sites, and
- $5.2 million for a small pathology acquisition.

Growth capital expenditure for Healius Primary Care totalled $21.3 million and included $10.4 million GP clinic earn-outs and acquisitions. Once again, this growth investment will not continue following the sale of Healius Primary Care in FY 2021.

Gearing

Group net debt and gearing at 30 June 2020 was as follows:

REPORTED $M	30 JUNE 2020 $M	30 JUNE 2019 $M
Bank and finance debt [1]	**810.1**	797.9
Cash [2]	**(144.5)**	(119.7)
Net debt	**665.6**	678.2
Bank gearing ratio (covenant <3.5x) [3]	**2.7x**	2.4x
Bank interest ratio (covenant >3.0x)	**8.9x**	9.5x

At 30 June 2020, gearing and interest ratios remain comfortably within bank covenants due to stringent cash management, despite significant COVID-19 related trading disruptions.

Group reported results

This review focuses on the underlying results of Healius which adjust for several items not considered to be part of core trading performance. The reconciliation between reported and underlying results for FY 2020 is as follows:

FY 2020 $M	REPORTED	DISCONTINUED OPERATIONS	NON-UNDERLYING ITEMS	NON-UNDERLYING ATO CASE	AASB 16 IMPACT	UNDERLYING
EBIT	**76.0**		43.2		(16.5)	**102.7**
Interest	**(29.6)**			(23.6)	29.7	**(23.5)**
PBT	**46.4**		43.2	(23.6)	13.2	**79.2**
Income Tax benefit/ (expense) [4]	**25.6**			(46.6)	(4.0)	**(23.8)**
NPAT continuing operations	**72.0**				9.2	**55.4**
NPAT discontinued operations	**(142.5)**	142.5				

1 Bank loans and finance liabilities shown net of unamortised borrowing costs.
2 FY 2020 cash includes $137.5 million from continuing operations and $7.0 million from Healius Primary Care.
3 Bank gearing ratio is calculated based on underlying EBITDA before the impact of AASB 15 and 16 and adjusted for share-based payments.
4 Reported and underlying tax expense does not reconcile due to non-deductible items within statutory tax expense. Underlying tax is assumed at 30%.

For personal use only

Healius Primary Care (Discontinued operations)

As noted above, in June 2020 Healius announced the sale of its Medical Centres and Dental businesses, called Healius Primary Care, for $500 million enterprise value. Group reported results for FY 2020 include an adjustment for discontinued operations.

This comprises:

- The trading result for Healius Primary Care for the year,
- An impairment loss from the difference between the net sale proceeds and value of assets to be sold, and
- Costs associated with the sale.

Accordingly, a loss on sale of $142.5 million has been recognised, as follows:

DISCONTINUED OPERATIONS PROFIT/(LOSS) ON DISPOSAL	FY 2020 $M	FY 2019 $M
Revenue from Contracts with Customer	253.7	243.9
Expenses	(236.3)	(234.9)
Earnings before interest, tax and impairment [1]	**17.4**	9.0
Net finance costs	(21.5)	(8.6)
Profit before Tax	**(4.1)**	0.4
Impairment loss recognised on the remeasurement to fair value less costs to sell	(151.0)	0.0
Loss before tax from discontinued operations	**(155.1)**	0.4
Income tax (expense)/benefit from discontinued operations before impairment	(0.8)	(2.3)
Income tax benefit on impairment loss	13.4	0.0
Profit/(Loss) for the year from discontinued operations	**(142.5)**	(1.9)

Further details are set out in the Notes to the accounts (Note E3). The loss primarily represents a non-cash write-off of goodwill previously held on Balance Sheet.

Non-underlying items

The underlying results of Healius adjust for several items not considered to be part of core trading performance. Pre-tax non-underlying items of $43.2 million can be analysed as follows:

	FY 2020
Strategic projects	18.3
Montserrat acquisition	14.5
Impairments	11.6
Other	8.5
Transactions with discontinued operations	(9.7)
EBIT	43.2

Strategic projects

As previously advised, there are three key strategic projects which are transformational in nature and unlikely to be undertaken again at such a collective magnitude. The projects are the technology platform upgrades in Pathology and in Imaging, and the corporate renewal program (previously four projects including Project Leapfrog which is now part of the discontinued operations). They are reported separately both internally and to the market in order to neither distract from nor distort the underlying performance.

Adjustments in FY 2020 were as follows:

- Platforms in Pathology $9.9 million (FY 2019 $10.3 million),
- Platforms in Imaging $3.0 million (FY 2019 $3.1 million), and
- Corporate renewal program $5.4 million (FY 2019 $9.2 million).

Going forward, only the technology platform upgrades in Pathology will be recorded as a non-underlying project and adjusted between reported and underlying results.

1 Excludes transactions with continuing operations including rental income.

Group performance

Montserrat acquisition

Healius' acquisition of Montserrat Day Hospitals in FY 2019 included earn-outs contingent on Montserrat achieving certain financial milestones in FY 2021 and FY 2022 and $16.6 million was recognised for these potential earn-outs in the accounts. No earn-out was achieved in FY 2020 due to the impacts of COVID-19. However, given strong budgeted performance in FY 2021, an additional amount of $14.5 million has been accrued for FY 2021 potential earn-out.

Impairments

Impairment costs of $11.6 million primarily relate to Healius Day Hospitals and Eye Clinics that are now standalone businesses following separation from Healius Primary Care.

Other

Other non-underlying adjustments of $8.5 million primarily relate to:

- Redundancy costs under the organisational redesign program, consistent with the simplification of the Group management structure, and
- Costs of surplus Head Office space from transitioning to a more flexible operating model for Head Office employees, driven by COVID-19.

Transactions with discontinued operations

The accounting standards require businesses held for sale to include in their results only transactions with external parties and hence to eliminate any intercompany transactions during the period. Accordingly, rental revenue from the Pathology and Imaging divisions, net of overhead charges and other costs, have been eliminated within discontinued operations and the corresponding net costs have also been eliminated in continuing operations. These net costs have been added back for the underlying results of continuing operations.

Non-underlying items: ATO Case 2003–2007

In 2015, Healius was advised by the Commissioner of Taxation ("the Commissioner") that lump sum payments made by it to healthcare practitioners for the financial years 2010 to 2014 were tax deductible. Healius subsequently filed an application for similar tax deductions for the financial years 2003 to 2007[1], subject to the Commissioner's discretion in allowing an out-of-time objection. Following the Commissioner's decision not to allow such an objection, Healius commenced legal proceedings which culminated in a favourable decision by the Federal Court of Australia in November 2019. The Commissioner appealed to the Full Court of the Federal Court of Australia and this appeal was heard in August 2020. Healius is awaiting the decision of the appeal. In the meantime, Healius has recognised the following as non-underlying benefits in its reported results due to the favourable Federal Court ruling and the introduction of AASB Interpretation 23 (clarification of accounting for uncertain tax treatments) in FY 2020:

- $46.6 million income tax benefit, and
- $23.6 million interest benefit (which is taxable).

Adoption of AASB 16

AASB 16 was adopted by Healius from 1 July 2019. This standard has removed the distinction between operating and finance leases with most leases now being recognised as a right-of-use asset and a lease liability except for short term leases and leases of low value assets. Healius has applied the new standard using the modified retrospective approach, which requires no restatement of comparative information in the reported results. Because of this, the underlying performance of the business has been stated before the impact of AASB 16 in order to ensure comparability year-on-year. From FY 2021 onwards, underlying (and reported) performance will be stated including the impact of AASB 16 in both the current and the prior periods.

The impact of AASB 16 on reported results for FY 2020 is to recognise depreciation and finance costs in the place of operating lease charges. The net impact on Healius' reported results in FY 2020 is a $9.2 million after-tax loss due to a range of factors including:

- Many of Healius' large leases are relatively new and the recognition of interest costs is higher in the early years,
- The majority of Pathology leases, which are small leases and/or have CPI increases, cannot be valued at a modified right of use asset value (which would be lower) and hence deliver a higher P&L expense in FY 2020, and
- Both of the above will unwind over time with the P&L impact reversing.

1 Healius was in a loss-making position for taxation purposes during FY 2008 and FY 2009.

For personal use only

For personal use only

Importantly, the adoption of AASB 16 currently has no economic impact on Healius, nor on its banking covenants, cash flows or shareholder value.

The impact of AASB 16 on the P&L is as follows:

P&L	30 JUNE 2020 $M	30 JUNE 2020 $M	
Property and other expenses	180.2		Operating lease expenses reversed
EBITDA		**180.2**	
Depreciation	(163.7)		Depreciation of right of use assets recognised
EBIT		**16.5**	
Finance costs	(29.7)		Interest paid on lease liabilities recognised
Profit before tax		**(13.2)**	
Tax @ 30%	4.0		
NPAT		**(9.2)**	

The impact of AASB 16 on the cash flow for FY 2020 is as follows:

CASH FLOW	30 JUNE 2020 $M	30 JUNE 2020 $M	
Gross cash flows from operating activities	226.8		Operating lease payments reversed from gross operating cash flows
Interest paid on lease liabilities	(41.0)		Interest paid on lease liabilities recognised in operating cash flows
Net cash provided by operating activities		**185.8**	
Payments of lease liabilities	(185.8)		Principal payments on lease liabilities recognised in financing cash flows
Net cash used in financing activities		**(185.8)**	

The impact of AASB 16 on the closing Balance Sheet for FY 2020 is as follows:

BALANCE SHEET	30 JUNE 2020 $M	30 JUNE 2020 $M	
Right of use assets	876.9		Leases recognised as assets and depreciated
Total assets		**876.9**	
Current interest-bearing lease liabilities	(173.9)		Leases recognised as liabilities representing future lease payments discounted at incremental borrowing rate
Non-current interest-bearing lease liabilities	(763.9)		Leases recognised as a liabilities representing future lease payments discounted at incremental borrowing rate
Total liabilities		**(937.8)**	

As shown above, there is a net asset reduction of $60.9 million due to the differences in the profile of depreciation and lease liabilities run-off on Healius' property leases.

Pathology

For personal use only

Pathology is the largest division of Healius. It is a well-run business, with strong state-based brands which are all number one or two in their markets.

$1,160M
OPERATING REVENUE

$115M
UNDERLYING EBIT

2,234
SITES

The strength of Healius' Pathology division is well known, with long-term underlying drivers, strong market share, network and scale.

In FY 2020, Pathology grew its revenues by 2.8%, due to a combination of average fee increases of 2.9% and volume declines of 1.5%. The result was underpinned by good trading up until the mid-March national lockdown and by a good recovery in business-as-usual testing from May along with strong COVID-19 community testing volumes.

The average fee increase was delivered from a range of initiatives in the year including private billing for electrocardiograms (ECGs), overseas patient billing and health fund gap billing. It was also due to the COVID-19 testing fee from the Government which has enabled the reconfiguration of laboratories to accommodate COVID-19 testing equipment, the roll-out of drive-through testing centres to enable easy and secure access for the public, and the focus on quick and accurate results delivery.

Overall, Pathology's EBIT result improved 4% compared to FY 2019 as a result of strong cost control measures in combination with good trading other than in the mid-March/ April national lockdown.

At the height of the COVID-19 lock-down restrictions, the division responded with rapid cost control measures including temporarily closing a number of collection centres and negotiating rental reductions and deferrals. Employment levels were maintained with staff and unions working together with management to navigate the dynamic situation.

In addition, the division received Government support conservatively estimated at $11 million, due to its significant volume declines in April. This support was in return for undertakings around availability of its remote and regional services, maintenance of staffing levels across the Group and remuneration and fee reductions for the Board and senior management. Without this support, additional cost reductions would have been undertaken.

The Sustainable Improvement Program (SIP) delivered $17 million in savings in business-as-usual activities. Both labour costs and approved collection centre costs grew at a lower rate than revenue. The division also focused on controlling capex spend during the period, with the increase attributable to the acquisition of a small pathology group and the development of a new laboratory in Western Australia, due to complete in FY 2021.

The performance of the division was as follows:

	30 JUNE 2020 $M	30 JUNE 2019 $M	BETTER/(WORSE) %
Revenue	**1,160.1**	1,128.3	2.8
EBITDA	**142.3**	136.1	4.6
Depreciation	**(20.9)**	(19.8)	(5.6)
Amortisation	**(6.3)**	(5.3)	(18.9)
EBIT	**115.1**	111.0	3.7
Total capital expenditure	**36.9**	35.1	(5.1)

For personal use only



STRATEGY

Pathology

Major initiatives are focused on:

- **Revenue growth** – growing revenue through new streams. The division has made good progress in converting commercial COVID-19 testing opportunities, with partnerships with organisations such as the Federal Government and the AFL. The division also continues to see growth in niche specialists including genetics. Despite the impact of COVID-19, there has been good growth in non-invasive prenatal testing which was up ~30% on the prior period.
- **Network optimisation** – ongoing cost control and efficiencies from the Sustainable Improvement Program including right-sizing its footprint of collection centres and laboratories, based on value rather than volume.
- **Workforce management** – workforce capability management through planning and rostering initiatives, including courier run efficiencies.
- **Digitisation** – improving its digital capability in the customer journey, for example through e-referrals and results, to maximise efficiencies and improve customer and referrer experience.

Pathology is also investing in a modern infrastructure platform that will provide significant clinical, operational and financial benefits to support future growth. This includes:

- **Upgrade to the main laboratory testing equipment**, called the Serum Work Area, which covers around 60% of all pathology tests. This will increase automation and improve clinical methodologies while being at a lower cost per test. Laverty in New South Wales was completed in 1H 20, and QML in Queensland, Dorevitch in Victoria and Western Diagnostic Pathology in Western Australia and Northern Territory are on track for completion in FY 2021.
- **Implementation of the national Laboratory Information System,** or LIS, project to enable Healius to standardise processes and conventions, increase functionality and better meet referrers' needs. The project will deliver a single instance of LIS within the existing system as well as additional modules for pre-analytical, reporting and specialities, such as genomics. A detailed program will be announced in 1H 21 on completion of vendor discussions and project planning.

Imaging

For personal use only

Healius' Imaging division partners with independent radiologists who undertake a full range of medical imaging services including cardiac, neurological, vascular, musculoskeletal and dental imaging.

$377M
OPERATING REVENUE

$17M
UNDERLYING EBIT

146
SITES

In FY 2020, Imaging was tracking ahead of the prior comparable period and in line with guidance until mid-March when volumes rapidly declined as a result of the COVID-19 pandemic and the national lock-down, peaking in excess of 40% compared to prior comparable period. From May, volumes started to return to normal in line with the reopening of the economy and the resumption of elective surgery. Unlike Pathology, Imaging does not have a natural 'hedge' in the form of COVID-19 testing to offset the declines in the business-as-usual testing. Overall, FY 2020 revenue was down 4%.

The division's EBIT was $17.2 million for the period, a decrease of 55% due to COVID-19 related volume declines and increased costs of personal protective equipment. Faced with a largely fixed cost base and a rapid and significant volume decline, Imaging was able to achieve some cost savings including temporary site closures, reduction in opening hours and redeployment of staff. Labour management was undertaken with the support of the unions and staff while permanent employment levels were maintained. The division was not eligible for Government support such as JobKeeper.



	30 JUNE 2020 $M	30 JUNE 2019 $M	BETTER/(WORSE) %
Revenue	**376.7**	391.3	(3.7)
EBITDA	**31.8**	53.8	(40.9)
Depreciation	**(12.1)**	(13.4)	9.7
Amortisation	**(2.5)**	(2.0)	(25.0)
EBIT	**17.2**	38.4	(55.2)
Total capital expenditure	**13.4**	22.1	39.4

For personal use only



STRATEGY

Imaging is focusing on digitising the patient journey and optimising its front-line services and processes. Major initiatives are:

- **Digitisation** – The Imaging Core Application Refresh (iCAR) has delivered a new radiology information system (RIS) and a new picture archiving and communication solution (PACS) to the division. iCAR roll-out is now complete, in all but a small number of sites. These platforms have improved radiologist workflow, voice recognition, referrer delivery channel and images. Cost efficiencies are being realised and iCAR is enhancing the way the division interacts with referrers and their patients.

  A further component of Imaging's technology road map is to digitise the end-to-end patient journey, including referrals, booking forms, check-in and results. Benefits are expected from FY 2022 onwards.
- **Revenue growth** – Imaging is leveraging iCAR to target the top five specialty referral groups to grow revenue. The business also remains focused on developing and growing the higher margin hospital channel.
- **Network optimisation** – Imaging has identified opportunities to improve its returns through network optimisation, particularly in its footprint of community sites in NSW.
- **Workforce management** – The division aims to optimise its front-line labour through benchmarking and rostering initiatives to drive efficiencies.

Day Hospitals

For personal use only

The Day Hospitals division has been created to bring together Montserrat, Healius Day Hospitals and Adora Fertility IVF under a single management structure. The Day Hospitals division operates in a sector where advancements in medicine and technology and on-going cost pressures are moving patients away from high-cost overnight hospitals into short-stay day hospitals.

$65M
OPERATING REVENUE

$3M
MONTSERRAT UNDERLYING EBIT

15
DAY HOSPITAL SITES

Montserrat's flagship hospital, Westside Private Hospital, has equivalent high-level facilities to the Ambulatory Surgical Centres in the USA, which perform same-day outpatient surgical care and have become an integral part of that country's healthcare system. Cancer treatments, cardiology, and orthopaedic procedures are projected to grow strongly in the outpatient setting, reducing hospital costs and improving clinical outcomes in a day hospital setting. The interest from consumers, private health insurers and governments in potential new models of care is strong.

Montserrat Day Hospitals

In FY 2020, Montserrat delivered $34.2 million of revenue, an increase of 81% over FY 2019. Montserrat traded strongly until mid-March, with revenue increasing primarily due to the ramp-up of its four new facilities, including Brisbane's multi-specialist Westside Private Hospital. Volumes were impacted by the elective surgery restrictions due to the COVID-19 pandemic in mid-March and April but moved back towards pre-COVID-19 levels with the lifting of these restrictions.

Montserrat EBITDA at $5.4 million is broadly in line with expectations at the time of the acquisition and includes a $2.6 million contribution from the four new facilities.

Notwithstanding the COVID-19-related volume declines, the business achieved EBIT of $3.1 million in FY 2020, a significant increase on the prior year. It accessed $0.6 million in JobKeeper from the Federal Government for seven of its hospitals, without which it would have necessarily undertaken cost containment initiatives.

Healius Day Hospitals

Healius Day Hospitals recorded revenue of $12.5 million for FY 2020. Its 2H 20 volumes were impacted by the COVID-19-related elective surgery restrictions. Overall, the business delivered an EBIT loss of $6.7 million for the year, impacted by COVID-19, the closure of its Bankstown facility, and certain one-off costs due to the separation from Healius Primary Care. The four Healius Day Hospitals accessed various State Governments' Viability Guarantee agreements totalling $1.1 million.

IVF

Healius' IVF business, Adora Fertility, grew revenue by 10% to $18.7 million. Its volumes were impacted by the elective surgery restrictions, with a four-week total shut down. Pleasingly, strong GP and specialist commitment to telehealth consultations ensured continued patient throughput during this time. IVF volumes recovered with the reopening of the economy, with demand strong in May, June and July.

The business had an EBIT loss of $3.2 million in FY 2020, half of which arose during the lock-down. It did not receive any Government support. Initiatives were introduced towards the end of the year to improve pricing and increase the revenue per cycle. Pleasingly, Adora Fertility delivered profits in June and July 2020.

During the year the business undertook some capital-light initiatives including the enhancement of its sites. A focus on targeted social media campaigns drove increased demand from new patients and Adora Fertility continues to grow its market share.

For personal use only



STRATEGY

Montserrat Day Hospitals

Montserrat is focused on further growth through the ramp up of its four new sites which are expected to double their EBITDA contribution in FY 2021. The division will look for inorganic growth opportunities both M&A and greenfields, as a leading player with a scalable platform in a fragmented industry.

Healius Day Hospitals

The business is focused on a turnaround from its current loss-making into profit. It aims to achieve this through the integration and rebranding of the Healius Day Hospitals into Montserrat, through improving margins by merging supply chains and billing systems and by focusing on business development and labour management.

The business has rationalised its network with the closure of Bankstown and is in the process of selling its Eye Clinics. Going forward, Healius Day Hospitals will partner with GP owners rather than operating individual specialist clinics.

IVF

The business is focused on capitalising on its market share and delivering profitable contribution to the Group. It will continue to optimise its service model through digitisation of delivery activities, grow brand awareness and monetise selective services to increase revenue per cycle. IVF is also upgrading capacity in Western Australia to meet expected demand.

Overall the performance of the division was as follows:

	MONTSERRAT		HEALIUS DAY HOSPITALS		IVF		TOTAL DAY HOSPITALS	
	30 JUNE 2020 $M	30 JUNE 2019 $M	30 JUNE 2020 $M	30 JUNE 2019 $M	30 JUNE 2020 $M	30 JUNE 2019 $M	30 JUNE 2020 $M	30 JUNE 2019 $M
Revenue	**34.2**	18.9	**12.5**	10.8	**18.7**	17.0	**65.4**	46.7
EBITDA	**5.4**	1.8	**(5.3)**	(2.5)	**(1.8)**	0.5	**(1.7)**	(0.2)
Depreciation	**(2.3)**	(1.2)	**(1.4)**	(0.8)	**(1.2)**	(0.9)	**(4.9)**	(2.9)
Amortisation	**0.0**	(0.2)	**0.0**	0.0	**(0.2)**	(0.1)	**(0.2)**	(0.3)
EBIT	**3.1**	0.5	**(6.7)**	(3.3)	**(3.2)**	(0.5)	**(6.8)**	(3.3)
Total capital expenditure	**2.6**	4.2	**2.2**	6.2	**3.4**	3.9	**8.2**	14.3

Board of Directors

For personal use only



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 the University of Birmingham. 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 & 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

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.

For personal use only



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 2020, he was a member of the Audit Committee (until 19 August 2019), the People & Governance Committee (from 19 August 2019) and the Risk Management Committee.

Paul has over 35 years' experience in a broad range of general medical practice, including 15 years' experience in Healius 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.



Arlene Tansey

JURIS DOCTOR (JD), MBA, BBUS (ADMIN), FAICD.

NON-EXECUTIVE DIRECTOR

Ms Tansey was appointed as a Non-executive Director in August 2012. During FY 2020, she was a member of the Audit Committee (appointed Chair on 19 August 2019), the People & Governance Committee (as Chair until 19 August 2019 and member until 26 November 2019) and the Risk Management Committee (from 19 August 2019).

Previously, Arlene worked in commercial and investment banking in Australia and in investment banking and law in the United States, including senior roles at Macquarie Bank and ANZ. She has a Juris Doctorate (Law) from University of Southern California and an MBA in finance and international business from New York University. Arlene is a Member of Chief Executive Women, International Women's Forum Australia and a Fellow of the Australian Institute of Company Directors.

Former Board Members: Errol Katz, Non-executive Director, ceased 25 November 2019.

Executive Leadership Team

For personal use only



Malcolm Parmenter

MANAGING DIRECTOR & 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

Ms Jaquet was appointed Chief Financial Officer in August 2019. 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 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 WDP, 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.

For personal use only



Ben Korst

CHIEF EXECUTIVE DAY HOSPITALS

Mr Korst has extensive experience in the management and operations of Day Hospitals within Australia. Ben has been the CEO at Montserrat since 2010, during which time he has grown the business from three to 10 hospitals.

Ben has a background in Finance, being a graduate of Commerce from the University of Queensland and having worked at Ernst & Young in Corporate Finance. He has also worked at BSM Steel, and immediately prior to joining Montserrat, at Informa Australia Pty Ltd as its Managing Director.



