Leading Australia to a

healthier future

healius

Healius Limited ACN 064 530 516

ANNUAL REPORT 2021

Contents

The greatest care for the greatest number

Healius is committed to delivering excellence in healthcare and leading Australia to a healthier future.

Every year:

1 in 3
Pathology samples tested in our laboratories

3.3M+
Radiography examinations

50,000+
Procedures in our day hospitals

OVERVIEW

About us

Healius is one of Australia's leading healthcare companies providing high quality, accessible and cost-efficient healthcare services through our Pathology, Imaging and Day Hospital businesses.

With a unique footprint of more than 2,000 locations and 11,000+ employees, Healius provides speciality 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 teams.

Pathology

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

Healius Pathology operates 95 medical laboratories and over 2,000 patient collection centres across metropolitan, regional and remote Australia. It employs around 200 specialist pathologists and over 6,000 scientists, technicians, collectors and team members.

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

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

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

Healius Pathology has also played a pivotal role in Australia's public health response to the COVID-19 pandemic. It has conducted more than six million COVID-19 tests to-date. The extensive community COVID-19 testing, collected through the division's 89 dedicated sites as well as in several hospital and aged care facilities, was supplemented by Healius Pathology's commercial and direct-to-consumer initiatives, which included testing at workplaces and sporting codes.

Imaging

Healius' Imaging division, now known as Lumus Imaging, operates a network of sites across the country, in partnership with over 110 independent radiologists.

Lumus Imaging manages over 130 sites in total, comprising stand-alone community imaging centres, and imaging facilities located within private and public hospitals and in medical centres.

Lumus Imaging provides professional and support services to radiologists, enabling them to focus on providing quality care to their patients. It employs a highly-trained team of radiographers, sonographers, nuclear medicine technologists, nurses, centre support and corporate teams. A full suite of modalities and services are offered which include: X-ray, ultrasound, computerised tomography (CT), mammography, magnetic resonance imaging (MRI), nuclear medicine, positron emission tomography (PET) and interventional radiology (including treatment by spinal and joint injections).

Radiologists undertake a range of imaging services including specialist women's health, cardiac, neurology, vascular, musculoskeletal and dental imaging. Over 3.3 million radiography examinations are conducted in Lumus Imaging's sites each year.

Day Hospitals

The Montserrat Day Hospitals business comprises 11 day hospitals, 10 of these are stand-alone and one, called Warringah Day Surgery, is located within a medical centre in Brookvale Sydney. The stand-alone hospitals comprise one multi-specialist, short stay hospital called Westside Private, six smaller stand-alone day hospitals and three haematology/oncology clinics, collectively conducting over 50,000 procedures a year.

Founded in 1996, Montserrat Day Hospitals operates well-run facilities that are strategically located and accessible to both specialists and patients. Approximately 500 doctors work across Day Hospitals providing services in speciality types including: Dermatology, ENT, Gastroenterology, General Surgery, Gynaecology, Haematology, IVF, Oncology, Ophthalmology, Oral Surgery, Plastic Surgery, and Urology. Westside Private Hospital is a short stay overnight facility located in Taringa, Brisbane which has ~50 specialists operating out of it and offers services across 25 specialty areas including Orthopaedics.

For the Healius Group, the business delivers referrals to the pathology business and diversifies funding into non-Medicare revenue.

Adora Fertility (held for sale)

Healius announced the sale of four Adora Fertility IVF clinics, together with three co-located Healius Day Hospitals in August 2021.

Healius' IVF business model, which brings together a team of IVF specialists, GPs, nurses and scientists, delivers excellence in patient care at a more affordable cost. The business has four major clinics around the country and a footprint of satellite clinics that enable wider access to high quality and affordable fertility services for couples residing outside of major treatment centres.

Our network

Pathology

2,105	Pathology sites
2,010	ACC[1]
95	Laboratories

Imaging

134	Imaging sites
30	Hospitals
55	Community centres
49	Medical centres

Day Hospitals

11	Day Hospital sites
1	Short stay hospital
7	Day hospitals
3	Haematology/Oncology clinics

1 Approved Collection Centres.
Sites as at July 2021.

WA

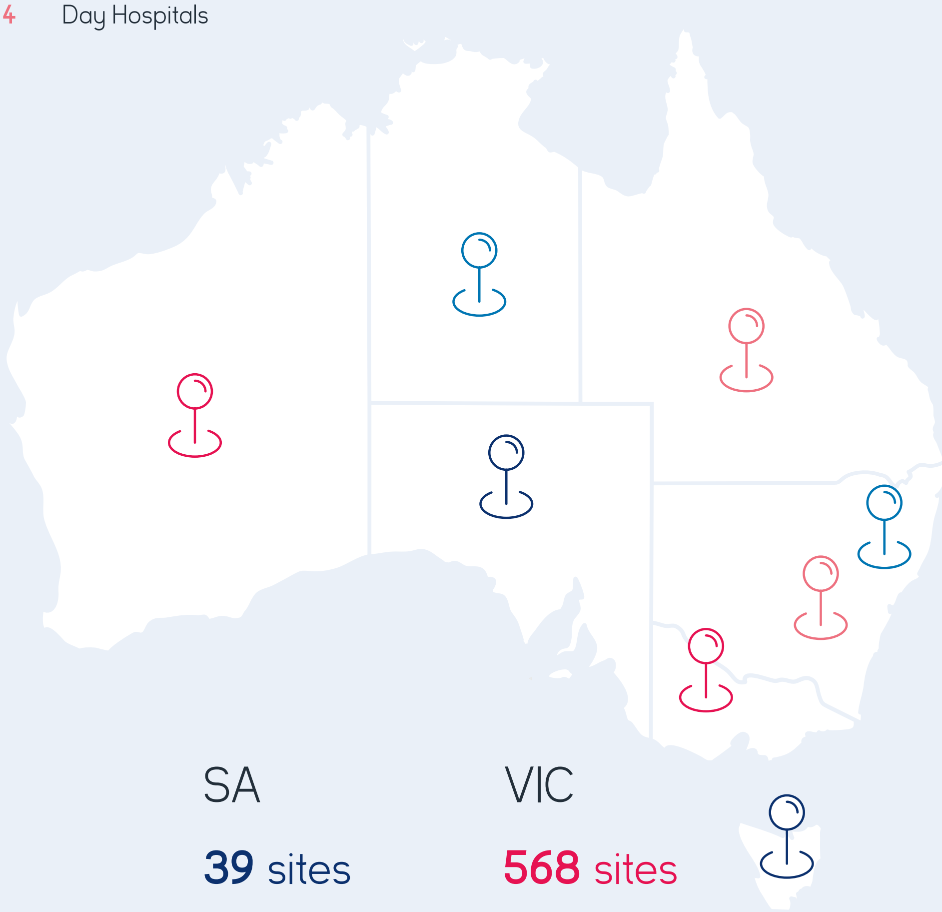
196 sites

187 Pathology
5 Imaging
4 Day Hospitals

NT

14 sites

14 Pathology



QLD

611 sites

576 Pathology
30 Imaging
5 Day Hospitals

NSW

758 sites

700 Pathology
56 Imaging
2 Day Hospital

SA

39 sites

33 Pathology
6 Imaging

VIC

568 sites

534 Pathology
34 Imaging

ACT

37 sites

34 Pathology
3 Imaging

TAS

27 sites

27 Pathology

Building a sustainable business

Through accessible, high-quality, consumer-centric healthcare services, Healius is committed to delivering excellence in healthcare and leading Australia to a healthier future, creating value for consumers, employees, investors and the many communities in which we operate.

Our Business

Sustainable Improvement Program aptly named with investment to drive growth in:

- Data-led operations
- Consumer-centricity
- Product innovation
- Network optimisation
- Core competencies for the future

Our Shareholders

Streamlined portfolio delivering higher returns and cash flows

Organic growth in Day Hospitals and diagnostic commercial streams

$101 million in share buy-back and $80.6 million in FY 2021 dividends

Strong capital position to fund growth

Our People

Extra three days leave to all over Christmas

New parental leave policy

New resources hub

Rewards for hard work across the Group

Flexible ways of working to help manage COVID-19 pressures

Our Communities

Focus went far beyond budgeted metrics to ensuring we played a pivotal role in Australia's public health response to the pandemic

Non-COVID healthcare services delivered safely, efficiently and effectively despite lockdowns

Commitment to carbon neutrality by 2025, with emissions reductions in train

Our Customers

Innovation in COVID-19 improved consumer interaction

Investing in leading-edge applications to permanently change for the better how consumers access diagnostic healthcare in Australia

Our strategy

Healius strives to deliver long-term sustainable growth through the improvement of existing businesses and development of new opportunities, while putting the consumer at the centre of everything we do.

Portfolio management

Over the past two years, Healius has pursued a strategy to realign its portfolio in order to deliver higher returns and a strong growth profile, strengthen its balance sheet, and focus on its core diagnostic and growing day hospitals businesses. This has resulted in the following deliverables:

- Successful completion of the Healius Primary Care (HPC) divestment in November 2020
- Adora IVF brought to market in May 2021 and a sale announced in August 2021
- Acquisition of Axis radiology, an Imaging bolt-on, in FY 2021 (completed in July 2021)
- Development of a pipeline of opportunities to capture the emerging demand for short-stay hospitals
- On-going assessment of synergistic opportunities to further scale the diagnostics businesses

Capital management

A capital management review was undertaken in December 2020 to consider:

- Options to deploy the HPC sale proceeds
- Sustainable dividend policy providing certainty to shareholders and flexibility to the business
- Capital needs of the portfolio and SIP initiatives
- Headroom for short and medium-term growth scenarios, including a buffer for any future shocks
- Elimination of surplus debt facilities and hedges, together with optimisation of funding costs

The outcomes of the review were as follows:

- On-market share buy-back aiming to return up to $200 million in 2021, with $101 million completed by June 2021 and primarily funded from operating cash flow
- Revised dividend payout target of 50–70% of reported NPAT, together with stated aim of growing dividends in real terms
- Medium-term gearing target of 1.7x–2.2x
- Debt facilities reduction in line with reduced borrowing requirements and gearing targets
- Closing out of ineffective interest rate swaps

Sustainable Improvement Program

SIP Phase I

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 consumables were identified as the largest addressable opportunities. A target of $70 million in savings, representing 4–5% of the cost base, was set for Phase I with a focus on immediately addressable cost reduction.

In 1H 2021, the Phase I target was met with $68 million annualised savings delivered (including $10 million savings in HPC up to 30 June 2020), which was about a year ahead of schedule. In total, over 200 initiatives were delivered. Key initiatives included the delayering of middle management, role consolidations, laboratory consolidations in Pathology, and move to zero film in Imaging.

Removal of stranded costs

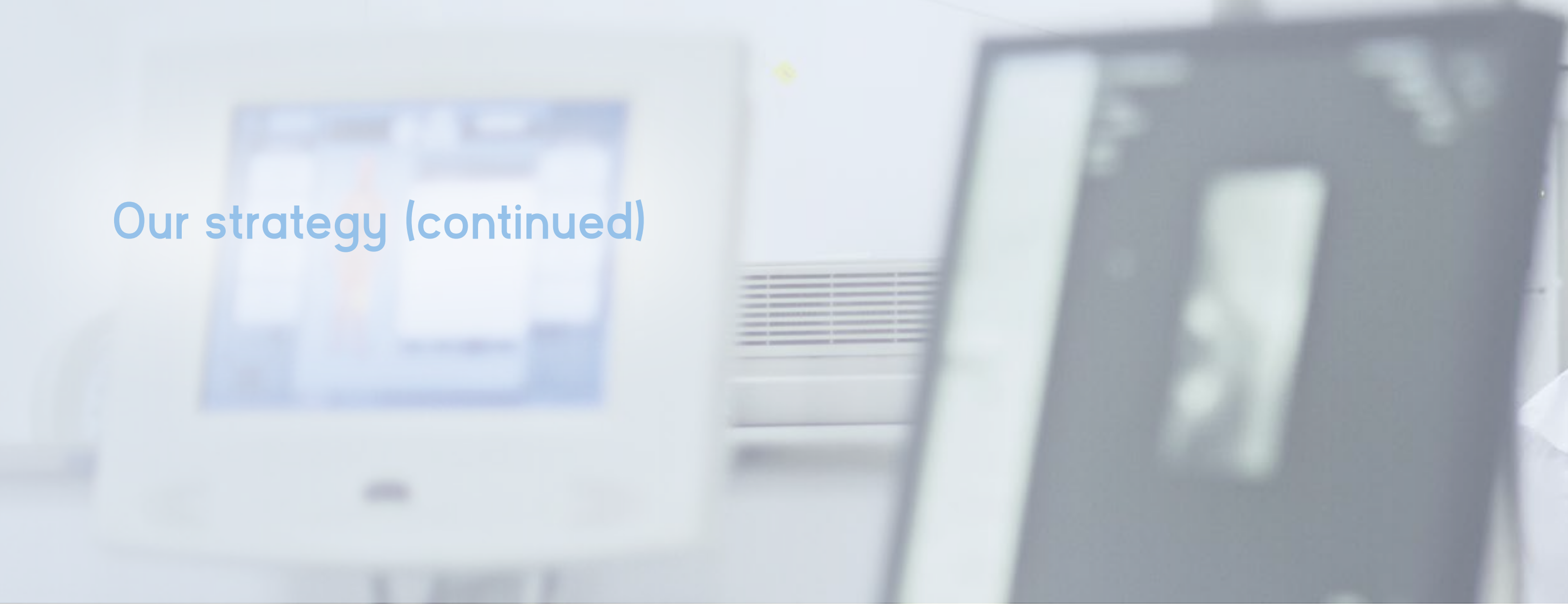
Complementing SIP Phase I, a cost-out program was initiated at the end of FY 2020 to reduce the cost overhang arising from the sale of HPC. A target of $15 million was set to be delivered by FY 2022. This was achieved in FY 2021 ahead of schedule. Healius support costs now benchmark favourably compared with other healthcare and services companies. In total, $83 million in savings to the Healius cost base have been delivered between FY 2020 and FY 2021 ($73 million in continuing operations). The result is a leaner and more flexible business.

SIP Phase II

With the initial cost saving and containments targets met, in FY 2021 the strategic focus was expanded to the delivery of margin growth. The target is for 300 bps EBIT margin growth in Pathology and Imaging by FY 2023, as well as building longer-term capabilities in spend and capital management, data-led operations, customer-centricity, product and innovation, and network optimisation. To achieve these broader outcomes, higher-value structural improvements are required, together with growth in non-Medicare revenue. Outcomes are also dependent on the extent and timing of the COVID-19 pandemic and its on-going impact on operations.

Notwithstanding the COVID-related operational challenges, delivery highlights in SIP Phase II include:

- Digitisation and automation
  - Development of an e-commerce platform (see page 10)
  - Improving fuel efficiency in our collection fleet through installing monitors
  - Implementation of first large scale AI-radiology read assistance tool for chest X-rays
- Network optimisation
  - Optimisation of the Pathology ACC network
  - Rationalisation of Imaging footprint and shift to cluster-based multimodality clinics
- Workforce management
  - Embedding richer data reporting for management and front-line staff
- Sourcing
  - Re-tendering categories including consumables, after hours reporting, and equipment maintenance



Our strategy (continued)

Digitisation

The current Pathology Laboratory Information System (LIS) is working well and has supported six million COVID tests conducted to-date, over and above business-as-usual pathology volumes. Innovations undertaken in support of COVID testing have included:

- Deploying a QR-code based digital order automation
- Launching the e-commerce platform suitable for existing and future COVID and non-COVID products, broadening our reach and improving access to services for customers

Healius is also continuing its technology modernisation program in Pathology to deliver an end-to-end, customer-centric platform with the following priorities:

- One national smart instrument manager to standardise test panels and results
- Modular approach with a blend of in-house solutions and proven off-the-shelf products
- Prioritising patient and doctor touchpoints
- Leveraging synergies across Pathology and Imaging

As part of this modernisation, Healius is expanding internal technology capabilities and partnering with high calibre technology service providers to augment internal capacity. The program is expected to cost within the $85–90 million envelope previously announced and to take between two to three years to complete, sequenced to deliver benefits along the way in operating cost efficiencies as well as increased referral revenue.

Rebranding to Lumus Imaging

Supporting Healius' aim to be a customer centric healthcare business, Healius recently rebranded its diagnostic imaging division from Healthcare Imaging Services to Lumus Imaging, unifying its imaging businesses under one national brand.

Lumus Imaging speaks to the notion of a brighter future for our business and the communities it cares for.

The rebrand, with a new logo and colour scheme aligned to Healius, will see a stronger customer focus, improvements to the business' online presence, and delivery of a more modern service.

In addition to refreshing its brand identity, Lumus Imaging is updating services, focusing on digital capabilities and enhancing the way the business interacts with its patients and referrers.

lumus imaging

Short stay hospitals

Driven by improving surgical technology, lower costs and comparable, or often superior, patient outcomes, the healthcare industry is starting to shift away from higher cost overnight procedures towards short stay hospital procedures, with the number of private day hospital admissions in Australia doubling in the last 10 years.

Cancer treatments, cardiology, orthopaedic procedures and general surgery are projected to grow strongly in the short stay hospital setting. This mirrors the trend in USA where over 5,000 Ambulatory Surgical Centers exist offering a wide variety of surgeries.

At Westside Private Hospital, Healius has successfully trialled hip and knee replacements in a short stay setting (refer to page 25).

Short stay hospitals are seen as a key growth area for the business, albeit one which needs to be developed rather than acquired. Accordingly, Healius is progressing a pipeline of greenfield and partnership opportunities to capture growth in this emerging market.

Creating value for shareholders

With a strong capital position, Healius is well placed to fund targeted growth investments, where there are synergies with existing businesses.

During the year Healius Pathology invested in a new laboratory in Western Australia and acquired a small histopathology business in NSW. Lumus Imaging invested in regional NSW, opening a comprehensive imaging centre in Orange, and in July 2021 acquired a small radiology practice in Queensland to complement its existing footprint.

In December 2020, Healius announced an on-market share buy-back aiming to return up to $200 million to shareholders in 2021, with $101 million completed by June 2021, funded primarily from operating cash flow.

Healius is also committed to sustainable dividends, with the Board announcing a dividend payout ratio of 50–70% of reported NPAT, with a stated aim of growing dividends in real terms over time.

FY 2021
Key milestones

Appointed
Jenny Macdonald as
Non-executive Director

OCT 2020

Completion of sale
of Healius Primary Care

NOV 2020

Commenced
on market
share buy-back

–

Completed
SIP Phase I ahead of time

–

Commenced
SIP Phase II targeting
300 bps margin expansion
in Pathology and Imaging
by FY 2023

DEC 2020

Appointed

Kate McKenzie
as Non-executive Director

FEB 2021

Opening

of new community Imaging site at Bloomfield, Orange NSW

APR 2021

Renamed

SDS Pathology to Healius Pathology

–

Opening

of Western Diagnostic Pathology's new laboratory in Jandakot, Western Australia

–

Announced

reviewing potential sale of Adora Fertility

MAY 2021

On market

share buy-back reached $101 million

JUN 2021

Continuing to support communities through COVID-19

"Never before has pathology testing made such a contribution to the wellbeing of the community as it has now, during this COVID-19 pandemic. The entire healthcare system has been able to wisely use the knowledge gained from COVID-19 testing to locate the virus and protect the community."

The Royal College of Pathologists of Australasia

Since the start of the COVID-19 pandemic in early 2020, Healius has performed over six million COVID tests and continues to provide critical COVID-19 testing services across the country to help keep Australians safe.

Community COVID testing

As the COVID pandemic continues to impact countries globally, Australia is managing its outbreaks, primarily through Polymerase Chain Reaction (PCR) testing and contact tracing together with lockdowns and social distancing rules. Healius partners with the public sector in the fight against COVID-19, working with government, businesses and our communities to help maintain public health and safety.

In FY 2021, Healius Pathology responded to COVID-19 community outbreaks, increasing testing capacity in a number of laboratories and establishing dedicated COVID testing sites in addition to testing in several hospital and aged care facilities. In response to the latest COVID outbreak in NSW, in July, Healius established the first 24-hour COVID-19 drive-through testing facility in the state.

Through our state-based pathology brands: Dorevitch Pathology in Victoria, Laverty in NSW and ACT, QML Pathology in Queensland and Western Diagnostic Pathology in Western Australia and Northern Territory, Healius continues to open pop-up, drive-through testing clinics in convenient metro and regional locations, responding to areas of high demand and working closely with public health authorities.

The business has been agile in meeting surge demand, opening new sites and/or ramping up in response to needs, with laboratories operating 24 hours a day when required. Through heat waves, snow and rain, our people have worked tirelessly to provide COVID-19 testing for Australians, wherever and whenever it's needed.

Commercial testing

Healius performs a range of commercial COVID testing for parliamentarians and their staff, diplomats, sporting cohorts and film crews. During the year, Healius also signed a partnership with Flight Centre to undertake COVID testing for their customers, helping to make overseas travel safer. Our pathology operations are well equipped to handle additional testing as and when borders reopen.

AFL

Healius has a long-standing relationship with many sporting codes, including the AFL. During the 2020–2021 AFL season, Healius played a crucial role in supporting the AFL COVID risk management strategy, performing COVID testing for all AFL players across the country to ensure the safety of players, officials, administration staff and fans.

Healius is proud to have contributed to the success of the Premiership season, allowing games to kick on.

Thank you to our people

For many of our people, the COVID pandemic has brought many challenges in their working and personal lives. With the threat of illness, the isolation and trials of lockdown as well as the challenges presented by working in the healthcare industry at this time, our people have responded magnificently with hard work and sacrifice.

Collectively, this has played a key role in Healius' success over the past year, full and part-time team members were provided with three days of additional leave over the 2020 Christmas period.

Thanking our virus testers

Western Advocate

BY MATT WATSON

They've put in the hard yards at Mount Panorama in a Bathurst winter – and they've been thanked for their efforts. Mayor Ian North and Western NSW Local Health District Chief Executive Officer Scott McLachlan have both paid tribute to the Laverty Pathology COVID testers who have been staffing Bathurst's drive-through clinic at Mount Panorama. They are not the only COVID testers in the city, but they have had some of the more challenging conditions on Bathurst winter days where the temperature hasn't broken into the double figures.

"The efforts at Mount Panorama, and all over town, have been tremendous," Cr North said. "They are very much the frontline." Cr North said he is outside well before dawn a couple of times a week and he knows what the Bathurst winter can throw at you. "For the nursing staff and people doing testing, you can't thank them enough," he said. "Thank you does not seem good enough when you think about what these people are doing."

The testers' job has become more important and more challenging with the confirmation that Bathurst now has a number of active COVID cases. Health district CEO Mr McLachlan echoed the mayor's comment. "All of our testing teams, health staff generally, are just amazing," he said. "There are some real heroes among them. The team that is at Bathurst, at the Mount Panorama testing clinic, I just take my hat off to them. They are quite incredible." I know there is a bit of cold weather coming… and we really appreciate everything they're doing."

Chair and CEO's letter

Dear shareholder,

We would like to reflect on the extraordinary times we have been living through over the last 18 months or so and, in particular, how Healius has risen to the challenge.

The overriding aim of your Company has gone far beyond any financial metrics to ensuring we were at the front and centre of Australia's public health response to the COVID-19 pandemic, in addition to keeping core healthcare services running safely and efficiently.

We have reconfigured our laboratories and added new equipment. We have established pop-up drive-through clinics for safe and easy public access. We have run our laboratories often 24/7 as we undertook, at its peak, more than 34,000 tests a day during FY 2021.

We're pleased to say people have responded with unwavering and selfless dedication, extending far beyond any normal capacities and capabilities.

We thank all of them, especially our frontline staff for their tremendous achievements over the last year. Collectively we have also kept each other safe through sound clinical practice and caring for our mutual wellbeing. It has been a remarkable performance all round and we are very proud to be a part of the Healius family.

