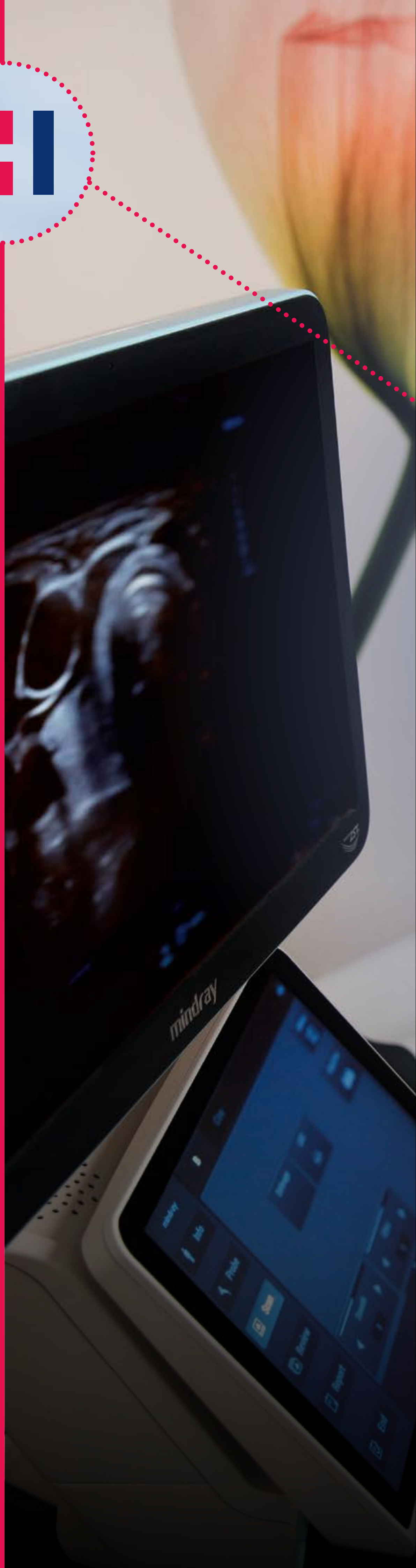

healius

# 2023 Annual Report

Diagnostics for life

# Contents






Cover image:

**Professor Alexander Pitman**
BMedSci, MBBS, MMed(Rad)., FRANZCR, FAANMS
Director of Imaging, Northern Beaches Medical Imaging, Lumus Imaging

Awarded Roentgen Medal of the Royal Australian and New Zealand College of Radiologists (RANZCR) for significant professional contribution to radiology in Australia, 2019.


We remain focused on growing our diagnostic services, supporting clinical decisions with personalised insights and superior customer service.

**3.3M+**
Radiology examinations

**18M+**
Pathology samples tested in our laboratories

**Fiona Macnaught**
Senior Sonographer, Lumus Imaging

healius


**Professor Alexander Pitman** *Director of Imaging, Northern Beaches Medical Imaging, Lumus Imaging*

# About us

## Overview

As one of Australia's leading healthcare companies, Healius provides quality, comprehensive, accessible and cost-efficient diagnostic services through our Pathology and Imaging businesses.

At Healius, our focus is on supporting clinical decisions through personalised insights and superior customer service, enabled by our unique footprint of more than 2,200 locations and 10,500+ employees.

We are building a digital future for diagnostics, transforming the service experience for our patients and referrers.

**Florens Dy** Lead Registered Nurse, Northern Beaches Hospital, Lumus Imaging

# Pathology

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

Healius Pathology operates 95 medical laboratories and approximately 2,000 patient collection centres across metropolitan, regional and remote Australia. It employs around 170 specialist pathologists and around 6,000 full-time equivalent staff (FTEs) being 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.

With presence in every state and territory across Australia, Healius Pathology brands include QML, Laverty, Dorevitch, Western Diagnostic Pathology, TML and Abbott Pathology which operate in Queensland, New South Wales (including Australian Capital Territory), Victoria, Western Australia and Northern Territory, Tasmania, and South Australia respectively.