Janet Payne

GROUP EXECUTIVE CORPORATE AFFAIRS

Appointed as Group Executive Corporate Affairs in July 2015, Ms Payne joined Healius from CIMIC Group Ltd where she was Head of Investor Relations. Prior to this, Janet worked in a range of market-facing roles, including investor and media advisory, and board advisory.

Janet managed the Initial Public Offering and established investor relations at Qantas Airways Limited. She was formerly 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.



Mark Neeham

GROUP EXECUTIVE GOVERNMENT & EXTERNAL 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.



Scott Beattie

CHIEF EXECUTIVE MEDICAL CENTRES

Mr Beattie joined Healius in November 2017 as Group Executive, Commercial Solutions with responsibilities for developing and implementing commercial strategies across the Group including: business development, marketing, customer experience, major partner relations and IVF and Specialists/Day Surgeries.

In May 2018, Scott transitioned into the new role of Group Executive, Technology & Innovation, leveraging his wealth of experience in the Australian healthcare sector and knowledge of healthcare technology and emerging digital health platforms.

Scott brings over 16 years' experience in the frontline healthcare sector, having held a range of senior roles at Sonic Clinical Services and IPN. These have included line management responsibility, strategy and development, service innovation and cross business integration. Scott also practised as a corporate lawyer at the beginning of his career.

Risk management

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

The Risk Management Framework formalises the approach adopted by all of Healius' businesses to manage risk. The future performance of Healius, including its share performance, may be influenced by a range of risk factors, many of which are outside the control of Healius. 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.

Identifying and mitigating risk is key to Healius achieving its objectives and protecting shareholder value. By following the Risk Management Framework, Healius has a consistent risk management methodology that can be applied to all strategic, operational and contractual objectives.

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 its business, and maintains a disciplined focus on operational excellence and effective risk management.

The Principles underpinning the risk management framework are:

01 **Creates and protects value**

02 **Integral part of organisational processes**

03 **Part of decision making**

04 **Explicitly addresses uncertainty**

05 **Systematic, structured and timely**

06 **Best available information**

07 **Tailored**

08 **Takes into account human and cultural factors**

09 **Transparent and inclusive**

10 **Dynamic and responsive to change**

11 **Facilitates continuous improvement**



For personal use only

For personal use only

Summary of risks

CONTEXT	RISK	MITIGATION
Pandemic Risks including COVID-19	Pandemic risks such as COVID-19 pose business continuity risk to Healius. There is the risk that staff and pathology laboratories are adversely impacted by a pandemic, such as COVID-19, which limits our ability to provide testing facilities. There is also the risk from shutdowns across communities that may adversely impact the volume of business-as-usual testing in pathology, number of patient visits to medical centres and the volume of referrals to Imaging, Day Hospitals and IVF.	Healius continually monitors and reports on the number of staff and healthcare professionals impacted by a pandemic such as COVID-19, and required to self isolate. Healius continually monitors daily volumes across all divisions and structures resources accordingly.
Regulatory Compliance	Healius operates in sectors which are subject to extensive laws and significant levels of regulations relating to the development, licencing and accreditation of facilities and services.	Healius maintains high quality standards and audit processes to ensure it continually meets licencing and accreditation standards across all business units.
Revenue Concentration and Government Policy	Healius is committed to providing affordable healthcare. Bulk-billing its services to patients and receiving reimbursement through the Government's Medicare Benefits Schedule (MBS) is a key feature of this. As a result a substantial proportion of the Group's revenue is derived from the MBS. Any changes to the MBS or any other Government funding initiatives could impact profitability through reductions in revenue.	Healius maintains tight control over costs and continually reviews the range of service offerings available to patients. Healius is continuing to diversify into other service areas to generate non-MBS revenue streams. The Group Executive Government Relations monitors legislative and regulatory developments and engages proactively to manage this risk.
Economic Drivers	While the majority of Healius' revenue comes from MBS reimbursements, Healius does charge out-of-pockets on some services. In addition 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.	Healius maintains tight control over costs and continually reviews the range of service offerings available to patients. Healius advertises its services are bulk-billed where appropriate and educates the consumer on any out-of-pocket costs.
Healthcare Professionals (HCPs)	Healius contracts to provide services to HCPs, including general practitioners, surgeons, specialists and radiologists. A significant component of Healius' revenue is dependent upon HCPs providing services to patients in Healius facilities. Failure to maintain strong relationships with these parties may impact the ability to retain and recruit HCPs. This may impact growth prospects, revenue earned, the cost structure and profitability of Healius' businesses.	Healius has managers and staff dedicated to building and maintaining relationships, increasing engagement and addressing any issues with HCPs on a timely basis. Surgeons are able to select the facility in which they operate, therefore Healius, through Montserrat, has invested in high quality facilities, systems and services to meet the needs of surgeons who operate in our Day Hospitals. Healius also has Clinical Councils in place to provide forums for sharing ideas and information with HCPs.

Risk management

For personal use only

CONTEXT	RISK	MITIGATION
Referrers	Healius is reliant upon HCPs continuing to choose a pathology or diagnostic imaging services provider affiliated with Healius. A reduction or loss of referrals may impact the financial performance of Healius.	Healius has managers and staff dedicated to maintaining relationships, increasing engagement and addressing any issues with HCPs, referrers and non-doctor clients on a timely basis.
People	Healius is dependent on the quality of its staff, their skills, expertise and commitment to the Group. A loss of key staff may risk the loss of significant corporate knowledge.	Healius has developed staff engagement and leadership programs to increase the level of employee engagement across the Group, and identified key staff for programs that focus on retention and succession planning for the Group.
Employee Relations	Many of Healius' employees are covered by a complex array of awards, enterprise bargaining agreements and other workplace agreements which periodically require classification, renegotiation and renewal. In addition, a number of recent Court decisions and Government announcements have made it clear that the employee relations landscape will continue to evolve. Negotiations could result in issues which may lead to disruptions to Healius' operations and increased direct and indirect labour costs. These may adversely impact the financial performance and reputation of Healius.	Healius has developed staff engagement programs to increase the level of employee engagement within all areas of the business, including those covered by awards and agreements. Healius has managers and staff dedicated to negotiating workplace agreements. Healius has recently created a dedicated Employee Relations function to ensure that it remains compliant with its employee relations requirements and obligations.
IT Systems	Healius relies on effective information technology systems. Operations may be significantly impacted by disruption to a core IT platform.	Healius has IT support systems in place to underpin business operations.
Cyber Security	Healius maintains sensitive clinical and financial information and its databases may be at risk from cyber attacks.	Healius has an information security management framework and information security policy which are based on ISO 27001 and NIST best practice standards which align with Healius' risk appetite. Healius has an ongoing program to strengthen defences against unauthorised access, and to protect patient and financial data with IT managers and staff dedicated to information security.
Competition	Competition may come from new entrants into the market, existing competitors attempting to increase market share or from disruptive technologies that may change that way services are delivered. A change in competition may impact Healius' profitability, its ability to attract and retain HCPs and to secure attractive locations for its businesses.	Healius maintains its competitive edge through an extensive footprint of centres, investment in quality and innovation in healthcare services, and a cost-conscious operating model. In addition, senior management is attuned to market developments and is able to respond to any competitive threats.

For personal use only

CONTEXT	RISK	MITIGATION
Business Strategies and Transformation Projects	Healius is undergoing significant transformation as it seeks to position itself for future growth and sustainability. There is a risk that significant change may impact current operational focus and ineffective implementation, misguided strategies or industry changes of initiatives and strategies, may impact the financial performance of the business.	Healius is applying portfolio management to prioritise and align change initiatives to Healius' business strategy, in order to mitigate this risk.
Reputation	Healius' reputation may be impacted by a future event that creates adverse perception of the Group for the public, investors, regulators, or rating agencies that directly or indirectly impacts earnings and value.	Healius maintains stringent quality standards, audit processes and effective involvement of executive and senior management in decision making to ensure it continues to provide quality healthcare and minimise the risk of reputational damage.
Acquisitions	Healius has an acquisition program to acquire businesses which may be either rolled into our existing businesses, or provide new service offerings in the community. There is a risk that the acquisitions may not generate the financial returns or performance hurdles required to meet Healius benchmarks.	Healius has a robust due diligence process to assess the merits of each proposed acquisition, and plans the transition of the acquired business into the Healius Group.
Climate Change	Climate change risks may be either 'physical' with financial implications resulting from potential damage to assets, indirect impacts from supply chain disruption, or 'transitional' through changes to regulations and consumer behaviour.	Healius manages its operations in an environmentally sustainable manner, focusing on energy and renewables to improve efficiency, adapting to changes in consumer behaviour and reducing its carbon footprint. In the event of extreme weather conditions impacting the operation, through damage or disruption from supply chain, Healius has the network to continue operations in other locations where possible.
Healius Primary Care Separation	The sale of Healius Primary Care will require separation from the Group of IT systems, property leases and other support functions. There is a risk that this places increased pressure upon limited resources in the timeframe required.	The separation activities have been split into various work streams with teams in place responsible for respective work streams. There is a high level Steering Committee overseeing the work stream progress.

Directors' Report
for the year ended 30 June 2020

The Directors of Healius Limited (referred to as "Healius" or "the Company") submit their Report for the financial year ended 30 June 2020 (referred to as "the year" or "FY 2020"), 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 2020

- Robert Hubbard
- Malcolm Parmenter
- Gordon Davis
- Sally Evans
- Paul Jones
- Arlene Tansey

DIRECTORS WHO CEASED DURING FY 2020

- Errol Katz (retired as Director 25 November 2019)

Qualifications and experience of Directors

CONTINUING DIRECTORS

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

FORMER DIRECTORS

Errol Katz MPP, MB, BS (Hons) LLB (Hons)
NON-EXECUTIVE DIRECTOR

Dr Katz was appointed as a Non-executive Director in 2010. He served as Chair of the Risk Management Committee and as a member of the People & Governance (formerly Nomination and Remuneration) Committee until 19 August 2019.

Dr Katz has degrees in Medicine and Law from Monash University, and a Masters in Public Policy from Harvard University, where he was a Menzies Scholar. He has worked as a doctor at the Alfred Hospital, as a strategy consultant at the Boston Consulting Group and in strategy and operational roles at Visy Industries. Dr Katz currently works in private equity and investments.

Group Company Secretary

QUALIFICATIONS AND EXPERIENCE OF COMPANY SECRETARIES DURING FY 2020

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.

For personal use only

Directors' meetings during FY 2020

The number of meetings of the Board and of each Board committee held during FY 2020 and the number of meetings attended by each Director are set out below:

	BOARD OF DIRECTORS		AUDIT COMMITTEE		PEOPLE & GOVERNANCE COMMITTEE		RISK MANAGEMENT COMMITTEE	
FY 2020	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED
Robert Hubbard[1]	30	30	6	6	5	4	N/A	N/A
Gordon Davis	30	30	6	6	N/A	N/A	4	4
Sally Evans[2]	30	29	N/A	N/A	5	5	4	3
Paul Jones[3]	30	28	1	1	5	5	4	3
Errol Katz[4]	8	6	N/A	N/A	N/A	N/A	2	2
Malcolm Parmenter	30	30	N/A	N/A	N/A	N/A	N/A	N/A
Arlene Tansey[5]	30	28	6	6	4	4	3	3

1 Robert Hubbard was granted leave of absence from one People & Governance Committee meeting.
2 Sally Evans was granted leave of absence from one Board of Directors meetings and one Risk Management Committee meeting.
3 Paul Jones was granted leave of absence from two Board of Directors meetings and one Risk Management Committee meeting.
4 Errol Katz was granted leave of absence from two Board of Directors meetings.
5 Arlene Tansey was granted leave of absence from one Board of Directors meeting and was an apology for one Board of Directors meeting.

The above leaves of absence were typically granted, or apologies made,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 Chairman 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.

Committees of the Board in FY 2020

AUDIT COMMITTEE	PEOPLE & GOVERNANCE COMMITTEE	RISK MANAGEMENT COMMITTEE
Chair	**Chair**	**Chair**
Gordon Davis (until 19 August 2019)	Arlene Tansey (until 19 August 2019)	Errol Katz (until 19 August 2019)
Arlene Tansey (from 19 August 2019)	Sally Evans (from 19 August 2019)	Gordon Davis (from 19 August 2019)
Members	**Members**	**Members**
Gordon Davis	Sally Evans	Gordon Davis
Robert Hubbard	Robert Hubbard	Sally Evans
Paul Jones (until 19 August 2019)	Paul Jones (from 19 August 2019)	Paul Jones
Arlene Tansey	Errol Katz (until 19 August 2019)	Errol Katz (until 25 November 2019)
	Arlene Tansey (until 26 November 2019)	Arlene Tansey (from 19 August 2019)

For personal use only

Directorships of other listed companies held by Directors

DIRECTOR	COMPANY	POSITION	DATE APPOINTED	DATE CEASED
Gordon Davis	Midway Limited	Director	06/04/2016	
	Nufarm Limited	Director	31/05/2011	
Sally Evans	Oceania Healthcare Limited	Director	23/03/2018	
Robert Hubbard	Bendigo and Adelaide Bank Limited	Director	02/04/2013	
	Central Petroleum Limited	Director and Chairman	06/12/2013	14/05/2018
	Orocobre Limited	Director and Chairman	30/11/2012	
Arlene Tansey	ADBRI Limited	Director	05/04/2011	04/10/2019
	Aristocrat Leisure Limited	Director	21/07/2016	
	TPG Telecom Limited	Director	13/07/2020	
	Wisetech Global Limited	Director	01/06/2020	

Significant change in the state of affairs

There was no significant change in the state of affairs of the Group during the year. During the year, the Company elected to sell its Healius Primary Care business. The sale is expected to complete in FY 2021.

Principal activities

During the year, the Group had three principal continuing activities – pathology, imaging and day hospitals. Through a unique footprint of centres, the Group provides facilities and support services to independent general practitioners, 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 16–29 of this Report.

Events after the end of the year

Refer to Note A4 to the Financial Statements on page 90 of this Report for details on the subsequent events relating to the FY 2003–2007 tax case.

As at the date of this Report, there has not been any other matter or circumstance which has arisen since the end of the year which, in the opinion of the Directors, 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

Apart from the information provided in the Chair's letter in the Going Forward section on page 15 of this Report, 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 that 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.

For personal use only

Directors' Report
for the year ended 30 June 2020

Dividends

During FY 2020, the FY 2019 final dividend of 3.4 cents per share (100% franked) was paid to the holders of fully paid ordinary shares on 27 September 2019.

In respect of FY 2020 an interim dividend of 2.6 cents per share (100% franked), is to be paid to the holders of fully paid ordinary shares on 15 October 2020.

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 2020 under either the DRP or the BSP.

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	LAPSED SINCE PRIOR ANNUAL REPORT	CLOSING BALANCE
TLTIP FY 2020	–	36,394,239	–	–	36,394,239
Balance as at date of this Report	–	36,394,239	–	–	36,394,239

Shares issued on the exercise of options

No ordinary shares of Healius were issued during, or since the end of, FY 2020 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 2020 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 Deeds of Indemnity, Board Papers Inspection and D&O Coverage, which provide 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 2020.

Healius has not otherwise, during or since the end of FY 2020, 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 E9 on page 118 of this Report.

For personal use only

Management of safety risks

Healius is committed to ensuring that the health and safety of employees, contractors and all people attending Healius' facilities is given the highest priority. Healius' goal is to continually improve the safety environment for our employees, contractors and patients. Healius' Workplace Health and Safety (WHS) performance is constantly monitored through the setting of targets against which actual performance is measured, and this performance is reported via regular monthly reports being provided to senior management, monthly WHS Dashboard provided to the Board and quarterly performance reporting to the Board. WHS is incorporated into business planning, purchasing and contracting policies and the design of workplaces.

In order to improve Healius' health and safety performance, resources are allocated to the maintenance and improvement of the WHS management system. Professional health and safety staff work very closely with the Employee Representative Committees which have been established over a number of years in order to incorporate employee representation and consultation into health and safety initiatives as well as a forum for disseminating information to improve health and safety across all business units. During FY 2020 there was a detailed review of the resources devoted to the management of the WHS Systems to ensure resourcing remains appropriate to the requirements of operations.

Healius recognises our responsibilities to contractors. As part of our health and safety procedures, contractors are required to provide evidence that they have WHS management systems in place and the Company has monitoring procedures in place for addressing any health and safety issues that may arise from contractor performance. Workplace induction is provided to contractors prior to the commencement of any work through our online Contractor Induction Program.

Key health and safety performance indicators are as follows:

	FY 2020	FY 2019
Completion of Health and Safety Plan activities by worksites	94%	94%
Mini audits – measuring compliance to Health & Safety Management System	94% of the 189 mini audits conducted met or exceeded target.	85% of the 277 mini audits conducted met or exceeded target.
Internal Health & Safety audits – measuring compliance to National Audit Tool Version 3	96% of the 33 internal audits conducted met or exceeded target.	94% of the 47 internal audits conducted met or exceeded target.
Number of WHS prosecutions	Zero	Zero
Lost Time Incidents per Million Hours Worked	5.0	5.4

For FY 2020, all incidents were investigated and there was no systematic breakdown in the WHS Management System.

Healius has a comprehensive program of health and safety internal audits that are conducted during the course of the year. Audit findings may be either areas of nonconformance with WHS procedures or be areas for improvement. All findings are discussed with auditees before being finalised. The final reports are presented to senior management and include the findings, recommendations to address findings, persons responsible for implementation of recommendations and timeframes for implementation.

Training in health and safety is provided to staff at induction to ensure staff perform their duties safely. There is an established training program that provides regular training, refresher training and information. Further training is provided when specific issues are identified through regular workplace supervision, hazard reporting and risk assessment.

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.

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. During the year, there was a comprehensive review of occupational violence events and a detailed root cause analysis of manual handling incidents. In FY 2021 Healius is planning a number of strategic projects including a review of WHS resource allocation following the refocusing of the Group on pathology, imaging and day hospitals.

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.

For personal use only

Remuneration Report

For personal use only

1	**Letter from the Chair of the People & Governance Committee**		**44**
2	**Key decisions and outcomes in FY 2020**		**45**
3	**Setting Senior Executive remuneration**		**46**
	3.1	Overview of the design	**46**
	3.2	Notable components	**46**
4	**Executive KMP – remuneration outcomes for FY 2020**		**47**
	4.1	Key Management Personnel	**47**
	4.2	Executive KMP – opportunities and outcomes for FY 2020	**48**
	4.3	Executive KMP – base package outcomes for FY 2020	**50**
	4.4	Executive KMP – STI opportunity and rationale for FY 2020 and FY 2020 outcomes	**50**
	4.5	Executive KMP – LTI opportunity for FY 2020 and rationale	**50**
	4.6	Executive KMP – LTI outcome for FY 2018	**51**
	4.7	Executive KMP – tracking of ROIC performance under former LTI plan	**51**
5	**Executive KMP remuneration in detail**		**52**
	5.1	Executive KMP remuneration – statutory disclosure for FY 2020	**52**
	5.2	Executive KMP – service and performance rights and options awarded, vested and lapsed during FY 2020	**54**
	5.3	Executive KMP – equity holdings in FY 2020	**55**
	5.4	Company performance	**56**
6	**Non-executive Directors (NEDs)**		**57**
	6.1	Non-executive Director remuneration policy	**57**
	6.2	Non-executive Director fees	**57**
	6.3	Other Non-executive Director benefits	**57**
	6.4	Non-executive Director remuneration during FY 2020	**58**
	6.5	Non-executive Director equity holdings in FY 2020	**58**
7	**Healius' Remuneration Governance**		**59**
8	**Remuneration details relating to FY 2020**		**60**
	8.1	Senior Executive employment terms	**60**
	8.2	Senior Executive Short-term Incentive Plan (STIP) details	**60**
	8.3	Senior Executive Transformation Long-term Incentive Plan (TLTIP) details	**61**
	8.4	Remuneration-related policies	**63**
	8.5	Transactions with KMP	**64**

1. Letter from the Chair of the People & Governance Committee

Dear Shareholder,

On behalf of your Board of Directors, I am pleased to present the Remuneration Report for the financial year ended 30 June 2020 (FY 2020). This report details the remuneration framework and outcomes for Healius' Key Management Personnel (KMP) in FY 2020.

The remuneration framework aims to ensure that Total Remuneration Packages (TRP) of our executive KMP are linked to shareholder value. The link is achieved through the variable elements of TRPs with potential Short-Term Incentive (STI) and Long-Term Incentive (LTI) awards deemed "at risk" and dependent upon performance.

Additionally, the remuneration framework takes into account a more holistic view of KMP performance including promulgation of Company values and risk management. This is done through a balanced scorecard tailored for each KMP.

FY 2020 has seen significant challenges for Healius in meeting the healthcare needs of the Australian community. The COVID-19 pandemic has presented, and continues to present, unprecedented difficulties. In our frontline role Healius' people (including the Directors and the executive KMP) have risen to this challenge and have made sacrifices, including through pay cuts and leave management programs, in order to assure the continued operations and viability of the Company. Sacrifices have also been made by the Company's shareholders, with no FY 2020 final dividend paid, and by governments state and federal, with a Commonwealth Government Grant agreement benefiting our Pathology division, a number of Montserrat day hospitals receiving JobKeeper and various state government viability agreements assisting the Healius Day Hospitals business.

In light of these sacrifices, the Board determined that no STI Awards under the format and targets agreed at the beginning of FY 2020 would be made to executive KMP or to other Senior Executives.

FY 2020 also saw Healius' shareholders approve the new Transformation Long-Term Incentive Plan (TLTIP) at the 2019 Annual General Meeting. At a time when consumers are increasingly demanding better ways to access healthcare services, we are striving to create a substantial improvement in our value proposition to put us at the forefront of healthcare in the Australian community and deliver sustainable long-term shareholder returns. As a result, we are in a period of significant strategic change. The Board determined to simplify the Healius portfolio by placing the Healius Primary Care business on the market, with the sale announced on 15 June 2020 and the completion of that sale in progress at the time of writing. The sale proceeds will give the Company greater flexibility to invest in its existing businesses, through margin improvement, evolutionary change and acquisitions. The TLTIP provides the Board with effective tools to incentivise management to drive this strategic change. You can find details of the TLTIP at Section 4.5 of this Report.

We have again produced a simplified Remuneration Report for FY 2020, aiming to make it easy to understand and readable. It includes a summary of key decisions and outcomes for FY 2020 at Section 2 and a non-statutory table of what each of the executive KMP was awarded and paid this year at Section 4.2. Apart from the information in this Report, you can find further details of Healius' remuneration framework on our website.

As Chair of the People & Governance Committee I thank you for your ongoing support. I hope you will continue to support us by voting to adopt this Remuneration Report at our upcoming 2020 Annual General Meeting.

Yours sincerely



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

For personal use only

2. Key decisions and outcomes in FY 2020

Current Executive KMP	• Malcolm Parmenter	Managing Director and Chief Executive Officer (CEO)
	• Maxine Jaquet	Chief Financial Officer (CFO) (from 19 August 2019) (previously Chief Executive Health & Co)
	• John McKechnie	Chief Executive Pathology (from 19 August 2019)
	• Dean Lewsam	Chief Executive Imaging

Base pay/fees

- Annual review of base pay resulted in no across-the-board increases in executive KMP base pay for FY 2020.
- Maxine Jaquet and John McKechnie were awarded base pay increases on appointment to their new roles.
- Dean Lewsam was awarded an increase to align to the other divisional Chief Executives and within market comparability.
- During the COVID-19 pandemic, from late March 2020 to the end of FY 2020, executive KMP undertook an effective 20% pay reduction (30% reduction for the CEO) through cuts to their base pay and agreed annual leave adjustments.