In appreciation, full and part-time team members were given three days of additional leave last year and we have implemented a raft of initiatives including a new parental leave policy across the Group and a reward scheme which goes deep within the Company, as we recognise the integral role of our people in building a sustainable future for Healius.

We would also like to thank the Federal Government for its support of the private sector pathology providers, in recognition for their indispensable role in response to the pandemic, and the collaboration and support of state governments. It was heartening to see how well the private sector is working with the various states' public healthcare systems, coordinating drive-throughs, ensuring positive results were reported reliably and quickly, and assisting each other when needed.

COVID-19 ongoing impacts

At Healius, we have performed over six million COVID-19 tests since the start of the pandemic to the time of writing. Our community testing is being increasingly supplemented with commercial testing through contracts with sporting codes, the Federal Government, the film industry and the operators of remote mine sites. We have also signed a partnership with Flight Centre to undertake COVID-19 testing for their customers and this will grow when our international borders are open.

We believe that our current testing regime will continue to be part of our national response to the pandemic. This regime is based on Polymerase Chain Reaction or 'PCR' testing in a laboratory, which has the highest sensitivity and specificity rates of all tests for COVID-19. The key to its success is in the rapid delivery of results, and this is why we are currently investing in more equipment and digital resources.

The recent surge in testing in NSW and Victoria with the arrival of the Delta strain has seen yet higher testing levels being undertaken in this financial year, which is likely to continue for some time to come. We believe PCR testing, as well as other testing measures, will run hand-in-hand with the roll-out of the vaccination program and the opening up of our borders over the rest of financial year 2022 and beyond.

2021 in review

In FY 2021, Healius grew revenue 22% to nearly $2 billion while underlying EBIT grew to a record $266.5 million. Pathology and Day Hospitals were up significantly on the prior period and Imaging improved from a lock-down impacted prior year.

Group underlying results excluded Healius Primary Care (HPC) and Adora Fertility and three co-located Healius Day Hospitals (Adora). In line with the Group's strategy of streamlining the business, the sale of HPC was completed in November 2020 while we announced Adora's sale to Virtus in August 2021.

Pleasingly some $526 million was generated in operating cash flow and a further $387 million in net capital recycling, with a targeted program of capital investment, including a pathology laboratory in Western Australia, an imaging centre in Orange, NSW and the acquisition of Axis Diagnostics, a small but high-value radiology operation in Queensland.

The strong cash inflow enabled your Company to significantly reduce its debt, reward shareholders with the current $200 million share buy-back program and improved dividends, whilst maintaining a strong balance sheet to fund future growth and buffer any potential shocks as the country returns to a post-pandemic new 'normal'.

A fully franked final dividend of 6.75 cents per share was determined by the Board, bringing dividends for FY 2021 to 13.25 cents per share at a payout ratio of 62% of statutory NPAT, the highest annual dividends for several years.

Sustainable Improvement Program

During the year, Healius progressed its strategic goals including the aforementioned portfolio and capital management. This was combined with delivery in the Sustainable Improvement Program, including the optimisation of the pathology and imaging networks, the development of a digital e-commerce platform and order automation based on QR codes, and removal of overhead costs following the HPC sale. Of note, normalised labour costs increased by under 3% on revenue growth of 22%. Progress here was especially pleasing given that the COVID-19 imperative has kept the teams very busy.

GOING FORWARD

Your Company continues to have a strong commitment to delivering what governments and health departments need during this pandemic. The health and safety of our people, healthcare professionals, our patients and the Australian community remain our priority.

In addition to this, our focus is on growth through margin expansion, as we look to achieve a 300-basis point improvement (measured against pre-COVID FY 2019 levels) in our EBIT performance in Pathology and Imaging by FY 2023. We are also delivering a modular approach to technology modernisation in Pathology, which is the lowest risk and the most efficient pathway to our goal with benefits including inter-laboratory operability, improved consumer experience and a reduction in operating costs.

As important, we are looking to build a sustainable Healius through our focus on data-led operations, consumer-centricity, product innovation, network optimisation and the necessary organisational competencies for the future. We have committed to being carbon-neutral by 2025 and are in the middle of an in-depth review to identify and embed sustainability programs across the Group. We look forward to telling you about these programs in our next Sustainability Report towards the end of the year.

We are exploring opportunities to fund strategic investments in adjacencies to our current portfolio, thereby extracting synergistic value from our strong balance sheet. To this end, the business continues its disciplined review of potential M&A options and has a pipeline of sites for development of new short stay hospitals. As we have said before, we are looking to create the short stay hospitals of the 21st century in Australia and to benefit from economic, technological and regulatory tailwinds in this sector, after successfully trialling hip and knee replacements in our flagship short-stay hospital this year.

What's more, with the revenue we are receiving from COVID testing, we have a real opportunity to invest in the future health of the nation, implementing a raft of leading-edge applications which should permanently change for the better how consumers access diagnostic healthcare in Australia, from e-appointments to e-results via a patient portal.

We would like to thank everyone in the Healius family for their continued commitment and tireless efforts in this extraordinary year. Finally, and as importantly, we thank you, our shareholders for your continued support and look forward to another year of growth.

ROBERT HUBBARD
CHAIRMAN

MALCOLM PARMENTER
CEO

Group performance

	30 JUNE 2021 $M UNDERLYING[1]	30 JUNE 2020 $M	30 JUNE 2021 $M REPORTED	30 JUNE 2020 $M
Revenue	**1,913.1**	1,572.4	**1,900.7**	1,557.0
EBIT	**266.5**	129.0	**255.4**	92.1
NPAT (Reported incl. discontinued operations)	**148.4**	53.1	**43.7**	(70.5)
Cash flow from operating and investing activities			**912.8**	285.0
Dividends cps 100% franked			**13.25**	2.6

Group underlying results

In the year ended 30 June 2021 (FY 2021), Healius played a pivotal role in Australia's public health response to the COVID-19 pandemic, performing over six million COVID-19 tests to-date, through dedicated community collection centres and drive-throughs as well as extensive commercial COVID-19 testing at workplaces, for sporting codes, for governments and for travellers.

The various state lockdowns, including the extended lockdown in Victoria in the winter of 2020, had an impact on non-COVID pathology volumes as well as imaging volumes and, to a lesser degree, day hospital surgery numbers. Nevertheless, throughout the pandemic Healius has continued to provide critical healthcare services to its communities while ensuring its people remained safe.

In FY 2021, Healius achieved strong revenue growth of $340.7 million to $1,913.1 million while underlying EBIT grew by $137.5 million to a record $266.5 million. Pathology and Day Hospitals were up significantly on the prior period and Imaging improved from a lock-down impacted FY 2020. Underlying NPAT was up by $95.3 million, a 179.5% increase on the prior period.

The Sustainable Improvement Program (SIP), through both cost control and revenue growth, contributed to the delivery of this strong result. Of particular note, labour costs have increased by only 2.8% on FY 2020, after normalising both years for the impact of staff leave initiatives, while revenue increased 22.1% during the same period.

Group results for continuing operations in both years exclude the trading of Healius Primary Care (HPC), and Adora Fertility and three co-located Healius Day Hospitals (Adora), as these assets were held for sale. The sale of HPC was completed in November 2020 while Adora was held for sale at the end of the year, with a sale announced in August 2021. This is in line with the Group's strategy to streamline the business, strengthen its balance sheet and focus on its specialist core diagnostic and growing Day Hospitals businesses.

The underlying results include the impacts of AASB 16, with FY 2020 underlying results restated for comparability.

Reported results for the year ended 30 June 2021 include a small number of non-underlying items, including investment in pathology information systems. Importantly the quantum of adjustments between reported and underlying has reduced to a 4% differential between reported and underlying EBIT in FY 2021.

In FY 2021, $525.9 million was generated in operating cash flow and $386.9 million in capital recycling net of investments (primarily the HPC sale proceeds), enabling the Company to reduce its debt position and meet the on-going capital needs of the business and value-generating investments, as well as reward its shareholders with sustainable and growing dividends and the current share buy-back program.

Taking into consideration the strong performance of the Company, a final dividend of 6.75 cents per share (cps) fully franked was determined by the Board. This brings dividends for FY 2021 to 13.25 cps representing a payout ratio for FY 2021 of 62% of reported NPAT (after making a positive adjustment of $63.1 million for the non-cash impact of the ATO case[2] in the year).

1 All comments in this Year in Review section relate to underlying results for continuing operations unless otherwise noted. For a reconciliation and analysis, refer to 'Group reported results' on page 28.

2 Refer to 'ATO case' on page 29.

Cash flow and gearing

Group cash flows (including continuing and discontinued operations) for FY 2021 were as follows:

REPORTED	30 JUNE 2021 $M	30 JUNE 2020 $M
Gross cash flows from operating activities	**571.9**	405.2
Net income tax paid	**(46.0)**	1.7
Net cash flows from operating activities	**525.9**	406.9
Maintenance capex	**(39.9)**	(55.9)
Free cash flow	**486.0**	351.0
Growth capex	**(33.6)**	(66.1)
Proceeds from capital recycling (primarily HPC sale proceeds)	**460.4**	0.1
Cash flow after investing activities	**912.8**	284.8
Net interest paid including lease liabilities	**(72.1)**	(67.7)
Payment of lease liabilities	**(203.1)**	(186.4)
Dividends	**(56.3)**	(21.2)
Payments for buyback of shares	**(97.5)**	–
Debt funding/(reduction)	**(555.7)**	15.0
Net increase/(decrease) in cash held	**(71.9)**	24.7
Opening cash	**144.5**	119.7
F/X	**0.1**	0.1
Closing cash	**72.7**	144.5

In FY 2021, Healius achieved strong gross operating cash flows, 41.1% above the prior year, representing a conversion of 106% of EBITDA. Net income tax paid increased due to the settlement of taxes deferred in FY 2020 at the beginning of the COVID-19 pandemic.

Importantly, the Group has materially lower capital intensity following the divestment of HPC. It invested $59.9 million[1] in maintenance and growth capital programs in the year. Investments included:

- a new pathology laboratory in WA,
- a greenfield imaging facility in Orange, NSW, and upgraded imaging equipment, and
- developed core IT systems in payroll/time management and in IT security.

Healius received a total of $460.4 million in proceeds, primarily for the settlement of the HPC sale. Together with the strong operating cash flows, this capital recycling significantly strengthened the Group's balance sheet, reduced its debt, and positioned it to meet the on-going capital needs of the business and value-generating investments, as well as rewarding its shareholders with dividends and with the current share buy-back program. In the year Healius:

- reduced its loan positions by $555.7 million with annual interest savings equating to $9.2 million,
- paid $56.3 million in dividends, being the deferred FY 2020 and FY 2021 interim dividends, and
- bought back shares totalling $97.5 million (with additional $3.5 million settled in July).

Group net debt and key ratios at 30 June 2021 were as follows:

REPORTED	30 JUNE 2021 $M	30 JUNE 2020 $M
Bank loans and financing arrangements[2]	**277.9**	810.1
Cash	**(72.7)**	(144.5)
Net debt	**205.2**	665.6
Bank gearing ratio (covenant <3.5x)[3]	**0.7x**	2.7x
Bank interest ratio (covenant >3.0x)	**10.0x**	8.9x

Healius has delivered a significant improvement in its net debt and key bank ratios underpinned by the aforementioned strong free cash flow generation and capital recycling. During the year, debt facilities were reduced by $495 million to $600 million in line with reduced borrowing requirements. The Group remains well within its covenants and has a significant liquidity buffer to manage uncertainties that may arise due to unforeseen events.

1 $10 million was also spent on payments for medical centre practices and upfront payments to health care practitioners in 1H 2021, prior to the HPC sale completion, and $3.5 million on capital items in Adora. These amounts will not recur.
2 Bank loans shown net of unamortised borrowing costs together with $19.8 million of parent company guarantees.
3 Bank gearing ratio is calculated based on underlying EBITDA before the impact of AASB 15 and 16 and adjusted for share-based payments.

BUSINESS REVIEW

Pathology

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

$1.45B
OPERATING REVENUE

$253M
UNDERLYING EBIT

89
DEDICATED COVID-19 SITES

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

Healius Pathology has conducted more than six million COVID-19 tests to-date, playing a pivotal role in the national COVID-19 testing regime. The extensive community COVID-19 testing, collected through the division's 89 dedicated sites as well as in several hospital and aged care facilities, was supplemented by Healius Pathology's commercial and direct-to-consumer initiatives, which included testing at workplaces and sporting codes.

Overall Healius Pathology delivered a strong result for the year with revenue up 25.2% to $1.45 billion (76% of Group revenue) and EBIT up 103.2% to an historic level of $252.8 million.

COVID revenue was the prime driver of growth, while non-COVID revenue was also up in the year, on an 8% smaller Approved Collection Centre (ACC) footprint. Good growth was achieved in veterinary testing, which was up 21%, and genetics testing, up 17%. The average fee on non-COVID revenue also increased.

Underlying Performance

	30 JUNE 2021 $M	30 JUNE 2020 $M	BETTER/(WORSE) %
Revenue	**1,452.1**	1,160.1	25.2%
EBITDA	**428.3**	274.2	56.2%
Depreciation	**(168.2)**	(143.5)	(17.2%)
Amortisation	**(7.3)**	(6.3)	(15.9%)
EBIT	**252.8**	124.4	103.2%
Total capital expenditure	**32.5**	36.9	11.9%

Pathology received an additional $9.8 million in deferred government grants relating to payments under the Pathology Agreement for April and May 2020. The EBIT benefit was, however, offset by additional bad debts expense of $9.0 million provided for during the year after a detailed review of old account balances such as debts relating to overseas health funds and private accounts.

EBIT rose significantly delivering a margin of 17.4%. Despite incurring higher people and consumables expenses through its COVID-19 initiatives, the business maintained its focus on cost control. Pathology improved its EBIT through a successful optimisation of the network which saw ~175 poorly performing and low margin sites closed in the year.

A total of $32.5 million in capital was spent in the year primarily on a new laboratory in WA together with strategic digital initiatives and a small acquisition. Upgrade to the main laboratory testing equipment, called the Serum Work Area, is now complete in all states other than Dorevitch in Victoria which is expected to be finalised in 1H 2022.

The performance of the division is detailed in the table on the left.

Western Diagnostic Pathology opens world class laboratory in Perth

Western Diagnostic Pathology (WDP) has supported the medical community in Western Australia for almost 50 years. With the largest service delivery footprint in the state, WDP reports up to 10,000 tests per day.

In line with Healius' growth strategy and commitment to delivering excellence in healthcare, Western Diagnostic Pathology opened its newly built laboratory facility in Jandakot, Perth, in May. The largest private laboratory in the state was officially opened by Attorney General of Australia, Senator the Honourable Michaela Cash.

Despite the challenges presented by COVID-19, the project was delivered on time and on budget. This required gaining travel exemptions for Siemens engineers to enter Western Australia, who then worked in personal protective equipment (PPE) and in complete isolation during a 4-week period while state borders were closed.

The laboratory was designed utilising the most modern technology available to enable WDP to deliver high quality, timely and accessible pathology services, enhancing the opportunities for the provision of advanced health care across Western Australia and the Northern Territory. The facility replaces the previous lab at Myaree, bringing greater efficiencies, economies of scale and improved service to WDP's referring clinicians and their patients.

WDP's expansive network supports critical industries working closely with the resources sector, the FIFO community and regional and remote areas of Western Australia and the Northern Territory. WDP is proud to be the largest provider of diagnostic services to the indigenous communities in the NT and WA. In addition, the facility delivers the broadest veterinary reference service in the state.

Last year, WDP moved rapidly to develop the technical capacity to perform COVID-19 PCR testing and was the first pathology practice (public or private), in WA, to receive NATA accreditation to perform these tests.

In April 2020, WDP gained first hand pandemic experience, in both testing and clinical management of COVID-19, through their involvement with the Artania cruise ship patients at Joondalup. WDP's laboratory team, led by Consultant Pathologists trained in both Clinical Microbiology and Infectious diseases were recognised for the high quality, and responsive support they gave in the treatment and containment of this episode.

Importantly, the new laboratory has increased capacity for COVID-19 testing. WDP has also worked closely with WA Health, providing pop-up and surge testing capacity reaching a peak of 5,500 PCR COVID-19 tests per day, with an average turnaround time of less than 10 hours in June 2021.

BUSINESS REVIEW

Imaging

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

$407M
OPERATING REVENUE

$31M
UNDERLYING EBIT

134
SITES

Imaging delivered revenue growth in all of its channels: hospitals, community sites and medical centres, with a strong second half up 18% on the prior comparable period due to a soft performance in 2H 2020.

During the year, the division's revenue was affected by the lockdowns in Victoria, where it has a large hospital portfolio and a strong presence in metropolitan areas, and by an 8% reduction in the network with the closure of 14 poorly performing and low margin sites. On a normalised basis, revenue growth was close to market, with the on-going ramp-up of the Northern Beaches Hospital in Sydney being a highlight.

Underlying Performance

	30 JUNE 2021 $M	30 JUNE 2020 $M	BETTER/(WORSE) %
Revenue	**406.9**	376.7	8.0
EBITDA	**84.5**	70.2	20.4
Depreciation	**(50.8)**	(45.8)	(10.9)
Amortisation	**(2.8)**	(2.5)	(12.0)
EBIT	**30.9**	21.9	41.1
Total capital expenditure	**18.6**	13.4	(38.8)

Divisional EBIT increased 41.1% to $30.9 million. Of note, the division improved profit due to the aforementioned network optimisation and delivered SIP productivity gains in NSW, under a prototype to be rolled out nationwide. However, the headline EBIT margin was impacted by the decline in activity in Victoria, historically the division's strongest performer, together with additional COVID-19 personal protective equipment (PPE) and one-off investments in SIP projects.

A total of $18.6 million in capital was spent in the year on high-end facilities at Orange NSW and South Tweed, upgraded equipment, which was purchased outright rather than leased, and preparation for the launch of the Lumus Imaging brand in August 2021. The Imaging Core Application Refresh roll-out was broadly completed in the year, delivering productivity savings and an improved referrer and consumer interface. The division is strategically extending its footprint and announced the acquisition of Axis Radiology in Queensland in FY 2021.

The performance of the division is detailed in the table on the left.

Opening of new flagship site in regional NSW

In April, Lumus Imaging opened its new flagship site in Bloomfield near Orange, NSW. The second Lumus Imaging facility in the Central West region comprises advanced radiology imaging and scanning equipment, including a Magnetom Lumina MRI system and a Somatom Flash CT scanner. This equipment is capable of imaging any heart within a single beat, reducing the need for Beta blocker medications to reduce blood pressure and heart rates, and can perform a whole-body scan in five seconds.

The facility is located within the purpose-built Bloomfield Medical Precinct that includes a private hospital, GP and specialist suites and a medi-hotel.

Artificial Intelligence supporting chest X-ray process and TB screening

Lumus Imaging continues to progress its Artificial Intelligence (AI) capability as part of a pilot program in partnership with BUPA. It has partnered with Qure.AI, a global leader in chest X-ray/TB screening AI algorithms. Qure.AI has developed a product known as "qXR", which is a specialised chest x-ray AI algorithm software that focuses on tuberculosis screening. This program will assist with many cases Lumus Imaging performs in the immigration screening process.

The qXR software is a deep learning-based chest X-ray interpretation software that analyses chest radiographs. It is used during the review of digital chest radiographic images, integrating with the radiology workflow (IntelePACS). Although it is not intended to be used as a source of medical advice, it will be used as a support tool to assist radiologists' decision-making and improve efficiency, accuracy and turnaround time in tuberculosis screening.

BUSINESS REVIEW

Day Hospitals

The Day Hospitals division includes Montserrat and Brookvale Day Hospital, following the decision to sell Adora Fertility and three co-located Healius Day Hospitals.

$50M
OPERATING REVENUE

$9M
UNDERLYING EBIT

11
DAY HOSPITAL SITES

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.

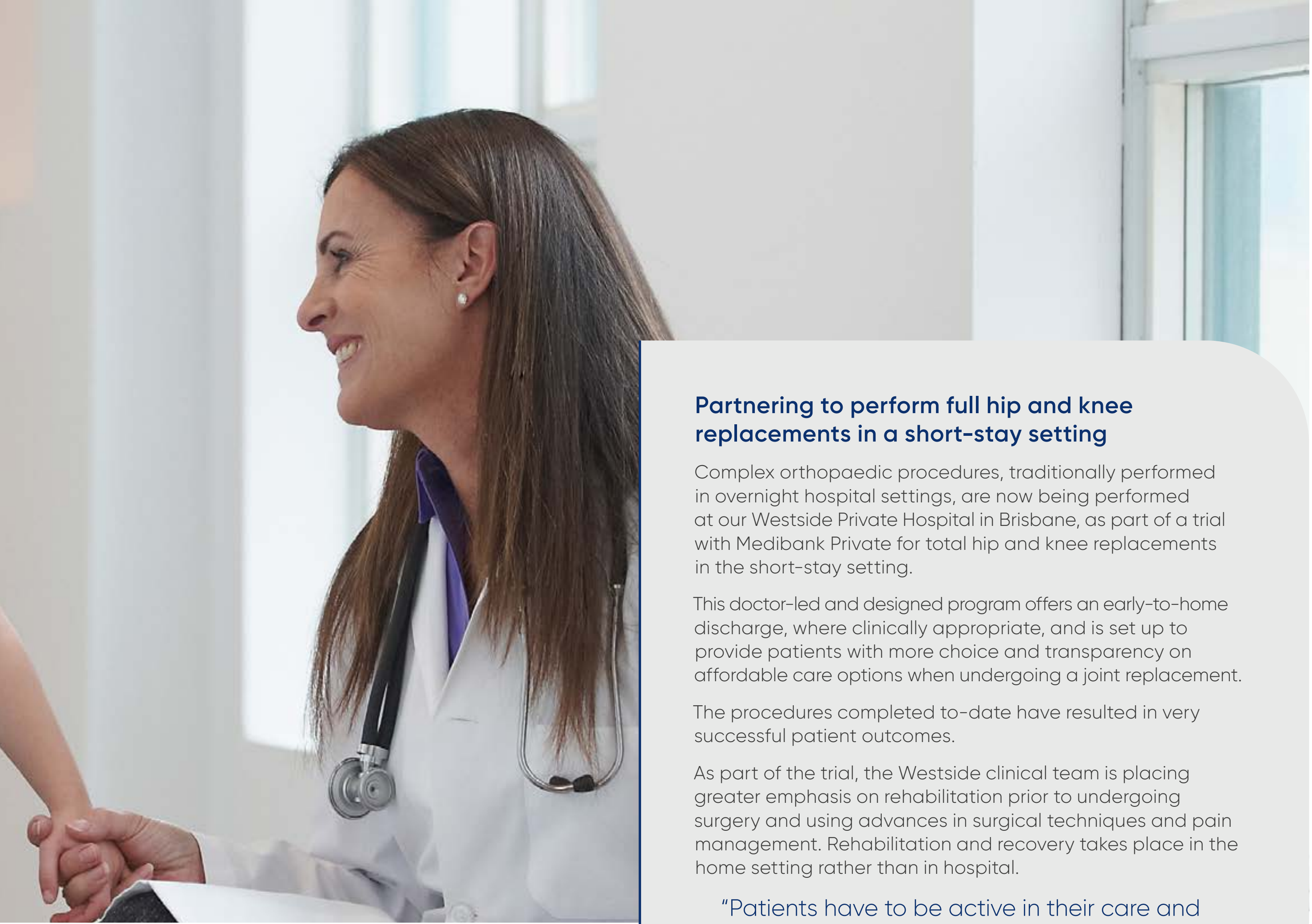
Montserrat's flagship hospital, Westside Private Hospital, has equivalent high-level facilities to the Ambulatory Surgical Centres in the USA, which perform same-day outpatient surgical care and have become an integral part of that country's healthcare system.