Key specialty brands include Genomic Diagnostics, one of Australia's leading non-government diagnostic genetic sequencing facilities; Kossard, leaders in dermatopathology with an established reputation in the specialist community; Agilex Biolabs, one of Australia's largest, most experienced and scientifically advanced bioanalytical laboratory with over 25 years' experience in clinical trials and providing bioanalytical services for therapeutics, immunoassay bioanalysis of large molecules, biologics and vaccine development; and Specialist Veterinary Services, a network of nationwide veterinary pathology laboratories.

Each year, Healius Pathology provides approximately one in three Medicare-funded pathology tests in Australia. Its services extend from exclusively servicing some of Australia's largest and most complex private and public hospitals to regional areas and remote Australian Indigenous communities.

# Imaging

Lumus Imaging operates a network of 148 sites across the country, comprising stand-alone community imaging centres, and imaging facilities located within private and public hospitals and in medical centres.

With a highly-trained team of over 160 radiologists, together with radiographers, sonographers, nuclear medicine technologists, nurses, centre support and corporate teams, Lumus Imaging offers a full suite of modalities and services which include X-ray, ultrasound, computerised tomography (CT), mammography, magnetic resonance imaging (MRI), nuclear medicine, positron emission tomography (PET) and interventional radiology (including treatment by spinal and joint injections).

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

# Our network

Sites as at June 2023

**2,152 Pathology sites**

- 2,057 Approved Collection Centres
- 95 Laboratories

**148 Imaging sites**

- 35 Hospitals
- 64 Community centres
- 49 Medical centres

## WA
**217 sites**

212 Pathology
5 Imaging

## NT
**22 sites**

22 Pathology

## QLD
**595 sites**

556 Pathology
39 Imaging

## NSW
**771 sites**

709 Pathology
62 Imaging

## SA
**40 sites**

34 Pathology
6 Imaging

## VIC
**595 sites**

563 Pathology
32 Imaging

## TAS
**24 sites**

24 Pathology

## ACT
**36 sites**

32 Pathology
4 Imaging

# Our strategy

## Diagnostics for life

Our purpose is "Diagnostics for life", with a vision to become the pre-eminent comprehensive diagnostics business in Australia. This means that we support clinical decisions across the healthcare system through the provision of personalised insights and superior customer experience.

**There are four strategic pillars on which our purpose is founded:**

### Service

Serving accessible and high-quality healthcare experiences to our clinician referrers, patients, customers and payors

### Insights

Delivering precise and comprehensive diagnostic insights to realise better health outcomes for individuals and the healthcare system

### Operating leverage

Extracting maximum value and growth from our networks in general pathology, medical imaging, clinical trials bioanalysis and veterinary pathology

### People

Providing the best culture and a fulfilling career in healthcare for healthcare industry professionals and for support and corporate staff

We are transforming the service experience for diagnostics, taking an end-to-end approach to deliver a single leading platform that connects our clinicians, patients, pathologists, radiologists, scientists, and technicians.

To complement our refined vision and focused portfolio, Healius has reset its fixed cost base with a new operating model consolidating several corporate support functions.

Our capital management framework is aligned to our vision, is disciplined and focused on organic growth.

## Service

A key priority is to enhance our service proposition to referrers and patients. Progress on initiatives to achieve this includes:

- Enhanced and expanded our **Electronic Referrals** solution, making it easier for doctors to order Pathology and Imaging tests and to engage with patients directly with a mobile web experience.
- Introduced additional functionality to the **Collections Portal** to address manual and operational pain points. These include digitising collection workflows across patient registration, protocoling tests and specimen collection.
- Developed our **Booking System** to include self-service online appointment bookings for diagnostic imaging services.
- Enhanced our **patient feedback mechanism** with a high net promoter score emerging.
- Progressed with **rebranding** across Healius and subsidiary brands to strengthen identity and better connect to our online offerings.