Short Term Incentives (STI)

- In FY 2020 the Board decided that no STI, under the format and targets agreed at the beginning of the year, would be awarded to executive KMP, in view of the Company's annual performance and the sacrifices made by various other stakeholders to ensure the continued operations and viability of the Company during the COVID-19 pandemic.
- In connection with the introduction of the TLTIP (see below), the Board shifted 25% of STI potential for executive KMP into long-term incentive potential, for STI awards in future years.
- In addition, the Board changed the cash/equity split of executive KMP STI awards from 75% cash/25% equity (with half the equity component deferred for one year and half deferred for two years) to two-thirds cash/one-third equity (with all the equity component deferred for one year).

Long Term Incentives (LTI)

- The FY 2018 LTI was tested as at 30 June 2020. None of the Performance Rights vested as neither criterion, being Healius' relative total shareholder return measured against a comparator group (rTSR) and cumulative returns on invested capital (ROIC), was met.
- Following approval at last year's AGM, the Board adopted the Transformation Long-Term Incentive Plan (TLTIP) for FY 2020 – FY 2022 inclusive.
- The principal improvements in this equity-based plan are:
  - long-term value creation is prioritised by moving 25% of the existing potential STI award potential (at budgeted performance levels) into the long-term plan. This includes increasing the portion moved by 1.2 times dollar value reflecting the longer-dated and riskier nature of a Long-Term Incentive (LTI) award;
  - the grant of Options (rather than Performance Rights) in order to reward participants for the growth potential in the Company's share price and thereby strengthen their alignment to shareholders' interests;
  - a one-off grant of Options, rather than annual grants, 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. This one-off grant creates more incentive for participants and enables the length of the TLTIP to be extended to align with the longer-dated timeframe of the strategy; and
  - the exercise of Options to be subject to cumulative underlying Earnings per Share (EPS) growth and relative Total Shareholder Return (rTSR) for the CEO and CFO (split 2/3 to 1/3 between EPS growth and rTSR) to ensure a measurable and close alignment to shareholder returns. For the divisional CEOs, a divisional underlying Earnings Before Interest and Tax (EBIT) growth target has been added to increase their motivation through a directly controllable metric (with the split 40%/20%/40% between EPS growth, rTSR and EBIT growth).

For personal use only

For personal use only

3. Setting Senior Executive remuneration

3.1 OVERVIEW OF THE DESIGN

Total Remuneration Package (TRP)

- Support the business strategy and reinforce Healius' Purpose, Mission and Values.
- Attract, reward and retain high calibre Senior Executives including executive KMP.
- Align the rewards of these executives to performance and sustained shareholder value.

Base Package

- 49% of TRP at Target/Mid-point (46% for CEO and CFO).
- Externally benchmarked against relevant comparator companies.
- Set around the mid-point at which 50% of relevant comparator companies lie below.
- Annually reviewed re: competency, responsibilities and performance.
- Management of exceptions, for example when particular talent needs to be retained or there is an individual with unique expertise who needs to be acquired.

Variable Pay
Short-term Incentives (STI) and Long-term Incentives (LTI)

- 51% of TRP at Target/Mid-point "at risk" (54% for CEO and CFO).
- Links executive reward to Company performance and shareholder value, while balancing current year results and cash flow with longer-term value creation.
- Creates executive KMP equity ownership with one-third of STIs and 100% of LTIs granted in equity.
- Delivers returns over an extended period with STI equity deferred for one year and LTI equity measured after at least three years.
- Some financial metrics determined against scalable measures of Threshold or Entry (80% probability of achievement), Target or Mid-point (50%–60% probability) and Stretch or Maximum (10%–20% probability). Scalability incentivises Senior Executives to continue to outperform when a lower goal has been achieved.

STI

- 19% of TRP at Target (20% for CEO and CFO).
- Measured against an individual's balanced scorecard which includes financial, non-financial and behavioural Key Performance Indicators (KPIs), and takes an holistic view of performance, strategic implementation, culture and risk-management.
- Comprises cash (two-thirds) and deferred equity (one-third) in the form of Service Rights.

LTI

- 32% of TRP at Target or Mid-point (35% for CEO and CFO).
- Determined by rTSR and underlying EPS growth (also underlying EBIT growth for divisional Chief Executives).
- Comprises deferred equity in the form of Options.

3.2 NOTABLE COMPONENTS

3.2.1 Link between Senior Executive remuneration and Company performance

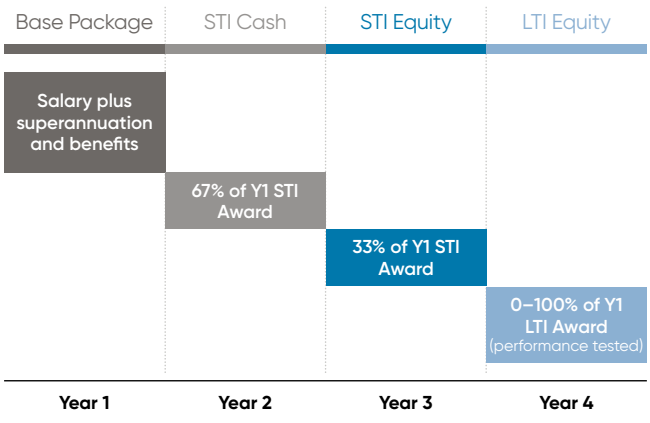
The remuneration of Senior Executives is designed to link executive reward and Company performance, balancing current year performance with longer-term sustained value creation. The link is achieved through the at-risk pay elements of an executive's package which represent 50% or more of total remuneration (at Target or Mid-point levels).

Healius' STI plan is not a guaranteed part of executive KMP remuneration. Indeed, in FY 2020 the CEO recommended and the Board concurred that no STI would be awarded under the format and targets agreed at the beginning of the year in view of the sacrifices made by various stakeholders to ensure Healius' ongoing operations and viability during the COVID-19 pandemic and in view of the Company not meeting its targeted Underlying Net Profit After Tax (UNPAT) due to the impacts of COVID-19.

No LTI Rights vested in FY 2020 relating to the FY 2018 year, as the performance targets for the three-year measurement period were not met.

3.2.2 Multi-year vesting of equity

Rights and Options granted in a given year as part of STI and LTI awards will not vest, if at all, until later. STI equity is deferred for one year and LTI Options are measured and vest after three, four or five years and then only if targets are met. Shares are issued at the start of the next financial year. The rolling nature of remuneration payments encourages executive retention.



For personal use only

3.2.3 Positive gate for rTSR

In order to align remuneration with shareholder outcomes, a positive TSR gate applies to the vesting of LTI relating to Healius' TSR performance against its comparator group. No award can be made if Healius' TSR over the measurement period is zero or negative, even if Healius has performed better than the comparator group.

3.2.4 Clawback provisions for STIs and LTIs

Payments or vesting related to STI and LTI 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.

3.2.5 Stretch or Maximum performance target for STIs and LTIs

Where a Stretch or Maximum performance target is included in an STI or LTI assessment criteria, it generally has only 10%–20% probability of achievement and is intended to equate to exceptional performance. It creates an incentive for Senior Executives to continue to outperform even when the Target or Mid-point level of performance has been achieved.

The 10–20% probability a Maximum award is particularly important to understand in connection with the issue of LTI Options. These are issued at Maximum amounts even though the probability that the full amount will eventually vest is low.

3.2.6 Comparator group for rTSR

As part of the introduction of the TLTIP, the rTSR comparator group was reviewed and updated. The group has been 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 was selected from companies listed on the ASX, with assistance from external remuneration consultants and using the following broad parameters:

- Be broadly defined to avoid "cherry-picking".
- Be large enough to produce valid statistics and small enough to be reasonably specific.
- Include direct competitors for capital, talent or market share of comparable scale.
- Include companies from the healthcare sector of comparable scale where direct competitors are not sufficient.
- Be sufficiently liquid to ensure that TSR results are reliable.
- Be balanced in terms of market capitalisation between smaller and larger companies.

3.2.7 Limitation of variance between statutory and underlying results

Underlying earnings are to be used in the measurement of EPS growth and EBIT, rather than statutory earnings, to ensure management do not benefit from a lower starting point for statutory earnings than underlying earnings in FY 2019 and hence a higher delta over time. In order to provide confidence on adjustments between underlying and statutory results, such adjustments from FY 2022 onwards are limited to the implementation costs of the Laboratory Platforms in Pathology and no others. All earnings targets will also be adjusted to ensure valid comparisons year-on-year, for example earnings will be adjusted for the effect of AASB 16 on performance.

4. Executive KMP – remuneration outcomes for FY 2020

4.1 KEY MANAGEMENT PERSONNEL

KMP are the Non-executive Directors, the executive Director and employees who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The following roles and individuals were identified as executive KMP for FY 2020 (Non-executive Directors are identified in section 6).

4.1.1 Current executive KMP

NAME	ROLE	DATES
Malcolm Parmenter	Managing Director & Chief Executive Officer (CEO)	6 September 2017
Maxine Jaquet	Chief Financial Officer (CFO)	19 August 2019
	Chief Executive Health & Co	1 March 2016 to 18 August 2019
Dean Lewsam	Chief Executive Imaging	23 October 2015
John McKechnie	Chief Executive Pathology	19 August 2019

4.1.2 Former executive KMP

Malcolm Ashcroft	Chief Financial Officer (CFO)	13 July 2015 to 27 August 2019
	Acting Chief Executive Officer	23 May 2017 to 5 September 2017
Wesley Lawrence	Chief Executive Pathology	8 December 2016 to 16 August 2019
Timothy Haggett	Chief Executive Medical Centres [1]	23 October 2017 to 25 November 2019

1 As announced in the Company's Trading and Management Update of 25 November 2019, the role of Chief Executive Medical Centres moved from primarily transformative and strategic in nature to primarily executional and operational in nature and so was not classified as KMP after 25 November 2019.

For personal use only

4.2 EXECUTIVE KMP – OPPORTUNITIES AND OUTCOMES FOR FY 2020

The following table provides shareholders with a picture of:

- Remuneration opportunities of executive KMP in FY 2020, at Target/Mid-point performance.
- The total remuneration of executive KMP **awarded** in respect of FY 2020 performance, some of which may be paid or vest during subsequent financial years.
- The total remuneration of executive KMP **received** during FY 2020, 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 2020.

This is a non-statutory table and does not include termination benefits. Please refer to section 5 for Healius' statutory FY 2020 remuneration tables for executive KMP.

			BASE PACKAGE		SHORT-TERM INCENTIVE (STI) (67% CASH; 33% DEFERRED EQUITY FOR FY 2020)
					TARGET STI OPPORTUNITY
POSITION	NAME	YEAR	ANNUAL BASE PACKAGE INCLUDING SUPER ($)[1,2]	BASE PACKAGE ACTUALLY PAID IN YEAR INC. ANNUAL LEAVE ADJUSTMENTS ($)[3]	TARGET STI AMOUNT ($)[4]
1	2	3	4	5	6
Current executive KMP FY 2020					
CEO	Malcolm Parmenter	**FY 2020**	**1,650,000**	**1,549,432**	**726,000**
		FY 2019	1,650,000	1,650,000	961,950
CFO	Maxine Jaquet	**FY 2020**	**725,000**	**683,482**	**319,000**
		FY 2019	600,000	600,000	300,000
Chief Executive Imaging	Dean Lewsam	**FY 2020**	**725,000**	**700,309**	**271,875**
		FY 2019	650,000	613,384	325,000
Chief Executive Pathology	John McKechnie	**FY 2020**	**725,000**	**603,675**	**271,875**
Former executive KMP					
CFO	Malcolm Ashcroft	**FY 2020**	**895,000**	**145,223**	**N/A**
		FY 2019	895,000	895,000	521,785
Chief Executive Medical Centres	Timothy Haggett	**FY 2020**	**800,000**	**323,077**	**N/A**
		FY 2019	800,000	800,000	400,000
Chief Executive Pathology	Wesley Lawrence	**FY 2020**	**750,000**	**100,962**	**N/A**
		FY 2019	750,000	750,000	375,000
TOTAL EXECUTIVE KMP REMUNERATION		**FY 2020**	**6,270,000**	**4,106,160**	**1,588,750**
		FY 2019	5,345,000	5,308,384	2,883,735

Guide to using the Table

1 Column 14 is the total remuneration paid or awarded for FY 2020 performance to the relevant KMP (with FY 2019 comparison), some of which may be paid in future periods. It is the sum of columns 5 and 7. While the number of Options granted in FY 2020 under Healius' TLTIP is set out in section 5.2 of this Report, the value of vested and exercised Options (if any) relating to the FY 2020 TLTIP award will not be known until the relevant measurement periods end at the close of each of FY 2022, FY 2023 and FY 2024 and the applicable performance criteria are tested. Consequently, no amount is included in this table for FY 2020 LTI.

2 Column 15 is the total remuneration received during FY 2020 by the relevant KMP (with FY 2019 comparison), some of which relates to past periods. It is the sum of columns 5, 9, 10, 12 and 13. Where part of these amounts involve the valuation of vested Rights, the dollar value is calculated based on the closing Share price on the day that Shares are issued for the vested Rights (not applicable in FY 2020).

For personal use only

SHORT-TERM INCENTIVE (STI) (FY 2020 – 67% CASH; 33% DEFERRED EQUITY) (FY 2019 – 50% CASH; 50% DEFERRED EQUITY)				LONG-TERM INCENTIVE (LTI) (100% DEFERRED EQUITY)		OTHER PAYMENTS	TOTAL REMUNERATION	
STI OUTCOME FOR YEAR (TO BE PAID IN FOLLOWING YEARS)[5]		STI FROM PRIOR YEARS (PAID IN YEAR)[5]		TARGET LTI OPPORTUNITY (ONLY VESTS AFTER 3–5 YEAR MEASUREMENT PERIOD IF HURDLES ARE MET)	LTI FROM PRIOR YEARS (VESTED IN YEAR)			
STI AWARDED ($)	STI AWARDED/ NOT AWARDED (% OF TARGET)	CASH STI PAYMENT FROM PRIOR YEAR ($)	VALUE OF STI EQUITY VESTED FROM PRIOR YEARS ($)	TARGET LTI AMOUNT ($)[6]	LTI VESTED FROM PRIOR YEARS ($)	OTHER PAYMENTS RECEIVED IN YEAR ($)[7]	TOTAL REMUNERATION AWARDED FOR YEAR'S PERFORMANCE (EXC LTI) ($)	TOTAL REMUNERATION RECEIVED DURING YEAR ($)
7	8	9	10	11	12	13	14	15
Nil	0%/100%	Nil	76,638	1,254,000	N/A	Nil	1,549,432	1,626,070
Nil	0%/100%	399,329	N/A	961,950	N/A	Nil	1,650,000	2,049,329
Nil	0%/100%	Nil	34,847	566,200	Nil	Nil	683,482	718,329
Nil	0%/100%	84,150	33,775	300,000	Nil	Nil	600,000	717,925
Nil	0%/100%	Nil	47,392	471,250	Nil	Nil	700,309	747,701
Nil	0%/100%	117,018	40,630	325,000	Nil	Nil	613,384	771,032
Nil	0%/100%	N/A	N/A	471,250	Nil	Nil	603,675	603,675
N/A	N/A	Nil	69,627	N/A	Nil	Nil	145,223	214,850
Nil	0%/100%	232,503	49,526	521,785	Nil	244,504	895,000	1,421,533
N/A	N/A	Nil	26,419	N/A	Nil	Nil	323,077	349,496
Nil	0%/100%	137,655	N/A	400,000	Nil	Nil	800,000	937,655
N/A	N/A	Nil	47,988	N/A	Nil	Nil	100,962	148,950
Nil	0%/100%	127,013	35,901	375,000	Nil	Nil	750,000	912,914
Nil	0%/100%	Nil	302,911	2,762,700	Nil	Nil	4,106,160	4,409,071
Nil	0%/100%	1,097,668	159,832	2,883,735	Nil	244,504	5,308,384	6,810,388

Notes

1 Column 4. Base Package and target amounts are shown on an annual basis. As John McKechnie commenced during FY 2020 these amounts were not paid in full in FY 2020. Column 5 shows the pro-rata amount actually paid in FY 2020.

2 Column 4. The annual base package for Maxine Jaquet increased to $725,000 effective 19 August 2019 (on her appointment as CFO). Column 5 shows the actual amount paid in FY 2020 which includes the period 1 July 2019 to 19 August 2019 when she was being paid at her previous salary.

3 Column 5. This column has been adjusted to account for cash salary reductions and annual leave adjustments agreed with the relevant executive KMP as part of the Company's response to the COVID-19 pandemic.

4 Column 6. Stretch STI may exceed Target STI depending on the criteria set by the Board from year to year (not applicable in FY 2020 or FY 2019).

5 Columns 7–10. Zero STI was awarded to KMP in relation to FY 2020 and FY 2019.

6 Column 11. The target LTI Amount represents the mid-point TLTIP Award for one year's worth of LTI. Maximum LTI is up to 200% of Mid-point LTI.

7 Column 13. The amount included for Malcolm Ashcroft in FY 2019 is for the vesting of a sign on arrangement dating from 12 September 2016. The amount was paid by way of the issue of 68,681 ordinary Shares in the Company on 13 July 2018 at a price of $3.435 per Share (closing price on that date).

4.3 EXECUTIVE KMP – BASE PACKAGE OUTCOMES FOR FY 2020

The annual review of pay resulted in no across-the-board increases in executive KMP base pay for FY 2020. Dean Lewsam was awarded a base pay increase to align to the other divisional Chief Executives and within market comparability. Maxine Jaquet and John McKechnie were awarded base pay increases on appointment to their new roles.

During the COVID-19 pandemic, the executive KMP accepted an effective 20% pay reduction (30% for the CEO) through cuts to their base pay and agreed annual leave adjustments.

4.4 EXECUTIVE KMP – STI OPPORTUNITY AND RATIONALE FOR FY 2020 AND FY 2020 OUTCOMES

Healius' STI plan is at-risk remuneration and is not a guaranteed part of executive KMP remuneration.

In FY 2020, the CEO recommended and the Board concurred that no STI would be awarded under the format and targets agreed at the beginning of the year, in view of the Company not meeting its targeted UNPAT and in view of the sacrifices made by other stakeholders.

Executive KMP STI outcomes are measured against an individual's balanced scorecard which includes financial, non-financial and behavioural KPIs, and takes an holistic view of performance, strategic implementation, culture and risk management.

4.4.1 Group and Divisional UNPAT and Group Cash Flow

Group and divisional UNPAT and Group cash flow were selected by the Board as being the most appropriate method of measuring the Company's FY 2020 financial performance. These measures typically accounted for around 70% of an executive KMP's potential STI award.

As for the FY 2019 STI plan, Healius incorporated Threshold, Target and Stretch goals into the UNPAT metrics, in order to incentivise Senior Executives to continue to achieve once a lower goal had been achieved.

4.4.2 Role-specific strategic objectives

Role-specific strategic objectives ensure KMP are measured and rewarded for initiatives over which they have responsibility, which contribute directly to the Company's strategic plan and which aim to deliver increased shareholder value. They are focused on specific KPIs that are both measurable and tied directly to the Group's strategy and they have been set to be sufficiently challenging to each member of the KMP. These typically account for around 30% of an executive KMP's potential STI award.

4.4.3 Leadership behavioural KPIs

As for the FY 2018 and FY 2019 STI plans, Healius' Purpose, Mission and Values continued to underscore these KPIs in the FY 2020 STI plan. For the FY 2020 STI plan, as for FY 2019, leadership behaviours were not ascribed a specific percentage of an executive KMP's STI award, but rather were a modifier for the whole STI award. This included the Board's retained discretion (not exercised) to modify an otherwise 100% award to zero in the case of poor leadership behaviours.

As no STI remuneration was awarded to executive KMP for FY 2019 or FY 2020, detailed STI targets, including the balanced scorecards, are not set out below. They will be reinstated in future Annual Reports if STIs are awarded by the Board.

4.5 EXECUTIVE KMP – LTI OPPORTUNITY AND RATIONALE FOR FY 2020

4.5.1 Measurement period for FY 2020 LTI awards

LTI awards relating to FY 2020 are subject to the new Transformation Long-Term Incentive Plan (TLTIP). Options vest after a three-to-five year measurement period.

For Senior Executives in FY 2020, a three-year grant of Options was made; one third will be assessed after 30 June 2022, one third after 30 June 2023 and one third after 30 June 2024. No annual grant of Options will be made to these Senior Executives in FY 2021 or FY 2022. This one-off grant creates more incentive for participants and enables the length of the TLTIP to be extended to align with the longer-dated timeframe of the Company's strategy.

Under the TLTIP, Healius issues Options for LTI awards to executive KMP and Senior Executives. These Options will not vest and become exercisable unless and until:

- the relevant predetermined measurement period set by the Board ends;
- the Company's performance is assessed against performance criteria; and
- the level of vesting is determined by the Board based on the Company's performance.

4.5.2 rTSR, underlying EPS growth and divisional underlying EBIT growth criteria for FY 2020 LTI awards

LTI awards for executive KMP will be determined using the following criteria:

- 40% based on Compound Annual Growth Rate (CAGR) in underlying Earnings Per Share (EPS) (66.7% for the CEO and CFO);
- 20% based on relative Total Shareholder Return (rTSR) (33.3% for the CEO and CFO); and
- 40% based on the underlying Earnings Before Interest and Taxation (EBIT) of the relevant executive KMP's business division (not applicable to CEO and CFO).

Underlying earnings are to be used in the measurement of EPS growth and EBIT, rather than statutory earnings, to ensure management do not benefit from a lower starting point for statutory earnings than underlying earnings in FY 2019 and hence a higher change over time. In order to provide confidence on adjustments between underlying and statutory results, such adjustments from FY 2022 onwards will be limited to the implementation costs of the Laboratory Platforms in Pathology and no others. All earnings targets will also be adjusted to ensure valid comparisons year-on-year, for example earnings will be adjusted for the effect of AASB 16 on performance.

For personal use only

rTSR was selected by the Board to motivate Senior Executives to drive returns which outperform those of comparable companies and thereby make Healius a superior investment. rTSR is calculated as follows:

TSR	Share price movement + dividends (14-day Volume Weighted Average Price).	
Comparator Group	See table in 8.3.	
Linear vesting scale	Below Entry performance, none of the relevant Options become exercisable. 50% of Options become exercisable at Entry, being point at which 50% of comparator group lie below.	100% of Options become exercisable at or above Maximum, being point at which 75% of comparator group lie below. Between Entry and Maximum performance, relevant Options become exercisable on a linear scale between 50% and 100%.
Positive Gate	Nil award if Healius' TSR is zero or negative.	

Underlying EPS was selected by the Board to ensure a measurable and close alignment to shareholder returns.

Underlying EPS	Underlying Net Profit After Tax/Number of ordinary shares on issue.	
Performance conditions	The following targets for Compound Annual Growth Rate (CAGR) in underlying EPS have been set: Entry: 4% Mid-point: 7% Maximum: 10% • Below Entry performance, none of the relevant Options become exercisable. • At Entry performance, 25% of the relevant Options become exercisable.	• Between Entry and Mid-point performance, relevant Options become exercisable on a linear scale between 25% and 50%. • At Mid-point performance, 50% of the relevant Options become exercisable. • Between Mid-point and Maximum performance, relevant Options become exercisable on a linear scale between 50% and 100%. • At or above Maximum performance, 100% of the relevant Options become exercisable.
Gate Limiting condition on Underlying Performance	From FY 2022 onwards, the only adjustment allowed (for TLTIP assessment purposes) between statutory and underlying performance is the costs of the Laboratory Platforms in Pathology.	