In FY 2021, the Day Hospitals division grew revenue by 32.4% to $49.5 million with Montserrat contributing $45.8 million, up 33.9%, and Brookvale $3.7 million up 15.6%.

Montserrat's growth came primarily from the on-going ramp-up of its multi-specialist Westside Private Hospital, which accounts for around a third of divisional revenue and delivered 62.2% growth in the year. Westside recruited new surgeons and undertook record surgery numbers, nearing 1,000 procedures in the month of March. It successfully trialled short-stay orthopaedic surgery.

Underlying Performance

	30 JUNE 2021 $M	30 JUNE 2020 $M	BETTER/(WORSE) %
Revenue	**49.5**	37.4	32.4
EBITDA	**15.5**	9.7	59.8
Depreciation	**(6.5)**	(6.0)	(8.3)
Amortisation	**–**	–	n.a
EBIT	**9.0**	3.7	143.2
Total capital expenditure	**2.9**	2.9	–



Overall, Montserrat achieved EBITDA of $14.8 million and EBIT of $8.3 million. The results were materially above FY 2020 due to the abovementioned strong revenue growth combined with good cost control and despite COVID-19 lockdowns occasionally impacting procedure numbers. Brookvale delivered a profitable result in the year, with EBITDA and EBIT of $0.7 million, under the management of the Montserrat team.

Capital expenditure of $2.9 million was in line with the previous year, with the majority spent on medical equipment and technology. Montserrat is focused on further ramp up of its four new sites which have collectively more than doubled their EBITDA contribution in FY 2021. The division also has a pipeline of both greenfield and brownfield sites under consideration as it looks to capitalise in this growing sector. Medical and technological advancements and on-going cost pressures are seeing patients move away from traditional overnight hospitals into short-stay hospitals, with strong interest from private health insurers and governments in potential new models of care.

The division repaid the JobKeeper received from the Federal Government in 1H 2021.

The performance of the division is detailed in the table on the left.

Partnering to perform full hip and knee replacements in a short-stay setting

Complex orthopaedic procedures, traditionally performed in overnight hospital settings, are now being performed at our Westside Private Hospital in Brisbane, as part of a trial with Medibank Private for total hip and knee replacements in the short-stay setting.

This doctor-led and designed program offers an early-to-home discharge, where clinically appropriate, and is set up to provide patients with more choice and transparency on affordable care options when undergoing a joint replacement.

The procedures completed to-date have resulted in very successful patient outcomes.

As part of the trial, the Westside clinical team is placing greater emphasis on rehabilitation prior to undergoing surgery and using advances in surgical techniques and pain management. Rehabilitation and recovery takes place in the home setting rather than in hospital.

> "Patients have to be active in their care and can no longer be a passive partner. They need to be motivated and willing to undergo the education that is required, shifting a lot more responsibility on them to actively manage their pain management for their own recovery."
>
> Dr Cameron Cooke

Another important factor in the success of the procedures is a thorough screening process, which assess factors such as age and other underlying health issues, to ensure patients are suitable to undergo procedures in a short-stay setting.

The results of this trial are encouraging and demonstrate that complex orthopaedic work can be performed in a short-stay setting with benefits for all parties.

> "It's reported that the patients are much happier recovering at home, contributing to their overall faster recovery."
>
> Dr Cameron Cooke

The trial also reflects the strong interest from consumers, private health insurers and governments in potential new models of care. Healius is actively working with health funds and governments to produce savings in the surgical setting. The same orthopaedic work performed in a long-stay setting generally costs 20-30% more than the current trials.

With an ageing population and increasing healthcare costs, cancer treatments, cardiology, orthopaedic procedures and general surgery are projected to grow strongly in the day hospital setting, due to reduced hospital costs, improved patient satisfaction and clinical outcomes and the option to recover at home.

BUSINESS REVIEW

Corporate

Healius completed the right-sizing of its support function cost base in FY 2021 to reflect its more streamlined portfolio.

$15M
REDUCTION IN SUPPORT SERVICES

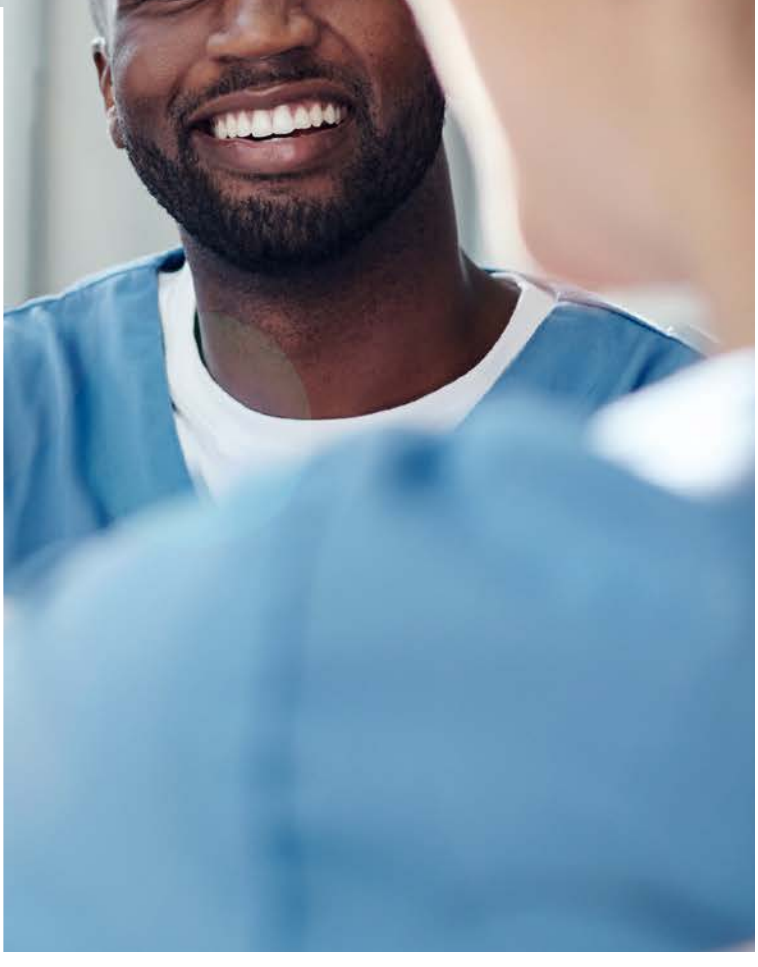
<2%
OF GROUP COST BASE

Corporate functions include the management of centralised support services, where those functions benefit from scale, and core corporate costs including strategy, capital and stakeholder management, group finance and treasury, Board costs and executive incentives. Overheads are allocated to the divisions in the form of a charge based on headcount, footprint, or usage and the remaining costs are classified as corporate overheads.

In FY 2021, revenue was earned on subleases to discontinued operations and from the transitional services agreement following the sale of HPC, both of which were offset by higher cost of delivery. Corporate overheads remained tightly controlled at under 2% of the Group's total cost base. Core costs were well managed notwithstanding on-going pressures in insurance, particularly directors and officers, and IT.

Underlying Performance

	30 JUNE 2021 $M	30 JUNE 2020 $M	BETTER/(WORSE) %
Revenue	**6.8**	0.1	n.a
EBITDA	**(14.5)**	(10.4)	(39.4)
Depreciation	**(8.0)**	(7.5)	(6.7)
Amortisation	**(3.7)**	(3.1)	(19.4)
EBIT	**(26.2)**	(21.0)	(24.8)
Total capital expenditure	**5.8**	9.7	40.2



Healius delivered a $15 million reduction in centralised support services from its operating model redesign for the 'stranded' costs after Medical Centres sale. This was delivered ahead of its targeted timeframe and ensured there was no increase in unallocated costs due to the sale.

In the fourth quarter of the year, Healius commenced a capability ramp up in strategy, corporate development including M&A, data analytics, together with improved IT and HR support. It is expected that core corporate costs will rise by ~$5 million in FY 2022 to deliver enhanced capabilities to manage the existing portfolio and growth options, while remaining below 2% of the total cost base. Corporate spent a total of $5.8 million on capital in the year, primarily on IT systems in payroll/time management and in IT security, as the Group repairs historic technology debt.

The performance of corporate is detailed in the table on the left.

Group reported results

	30 JUNE 2021 $M UNDERLYING	30 JUNE 2020 $M	30 JUNE 2021 $M REPORTED	30 JUNE 2020 $M
Revenue	**1,913.1**	1,572.4	**1,900.7**	1,557.0
EBIT	**266.5**	129.0	**255.4**	92.1
NPAT (Reported incl. discontinued operations)	**148.4**	53.1	**43.7**	(70.5)

This Year in Review section focuses on the underlying results of Healius which adjust for items not considered to be part of core trading performance. The quantum of adjustments between reported and underlying has reduced in FY 2021, with a 4% differential between underlying and reported EBIT. The reconciliation between reported and underlying for FY 2021 is set out in the following sections.

REVENUE

	2021 $M	2020 $M
Underlying revenue	**1,913.1**	1,572.4
Reclassification of grant income from revenue to other income	**(9.8)**	(12.4)
Transactions with discontinued operations	**(2.6)**	(3.0)
Reported revenue	**1,900.7**	1,557.0

EBIT

	2021 $M	2020 $M
Underlying EBIT	**266.5**	129.0
Strategic projects (including Pathology information systems upgrades)	**(11.3)**	(18.3)
Montserrat deferred consideration expense	**(3.0)**	(14.5)
Other (including impairments)	**(1.1)**	(12.6)
Reinstatement of transactions with discontinued operations	**4.3**	8.5
Total non-underlying items	**(11.1)**	(36.9)
Reported EBIT	**255.4**	92.1

NPAT

	2021 $M	2020 $M
Underlying NPAT	**148.4**	53.1
After-tax adjustments to underlying EBIT (set out above)	**(7.8)**	(25.8)
Finance costs – debt facility reduction and close out of interest rate swaps	**(6.6)**	–
ATO case – tax	**(46.6)**	46.6
ATO case – interest	**(16.5)**	16.5
Tax differential for non-deductible items (underlying tax calculated at 30%)	**(4.6)**	(7.0)
Total adjustments	**(82.1)**	30.3
Discontinued operations	**(22.6)**	(153.9)
Reported NPAT	**43.7**	(70.5)

ATO CASE

Healius recognised an income tax benefit and a tax receivable of $46.6 million and associated interest receivable of $23.6 million (less $7.1 million tax) in its FY 2020 financial statements. This was based on a favourable decision received from the Federal Court of Australia in respect to its tax objections for the 2003 to 2007 years regarding lump sum payments made to healthcare practitioners during those years, as required by IFRIC 23, *"Uncertainty over Income Tax Treatments"*.

However, on appeal the Full Federal Court overturned the earlier decision and decided in favour of the Commissioner. Healius' subsequent application for special leave to appeal was dismissed by the High Court in March 2021. Healius has therefore reversed the income tax benefit of $46.6 million and associated interest of $23.6 million (less $7.1 million tax) in its FY 2021 accounts. This has resulted in a $126.2 million negative non-cash movement between FY 2020 and FY 2021 reported NPAT.

DISCONTINUED OPERATIONS

The Group's reported results account for HPC and Adora as discontinued operations. The associated loss of $22.6 million is set out below with further details in Note E2 to the accounts:

	2021 $M	2020 $M
HPC	(24.0)	(142.5)
Adora	1.4	(11.4)
Loss from discontinued operations	**(22.6)**	(153.9)

The loss on HPC sale of approximately $13 million since the completion of the sale in 1H 2021 primarily relates to an indemnification to the purchaser in connection with backpay for certain employees. It follows the Fair Work Commission's amendment to the appropriate method of calculating casual loading on overtime to align the Health Professionals and Support Services Award to the Nurses Award. Once an appeal against the amendment was lost in January 2021, Healius accrued for the expense.

Adoption of AASB 16

AASB 16 was adopted by Healius from 1 July 2019. The adoption of AASB 16 has no economic impact on Healius, nor on its banking covenants or cash flows. The underlying results of the business are now stated inclusive of the impact of AASB 16, with FY 2020 restated for comparative purposes.

The impact of AASB 16 for FY 2021 is set out below.

P&L	30 JUNE 2021 $M	30 JUNE 2021 $M	
Property & other expenses	217.9		Operating lease expense reversed
EBITDA		217.9	
Depreciation	(195.4)		Depreciation of right of use asset recognised
EBIT		22.5	
Finance costs	(34.0)		Interest paid on lease liability recognised
Profit before tax		(11.5)	
Tax @ 30%	3.4		
NPAT		(8.0)	

CASH FLOW	30 JUNE 2021 $M	30 JUNE 2021 $M	
Gross cash flows from operating activities	242.6		Operating lease payment reversed from gross operating cash flows
Net cash flows from operating activities		242.6	
Interest paid on lease liabilities	(39.5)		Interest payments recognised in financing
Payments of lease liabilities	(203.1)		Principal payments on lease liability recognised in financing cash flows
Net cash used in financing activities		(242.6)	

BALANCE SHEET	30 JUNE 2021 $M	30 JUNE 2021 $M	
Right of use assets	1,087.2		Leases recognised as an asset and depreciated
Total assets		1,087.2	
Current interest-bearing lease liabilities	(224.4)		Leases recognised as a liability representing future lease payments
Non-current interest-bearing lease liabilities	(953.2)		Leases recognised as a liability representing future lease payments
Total Liabilities		(1,177.6)	

Board of Directors

Robert Hubbard

BA (HONS), FCA.

NON-EXECUTIVE CHAIR

Mr Hubbard was appointed as a Non-executive Director in December 2014 and Chair of the Audit Committee in February 2015. He was appointed Chair of the Board on 24 July 2018, at which time he retired as Chair of the Audit Committee. He remains a member of the Audit Committee, joined the People & Governance Committee on 24 July 2018 and was a member of the Risk Management Committee up to that date.

Rob holds a Bachelor of Accounting (Honours) degree from 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

B FOREST SC(HONS), MAG SC, MBA, GAICD.

NON-EXECUTIVE DIRECTOR

Mr Davis was appointed as a Non-executive Director in August 2015. He was appointed as a member of the Risk Management Committee in March 2016, as Chair of the Audit Committee on 24 July 2018, and as Chair of the Risk Management Committee on 19 August 2019, at which time he ceased as Audit Committee Chair but remained a member of that committee.

Gordon holds a Bachelor of Forest Science (Honours) and a Master of Business Administration from the University of Melbourne and a Master of Agricultural Science from the University of Tasmania. He is a Graduate of the Australian Institute of Company Directors. Prior to becoming a Non-executive Director, Gordon was Managing Director of AWB Limited between 2006 and 2010. He has also served in a senior capacity on various industry associations.

Sally Evans

BHSC, FAICD, GAIST.

NON-EXECUTIVE DIRECTOR

Ms Evans was appointed as a Non-executive Director in August 2018, also being appointed as a member of the Nomination and Remuneration Committee and the Risk Management Committee. On 19 August 2019, she was appointed as Chair of the newly renamed People & Governance Committee. Sally has over 30 years' experience in private, government and social enterprise sectors and has worked in Australia, New Zealand, the United Kingdom and Hong Kong with responsibilities across the broader Asia Pacific region.

Sally has served as a Non-executive Director of Gateway Lifestyle Operations Limited. She is a Fellow of the Australian Institute of Company Directors, Graduate of the Australian Institute of Superannuation Trustees, and holds a Bachelor of Applied Science from the University of Otago.

Paul Jones

MB, BS, FAMA.

NON-EXECUTIVE DIRECTOR

Dr Jones was appointed as a Non-executive Director in November 2010. During FY 2021, he was a member of the Audit Committee (from 25 February 2021), the People & Governance Committee and the Risk Management Committee (the latter until 25 February 2021).

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.

Jenny Macdonald

BCOM, MEI, GAICD, CA ANZ.

NON-EXECUTIVE DIRECTOR

Ms Macdonald was appointed as a Non-executive Director and Chair of the Audit Committee effective 3 November 2020. Jenny has a strong background in financial and general management roles across a range of industry sectors including fast moving consumer goods, resources, travel and digital media. Jenny commenced her career with KPMG, working in the London and Melbourne offices in a number of practice areas, including audit, she spent more than ten years with that firm.

After gaining experience in the resources sector, Jenny held executive roles in the travel and tourism industries and digital media at Flight Centre and REA Group. From 2014–2016 Jenny was the Chief Financial Officer and then Interim Chief Executive Officer of Helloworld, an ASX-listed multi-channel travel company. Jenny holds a Bachelor of Commerce from Deakin University, a Master of Entrepreneurship and Innovation from Swinburne University, a Graduate Diploma from the Securities Institute of Australia and is a Graduate of the Australian Institute of Company Directors.

Kate McKenzie

BA, LLB, MAICD.

NON-EXECUTIVE DIRECTOR

Ms McKenzie was appointed as a Non-executive Director effective 25 February 2021. Kate was appointed as a member of the People & Governance Committee and as a member of the Risk Management Committee on the same date.

Kate is a highly experienced Chief Executive Officer and Non-executive Director with extensive experience in large change management. After starting her career in the public sector, Kate joined Telstra in 2004 as Group Managing Director Regulatory, Public Policy & Communications. In her 12 years at Telstra, Kate held a range of executive roles in strategy, marketing, products and wholesale. Prior to leaving Telstra, Kate was Chief Operating Officer, responsible for networks, IT, field services, property and NBN relations and delivery. In 2017 Kate was appointed Chief Executive Officer of Chorus, a New Zealand listed telecommunications company. Kate is passionate about innovation and technology, and co-founded muru-D, an incubator which has produced 44 graduating companies, with 41 still in operation; Gurrowa, a co-creation lab, and partnerships with universities, such as investment in Quantum Computing with the University of New South Wales.

Former Board members: Arlene Tansey, Non-executive Director, ceased 22 October 2020.

Executive Leadership Team

Left to right: Peter Wilson, Ben Korst, Malcolm Parmenter, John McKechnie, Janet Payne, Maxine Jaquet, Mark Neeham and Dean Lewsam.

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 & CHIEF OPERATING OFFICER

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

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

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

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 11 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.

Risk management

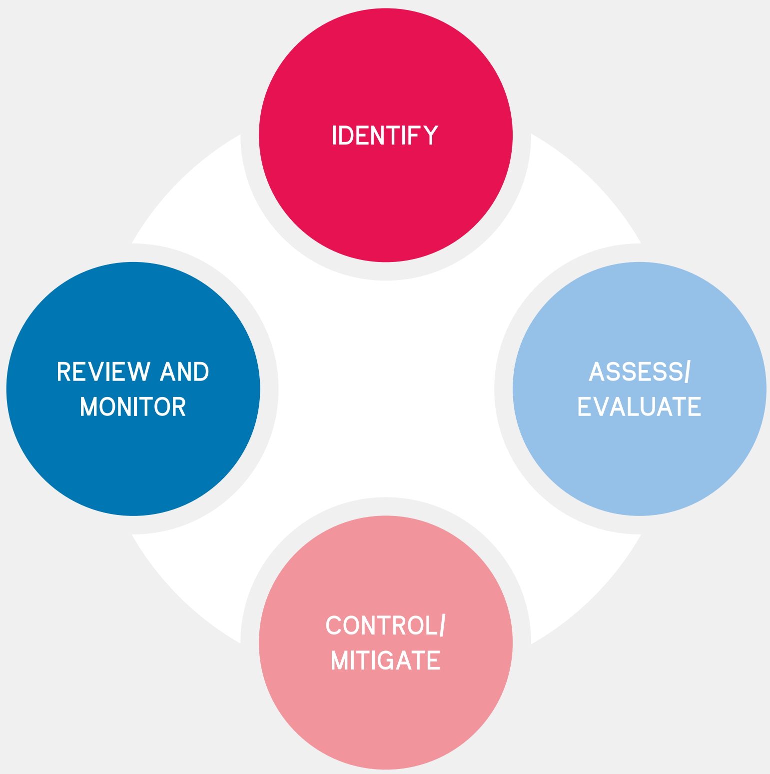
Healius has designed a Risk Management Framework consistent with current best practice.

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

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

Risk Management – Principles and Guidelines

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



CONTEXT	RISK PRIORITIES	AIMS AND ACTIONS
Pandemic risks including COVID-19	Pandemics such as COVID-19 pose a risk to Healius as community shutdowns may adversely impact demand for its traditional healthcare services. In addition, Healius may be unable to provide crucial services if people or facilities are impacted.	Healius continually monitors daily volumes across all businesses and structures resources accordingly. Adherence to best-practice guidelines for self-isolation, use of personal protective equipment, hygiene, and office closures help mitigate the risk of infections.
Government policy and economic impacts	Healius is committed to providing affordable healthcare. Bulk-billing its services to patients and receiving reimbursement through the Federal Government's Medicare Benefits Schedule (MBS) is a key feature of this commitment and a substantial proportion of the Group's revenue is derived from the MBS. Any changes to the MBS or any other government funding initiatives could impact profitability (both positively or negatively) through changes to fees or test availability within the MBS system. Healius also charges out-of-pockets on some services and there may be a general perception that some healthcare services are expensive. Consequently, consumers may delay or not use services due to affordability concerns, impacting volumes and revenue.	Healius aims to diversify into non-MBS revenue streams, maintain tight control over costs and continually reviews the range of service offerings available to patients. Healius monitors legislative and regulatory developments and engages proactively to manage this risk. It maintains an active role in industry associations to ensure its voice is heard by governments at all levels. Healius advertises that its services are bulk-billed where appropriate and educates the consumer on any out-of-pocket costs.
Healthcare customers and consumers	Healius is reliant upon referrers, healthcare professionals such as surgeons, and consumers choosing to use its services and facilities. Healius is also dependent on its ability to negotiate and retain private health fund, public and private hospital, and other commercial contracts.	Healius has people dedicated to maintaining relationships, increasing engagement and addressing any issues with its clients and customers. Healius has invested in facilities, systems, people and services in its aim to meet and exceed the needs of its customers.
People capabilities and employee relations	Sustainability for Healius is underpinned by its ability to attract and retain the right talent and capabilities. New technologies and changing consumer perceptions are driving the need for specialist skillsets including analytics, digital expertise and cybersecurity. There is significant competition to recruit such talent, which can increase labour costs and reduce profitability. A number of recent legislative amendments, Court decisions and Modern Award variations have increased the complexity of the employee-relations landscape.	Healius aims to be a workplace of choice, to live its WE CARE values, and to meet gender and other diversity, inclusion and equality goals. Healius is investing in the value proposition to its employees and implementing employee-related initiatives, such as the introduction of paid parental leave across the Group this year. It is also enhancing its people information tools to better manage its people. Healius has created a dedicated function to assist it in remaining compliant with its employee relations requirements and obligations.

Risk management

CONTEXT	RISK PRIORITIES	AIMS AND ACTIONS
Data management and cyber security	Healius maintains sensitive clinical and financial information and failure to appropriately use and secure data can have severe consequences. Healius' systems and databases are increasingly subject to security risks including cyberattacks.	Healius understands that protection of privacy of individuals whose personal information is collected is paramount. It has an ongoing program to strengthen defences against unauthorised access and to protect clinical and financial data within these systems.
Supply chain and modern slavery	Healius is reliant upon the importation of consumables, such as reagents, and equipment. Prices and availability may impact the efficient operating of its services. There is also a risk of modern slavery within these supply chains.	Healius aims to continually manage known supply chain risks. It has a dedicated procurement function and a range of suppliers which helps to reduce disruption. Healius' commitment to human rights and the eradication of all types of modern slavery is overseen by the Group Sustainability Committee. Its approach to modern slavery eradication is multi-faceted and includes supplier questionnaires, due diligence, risk assessments and specific terms included in supplier agreements.
Competition	Competition may come from new entrants into the market, existing competitors, or from disruptive technologies that may change the way services are delivered. A change in competition may impact Healius' profitability, the ability to attract and retain people, or secure attractive locations for its businesses.	Healius aims to maintain its competitive edge through a focus on and investment in data-led operations, consumer-centricity, product innovation, network optimisation and developing organisational competencies for the future.
Acquisitions	Healius is exploring opportunities to fund strategic investments in adjacencies to the current portfolio and to extract synergistic value from its strong balance sheet. There is a risk that the acquisitions may not generate the financial returns or performance hurdles required to meet Healius benchmarks.	Healius has a due diligence process to assess the merits of each proposed acquisition and the transition of the acquired business into the Group.