## Operating leverage

To drive efficiency and productivity across the business, during the year we:

- Progressed the new **Laboratory Information System** (also referred to as **Lab Portal**) as we digitise the end-to-end workflow in clinical departments with nationally standardised tests, results, instrument configurations and processes. *Histology* and *Cytology* modules were successfully delivered during the year, and development is underway for *Microbiology, Haematology, and Biochemistry* modules.
- Implemented robotic track-based automation in select pathology laboratory departments that are labour intensive to leverage economies of scale.
- Grew our core network and optimised our collection centre footprint based on a standardised approach to gross-margin based analysis.
- Realised savings across a number of procurement categories including consumables, voice telecommunications, teleradiology and transcription services, with additional categories expected to benefit in FY 2024.

## Insights

Healius is focused on enabling new diagnostic technologies to deliver superior clinical insights, supporting the prevention and treatment of diseases, and improving health outcomes for patients.

During the year we:

- Progressed the build of our **Results Portal** (also referred to as **Doctors Portal**) to provide a modern experience for doctors to view and share reports, check history and get clinical support from Pathologists and Radiologists.
- Progressed the build of a **Patient Portal** to provide a modern digital self-service experience for patients to receive pathology and radiology reports with simplified visualisation of their diagnostic history and health insights.

## People

Healius has over 10,000 people serving doctors, patients and customers across the country. Supporting our people with the right education, tools and management systems is a key priority.

During the year we:

- Developed initiatives to attract and retain technical and frontline talent through a better employee value proposition with particular success in the recruitment of radiologists in the year.
- Continued to progress the digital experience for our people as well as streamlining workflows across payroll, recruitment, onboarding, and communications, in particular addressing pain points for our team members.
- Implemented a new operating model which consolidates several group and support functions. This simplified accountability and decision rights, resulting in faster delivery of the change initiatives.

# Key milestones

## FY 2023

**Katherine Brown** Chief Scientist, Automated Chemistry, Laverty Pathology

### Appointment
of Jenny Macdonald as first female Chair at Healius

### Agilex
opens new custom-built toxicology facility in Brisbane, QLD

### Appointment
of Dr Phil Lucas as Group Executive, Lumus Imaging

July 2022 · Sep 2022 · Jan 2023

### Veterinary Digital Pathology
goes live nationally

### Healius Head Office
moves to Liberty Place, a carbon neutral building

### First Omni Legend
PET/CT located at St Vincent's Private Hospital Northside, QLD – first of its kind in southern hemisphere

### QML Pathology
inducted to QLD Business Leaders Hall of Fame

**Alejandro Rosales** Head of Digital Strategy & Delivery Office, Healius

**Anthony Roxas** Senior QC Engineer, Healius

**Guiano Punzalan** *Collector, Laverty Pathology*

## Mar 2023

### Appointment
of Maxine Jaquet as MD & CEO, first female MD & CEO at Healius

### Appointment
of Paul Anderson as CFO

## May 2023

### Sale
of Day Hospitals completed

## Jun 2023

### Appointment
of Dr Jan van Rooyen as Group Executive, Healius Pathology

### QML's
Murarrie laboratory goes solar


# Building a sustainable business

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

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

**Dr Parastoo Irandoost, MD, FRCPA, FIAC**
Anatomical Pathologist
Head of Cytology Department, Laverty Pathology

**Our sustainability vision is to become a leading socially-responsible company. Five key priority areas have been identified:**

## Our Customers

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

Refine and progress embedded customer feedback mechanisms into operations

Constantly monitor and enhance privacy and cyber security controls

## Our Planet

Refine and progress pathway to carbon neutrality for Scope 1 and 2 emissions through hybrid fleet, LED's solar power and green power purchasing

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

Refine and progress other Scope 3 emission reduction opportunities

## Our People

Improve employee recognition and benefits

Foster diversity and inclusion

Foster employee talent training and career pathways

## Our Communities

Continue involvement with local charities and local communities

Support and enhance the national charity partnership aligned to Healius' brand and vision

Support university partnerships and student placements

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

## Our Shareholders

Grow the business, improve efficiency and increase returns

Report against Sustainability Roadmap

Report against UN SDGs and other global reporting frameworks

Prepare for assurance of sustainability data

We have identified 7 Sustainable Development Goals (SDGs) that our sustainability strategy is most aligned to:

3 GOOD HEALTH AND WELL-BEING · 5 GENDER EQUALITY · 8 DECENT WORK AND ECONOMIC GROWTH · 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 10 REDUCED INEQUALITIES · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 13 CLIMATE ACTION

More information in relation to Healius' sustainability strategy and priorities can be found in the Sustainability Reports available on the Healius website: www.healius.com.au

# Chair's letter

**Dear shareholders**

On behalf of the Board of Directors, I am pleased to present Healius' Annual Report. This year has been a year of refreshment and renewal of both the Board and the Executive Leadership Team (ELT), which positions us well to focus our agenda of operational improvement, improving customer experience and increasing our use of digital tools.

## CEO and Managing Director appointment and Board renewal in FY 2023

In March 2023, our CEO, Dr Malcolm Parmenter stepped down from his role and Ms Maxine Jaquet was appointed as the new Healius CEO and Managing Director.

I would like to acknowledge Malcolm's contribution to Healius since 2017 and to the Australian healthcare industry in general. He oversaw a period of significant change in the Company including streamlining the Healius portfolio, embarking on a foundational digital agenda and reorienting the business to be truly in service of our patients and clinicians. The Board is grateful to Malcolm, especially for overseeing our operational response to the COVID-19 pandemic in what was an unprecedented time for us all.

I also want to acknowledge our former Chair, Rob Hubbard, who stepped away due to health reasons in September 2022. Rob served on the Board since 2014 and held the position of Chair for over four years from July 2018. The Board is grateful to Rob for his oversight and leadership during a period of considerable change. His greatest contribution was, undoubtedly, his focus on the oversight of the revised Healius strategy and significant Board renewal – with four new Non-executive Directors appointed during his tenure as Chair.

The Board also farewelled Dr Paul Jones as a Non-executive Director. Paul served on the Board from 2010 and on all three Board committees during his tenure and provided invaluable insights that greatly assisted the Company throughout his time as a Non-executive Director.

On behalf of the Board, I would like to express our deep gratitude to Malcolm, Rob and Paul.

As was foreshadowed at the Healius AGM last October, one of the Board's first tasks has been to replace these outstanding Board members with new members that will be able to guide Healius into a stronger future. As Chair, I have been extremely pleased to welcome two new directors to the Board in 2023.

Charlie Taylor, appointed as a Non-executive Director in March 2023, brings valuable business skills and expertise that will further strengthen the Board – having advised many of Australia's leading private and public sector healthcare organisations during his long career.

On 1 September 2023, Dr Michael Stanford was appointed as a Non-executive Director and although he has just joined the Board, we are pleased to welcome Dr Stanford with his deep understanding of the healthcare industry, both as a medical practitioner and with over 20 years' experience in the management of health care businesses.

Your Board believes Healius has the right balance of skills and experience to guide the Company through its next exciting chapter.

## Executive management appointments

The Board also has great confidence in the newly formed Executive Leadership Team led by our new CEO and Managing Director, Maxine Jaquet. Maxine joined Healius in 2015, was appointed CFO in August 2019 and held the role of CFO and COO since January 2021. Maxine has made an immediate impact in her new role and several key appointments have been made to the Healius Executive Leadership Team in FY 2023. These include Paul Anderson as Group CFO and Head of People, Dr Jan van Rooyen as the Group Executive to lead the Pathology operations and Dr Phil Lucas as the Group Executive to lead the Imaging operations, Lumus Imaging. I encourage you to read the biographies of all our Group Executives in the body of the report as each of them bring valuable experience and expertise to the Company.

## The ACL unsolicited takeover offer

In March 2023, all Healius shareholders received a highly conditional unsolicited 'all scrip' reverse takeover offer from Australian Clinical Labs Limited (the Offer). In May 2023, the Board unanimously recommended that, and at the date of this letter continues to recommend, that Healius shareholders reject the Offer. The Board considers the Offer as inadequate and opportunistically timed, and one that would result in an unfair transfer of value from Healius shareholders.