Divisional **Underlying EBIT** was selected by the Board to incentivise ongoing earnings growth over a sustained period.

The divisional underlying EBIT performance conditions are set by the Board as part of the Company's budgeting process. The prospective disclosure of these targets will not be made as it is commercially sensitive. For the purposes of awards under the TLTIP, the Board's target-setting process ensures that divisional Chief Executives (and other TLTIP participants to whom EBIT growth Performance Conditions are assigned) are rewarded only for consistently achieving EBIT growth within their division.

As with the underlying EPS performance condition, adjustments between underlying and statutory results from FY 2022 onwards will be limited to the implementation costs of the Laboratory Platforms in Pathology. All earnings targets will also be adjusted to ensure valid comparisons year-on-year, for example earnings will be adjusted for the effect of AASB 16 on performance.

4.6 EXECUTIVE KMP – LTI OUTCOME FOR FY 2018

The measurement period for FY 2018 LTI awards was FY 2018–FY 2020. The LTI performance criteria set by the Board for FY 2018 and Healius' results for FY 2018–FY 2020 inclusive, are set out in the following table:

LTI PERFORMANCE MEASURE	TARGET PERFORMANCE	ACTUAL RESULT	OUTCOME
rTSR	P50 of comparator group	HLS TSR (<0)%; Comparator group N/A because HLS TSR <0%.	Below Threshold/Target Nil award
ROIC	8.4%	HLS ROIC 5.7%	Below Threshold Nil award

As the performance criteria were not met, there will be no LTI awarded in relation to FY 2018. All Performance Rights issued to executive KMP in relation to the FY 2018 LTI have lapsed.

4.7 EXECUTIVE KMP – TRACKING OF ROIC PERFORMANCE UNDER FORMER LTI PLAN

AWARD YEAR	THRESHOLD %	TARGET %	STRETCH %	ACHIEVED [1] %	MEASUREMENT PERIOD	VESTING DATES (IF TARGETS ACHIEVED)	AWARD OUTCOME
FY 2019	7.1	7.3	7.5	5.5	FY 2019–2021	After 1 July 2021	Open
FY 2018	8.2	8.4	8.6	5.7	FY 2018–2020	After 1 July 2020	Nil

1 These figures are based on the Company's actual performance in the completed financial years of the relevant measurement period.

For personal use only

5 Executive KMP remuneration in detail

5.1 EXECUTIVE KMP REMUNERATION – STATUTORY DISCLOSURE FOR FY 2020

The following tables outline the remuneration received by Healius' executive KMP during FY 2020 prepared according to statutory disclosure requirements and applicable accounting standards.

		SHORT-TERM EMPLOYEE BENEFITS			
NAME	YEAR	CASH SALARY ($)	CASH STI ($)	NON-MONETARY BENEFITS[1] ($)	ANNUAL LEAVE[2] ($)
Current Executive KMP					
Malcolm Parmenter	**2020**	**1,603,613**	**–**	**2,269**	**(32,476)**
	2019	1,629,469	–	2,124	26,417
Maxine Jaquet	**2020**	**676,017**	**–**	**2,269**	**3,872**
	2019	579,469	–	2,124	(2,367)
Dean Lewsam	**2020**	**692,844**	**–**	**2,269**	**(3,583)**
	2019	592,853	–	2,124	26,457
John McKechnie[1] (from 18 August 2019)	**2020**	**601,746**	**–**	**–**	**13,562**
Former Executive KMP					
Malcolm Ashcroft	**2020**	**141,184**	**–**	**2,536**	**2,931**
(until 27 August 2019)	2019	874,469	–	2,124	(10,301)
Timothy Haggett	**2020**	**314,595**	**–**	**1,418**	**21,094**
(until 25 November 2019)	2019	779,469	–	2,124	41,072
Wesley Lawrence	**2020**	**98,134**	**–**	**851**	**(86,280)**
(until 16 August 2019)	2019	729,469	–	2,124	5,617
TOTAL EXECUTIVE KMP REMUNERATION	**2020**	**4,128,133**	**–**	**11,612**	**(80,880)**
	2019	5,185,198	–	12,744	86,895

1 Represents the taxable value of fringe benefits for the respective FBT year ended 31 March.
2 Changes in accrued leave represent annual leave and long service leave accrued or utilised during the financial year. Negative amounts represent the utilisation of annual leave for continuing employees and reversal of balances for former employees.
3 Relates to Service Rights granted in respect of the FY 2017 and FY 2018 STI Plans and calculated in accordance with AASB 2 *Share-based Payments*.
4 Relates to Performance Rights granted in respect of the FY 2018 and FY 2019 LTI Plans and Options granted in respect of the FY 2020 TLTIP and all calculated in accordance with AASB 2 *Share-based Payments*.
5 Termination benefits for Malcolm Ashcroft include annual leave, long service leave and ex gratia payments for a period worked after he ceased to be KMP and in lieu of receiving an STI payment for FY 2020 as well as termination benefits.
6 Termination benefits for Wesley Lawrence include annual leave, long service leave and amounts received whilst on gardening leave as well as termination benefits.

For personal use only

For personal use only

POST-EMPLOYMENT BENEFITS	LONG-TERM EMPLOYEE BENEFITS	EQUITY SETTLED SHARE-BASED PAYMENTS			
SUPER CONTRIBUTIONS ($)	LONG SERVICE LEAVE[2] ($)	STI[3] ($)	LTI[4] ($)	TOTAL ($)	TERMINATION BENEFITS[5,6] ($)
21,003	**20,500**	**23,706**	**1,594,130**	**3,232,745**	**–**
20,531	38,631	59,186	133,165	1,899,523	–
21,003	**14,583**	**4,996**	**687,945**	**1,410,685**	**–**
20,531	10,160	19,077	81,973	710,967	–
21,003	**27,387**	**6,947**	**593,135**	**1,340,002**	**–**
20,531	13,178	27,166	91,432	773,741	–
18,175	**10,441**	**2,812**	**452,764**	**1,099,500**	**–**
4,039	**(60,769)**	**13,803**	**270,833**	**374,557**	**1,001,910**
20,531	15,346	43,294	145,776	1,091,239	–
8,482	**5,777**	**8,172**	**(149,827)**	**209,711**	**–**
20,531	13,694	20,403	57,827	935,121	–
2,827	**(213,019)**	**7,540**	**(173,727)**	**(363,674)**	**1,091,503**
20,531	18,361	26,152	85,439	887,694	–
96,532	**(195,100)**	**67,976**	**3,275,253**	**7,303,526**	**2,093,413**
123,186	99,370	195,278	595,612	6,298,283	–

5.2 EXECUTIVE KMP – SERVICE AND PERFORMANCE RIGHTS AND OPTIONS AWARDED, VESTED AND LAPSED DURING FY 2020

FY 2020 equity awards to executive KMP can made in the form of Service Rights or Options. Executive KMP also hold Performance Rights from the previous LTI Plan, and during FY 2020 received Shares on vesting of FY 2017 and FY 2018 STI Service Rights.

1 **Service Rights** are used for the equity portion of STI 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 in order to enable deferral of a portion of the STI award to promote Senior Executive retention.

2 **Options** are used for LTI awards to Senior Executives under the TLTIP 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 vested Option. If the performance criteria have not been met then the Options lapse and no Shares are issued.

3 **Performance Rights** are used for LTI 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. Each type of security is issued by Healius Limited.

5.2.1 Service Rights

NAME	GRANT	VESTING DATE[1]	RIGHTS VESTED DURING YEAR (NO.)	VALUE OF RIGHTS VESTED DURING YEAR[2] ($)	RIGHTS LAPSED DURING YEAR (NO.)
Current Executive KMP					
Malcolm Parmenter	FY 2018 STI – Tranche 1	1 July 2019	25,461	76,638	–
Maxine Jaquet	FY 2018 STI – Tranche 1	1 July 2019	5,365	16,149	–
	FY 2017 STI – Tranche 2	1 July 2019	6,212	18,698	–
Dean Lewsam	FY 2018 STI – Tranche 1	1 July 2019	7,461	22,458	–
	FY 2017 STI – Tranche 2	1 July 2019	8,284	24,935	–
Former Executive KMP					
Malcolm Ashcroft	FY 2018 STI – Tranche 1	1 July 2019	14,824	44,620	–
	FY 2017 STI – Tranche 2	1 July 2019	8,308	25,007	–
Timothy Haggett	FY 2018 STI – Tranche 1	1 July 2019	8,777	26,419	–
Wesley Lawrence	FY 2018 STI – Tranche 1	1 July 2019	8,098	24,375	–
	FY 2017 STI – Tranche 2	1 July 2019	7,845	23,613	–

1 For Rights that have vested during the year the vesting date is the actual date on which ordinary Shares were issued for the vested Rights.

2 Calculated based on the closing Share price on the day that ordinary Shares are issued for vested Rights (the vesting date in the tables above) being $3.01 on 1 July 2019.

5.2.2 Performance Rights

NAME	GRANT	AWARD DATE[1]	VESTING DATE[2]	RIGHTS LAPSED DURING YEAR[3] (NO.)
Current Executive KMP				
Maxine Jaquet	FY 2017 LTI – ROIC	31 August 2017	1 July 2019	80,863
	FY 2017 LTI – rTSR	31 August 2017	1 July 2019	80,863
Dean Lewsam	FY 2017 LTI – ROIC	31 August 2017	1 July 2019	78,167
	FY 2017 LTI – rTSR	31 August 2017	1 July 2019	78,167
Former Executive KMP				
Malcolm Ashcroft	FY 2017 LTI – rTSR	31 August 2017	1 July 2019	153,694
	FY 2017 LTI – ROIC	31 August 2017	1 July 2019	153,694
Wesley Lawrence	FY 2017 LTI – rTSR	31 August 2017	1 July 2019	80,323
	FY 2017 LTI – ROIC	31 August 2017	1 July 2019	80,323

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

2 For Rights that have lapsed during the year the vesting date is the first date after the end of the measurement period, which is the first day on which ordinary Shares could be issued once the relevant Rights have vested.

3 The FY 2017 LTI allows for retesting of Performance Rights, extending the measurement period (and therefore the vesting date) by one year compared to the dates in the above table. The Board has determined that no retesting will be undertaken in relation to the FY 2017 LTI.

For personal use only

For personal use only

5.2.3 Options

The table below details movements during the year in the number of 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	OPTIONS AWARDED DURING YEAR (NO.)	AWARD DATE[1]	FAIR VALUE PER OPTION AT AWARD DATE ($)[1]	VALUE OF OPTIONS AWARDED DURING YEAR ($)	VESTING DATE[2]	EXERCISE PRICE ($)	OPTIONS VESTED & EXBLE DURING YEAR (NO.)	OPTIONS LAPSED DURING YEAR (NO.)
Current Executive KMP									
Malcolm Parmenter	FY 2020 TLTIP – EPS	2,462,531	28 February 2020	0.42	1,034,263	1 July 2022	3.05	–	–
	FY 2020 TLTIP – rTSR	1,231,266	28 February 2020	0.41	504,819	1 July 2022	3.05	–	–
	FY 2020 TLTIP – EPS	2,462,531	28 February 2020	0.47	1,157,390	1 July 2023	3.05	–	–
	FY 2020 TLTIP – rTSR	1,231,266	28 February 2020	0.46	566,382	1 July 2023	3.05	–	–
	FY 2020 TLTIP – EPS	2,462,531	28 February 2020	0.50	1,231,266	1 July 2024	3.05	–	–
	FY 2020 TLTIP – rTSR	1,231,266	28 February 2020	0.49	603,320	1 July 2024	3.05	–	–
Maxine Jaquet	FY 2020 TLTIP – EPS	1,111,870	28 February 2020	0.42	466,985	1 July 2022	3.05	–	–
	FY 2020 TLTIP – rTSR	555,935	28 February 2020	0.41	227,933	1 July 2022	3.05	–	–
	FY 2020 TLTIP – EPS	1,111,870	28 February 2020	0.47	522,579	1 July 2023	3.05	–	–
	FY 2020 TLTIP – rTSR	555,935	28 February 2020	0.46	255,730	1 July 2023	3.05	–	–
	FY 2020 TLTIP – EPS	1,111,870	28 February 2020	0.50	555,935	1 July 2024	3.05	–	–
	FY 2020 TLTIP – rTSR	555,936	28 February 2020	0.49	272,409	1 July 2024	3.05	–	–
John McKechnie	FY 2020 TLTIP – EPS	555,248	28 February 2020	0.42	233,204	1 July 2022	3.05	–	–
	FY 2020 TLTIP – EBIT	555,248	28 February 2020	0.42	233,204	1 July 2022	3.05	–	–
	FY 2020 TLTIP – rTSR	277,624	28 February 2020	0.41	113,826	1 July 2022	3.05	–	–
	FY 2020 TLTIP – EPS	555,248	28 February 2020	0.47	260,967	1 July 2023	3.05	–	–
	FY 2020 TLTIP – EBIT	555,248	28 February 2020	0.47	260,967	1 July 2023	3.05	–	–
	FY 2020 TLTIP – rTSR	277,624	28 February 2020	0.46	127,707	1 July 2023	3.05	–	–
	FY 2020 TLTIP – EPS	555,248	28 February 2020	0.50	277,624	1 July 2024	3.05	–	–
	FY 2020 TLTIP – EBIT	555,246	28 February 2020	0.50	277,623	1 July 2024	3.05	–	–
	FY 2020 TLTIP – rTSR	277,624	28 February 2020	0.49	136,036	1 July 2024	3.05	–	–
Dean Lewsam	FY 2020 TLTIP – EPS	555,248	28 February 2020	0.42	233,204	1 July 2022	3.05	–	–
	FY 2020 TLTIP – EBIT	555,248	28 February 2020	0.42	233,204	1 July 2022	3.05	–	–
	FY 2020 TLTIP – rTSR	277,624	28 February 2020	0.41	113,826	1 July 2022	3.05	–	–
	FY 2020 TLTIP – EPS	555,248	28 February 2020	0.47	260,967	1 July 2023	3.05	–	–
	FY 2020 TLTIP – EBIT	555,248	28 February 2020	0.47	260,967	1 July 2023	3.05	–	–
	FY 2020 TLTIP – rTSR	277,624	28 February 2020	0.46	127,707	1 July 2023	3.05	–	–
	FY 2020 TLTIP – EPS	555,248	28 February 2020	0.50	277,624	1 July 2024	3.05	–	–
	FY 2020 TLTIP – EBIT	555,246	28 February 2020	0.50	277,623	1 July 2024	3.05	–	–
	FY 2020 TLTIP – rTSR	277,624	28 February 2020	0.49	136,036	1 July 2024	3.05	–	–

1 Award date and fair value per Option calculated in accordance with the principles of AASB 2 *Share-based Payment*.

2 For Options awarded during the year the vesting date is the first day after the end of the measurement period, which is the first day on which the relevant Options can vest.

5.3 EXECUTIVE KMP – EQUITY HOLDINGS IN FY 2020

5.3.1 Ordinary Shares

The table below details movements during the year in the number of ordinary Shares 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	BALANCE AT BEGINNING OF YEAR (NO.)	VESTING OF RIGHTS (SHARES ISSUED) (NO.)	SHARES PURCHASED/(SOLD) (NO.)	BALANCE AT END OF YEAR (NO.)
Current Executive KMP				
Malcolm Parmenter	59,597	25,461	–	85,058
Maxine Jaquet	49,609	11,577	–	61,186
Dean Lewsam	30,955	15,745	(13,000)	33,700
John McKechnie	16,087	–	–	16,087

For personal use only

5.3.2 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. On vesting, each Right or Option is exercised for one ordinary Share in the Company.

NAME	CLASS	BALANCE AT BEGINNING OF YEAR (NO.) [1]	RIGHTS/ OPTIONS AWARDED AS COMPENSATION DURING YEAR (NO.) [1]	RIGHTS/ OPTIONS VESTED DURING YEAR (NO.) [2]	RIGHTS/ OPTIONS LAPSED DURING YEAR (NO.) [3]	RIGHTS/ OPTIONS FORFEITED DURING YEAR (NO.) [4]	BALANCE AT END OF YEAR (NO.)
Current Executive KMP							
Malcolm Parmenter	Service Rights	51,998	–	(25,461)	–	–	26,537
	Performance Rights	1,280,160	–	–	–	–	1,280,160
	Options	–	11,081,391	–	–	–	11,081,391
Maxine Jaquet	Service Rights	17,169	–	(11,577)	–	–	5,592
	Performance Rights	593,494	–	–	(161,726)	–	431,768
	Options	–	5,003,416	–	–	–	5,003,416
Dean Lewsam	Service Rights	23,521	–	(15,745)	–	–	7,776
	Performance Rights	602,998	–	–	(156,334)	–	446,664
	Options	–	4,164,358	–	–	–	4,164,358
John McKechnie	Service Rights	3,613	–	–	–	–	3,613
	Performance Rights	115,138	–	–	–	–	115,138
	Options	–	4,164,358	–	–	–	4,164,358
Former Executive KMP							
Malcolm Ashcroft	Service Rights	38,583	–	(23,132)	–	–	15,451
	Performance Rights	1,106,086	–	–	(307,388)	–	798,698
Timothy Haggett	Service Rights	17,925	–	(8,777)	–	–	9,148
	Performance Rights	500,994	–	–	–	(500,994)	–
Wesley Lawrence	Service Rights	24,383	–	(15,943)	–	–	8,440
	Performance Rights	700,358	–	–	(160,646)	(539,712)	–

1 The balance at the beginning of year for John McKechnie represents the number of instruments he held at the date he commenced as KMP.
2 Vesting of the second tranche of FY 2017 Service Rights and the first tranche of FY 2018 STI Service Rights.
3 Lapsing of FY 2017 LTI Performance Rights.
4 These Rights were forfeited and were not exercisable at the end of FY 2020.

5.4 COMPANY PERFORMANCE

5.4.1 Five (plus)-year performance table

The following provides a summary of the key financial results for the Company over the FY 2020 period and the previous five financial years in accordance with the five-year performance requirements of the Corporations Act plus one additional year:

							SHORT TERM CHANGE IN SHAREHOLDER VALUE OVER 1 YEAR (SP INCREASE + DIVIDENDS)		LONG TERM (CUMULATIVE) 3 YEARS CHANGE IN SHAREHOLDER VALUE	
FY	REVENUE ($M)[1]	REPORTED PROFIT/ (LOSS) AFTER TAX ($M)[2]	UNDERLYING PROFIT/ (LOSS) AFTER TAX ($M)[3]	CLOSING SHARE PRICE ($)	CHANGE IN SHARE PRICE ($)	DIVIDENDS ($)[4]	AMOUNT ($)	%	AMOUNT ($)	%
30-Jun-20	1,585	(71)	55	3.05	0.03	0.05	0.08	2.62	-0.25	-6.87
30-Jun-19	1,805	56	93	3.02	-0.35	0.14	-0.21	-6.23	-0.48	-12.08
30-Jun-18	1,705	4	88	3.37	-0.27	0.16	-0.12	-3.22	-1.16	-22.93
30-Jun-17	1,659	(517)	92	3.64	-0.31	0.16	-0.15	-3.80	-0.25	-5.57
30-Jun-16	1,637	75	104	3.95	-1.09	0.20	-0.89	-17.63	-0.06	-1.19
30-Jun-15	1,618	128	112	5.04	0.50	0.29	0.79	17.31		

1 Underlying revenue.
2 Statutory or reported profit.
3 Underlying profit from continuing and discontinued operations.
4 Cash amount (after franking credits).

6 Non-executive Directors (NEDs)

6.1 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 (if issued). 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.
- With effect from 1 July 2020, the Board adopted a NED Equity Holding Policy requiring each current and new NED to hold Healius Shares to the value of one year's annual fees (assessed at the time of purchase), with the holding to be in place by the later of 30 June 2025 or 5 years after the date of the relevant NED's appointment. Application of an Equity Holding Policy to Executive KMP remains under consideration by the Board.
- A NED Equity Plan, under which NEDs are able to salary sacrifice fees for Shares in the Company, was approved by shareholders at the Company's 2019 AGM and is in the process of implementation. The Plan will assist NEDs in acquiring more Shares in the Company, thereby increasing NED alignment with shareholders.

6.2 NON-EXECUTIVE DIRECTOR FEES

The following table sets out the fees applicable to NEDs for FY 2020:

FUNCTION	ROLE	FEE (INCL SUPER) FY 2020/2019 ($)
Main Board	Chair	300,000 [1]
	Member	130,000
Audit Committee	Chair	30,000
	Member	15,000
People & Governance Committee	Chair	25,000
Risk Management Committee	Member	12,500

1 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.

6.3 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.

For personal use only

6.4 NON-EXECUTIVE DIRECTOR REMUNERATION DURING FY 2020

The following table outlines the remuneration received by Healius' NEDs during FY 2020 prepared according to statutory disclosure requirements and applicable accounting standards.

During the COVID-19 pandemic, Non-executive Directors agreed to a 20% cut in Board and Committee fees and the Chair to a 30% cut.

NEDs do not sit on any subsidiary Boards at Healius.

NAME	YEAR	BOARD FEES ($)	COMMITTEE FEES ($)	SUPERANNUATION CONTRIBUTIONS ($)	TOTAL ($)
Current Non-executive Directors					
Robert Hubbard Chair	**2020**	**266,999**	**–**	**10,501**	**277,500**
	2019	271,954	–	20,068	292,022
Gordon Davis	**2020**	**115,036**	**35,696**	**11,090**	**161,822**
	2019	115,192	40,682	14,808	170,682
Sally Evans	**2020**	**112,789**	**31,060**	**13,666**	**157,515**
	2019	100,928	21,649	11,645	134,222
Paul Jones	**2020**	**112,785**	**21,984**	**12,803**	**147,572**
	2019	116,336	27,500	13,664	157,500
Arlene Tansey	**2020**	**115,046**	**37,320**	**11,196**	**163,563**
	2019	115,818	38,958	14,704	169,480
Former Non-executive Directors					
Errol Katz (until 25 November 2019)	**2020**	**48,909**	**6,189**	**5,234**	**60,333**
	2019	115,468	37,500	14,532	167,500
Total	**2020**	**771,563**	**132,249**	**64,490**	**968,303**
	2019	858,985	166,289	91,132	1,116,406

6.5 NON-EXECUTIVE DIRECTOR EQUITY HOLDINGS IN FY 2020

		OPENING BALANCE	PURCHASED/OTHER	CLOSING BALANCE
NAME	INSTRUMENT	NUMBER	NUMBER	NUMBER
Robert Hubbard [1]	Shares	51,951	25,000	76,951
Gordon Davis [2]	Shares	55,759	–	55,759
Sally Evans [3]	Shares	–	15,000	15,000
Paul Jones [4]	Shares	40,588	–	40,588
Errol Katz [5]	Shares	25,000	–	25,000
Arlene Tansey [6]	Shares	15,920	–	15,920

1 51,951 Shares held by Paris SMSF ATF Robert Hubbard & Leanne Muller. 25,000 Shares held by Hubbard Investments Pty Ltd.
2 All Shares held by GR & G Davis Superannuation Fund.
3 All Shares held by RBC Investor Services Australia Nominees Pty Ltd <Evans A/C>.
4 All Shares held by Pannly Pty Ltd ATF Jones Family Trust.
5 Closing Balance is the balance as at the date of cessation as a Director. All Shares held by Akelate Pty Ltd ATF Akelate Family Trust.
6 11,920 Shares held by Mantan Nominees Pty Ltd <Mantan Super Fund A/C>. 4,000 Shares held by Arpat Pty Ltd <Tansey Family A/C>.