CONTEXT	RISK PRIORITIES	AIMS AND ACTIONS
Reputation and regulatory compliance	Healius recognises that its reputation can take time to build but can be easily eroded. Healius' reputation may be impacted by an event that creates adverse perception of the Group by the public, consumers and customers, investors, regulators, or rating agencies that directly or indirectly impacts earnings and value. Healius operates in sectors which are subject to extensive laws and significant levels of regulation relating to the development, licencing and accreditation of facilities and services.	Healius aims to maintain quality standards and a culture of accountability through its risk and governance systems, policies and procedures, with effective involvement of executive and clinical management to ensure it provides quality healthcare and minimises the risk of reputational damage. Healius aims to continually meet licencing and accreditation standards across all businesses.
Climate change	Healius recognises that climate change is a global issue. Climate change risks may be either 'physical' with financial implications resulting from potential damage to assets, 'indirect' through impacts from supply chain disruption, or 'transitional' through changes to regulations and consumer behaviour.	Healius aims to manage its operations in an environmentally sustainable manner, adapting to changes in consumer behaviour and reducing its carbon footprint. Healius has the stated aim to be carbon neutral by 2025. In the event of extreme weather conditions impacting operations, Healius has a network of facilities which can continue operations in alternative locations.

Directors' Report
for the year ended 30 June 2021

The Directors of Healius Limited (referred to as "Healius" or "the Company") submit their Report for the financial year ended 30 June 2021 (referred to as "the year" or "FY 2021"), 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 2021

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

NEW DIRECTORS DURING FY 2021

- Jenny Macdonald (from 2 November 2020)
- Kate McKenzie (from 25 February 2021)

DIRECTORS WHO CEASED DURING FY 2021

- Arlene Tansey (retired as Director 22 October 2020)

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

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 2021, she was Chair of the Audit Committee and a member of the Risk Management Committee.

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.

Group Company Secretary

QUALIFICATIONS AND EXPERIENCE OF COMPANY SECRETARIES DURING FY 2021

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

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

Alison Stephenson BA Grad Dip Corp Gov AGIA ACIS

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

Directors' meetings during FY 2021

The number of meetings of the Board and of each Board committee held during FY 2021 and the number of meetings attended by each Director are set out below:

FY 2021	BOARD OF DIRECTORS		AUDIT COMMITTEE		PEOPLE & GOVERNANCE COMMITTEE		RISK MANAGEMENT COMMITTEE	
	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED
Robert Hubbard	20	20	6	6	4	4	N/A	N/A
Gordon Davis	20	20	6	6	N/A	N/A	5	5
Sally Evans	20	20	N/A	N/A	4	4	5	5
Paul Jones	20	20	1	1	4	4	3	3
Malcolm Parmenter	20	20	N/A	N/A	N/A	N/A	N/A	N/A
Jenny Macdonald	12	12	4	4	N/A	N/A	2	2
Kate McKenzie	6	6	N/A	N/A	1	1	2	2
Arlene Tansey [1]	8	7	2	2	N/A	N/A	1	1

1 Arlene Tansey was granted leave of absence from one Board of Directors meeting.

Any leaves of absence indicated above 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 2021

AUDIT COMMITTEE	PEOPLE & GOVERNANCE COMMITTEE	RISK MANAGEMENT COMMITTEE
Chair	**Chair**	**Chair**
Arlene Tansey (until 22 October 2020)	Sally Evans	Gordon Davis
Jenny Macdonald (from 2 November 2020)		
Members	**Members**	**Members**
Gordon Davis	Sally Evans	Gordon Davis
Robert Hubbard	Robert Hubbard	Sally Evans
Paul Jones (from 25 February 2021)	Paul Jones	Paul Jones (until 25 February 2021)
Jenny Macdonald (from 2 November 2020)	Kate McKenzie (from 25 February 2021)	Jenny Macdonald (from 25 February 2021)
Arlene Tansey (until 22 October 2020)		Kate McKenzie (from 25 February 2021)
		Arlene Tansey (until 22 October 2020)

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	Ingenia Communities Holdings Limited	Director	01/12/2020	
	Oceania Healthcare Limited	Director	23/03/2018	
Robert Hubbard	Bendigo and Adelaide Bank Limited	Director	02/04/2013	
	Orocobre Limited	Director	30/11/2012	
Jenny Macdonald	Bapcor Limited	Director	01/09/2018	
	Redbubble Limited	Director	22/02/2018	
	Australian Pharmaceutical Industries Limited	Director	09/11/2017	
	Redflow Limited	Director	22/12/2017	30/09/2019
Kate McKenzie	AMP Limited	Director	18/11/2020	
	Stockland Corporation Limited	Director	02/12/2019	
	Allianz Australia Limited	Director	01/01/2012	30/06/2020
	Chorus Limited	Director	20/02/2017	20/11/2019
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

During the year, the Company elected to sell its Healius Primary Care business and this sale completed in November 2020. There was no other significant change in the state of affairs of the Group during the year.

Principal activities

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

Review and results of operations

A review of the operations of the Group during the year, and the results of those operations, appears on pages 16–29 of this Report.

Events after the end of the year

On 23 August 2021 the Group announced that it had entered into a binding agreement to sell the Adora IVF and Healius Day Surgeries Businesses, except for Brookvale Day Hospital, for a consideration of $45 million on a cash and debt-free basis. These businesses are classified as discontinued operations as at 30 June 2021. Completion of the transaction is expected to occur before the end of 2021 and remains subject to a number of customary conditions.

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

Future developments

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

Proceedings on behalf of the Company

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

Rounding of amounts

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

Dividends

During FY 2021, the FY 2020 interim dividend of 2.6 cents per share (100% franked) was paid to the holders of fully paid ordinary shares on 15 October 2020.

In respect of FY 2021 an interim dividend of 6.5 cents per share (100% franked), was paid to the holders of fully paid ordinary shares on 15 April 2021. The Board determined a final dividend of 6.75 cents per share (100% franked), to be paid to the holders of fully paid ordinary shares on 8 October 2021.

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 2021 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 2020–22	–	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 2021 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 2021 for a person who is or has been an officer or auditor of the Group.

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

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

To the extent permitted by law, Healius has agreed to indemnify its auditor, Ernst & Young (Australia) (EY), as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify EY during or since FY 2021.

Healius has not otherwise, during or since the end of FY 2021, indemnified or agreed to indemnify an officer or auditor of Healius or any related body corporate against a liability as such an officer or auditor.

Past employment with external auditor

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

Non-audit services

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

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

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is included in this Report. Details of amounts paid or payable to the auditor of the Group for audit and non-audit services provided during the year are given in Note E8 on page 118 of this Report.

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 2021 Healius completed a number of initiatives including a continuing review of COVID-19 safe-work practices and chemical handling in order to improve the safety environment.

Healius recognises its responsibilities to contractors. As part of the Group's 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 the online Contractor Induction Program.

Key health and safety performance indicators are as follows:

	TARGET	FY 2021	FY 2020
Completion of Health and Safety Plan activities by worksites	90% of planned activities completed	98%	94%
Mini audits – measuring compliance to Health & Safety Management System	75% Compliance Rate	97% of the 218 mini audits conducted met or exceeded target	94% of the 189 mini audits conducted met or exceeded target
Internal Health & Safety audits – measuring compliance to National Audit Tool Version 3	80% Compliance Rate	91% of the 35 internal audits conducted met or exceeded target	96% of the 33 internal audits conducted met or exceeded target
Number of WHS prosecutions	Zero	Zero	Zero
Lost Time Incidents per Million Hours Worked	Zero	5.8	5.0

The number of mini audits and Internal Audits conducted in FY 2021 were reduced due to COVID-19 restrictions on travel to workplaces.

For FY 2021, 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. Strategic projects are identified through the monitoring of incidents trends, employee feedback and WHS audit findings. In FY 2022 Healius is planning to continue its review of the WHS Management Systems, WHS policies and procedures and review WHS resource allocation.

Environmental regulation

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

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

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

Remuneration Report

Letter from the Chair of the People & Governance Committee

Dear Shareholder,

On behalf of your Board of Directors, I am pleased to present the audited Remuneration Report for the financial year ended 30 June 2021 (FY 2021) which sets out the remuneration framework for our senior executives and specific outcomes for our Key Management Personnel (KMP). It is prepared in accordance with section 300A of the Corporations Act.

Our framework aims to attract, retain and reward talented employees, while reinforcing Healius' Purpose and Mission, supporting our strategy, and aligning rewards to sustained shareholder value creation. We continually review both our framework and the disclosures in this Report to ensure they remain relevant to Healius' circumstances and respond to feedback from shareholders and other stakeholders.

Our framework takes a holistic view of KMP performance. Company values act as a gateway to the award of any short-term incentives (STIs) with the Board retaining discretion to reduce any award to zero for poor behaviours. Sustainability targets will be included in KMP performance measures from FY 2022 following an in-depth review of our sustainability goals and objectives.

There were no general increases in executive KMP Fixed Annual Remuneration (FAR) in FY 2021 with the CFO receiving an increase due to role expansion to include Chief Operating Officer (COO). We will be undertaking a review of KMP FAR in FY 2022 which will consider the Group's size and complexity, an individual's skills, expertise and responsibilities, and benchmarking including against the rTSR comparator group for the Transformation Long-Term Incentive Plan (TLTIP).

Incentives, under our variable remuneration plans, are not a guaranteed component of executive KMP remuneration at Healius. FY 2021 is the first year since FY 2014 that Long-Term Incentives (LTIs) have vested, and the first year since FY 2018 for which we have awarded STIs. Furthermore, this is the first year the Board has ever applied its discretion to the STI award having considered the outperformance of the STI stretch targets and associated improvement in shareholder returns. Pleasingly, this significant turnaround in FY 2021 included:

- over 50% increase in the share price over the prior year,
- completion of $101 million in share buybacks,
- material reduction in debt, and
- simplification of the portfolio through the divestment of Healius Primary Care.

The capital and portfolio management of the Group has been an outstanding success of the current executive team, in particular our CEO and CFO/COO. This has been coupled with:

- cost control and margin expansion through the Sustainable Improvement Program (SIP),
- reduction in technology debt,
- significantly improved free cash flow, and
- most important, the successful delivery of our part in Australia's public health response to COVID-19.

These substantial achievements were considered by the Board in determining incentive outcomes for FY 2021. Based on its assessment, the Board awarded FY 2021 STIs to the four executive KMP ranging from 35% to 167% of their stretch opportunities with the CEO awarded 167% of his stretch STI opportunity. Board discretion of this magnitude is unlikely to be exercised again in the near-term.

In relation to the application of rules to the FY 2019 LTI Plan, the Board considered a suite of principles relevant not only in reviewing existing incentive calculations but also in the application of the TLTIP and in the design of future plans. These principles include consistency, fairness for stakeholders, transparency in calculations, and ensuring individual achievements are not rewarded, in any material sense, more than once. 90% of the FY 2019 LTI grants to executive KMP vested in FY 2021 based on strong performance against relative total shareholder return (rTSR) and cumulative returns on invested capital (ROIC) hurdles.

FY 2021 LTIs for KMP are covered by the three-year mega-grant under the TLTIP which will be assessed from FY 2022 onwards and provides the Board with effective tools to incentivise management over an extended period.

In FY 2022, in addition to the review of executive KMP FAR, the Board intends to review the Non-Executive Director (NED) fees and to develop a new executive LTI plan to be considered by shareholders at the 2022 AGM.

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

Yours sincerely

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

1. Summary of decisions and outcomes in FY 2021

Current Executive KMP

- Malcolm Parmenter — Managing Director and Chief Executive Officer (CEO)
- Maxine Jaquet — Group Chief Financial Officer and Chief Operating Officer (CFO & COO)
- John McKechnie — Chief Executive Pathology
- Dean Lewsam — Chief Executive Imaging

Fixed Remuneration

- A review of FAR resulted in no general increases for executive KMP in FY 2021. However, Maxine Jaquet was awarded an increase in her FAR to $800,000 as a result of an expanded portfolio encompassing COO as well as CFO for the Group.
- In relation to the CEO's FAR in comparison to the median of the S&P/ASX 100-150 index in which Healius currently sits, the Board notes that:
  - Malcolm was recruited when Healius was in the S&P/ASX 100 index and required a major transformation to deliver long-term growth. His FAR was based on his extensive healthcare experience and capabilities, rather than index benchmarking.
  - Since Malcolm's appointment, the market capitalisation of the Company has grown from $1.7 billion to $2.9 billion at 30 June 2021. This equates to a 71% growth in market capitalisation, compared to a 35% increase in the S&P/ASX 200 which is a proxy for the market as a whole. This growth has been achieved through Malcolm's enterprise management together with fundamental improvements in the organisational structure, operations, people capabilities, IT platforms and consumer focus.
- A review of FAR will be undertaken in FY 2022 considering the group's size and complexity, an individual's skills, expertise and responsibilities, and benchmarking including against the comparator group used to assess relative Total Shareholder Return (rTSR) in the TLTIP.

STIP

- In determining the executive KMP STIP awards for FY 2021, the Board considered the instrumental role Healius has played in Australia's public health response to the pandemic, which extended the Company beyond business-as-usual capacities and capabilities, as well as its ability to keep core operations running safely and efficiently. It also considered the momentum maintained on the strategic initiatives in the year, including the completion of the Healius Primary Care sale and execution of the SIP. In combination these delivered significant strong financial outcomes, share price appreciation, and completion of $101 million in share buybacks.
- Based on its assessment, the Board awarded STIs to the four executive KMP ranging from 35% to 167% of the stretch STIP.
- For Malcolm Parmenter, the Board exercised its discretion to award above stretch STIP given he:
  - demonstrated exceptional leadership during an unprecedented period,
  - achieved exceptional outcomes in the carriage of the enterprise strategy at Healius,
  - consistently exceeded expectations on all KPIs, and
  - his financial KPIs were strongly above stretch.
- Malcolm's award under the STIP totalled $1,452,000. The award above stretch amounted to an additional $580,000, compared to the delivery of an additional $52.2 million of underlying EBIT above stretch.
- The STIP awards will be paid as 2/3 in cash and 1/3 equity in the form of Service Rights which will vest after a one-year deferral period.

LTIP

- For the measurement of Long-Term incentives, the Board's focus is on consistency of application, minimisation of adjustments, transparency of calculations, and ensuring individual achievements are not rewarded, in any material sense, more than once. Of note, no adjustment has or will be made for the impacts of AASB 16 for either the FY 2019 LTIP or the three-year FY 2020 TLTIP in order to minimise adjustments, notwithstanding a likely negative impact on the FY 2020 TLTIP.
- The FY 2019 LTIP was tested at 30 June 2021. Relative TSR performance was between target and stretch, and 80% of these Performance Rights vested. The average annual ROIC performance exceeded the stretch target and 100% of these Performance Rights vested. Overall 90% of the Performance Rights vested, with the vested shares to be provided to KMP in FY 2022.
- The FY 2021 LTIP is covered by the three-year mega-grant under the TLTIP which will be measured and, if achieved, vest in equal tranches in FY 2022–2024 inclusive. Based on the performance in FY 2021, the Company is currently on track to meet the criteria for the first tranche, however, the outcome is dependent on performance in FY 2022.

2. Overview of senior executive remuneration framework

2.1 OVERVIEW

Remuneration Principles

- Support Healius' Purpose, Mission and Values and the business strategy
- Attract, reward and retain high calibre senior executives
- Align the rewards of these executives to performance and sustained shareholder value
- Continually reviewed to ensure relevance

Fixed Remuneration (FAR)

- Externally benchmarked against market relativities
- Based on individual experience with awards above the mid-point only where an individual has extensive experience in the industry, the role, and due to the scope of responsibilities
- Reviewed against change in role scope, market relativities, and general wage movements
- Market relativities including comparator group for rTSR in TLTIP
- Consideration of retention preferences in a tightening recruitment market

STIP

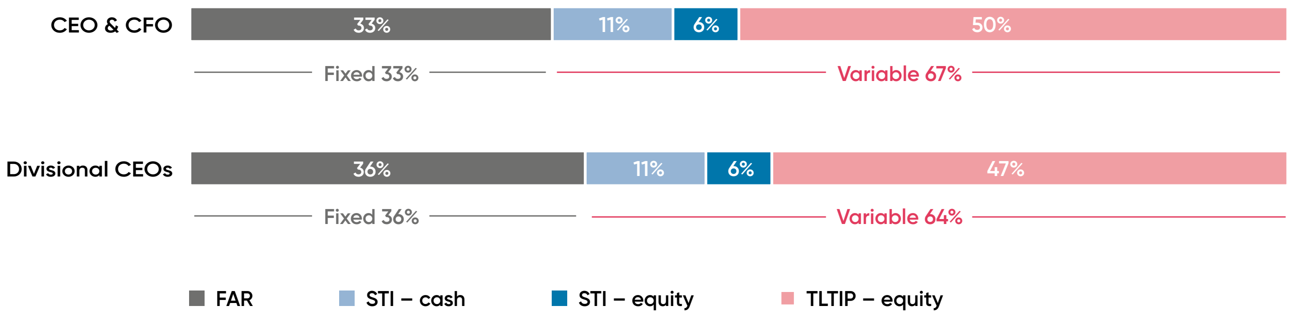
- 45% of FAR at stretch (52.8% for CEO and CFO/COO)
- To reward achievement over the course of a single financial year
- Measured against an individual's scorecard which includes financial (Group and/or division), operational and strategic Key Performance Indicators (KPIs) with leadership behaviours acting as a gateway to any award
- Comprises cash (two-thirds) and equity (one-third) in the form of Service Rights which are deferred for one year
- Creates senior executive equity ownership
- Scalability, included when appropriate in the financial metrics, incentivises senior executives to continue to outperform when a lower goal has already been achieved

LTIP

- 130% of FAR at stretch (152% for CEO and CFO)
- Fixed mega-grant based on FAR at commencement of TLTIP and not indexed to any increases in FAR over the duration of the TLTIP
- Aligned with shareholder interests
- To reward multi-year performance and strategic objectives and retain key talent
- Measured by rTSR and underlying Earning per Share (EPS) growth (also underlying EBIT growth for divisional senior executives)
- TLTIP comprises a one-off grant of Options which 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
- Creates senior executive equity ownership
- Scalability, included when appropriate in the financial metrics, incentivises senior executives to continue to outperform when a lower goal has already been achieved

Executive remuneration mix

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



2.2 NOTABLE COMPONENTS OF THE VARIABLE PLANS

Link to shareholder value

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

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

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

Use of underlying earnings in plan targets

In the TLTIP, underlying earnings are to be used in the measurement of EPS growth and divisional EBIT, rather than statutory earnings, to ensure management do not benefit from a lower starting point in FY 2019 and hence a higher delta over time.

Up to FY 2019, Healius was undergoing a period of significant transition and statutory earnings were consistently lower than underlying earnings as the latter excluded, for example, the costs of turning around the Healius Primary Care business before its sale. From FY 2020 onwards, Healius has focused on reducing the gap between statutory and underlying earnings.

In order to provide investors with confidence in underlying results, adjustments between underlying and statutory results are limited to the investment in the Pathology information systems from FY 2022 onwards for the purposes of the TLTIP.

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

No adjustment will be made for the impact of AASB 16 in the measurement period as this would become a further variance between statutory and underlying earnings. This decision has been made notwithstanding the expected negative impact on EPS and hence TLTIP performance during the period.

Balanced scorecards for STIP

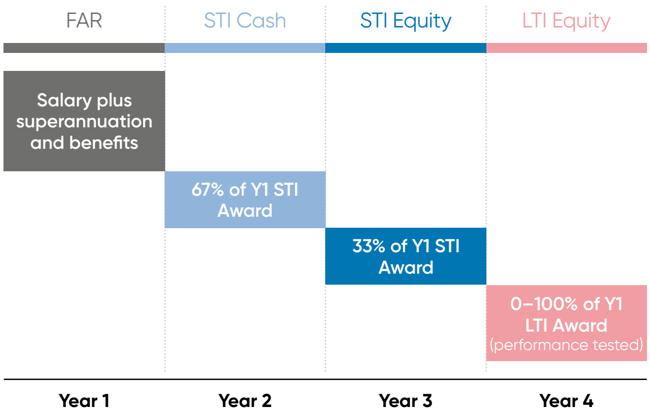
For the FY 2021 STIP, each KMP was assigned specific objectives around financial, operational and strategic outcomes, ensuring they were measured and rewarded for initiatives over which they have responsibility, which contribute directly to the Company's strategy and which deliver increased shareholder value.

Leadership behaviours were a gateway for the STIP award, including the Board's retained discretion (not exercised) to modify any award to zero in the case of poor leadership behaviours.

In FY 2022 the Board aims to expand the KPIs to include achievements towards key sustainability targets.

Multi-year vesting of equity

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



Clawback provisions

Payments or vesting related to STIP and LTIP 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.

Positive gate for rTSR

A positive TSR gate applies to the vesting of LTIP 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.

Comparator group for rTSR

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

In order to keep the comparator group up-to-date, Australian Clinical Labs Limited (ACL), which is a direct peer of Healius, will be included in the comparator group following its listing on the ASX on 14 May 2021.

3. 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 | Kate McKenzie

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

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

Officers or employees | External Consultants 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.

4. Executive Key Management Personnel in FY 2021

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 2021 (Non-executive Directors are identified in section 8).

NAME	ROLE	DATES
Malcolm Parmenter	Managing Director & Chief Executive Officer (CEO)	September 2017
Maxine Jaquet	Chief Financial Officer & Chief Operating Officer (CFO & COO) Chief Financial Officer (CFO)	January 2021 August 2019
John McKechnie	Chief Executive Pathology	August 2019
Dean Lewsam	Chief Executive Imaging	October 2015

5. Executive KMP – Framework and outcomes in FY 2021

5.1 FY 2021 FIXED ANNUAL REMUNERATION

The review of fixed annual remuneration (FAR) resulted in no across-the-board increases in executive KMP base pay for FY 2021. Maxine Jaquet was awarded an increase in her FAR during FY 2021 to $800,000 due to her expanded portfolio encompassing Chief Operations Officer as well as Chief Financial Officer for the Group.

The Board has noted stakeholder comments in connection with the FAR of Malcolm Parmenter and the level of his remuneration when compared to the median of the index in which Healius currently sits (S&P/ASX 100-150). The Board noted that Malcolm was recruited at a time when Healius was in the ASX 100 index and required a major transformation to deliver long-term growth. His FAR was based on his extensive healthcare experience and capabilities, rather than on index benchmarking. Since that time, Malcolm has overseen a period of significant improvement in the performance and sustainability of the Group. This has been achieved through Malcolm's carriage of enterprise management together with fundamental improvements in the organisational structure, operations, people, IT platforms, and consumer focus. The market capitalisation of the Company has grown from $1.7 billion on his appointment to $2.9 billion at 30 June 2021, a 71% growth compared to a 35% increase in the S&P/ASX200 which is a proxy for the market as a whole, with Healius' drop into the ASX 100–150 index driven by the boom in resource and technology stocks rather than any inherent company underperformance.