Among other conditions, the Offer is conditional on ACCC approval (on an unconditional basis). Following a preliminary review, the ACCC has confirmed that it has "significant preliminary competition concerns" and that its preliminary view is that the proposed acquisition would be likely to substantially lessen competition in Australian pathology services markets[1]. At the date of this letter the Offer remains highly conditional and uncertain. The ACCC's final decision is not expected until later in the year. The Company will keep shareholders informed of developments as they occur.

## FY 2023 Financial Results

Our FY 2023 Financial Results released in late August are starting to show the strengthening of the diagnostic platforms with Pathology revenue recovering and Imaging revenues outpacing the market. Our BAU revenues increased 6.3% to $1.6 billion and we reported an underlying EBIT of $99 million, in line with our May 2023 guidance. Our CEO and Managing Director provides further insight about the financial results, the initiatives progressed during the year and management's plans for execution in FY 2024.

While the Board was pleased to approve the results for the FY 2023, it also acknowledges that the Company had to make certain difficult decisions that we believe will support the platform for future growth. It was determined that a non-cash impairment to goodwill of $349.8 million be recognised on the balance sheet at 2H 2023 as Healius carries significant goodwill relating to historic acquisitions. This relates primarily to Agilex, lower forecast cash flows post-COVID and an increase in the weighted average cost of capital (WACC).

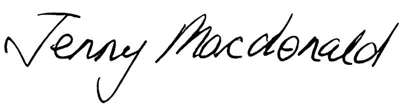
After careful deliberation, the Board resolved not to pay a final dividend for FY 2023, however, it is our firm intention to resume dividend payments as soon as practicable on the return of more normal market pathology volumes and improved operating cashflows.

# The year ahead

The Board has full confidence in the renewed Executive Leadership Team led by Maxine driving a culture of high performance, the refreshed Healius Group goals and actions for growth to exceed market recovery and, most importantly, the team deploying best-in-class technology to improve the Healius service proposition and operating performance. The Board thanks them for the efforts in FY 2023.

I would like to acknowledge the dedication of the entire Healius team, which has faced several challenging years for their unwavering effort and dedication to the business, especially through this recent period of significant transition.

I would like to thank you, our shareholders, for your continued loyalty and support. We look forward to building on our platform for delivery of growth in FY 2024.



**Jenny Macdonald**

1 ACCC Media Release dated 20 July 2023.

# CEO's letter

## Dear shareholders

This year has been a year of reset for Healius. We have created a pure-play diagnostics portfolio, renewed the leadership team, delivered an efficient cost base and positioned the business for growth.

### An integrated diagnostic portfolio

The Healius team has achieved a lot in this reset year. Now, we are well-positioned for growth with a compelling diagnostics portfolio.

In Pathology, our incumbent, at-scale and leading network of referrer relationships, pathologists and technical staff, laboratories and ACCs has been built over decades and, in a consolidated market, cannot be replicated. Having made a predominantly fixed-cost network more efficient, our opportunity now is for above-market growth, especially through a more comprehensive suite of diagnostic tests which meets the demand with a growing burden of disease in Australia.

In Imaging, the national Lumus Imaging network is a leading player in an attractive and higher-growth market. With an established national network of 148 sites, our opportunity is to increase revenue by adding more complex modalities and radiologist hours. This will grow the margins of the business to industry-competitive levels by greater leverage of our network infrastructure.

The year also marks the first year of an integrated services offering. We are leveraging our clinical leadership, digital infrastructure and customer service tools across the full diagnostics portfolio (pathology, genomics, imaging and clinical trials). We have commenced with offerings in select areas such as foetal medicine and see this growing over time.

Our offerings are supported by our Clinical Advisory Board which is composed of our senior Radiologists and Pathologists and is focused on emerging clinical diagnostic areas. There are several testing and screening developments that we are evaluating and pursuing:

- in pathology: genomics, microbiomics and proteomics including early detection of Alzheimer's and vascular diseases; and
- in imaging: CTCA (Computed Tomography Coronary Angiography) and lung cancer screening, FFR-CT (Fractional Flow Reserve – Computed Tomography), mental health imaging, and new PET (Positron Emission Tomography) tracers/techniques.