There were no shares granted to or forfeited by NEDs during FY 2020 in connection with their remuneration. No NEDs held Rights or Options over Healius shares in FY 2020.

For personal use only

For personal use only

7 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/

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

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

Formerly known as the Nomination and Remuneration Committee, now with a broader mandate.

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 inc. remuneration 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.

8 Remuneration details relating to FY 2020

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	Twelve 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 Base Package (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 TLTIP in the case of termination is addressed in separate sections of this Report.

8.2 SENIOR EXECUTIVE SHORT-TERM INCENTIVE PLAN (STIP) DETAILS

KEY TERM	SUMMARY OF KEY TERM
Period	1 July 2019–30 June 2020 inclusive.
Eligibility	Senior Executives and other persons approved by the Board. NEDs are not eligible to participate.
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 2020** No gate was specified by the Board. **FY 2021 invitations** To be determined.
Termination of employment	If an 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 will be forfeited in the same proportion that the remainder of the financial year bears to the full financial year, unless otherwise determined by the Board. 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. **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.
Change of Control including takeover	In the event of a Change of Control (defined in section 8.3 below) the Board may: • 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; or • 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 • allow the STIP to continue. 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.

For personal use only

For personal use only

8.3 SENIOR EXECUTIVE TRANSFORMATION LONG-TERM INCENTIVE PLAN (TLTIP) DETAILS

KEY TERM	SUMMARY OF KEY TERM
Purpose	The purpose of the TLTIP 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 5 years. The TLTIP aims to align management rewards with shareholder value, thereby incentivising management to deliver the Company's current strategic plan.
Eligibility	Senior Executives and other persons approved by the Board. NEDs are not eligible to participate.
Potential annual award	For the CEO and CFO, 76% of Base Package (at Mid-point level performance), equivalent to 35% of Total Potential Remuneration. For other executive KMP, 65% of Base Package (at Mid-point level performance), equivalent to 32% of Total Potential Remuneration.
Form of awards	Under the TLTIP, awards to executive KMP are made in the form of Options. When calculating the number of Options to be issued, the fair market value of the Options will be calculated by an independent external accountant using standard methodologies (e.g. Black Scholes or Monte Carlo). The number of Options issued is sufficient to satisfy "Maximum" level performance.
Exercise of Options	Any Option issued under the TLTIP 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 exceeds 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 less 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 FY 2020 Options, the Exercise Price is 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 which was $3.05 (the starting point for the measurement period, which covers FY 2020–FY 2024 inclusive). The relevant TLTIP participant has the choice as to whether or not an Option is exercised on the Exercise Date. Exercise of Options is also conditional on the Performance Conditions (see below) being satisfied. The Board may also determine to deliver the difference in the Exercise Price of the Option and the Company's market Share price on the Exercise Date as cash. The Exercise Date Schedule for FY 2020 TLTIP Options is as follows: • Tranche 1 (1/3 of the Options issued to the relevant participant) will be exercisable at the end of FY 2022; • Tranche 2 (1/3 of the Options issued to the relevant participant) will be exercisable at the end of FY 2023; and • Tranche 3 (1/3 of the Options issued to the relevant participant) will be exercisable at the end of FY 2024.
Expiry date of Options	The Options expire on the first to occur of: (a) 3 March 2035; (b) the Option lapsing in accordance with a provision of the TLTIP plan rules (including in accordance with a term of an offer under the TLTIP); (c) failure to meet a vesting condition or any other condition applicable to the Option within the vesting period; or (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.

For personal use only

KEY TERM	SUMMARY OF KEY TERM
rTSR comparator group	The Board has determined to update the comparator group of companies used to assess rTSR. The comparator group has been 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 new comparator group is as follows (an asterisk denotes the relevant company was also part of the previous comparator group): • 1300 Smiles * • Accent Group Limited • Ansell Limited * • ARB Corporation Limited • Australian Pharmaceutical Industries Limited * • Bapcor Limited • Bega Cheese Limited • Blackmores Limited • Bravura Solutions Limited • Breville Group Limited • Capitol Health Limited * • Carsales.Com Limited • Clinuvel Pharmaceuticals Limited • Collins Foods Limited • Corporate Travel Management Limited • Eagers Automotive Limited • Estia Limited * • Event Hospitality & Entertainment Limited • Inghams Group Limited • Invocare Limited • Japara Healthcare Limited * • JB Hi-Fi Limited • Link Administration Holdings Limited • McMillan Shakespeare Limited • Metcash Limited • Pacific Smiles Group Limited * • Pact Group Holdings Limited • Premier Investments Limited • Ramsay Health Care Limited * • Regis Healthcare Limited * • Resmed Inc * • Sigma Healthcare Limited * • Somnomed Limited * • Sonic Healthcare Limited * • Southern Cross Media Group Limited • Virtus Health Limited *
Re-testing	There is no re-testing of Performance Conditions or deferral of the Exercise Date of Options.
Lapse and transferability	Any Option not exercised on the Exercise Date automatically lapses. 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.
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 granted in the financial year of termination will be forfeited in the same proportion that the remainder of the financial year bears to the full financial year, 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.

KEY TERM	SUMMARY OF KEY TERM
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 TLTIP 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.

8.4 REMUNERATION-RELATED POLICIES

KEY TERM	SUMMARY OF KEY TERM
Securities Trading Policy	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: • Four weeks commencing one trading day after the day of release of the Appendix 4D (half-year report), typically in mid-February. • Four weeks commencing one trading day after the day of release of the Appendix 4E (preliminary final report), typically in late August. • Four weeks commencing one trading day after the day of Healius' Annual General Meeting, typically in late October or November. • The duration of the offer period for an offer of securities made pursuant to a prospectus or cleansing statement. • Any other period declared by the Board in its discretion to be a trading window.
Equity Holding Policy	Healius does not currently have an equity holding policy applicable to KMP; the adoption of such a policy remains under consideration by the Board.
Executive Remuneration Consultant Policy and Payments	• 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 or not 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 & Governance Committee when appropriate. • During FY 2020, no KMP remuneration recommendations were provided to the Board by an ERC. • 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: – the Board is confident that the policy for engaging ERCs is being adhered to and is operating as intended; – the Board is closely involved in all dealings with ERCs; and – 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. During FY 2020, no KMP remuneration recommendations were provided to the Board by an ERC.

For personal use only

8.5 TRANSACTIONS WITH KMP

KEY TERM	SUMMARY OF KEY TERM
Transactions with current KMP	• During the years ended 30 June 2020 and 30 June 2019 the Healius Group provided medical centre management services (Services) to Dr Paul F Jones Pty Ltd, a company controlled by 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' medical centres, on ordinary arm's length terms. The Service fees received by the Group for FY 2020 were $96,839 (FY 2019: $131,330). 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 2020 (2019: nil) and the provision of the Services continues as at the date of this Report. • 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: – 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; – 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.
Loans to current KMP	No loans have been made to any of the KMP or their related parties during FY 2020.

For personal use only

Directors' Report
for the year ended 30 June 2020

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

9 September 2020

For personal use only

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 2020, Healius' governance arrangements were consistent with the Corporate Governance Principles and Recommendations (3rd edition and 4th edition) published by the ASX Corporate Governance Council.

In accordance with ASX Listing Rule 4.10.3, Healius' FY 2020 Corporate Governance Statement can be viewed at: https://www.healius.com.au/about-us/corporate-governance/. This year's statement has been prepared according to the Corporate Governance Principles and Recommendations (4th edition).

For personal use only

Auditor's Independence Declaration

For personal use only

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Building a better working world

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 2020, 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; and

b) no contraventions of 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.

Ernst & Young

Douglas Bain
Partner
9 September 2020

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Independent Auditor's Report

For personal use only



Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Report to the Members of Healius Limited

Report on the Audit of the Financial Report

Opinion

We have audited the 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 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 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 2020 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 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 financial report of the current year. These matters were addressed in the context of our audit of the 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 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 financial report.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Independent Auditor's Report

For personal use only

Building a better working world

CARRYING VALUE OF GOODWILL

Why significant	How our audit addressed the key audit matter
As disclosed in Note B2 of the 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) where goodwill was allocated to determine whether the recoverable value of each CGU exceeded its carrying amount at 30 June 2020. A fair value less cost of disposal model was used to calculate the recoverable amount of each cash generating unit. This was considered a Key Audit Matter due to the materiality of the balance to the financial statements, extent of audit effort and judgement required to assess the reasonableness of the cash flow forecast, growth rates, discount rates and terminal growth rates used by the Group in undertaking the impairment review.	Our audit procedures included the following: ► Assessed whether the impairment testing methodology used by the Group met the requirements of Australian Accounting Standards. ► Assessed the basis of preparing cash flow forecasts, considering the reliability of previous forecasts and budgets, current trading performance and the impact of COVID-19. ► 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. ► Tested the mathematical accuracy of the cash flow models. ► Performed sensitivity analyses and evaluated whether a reasonably possible change in assumptions could cause the carrying amount of the cash generating unit to exceed its recoverable amount. ► 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. ► We involved valuation specialists in performing these procedures. ► Assessed the adequacy of the financial report disclosures contained in note B2.

DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Why significant	How our audit addressed the key audit matter
As disclosed in Note E3, the Healius Primary Care business has been classified as held for sale. At this time the assets and liabilities of the business have been measured at fair value less costs to sell with an impairment loss recorded in the Consolidated Statement of Profit and Loss. The financial results of the Healius Primary Care business are presented as discontinued operations in the Consolidated Statement of Profit or Loss. This was considered a Key Audit Matter due to the significance of the Healius Primary Care business to the Group, the one-off nature of the transaction and the extent of audit effort to test the calculations and disclosures.	Our audit procedures included the following: ► Reviewed the executed sale agreement to understand the terms and conditions of the transaction and assessed whether the accounting treatment appropriately reflected the sale agreement. ► Recalculated the impairment loss recognised upon the classification of the assets and liabilities as held for sale by comparing their book value to their fair value. ► Reconciled the fair value to the sale price less expected completion adjustments and expected disposal costs. ► Agreed the results from discontinued operations to the underlying financial records of the Healius Primary Care business and have assessed whether the comparative figures of the discontinued operation are appropriately classified. ► Evaluated the methodology applied by the Group to allocate goodwill between the Healius Primary Care business, IVF and Day Hospitals based on the requirements of Australian Accounting Standards. ► Assessed the adequacy of the financial report disclosures contained in Note E3.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Independent Auditor's Report

For personal use only



Building a better working world

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 Company's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the 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.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the 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 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 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 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.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Independent Auditor's Report

For personal use only

Building a better working world

- 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 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.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the 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 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 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 45 to 64 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Healius Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company 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.

Ernst & Young

Douglas Bain
Partner
Sydney
9 September 2020

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

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; and

B. in the Directors' opinion, the financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including section 296 (compliance with accounting standards) and section 297 (true and fair view); and

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; and

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* from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2020.

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

On behalf of the Directors



Robert Hubbard
Chair

9 September 2020

For personal use only

Financial statements

For personal use only

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			**79**
Notes to the financial statements			**80**
About this Report			**80**
A	**Group performance**		**86**
	A1	Segment information	**86**
	A2	Revenue	**88**
	A3	Expenses	**89**
	A4	Income tax expense	**90**
	A5	Earnings per share	**90**
B	**Operating assets and liabilities**		**91**
	B1	Receivables	**91**
	B2	Goodwill	**92**
	B3	Property, plant and equipment	**94**
	B4	Other intangible assets	**95**
	B5	Payables	**96**
	B6	Provisions	**96**
C	**Financing and capital structure**		**98**
	C1	Interest-bearing liabilities	**98**
	C2	Issued capital	**99**
	C3	Dividends on equity instruments	**99**
	C4	Financial instruments	**100**
	C5	Commitments for expenditure	**104**
D	**Group structure**		**105**
	D1	Subsidiaries	**105**
	D2	Deed of cross guarantee	**108**
	D3	Parent entity disclosures	**109**
E	**Other disclosures**		**110**
	E1	Notes to the statement of cash flows	**110**
	E2	Businesses acquired	**111**
	E3	Discontinued operations	**112**
	E4	Tax balances	**113**
	E5	Contingent liabilities	**114**
	E6	Share-based payments	**114**
	E7	Related party disclosures	**117**
	E8	Key management personnel disclosures	**117**
	E9	Remuneration of auditor	**118**
	E10	Adoption of new and revised standards	**118**
	E11	Subsequent events	**118**
Shareholder information			**119**
Financial calendar			**IBC**
Corporate information			**IBC**

Consolidated statement of profit or loss

for the year ended 30 June 2020

	NOTE	2020 $M	RESTATED 2019 $M[1]
Revenue	A2	**1,584.6**	1,562.1
Other income and gains		**12.8**	4.3
Less:			
Employee benefits expense	A3	**816.1**	786.6
Property expenses	A3	**56.6**	226.9
Consumables		**203.3**	195.6
Repairs and maintenance		**27.4**	26.1
IT expenses		**38.2**	30.6
Impairment and other related items	A3	**10.2**	–
Other expenses		**151.6**	145.1
Depreciation		**42.3**	39.2
Depreciation – Right-of-use asset		**163.7**	–
Amortisation of intangibles		**12.0**	8.7
Earnings before interest and tax		**76.0**	107.6
Net finance costs	A3	**(29.6)**	(25.6)
Profit before tax		**46.4**	82.0
Income tax benefit/(expense)	A4	**25.6**	(24.8)
Profit for the year from continuing operations		**72.0**	57.2
Loss for the year from discontinued operations	E3	**(142.5)**	(1.9)
(Loss)/profit for the year		**(70.5)**	55.3
Attributable to:			
Equity holders of Healius Limited		**(70.5)**	55.3
(Loss)/profit for the year		**(70.5)**	55.3

	NOTE	2020 CENTS PER SHARE	2019 CENTS PER SHARE
Basic and diluted earnings per share from continuing operations	A5	**11.6**	9.5
Basic and diluted (loss)/earnings per share from continuing and discontinued operations	A5	**(11.3)**	9.2

1 Refer to Overview on page 80 for further details of the restated amounts.

Notes to the financial statements are included on pages 80 to 118.

For personal use only

Consolidated statement of other comprehensive income
for the year ended 30 June 2020

	2020 $M	RESTATED 2019 $M
(Loss)/profit for the year	**(70.5)**	55.3
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value loss on cash flow hedges	**(9.7)**	(20.8)
Reclassification adjustments relating to cash flow hedges for amounts recognised in profit or loss	**8.1**	1.7
Exchange differences arising on translation of foreign operations	**0.2**	0.4
Income tax relating to items that may be reclassified subsequently to profit or loss	**0.5**	5.8
Items that will not be reclassified subsequently to profit or loss		
Net gain on equity instruments designated at fair value through other comprehensive income	**–**	0.2
Other comprehensive loss for the year, net of income tax	**(0.9)**	(12.7)
Total comprehensive (loss)/income for the year	**(71.4)**	42.6

Notes to the financial statements are included on pages 80 to 118.

For personal use only

Consolidated statement of financial position
as at 30 June 2020

	NOTE	30 JUNE 2020 $M	RESTATED 30 JUNE 2019 $M[1]	RESTATED 30 JUNE 2018 $M[1]
Current assets				
Cash	E1	**137.5**	119.7	84.0
Receivables	B1	**188.9**	169.0	146.5
Interest receivables	A4	**23.6**	–	–
Consumables		**26.9**	22.7	22.2
Tax receivable	E4	**24.8**	3.6	–
Contract assets	A2	**2.5**	31.5	34.3
Assets held for sale	E3	**915.6**	–	–
Total current assets		**1,319.8**	346.5	287.0
Non-current assets				
Receivables	B1	**2.4**	5.0	3.9
Goodwill	B2	**2,040.2**	2,482.5	2,348.7
Right-of-use assets		**876.9**	–	–
Property, plant and equipment	B3	**166.7**	327.0	297.5
Other intangible assets	B4	**79.3**	77.9	63.0
Contract assets	A2	**5.6**	39.2	51.1
Other financial assets		**1.2**	0.6	10.5
Deferred tax asset	E4	**74.4**	73.9	66.2
Total non-current assets		**3,246.7**	3,006.1	2,840.9
Total assets		**4,566.5**	3,352.7	3,127.9
Current liabilities				
Payables	B5	**221.2**	251.6	218.3
Tax liabilities	E4	**1.4**	1.9	7.9
Provisions	B6	**118.9**	131.6	147.8
Other financial liabilities	C4	**9.5**	6.9	0.5
Interest bearing liabilities	C1	**–**	0.6	0.8
Lease liability	C4	**173.9**	–	–
Liabilities held for sale	E3	**447.9**	–	–
Total current liabilities		**972.8**	392.6	375.3
Non-current liabilities				
Payables	B5	**33.5**	35.9	14.1
Provisions	B6	**40.7**	60.5	60.7
Other financial liabilities	C4	**14.2**	15.2	2.6
Interest bearing liabilities	C1	**810.1**	797.3	860.0
Lease liability	C4	**763.9**	–	–
Total non-current liabilities		**1,662.4**	908.9	937.4
Total liabilities		**2,635.2**	1,301.5	1,312.7
Net assets		**1,931.3**	2,051.1	1,815.2
Equity				
Issued capital	C2	**2,672.3**	2,671.1	2,424.2
Reserves		**(3.4)**	(7.6)	12.9
Accumulated losses		**(737.6)**	(612.4)	(621.9)
Equity attributable to equity holders		**1,931.3**	2,051.1	1,815.2
Total equity		**1,931.3**	2,051.1	1,815.2

1 Refer to Overview on page 80 for further details of the restated amounts.

Notes to the financial statements are included on pages 80 to 118.

For personal use only

Consolidated statement of changes in equity
for the year ended 30 June 2020

$M	ISSUED CAPITAL	CASH FLOW HEDGE RESERVE	SHARE-BASED PAYMENTS RESERVE	OTHER RESERVES	ACCUMULATED LOSSES	TOTAL
Balance at 1 July 2019	2,671.1	(15.5)	7.2	0.7	(612.4)	2,051.1
Impact of AASB 16 adoption[1]	–	–	–	–	(20.5)	(20.5)
Balance at 1 July 2019	2,671.1	(15.5)	7.2	0.7	(632.9)	2,030.6
Loss for the year	–	–	–	–	(70.5)	(70.5)
Exchange differences arising on translation of foreign operations	–	–	–	0.2	–	0.2
Fair value loss on cash flow hedges	–	(9.7)	–	–	–	(9.7)
Reclassification adjustments relating to cash flow hedges recognised in profit or loss	–	8.1	–	–	–	8.1
Income tax relating to components of other comprehensive income	–	0.5	–	–	–	0.5
Total comprehensive income for the period	–	(1.1)	–	0.2	(70.5)	(71.4)
Shares issued via STIP	1.2	–	(1.2)	–	–	–
Payment of dividends	–	–	–	–	(37.6)	(37.6)
Share based payments	–	–	9.7	–	–	9.7
Transfers	–	–	(2.2)	(1.2)	3.4	–
Balance at 30 June 2020	2,672.3	(16.6)	13.5	(0.3)	(737.6)	1,931.3

1 Refer to Overview on page 80 for further details of the restated amounts.

Notes to the financial statements are included on pages 80 to 118.

For personal use only

Consolidated statement of changes in equity (continued)
for the year ended 30 June 2020

$M	ISSUED CAPITAL	FINANCIAL ASSETS FAIR VALUE RESERVE	CASH FLOW HEDGE RESERVE	SHARE-BASED PAYMENTS RESERVE	OTHER RESERVES	ACCUMULATED LOSSES	TOTAL
Balance at 1 July 2018	**2,424.2**	**6.4**	**(2.1)**	**8.3**	**0.3**	**(620.4)**	**1,816.7**
Impact from prior year error [1]	–	–	–	–	–	(3.7)	(3.7)
Balance at 1 July 2018 (restated)	**2,424.2**	**6.4**	**(2.1)**	**8.3**	**0.3**	**(624.1)**	**1,813.0**
Profit for the year	–	–	–	–	–	55.3	55.3
Exchange differences arising on translation of foreign operations	–	–	–	–	0.4	–	0.4
Fair value gain on investments	–	0.2	–	–	–	–	0.2
Fair value loss on cash flow hedges	–	–	(20.8)	–	–	–	(20.8)
Reclassification adjustments relating to cash flow hedges recognised in profit or loss	–	–	1.7	–	–	–	1.7
Income tax relating to components of other comprehensive income	–	–	5.7	–	–	0.1	5.8
Total comprehensive income	**–**	**0.2**	**(13.4)**	**–**	**0.4**	**55.4**	**42.6**
Entitlement offer	250.5	–	–	–	–	–	250.5
Entitlement offer – fees and transaction costs	(6.5)	–	–	–	–	–	(6.5)
Entitlement offer – equity tax	1.9	–	–	–	–	–	1.9
Payment of dividends	–	–	–	–	–	(52.3)	(52.3)
Share–based payment	–	–	–	1.9	–	–	1.9
Transfers	–	(6.6)	–	(2.0)	–	8.6	–
Shares issued via Short Term Incentive Plan	0.8	–	–	(0.8)	–	–	–
Shares issued via Sign On Arrangement	0.2	–	–	(0.2)	–	–	–
Balance at 30 June 2019	**2,671.1**	**–**	**(15.5)**	**7.2**	**0.7**	**(612.4)**	**2,051.1**

1 Refer to Overview on page 80 for further details of the restated amounts.

For personal use only

Notes to the financial statements are included on pages 80 to 118.

Consolidated statement of cash flows

for the year ended 30 June 2020

	NOTE	2020 $M	2019 $M
Cash flows from operating activities			
Receipts from customers		**1,899.9**	1,879.1
Payments to suppliers and employees		**(1,494.7)**	(1,684.1)
Gross cash flows from operating activities		**405.2**	195.0
Interest paid on interest bearing liabilities		**(27.5)**	(30.7)
Interest paid on lease liabilities[1]		**(41.0)**	–
Net income tax paid		**1.7**	(37.9)
Interest received		**0.8**	1.2
Net cash provided by operating activities	E1	**339.2**	127.6
Cash flows from investing activities			
Payment for property plant and equipment		**(49.3)**	(79.6)
Payment for Day Hospital practices and subsidiaries		**(11.0)**	(68.3)
Payment for Medical Centres healthcare professionals		**(21.9)**	(28.9)
Payment for Medical Centres practices and subsidiaries		**(10.4)**	(29.4)
Payment for Imaging healthcare professionals		**(1.1)**	(0.9)
Payment for Imaging practices and subsidiaries		**–**	(0.5)
Payment for Pathology healthcare practices and subsidiaries	E2	**(5.2)**	–
Payment for other intangibles		**(23.1)**	(20.4)
Proceeds from sale of investments		**–**	9.9
Proceeds from the sale of property plant and equipment		**0.1**	0.6
Net cash used in investing activities		**(121.9)**	(217.5)
Cash flows from financing activities			
Proceeds from issuing shares, net of transaction costs		**–**	244.0
Net proceeds from borrowings		**15.0**	(65.1)
Payment of lease liabilities – principal element[1]		**(186.4)**	(0.9)
Dividends paid		**(21.2)**	(52.3)
Net cash (used in)/provided by financing activities		**(192.6)**	125.7
Net cash for the year		**24.7**	35.8
Cash at the beginning of the year		**119.7**	84.0
Effect of exchange rate movements on cash held in foreign currencies		**0.1**	(0.1)
Cash at the end of the year	E1	**144.5**	119.7

1 Amounts have been impacted by the adoption of the new leasing accounting standard from 1 July 2019, refer to Note 1 for details on transition. In the prior year comparative period, lease payments formed part of payments to suppliers and employees within operating cash flows. Under the new standard, lease payments ($227.4 million) are allocated between interest ($41.0 million) and principal components ($186.4 million).

