

Tax Transparency Report

For the year ended 30 June 2018



Message from the Chief Financial Officer

For over 30 years, Healius Limited (formerly Primary Health Care) has been one of Australia's leading listed healthcare companies with a commitment to supporting quality, affordable and accessible healthcare.

Through an expansive network of multi-disciplinary medical centres, pathology laboratories and diagnostic imaging centres, IVF and Day Hospitals, Healius provides world class facilities and support services to independent general practitioners, radiologists and other healthcare professionals, enabling them to deliver quality care to their patients in partnership with Healius' pathologists, nurses and other employees.

Healius' 'medical hub' model makes healthcare services easily accessible and cost efficient, while supporting the coordination and continuity of quality patient care.

Our strategy on supporting healthcare professionals so that they can deliver quality health outcomes to their patients and growth to our shareholders is underpinned by our strong commitment to compliance and reporting from a regulatory standpoint. That is why Healius welcomes the opportunity

to present this Tax Transparency Report for 2018. In preparing the Tax Transparency Report, Healius has adopted the disclosure recommendations made by the Board of Taxation in the Voluntary Tax Transparency Code.

Consistent with our commitment to strong corporate governance and transparent relations with our stakeholders, we believe the Tax Transparency Report together with the Annual Report for 2018 provide comprehensive detail of Healius' tax matters including our tax strategy and approach to tax risk management.



MALCOLM ASHCROFT
CHIEF FINANCIAL OFFICER
7 June 2019

2 Tax strategy and governance

Healius pursues a tax strategy that is governed by the following principles endorsed by its Board of Directors:

- Commitment to ensuring integrity in compliance with all statutory obligations, and full disclosure to Revenue Authorities.
- Maintenance of documented policies and procedures in relation to tax risk management and sustaining constructive and transparent relations with Revenue Authorities.
- Management of tax affairs in a pro-active manner that seeks to enhance shareholder value, while operating in accordance with all taxation laws.

The tax strategy is implemented through Healius' Tax Risk Management Framework which is founded on a low risk appetite to all taxation affairs including tax positions adopted in respect of strategic transactions, tax planning activities and compliance and reporting.

Healius' overarching and systematic approach to the management of tax risk involves the proactive assessment, mitigation, monitoring and reporting of identified risks. Healius' tax risks are regularly considered by its Management and Executive Risk Committees and tax is a regular agenda item for Audit Committee meetings with appropriate tax matters reported to the Board.

Healius' Tax Risk Management Framework has been documented and approved by its Audit Committee and is aligned with its overall Risk Management Policy and the Australian Taxation Office's Tax Risk Management and Governance Review Guide.



3 Income tax reported in Healius' 2018 Annual Report

The income tax expense disclosed in the Annual Report for 2018 is calculated based on Australian equivalents to International Financial Reporting Standards. In any year, there are common and typical differences between income tax expense reported in the Annual Report and the amount of cash taxes paid to Revenue Authorities due to factors such as timing differences and other taxes being excluded from income tax expense, such as FBT, payroll and employee taxes. Income tax expense is also reduced by available tax offsets, with the main offset applied by Healius being the research and development (R&D) tax offset.

As reported in the 2018 Annual Report, Healius' effective tax rate for the 30 June 2018 year is impacted by the following item:

- Difference in tax and accounting treatment of lump sum payments made to healthcare practitioners by Healius. For acquisitions that occurred prior to 30 June 2015 no deferred tax liability was recognised in relation to the intangible assets that were not recognised as business combinations and the amortisation expense is therefore a non-deductible (permanent) difference for the purpose of calculating income tax expense (benefit).

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3.1 Reconciliation of accounting profit to income tax expense

Healius' effective tax rate, calculated as income tax expense divided by accounting profit before income tax expense, was (86.1%) for 2018. However, excluding the impact of the significant permanent difference adjustment noted above, Healius' notional effective tax rate should be approximately 30%. The details of the impact of the above item is explained below:

- The difference in tax and accounting treatment of lump sum payments made to healthcare practitioners by Healius has increased the notional effective tax rate for Healius in the 2018 year. The effective tax rate will continue to be above 30% (excluding the impact of other permanent difference adjustments) throughout the period these intangible assets continue to be amortised. Once these intangible assets have been fully amortised (which will occur progressively over the next two years) these historical lump sum payments will have no ongoing impact on the effective tax rate. Healius' expectation is that the long term effective tax rate will be approximately 30% (based on the current structure and nature of its business).

The following table provides the calculation of income tax expense for Healius and shows the impact of adjustments to the income tax expense on the calculation of the effective tax rate.