We are poised to create enduring clinical and financial value from growing clinical demand and scientific/medical progress.

I am enthusiastic about our future and the growing role Healius will play in improving health outcomes.

## A year of two halves

In FY 2023, we have transitioned to a post-pandemic environment. There were well-publicised challenges in primary care: a GP shortage, less accessibility, increased wait-times to make an appointment, and increased out-of-pocket charges for patients. These led to a soft year for core GP-referred diagnostic services.

For Healius, COVID-related revenue dropped 89% (mirroring market conditions), while core Pathology revenue grew by 4%, Agilex Biolabs (our Clinical Trials business) nearly tripled off a five-month comparative period, and Imaging revenue grew by 9%, enjoying a higher proportion of Specialist referrals.

Earnings and margins for the year were impacted by the reduction in COVID revenue which out-paced growth in core revenue. In response, we successfully removed the majority of our COVID-related costs and reset the labour base. We delivered $99.0 million in underlying EBIT, in line with our May 2023 guidance.

Pleasingly, the second half of the year saw an expansion of both revenue and margins over the first half. Group underlying EBIT margins grew 240 basis points from 4.6% to 7.0%, with Pathology up from 4.9% to 7.5% and Imaging from 7.8% to 9.8%.

We finished the year with net debt of $447 million, having reduced it by $78 million in the year. Jenny has explained the tough decisions we made in the year that we believe will support our future growth, in writing down $349.8 million of goodwill on our balance sheet and in not paying a final dividend for FY 2023. We are all focused on driving revenue growth in FY 2024 and returning to dividend payments as soon as practicable.

## A new leadership and operating model

This year we have established a new leadership team that I believe is the right team to successfully deliver on our future. We have new Group Executives for the operating divisions, both of whom are clinicians in their fields and come to Healius with extensive experience in scaling market-leading pathology and imaging businesses.

Dr Phil Lucas has led our Imaging business since January 2023. Under Phil's leadership, Lumus Imaging has out-performed the market this year, underpinned by recruitment of new radiologists, a process which he personally oversees, and investment in new modalities and site upgrades. Phil has a clear growth strategy for Lumus Imaging which is already delivering value.

Dr Jan van Rooyen joined us in June 2023 to lead our Pathology business after several decades leading one of South Africa's most successful pathology operations. He views the pathology business through four lenses (customer services, logistics, clinical services and insights) with each area capable of further optimisation to deliver growth. As a Pathologist, Jan is especially focussed on the increasing role that Pathologists will play in growing our business.

Paul Anderson also joined us as CFO and has many years of restructuring experience as well as financial and strategic leadership.

We have also made a number of changes to our operating model in the year:

- We see our frontline staff as the face of Healius and fundamental to the patient and clinician experience. We have made specific investments in our people and in tools to improve their ways of working, hear their feedback, and focus on their recruitment and retention;
- We have always had a strong network of clinical leadership, dedicated to clinical governance within their respective sub-specialties. This has now been augmented by the newly-established Clinical Advisory Board which is exclusively focussed on growth;
- The Lumus Imaging network growth strategy is being underpinned by a new radiologist employee value proposition and we have seen success in radiologist recruitment in the year; and
- We continue to challenge ourselves to improve efficiency of back-office support services, reducing those labour costs significantly in the year.

## Delivery of our digital agenda

We have been enhancing our technology platforms to realise our ambition of being the easiest Pathology and Radiology company to deal with, for referrers, patients and hospital customers alike.

This includes a suite of external-facing digital products, such as our new Results Portal which will provide clinicians with a great experience for viewing patient history, gaining more clinical insights, and collaborating with other doctors.

Everything new we're doing in digital is an investment in revenue growth, operational savings, or both. Revenue growth will come from our leading-edge consumer-facing products, while savings will come from improving core processes and removing costs.

We have invested in best practice tools, processes and training to deliver improvements in our cyber security.