Notes to the financial statements are included on pages 80 to 118.

For personal use only

Notes to the financial statements
for the year ended 30 June 2020

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 2020 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

The Group applied AASB 16 *Leases* and AASB Interpretation 23 *Uncertainty over Income Tax Treatment* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard and accounting interpretation is described below.

Several other amendments and interpretations apply for the first time in FY 2020, but do not have an impact on 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.

AASB 16 *Leases*

AASB 16 was adopted by the Group on 1 July 2019.

Previously operating leases were not recognised in the statement of financial position. Instead operating lease payments, including fixed rate increases, were recognised as an expense on a straight-line basis over the lease term. The benefit of any lease incentives were recognised on a straight-line basis as a reduction to the rental expense over the lease term. An asset or liability was recognised for the difference between amounts paid/received and the net lease expense recognised in the income statement. Contingent rental arising under an operating lease, for example CPI-linked increases to lease payments, were recognised as an expense in the period in which they were incurred.

AASB 16 has removed the distinction between operating and finance leases resulting in almost all leases being recognised by lessees as a right-of-use asset and a lease liability in the statement of financial position except for short term leases and leases of low value assets. The impact to the income statement for leases previously classified as operating leases has been to recognise an interest expense and depreciation expense rather than a property or equipment rental expense and has also affected the timing of recognition (whereby the overall expense for an individual contract is higher in the earlier periods when the interest expense which is calculated on the outstanding liability is higher).

The main types of leases under which the Group is a lessee are:

- Premises for medical centres, day hospitals, pathology and imaging sites as well as corporate offices; and
- Diagnostic imaging equipment.

For personal use only

For personal use only

Transition

The Group has elected to apply the new standard using the modified retrospective approach, which requires no restatement of comparative information.

The lease liability on initial adoption has been measured as the present value of the future lease payments under the various lease agreements discounted at the relevant incremental borrowing rate as at 1 July 2019. The relevant incremental borrowing rate is determined based on the remaining term of each lease agreement as at 1 July 2019.

The right-of-use asset on initial adoption has been measured as follows:

- For the largest property leases the right-of-use asset has been calculated as the present value of lease payments since the commencement of the lease using the discount rate applicable as at 1 July 2019 based on the remaining lease term less accumulated depreciation recognised on a straight-line basis over the lease term and adjusted for any lease incentive received or receivable.
- For all other leases the right-of-use asset is equivalent to the lease liability.
- Any onerous lease provision that existed as at 30 June 2019 has been adjusted against the opening right-of-use asset for the lease to which it relates.

Other adjustments on initial adoption include:

- The reversal of any amounts in the balance sheet as at 30 June 2019 that relate to the straight-lining of lease payments where Healius is the lessee under the lease ($36.2 million).
- The reversal of any accrued operating lease expenses as at 30 June 2019 as these are included in the measurement of the lease liability on initial adoption ($3.8 million).
- The recognition/reversal of deferred taxes in relation to all adjustments listed above ($8.8 million).
- The net effect of the adjustments recognised on initial adoption has been recognised in retained earnings ($20.5 million).

On transition the Group has elected to apply the following practical expedients available under AASB 16:

- Leases with lease terms of less than 12 months remaining from the date of transition will continue to be expensed on a straight-line basis.
- Hindsight has been used in determining the lease term where a contract contains options to extend or terminate the lease.
- The assessment of onerous leases performed as at 30 June 2019 has been relied on as an alternative to performing an impairment review. The right-of-use asset on initial application for any lease that had an onerous lease provision recognised as at 30 June 2019 has been adjusted for that onerous lease provision on initial adoption ($43.5 million).
- A single discount rate has been applied to each portfolio of leases with reasonably similar characteristics.
- Initial direct costs have been excluded from the measurement of the right-of-use asset at the date of initial application.

The impact on the statement of financial position as at 1 July 2019 of adopting the new standard is summarised below as increases/(decreases) to the items noted.

1 JULY 2019	$M
Right-of-use assets	1,232.1
Lease liabilities	1,344.9
Payables	(40.0)
Provisions	(43.5)
Deferred tax assets	8.8
Retained earnings	(20.5)

The right-of-use assets and lease liabilities recognised on adoption of AASB 16 have been adjusted when compared to the balances disclosed in the financial statements for the half-year ended 31 December 2019. Certain changes to leases disclosed as new and remeasured leases in the half-year financial statements were in fact effective prior to 1 July 2019 and are now included in the opening balances on adoption of AASB 16. There is no net impact of these adjustments on retained earnings.

The table below reconciles the total operating lease commitments as disclosed in the 2019 Annual Report with the lease liability recognised on 1 July 2019:

	$M
Operating lease commitments as at 30 June 2019	716.2
Impact of discounting	(122.5)
Impact of including first option period in lease term	647.3
Short-term leases	(15.6)
Items not included in operating lease commitments	119.5
Lease liability as at 1 July 2019	**1,344.9**

Current Period

The impact on the statement of profit or loss for the year ended 30 June 2020 is summarised below:

	30 JUNE 2020		
	INCLUDING IMPACT OF AASB 16 $M	IMPACT OF AASB 16 INCREASE/ (DECREASE) $M	EXCLUDING IMPACT OF AASB 16 $M
Revenue	**1,584.6**	–	1,584.6
Other gains	**12.8**	0.4	12.4
Employee benefits expense	**(816.1)**	–	(816.1)
Property expenses	**(56.6)**	160.5	(217.0)
Consumables	**(203.3)**	–	(203.3)
Repairs and maintenance	**(27.4)**	–	(27.4)
IT expenses	**(38.2)**	–	(38.2)
Impairment and related items	**(10.2)**	1.4	(11.6)
Other expenses	**(151.6)**	17.9	(169.5)
Depreciation – Fixed Assets	**(42.3)**	–	(42.3)
Depreciation – Right-of-use Asset	**(163.7)**	(163.7)	–
Amortisation of intangibles	**(12.0)**	–	(12.0)
Earnings before interest and tax	**76.0**	16.5	59.6
Net finance (costs)/income	**(29.6)**	(29.7)	0.1
Profit before tax	**46.4**	(13.2)	59.7
Income tax benefit	**25.6**	4.0	21.6
Profit for the period	**72.0**	(9.2)	81.3

The movement in the lease liability and right-of-use asset for the year ended 30 June 2020 can be reconciled as follows:

LEASE LIABILITIES	$M
Opening balance	1,344.9
New leases and remeasurement of leases during the period	149.8
Interest	40.4
Payments	(210.3)
Transfer to assets held for sale	(387.0)
Closing balance	**937.8**

RIGHT-OF-USE ASSET	PROPERTY $M	EQUIPMENT $M	TOTAL $M
Opening balance	1,152.8	79.3	1,232.1
New leases and remeasurement of leases during the period	128.7	19.3	148.0
Depreciation	(173.8)	(15.2)	(189.0)
Net impairment reversal	10.1	–	10.1
Transfer to assets held for sale	(324.3)	–	(324.3)
Closing balance	**793.5**	**83.4**	**876.9**

Accounting Policy – 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 a right-or-use asset for all lease 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.

For personal use only

For personal use only

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.

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.

AASB Interpretation 23 Uncertainty over Income Tax Treatment

AASB Interpretation 23 was adopted by the Group on 1 July 2019.

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 *Income Taxes*. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, noting that aside from the tax objections for the year 2003 to 2007 years in respect to lump sum payments made to healthcare practitioners during those years, the Group does not have any other uncertain tax positions. As at transition date of 1 July 2019, no asset was recognised due to uncertainty on the matter, at the time.

On 29 November 2019, the Federal Court issued a judgement in the favour of the Group with respect to the tax objections for the 2003 and 2007 years. Following this decision, given the change in circumstances, management reassessed the position and has considered that it is probable that the taxation authority will ultimately find in favour of the Group, and as a result has recognised a ax receivable and associated interest (refer to Note A4).

For personal use only

Prior Period Re-statement – Correction of Error

Following a detailed review of long service leave assumptions, adjustments were identified whereby the long service leave provisions were understated. Where these adjustments arose as a result of information that existed in prior periods on retention rates that were not correctly taken into consideration when assessing the carrying amount and the adequacy of liabilities, the errors are prior period errors that have been corrected by restating each of the affected financial statement line items for the prior periods as set out below. There is no impact on the statement of cash flows for the prior period arising from the correction of the prior period errors.

Impact on the consolidated statement of financial position as at 30 June 2019 (Extract)

	RESTATED 30 JUNE 2019 $M	RESTATEMENT INCREASE/ (DECREASE) $M	AS REPORTED 30 JUNE 2019 $M
Current provisions	**131.6**	0.7	130.9
Non-current provisions	**60.5**	5.4	55.1
Deferred tax asset	**73.9**	1.8	72.1
Net assets	**2,051.1**	(4.3)	2,055.4
Accumulated losses	**(612.4)**	(4.3)	(608.1)
Total equity	**2,051.1**	(4.3)	2,055.4

Impact on the consolidated statement of profit or loss for the period ended 30 June 2019 (Extract)

	RESTATED 30 JUNE 2019 $M	RESTATEMENT INCREASE/ (DECREASE) $M	AS REPORTED 30 JUNE 2019 $M
Employee benefits expense	**904.0**	0.8	903.2
Earnings before interest and tax	**116.6**	(0.8)	117.4
Profit before tax	**82.4**	(0.8)	83.2
Income tax (benefit)/expense	**27.1**	(0.2)	27.3
Profit for the period	**55.3**	(0.6)	55.9

1 Restatement amounts presented includes discontinued operations. Restated Employee benefits expense from discontinued operations is $0.1 million.

Impact on earnings per share for the period ended 30 June 2019

Earnings per share	RESTATED 2019 CENTS PER SHARE	RESTATEMENT INCREASE/ (DECREASE) CENTS PER SHARE	AS REPORTED 2019 CENTS PER SHARE
Basic earnings per share	**9.15**	(0 .09)	9.24
Diluted earnings per share	**9.14**	(0.10)	9.24

Impact on the consolidated statement of financial position as at 30 June 2018 (Extract)

	RESTATED 30 JUNE 2018 $M	RESTATEMENT INCREASE/ (DECREASE) $M	AS REPORTED[1] 30 JUNE 2018 $M
Current provisions	**147.8**	0.4	147.4
Non-current provisions	**60.7**	4.9	55.8
Deferred tax asset	**66.2**	1.6	64.6
Net assets	**1,815.2**	(3.7)	1,818.9
Accumulated losses	**(621.9)**	(3.7)	(618.2)
Total equity	**1,815.2**	(3.7)	1,818.9

1. The figures as reported are as per the comparatives in the 2019 Annual Report.

Other new and amended accounting standards

A number of accounting standards and interpretations have been published that are not effective for the Group in the current financial year. The Group has elected not to early adopt these new standards or amendments in the financial report. The Group has assessed these standards and concluded that they will not have a material impact on the amounts reported by the Group.

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 off 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	92
Recognition and recoverability of other intangible assets	B4	95
Measurement of deferred consideration	B5	96
Provisions	B6	96

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. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and consolidated statement of financial position respectively.

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.

For personal use only

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 and 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 known as the chief operating decision makers) regularly review the financial performance of the business to assess performance and determine the allocation of resources. For internal management reporting purposes, the Group is organised into the following three divisions or operating segments:

OPERATING SEGMENT	ACTIVITY
Pathology	This division provides pathology services.
Imaging	This division provides imaging and scanning services from standalone imaging sites, hospitals and from within the consolidated entity's medical centres.
Day Hospitals	This division is an operator of day hospitals and haematology/oncology services and also provides services and facilities to IVF specialists.

The other category comprises corporate functions. The Group operates predominantly in Australia.

The Day Hospitals segment was previously included within the Medical Centre segment. Given the remainder of the Medical Centre segment is classified as discontinued operations, Day Hospitals is now reported as a separate segment. Comparative information has been restated for this change.

Intersegment

The Day Hospital division charges the Pathology division a fee for use of its 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 for the year ended 30 June 2020 exclude the impact of the adoption of AASB 16 and non-underlying items relating to:

- Restructuring and strategic initiatives and other non-recurring items; and
- Impairment of assets and other related 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.

For personal use only

A1. Segment information (continued)

UNDERLYING

2020	PATHOLOGY $M	IMAGING $M	DAY HOSPITAL $M	OTHER $M	TOTAL CONTINUING OPERATIONS $M
Segment Revenue	**1,160.1**	**376.7**	**65.4**	**0.1**	**1,602.3**
Intersegment sales					**(1.9)**
Total Revenue					**1,600.4**
EBITDA[1]	**142.3**	**31.8**	**(1.8)**	**(15.3)**	**157.0**
Depreciation	**20.9**	**12.1**	**4.9**	**4.4**	**42.3**
Amortisation of intangibles	**6.3**	**2.5**	**0.1**	**3.1**	**12.0**
EBIT[2]	**115.1**	**17.2**	**(6.8)**	**(22.8)**	**102.7**
Finance costs					**23.5**
Profit before tax					**79.2**
Income tax expense[3]					**23.8**
Profit for the year					**55.4**

2019	PATHOLOGY $M	IMAGING $M	DAY HOSPITAL $M	OTHER $M	TOTAL CONTINUING OPERATIONS $M
Segment Revenue	1,128.3	391.3	46.7	0.3	1,566.6
Intersegment sales					(1.2)
Total Revenue					1,565.4
EBITDA[1]	136.1	53.8	(0.1)	(15.8)	174.0
Depreciation	19.8	13.4	2.9	3.1	39.2
Amortisation of intangibles	5.3	2.0	0.3	1.3	8.9
EBIT[2]	111.0	38.4	(3.3)	(20.2)	125.9
Finance costs					25.6
Profit before tax					100.3
Income tax expense[3]					30.0
Profit for the year					70.3

1 EBITDA is a non-statutory profit representing earnings before interest, tax, depreciation and amortisation.
2 EBIT is a non-statutory profit representing earnings before interest and tax.
3 Underlying income tax is calculated as 30% of underlying profit before tax.

Reconciliation of underlying segment result to statutory revenue:

	SEGMENT RESULT	
	2020 $M	2019 $M
Total segment result from continuing operations	**1,600.4**	1,565.4
Reclass of grant income from revenue	**(12.4)**	–
Inter-company eliminations and transactions with discontinued operations	**(3.4)**	(3.3)
Total revenue	**1,584.6**	1,562.1

For personal use only

A1. Segment information (continued)

Reconciliation of underlying segment result to profit before tax:

	NOTE	SEGMENT RESULT 2020 $M	2019 $M
Total segment result from continuing operations before tax		**79.2**	100.3
Strategic projects		**(18.3)**	(22.6)
Montserrat deferred consideration adjustment	B5/E2	**(14.5)**	4.0
Impairment and related provisions		**(11.6)**	–
Other		**(8.5)**	(14.7)
Transactions with discontinued operation		**9.7**	15.0
Interest on ATO refund		**23.6**	–
Impact of AASB 16 adoption		**(13.2)**	–
Total profit before tax		**46.4**	82.0

A2. Revenue

	2020 $M	RESTATED 2019 $M
Trading revenue	**1,584.6**	1,562.1

Contract Assets

	2020 $M	2019 $M
Current contract assets	**2.5**	31.5
Non-current contract assets	**5.6**	39.2
	8.1	70.7

The change in the value of contract assets during the current period is due to upfront payments transferred to assets held for sale.

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 and scanning services; and
- Provision of facilities and services to healthcare professionals.

(a) Provision of facilities and services to healthcare professionals

Revenue from the provision of facilities and services to healthcare professionals (HCPs) is recognised as the performance obligation is satisfied over time. Revenue is recognised based on the services provided as at the reporting date.

An up-front payment may be made to HCP when a facilities and services agreement is entered into. The payment is not made in exchange for distinct goods or services and accordingly the up-front payment is initially recognised as a contract asset. The contract asset is recognised as a reduction to the revenue recognised on a straight-line basis over the term of the relevant contract.

(b) 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.

For personal use only

For personal use only

A3. Expenses

EMPLOYEE BENEFITS EXPENSE

	2020 $M	RESTATED 2019 $M
Employee benefits	**754.5**	731.3
Defined contribution superannuation	**54.8**	53.4
Share-based payments (refer to note E6)	**6.8**	1.9
	816.1	786.6

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 their employees. Contributions to defined contribution funds are recognised as an expense as they become payable.

PROPERTY EXPENSES

	2020 $M	2019 $M
Short-term lease payments excluded in AASB 16	**30.9**	193.9
COVID-19 rent concessions	**(6.0)**	–
Other property expenses	**31.7**	33.0
	56.6	226.9

IMPAIRMENT AND OTHER RELATED ITEMS

	2020 $M	2019 $M
Other asset impairments, provisions and related items	**10.2**	–

NET FINANCE COSTS

	2020 $M	2019 $M
Interest benefit from FY 2003 to FY 2007 tax case	**(23.6)**	–
Interest expense	**20.9**	23.6
Interest on lease liabilities	**29.7**	–
Unwinding of discount on provisions	**0.8**	0.5
Amortisation of borrowing costs	**1.8**	1.5
	29.6	25.6

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

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

	2020 $M	RESTATED 2019 $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	**46.4**	82.0
Income tax calculated at 30% (2019: 30%)	**13.9**	24.6
Tax effect of amounts which are not deductible in calculating taxable income:		
Amortisation of pre FY 2015 contractual relationship intangibles	**0.1**	0.2
Share related expense	**2.0**	0.6
Deferred consideration for acquisitions	**4.2**	(1.2)
Other items	**0.8**	0.7
	7.1	0.3
Over provision in prior years	**(46.6)**	(0.1)
Income tax (benefit)/expense	**(25.6)**	24.8
Comprising:		
Current tax	**25.9**	23.5
Deferred tax	**(4.9)**	1.4
Over provision in prior years	**(46.6)**	(0.1)
	(25.6)	24.8

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.

ATO OBJECTION DECISIONS – YEARS 2003–2007

The Federal Court of Australia decided in favour of Healius on 29th November 2019 regarding its appeal against the Commissioner of Taxation's (Commissioner's) decision to disallow its tax objections for the 2003 to 2007 years in respect to lump sum payments made to healthcare practitioners during those years.

Healius has 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 accounts based on the favourable decision received from the Federal Court of Australia.

The Commissioner appealed the Federal Court of Australia's decision on 13 January 2020 and the appeal was heard on 11 and 14 August 2020. No decision has yet been handed down in relation to the appeal.

A5. Earnings per share

BASIC AND DILUTED EARNINGS PER SHARE

EARNINGS	2020 $M	2019 $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	**72.0**	57.2
(Loss)/profit attributable to equity holders of Healius Limited	**(70.5)**	55.3

WEIGHTED AVERAGE NUMBER OF SHARES	2020 000's	2019 000's
The weighted average number of shares used in the calculation of basic earnings per share	**622,741**	606,907
Effects of dilution from service rights	**266**	495
The weighted average number of shares used in the calculation of diluted earnings per share	**623,007**	607,402

EARNINGS PER SHARE	2020 CENTS	2019 CENTS
Basic and diluted earnings per share from continuing operations	**11.6**	9.5
Basic and diluted (loss)/earnings per share from continuing and discontinued operations	**(11.3)**	9.2

Any share options on issue are potential ordinary shares which are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of calculating diluted earnings per share.

Any performance rights on issue are contingently issuable shares for which the conditions have not been met as at 30 June 2020 and are therefore excluded from the weighted average number of shares for the purposes of calculating diluted earnings per share.

For personal use only

For personal use only

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

	2020 $M	2019 $M
Measured at amortised cost		
Current		
Trade receivables	**155.2**	140.6
Allowance for expected credit losses	**(23.0)**	(17.0)
	132.2	123.6
Prepayments	**12.8**	17.8
Accrued revenue	**37.6**	20.1
Other receivables	**6.3**	7.5
	188.9	169.0
Non-current		
Other receivables and prepayments	**2.4**	5.0
	2.4	5.0
Ageing of trade receivables		
Current	**76.3**	82.5
30–60 days	**15.7**	22.9
60–90 days	**9.1**	6.5
90 days +	**54.1**	28.7
	155.2	140.6
Movement in allowance for expected credit losses		
Balance at beginning of year	**17.0**	13.5
Impact of AASB 9	**–**	1.7
Provision for the year	**13.2**	5.5
Amounts written off during the year as uncollectable	**(3.8)**	(3.7)
Transfer to assets held for sale	**(3.4)**	–
	23.0	17.0

Trade and other receivables are initially recognised at fair value and subsequently are 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 C4.

B2. Goodwill

	NOTE	2020 $M	2019 $M
Carrying value			
Opening balance		**2,482.5**	2,348.7
Acquisition of subsidiaries		**–**	100.8
Acquisition of businesses	**E2**	**9.7**	33.0
Transferred to assets held for sale		**(452.0)**	–
Closing balance		**2,040.2**	2,482.5
Impairment tests			
Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:			
Medical Centres		**–**	401.1
Health & Co		**–**	46.5
Pathology		**1,586.9**	1,581.7
Imaging		**356.6**	356.5
Montserrat		**96.7**	96.7
		2,040.2	2,482.5

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.

Refer to note E2 for details on acquisitions made during the year.

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 C4 for further details on the hierarchy). The five year discounted cash flow uses:

- year one cash flows derived from the FY 2021 Board approved budget; and
- for FY 2022–FY 2025, 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 2021 cash flow projections, management has considered the impact of COVID-19 on trading results in FY 2020, and also on trading in the first few months of FY 2021.

Although there has been a negative impact on Healius' community-based care business and for its hospital environments, this has been offset by significant volumes of COVID-19 testing. Management has observed an inverse relationship between this demand for COVID-19 testing and the reduction in normal business as usual volumes. It has also been assumed that the current level of rebate funding for COVID-19 tests will remain in place until business as usual volumes return to normal.

For personal use only

B2. Goodwill (continued)

The key assumptions in the Group's discounted cash flow model as at 30 June 2020 are as follows:

ASSUMPTION	HOW DETERMINED
Forecast revenue	Cumulative average revenue growth rates for FY 2021–FY 2025 are as follows: • Pathology: 4.6% (30 June 2019: 5.2%) • Imaging: 6.3% (30 June 2019: 7.3%) • Montserrat: 10.9% (30 June 2019: 14.6%) Forecast revenue in the current year and prior year has been determined with reference to historical company experience, industry data and scheduled centre openings.
Terminal value growth rates	The terminal value growth rates assumed are: • Pathology: 3.0% (30 June 2019: 3.0%) • Imaging: 3.0% (30 June 2019: 3.0%) • Montserrat: 3.0% (30 June 2019: 3.0%) 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 industry growth rates for the business in which the industry operates.
Discount rates	Post-tax discount rates for each CGU reflect the Group's estimate of the time value of money and risks specific to each CGU. 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 after applying AASB 16 for each CGU is: • Pathology: 8.0% (30 June 2019: 8.5%) • Imaging: 8.0% (30 June 2019: 8.5%) • Montserrat: 9.3% (30 June 2019: 10.0%) The 30 June 2019 post-tax discount rates disclosed above are before applying AASB 16.

SENSITIVITY ANALYSIS

The Group has conducted 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 revenue growth rates, terminal value growth and discount rates that would be required in order for the carrying value of the Pathology, Imaging and Montserrat CGUs to equal the recoverable amount.

	INCREASE/(DECREASE) IN ASSUMPTIONS REQUIRED FOR RECOVERABLE AMOUNT TO EQUAL CARRYING AMOUNT		
CGU	REVENUE GROWTH PER ANNUM	TERMINAL GROWTH PER ANNUM	DISCOUNT RATE
Pathology	(0.9%)	(2.3%)	1.8%
Imaging	(3.1%)	(4.9%)	3.5%
Montserrat	(1.4%)	(2.0%)	1.4%

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 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.