A comprehensive review of FAR will be undertaken in FY 2022 as part of an ongoing evaluation of our remuneration policies and outcomes. This review will consider the Group's size and complexity, the individual's skills, expertise and responsibilities, and benchmarking including against the same comparator group as for rTSR under the TLTIP.

When making comparison to the FY 2020 FAR, it should be noted that the executive KMP accepted a pay reduction for part of FY 2020 equivalent to an annualised 20% reduction (30% for the CEO) through cuts to their base pay and agreed annual leave adjustments as a result of the early stages of the COVID-19 pandemic.

5.2 EXECUTIVE KMP – FY 2021 SHORT-TERM INCENTIVE PLAN

Structure

Key outline of the FY 2021 STIP is as follows, with further details set out in section 9 below:

- The purpose of the STIP is to reward achievement over the course of a single financial year, measured against an individual's scorecard which includes relevant and tailored financial, operational and strategic KPIs.
- The Board selects KPIs that it considers will incentivise the individual to drive maximum value for shareholders. Financial KPIs include Group EBIT, EBIT margin and Operating Cash Flow. Operational KPIs include delivery of targets under the SIP and measures specific to the individual's role. Strategic KPIs include development of the Group's portfolio and risk management.
- The STIP ensures executive KMP are measured and rewarded for initiatives over which they have responsibility, which contribute directly to the Company's strategy and which deliver increased shareholder value.
- Leadership behaviours acted as a gateway for the STIP award, including the Board's retained discretion to modify any award to zero in the case of poor leadership.
- The STIP currently equates to 45% of FAR at stretch (52.8% for CEO and CFO/COO) and the stretch opportunity equates to 120% of target.
- Under the plans, the Board retains discretion to increase awards above stretch in exceptional circumstances.
- Two-thirds of the STIP is paid in cash and one-third in the form of Service Rights which are deferred for one year.

Rationale

In assessing the FY 2021 STIP awards, the Board acknowledged the uncertainty around the level of pathology COVID-19 testing in June 2020 when the financial, operational and strategic KPIs were set. It was also aware of the potential misinterpretation of the positive financial returns in the year being purely a windfall gain from COVID-19 testing. Hence the Board undertook a comprehensive analysis rather than accepting the positive financial returns achieved in the year and rewarding accordingly.

First, the overriding aim of your Company throughout the COVID-19 pandemic went far beyond budgeted metrics to ensuring Healius played an instrumental role in Australia's public health response, which extended the team well beyond its normal capacities and capabilities. Particular importance was also placed on protecting the safety, health and wellbeing of the Group's people. The Board's view is that Healius has delivered on this.

Secondly, while initiatives towards business goals could have been deferred given the abovementioned COVID-19 imperative, these initiatives were, in fact, delivered. FY 2021 was a pivotal year in shareholder returns.

Measurable achievements over and above the COVID-19 imperative included:

- Portfolio rationalisation with the finalisation of the Healius Primary Care sale and bringing Adora Fertility to market, with the sale announced in August 2021,
- Growth of the Day Hospitals business and development of new commercial revenue streams including direct-to-consumer COVID-19 testing,
- Focus on SIP and margin expansion, including rationalising the pathology property footprint,
- Management of capital, debt facilities and cash flow, including completion of a $101 million share buyback,
- Targeted program of capital investment including the successful redevelopment of the main pathology laboratory in Western Australia,
- Development of future growth plans, including systematic review of potential growth areas and specific inorganic options,
- Regular communication with all stakeholders, including employees, investors and government,
- Strengthening the organisational health of the Group, including recruitment to fill capability gaps such as in the digital space, and
- Encouraging resilience, supporting the frontline and maintaining unity in the face of the COVID-19 pandemic.

Malcolm Parmenter outcomes

Malcolm Parmenter's STI is assessed primarily against a scorecard which includes relevant and tailored financial, operational and strategic KPIs as set out below. In awarding his STI, the Board exercised its discretion to award an STI of 167% of stretch given the rationale set out above and, in particular, because Malcolm:

- demonstrated exceptional leadership during an unprecedented period,
- achieved exceptional outcomes in his carriage of the enterprise strategy at Healius including portfolio and capital management,
- consistently exceeded expectations on all KPIs, and
- financial KPIs were strongly above stretch.

CEO STIP outcomes are as follows:

	STRETCH OPPORTUNITY	ACTUAL	CASH	DEFERRED EQUITY	% OF STRETCH OPPORTUNITY
CEO	$871,200	$1,452,000	$968,000	$484,000	167%

While the Board undertook a comprehensive analysis rather than simply accepting the positive financial returns achieved in the year, the following table of comparative financial data shows that Malcolm was awarded $580,000 additional STI in return for delivering $52.2 million of additional underlying EBIT in FY 2021:

	TARGET OPPORTUNITY	STRETCH OPPORTUNITY	ACTUAL	$ ABOVE STRETCH OPPORTUNITY	% OF STRETCH OPPORTUNITY
Group EBIT	$178.6m	$214.3m	$266.5m	$52.2m	124%
CEO STIP award	$726,000	$871,200	$1,452,000	$580,000	167%

Other KMP outcomes

The following table provides the STIP outcomes for the other KMP in FY 2021. All three KMP were assessed against tailored KPIs within Financial, Operational and Strategic categories.

In line with the CEO, the Board exercised its discretion in awarding Maxine Jaquet, CFO and COO, 167% of stretch because Maxine:

- demonstrated exceptional skills in assisting Malcolm to lead the company during an unprecedented period,
- achieved exceptional outcomes in her co-carriage of the enterprise strategy at Healius including portfolio and capital management,
- consistently exceeded expectations on all KPIs, and
- financial KPIs were significantly above stretch.

	STRETCH OPPORTUNITY	ACTUAL	CASH	DEFERRED EQUITY	% OF STRETCH OPPORTUNITY
CFO/COO	$422,400	$704,000	$469,333	$234,667	167%
CEO Pathology	$326,250	$326,250	$217,500	$108,750	100%
CEO Imaging	$326,250	$115,819	$77,213	$38,606	35%

Malcolm Parmenter
Managing Director and Chief Executive Officer

VALUE DRIVERS	KPI NAME	TARGET ($M)	STRETCH ($M)	ACTUAL ($M)	STRETCH ACHIEVED	% OF STRETCH
Financial 50%						
Results	Group EBIT	178.6	214.3	266.5	Y	124%
	Gross operating cash flow	383.3	460.0	571.9	Y	124%
	EBIT margin	9%	11%	14%	Y	129%
Operational 25%						
Profit	Deliver SIP targets	70	84	$68m of SIP Phase 1 target launched FY 19 and due FY 21–22. Delivered ahead of schedule in 1H21. As a result, Phase II announced targeting 300 bps improvement by FY 23.	Y	Ahead of schedule
	Ensure Healius' continued good relationships with Government			Throughout COVID-19, played proactive and key role in discussions with Federal and State governments and involved in several major initiatives including use of BGI equipment.	n/a	
Strategic 25%						
Enterprise/ Portfolio	Develop portfolio and growth strategies			Completion of Healius Primary Care sale at an excellent price in a difficult environment. IVF brought to market. Imaging business purchased. Pipeline of potential day hospital opportunities developed. Potential M&As assessed with disciplined pricing. $101m buyback to shareholders. New dividend payout ratio.	Y	50%+ share price appreciation; 55% 1-year TSR
Risk reduction	Remove stranded costs after Healius Primary Care sale	15	18	$15m target by FY 22 completed ahead of schedule in FY21.	Y	Ahead of schedule
Risk reduction	Lead improvement of Organisational Health			On-going improvement including filling capability gaps such as digital, improving bench strength in strategy and M&A, succession planning.	n/a	
Leadership (Gateway)						
Alignment to We Care values	Behaviours & Leadership			Gateway met.	n/a	n/a
People (Gateway)						
People plan	People plan + KPIs recorded			Gateway met.	n/a	n/a

5.3 FY 2019 LONG-TERM INCENTIVE PLAN (COMPLETED)

Vesting conditions

The FY 2019 LTIP measurement period ended on 30 June 2021 and was tested at 1 July 2021 for the performance period FY 2019 to FY 2021 inclusive. Under the plan, the LTIP participants were granted Performance Rights that vest based on two equally weighted criteria, ROIC and rTSR.

Relative Total Shareholder Return (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. TSR is calculated by adding share price movement (using 10-trading-day Volume Weighted Average Price) plus dividends over the three-year measurement period, as a percentage of the starting share price. To obtain relative TSR, Healius' TSR is then ranked against companies in the comparator group.

The rTSR performance criteria for the FY 2019 LTIP were as follows:

PERFORMANCE BAND	rTSR VESTING CONDITIONS FOR FY 2019 LTI rTSR RANK FY19-21 (P VALUE)	% OF rTSR RIGHTS TO VEST
Below Target	<P50	Nil
Target	P50	50%
Between Target and Stretch	Straight line P50–P75	Straight line 50%–100%
At or above Stretch	≥P75	100%

Return on Invested Capital (ROIC) was selected by the Board to motivate Senior Executives to focus on projects which generate strong returns on capital invested and thereby to increase shareholder value. ROIC is calculated using underlying EBIT as a percentage of average invested capital (net debt plus equity), calculated annually then averaged over the three-year measurement period.

The ROIC performance criteria for the FY 2019 LTIP were as follows:

PERFORMANCE BAND	ROIC VESTING CONDITIONS FOR FY 2019 LTI MEASURE (AVERAGE ANNUAL ROIC CALCULATED AS UNDERLYING EBIT OVER INVESTED CAPITAL)	% OF ROIC RIGHTS TO VEST
Below Threshold	<7.1%	Nil
Threshold	7.1%	25%
Between Threshold and Target	Straight line 7.1%–7.3%	Straight line 25%–50%
Target	7.3%	50%
Between Target and Stretch	Straight line 7.3%–7.5%	Straight line 50%–100%
At or above Stretch	≥7.5%	100%

Key considerations

After falling short of the performance criteria for both rTSR and ROIC in FY 2019 and FY 2020 years, Healius experienced an exceptional year in FY 2021, stemming from the strong outcomes of its enterprise strategy and from delivering its part in the public health response to the COVID-19 pandemic, with significant growth in both performance criteria.

In deciding the quantum of the criteria which had been met, the Board considered a suite of principles relevant not only in reviewing existing incentive calculations but also in the application of all future LTI plans. These principles include consistency, fairness for stakeholders, transparency in calculations, and ensuring individual achievements are not rewarded, in any material sense, more than once. In testing the criteria in the calculation of ROIC, the Board took into consideration the validity of the comparison between the beginning and the end of the performance period, including:

- the treatment of the earnings and capital relating to the Healius Primary Care business which was sold part way through the measurement period; and
- the treatment of the change to the accounting standard AASB 16 which was introduced part way through the measurement period.

The Board decided to:

- Remove the earnings of Healius Primary Care from the continuing business underlying EBIT for FY 2020 and FY 2021 under the accounting standards. For consistency, the corresponding invested capital was also removed for the calculation of ROIC in these periods, notwithstanding the proceeds were not received until late in 1H 2021. This reflected the go-forward structure of the Group.
- Include the impact of AASB 16 on underlying EBIT in FY 2020 and FY 2021. While this delivered a benefit to management in the FY 2019 LTIP outcome, the Board decided not to adjust for the impact of AASB 16 to ensure consistency of treatment with future plans. Specifically, the Board will not adjust for the impact of AASB 16 in the measurement of the FY 2020 TLTIP notwithstanding a negative impact on after-tax earnings is expected in the period.

In testing the criteria in the calculation of rTSR, the Board took into consideration the following:

- The comparator group of 22 companies originally included GI Dynamics which voluntarily delisted during the performance period and was taken out of the rTSR calculation.
- Healius' current buyback initiatives and the buybacks of peer group companies have been assessed and there is no impact on the relative TSR rankings as a result of these programs. Consequently, they have not been adjusted for.

Outcomes

LTIP PERFORMANCE MEASURE	ACTUAL RESULT	% OF ROIC RIGHTS TO VEST
rTSR	P65 of comparator group	80%
ROIC	7.6 %	100%

These vesting outcomes are consistent with accretion of shareholder value over the three-year period as set out at 5.5 below.

Accounting Implications

The accounting cost to the Company of the vesting of the FY 2019 LTIP is based on the fair value per Right and totals $9.3 million over three years, including $6.7 million recognised in FY 2021. Under the Accounting Standards, the rTSR portion of the FY 2019 LTIP has been accrued over the three years of the measurement period while the ROIC portion of the FY 2019 LTIP was not accrued in prior years, when the achievement of the measures looked unlikely, and has been fully accrued in FY 2021. It should also be noted that the plan includes several individuals who were made redundant as part of the turnaround of the Company, specifically the substantial reduction in Group functions and the transformation of Healius Primary Care during FY 2019. Hence the cost is not solely reflective of current employees.

Following the Board's determinations above, Shares were allocated to executive KMP after the end of FY 2021, and so the vesting outcome of the 2019 LTIP does not appear in the statutory tables in section 7 of this Report but will appear in those tables in the Company's 2022 Remuneration Report.

The dollar value of the vested Rights appears in column 9 of the (non-statutory) table in section 6 of this Report.

5.4 FY 2020 TRANSFORMATION LONG-TERM INCENTIVE PLAN (IN PROGRESS)

Vesting conditions

KMP were not granted any LTIP Rights or Options in FY 2021 because a one-off mega-grant of Options was made under the TLTIP in FY 2020 representing three-years' worth of LTIs. A summary of the vesting conditions for the TLTIP is set out below with further details set out in section 9.

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

- 40% based on underlying EPS growth (66.7% for the CEO and CFO/COO);
- 20% based on rTSR (33.3% for the CEO and CFO/COO); and
- 40% based on the underlying EBIT growth of the relevant executive KMP's business division (not applicable to Group CEO and Group CFO/COO).

Underlying EPS growth was selected by the Board to ensure a measurable and close alignment to shareholder returns, as follows:

PERFORMANCE BAND	EPS VESTING CONDITIONS FOR TLTIP MEASURE CAGR CALCULATED ON UNDERLYING NPAT/SHARES ON ISSUE	% OF OPTIONS EXERCISABLE
Below Threshold	<4%	Nil
Threshold	4%	25%
Between Threshold and Target	Straight line 4%–7%	Straight line 25%–50%
Target	7%	50%
Between Target and Stretch	Straight line 7%–10%	Straight line 50%–100%
At or above Stretch	≥10%	100%

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 has a positive gate and is measured against a comparator group as set out in section 9. It is calculated as follows:

PERFORMANCE BAND	rTSR VESTING CONDITIONS FOR TLTIP rTSR RANK (P VALUE)	% OF rTSR RIGHTS TO VEST
Below Target	<P50	Nil
Target	P50	50%
Between Target and Stretch	Straight line P50–P75	Straight line 50%–100%
At or above Stretch	≥P75	100%

Divisional Underlying EBIT growth 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 they are commercially sensitive.

For the purposes of awards under the TLTIP, the Board's target-setting process ensures that divisional Chief Executives are rewarded only for consistently achieving EBIT growth within their division.

Key considerations

In deciding the outcomes of the FY 2020 TLTIP, the Board will consider a suite of principles relevant not only in reviewing existing incentive calculations but also in the application of all future LTI plans. These principles include consistency, fairness for stakeholders, transparency in calculations, and ensuring individual achievements are not rewarded, in any material sense, more than once.

Of note, underlying earnings are to be used in the measurement of EPS growth and EBIT growth in the FY 2020 TLTIP, 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. Up to FY 2019, Healius was undergoing a period of significant investment and statutory earnings were consistently lower than underlying earnings as the latter excluded, for example, the costs of turning around the Healius Primary Care business. From FY 2020 onwards, Healius has focused on reducing the gap between statutory and underlying earnings.

In order to provide investors with confidence in underlying results, adjustments between statutory and underlying earnings are limited to the investment in the Pathology information systems from FY 2022 onwards for the purposes of the TLTIP. The Pathology information systems implementation will form part of the STIP KPIs and hence project management, cost control and benefits realisation will be incorporated into remuneration considerations through this mechanism.

In keeping with this limitation, no adjustment between statutory and underlying earnings will be made for the impact of AASB 16 in the measurement period, although the AASB 16 impact was not contemplated when setting the targets. This decision has been made notwithstanding the expected negative impact on profits and hence TLTIP performance during the period.

Outcomes

Under the TLTIP, one third of the Options will be assessed after 30 June 2022, one third after 30 June 2023 and one third after 30 June 2024. Based on the performance in FY 2021, the Company is currently on track to meet the criteria for the first tranche. However, the eventual outcome is dependent upon performance in FY 2022 and will be detailed in the FY 2022 Remuneration Report.

5.5 COMPANY PERFORMANCE

The following provides a summary of the key financial results for the Company over the FY 2021 period and the previous four financial years in accordance with the requirements of the Corporations Act:

FY	UNDERLYING REVENUE (UNDERLYING)	REPORTED NPAT	UNDERLYING NPAT	CLOSING SHARE PRICE	CHANGE IN SHARE PRICE	TOTAL DIVIDENDS PAID IN YEAR	SHORT-TERM CHANGE IN SHAREHOLDER VALUE OVER 1 YEAR		LONGER-TERM CHANGE IN SHAREHOLDER VALUE CUMULATIVE OVER 3 YEARS	
	$M	$M	$M	$	$	$	$	%	$	%
30-Jun-21	1,913	66	148	4.63	1.58	0.091	1.67	54.79	1.48	43.86
30-Jun-20	1,600	-71	55	3.05	0.03	0.034	0.06	2.12	-0.35	-9.73
30-Jun-19	1,805	56	93	3.02	-0.35	0.093	-0.26	-7.63	-0.62	-15.59
30-Jun-18	1,705	4	88	3.37	-0.27	0.109	-0.16	-4.42	-1.28	-25.46
30-Jun-17	1,659	-517	92	3.64	-0.31	0.112	-0.20	-5.01	-0.42	-9.30

6. Executive KMP – Table of opportunity, awards and receipts in FY 2021

The following table provides shareholders with a picture of:

- Remuneration opportunities of executive KMP in FY 2021, at Stretch performance.
- The total remuneration of executive KMP **awarded** in respect of FY 2021 performance, some of which may be paid or vest during subsequent financial years.
- The total remuneration of executive KMP **received** during FY 2021, 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 2021.

This is a non-statutory table and does not include termination benefits. Please refer to section 7 for Healius' statutory FY 2021 remuneration tables for executive KMP.

	FIXED ANNUAL REMUNERATION		SHORT-TERM INCENTIVE (STI) (67% CASH; 33% DEFERRED EQUITY)		
	FAR (INCL. SUPER)	FAR PAID IN YEAR	STRETCH STI OPPORTUNITY	STI OUTCOME FOR YEAR (TO BE PAID IN FOLLOWING YEARS)	
	($) 1	($) 2	($) 3	STI AWARDED ($) 4	STI AWARDED/ FORFEITED (% OF STRETCH) 5
2021					
Current Executive KMP					
Malcolm Parmenter	1,650,000	1,650,000	871,200	1,452,000	167%/0%
Maxine Jaquet	800,000	775,000	422,400	704,000	167%/0%
John McKechnie	725,000	725,000	326,250	326,250	100%/0%
Dean Lewsam	725,000	725,000	326,250	115,819	35%/65%
	3,900,000	3,875,000	1,946,100	2,598,069	–
2020					
Current Executive KMP					
Malcolm Parmenter	1,650,000	1,549,432	871,200	–	0%/100%
Maxine Jaquet	725,000	683,482	382,800	–	0%/100%
John McKechnie	725,000	603,675	326,250	–	0%/100%
Dean Lewsam	725,000	700,309	326,250	–	0%/100%
Former Executive KMP					
Malcolm Ashcroft	895,000	145,223	N/A	N/A	N/A
Timothy Haggett	800,000	323,077	N/A	N/A	N/A
Wesley Lawrence	750,000	100,961	N/A	N/A	N/A
	6,270,000	4,106,159	1,906,500	–	–

Guide to using the table

Column 10 is the total remuneration paid or awarded for FY 2021 performance to the relevant KMP (with FY 2020 comparison), some of which may be paid in future periods. It is the sum of columns 2, 4 and 9. This includes the vesting of FY 2019 LTI which relates to the three-year measurement period FY 2019–FY 2021 inclusive.

Column 11 is the total remuneration received during FY 2021 by the relevant KMP (with FY 2020 comparison), some of which relates to past periods. It is the sum of columns 2, 6 and 7, plus column 9 from the prior year. Where part of these amounts involve the valuation of vested Rights, the dollar value is calculated based on the Company's closing Share price on 1 July 2021, being $4.55.

While the number of Options granted in FY 2020 under Healius' TLTIP is set out in section 7 of this Report, the value of vested and exercised Options (if any) relating to the FY 2020–FY 2022 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 2021 LTI.

SHORT-TERM INCENTIVE (STI) (75% CASH; 25% DEFERRED EQUITY)		LONG-TERM INCENTIVE (LTI) (100% DEFERRED EQUITY)		TOTAL REMUNERATION	
STI FROM PRIOR YEARS (PAID IN YEAR)		STRETCH LTI OPPORTUNITY (ONLY AWARDED AFTER 3 YEAR PERIOD IF HURDLES ARE MET)	LTI FROM PRIOR YEARS	TOTAL REMUNERATION AWARDED FOR YEAR'S PERFORMANCE	TOTAL REMUNERATION RECEIVED DURING YEAR
CASH STI PAYMENT FROM PRIOR YEAR ($) 6	STI EQUITY VESTED FROM PRIOR YEARS ($) 7	($) 8	($) 9	($) 10	($) 11
–	82,265	2,508,000	3,296,393	6,398,393	1,732,265
–	17,335	1,132,400	1,028,032	2,507,032	792,335
N/A	N/A	942,500	274,142	1,325,392	725,000
–	24,106	942,500	1,113,699	1,954,518	749,106
–	123,706	5,525,400	5,712,266	12,185,335	3,998,706
–	76,638	2,508,000	–	1,549,432	1,626,070
–	34,847	1,132,400	–	683,482	718,329
N/A	N/A	942,500	–	603,675	603,675
–	47,392	942,500	–	700,309	747,701
–	69,627	N/A	–	145,223	214,850
–	26,419	N/A	–	323,077	349,496
–	47,988	N/A	–	100,961	148,949
–	302,911	5,525,400	–	4,106,159	4,409,070

Notes:

Column 1	Fixed Annual Remuneration (FAR) and target amounts are shown on an annual basis. This means that the total for this column for FY 2020 does not reflect the fact that not all named individuals served for the whole of FY 2020.
Column 1	The FAR for Maxine Jaquet increased to $800,000 based on her dual role of CFO & COO from 1 January 2021.
Column 2	Shows the pro-rata amount actually paid in FY 2021.
Column 3	Stretch STI opportunity is 120% of Target STI opportunity.
Columns 4–7	Grant date for FY 2021 STI Awards was 23 July 2021. The two-thirds cash portion is to be paid in October 2021, with Service Rights for the one-third equity portion to be issued around the same time. Those Service Rights will vest after 1 July 2022.
Column 8	The Stretch LTI Amount represents the maximum TLTIP Award for one year.
Column 9	The value of vested LTI Performance Rights from prior years (in this case the FY 2019 LTI) is determined using the Company's closing share price on 1 July 2021, being $4.55.

All amounts disclosed for John McKechnie are from the date he became KMP ie. 19 August 2019.

7. Executive KMP – Statutory disclosures in FY 2021

7.1 EXECUTIVE KMP – STATUTORY DISCLOSURE FOR FY 2021

The following tables outline the remuneration received by Healius' executive KMP during FY 2021 prepared according to statutory disclosure requirements and applicable accounting standards.