Our new data platform will be fundamental in data-driven AI, which I see as the next wave of opportunity for us. There are clear clinical and productivity benefits from AI in diagnostics and we have already deployed some, such as an AI partnership for tuberculosis screening. We are currently working on many more options across both Pathology and Imaging, such as cancer screening and detection.

Digitisation has been successfully rolled out in Imaging for some time and has promising potential in Pathology, especially for targeted histopathology or tissue analysis. When combined with AI tools, it will be able to drive real benefits around greater clinical insights and speed of processing.

## The way ahead: Diagnostics for life

Looking ahead, we are confident that the medical diagnostics markets will continue to grow strongly in Australia in line with demographic-based clinical need, with the dislocation caused by COVID being transitory. The underlying demand drivers remain strong—a growing and ageing population with greater longevity and more complex health issues, and a younger generation with interest in wellness and maintaining good health. Moreover, early diagnosis, detection, and prevention are the best ways to reduce downstream healthcare issues for Australians and costs for the country.

For Healius in FY 2024, our ambition is to grow margins and profitability as we participate in the market recovery and drive our own above-market growth.

Our goal is to better leverage our well-established brands and capabilities in targeted segments. We aim to optimise the value of our networks and judiciously manage our funds to improve return on invested capital. With a high level of expectation in our newly-formed executive team, I am confident we can strengthen and grow this clinically-oriented, national diagnostics business.

I want to thank all our people. They have faced several challenging years and, for me, the real mark of our success comes down to the interactions each one of them has every day with our referrers, patients, customers, and each other.

Last, but not least, thanks to you, our shareholders, for your continued support.

**Maxine Jaquet**

# Risk management

## Effective risk management is key to Healius achieving its strategic objectives, building a sustainable business and protecting shareholder value.

Our Risk Management Framework formalises the approach adopted to manage risk and provides Healius with a consistent methodology to be applied to all strategic, operational and contractual objectives. Healius assesses the consequence and likelihood of risks in all significant areas of the business including health and safety, environment, operations, IT and cyber, finance, legal and compliance, and reputation. To ensure best practice, Healius' Risk Management Framework is aligned to the International Organisation of Standardisation AS/NZS ISO31000:2018 'Risk Management – Principles and Guidelines'.

A range of risk factors may influence and affect Healius' future performance, business operations and financial condition, either individually or in combination. Material risks that apply to the macro environment that we operate within, and those specific to Healius are summarised in this section.

| CONTEXT | RISK PRIORITIES | AIMS AND ACTIONS |
|---|---|---|
| **Government policy and revenue concentration** | As a part of Healius' commitment to providing affordable healthcare, the majority of its services are bulk-billed. This means that Healius receives payment through the Federal Government's Medicare Benefits Schedule (MBS) in settlement of services provided. As a result, the majority of Healius' revenue base is sourced from the MBS and any changes to the schedule (such as changes to fees or test availability) can both positively and/or negatively impact the company's revenue and profitability.<br>In addition, Healius provides pathology and imaging services to public hospitals in some states and territories. It is dependent on the continuation of State Government policy in connection with the outsourcing of these public hospital services to private operators. | Healius strategic objectives include diversification into non-MBS revenue streams, whilst maintaining tight control over costs and continually reviewing the range of service offerings available to patients.<br>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. |
| **Economic impacts** | Current cost of living pressures and the relatively high inflation environment may lead to subdued patient GP attendance. This may be compounded by the introduction of co-payments for consultations, leading to reduced pathology and imaging referrals. For some services, Healius also charges out-of-pocket fees, which may contribute to a general perception that healthcare services are expensive. Consequently, consumers may delay or not use services due to affordability concerns, impacting volumes and revenue. | Healius advertises that its services are bulk-billed where appropriate and educates the consumer on the reasons for any out-of-pocket costs. |