For personal use only

B3. Property, plant and equipment

2020 $M	PLANT AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	ASSETS UNDER CONSTRUCTION	TOTAL
Net book value				
Opening balance	**116.0**	**184.4**	**26.6**	**327.0**
Additions	**21.8**	**3.2**	**23.8**	**48.8**
Capitalisation of assets under construction	**11.1**	**21.1**	**(32.2)**	**–**
Disposals	**(1.0)**	**(0.4)**	**(0.8)**	**(2.2)**
Impairment	**(10.0)**	**(0.3)**	**(0.4)**	**(10.7)**
Depreciation expense	**(31.0)**	**(23.8)**	**–**	**(54.8)**
Transferred to Asset held for sale	**(20.7)**	**(108.8)**	**(11.9)**	**(141.4)**
Closing balance	**86.2**	**75.4**	**5.1**	**166.7**
Cost	**311.5**	**168.5**	**5.1**	**485.1**
Accumulated depreciation and impairment	**(225.3)**	**(93.1)**	–	**(318.4)**
Closing balance	**86.2**	**75.4**	**5.1**	**166.7**

2019 $M	PLANT AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	ASSETS UNDER CONSTRUCTION	TOTAL
Net book value				
Opening balance	101.6	169.0	26.9	297.5
Additions	25.3	0.8	54.1	80.2
Business Acquisitions	5.9	2.7	0.2	8.8
Capitalisation of assets under construction	10.6	41.7	(52.3)	–
Disposals	(0.2)	(0.3)	(2.3)	(2.8)
Depreciation expense	(27.2)	(29.5)	–	(56.7)
Closing balance	116.0	184.4	26.6	327.0
Cost	335.8	397.0	26.6	759.4
Accumulated depreciation and impairment	(219.8)	(212.6)	–	(432.4)
Closing balance	116.0	184.4	26.6	327.0

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.

For personal use only

B4. Other intangible assets

2020 $M	IT SOFTWARE	LICENCES	OTHER	INTANGIBLES UNDER CONSTRUCTION	TOTAL
Net book value					
Opening balance	**44.9**	**10.6**	**3.2**	**19.2**	**77.9**
Additions	**3.1**	**–**	**2.1**	**23.3**	**28.5**
Capitalisation of intangible assets under construction	**31.6**	**–**	**0.1**	**(31.7)**	**–**
Disposals	**(0.7)**	**–**	**(0.2)**	**(0.3)**	**(1.2)**
Impairment	**(0.3)**	**–**	**–**	**(2.7)**	**(3.0)**
Amortisation expense	**(11.8)**	**(0.8)**	**(1.9)**	**–**	**(14.5)**
Transferred to Asset held for sale	**(3.7)**	**–**	**(3.2)**	**(1.5)**	**(8.4)**
Closing balance	**63.1**	**9.8**	**0.1**	**6.3**	**79.3**
Cost	**135.6**	**40.3**	**0.1**	**6.3**	**182.3**
Accumulated amortisation and impairment	**(72.5)**	**(30.5)**	**–**	**–**	**(103.0)**
Closing balance	**63.1**	**9.8**	**0.1**	**6.3**	**79.3**

2019 $M	IT SOFTWARE	LICENCES	OTHER	INTANGIBLES UNDER CONSTRUCTION	TOTAL
Net book value					
Opening balance	33.0	11.4	2.9	15.7	63.0
Additions	1.4	–	3.2	22.3	26.9
Capitalisation of intangible assets under construction	19.0	–	(0.2)	(18.8)	–
Amortisation expense	(8.5)	(0.8)	(2.7)	–	(12.0)
Closing balance	44.9	10.6	3.2	19.2	77.9
Cost	115.5	40.3	6.3	19.2	181.3
Accumulated amortisation and impairment	(70.6)	(29.7)	(3.1)	–	(103.4)
Closing balance	44.9	10.6	3.2	19.2	77.9

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.

For personal use only

B5. Payables

	NOTE	2020 $M	2019 $M
Current			
Trade payables and accruals		**203.0**	222.9
Dividend payable	C3	**16.2**	–
Deferred consideration		**2.0**	28.7
		221.2	251.6
Non-current			
Trade payables and accruals		**–**	6.6
Deferred consideration		**33.5**	29.3
		33.5	35.9

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.

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.

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.

B6. Provisions

	2020 $M	RESTATED 2019 $M
Current		
Provision for employee benefits	**102.3**	106.0
Self-insurance provision	**5.0**	3.3
Onerous contract provision	**2.9**	9.6
Make good provision	**1.0**	0.3
Other provisions	**7.7**	12.4
	118.9	131.6
Non-current		
Provision for employee benefits	**11.5**	15.7
Self-insurance provision	**6.7**	3.2
Onerous contract provision	**18.4**	34.8
Make good provision	**4.1**	6.8
	40.7	60.5

2020	SELF-INSURANCE $M	ONEROUS CONTRACT $M	MAKE GOOD $M	OTHER $M	TOTAL $M
Opening balance	**6.5**	**44.4**	**7.2**	**12.3**	**70.4**
Adjustment on adoption of AASB 16	**–**	**(26.6)**	**–**	**–**	**(26.6)**
Arising during the year	**3.8**	**20.9**	**3.1**	**1.1**	**28.9**
Reclassification	**1.5**	**–**	**–**	**(1.5)**	**–**
Utilised	**(0.1)**	**–**	**(0.2)**	**(2.8)**	**(3.1)**
Reversed	**–**	**–**	**(0.4)**	**(1.4)**	**(1.8)**
Transfer to liabilities held for sale	**–**	**(17.4)**	**(4.6)**	**–**	**(22.0)**
Closing balance	**11.7**	**21.3**	**5.1**	**7.7**	**45.8**

For personal use only

B6. Provisions (continued)

2019	SELF-INSURANCE $M	ONEROUS CONTRACT $M	MAKE GOOD $M	OTHER $M	TOTAL $M
Opening balance	6.2	46.0	6.7	34.6	93.5
Arising during the year	5.3	4.6	0.5	6.2	16.6
Reclassification	–		–	(1.5)	(1.5)
Utilised	(5.0)	(8.2)	–	(19.2)	(32.4)
Reversed	–	(0.1)		(7.8)	(7.9)
Unwinding of discount	–	2.1	–	–	2.1
Closing balance	6.5	44.4	7.2	12.3	70.4

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). Where applicable, prior year comparatives have been restated in line with current year presentation.

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 NSW, 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.

ONEROUS CONTRACT PROVISION

The Group recognises onerous contract provisions whereby the unavoidable cost of future payments under non-cancellable contracts, exceeds the future economic benefits expected to be obtained under the contract.

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.

ACCOUNTING ESTIMATES AND JUDGEMENTS – ONEROUS CONTRACT PROVISION

The calculation of the onerous contract provision requires management to estimate the future economic benefits expected to be obtained under each of the relevant contracts.

For personal use only

For personal use only

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 the borrowings and equity.

C1. Interest-bearing liabilities

	2020 $M	2019 $M
Measured at amortised cost		
Current		
Finance lease liabilities	–	0.6
	–	0.6
Non-current		
Finance lease liabilities	–	0.2
Gross bank loans	815.0	800.0
Refinancing valuation adjustment	0.9	1.5
Unamortised borrowing costs	(5.8)	(4.4)
	810.1	797.3

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2020	FINANCE LEASE LIABILITIES $M	GROSS BANK LOANS $M	VALUATION ADJUSTMENT $M	BORROWING COSTS $M	TOTAL $M
Opening balance	0.8	800.0	1.5	(4.4)	797.9
Net cash draw down	(0.8)	15.0	–	–	14.2
Borrowing cost on refinancing	–	–	–	(3.2)	(3.2)
Borrowing cost written off	–	–	–	0.3	0.3
Amortisation	–	–	(0.6)	1.5	0.9
Closing balance	–	815.0	0.9	(5.8)	810.1

2019	FINANCE LEASE LIABILITIES $M	GROSS BANK LOANS $M	VALUATION ADJUSTMENT $M	BORROWING COSTS $M	TOTAL $M
Opening balance	1.7	865.0	–	(5.9)	860.8
Impact of AASB 9 adoption	–	–	1.5	–	1.5
Adjusted opening balance	1.7	865.0	1.5	(5.9)	862.3
Net cash payments	(0.9)	(65.0)	–	–	(65.9)
Amortisation	–	–	–	1.5	1.5
Closing balance	0.8	800.0	1.5	(4.4)	797.9

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.

In October 2019, the Group repaid $100 million of the second tranche of its Syndicated Facility Agreement. In June 2020 the Group refinanced the first tranche of the Syndicated Facility Agreement from $500 million to $570 million. The borrowing costs to be amortised over the full term amount to $3.2 million.

The refinancing of the second tranche of the Syndicated Facility Agreement in December 2017 did not represent a significant modification. On adoption of AASB 9 the carrying amount of the facility was remeasured and recognised as an adjustment to the carrying amount of interest bearing liabilities.

Interest rate sensitivity and liquidity analysis disclosures relating to the Group's interest-bearing liabilities are disclosed in Note C4.

C2. Issued capital

	2020 NO. OF SHARES 000's	2019 NO. OF SHARES 000's	2020 $M	2019 $M
Opening balance	**622,323**	521,853	**2,671.1**	2,424.2
Shares issued via Entitlement Offer, net of transaction costs	**–**	100,183	**–**	245.9
Shares issued via Short Term Incentive Plan	**420**	218	**1.2**	0.8
Shares issued via sign on arrangement	**–**	69	**–**	0.2
Closing balance	**622,743**	622,323	**2,672.3**	2,671.1

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 2020, the company has 36,394,239 (2019: nil) share options on issue, exercisable on a 1:1 basis for 36,394,239 (2019: nil) 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 2020, the company has 265,634 (2019: 723,212) service rights on issue, exercisable on a 1:1 basis for 265,634 (2019: 723,212) ordinary shares of Healius at an exercise price of $nil. The service rights will vest in July 2020 and carry no rights to dividends and no voting rights.

As at 30 June 2020, the company has 12,429,568 (2019: 13,084,714) performance rights on issue, exercisable on a 1:1 basis for 12,429,568 (2019: 13,083,714) ordinary shares of Healius at an exercise price of $nil. The performance rights will vest between October 2020 and October 2022 subject to the satisfaction of applicable service and performance conditions and carry no rights to dividends and no voting rights.

C3. Dividends on equity instruments

	2020 CENTS PER SHARE	2019 CENTS PER SHARE	2020 $M	2019 $M
Recognised amounts				
Final dividend – previous financial year	**3.4**	5.5	**21.4**	28.7
Interim dividend – this financial year	**2.6**	3.8	**16.2**	23.6
	6.0	9.3	**37.6**	52.3
Unrecognised amounts				
Final dividend – this financial year	**–**	3.4		

In respect of FY 2020 the deferred interim dividend of 2.6cps (100% franked), will be payable to the holders of fully paid ordinary shares on 15 October 2020. This dividend was originally declared as payable on 15 April 2020, however due to the impact of COVID-19 on the Group's cash flow, it was deferred and is now payable on 15 October 2020. The Board has determined that no FY 2020 final dividend will be paid.

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

The final dividend and the interim dividend for the year ended 30 June 2019 were 100% franked.

FRANKING ACCOUNT	2020 $M	2019 $M
Closing balance as at 30 June	**25.7**	65.6

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.

For personal use only

C4. 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.

The 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 develop 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.

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 $155.2 million (30 June 2019: $140.6 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 influenced mainly by the bulk billing of services by medical practitioners to whom the Group charges service fees for use of medical centre and imaging facilities. A large proportion of the Group's receivables are due from Medicare Australia (bulk-billed services) and health funds. 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 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.

	2020 $M	2019 $M
Financing facilities		
Non-current		
Unsecured Syndicated Debt Facilities		
Amount used	**815.0**	800.0
Amount unused	**280.0**	325.0
Total financing facilities	**1,095.0**	1,125.0

For personal use only

C4. Financial instruments (continued)

The first tranche of the syndicated bank facility of $570.0 million matures in January 2024 and the second tranche of $525.0 million matures in January 2023.

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 2020 will be met through the ordinary working capital cycle of the Group, including the collection of trade receivables (30 June 2020: 155.2 million) and the unused headroom in the Syndicated Debt Facility (30 June 2020: $280.0 million).

		CONTRACTUAL CASH FLOWS			
2020	CARRYING AMOUNT $M	TOTAL $M	LESS THAN 1 YEAR $M	1 TO 5 YEARS $M	GREATER THAN 5 YEARS $M
Consolidated					
Non-derivative financial liabilities					
Gross bank loan	**815.0**	**874.5**	**15.7**	**858.8**	**–**
Payables [1]	**254.7**	**256.0**	**221.2**	**34.8**	**–**
Lease liabilities	**937.8**	**1,021.5**	**196.7**	**535.2**	**289.6**
	2,007.5	**2,152.0**	**433.6**	**1,428.8**	**289.6**
Derivative financial liabilities					
Interest rate swaps	**23.7**	**23.7**	**9.5**	**14.2**	**–**

		CONTRACTUAL CASH FLOWS		
2019	CARRYING AMOUNT $M	TOTAL $M	LESS THAN 1 YEAR $M	1 TO 5 YEARS $M
Consolidated				
Non-derivative financial liabilities				
Gross bank loan	800.0	847.1	18.5	828.6
Payables [1]	287.5	289.6	252.3	37.3
Finance lease liabilities	0.8	0.8	0.6	0.2
	1,088.3	1,137.5	271.4	866.1
Derivative financial liabilities				
Interest rate swaps	22.1	22.1	7.8	14.3

1 Payables include trade and other payables and deferred consideration.

Interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow 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 table details the Group's exposure to interest rate risk on non-derivative financial assets and financial liabilities as at 30 June 2020. Lease liabilities below relate to financing arrangements for equipment with an interest component.

			FIXED INTEREST RATE		
2020	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE $M	LESS THAN 1 YEAR $M	1 TO 5 YEARS $M	TOTAL $M
Financial assets					
Cash	**1.07**	**137.5**	**–**	**–**	**137.5**
Financial liabilities					
Gross bank loan	**2.19**	**(815.0)**	**–**	**–**	**(815.0)**
Lease liabilities	**2.78**	**(69.6)**	**–**	**(14.1)**	**(83.7)**
		(747.1)	**–**	**(14.1)**	**(761.2)**

For personal use only

C4. Financial instruments (continued)

2019	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE $M	FIXED INTEREST RATE: LESS THAN 1 YEAR $M	FIXED INTEREST RATE: 1 TO 5 YEARS $M	TOTAL $M
Financial assets					
Cash	1.79	119.7	–	–	119.7
Financial liabilities					
Finance leases	3.23	–	(0.6)	(0.2)	(0.8)
Gross bank loan	3.30	(800.0)	–	–	(800.0)
		(680.3)	(0.6)	(0.2)	(681.1)

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 is 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.

2020	AVERAGE CONTRACTED FIXED INTEREST RATE %	NOTIONAL PRINCIPAL $M	FAIR VALUE $M
Interest Rate Swaps			
Less than 1 year	**2.04**	**200**	**(9.4)**
1 to 2 years	**–**	**–**	**–**
2 to 5 years	**2.21**	**400**	**(14.2)**
		600	**(23.6)**

The aggregate notional principal amount of the outstanding interest rate swap contracts as at 30 June 2020 was $600 million. Included in this amount is $200 million of forward dated interest rate swap contracts which commence in the 2022 financial year.

2019	AVERAGE CONTRACTED FIXED INTEREST RATE %	NOTIONAL PRINCIPAL $M	FAIR VALUE $M
Interest Rate Swaps			
Less than 1 year	–	–	–
1 to 2 years	2.06	200.0	(6.9)
2 to 5 years	2.57	600.0	(15.2)
		800.0	(22.1)

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 50 basis point increase represents management's assessment of a reasonably possible change in interest rates. If interest rates had been 50 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: 50BP INCREASE $M	PROFIT AFTER TAX: 50BP DECREASE $M	OTHER COMPREHENSIVE INCOME: 50BP INCREASE $M	OTHER COMPREHENSIVE INCOME: 50BP DECREASE $M
Consolidated				
30 June 2020 – variable rate instruments	**(0.9)**	**0.9**	**3.2**	**(3.2)**
30 June 2019 – variable rate instruments	(0.7)	0.7	8.2	(8.2)

For personal use only

C4. Financial instruments (continued)

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 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 Loan.

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.

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) Financial assets at fair value through comprehensive income

Certain investments in equity instruments held by the Group are designated as being at fair value through comprehensive income and are stated at fair value less any impairment.

(ii) 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 previous 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.

For personal use only

C4. Financial instruments (continued)

Carrying Amount

2020

$M	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Other	**–**	**1.2**	**–**	**1.2**
Financial liabilities				
Interest rate swaps	**–**	**23.7**	**–**	**23.7**
Deferred consideration	**–**	**–**	**35.5**	**35.5**

2019

$M	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial liabilities				
Interest rate swaps	–	22.1	–	22.1
Deferred consideration	–	–	58.0	58.0

Fair value of other financial instruments

The fair value of cash, receivables and payables approximates their carrying amount. The fair value of the non-current interest bearing liabilities approximates the carrying amount of the gross bank loans of $815.0 million (2019: $800.0 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 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.

C5. Commitments for expenditure

	2020 $M	2019 $M
Capital commitments		
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:		
Within 1 year	**23.5**	12.3
Later than 1 year but not later than 5 years	**–**	1.2
	23.5	13.5

	2020 $M	2019 $M
Lease commitments		
Commitments for leases that will be entered into following the sale of the Healius Primary Care business but which are not recognised as lease liabilities:		
Within 1 year	**49.9**	–
Later than 1 year but not later than 5 years	**143.9**	–
Later than 5 years	**51.9**	–
	245.7	–

For personal use only

For personal use only

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 2020 %	2019 %
Healius Limited	Australia		
Adora Fertility Pty Ltd [1]	Australia	**100**	100
Former AP Pty Ltd	Australia	**100**	100
Former SDS Pty Limited	Australia	**100**	100
The Sydney Diagnostic Services Unit Trust	Australia	**100**	100
Healius Training Institute Pty Ltd	Australia	**100**	100
Health & Co Pty Ltd	Australia	**100**	100
Brindabella Medical Practice Services Pty Ltd	Australia	**100**	100
Cooper Street Clinic Pty Ltd	Australia	**100**	100
Bourke Street Clinic Pty Ltd	Australia	**100**	100
Healthyu Corporations Pty Ltd	Australia	**100**	100
Medical Centre Services Pty Ltd	Australia	**100**	100
Park Family Practice Services Pty Ltd	Australia	**100**	100
Idameneo (No. 123) Pty Ltd	Australia	**100**	100
The Artlu Unit Trust	Australia	**100**	100
Idameneo (No. 124) Pty Ltd	Australia	**100**	100
Idameneo (No. 125) Pty Ltd	Australia	**100**	100
Idameneo (No. 789) Ltd	Australia	**100**	100
ACN 008 103 599 Pty 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 [2]	Australia	**100**	100
Digital Diagnostic Imaging Pty Ltd [3]	Australia	**100**	100
Healius Health Care Institute Pty Ltd [2]	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
Northcoast Nuclear Medicine (QLD) Pty Ltd	Australia	**100**	100
HLS Medical Centre Holdings Pty Ltd	Australia	**100**	100
Pacific Medical Centres Pty Ltd [4]	Australia	**100**	100
Sidameneo (No. 456) Pty Ltd	Australia	**100**	100
HLS Pathology Holdings Pty Ltd	Australia	**100**	100

D1. Subsidiaries (continued)

For personal use only

NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP 2020 %	2019 %
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
Jandale Pty Ltd	Australia	**100**	100
Integrated Health Care Pty Ltd	Australia	**100**	100
John R Elder Pty Ltd [2]	Australia	**100**	100
Queensland Specialist Services Pty Ltd	Australia	**100**	100
Specialist Diagnostic Services 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. [5]	Philippines	**99.98**	99.98
Specialist Diagnostic Services Pathology (India) Private Limited [6]	India	**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
Larches Pty Ltd [7]	Australia	**100**	100
Kelldale Pty Ltd	Australia	**100**	100
MGSF Pty Ltd	Australia	**100**	100
PHC Employee Share Acquisition Plan Pty Ltd	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
Saftsal 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
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
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
Western Breast Clinic Pty Ltd	Australia	**100**	100
Western Haematology & Oncology Clinics Pty Ltd	Australia	**60**	60

D1. Subsidiaries (continued)

NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP 2020 %	2019 %
North Lakes Day Hospital Pty Ltd	Australia	**100**	100
Oxford Medical Pty Ltd	Australia	**100**	100
The Oxford Unit Trust [7]	Australia	**100**	100
Windermere House Pty Ltd	Australia	**100**	100
Montserrat DH Pty Ltd [8,9]	Australia	**100**	100
Brookvale Day Hospital Pty Ltd [10]	Australia	**100**	–
Craigie Day Hospital Pty Ltd [10]	Australia	**100**	–
Crystal Eye Clinic (WA) Pty Ltd [10]	Australia	**100**	–
Darlinghurst Day Hospital Pty Ltd [10]	Australia	**100**	–
Greensborough Day Hospital Pty Ltd [10]	Australia	**100**	–
Occupational Health Holdings Pty ltd	Australia	**100**	100
Logic Health (WA) Pty Ltd	Australia	**100**	100
PHC (No. 01) Pty Ltd	Australia	**100**	100
PHC Nominees Pty Ltd	Australia	**100**	100
Primary Health Care Pty Ltd	Australia	**100**	100
Transport Security Insurance (Pte) Limited	Singapore	**100**	100

1 Name changed from Australian Medical Partners Pty Ltd to Adora Fertility Pty Ltd on 14 February 2020.
2 ACN 138 935 403 Pty Ltd; Healius Health Care Institute Pty Ltd; and John R Elder Pty Ltd changed ownership from Idameneo (No. 123) Pty Ltd to Idameneo (No. 789) Ltd on 13 February 2020.
3 Digital Diagnostic Imaging Pty Ltd changed ownership from Idameneo (No. 123) Pty Ltd to Idameneo (No. 789) Ltd on 18 February 2020.
4 Pacific Medical Centres Pty Ltd changed ownership from Kelldale Pty Ltd to HLS Medical Centre Holdings Pty Ltd on 13 February 2020.
5 Entity has a 31 December year end.
6 Entity has a 31 March year end.
7 Larches Pty Ltd changed ownership from HLS Medical Centres Holdings Pty Ltd to Idameneo (No. 789) Ltd on 13 February 2020.
8 ACN 623 887 516 changed ownership from Health & Co Pty Ltd to Healius Limited on 13 February 2020.
9 ACN 623 887 516 Pty Ltd changed name to Montserrat DH Pty Ltd on 14 February 2020.
10 Brookvale Day Hospital Pty Ltd; Craigie Day Hospital Pty Ltd; Crystal Eye Clinic (WA) Pty Ltd; Darlinghurst Day Hospital Pty Ltd; and Greensborough Day Hospital Pty Ltd were all incorporated on 14 February 2020.

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

No Australian controlled entities are required to prepare financial statements or to be audited for statutory purposes. These entities have obtained relief from these requirements because;

- they have entered into a Deed of Cross Guarantee (refer Note D2); or
- they are small proprietary companies; or
- their trust deeds do not specify these requirements.