HEALIUS LIMITED	2018		2017	
	A\$M	%	A\$M	%
Net profit/(loss)	4.1		(516.9)	
Income tax expense	25.4		4.1	
Profit/(loss) before income tax	29.5		(512.8)	
Tax at the Australian tax rate of 30%	8.8	30.00	(153.8)	30.0
Goodwill impairment	–	0.00	140.6	(27.4)
Amortisation of pre FY15 contractual relationship intangibles	8.4	28.48	13.3	(2.6)
ATO settlement of healthcare practitioner tax liabilities	–	0.00	(0.1)	0.0
Hospital contract intangible assets	2.0	6.88	–	0.0
Other items	5.2	17.48	4.3	(0.8)
(Over) provision in prior years	1.0	3.29	(0.2)	0.0
Income tax expense on profit before income tax	25.4	86.13	4.1	(0.79)

3.2 Reconciliation of income tax expense to cash tax paid

The following table shows the reconciliation of income tax expense to cash income tax paid.

HEALIUS LIMITED	2018 A\$M
Income tax expense on profit before income tax	25.4
Timing differences recognised in deferred tax	14.3
(Under)/Over provision in prior years	(0.4)
Current income tax expense reflected in 2018 financial statements	39.3
Tax refund for prior periods received in 2018	(9.8)
Tax payments not yet made as at 30 June 2018	(7.2)
Tax payments relating to subsidiaries acquired in 2018	0.1
Cash taxes paid per cash flow statement	22.4

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4 Tax contribution summary

Set out below is a summary of Australian taxes paid and collected by Healius for the financial year ended 30 June 2018.

The summary excludes property taxes such as land tax and stamp duties.

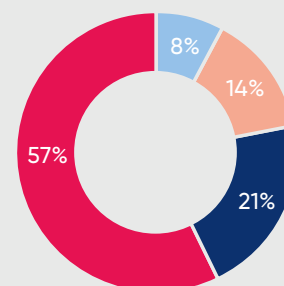
TAX AUTHORITY	CORPORATE INCOME TAX A\$M	EMPLOYER TAXES ¹ A\$M	INDIRECT TAXES ² A\$M	TOTAL TAXES PAID A\$M	EMPLOYEE PAYG WITHHOLDING A\$M
Australia (Federal)	22.4	–	60.3	82.7	164.1
Australia (State)	–	39.6	–	39.6	–
Foreign jurisdictions ³	0.2	–	–	0.2	–
Total	22.6	39.6	60.3	122.5	164.1

1 Fringe benefits tax and payroll tax.

2 GST net of recoveries is (\$16.5m).

3 Income taxes paid in India and the Philippines.

% of taxes paid by tax type



- Employee PAYG withholding tax
- Corporate income tax
- Employer taxes
- Indirect taxes

5 International related party dealings

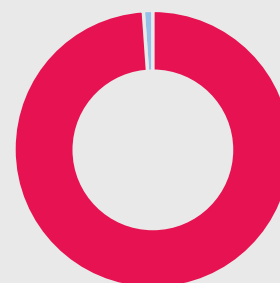
Healius' Australian operations contributes more than 99% of Healius group's total income tax paid globally.

Currently, Healius' main international dealings comprises of the provision of transactional data processing services provided by its India and Philippines subsidiaries. Healius has a subsidiary in Singapore which supports the pathology business review of potential business opportunities in Asia. Healius has a legacy presence in the US, UK, the Netherlands and Singapore – these subsidiaries are dormant for the 2018 year.

The international related party dealings are in accordance with arm's length principles and represent a very insignificant proportion of Healius' overall transactions.

The split of income tax contributions by country is illustrated on below.

Total income tax contribution by jurisdiction



- Australia
- India¹
- Philippines²
- Other

1 Per India income tax return for the year ended 31 March 2018.

2 Per Philippines income tax return for the year ended 31 December 2017.

Others include Healius' dormant subsidiaries in the US, UK, the Netherlands and Singapore.

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6 ATO tax transparency disclosures

In December 2017, the Australian Taxation Office published the following taxation information from Healius' Australian tax consolidated group income tax return for the year ended 30 June 2016:

2016	A\$M
Total income	1,714.6
Taxable/net income	213.9
Total tax payable	57.8

Similarly, in December 2018, the Australian Taxation Office published the following taxation information from Healius' Australian tax consolidated group income tax return for the year ended 30 June 2017:

2017	A\$M
Total income	1,687.9
Taxable/net income	108.9
Total tax payable	31.5

Taxable income is calculated based on accounting concept and adjusted for applicable tax timing and permanent difference adjustments required under the Australian taxation laws. Tax payable is calculated as taxable income at the corporate income tax rate (30% for 2016 and 2017), reduced by available tax offsets.

Healius' available tax offsets is primarily the research and development tax offset which was \$6.1m and \$1.0m for financial year ended 30 June 2016 and 30 June 2017 respectively.

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