	SHORT-TERM				POST	LONG-TERM	SHARE-BASED PAYMENTS			
	SALARY	CASH STI	NON-MONETARY[1]	ANNUAL LEAVE[2]	SUPER	LSL[2]	STI[3]	LTI[4]	TOTAL	TERMINATION
2021										
Current Executive KMP										
Malcolm Parmenter	1,628,306	968,048	941	18,793	21,694	36,082	241,976	2,503,598	5,419,438	–
Maxine Jaquet	753,306	469,357	941	48,063	21,694	25,630	117,322	963,852	2,400,165	–
John McKechnie	703,306	217,511	–	28,585	21,694	29,585	54,370	593,269	1,648,319	–
Dean Lewsam	703,306	77,213	941	3,446	21,694	11,616	19,303	897,042	1,734,560	–
	3,788,223	1,732,129	2,822	98,887	86,777	102,913	432,970	4,957,761	11,202,482	–
2020										
Current Executive KMP										
Malcolm Parmenter	1,603,613	–	2,269	(32,476)	21,003	20,500	23,706	1,594,130	3,232,745	–
Maxine Jaquet	676,017	–	2,269	3,872	21,003	14,583	4,996	687,945	1,410,683	–
John McKechnie	601,746	–	–	13,562	18,175	10,441	2,812	452,764	1,099,500	–
Dean Lewsam	692,844	–	2,269	(3,583)	21,003	27,387	6,947	593,135	1,340,000	–
Former Executive KMP										
Malcolm Ashcroft	141,184	–	2,536	2,931	4,039	(60,769)	13,803	270,833	374,557	1,001,910
Timothy Haggett	314,595	–	1,418	21,094	8,482	5,777	8,172	(149,827)	209,710	–
Wesley Lawrence	98,134	–	851	(86,280)	2,827	(213,019)	7,540	(173,727)	(363,673)	1,091,503
	4,128,132	–	11,611	(80,880)	96,531	(195,100)	67,975	3,275,253	7,303,522	2,093,413

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 2021 Plan and calculated in accordance with AASB 2 Share-based Payments.
4 Relates to Performance Rights granted in respect of the FY 2019 LTI Plan and Options granted in respect of the FY 2020-22 TLTIP and all calculated in accordance with AASB 2 Share-based Payments.

7.2 EXECUTIVE KMP – SERVICE AND PERFORMANCE RIGHTS AND OPTIONS AWARDED, VESTED AND LAPSED DURING FY 2021

FY 2021 equity awards to executive KMP can be made in the form of Service Rights or Options. Executive KMP also hold Performance Rights from the previous LTI Plan.

1. **Service Rights** are used for the equity portion of STIP awards and, once issued, are subject to the relevant Senior Executive remaining employed by Healius for a predetermined period; at the end of which the Service Rights vest and one ordinary share is allocated (that is, either sourced on-market or 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 LTIP 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** were used for LTIP awards to Senior Executives under the previous LTI Plan and once issued, are subject to various predetermined performance criteria being met by the Company over the measurement period. At the end of the measurement period, if the Board determines that the performance criteria have been met, the Performance Rights vest and one ordinary share is allocated for each vested Right. If the performance criteria have not been met, then the Rights lapse and no shares are allocated.

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.

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 2	1 July 2020	26,537	82,265	–
Maxine Jaquet	FY 2018 STI – Tranche 2	1 July 2020	5,592	17,335	–
John McKechnie	FY 2018 STI – Tranche 2	1 July 2020	3,613	11,200	
Dean Lewsam	FY 2018 STI – Tranche 2	1 July 2020	7,776	24,106	–
Former Executive KMP					
Malcolm Ashcroft	FY 2018 STI – Tranche 2	1 July 2020	15,451	47,898	–
Timothy Haggett	FY 2018 STI – Tranche 2	1 July 2020	9,148	28,359	–
Wesley Lawrence	FY 2018 STI – Tranche 2	1 July 2020	8,440	26,164	–

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 allocated for vested rights (the vesting date in the tables above) being $3.10 on 1 July 2020.

Performance Rights

NAME	GRANT	AWARD DATE[1]	VESTING DATE[2]	RIGHTS LAPSED DURING YEAR[3] (NO.)
Current Executive KMP				
Malcolm Parmenter	FY 2018 LTI – rROIC	10 October 2018	1 July 2020	237,590
	FY 2018 LTI – rTSR	10 October 2018	1 July 2020	237,590
Maxine Jaquet	FY 2018 LTI – rROIC	10 October 2018	1 July 2020	90,361
	FY 2018 LTI – rTSR	10 October 2018	1 July 2020	90,361
John McKechnie	FY 2018 LTI – rROIC	10 October 2018	1 July 2020	24,096
	FY 2018 LTI – rTSR	10 October 2018	1 July 2020	24,096
Dean Lewsam	FY 2018 LTI – rROIC	10 October 2018	1 July 2020	87,349
	FY 2018 LTI – rTSR	10 October 2018	1 July 2020	87,349
Former Executive KMP				
Malcolm Ashcroft	FY 2018 LTI – rROIC	10 October 2018	1 July 2020	181,029
	FY 2018 LTI – rTSR	10 October 2018	1 July 2020	181,029

1 Award date has been 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 allocated once the relevant Rights have vested.

7.3 EXECUTIVE KMP – EQUITY HOLDINGS IN FY 2021

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 ALLOCATED) (NO.)	SHARES PURCHASED/(SOLD) (NO.)	BALANCE AT END OF YEAR (NO.)
Current Executive KMP				
Malcolm Parmenter[1]	85,058	26,537	–	111,595
Maxine Jaquet	61,186	5,592	–	66,778
Dean Lewsam	33,700	7,776	(4,200)	37,276
John McKechnie	16,087	3,613	–	19,700

1 Shares issued on vesting of the second tranche of the FY 2018 STI Service Rights pursuant to shareholder approval under ASX Listing Rule 10.14.

Rights and Options

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

NAME	GRANT	"BALANCE AT BEGINNING OF YEAR (NO.)[1]	RIGHTS/ OPTIONS AWARDED AS COMPENSATION DURING YEAR (NO.)	"RIGHTS/ OPTIONS VESTED DURING YEAR (NO.)[1]	"RIGHTS/ OPTIONS LAPSED DURING YEAR (NO.)[2]	RIGHTS/ OPTIONS FORFEITED DURING YEAR (NO.)	BALANCE AT ENDS OF YEAR (NO.)
Current Executive KMP							
Malcolm Parmenter	Service Rights	26,537	–	(26,537)	–	–	–
	Performance Rights	1,280,160	–	–	(475,180)	–	804,980
	Options	11,081,391	–	–	–	–	11,081,391
Maxine Jaquet	Service Rights	5,592	–	(5,592)	–	–	–
	Performance Rights	431,768	–	–	(180,722)	–	251,046
	Options	5,003,416	–	–	–	–	5,003,416
John McKechnie	Service Rights	3,613	–	(3,613)	–	–	–
	Performance Rights	115,138	–	–	(48,192)	–	66,946
	Options	4,164,358	–	–	–	–	4,164,358
Dean Lewsam	Service Rights	7,776	–	(7,776)	–	–	–
	Performance Rights	446,664	–	–	(174,698)	–	271,966
	Options	4,164,358	–	–	–	–	4,164,358
Former Executive KMP							
Malcolm Ashcroft	Service Rights	15,451	–	(15,451)	–	–	–
	Performance Rights	798,698	–	–	(362,058)	–	436,640
Timothy Haggett	Service Rights	9,148	–	(9,148)	–	–	–
Wesley Lawrence	Service Rights	8,440	–	(8,440)	–	–	–

1 Vesting of the second tranche of the FY 2018 STI Service Rights.
2 Lapsing of FY 2018 LTI Performance Rights.

8. Non-executive Directors (NEDs)

8.1 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 has been implemented.

8.2 NON-EXECUTIVE DIRECTOR FEES

The following table sets out the fees applicable to NEDs for FY 2021. NEDs do not sit on any subsidiary Boards at Healius.

FUNCTION	ROLE	FEE (INCL SUPER) FY 2021/2020 ($)
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.

8.3 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.

8.4 NON-EXECUTIVE DIRECTOR REMUNERATION

The following table outlines the remuneration received by Healius' NEDs during FY 2021 prepared according to statutory disclosure requirements and applicable accounting standards.

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

NAME	YEAR	BOARD FEES $	COMMITTEE FEES $	SUPERANNUATION CONTRIBUTIONS $	TOTAL $
Current Non-Executive Directors					
Robert Hubbard	**2021**	**276,229**	**–**	**16,271**	**292,500**
Chair	2020	266,999	–	10,501	277,500
Gordon Davis	**2021**	**126,750**	**39,000**	**–**	**165,750**
	2020	115,036	35,696	11,090	161,822
Sally Evans	**2021**	**115,753**	**33,390**	**14,169**	**163,313**
	2020	112,789	31,060	13,666	157,515
Paul Jones	**2021**	**115,773**	**23,021**	**13,185**	**151,979**
	2020	112,785	21,984	12,803	147,572
Jenny Macdonald	**2021**	**79,148**	**25,875**	**9,977**	**115,000**
	2020	–	–	–	–
Kate McKenzie	**2021**	**40,566**	**7,798**	**4,595**	**52,958**
	2020	–	–	–	–
Former Non-Executive Directors					
Arlene Tansey (until 22 Oct 2020)	**2021**	**36,238**	**11,862**	**4,570**	**52,669**
	2020	115,046	37,320	11,196	163,563
Errol Katz (until 25 Nov 2019)	2020	48,909	6,189	5,234	60,333
Total	**2021**	**790,457**	**140,946**	**62,766**	**994,169**
	2020	771,563	132,249	64,490	968,303

8.5 NON-EXECUTIVE DIRECTOR EQUITY HOLDINGS IN FY 2021

NAME	INSTRUMENT	OPENING BALANCE NUMBER	PURCHASED/ISSUED NUMBER	VESTED NUMBER	CLOSING BALANCE NUMBER
Robert Hubbard [1]	Shares	76,951	7,172	–	84,123
	NED Share Rights [8]	–	21,518	7,172	14,346
Gordon Davis [2]	Shares	55,759	–	–	55,759
Sally Evans [3]	Shares	15,000	3,586	–	18,586
	NED Share Rights [8]	–	10,759	3,586	7,173
Paul Jones [4]	Shares	40,588	2,869	–	43,457
	NED Share Rights [8]	–	8,607	2,869	5,738
Jenny Macdonald [5]	Shares	–	15,000	–	15,000
Kate McKenzie [6]	Shares	–	2,500	–	2,500
Arlene Tansey [7]	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. 7,172 shares and all NED Share Rights held by Robert Hubbard.

2 All Shares held by GR & G Davis Superannuation Fund.

3 15,000 Shares held by RBC Investor Services Australia Nominees Pty Ltd <Evans A/C>. 3,586 Shares and all NED Share Rights held by Sally Evans.

4 40,588 Shares held by Pannly Pty Ltd ATF Jones Family Trust. 2,869 Shares and all NED Share Rights held by Paul Jones.

5 All Shares held by Jennifer Macdonald.

6 All Shares held by MCK Family Holdings Pty Ltd.

7 Closing Balance is the balance as at the date of cessation as a Director. 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>.

8 NED Share Rights issued in December 2020 under the NED Share Plan were taken up by the NEDs through salary sacrifice. 33% of the NED Share Rights vested into Restricted Shares issued in March 2021 following the Company's HY 2021 results announcement. (The remaining 67% vested into Restricted Shares issued in August 2021 following the Company's FY 2021 results announcement, which will be reflected in the Company's 2022 Remuneration Report.) All securities were issued pursuant to shareholder approval under ASX Listing Rule 10.14.

Other than Restricted Shares issued under the NED Share Plan through salary sacrifice, there were no shares granted to or forfeited by NEDs during FY 2021 in connection with their remuneration. No NEDs held Options over Healius shares in FY 2021. NEDs held NED Share Rights over Healius shares in FY 2021 as set out in the above table.

9. Remuneration policies in detail in FY 2021

9.1 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 Fixed Annual Remuneration (Healius is not required to pay or provide, or procure the payment or provision, of any payment or benefit to the Senior Executive which would require shareholder approval). The treatment of incentives under the STIP and TLTIP in the case of termination is addressed in separate sections of this Report.

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

KEY TERM	SUMMARY OF KEY TERM
Period	1 July 2020–30 June 2021 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 2021: Must meet behavioural measures designed to promote the Company's "WE CARE" values. FY 2022 invitations: Likely to include an additional sustainability gate (tbc).
Termination of employment	If a STIP participant ceases to be an employee of the Healius Group, and the termination of their employment is in circumstances other than Special Circumstances (defined below), then all unvested Rights held by the participant will be forfeited and lapse unless and to the extent otherwise determined by the Board. If an STIP participant's termination is in Special Circumstances, then Service Rights granted under the STIP in the financial year of termination 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 9.3 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.

9.3 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, 152% of FAR (at Stretch/maximum level performance), equivalent to 50% of Total Potential Remuneration. For other executive KMP, 130% of FAR (at Stretch/maximum level performance), equivalent to 47% of Total Potential Remuneration.
Form of awards	Under the TLTIP, awards to executive KMP are made in the form of Options. The number of Options to be issued is calculated using the fair market value of the Options as calculated by an independent external accountant using standard methodologies. The number of Options issued is sufficient to satisfy Stretch/maximum level performance.
Multiple year grant	For Senior Executives, the years FY 2020–FY 2022 inclusive were the subject of a multiple year grant, in which three years' worth of TLTIP Options were granted, split into three equal Tranches, in FY 2020. No additional grants were made in FY 2021. The measurement period for the Performance Conditions for each Tranche is as follows: • Tranche 1 (1/3 of the Options issued to the relevant participant): FY 2020–FY 2022 inclusive; • Tranche 2 (1/3 of the Options issued to the relevant participant) FY 2020–FY 2023 inclusive; and • Tranche 3 (1/3 of the Options issued to the relevant participant) FY 2020–FY 2024 inclusive.
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 the FY 2020–FY 2022 multiple year grant of Options, the Exercise Price was set by the Board at the standard volume weighted average price (VWAP) for the Company's Shares for the 10 trading days following 1 July 2019, the starting point for each measurement period, which was $3.05. The relevant TLTIP participant has the choice as to whether or not an Option is exercised on the Exercise Date. The Board may determine to allow a cashless exercise of Options. Exercise of Options is also conditional on the Performance Conditions being satisfied. The Exercise Date Schedule for FY 2020 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.

<table>
<tr><th>KEY TERM</th><th>SUMMARY OF KEY TERM</th></tr>
<tr><td>Expiry date of Options</td><td>The Options expire on the first to occur of:
(a) 3 March 2035;
(b) the Option lapsing in accordance with a provision of the Equity Incentive Plan Rules (including in accordance with a term of an offer under the 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.</td></tr>
<tr><td>rTSR comparator group</td><td>When implementing the TLTIP, the Board determined to update the comparator group of companies used to assess rTSR. The comparator group was extended from 21 to 36, removing previous companies which were not considered comparable, and including non-healthcare companies from the ASX 51–150 in order to better reflect comparable market capitalisation, growth profiles, consumer surrogates and investment substitutes. The comparator group is as follows (an asterisk denotes the relevant company was also part of the previous comparator group used under the Company's previous Long-Term Incentive Plan):
• 1300 Smiles Limited *
• 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 *
The Board also intends to add Australian Clinical Labs Limited to the comparator group, following the ASX listing of this direct peer of the Company in 2021.</td></tr>
<tr><td>Re-testing</td><td>There is no re-testing of Performance Conditions or deferral of the Exercise Date of Options.</td></tr>
<tr><td>Lapse and transferability</td><td>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.</td></tr>
</table>

KEY TERM	SUMMARY OF KEY TERM
Termination of employment	If a participant ceases to be an employee of the Group, and the termination of their employment is in circumstances other than Special Circumstances (defined below), then all unvested Options held by the participant will be forfeited and lapse unless and to the extent otherwise determined by the Board. If a participant's termination is in Special Circumstances, then Options on issue will be forfeited in the same proportion that the remainder of the measurement period after the date of termination bears to the full measurement period, 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 Group-initiated terminations other than for cause.
Bonus issues, rights issues and capital reorganisation	In cases of bonus Share issues by the Company, the number of Options held by a participant will be increased by the same number as the number of bonus Shares that would have been received by the participant had the Options been fully paid ordinary Shares in the Company (except in the case that the bonus Share issue is in lieu of a dividend payment, in which case no adjustment will apply). In the case of general rights issues to shareholders there will be no adjustment to Options. In the case of an issue of rights other than to the Company's shareholders, there will be no adjustment to Options. In the case of other capital reconstructions, the Board may make such adjustments to Options as it considers appropriate.
Change of Control including takeover	A **Change of Control** occurs when the Board advises participants that one or more persons acting in concert have acquired, or are likely to imminently acquire "control" of the Company as defined in section 50AA of the Corporations Act. In the event of a Change of Control of the Company, the Board has discretion to determine that vesting of all or some of the Options should be accelerated. If a Change of Control occurs before the Board has exercised its discretion, a pro rata portion of Options will vest, calculated based on the portion of the relevant performance period that has elapsed up to the Change of Control, and the Board retains a discretion to determine if the remaining Options will vest or lapse.
Amendment	The Board may amend or terminate the 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.

9.4 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 2021, no KMP remuneration recommendations (as defined in section 9B of the Corporations Act) 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.

9.5 TRANSACTIONS WITH KMP

KEY TERM	SUMMARY OF KEY TERM
Transactions with current KMP	• During the years ended 30 June 2021 and 30 June 2020 the 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 was conducted at one of Healius' former medical centres, on ordinary arm's length terms. The Service fees received by the Group for FY 2021 were $44,831 (FY 2020: $96,839). 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 2021 (2020: nil). The Healius Group has since disposed of the Healius Primary Care business and no longer conducts medical centre management services. • 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 2021.

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

14 September 2021

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 2021, Healius' governance arrangements were generally consistent with the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

In accordance with ASX Listing Rule 4.10.3, Healius' FY 2021 Corporate Governance Statement can be viewed at: https://www.healius.com.au/about-us/corporate-governance/.

Auditor's Independence Declaration

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Auditor's Independence Declaration to the Directors of Healius Limited

As lead auditor for the audit of the financial report of Healius Limited for the financial year ended 30 June 2021, 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

Ernst & Young

Douglas Bain
Partner
14 September 2021

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Independent auditor's report to the Members of Healius Limited

Report on the audit of the financial report

Opinion

We have audited the consolidated financial report of Healius Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 consolidated financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

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

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Why significant	How our audit addressed the key audit matter
As disclosed in Note B2 of the consolidated financial report and in accordance with the requirements of Australian Accounting Standards, the Group performed an annual impairment test of all cash generating units (CGUs) to which goodwill of $2,042 million was allocated to determine whether the recoverable value of each CGU exceeded its carrying amount at 30 June 2021. 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 significant judgment, based on conditions as at 30 June 2021, specifically concerning factors such as cash flow forecasts, 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, by 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 on the key assumptions including discount rates, terminal growth rates and EBIT forecasts for each of the Group's CGUs. ▶ 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 our valuation specialists in performing these procedures. ▶ Assessed the adequacy of the financial report disclosures contained in Note B2.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's 2021 annual report, but does not include the consolidated financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 43 to 68 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Healius Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

Douglas

Douglas Bain
Partner
Sydney
14 September 2021

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 (Cth), 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 (Cth) from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2021.

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

On behalf of the Directors

Robert Hubbard
Chair

14 September 2021

Financial statements

Consolidated statement of profit or loss

for the year ended 30 June 2021

	NOTE	2021 $M	RESTATED 2020[1] $M
Revenue	A2	**1,900.7**	1,557.0
Other income and gains		**13.5**	12.8
Employee benefits expense	A3	**(856.3)**	(800.2)
Property expenses	A3	**(59.6)**	(65.3)
Consumables		**(270.6)**	(198.5)
Repairs and maintenance		**(29.1)**	(27.0)
IT expenses		**(42.7)**	(37.6)
Insurance		**(7.6)**	(5.0)
Other expenses		**(145.6)**	(129.4)
Depreciation		**(38.1)**	(39.8)
Depreciation – right of use assets		**(195.4)**	(163.0)
Amortisation of intangibles		**(13.8)**	(11.9)
Earnings before interest and tax		**255.4**	92.1
Net finance costs	A3	**(87.6)**	(29.3)
Profit before tax		**167.8**	62.8
Income tax (expense)/benefit	A4	**(101.5)**	20.6
Profit for the year from continuing operations		**66.3**	83.4
Loss for the year from discontinued operations	E2	**(22.6)**	(153.9)
Profit/(loss) for the year		**43.7**	(70.5)
Attributable to:			
Equity holders of Healius Limited		**43.7**	(70.5)

	NOTE	2021 CENTS PER SHARE	2020 CENTS PER SHARE
Basic earnings per share from continuing operations	A5	**10.7**	13.4
Basic earnings/(loss) per share from continuing and discontinued operations	A5	**7.1**	(11.3)
Diluted earnings per share from continuing operations	A5	**10.6**	13.4
Diluted earnings/(loss) per share from continuing and discontinued operations	A5	**7.0**	(11.3)

1 The prior year comparatives have been restated to reflect the reclassification of Adora's results to discontinued operations.

Notes to the financial statements are included on pages 83 to 119.

Consolidated statement of other comprehensive income

for the year ended 30 June 2021

	2021 $M	2020 $M
Profit/(loss) for the year	**43.7**	(70.5)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Fair value loss on open cash flow hedges	**(1.8)**	(9.7)
Reclassification adjustments relating to realised cash flow hedges for amounts recognised in profit or loss	**7.8**	8.1
Reclassification adjustments relating to ineffective cash flow hedges	**11.3**	–
Exchange differences arising on translation of foreign operations	**(0.4)**	0.2
Income tax relating to items that may be reclassified subsequently to profit or loss	**(5.2)**	0.5
Other comprehensive income/(loss) for the year, net of income tax	**11.7**	(0.9)
Total comprehensive income/(loss) for the year	**55.4**	(71.4)

Notes to the financial statements are included on pages 83 to 119.

Consolidated statement of financial position
as at 30 June 2021

	NOTE	30 JUNE 2021 $M	30 JUNE 2020 $M
Current assets			
Cash	E1	**70.1**	137.5
Receivables	B1	**199.8**	191.4
Interest receivables	A4	**–**	23.6
Consumables		**35.9**	26.9
Tax receivable	A4	**–**	46.6
Assets held for sale	E2	**25.1**	915.6
Total current assets		**330.9**	1,341.6
Non-current assets			
Goodwill	B2	**2,042.3**	2,040.2
Right of use assets	B6	**1,087.2**	876.9
Property, plant and equipment	B3	**157.7**	166.7
Other intangible assets	B4	**76.3**	79.3
Other financial assets		**5.6**	9.2
Deferred tax asset	E3	**82.2**	74.4
Total non-current assets		**3,451.3**	3,246.7
Total assets		**3,782.2**	4,588.3
Current liabilities			
Payables	B7	**205.9**	219.2
Deferred consideration	B8	**38.9**	2.0
Tax liabilities	E3	**46.8**	23.2
Provisions	B9	**155.3**	119.6
Other financial liabilities	C5	**–**	9.5
Lease liabilities	B5	**224.4**	173.9
Liabilities held for sale	E2	**13.4**	447.9
Total current liabilities		**684.7**	995.3
Non-current liabilities			
Deferred consideration	B8	**–**	33.5
Provisions	B9	**22.5**	40.0
Other financial liabilities	C5	**6.4**	14.2
Interest bearing liabilities	C1	**258.1**	810.1
Lease liabilities	B5	**953.2**	763.9
Total non-current liabilities		**1,240.2**	1,661.7
Total liabilities		**1,924.9**	2,657.0
Net assets		**1,857.3**	1,931.3
Equity			
Issued capital	C2	**2,575.6**	2,672.3
Treasury shares	C3	**(3.6)**	–
Reserves		**16.9**	(3.4)
Accumulated losses		**(731.6)**	(737.6)
Total equity		**1,857.3**	1,931.3

Notes to the financial statements are included on pages 83 to 119.