For personal use only

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 2020 are as follows:

ACN 138 935 403 Pty Ltd
Adora Fertility Pty Ltd
Albany Day Hospital Pty Ltd
Bourke Street Clinic Pty Ltd
Brindabella Medical Services Pty Ltd
Bunbury Day Surgery Pty Ltd
Cooper Street Clinic Pty Ltd
Digital Diagnostic Imaging Pty Ltd
Felpet Pty Ltd
Former AP Pty Ltd
Former SDS Pty Ltd
Healius Limited (holding entity)
Healius Training Institute Pty Ltd
Health & Co Pty Ltd
Healthcare Imaging Services (SA) Pty Ltd
Healthcare Imaging Services (Victoria) Pty Ltd
Healthcare Imaging Services (WA) Pty Ltd
Healthcare Imaging Services Pty Ltd
Healthyu Corporation Pty Ltd
HLS Healthcare Holdings Pty Ltd
HLS Imaging Holdings Pty Ltd
HLS Medical Centre Holdings Pty Ltd
HLS Pathology Holdings Pty Ltd
Idameneo (No. 123) Pty Ltd
Idameneo (No. 124) Pty Ltd
Idameneo (No 125) Pty Ltd
Idameneo (No.789) Limited
Integrated Health Care Pty Ltd
Logic Enterprises (WA) Pty Ltd
MB Healthcare Pty Ltd
Medical Centre Services Pty Ltd
Moaven & Partners Pathology Pty Ltd
Montserrat Healthcare Pty Ltd
Montserrat Medical Services Pty Ltd
North Lakes Day Hospital Pty Ltd
Occupational Health Holdings Pty Ltd
Oxford Medical Pty Ltd
Pacific Medical Centres Pty Ltd
Park Family Practice Services Pty Ltd
Queensland Diagnostic Imaging Pty Ltd
Queensland Medical Services Pty Ltd
Sidameneo (No.456) Pty Ltd
Specialist Diagnostic Services Pty Ltd
Specialist Haematology Oncology Services Pty Ltd
Specialist Veterinary Services Pty Ltd
Western Breast Clinic Pty Ltd
Windermere House 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 2020 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.

For personal use only

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:

STATEMENT OF FINANCIAL POSITION	2020 $M	2019 $M
Assets		
Current	**23.6**	–
Non-current	**2,786.7**	2,776.8
Total assets	**2,810.3**	2,776.8
Liabilities		
Current	**26.2**	18.6
Non-current	**862.2**	829.9
Total liabilities	**888.4**	848.5
Net assets	**1,921.9**	1,928.3
Equity		
Issued Capital	**2,692.2**	2,690.9
Accumulated losses	**(767.2)**	(792.1)
Other reserves	**(3.1)**	29.5
Total equity	**1,921.9**	1,928.3

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

STATEMENT OF COMPREHENSIVE INCOME	2020 $M	2019 $M
Profit for the year	**22.3**	50.1
Other comprehensive income	**(0.9)**	(12.7)
Total comprehensive income	**21.4**	37.4

Parent Company Guarantees

Healius Limited has provided parent company guarantees (PCGs) in relation to certain property leases entered into by subsidiary companies. As at 30 June 2020 all leases to which these PCGs relate are recognised as lease liabilities.

For personal use only

For personal use only

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	2020 $M	RESTATED 2019 $M
Reconciliation of cash			
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		**137.5**	119.7
Cash classified as asset held for sale	**E3**	**7.0**	–
Cash as disclosed in the Group statement of cash flows		**144.5**	119.7
Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities			
(Loss)/Profit for the year		**(70.5)**	55.3
Depreciation of plant and equipment		**54.8**	56.7
Depreciation of right-of-use asset		**188.6**	–
Amortisation of HCP upfronts in revenue		**35.8**	39.4
Amortisation of intangibles		**14.5**	12.0
Amortisation of borrowing costs		**1.8**	1.5
Share-based payment expense		**9.6**	1.9
Impairment of assets other than receivables		**121.1**	–
Deferred consideration		**14.0**	–
Other non-cash items		**(0.8)**	(1.7)
Loss on sale of PP&E and intangibles		**0.4**	2.5
Net exchange differences		**(0.2)**	(0.1)
Increase/(decrease) in:			
Trade payables and accruals		**60.9**	9.3
Provisions		**23.8**	(17.2)
Deferred revenue		**0.5**	0.1
Income tax and deferred taxes		**(36.1)**	(13.7)
Decrease/(increase) in:			
Consumables		**(4.6)**	0.2
Receivables and prepayments		**(74.4)**	(18.6)
Net cash provided by operating activities		**339.2**	127.6

NON-CASH INVESTING AND FINANCING

During the financial year 420,114 (2019: 217,811) and nil (2019: 68,681) shares were issued pursuant to the Short-Term Incentive Plan and sign on arrangement respectively for nil consideration.

These transactions are not reflected in the cash flow statement.

E2. Businesses acquired

(a) Other Business Acquisitions

The information provided below is aggregated for business combinations that have occurred during the period that are individually immaterial.

	2020 $M
Non-current assets	0.4
Current liabilities	(0.1)
Total identifiable net assets at fair value	0.3
Goodwill arising on acquisition	9.7
Total consideration	10.0
Less: Deferred consideration	(0.7)
Cash paid to vendors on acquisition	9.3
Cash transferred to repay debt on acquisition	–
Total cash transferred on acquisition	9.3
Disclosed in the statement of cash flows:	
Payment for Healius Primary Care practices	(4.1)
Payment for Pathology practices	(5.2)
	(9.3)

(b) Montserrat Day Hospitals

During the period, the initial accounting for Montserrat business combinations was finalised. There were no changes to the initial accounting as disclosed in the prior period.

The Group subsequently reassessed the fair value of the deferred consideration payable in relation to its acquisition of Montserrat Day Hospitals in the prior period. The financial impact of this reassessment is disclosed in note A1.

For personal use only

E3. Discontinued operations

On 26 February 2020, the Group publicly announced the decision of its Board of Directors to sell the Healius Primary Care business. The Group classified the Healius Primary Care business as a disposal group held for sale and a discontinued operation from that date and ceased the depreciation and amortisation of non-current assets.

On 15 June 2020 the Group announced that it had entered into a binding agreement to sell the Healius Primary Care business. The sale of the Healius Primary Care business is expected to be completed before the end of 2020 and remains subject to a number of customary conditions including approval by the Foreign Investment Review Board.

The Healius Primary Care business represented the entirety of the previously reported Medical Centres operating segment except for IVF and Day Hospitals which will remain with the Group. With the Healius Primary Care business classified as discontinued operations it is no longer presented in the segment note. The results of the Healius Primary Care business for the year are presented below:

	2020 $M	2019 $M
Revenue from contracts with customers	**253.7**	243.9
Expenses	**236.3**	234.9
Earnings before interest, tax and impairment	**17.4**	9.0
Net finance costs	**21.5**	8.6
(Loss)/profit before tax and impairment	**(4.1)**	0.4
Impairment loss recognised on the remeasurement to fair value less costs to sell	**151.0**	–
(Loss)/profit before tax from discontinued operations	**(155.1)**	0.4
Income tax expense from discontinued operations before impairment loss	**(0.8)**	(2.3)
Income tax benefit on impairment loss	**13.4**	–
Loss from discontinued operations	**(142.5)**	(1.9)

The following major classes of assets and liabilities of Healius Primary Care classified as held for sale as at 30 June 2020 are:

	NOTE	2020 $M
Cash	E1	**7.0**
Receivables		**24.0**
Contract Assets		**43.0**
Property, plant and equipment		**140.0**
Other intangible assets		**8.8**
Goodwill		**348.6**
Right-of-use asset		**321.1**
Deferred tax asset		**23.1**
Assets held for sale		**915.6**
Payables		**57.4**
Provisions		**14.3**
Lease liabilities		**376.2**
Liabilities directly associated with assets held for sale		**447.9**
Net assets directly associated with disposal group		**467.7**

The net cash flows incurred by the Healius Primary Care business are:

	2020 $M	2019 $M
Operating	**107.7**	63.1
Investing	**(42.8)**	(70.2)
Financing	**(69.9)**	13.6
Net cash (outflow)/inflow	**(5.0)**	6.5

The loss per share attributable to Healius Primary Care is as follows:

	2020 $M	2019 $M
Basic and diluted loss per share from discontinued operations	**(22.9)**	(0.3)

Recognition of impairment loss

The impairment loss recognised has been determined based on the sale price for the Healius Primary Care business under the binding sale agreement less estimated costs of sale.

For personal use only

For personal use only

E4. Tax balances

CURRENT TAX BALANCES

	2020 $M	2019 $M
Income tax receivable/(payable) is attributable to:		
Entities in the Tax consolidated group	**24.8**	3.6
Other	**(1.4)**	(1.9)
	23.4	1.7

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.

RECONCILIATION OF DEFERRED TAX BALANCES

2020 $M	1 JULY 2019 OPENING BALANCE	CREDITED/ (CHARGED) TO INCOME	ADOPTION OF AASB 16	ACQUISITIONS AND OTHER ADJUSTMENTS	30 JUNE 2020 CLOSING BALANCE
Receivables	**(1.9)**	**(11.2)**	**–**	**(0.7)**	**(13.8)**
Consumables	**(6.5)**	**(1.3)**	**–**	**–**	**(7.8)**
Prepayments	**(2.0)**	**0.7**	**–**	**0.2**	**(1.1)**
Property, plant and equipment	**25.8**	**2.4**	**–**	**(19.8)**	**8.4**
Right of use asset	**–**	**(6.4)**	**(256.7)**	**–**	**(263.1)**
Intangibles and capitalised costs	**(30.0)**	**2.7**	**–**	**20.3**	**(7.0)**
Entitlement offer	**1.6**	**(0.4)**	**–**	**–**	**1.2**
Payables	**19.6**	**2.7**	**(6.7)**	**0.8**	**16.4**
Provisions	**58.8**	**8.2**	**(6.9)**	**(9.0)**	**51.1**
Lease liability	**–**	**8.0**	**273.2**	**–**	**281.2**
Other financial liabilities [1]	**6.7**	**–**	**–**	**0.5**	**7.2**
Net temporary differences	**72.1**	**5.4**	**2.9**	**(7.7)**	**72.7**
Tax losses – revenue	**1.8**	**(0.1)**	**–**	**–**	**1.7**
Deferred tax asset	**73.9**	**5.3**	**2.9**	**(7.7)**	**74.4**

2019 $M	1 JULY 2018 OPENING BALANCE	CREDITED/ (CHARGED) TO INCOME	CREDITED/ (CHARGED) TO EQUITY	ACQUISITIONS AND OTHER ADJUSTMENTS	30 JUNE 2019 CLOSING BALANCE
Receivables	(2.2)	0.3	–	–	(1.9)
Consumables	(6.5)	–	–	–	(6.5)
Prepayments	(1.7)	(0.3)	–	–	(2.0)
Financial assets at fair value through other comprehensive income	(2.8)	–	2.8	–	–
Property, plant and equipment	26.6	(0.5)	–	(0.3)	25.8
Intangibles and capitalised costs	(29.3)	(0.5)	–	(0.2)	(30.0)
Entitlement offer	–	(0.3)	1.9	–	1.6
Payables	18.9	0.7	–	–	19.6
Provisions	60.8	(3.0)	–	1.0	58.8
Other financial liabilities	0.6	–	5.7	0.4	6.7
Net temporary differences	64.4	(3.6)	10.4	0.9	72.1
Tax losses – revenue	1.8	–	–	–	1.8
Deferred tax asset	66.2	(3.6)	10.4	0.9	73.9

1 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.

E4. Tax balances (continued)

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 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.

E5. Contingent liabilities

	2020 $M	2019 $M
Treasury bank guarantees		
Workers compensation statutory requirement	**17.1**	18.5
Property-related	**15.1**	16.1
	32.2	34.6

E6. 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. Details of service conditions and performance conditions for each share-based payment plan are set out below. Options and Rights will vest if the relevant conditions are met. Each Performance Right or Service Right is an entitlement to one fully-paid ordinary share in Healius.

Options, Performance Rights and Service Rights carry no rights to dividends and no voting rights.

On vesting, Options may be exercised by the participant at the exercise price. For the FY 2020 Options Plan the exercise price 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 below unless the Board exercises its discretion to settle the Options in the form of cash for the difference between the exercise price of the option and the market share price of Healius on the Exercise Price.

On vesting, Performance Rights and Service Rights are exercised automatically for nil consideration and convert to fully-paid ordinary shares in Healius unless the Board exercises its discretion to settle the Rights in the form of cash.

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:

For personal use only

E6. Share-based payments (continued)

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

The TLTIP is a new share-based plan in FY 2020. 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 five years.

The TLTIP is granted as 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:

- Cumulative Earnings Per Share (EPS) growth and relative Total Shareholder Return (rTSR) for the CEO, CFO and members of the executive team in functional roles (split 2/3 to 1/3 between EPS and rTSR); and
- Divisional Earnings Before Interest and Tax (EBIT) growth as well as EPS growth and rTSR for the divisional CEOs (split 40%/20%/40% between EPS, rTSR and EBIT).

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

The relevant Exercise Date for each tranche is as follows:

- 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;

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

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

In FY 2020 Performance Rights were granted under the TLTIP to senior executives other than members of the executive team who received Options under the TLTIP as discussed above.

In FY 2019 and FY 2018 Performance Rights were granted under the previous LTIP to senior executives including members of the executive team.

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

- In FY 2020 the Performance Rights are subject to EPS growth and rTSR performance conditions for executives in functional roles (split 2/3 to 1/3 between EPS and rTSR) and EBIT growth, EPS growth and rTSR performance conditions for executives in operational roles (split 40%/20%/40% between EPS, rTSR and EBIT); and
- In FY 2019 and FY 2018 50% of the Performance Rights are subject to return on invested capital (ROIC) performance condition and 50% of the Performance Rights are subject to a rTSR performance condition.

The measurement period for Performance Rights granted under the FY 2020 award is 1 July 2019 to 30 June 2022 (FY 2019 award: 1 July 2018 to 30 June 2021). Retesting will not occur under any of these awards.

For personal use only

E6. Share-based payments (continued)

(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 2018 75% of awards were paid in cash. The remaining 25% of awards were granted in the form of Service Rights with 50% of this deferred amount subject to a service period of 12 months following the end of the measurement period and 50% of this deferred amount subject to a service period of 24 months following the end of the measurement period.

In the current year the CEO, CFO and all direct reports to the CEO will receive two-thirds of any STIP award in cash and one-third in equity which is subject to a service period of 12 months following the end of the measurement period. The Board of Directors have determined that in relation to FY 2020 no at risk STI will be awarded to executive Key Management Personnel and other direct reports to the CEO. For all other members of the STIP the nature of any award (cash or equity) is at the discretion of management.

Set out below are summaries of the equity instruments granted under each of the plans as at 30 June 2020:

DESCRIPTION	GRANT DATE[1]	BALANCE AS AT 1 JULY 2019 NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	FORFEITED DURING THE YEAR NUMBER	BALANCE AS AT 30 JUNE 2020 NUMBER
FY 2017 LTIP	18 September 2017	2,741,094	–	–	(2,741,094)	**–**
FY 2017 STIP	31 August 2017	129,305	–	(129,305)	–	**–**
FY 2018 LTIP	18 September 2018	4,152,218	–	–	(757,170)	**3,395,048**
FY 2018 STIP	18 October 2018	593,907	–	(284,235)	(44,038)	**265,634**
FY 2019 LTIP	1 March 2019	6,191,402	–	–	(1,037,298)	**5,154,104**
FY 2020 TLTIP – Options	28 February 2020	–	36,394,239	–	–	**36,394,239**
FY 2020 LTIP – Rights	20 March 2020	–	1,940,878	–	–	**1,940,878**

1 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.

FAIR VALUE OF OPTIONS AND RIGHTS GRANTED

The fair value of the Options and Performance Rights granted under the FY 2020 Plans is 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 or Performance Rights that will ultimately vest.

The fair value of Service Rights and Performance Rights granted under the FY 2019 and FY 2020 Plans that are subject to a non-market based performance condition was estimated based on the market price of Healius' shares on the grant date, with a downward adjustment to take into account the value of dividends that will not be received during the vesting period. The fair value of the Performance Rights granted under the FY 2019 and FY 2018 Plans subject to the rTSR market based performance condition has been calculated using a Black-Scholes option pricing model.

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

DESCRIPTION	TRANCHE	GRANT DATE	MEASUREMENT PERIOD	GRANT DATE FAIR VALUE PER RIGHT $
FY 2020 TLTIP – Options	rTSR	28 February 2020	1 July 2019 to 30 June 2022	$0.41
FY 2020 TLTIP – Options	EPS & EBIT	28 February 2020	1 July 2019 to 30 June 2022	$0.42
FY 2020 TLTIP – Options	rTSR	28 February 2020	1 July 2019 to 30 June 2023	$0.46
FY 2020 TLTIP – Options	EPS & EBIT	28 February 2020	1 July 2019 to 30 June 2023	$0.47
FY 2020 TLTIP – Options	rTSR	28 February 2020	1 July 2019 to 30 June 2024	$0.49
FY 2020 TLTIP – Options	EPS & EBIT	28 February 2020	1 July 2019 to 30 June 2024	$0.50
FY 2020 TLTIP – Rights	rTSR	20 March 2020	1 July 2019 to 30 June 2022	$1.36
FY 2020 TLTIP – Rights	EPS & EBIT	20 March 2020	1 July 2019 to 30 June 2022	$2.03

ACCOUNTING POLICY

Options, Performance Rights and Service 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, EBIT 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.

For personal use only

For personal use only

E7. 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.

E8. Key management personnel disclosures

KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2020 $000	2019 $000
Short-term employee benefits	**4,059**	5,285
Post-employment benefits	**97**	123
Other long-term employee benefits	**(195)**	99
Termination payments	**2,093**	–
Share-based payments	**3,343**	791
	9,397	6,298

TRANSACTIONS WITH PAUL JONES

During the years ended 30 June 2020 and 30 June 2019 the Group provided medical centre management services (Services) to Dr Paul F Jones Pty Limited, a company controlled by 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' medical centres, on ordinary arm's length terms.

The Service fees received by the Group for FY 2020 were $96,839 (FY 2019: $131,330). 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 2020 (30 June 2019: $nil) and the provision of the Services continues as at the date of this financial report.

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.

E9. Remuneration of auditor

	2020 $000	2019 $000
Amounts received or due and receivable by auditor of financial statements		
Audit and other assurance services		
Auditing and review of financial statements	**1,201**	1,250
Internal controls and compliance	**5**	–
Total remuneration for audit and other assurance services	**1,206**	1,250
Taxation services		
Tax consulting	**55**	54
Other services		
Due diligence	**377**	394
Advisory	**–**	88
	1,638	1,786
Network firms of Ernst & Young Australia		
Audit and other assurance services		
Audit and review of financial statements of overseas entities	**16**	29
	16	29
Network firms of Deloitte Touche Tohmatsu Australia		
Audit and other assurance services		
Audit and review of financial statements of overseas entities	**22**	27
Taxation services		
Tax consulting	**5**	–
	27	27
Network firms of KPMG		
Audit and other assurance services		
Audit and review of financial statements of overseas entities	**17**	17
	17	17

E10. Adoption of new and revised standards

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

A number of amendments to AASBs issued by the Australian Accounting Standards Board (AASB) are mandatorily effective for an accounting period that begins on or after 1 July 2019 and are therefore relevant for the current year end. Details of the impact of adopting AASB 16 *Leases* and AASB Interpretation 23 *Uncertainty over Income Tax Treatment* disclosed on pages 80 to 83.

No other amendments have had a material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

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

Refer to Note A4 for details on the subsequent events relating to the FY 2003–2007 tax case.

Other than these events 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 on the Group in future financial years.

For personal use only

Shareholder information

Number of shareholders

As at 31 August 2020, there were 623,008,113 fully paid ordinary shares held by 13,455 shareholders.

Distribution of ordinary shares as at 31 August 2020

NUMBER OF SHARES HELD	INDIVIDUALS
1–1,000	3,843
1,001–5,000	5,934
5,001–10,000	2,144
10,001–100,000	1,470
100,001–999,999,999	64
Total	13,455

826 shareholders hold less than a marketable parcel of shares.

Number of Rights holders

As at 31 August 2020, there were 7,943,996 Rights held by 72 persons.

Distribution of Rights as at 31 August 2020

NUMBER OF RIGHTS HELD	INDIVIDUALS
1–1,000	0
1,001–5,000	0
5,001–10,000	0
10,001–100,000	48
100,001–999,999,999	24
Total	72

Number of Options holders

As at 31 August 2020, there were 36,394,239 Options held by eight persons.

Distribution of Options as at 31 August 2020

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
Total	8

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".

For personal use only

Shareholder information

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.

Top 20 shareholders as at 31 August 2020

RANK	NAME	SHARES	% OF SHARES
1.	HSBC Custody Nominees (Australia) Limited	174,206,628	27.96
2.	Jangho Health Care Australia Pty Ltd and its related bodies corporate	98,946,666	15.88
3.	J P Morgan Nominees Australia Pty Limited	94,180,700	15.12
4.	Citicorp Nominees Pty Limited	65,727,145	10.55
5.	National Nominees Pty Ltd	53,339,969	8.56
6.	Argo Investments Limited	13,820,664	2.22
7.	BNP Paribas Noms Pty Ltd <DRP>	12,248,730	1.97
8.	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	9,986,725	1.60
9.	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	7,347,317	1.18
10.	UBS Nominees Pty Ltd	6,174,498	0.99
11.	HSBC Custody Nominees (Australia) Limited – GSCO ECA	2,864,847	0.46
12.	Citicorp Nominees Pty Ltd <Colonial First State Inv A/C>	2,468,936	0.40
13.	RinRim Pty Ltd	2,392,047	0.38
14.	BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	1,175,335	0.19
15.	Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	900,643	0.14
16.	Navigator Australia Ltd <MLC Investments Sett A/C>	856,037	0.14
17.	Joromada Pty Ltd	800,000	0.13
18.	HSBC Custody Nominees (Australia) Limited	719,614	0.12
19.	Netwealth Investments Limited <Wrap Services A/C>	645,615	0.10
20.	Mr Gregory Anthony Thomas Bateman	636,213	0.10
Total		549,438,329	88.19

Substantial shareholders as at 31 August 2020

NAME	NUMBER OF FULLY PAID ORDINARY SHARES	% OF TOTAL ISSUED CAPITAL AS AT THE DATE OF EACH NOTICE
Jangho Health Care Australia Ltd and its related bodies corporate[1]	98,946,666	15.88
EAB Holdings Pte Ltd and its related entities (Partners Group)[1]	98,946,666	15.88
Dimensional Entities	34,956,718	5.61

1 These entries relate to different relevant interests in the same securities; Partners Group holds a call option over the securities which are beneficially owned by the Jangho entities.

Auditor

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

For personal use only

Financial calendar

2020	
Half year results announcement	26 February
Record date for interim dividend	27 March
Interim dividend payable	15 October
Year end	30 June
Full year results announcement	21 August

2021	
Half year results announcement	24 February
Year end	30 June
Full year results announcement	20 August

Corporate information

Company's Registered Office

Level 6
203 Pacific Highway
ST LEONARDS NSW 2065
(02) 9432 9400

Company's Principal Administrative Office

(and location of Register of Option Holders)

Level 6
203 Pacific Highway
ST LEONARDS NSW 2065
(02) 9432 9400

Share Registry

(and location of Register of Rights Holders)

Computershare Investor Services Pty Ltd
Level 4, 60 Carrington Street
SYDNEY NSW 2000
GPO Box 7045
SYDNEY NSW 1115
Sydney Office: (02) 8234 5000
Investor Enquiries: 1300 855 080

Designed and produced by ArmstrongQ www.armstrongq.com.au

For personal use only

For personal use only

healius

www.healius.com.au