Consolidated statement of changes in equity

for the year ended 30 June 2021

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

$M	ISSUED CAPITAL	TREASURY SHARES	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	–	–	–	–	–	(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 open cash flow hedges	–	–	(9.7)	–	–	–	(9.7)
Reclassification adjustments relating to realised 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	–	–	**(1.1)**	–	**0.2**	**(70.5)**	**(71.4)**
Shares issued via Short Term Incentive Plan	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**

Notes to the financial statements are included on pages 83 to 119.

Consolidated statement of cash flows

for the year ended 30 June 2021

	NOTE	2021 $M	2020 $M
Cash flows from operating activities			
Receipts from customers		**2,129.6**	1,899.9
Payments to suppliers and employees		**(1,557.7)**	(1,494.7)
Gross cash flows from operating activities		**571.9**	405.2
Net income tax (paid)/refund received		**(46.0)**	1.7
Net cash provided by operating activities	E1	**525.9**	406.9
Cash flows from investing activities			
Proceeds from sale of business – net of cash disposed		**459.3**	–
Payment for property, plant and equipment		**(48.4)**	(49.3)
Payment for Day Hospital practices and subsidiaries		**–**	(11.0)
Payment for Imaging healthcare professionals		**(0.7)**	(1.1)
Payment for Pathology healthcare practices and subsidiaries		**(1.5)**	(5.2)
Payment for other intangibles		**(12.9)**	(23.1)
Proceeds from the sale of property, plant and equipment and intangibles		**1.1**	0.1
Payment for Healius Primary Care (HPC) healthcare professionals – discontinued operations		**(5.3)**	(21.9)
Payment for Healius Primary Care (HPC) practices and subsidiaries – discontinued operations		**(4.7)**	(10.4)
Net cash from/(used in) investing activities		**386.9**	(121.9)
Cash flows from financing activities			
Finance costs on interest bearing liabilities		**(21.9)**	(27.5)
Interest paid on ineffective hedge close out		**(11.3)**	–
Interest paid on lease liabilities		**(39.5)**	(41.0)
Interest received		**0.6**	0.8
Payments for buyback of shares		**(97.5)**	–
(Repayments of)/proceeds from borrowings		**(555.7)**	15.0
Payment of lease liabilities		**(203.1)**	(186.4)
Dividends paid		**(56.3)**	(21.2)
Net cash used in financing activities		**(984.7)**	(260.3)
Net (decrease)/increase in cash held		**(71.9)**	24.7
Cash at the beginning of the year	E1	**144.5**	119.7
Effect of exchange rate movements on cash held in foreign currencies		**0.1**	0.1
Cash at the end of the year	E1	**72.7**	144.5

Note: In prior years interest paid and received were classified as part of cash flows from operating activities. Management believes it is more appropriate to classify those items as part of cash flows from financing activities. This change in classification has been affected for both current and comparative periods.

Notes to the financial statements are included on pages 83 to 119.

Notes to the financial statements
for the year ended 30 June 2021

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 2021 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

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 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	90
Recognition and recoverability of other intangible assets	B4	93
Measurement of deferred consideration	B8	95
Provisions	B9	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.

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

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

Notes to the financial statements
for the year ended 30 June 2021

A. Group performance

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

A1. Segment information

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

OPERATING SEGMENT	ACTIVITY
Pathology	Provider of pathology services.
Imaging	Provider of imaging and scanning services from stand-alone imaging sites, hospitals and medical centres.
Day Hospitals	Operator of day hospitals.

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

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 exclude the impact of non-underlying items relating to:

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

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

UNDERLYING RESULTS

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

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.

A1. Segment information (continued)

RESTATED 2020	PATHOLOGY $M	IMAGING $M	DAY HOSPITALS[3] $M	OTHER $M	TOTAL CONTINUING OPERATIONS $M
Segment revenue	1,160.1	376.7	37.4	0.1	1,574.3
Intersegment sales					(1.9)
Total revenue					1,572.4
EBITDA[1]	274.2	70.2	9.7	(10.4)	343.7
Depreciation	(20.9)	(12.1)	(2.4)	(4.4)	(39.8)
Amortisation of intangibles	(6.3)	(2.5)	–	(3.1)	(11.9)
Depreciation – right of use assets	(122.6)	(33.7)	(3.6)	(3.1)	(163.0)
EBIT[2]	124.4	21.9	3.7	(21.0)	129.0

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 Day Hospital segment has been restated because Adora has been classified as a discontinued operations. Refer to Note E2.

Reconciliation of underlying segment revenue to reported revenue:

	SEGMENT RESULT	
	2021 $M	2020 $M
Segment revenue from continuing operations	**1,913.1**	1,572.4
Reclassification of grant income from revenue to other income	**(9.8)**	(12.4)
Transactions with discontinued operations	**(2.6)**	(3.0)
Reported revenue	**1,900.7**	1,557.0

Reconciliation of underlying segment result to reported profit before tax:

	SEGMENT RESULT	
	2021 $M	2020 $M
Segment result from continuing operations before tax	**266.5**	129.0
Strategic, initiatives and other non-recurring items	**(11.1)**	(36.9)
Reported EBIT	**255.4**	92.1
Net finance cost	**(87.6)**	(29.3)
Reported profit before tax	**167.8**	62.8

A2. Revenue

	2021 $M	2020 $M
Revenue from contracts with customers	**1,900.7**	1,557.0

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
- Hospital Provider Agreements.

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

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

(b) Hospital Provider Agreements

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

A3. Expenses

EMPLOYEE BENEFITS EXPENSE

	2021 $M	RESTATED 2020 $M
Employee benefits	**787.8**	739.8
Defined contribution superannuation	**54.8**	53.6
Share-based payments	**13.7**	6.8
	856.3	800.2

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

PROPERTY EXPENSES

	2021 $M	RESTATED 2020 $M
Short-term lease payments excluded in AASB 16	**26.9**	38.9
COVID-19 rent concessions	**–**	(6.0)
Other property expenses	**32.7**	32.4
	59.6	65.3

IMPAIRMENT AND OTHER RELATED ITEMS

	2021 $M	RESTATED 2020 $M
Other asset impairments, provisions and related items	**0.8**	2.8

A3. Expenses (continued)

NET FINANCE COSTS

	2021 $M	RESTATED 2020 $M
Interest cost/(benefit) from FY 2003–2007 tax case	**23.6**	(23.6)
Interest expense	**17.4**	20.9
Interest on lease liabilities	**34.0**	29.5
Unwinding of discounting on provisions	**1.1**	0.8
Ineffective cash flow hedge	**7.6**	–
Amortisation of borrowing costs	**3.9**	1.7
	87.6	29.3

For more information on the interest impact from FY 2003–2007 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 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

	2021 $M	2020 $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	**167.8**	62.8
Income tax calculated at 30% (2020: 30%)	**50.3**	18.8
Tax effect of amounts which are not deductible in calculating taxable income:		
Share related expense	**4.1**	2.0
Other items	**1.7**	5.2
	5.8	7.2
2003–2007 tax objection (see note below)	**46.6**	(46.6)
Over provision in prior years	**(1.2)**	–
Income tax expense/(benefit)	**101.5**	(20.6)
Comprising:		
Current tax	**69.0**	30.9
Deferred tax	**(12.9)**	(4.9)
Under/(over) provision in prior years	**45.4**	(46.6)
Income tax expense/(benefit)	**101.5**	(20.6)

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

NOTE: ATO OBJECTION DECISIONS – YEARS 2003–2007

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

The Tax Commissioner appealed the Federal Court of Australia's decision and on 9 October 2020 the Full Federal Court decided in favour of the Commissioner. On 6 November 2020 Healius applied for special leave to appeal the Full Court's decision however on 4 March 2021 the High Court of Australia dismissed the special leave application.

Healius has therefore reversed the income tax benefit and tax receivable of $46.6 million and associated interest receivable of $23.6 million (less $7.1 million tax) in its 30 June 2021 financial statements.

A5. Earnings per share

BASIC AND DILUTED EARNINGS PER SHARE

EARNINGS	2021 $M	2020 $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	**66.3**	83.4
Profit/(loss) attributable to equity holders of Healius Limited	**43.7**	(70.5)

WEIGHTED AVERAGE NUMBER OF SHARES	2021 000's	2020 000's
The weighted average number of shares used in the calculation of basic earnings per share	**618,819**	622,741
Effects of dilution from service rights	**7,715**	266
The weighted average number of shares used in the calculation of diluted earnings per share	**626,534**	623,007

EARNINGS PER SHARE	2021 CENTS	2020 CENTS
Basic earnings per share from continuing operations	**10.7**	13.4
Basic earnings/(loss) per share from continuing and discontinued operations	**7.1**	(11.3)
Diluted earnings per share from continuing operations	**10.6**	13.4
Diluted earnings/(loss) per share from continuing and discontinued operations	**7.0**	(11.3)

Any share options and performance rights on issue are contingently issuable shares and are included in the calculation of diluted earnings per share only where the performance conditions have been met as at 30 June 2021.

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

	2021 $M	2020 $M
Measured at amortised cost		
Current		
Trade receivables	**170.6**	155.2
Allowance for expected credit losses	**(23.1)**	(23.0)
	147.5	132.2
Prepayments	**15.7**	12.8
Accrued revenue	**33.9**	37.6
Other receivables	**2.7**	8.8
	199.8	191.4
Ageing of trade receivables		
Current	**84.2**	76.3
30–60 days	**26.7**	15.7
60–90 days	**11.8**	9.1
90 days +	**47.9**	54.1
	170.6	155.2
Movement in allowance for expected credit losses		
Balance at beginning of year	**23.0**	17.0
Provision for the year	**20.3**	13.2
Amounts written off during the year as uncollectable	**(19.6)**	(3.8)
Transfer to assets held for sale	**(0.6)**	(3.4)
	23.1	23.0

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

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

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

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

B2. Goodwill

	2021 $M	2020 $M
Carrying value		
Opening balance	**2,040.2**	2,482.5
Acquisition of businesses	**2.1**	9.7
Transferred to assets held for sale	**–**	(452.0)
Closing balance	**2,042.3**	2,040.2
Impairment tests		
Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:		
Pathology	**1,589.0**	1,586.9
Imaging	**356.6**	356.6
Day Hospitals	**96.7**	96.7
	2,042.3	2,040.2

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.

IMPAIRMENT OF GOODWILL AND OTHER NON-FINANCIAL ASSETS

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

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

- year one cash flows derived from the financial year 2022 Board-approved budget; and
- for financial years 2023–2026, growth rates have been determined with reference to historical company experience, industry data and a long term growth rate consistent with historic industry trend levels.

The Board-approved budget takes into account the Group's view with regards to the potential economic impacts of COVID-19 on the business. In determining the FY 2022 cash flow projections, management has considered the impact of COVID-19 on trading results in FY 2021, and potential impact in FY 2022.

B2. Goodwill (continued)

The key assumptions in the Group's discounted cash flow model as at 30 June 2021 are as follows:

ASSUMPTION	HOW DETERMINED
Forecast revenue	Cumulative average revenue growth rates for FY 2022–FY 2026 are as follows: • Pathology: 2.3% (30 June 2020: 4.6%) • Imaging: 6.2% (30 June 2020: 6.3%) • Day Hospitals: 7.7% (30 June 2020: 10.9%) Forecast revenue in the current year and prior year has been determined with reference to historical company experience and industry data.
Terminal value growth rates	The terminal value growth rates assumed are: • Pathology: 3.0% (30 June 2020: 3.0%) • Imaging: 3.0% (30 June 2020: 3.0%) • Day Hospitals: 3.0% (30 June 2020: 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 growth rates for the industry in which the business 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 for each CGU is: • Pathology: 7.8% (30 June 2020: 8.0%) • Imaging: 8.0% (30 June 2020: 8.0%) • Day Hospitals: 8.75% (30 June 2020: 9.3%)

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 Day Hospitals 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	(1.2%)	(3.2%)	2.4%
Imaging	(1.2%)	(2.0%)	1.6%
Day Hospitals	(1.3%)	(2.4%)	1.7%

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.

B3. Property, plant and equipment

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

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 assets held for sale	(20.7)	(108.8)	(11.9)	(141.1)
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

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.

B4. Other intangible assets

2021 $M	IT SOFTWARE	LICENCES	OTHER	INTANGIBLES UNDER CONSTRUCTION	TOTAL
Net book value					
Opening balance	63.1	9.8	0.1	6.3	79.3
Additions	4.0	–	–	8.2	12.2
Capitalisation of intangible assets under construction	11.1	–	–	(11.1)	–
Disposals	(0.3)	–	(0.1)	(0.6)	(1.0)
Amortisation expense	(13.3)	(0.8)	–	–	(14.1)
Transferred to assets held for sale	(0.1)	–	–	–	(0.1)
Closing balance	64.5	9.0	–	2.8	76.3
Cost	146.9	40.3	–	2.8	190.0
Accumulated amortisation and impairment	(82.4)	(31.3)	–	–	(113.7)
Closing balance	64.5	9.0	–	2.8	76.3

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 assets 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

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.

B5. Lease liabilities

	2021 $M	2020 $M
Opening balance	**937.8**	1,344.9
New leases and remeasurement of leases during the year	**439.8**	149.8
Interest	**34.4**	40.4
Payments	**(225.5)**	(210.3)
Transfer to assets held for sale	**(8.9)**	(387.0)
Closing balance	**1,177.6**	937.8
Presented as:		
Current lease liabilities	**224.4**	173.9
Non-current lease liabilities	**953.2**	763.9
Total lease liabilities	**1,177.6**	937.8

B6. Right of use assets

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

2020	PROPERTY $M	EQUIPMENT $M	TOTAL $M
Opening balance	1,152.8	79.3	1,232.1
New leases and remeasurement of leases during the year	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 ESTIMATES AND JUDGEMENTS – LEASES

(a) The Group as lessee

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

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

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

Lease payments are discounted using the rate implicit in the lease. If this rate cannot be readily determined (which is the case for all property leases) the Group uses its incremental borrowing rate of 3.11% (30 June 2020: 3.32%).

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.

B6. Right of use assets (continued)

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

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

(b) The Group as lessor

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

The sub-lease is a finance lease where it transfers substantially all the risks and rewards of ownership to the lessee. All other sub-leases are operating leases. The determination of whether a sub-lease is classified as a finance or operating lease is made by reference to the right of use asset arising from the head lease.

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

B7. Payables

	NOTE	2021 $M	2020 $M
Current			
Trade payables and accruals		**205.9**	203.0
Dividend payable	C4	**–**	16.2
Total payables		**205.9**	219.2

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

B8. Deferred consideration

	2021 $M	2020 $M
Current		
Montserrat Day Hospitals	**36.0**	–
Other deferred consideration	**2.9**	2.0
Total current deferred consideration	**38.9**	2.0
Non-current		
Montserrat Day Hospitals	**–**	31.9
Other deferred consideration	**–**	1.6
Total non-current deferred consideration	**–**	33.5

Montserrat Day Hospitals deferred consideration comprises $32.1 million payable under the terms of the earn-out clause in the Montserrat/Healius share sale agreement, plus $3.9 million being a settlement sum negotiated with the vendors with regards to other commercial matters.

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.

B9. Provisions

	2021 $M	2020 $M
Current		
Provision for employee benefits	**129.3**	103.0
Self-insurance provision	**6.4**	5.0
Onerous contract provision	**–**	2.9
Make good provision	**0.6**	1.0
Other provisions	**19.0**	7.7
Total current provisions	**155.3**	119.6
Non-current		
Provision for employee benefits	**12.0**	10.8
Self-insurance provision	**6.4**	6.7
Onerous contract provision	**–**	18.4
Make good provision	**4.1**	4.1
Total non-current provisions	**22.5**	40.0

2021	SELF-INSURANCE $M	ONEROUS CONTRACT $M	MAKE GOOD $M	OTHER $M	TOTAL $M
Opening balance	**11.7**	**21.3**	**5.1**	**7.7**	**45.8**
Arising during the year	**1.9**	**–**	**0.2**	**18.4**	**20.5**
Reclassification to right of use asset	**–**	**(21.3)**	**–**	**–**	**(21.3)**
Utilised	**(0.8)**	**–**	**(0.6)**	**(7.1)**	**(8.5)**
Closing balance	**12.8**	**–**	**4.7**	**19.0**	**36.5**

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)	–	(0.6)	(4.2)	(4.9)
Transfer to liabilities held for sale	–	(17.4)	(4.6)	–	(22.0)
Closing balance	11.7	21.3	5.1	7.7	45.8

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).

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.

B9. Provisions (continued)

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. Where an onerous contract relates to a right of use asset, it is offset against the carrying value of that asset.

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

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.

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

	2021 $M	2020 $M
Non-current		
Gross bank loans	**260.0**	815.0
Refinancing valuation adjustment	**0.5**	0.9
Unamortised borrowing costs	**(2.4)**	(5.8)
	258.1	810.1

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

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

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 December 2020, the Group reduced the first tranche of its Syndicated Facility Agreement by $295 million and made a further reduction of $200 million in June 2021 (see note C5).

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

C2. Issued capital

	2021 NO. OF SHARES 000's	2020 NO. OF SHARES 000's	2021 $M	2020 $M
Opening balance	**622,743**	622,323	**2,672.3**	2,671.1
Shares issued via Short Term Incentive Plan	**265**	420	**0.7**	1.2
Shares issued via Non-executive Director (NED) Share Plan	**14**	–	**–**	–
Own shares acquired during buy back	**(23,576)**	–	**(97.4)**	–
Closing balance	**599,446**	622,743	**2,575.6**	2,672.3

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 2021, the company has 36,394,239 (2020: 36,394,239) share options on issue, exercisable on a 1:1 basis for 36,394,239 (2020: 36,394,239) ordinary shares of Healius at an exercise price of $3.05. The share options will vest in three equal tranches 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 2021, the company has nil (2020: 265,634) service rights on issue, exercisable on a 1:1 basis for nil (2020: 265,634) ordinary shares of Healius at an exercise price of $nil.

As at 30 June 2021, the company has 9,731,935 (2020: 12,429,568) performance rights on issue, exercisable on a 1:1 basis for 9,731,935 (2020: 12,429,568) ordinary shares of Healius at an exercise price of $nil. The performance rights will vest between July 2021 and July 2023 subject to the satisfaction of applicable service and performance conditions and carry no rights to dividends and no voting rights.

RESTRICTED SHARES ON ISSUE

As at 30 June 2021, the company has 13,627 (2020: nil) restricted shares on issue, exercisable on a 1:1 basis for 13,627 (2020: nil) ordinary shares of Healius at an exercise price of $nil.

C3. Treasury shares

	2021 NO. OF SHARES 000's	2020 NO. OF SHARES 000's	2021 $M	2020 $M
Opening balance	**–**	–	**–**	–
Own shares acquired during buy back	**772**	–	**3.6**	–
Closing balance	**772**	–	**3.6**	–

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

C4. Dividends on equity instruments

	2021 CENTS PER SHARE	2020 CENTS PER SHARE	2021 $M	2020 $M
Recognised amounts				
Final dividend – previous financial year	**–**	3.4	**–**	21.4
Interim dividend – this financial year	**6.5**	2.6	**40.2**	16.2
	6.5	6.0	**40.2**	37.6
Unrecognised amounts				
Final dividend – this financial year	**6.75**	–	**40.4**	-

In respect of FY 2021:

- an FY 2020 interim dividend of $16.2 million, originally payable on 15 April 2020, was deferred and subsequently paid on 13 October 2020.
- no final dividend was paid with regards to the year ended 30 June 2020.
- an FY 2021 interim dividend of 6.5 cents per share (100% franked) was paid to the holders of fully paid ordinary shares on 15 April 2021.

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

FRANKING ACCOUNT	2021 $M	2020 $M
Closing balance as at 30 June	**125.6**	25.7

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

C5. Financial instruments

FINANCIAL RISK MANAGEMENT

Overview

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

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

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

Risk management framework

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

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

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to 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.

C5. Financial instruments (continued)

Credit risk

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

The Group's exposure to credit risk arises principally from cash and derivatives held with financial institutions and trade receivables due from external customers. The credit risk on cash and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-ratings agencies. The Group's maximum exposure to credit risk from trade receivables is equal to the carrying amount of the Group's trade receivables as at the reporting date of $170.6 million (30 June 2020: $155.2 million). The ageing of the Group's trade receivables and an analysis of the Group's provision for expected credit losses is provided in Note B1.

The Group's exposure to credit risk is also influenced by the bulk billing of services by medical practioners to whom the Group charges service fees for the use of imaging facilities. A large proportion of the Group's receivables are due from Medicare Australia (bulk-billed services) 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.

	2021 $M	2020 $M
Financing facilities		
Non-current		
Unsecured Syndicated Debt Facilities		
Amount used	**260.0**	815.0
Amount unused	**340.0**	280.0
Total financing facilities	**600.0**	1,095.0

The first tranche of the Syndicated Facility Agreement of $75.0 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 2021 will be met through the ordinary working capital cycle of the Group, including the collection of trade receivables (30 June 2021: 170.6 million) and the unused headroom in the Syndicated Debt Facility (30 June 2021: $340.0 million).

C5. Financial instruments (continued)

2021	CARRYING AMOUNT $M	CONTRACTUAL CASH FLOWS 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	260.0	275.6	4.2	271.4	–
Payables	206.1	206.1	206.1	–	–
Deferred consideration	38.9	38.9	38.9	–	–
Lease liabilities	1,177.6	1,317.8	256.3	686.0	375.5
	1,682.4	1,838.2	505.3	957.4	375.5
Derivative financial liabilities					
Interest rate swaps	6.4	6.4	–	6.4	–

2020	CARRYING AMOUNT $M	CONTRACTUAL CASH FLOWS 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	219.2	219.2	219.2	–	–
Deferred consideration	35.5	36.8	2.0	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	–

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

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

2020	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE $M	FIXED INTEREST RATE 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 loans	2.19	(815.0)	–	–	(815.0)
Lease liabilities	2.78	(69.6)	–	(14.1)	(83.7)
		(747.1)	–	(14.1)	(761.2)

C5. Financial instruments (continued)

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

2021	AVERAGE CONTRACTED FIXED INTEREST RATE %	NOTIONAL PRINCIPAL $M	FAIR VALUE $M
Interest rate swaps			
1 to 2 years	**2.37**	**200**	**(5.6)**
2 to 5 years	**2.73**	**30**	**(0.8)**
		230	**(6.4)**

The aggregate notional principal amount of the outstanding interest rate swap contracts as at 30 June 2021 was $230 million.

2020	AVERAGE CONTRACTED FIXED INTEREST RATE %	NOTIONAL PRINCIPAL $M	FAIR VALUE $M
Interest rate swaps			
Less than 1 year	2.04	200	(9.5)
1 to 2 years	–	–	–
2 to 5 years	2.21	400	(14.2)
		600	(23.7)

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		OTHER COMPREHENSIVE INCOME	
	50BP INCREASE $M	50BP DECREASE $M	50BP INCREASE $M	50BP DECREASE $M
Consolidated				
30 June 2021 – variable rate instruments	**(0.2)**	**0.2**	**1.3**	**(1.3)**
30 June 2020 – variable rate instruments	(0.9)	0.9	3.2	(3.2)

Cash flow hedges (Interest rate swap contracts)

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

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

ACCOUNTING POLICY

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

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

C5. Financial instruments (continued)

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) 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.

Carrying amount

2021 $M	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial liabilities				
Interest rate swaps	**–**	**6.4**	**–**	**6.4**
Deferred consideration	**–**	**–**	**38.9**	**38.9**

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

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 $260.0 million (2020: $815.0 million).

C5. Financial instruments (continued)

Other risks

Currency risk

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

Capital management

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

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

C6. Commitments for expenditure

	2021 $M	2020 $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	**6.1**	23.5
Later than 1 year but not later than 5 years	**1.7**	–
	7.8	23.5

	2021 $M	2020 $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

The comparative lease commitments relate to the leases that were to be entered into following the sale of Healius Primary Care (HPC). These commitments have been recognised as lease liabilities by the Group in the current year.

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 2021 %	2020 %
Healius Limited	Australia		
Adora Fertility Pty Ltd	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 Nominees Pty Ltd[1]	Australia	**100**	100
Healius Training Institute Pty Ltd	Australia	**100**	100
Idameneo (No. 124) Pty Ltd	Australia	**100**	100
Idameneo (No. 789) Ltd	Australia	**100**	100
ACN 063 535 884 Pty Ltd	Australia	**100**	100
ACN 063 535 955 Pty Ltd	Australia	**100**	100
ACN 138 935 403 Pty Ltd	Australia	**100**	100
Digital Diagnostic Imaging Pty Ltd	Australia	**100**	100
Healius Health Care Institute Pty Ltd	Australia	**100**	100
HLS Camden Pty Ltd	Australia	**100**	100
Primary (Camden) Property Trust	Australia	**100**	100
HLS Healthcare Holdings Pty Ltd	Australia	**100**	100
HLS Imaging Holdings Pty Ltd	Australia	**100**	100
ACN 088 631 949 Pty Ltd	Australia	**100**	100
Orana Service Unit Trust	Australia	**100**	100
Amokka Java Pty Limited	Australia	**100**	100
Brystow Pty Ltd	Australia	**100**	100
Healthcare Imaging Services (SA) Pty Ltd	Australia	**100**	100
Healthcare Imaging Services (Victoria) Pty Ltd	Australia	**100**	100
Healthcare Imaging Services (WA) Pty Ltd	Australia	**100**	100
Healthcare Imaging Services Pty Ltd	Australia	**100**	100
Campbelltown MRI Pty Ltd	Australia	**100**	100
Queensland Diagnostic Imaging Pty Ltd	Australia	**100**	100
Northcoast Nuclear Medicine (QLD) Pty Ltd	Australia	**100**	100
HLS Pathology Holdings Pty Ltd	Australia	**100**	100
AME Medical Services Pty Ltd	Australia	**100**	100
HLS Pathology Holdings Asia Pty Ltd	Australia	**100**	100
SDS Pathology (Singapore) Private Limited	Singapore	**100**	100
Healius Pathology Pty Ltd[2]	Australia	**100**	100
Moaven & Partners Pathology Pty Ltd	Australia	**100**	100

Notes to the financial statements
for the year ended 30 June 2021

D1. Subsidiaries (continued)

NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP 2021 %	2020 %
Pathways Unit Trust	Australia	**100**	100
Queensland Medical Services Pty Ltd	Australia	**100**	100
SDS Healthcare Solutions Inc.[3]	Philippines	**99.98**	99.98
Jandale Pty Ltd	Australia	**100**	100
Integrated Health Care Pty Ltd	Australia	**100**	100
John R Elder Pty Ltd	Australia	**100**	100
Queensland Specialist Services Pty Ltd	Australia	**100**	100
Specialist Diagnostic Services Pathology (India) Private Limited[4]	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	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

D1. Subsidiaries (continued)

NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP 2021 %	2020 %
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
North Lakes Day Hospital Pty Ltd	Australia	**100**	100
Oxford Medical Pty Ltd	Australia	**100**	100
The Oxford Unit Trust	Australia	**100**	100
Peel Private Development Pty Ltd [5,6]	Australia	**100**	100
Windermere House Pty Ltd	Australia	**100**	100
Montserrat DH Pty Ltd	Australia	**100**	100
Brookvale Day Hospital Pty Ltd	Australia	**100**	100
Craigie Day Hospital Pty Ltd	Australia	**100**	100
Crystal Eye Clinic (WA) Pty Ltd	Australia	**100**	100
Darlinghurst Day Hospital Pty Ltd	Australia	**100**	100
Greensborough Day Hospital Pty Ltd	Australia	**100**	100
PHC (No. 01) Pty Ltd	Australia	**100**	100
Transport Security Insurance (Pte) Limited	Singapore	**100**	100

1 Name changed from PHC Nominees Pty Ltd to Healius Nominees Pty Ltd on 9 March 2021.
2 Name changed from Specialist Diagnostic Services Pty Ltd to Healius Pathology Pty Ltd on 18 March 2021.
3 Entity has a 31 December year end.
4 Entity has a 31 March year end.
5 ACN 008 103 599 Pty Ltd changed ownership from Idameneo (No.789) Limited to MB Healthcare Pty Ltd on 7 June 2021.
6 Name changed from ACN 008 103 599 Pty Ltd to Peel Private Development Pty Ltd on 8 June 2021.

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

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

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.

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 2021 are as follows:

ACN 138 935 403 Pty Ltd
Adora Fertility Pty Ltd
Albany Day Hospital Pty Ltd
Brookvale Day Hospitals Pty Ltd
Craigie Day Hospital Pty Ltd
Crystal Eye Clinic (WA) Pty Ltd
Darlinghurst Day Hospital Pty Ltd
Digital Diagnostic Imaging Pty Ltd
Felpet Pty Ltd
Former AP Pty Ltd
Former SDS Pty Ltd
Greensborough Day Hospital Pty Ltd
Healius Limited (holding entity)
Healius Pathology Pty Ltd
Healius Training Institute 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
HLS Healthcare Holdings Pty Ltd
HLS Imaging Holdings Pty Ltd
HLS Pathology Holdings Pty Ltd
Idameneo (No. 124) Pty Ltd
Idameneo (No.789) Limited
Integrated Health Care Pty Ltd
MB Healthcare Pty Ltd
Moaven & Partners Pathology Pty Ltd
Montserrat DH Pty Ltd
Montserrat Healthcare Pty Ltd
Montserrat Medical Services Pty Ltd
North Lakes Day Hospital Pty Ltd
Oxford Medical Pty Ltd
Queensland Diagnostic Imaging Pty Ltd
Queensland Medical 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 2021 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.

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	2021 $M	2020 $M
Assets		
Current	–	23.6
Non-current	**2,208.2**	2,786.7
Total assets	**2,208.2**	2,810.3
Liabilities		
Current	**42.5**	26.2
Non-current	**258.1**	862.2
Total liabilities	**300.6**	888.4
Net assets	**1,907.6**	1,921.9
Equity		
Issued capital	**2,591.9**	2,692.2
Accumulated losses	**(701.9)**	(767.2)
Other reserves	**17.6**	(3.1)
Total equity	**1,907.6**	1,921.9

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

STATEMENT OF COMPREHENSIVE INCOME	2021 $M	2020 $M
Profit for the year	**103.6**	22.3
Other comprehensive income	**11.7**	(0.9)
Total comprehensive income	**115.3**	21.4

Parent company guarantees

Healius Limited had previously provided parent company guarantees (PCGs) in relation to certain property leases entered into by Healius Primary Care (HPC). As part of the sale of the HPC business the majority of these PCGs were extinguished. As at 30 June 2021 the value provided by Healius to certain landlords of Healius Primary Care in relation to property leases was $19.8 million. Refer to Note E4 for further details.

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	2021 $M	RESTATED 2020 $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		**70.1**	137.5
Cash classified as asset held for sale	E2	**2.6**	7.0
Cash as disclosed in the Group statement of cash flows		**72.7**	144.5

	NOTE	2021 $M	RESTATED 2020 $M
Reconciliation of profit/(loss) from ordinary activities after related income tax to net cash flows from operating activities			
Profit/(loss) for the year		**43.7**	(70.5)
Net finance costs		**99.2**	67.7
Depreciation of plant and equipment		**39.8**	54.8
Depreciation of right of use assets		**196.4**	188.6
Amortisation of HCP upfronts		**12.8**	35.8
Amortisation of intangibles		**14.1**	14.5
Share-based payment expense		**11.8**	9.6
Impairment of assets other than receivables		**–**	121.1
Deferred consideration		**3.0**	14.0
Loss on sale of Healius Primary Care	E2	**8.3**	–
Gain on derecognition of right of use assets		**(5.2)**	–
Loss on sale of property plant and equipment and intangibles		**1.0**	0.4
Net exchange differences		**0.2**	(0.2)
Other non-cash items		**–**	1.0
Increase/(decrease) in:			
Trade payables and accruals		**(56.8)**	60.9
Provisions		**34.4**	23.8
Deferred revenue		**(0.8)**	0.5
Income tax and deferred taxes		**86.8**	(36.1)
Decrease/(increase) in:			
Consumables		**(8.9)**	(4.6)
Receivables and prepayments		**46.1**	(74.4)
Net cash provided by operating activities		**525.9**	406.9

NON-CASH INVESTING AND FINANCING

During the financial year 265,634 (2020: 420,114) shares were issued pursuant to the Short-Term Incentive Plan. These transactions are not reflected in the cash flow statement.

FINANCING FACILITIES

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

E2. Discontinued operations

(a) Healius Primary Care (HPC)

On 26 February 2020, the Group announced the decision of its Board of Directors to sell HPC. At that time, the Group classified HPC as a disposal group held for sale, accounted for HPC as 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 HPC. The sale of HPC completed on 23 November 2020. The Group disposed of 100% of its shareholding of the entities within HPC on that date and control passed to the acquirer. The entities disposed of are:

- Bourke Street Clinic Ltd (ACN 123 076 906);
- Brindabella Medical Practice Services Pty Ltd (ACN 618 932 291);
- Cooper Street Clinic Pty Ltd (ACN 002 974 058);
- Health & Co Pty Ltd (ACN 614 349 585);
- Healthyu Corporation Pty Ltd (ACN 123 076 915);
- HLS Medical Centre Holdings Pty Ltd (ACN 088 128 787);
- Idameneo (No 123) Pty Ltd (ACN 002 968 185) in its personal capacity;
- Idameneo (No 123) Pty Ltd as a trustee of the Artlu Unit Trust (ABN 26 855 078 645);
- Idameneo (No 125) Pty Ltd (ACN 162 662 919);
- Logic Enterprise (WA) Pty Ltd (ACN 154 027 559);
- Medical Centre Services Pty Ltd (ACN 621 584 067);
- Occupational Health Holdings Pty Ltd (ACN 626 660 795);
- Pacific Medical Centres Pty Ltd (ACN 002 866 382);
- Park Family Practice Services Pty Ltd (ACN 617 747 725);
- Primary Health Care Pty Ltd (ACN 169 588 096); and
- Sidameneo (No. 456) Pty Ltd (ACN 089 995 817).

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

In May 2021 Healius announced its intention to divest Adora and issued an Information Memorandum to interested parties. Consequently, Adora has been accounted for as a discontinued operation at 30 June 2021. On 23 August 2021 the sale of this business was announced. Refer to Note E10 for further details.

The table below summarises the carrying value of Adora:

	2021 $M
Cash	2.6
Receivables	0.8
Consumables	0.1
Contract assets	1.8
Property, plant and equipment	9.5
Other intangible assets	0.1
Right of use assets	6.4
Deferred tax asset	3.8
Assets held for sale	**25.1**
Payables	3.6
Provisions	0.9
Lease liabilities	8.9
Liabilities directly associated with assets held for sale	**13.4**
Net assets directly associated with disposal group	**11.7**

E2. Discontinued operations (continued)

HPC represented the entirety of the previously reported Medical Centres operating segment, except for Adora which has been accounted for as a discontinued operation at 30 June 2021. The results of these businesses for the year are presented below:

	HPC	ADORA	2021 $M
Revenue and other gains	**104.6**	**30.2**	**134.8**
Expenses	**(103.7)**	**(26.7)**	**(130.4)**
Earnings before interest, tax and impairment	**0.9**	**3.5**	**4.4**
Net finance costs	**(11.3)**	**(0.3)**	**(11.6)**
(Loss)/profit before tax and impairment	**(10.4)**	**3.2**	**(7.2)**
Impairment loss recognised on the remeasurement to fair value less costs to sell	**–**	**(2.3)**	**(2.3)**
Loss on sale	**(8.3)**	**–**	**(8.3)**
(Loss)/profit before tax from discontinued operations	**(18.7)**	**0.9**	**(17.8)**
Income tax (expense)/benefit	**(5.3)**	**0.5**	**(4.8)**
(Loss)/profit from discontinued operations	**(24.0)**	**1.4**	**(22.6)**

	HPC	ADORA	2020 $M
Revenue and other gains	253.7	27.6	281.3
Expenses	(236.3)	(43.6)	(279.9)
Earnings before interest, tax and impairment	17.4	(16.0)	1.4
Net finance costs	(21.5)	(0.2)	(21.7)
Loss before tax and impairment	(4.1)	(16.2)	(20.3)
Impairment loss recognised on the remeasurement to fair value less costs to sell	(151.0)	–	(151.0)
Loss before tax from discontinued operations	(155.1)	(16.2)	(171.3)
Income tax benefit	12.6	4.8	17.4
Loss from discontinued operations	(142.5)	(11.4)	(153.9)

The net cash flows of discontinued operations are:

	2021 $M	2020 $M
Operating	**28.8**	113.7
Investing	**(16.5)**	(45.0)
Financing	**5.3**	(70.7)
Net cash inflow/(outflow)	**17.6**	(2.0)

The loss per share attributable to discontinued operations is as follows:

	2021 $M	2020 $M
Basic loss per share from discontinued operations	**(3.7)**	(24.7)
Diluted loss per share from discontinued operations	**(3.6)**	(24.7)

Recognition of impairment loss

The impairment loss recognised for HPC in FY 2020 was determined based on the sale price under the binding sale agreement plus estimated costs of sale.

The impairment loss recognised for Adora in FY 2021 relates to specific assets whose fair value is deemed lower than carrying amount.

E3. Tax balances

CURRENT TAX BALANCES

	2021 $M	2020 $M
Income tax (payable)/receivable is attributable to:		
Tax payable excluding 2003–2007 tax objection	**(45.2)**	(21.8)
2003–2007 tax objection receivable	**–**	46.6
Total tax (payable)/receivable for the tax consolidated group	**(45.2)**	24.8
Other	**(1.6)**	(1.6)
	(46.8)	23.2

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

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

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 assets	–	(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 liabilities	–	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

1 Other financial liabilities are credited to equity.

E3. Tax balances (continued)

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

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

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

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

TAX CONSOLIDATION

Healius Limited and its wholly-owned Australian entities elected to form an income tax consolidated group as of 1 July 2002. The entities in the income tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the entities' joint and several liability in the case of an income tax payment default by the head entity, Healius Limited. The entities continue to adopt the stand-alone taxpayer method in measuring current and deferred tax amounts for each entity, as if it continued to be a taxable entity in its own right.

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

E4. Contingent liabilities

	2021 $M	2020 $M
Treasury bank guarantees		
Workers compensation statutory requirement	**19.6**	17.1
Property related	**14.8**	15.1
	34.4	32.2
Parent company guarantees		
Healius Primary Care – property leases	**19.8**	7.6
	19.8	7.6

E5. Share-based payments

The Group uses Options, Performance Rights and Service Rights to remunerate Senior Executives.

Options and Performance Rights are subject to both service and performance conditions whilst Service Rights are subject to service conditions only. 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 is an entitlement to one fully-paid ordinary share in Healius.

Options and Performance 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.

On vesting, Performance Rights and Service Rights are exercised automatically for nil consideration and convert to fully-paid ordinary shares in the Company.

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

E5. Share-based payments (continued)

The Group operate the following share-based payment plans:

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

The purpose of the TLTIP is to retain and motivate the executive team to deliver over the term of the strategic plan. The strategic plan aims to deliver a sustainable increase in shareholder returns over time. The key components of the TLTIP are a close alignment to cumulative shareholder returns and a measurement period of 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 2021 and 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 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 2021 and 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 operation roles (split 40%/20%/40% between EPS, rTSR and EBIT); and
- In FY 2019 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 2021 award is 1 July 2020 to 30 June 2023 (FY 2020 award: 1 July 2019 to 30 June 2022). Retesting will not occur under any of these awards.

(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. For all other members of the STIP the nature of any award (cash or equity) is at the discretion of management.

E5. Share-based payments (continued)

Set out below are summaries of the equity instruments granted under each of the plans as at 30 June 2021:

DESCRIPTION	GRANT DATE[1]	BALANCE AS AT 1 JULY 2020 NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	FORFEITED DURING THE YEAR NUMBER	BALANCE AS AT 30 JUNE 2021 NUMBER
FY 2018 STIP	18 October 2018	265,634	–	(265,634)	–	**–**
FY 2018 LTIP	18 September 2018	3,395,048	–	–	(3,395,048)	**–**
FY 2019 LTIP	1 March 2019	5,154,104	–	–	(295,525)	**4,858,579**
FY 2020 TLTIP – Options	28 February 2020	36,394,239	–	–	(2,578,123)[2]	**33,816,116**
FY 2020 LTIP – Rights	20 March 2020	1,940,878	–	–	(467,553)	**1,473,325**
FY 2021 LTIP	26 October 2020	–	1,447,346	–	(163,033)	**1,284,313**

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.

2 Options forfeited will remain on the Company's Options Register until the Exercise Date for the relevant Options tranche, at which time they will lapse.

FAIR VALUE OF RIGHTS GRANTED

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

The fair value of Performance Rights granted under the FY 2019 Plan is subject to a non-market based performance condition that 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 Plans subject to the rTSR market based performance condition has been calculated using a Black-Scholes option pricing model.

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

DESCRIPTION	TRANCHE	GRANT DATE	MEASUREMENT PERIOD	GRANT DATE FAIR VALUE PER RIGHT $
FY 2021 TLTIP – Rights	EPS	26 October 2020	1 July 2021 to 30 June 2023	3.37
FY 2021 TLTIP – Rights	rTSR	26 October 2020	1 July 2021 to 30 June 2023	2.25
FY 2021 TLTIP – Rights	EBIT	26 October 2020	1 July 2021 to 30 June 2023	3.37

ACCOUNTING POLICY

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

E6. Related party disclosures

TRANSACTIONS WITHIN THE WHOLLY-OWNED GROUP

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

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

E7. Key management personnel disclosures

KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2021 $000	2020 $000
Short-term employee benefits	**5,622**	4,059
Post-employment benefits	**87**	97
Other long-term employee benefits	**103**	(195)
Termination payments	**–**	2,093
Share-based payments	**5,391**	3,343
	11,203	9,397

TRANSACTIONS WITH PAUL JONES

During the years ended 30 June 2021 and 30 June 2020 the Group provided medical centre management services (Services) to Dr Paul F Jones Pty Limited, a company controlled by Dr Paul Jones, a Non-executive Director of Healius. The Services were provided to Dr Jones' general medical practice, which is conducted at one of Healius' former medical centres, on ordinary arm's length terms. These services ceased following the sale of Healius Primary Care.

The Service fees received by the Group for FY 2021 were $44,831 (FY 2020: $96,839). 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 2021 (30 June 2020: $nil).

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

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

E8. Remuneration of auditor

	2021 $000	2020 $000
Fees to Ernst & Young (Australia)		
Fees for auditing the statutory financial report of the Group	**789**	1,201
Fees for other assurance and agreed-upon-procedures services		
Internal controls and compliance	**27**	5
Fees for other services		
Tax consulting	**56**	55
Due diligence	**300**	377
Advisory	**27**	–
Total fees to Ernst & Young (Australia)	**1,199**	1,638
Fees to overseas member firms of Ernst & Young (Australia)		
Fees for auditing the financial report of the Group's controlled entities	**46**	16
Fees for other services		
Tax consulting	**6**	–
Total fees to overseas member firms of Ernst & Young (Australia)	**52**	**16**
Total auditor's remuneration	**1,251**	1,654

E9. Adoption of new and revised standards

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

A number of amendments to Standards issued by the Australian Accounting Standards Board (AASB) and Interpretations are applicable for the first time in the 2021 financial year, however adoption does not have a material impact on the disclosures or amounts recognised in the consolidated financial statements of the Group.

STANDARDS ON ISSUE NOT YET ADOPTED

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

E10. Subsequent events

On 23 August 2021 the Group announced that it had entered into a binding agreement to sell the Adora IVF and Healius Day Surgeries businesses, except for Brookvale Day Hospital, for a consideration of $45 million on a cash and debt-free basis. These businesses are classified as discontinued operations as at 30 June 2021 (refer to Note E2). Completion of the transaction is expected to occur before the end of 2021 and remains subject to a number of customary conditions.

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

Shareholder information

Number of shareholders

As at 31 August 2021, there were 598,836,768 fully paid ordinary shares held by 14,200 shareholders.

Distribution of ordinary shares as at 31 August 2021

NUMBER OF SHARES HELD	INDIVIDUALS
1–1,000	4,777
1,001–5,000	6,165
5,001–10,000	1,903
10,001–100,000	1,290
100,001–999,999,999	65
Total	14,200

754 shareholders hold less than a marketable parcel of shares.

Number of Rights holders

As at 31 August 2021, there were 9,731,935 Rights held by 75 persons.

Distribution of Rights as at 31 August 2021

NUMBER OF RIGHTS HELD	INDIVIDUALS
1–1,000	0
1,001–5,000	0
5,001–10,000	0
10,001–100,000	46
100,001–999,999,999	29
Total	75

Shareholder information

Number of Options holders

As at 31 August 2021, there were 36,394,239 Options held by eight persons.

Distribution of Options as at 31 August 2021

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".

Voting Rights

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

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

Healius Options carry no voting rights.

Healius Rights carry no voting rights.

Shareholder information

Top 20 shareholders as at 31 August 2021

RANK	NAME	SHARES	% OF SHARES
1.	HSBC Custody Nominees (Australia) Limited	175,386,356	29.29
2.	Citicorp Nominees Pty Limited	112,031,380	18.71
3.	J P Morgan Nominees Australia Pty Limited	89,264,817	14.91
4.	National Nominees Pty Ltd	71,170,798	11.88
5.	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	20,574,535	3.44
6.	Argo Investments Limited	16,320,664	2.73
7.	BNP Paribas Noms Pty Ltd <DRP>	11,463,079	1.91
8.	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	10,184,406	1.70
9.	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	6,229,569	1.04
10.	Citicorp Nominees Pty Ltd <Colonial First State Inv A/C>	4,285,700	0.72
11.	RinRim Pty Ltd	2,392,047	0.40
12.	BNP Paribas Nominees Pty Ltd Six Sis Ltd <DRP A/C>	1,761,260	0.29
13.	UBS Nominees Pty Ltd	1,057,466	0.18
14.	HSBC Custody Nominees (Australia) Limited <GSCO Customer A/C>	997,257	0.17
15.	AMP Life Limited	811,628	0.14
16.	BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	799,450	0.13
17.	Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	784,767	0.13
18.	Joromada Pty Ltd	710,000	0.12
19.	Navigator Australia Ltd <MLC Investment Sett A/C>	708,490	0.12
20.	Merrill Lynch (Australia) Nominees Pty Limited	695,511	0.12
Total		527,629,180	88.11

Substantial shareholders as at 31 August 2021

NAME	NUMBER OF FULLY PAID ORDINARY SHARES AS AT DATE OF EACH NOTICE	% OF TOTAL ISSUED CAPITAL AS AT THE DATE OF EACH NOTICE
Dimensional Entities [1]	30,485,918	6.04
Vinva Investment Management [2]	31,595,448	5.07

1 Substantial shareholder notice received by the Company on 6 December 2013.

2 Substantial shareholder notice received by the Company on 26 July 2021.

Auditor

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

Financial calendar

2021	
Half year results announcement	24 February
Record date for interim dividend	26 March
Interim dividend payable	15 April
Year end	30 June
Full year results announcement	30 August
Record date for final dividend	14 September
Final dividend payable	8 October

2022	
Half year results announcement	23 February
Year end	30 June
Full year results announcement	19 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

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