## Risk management (continued)

| CONTEXT | RISK PRIORITIES | AIMS AND ACTIONS |
|---|---|---|
| **Healthcare customers and consumers** | Healius is reliant on referrers, healthcare professionals such as surgeons and specialists, and consumers choosing to use its services and facilities.<br><br>Healius is also dependent on its ability to negotiate and retain private health fund, public and private hospital, and other commercial contracts. | Healius has a dedicated commercial and customer team, who are responsible for maintaining relationships, increasing engagement, and addressing any issues with clients and customers.<br><br>Healius has invested in facilities, systems, people and services in its aim to meet and exceed the needs and expectations of its customers. |
| **Resource availability, skills and capabilities, and employee relations** | Staff shortages in the healthcare sector may impact Healius' ability to hire and retain staff with the right experience and skillset, and hence ability to adequately service our customers.<br><br>New technologies and changing consumer perceptions are driving the need for specialist skillsets including analytics, digital expertise and cyber security. There is significant competition to recruit such talent, which can increase labour costs and reduce profitability.<br><br>Recent legislative amendments, court decisions and Modern Award variations have increased the complexity of the employee-relations landscape. | Sustainability for Healius is underpinned by its ability to attract and retain the right talent. 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.<br><br>Healius is investing in the value proposition to its employees and implementing employee-related initiatives, such as paid parental leave across the Group. It is also enhancing its information systems and tools to provide an improved experience for its people and better management of resources.<br><br>Healius' centralised People & Culture function is supported by dedicated teams for talent acquisition and employee relations to ensure continued compliance with its employee relations requirements and obligations. |
| **Pandemic or epidemic risks including COVID-19** | Pandemics or epidemics pose a risk to Healius' operations and patient volumes, as experienced during COVID-19, where stringent restrictions limiting individual access/mobility may be imposed, impacting Healius' ability to provide crucial diagnostic services. | Pandemic specific business continuity plans across our operations ensured that critical healthcare services could still be provided to the community. Adherence to best-practice guidelines for self-isolation, use of personal protective equipment, hygiene, and office closures help mitigate the risk of transference and infections for our people and our patients.<br><br>Healius continually monitors issues affecting the environment, which may have a direct impact on its business and structures its operations and resources accordingly. |

| CONTEXT | RISK PRIORITIES | AIMS AND ACTIONS |
|---|---|---|
| **Data management and cyber security** | Healius maintains sensitive clinical and financial information. Failure to appropriately use and secure data can have severe operational and financial consequences.<br><br>Healius' systems and databases are increasingly subject to security risks including cyber-attacks. Allegations of, or actual, unauthorised access or loss of sensitive data could occur by way of cyber-attack, data breach or actions by employees whether inadvertent or otherwise, resulting in a breach of Healius' obligations. Action against Healius could be initiated in connection with any such breaches.<br><br>In addition, the breach could impact patient and other stakeholders' satisfaction and confidence in Healius' data security arrangements.<br><br>Any such breaches could result in delays, the loss or corruption of data, interruptions in and/or cessation in the availability of systems, all of which could have a material and adverse effect on Healius' financial performance, position and future prospects, or harm Healius' business reputation. | Healius understands that protection of privacy of individual data/personal information is paramount. It has an ongoing program to strengthen defences against unauthorised access and to protect clinical and financial data within its systems.<br><br>It has:<br>• established the Healius Cyber Security Framework aligned to ACSC ISM,<br>• developed a cyber risk controls program with board and management oversight and KPI reporting,<br>• appointed a Head of Cyber Security and<br>• fast tracked numerous risk mitigations.<br><br>Healius' security program is founded on a process to Identify, Protect, Detect, Respond and Recover to data management and security issues and is summarised below.<br><br>*Identify*<br>Programs have been established around identifying risks, prioritising controls, allocating adequate resources, and meeting regulatory obligations.<br><br>*Protect*<br>A comprehensive set of risk mitigation tools and processes have been put in place to reduce the risk of succumbing to cyber-attacks, which includes (but not limited to) firewalls, network segmentation, website security, user access controls, end point protection, data loss prevention, training and penetration testing.<br><br>*Detect*<br>A Security Operations Centre has been established to continuously monitor IT systems and some Operational Technology (OT) assets.<br><br>*Respond and Recover*<br>A Cyber Incident Response Plan has been developed for both IT & OT assets. |

## Risk management (continued)

| CONTEXT | RISK PRIORITIES | AIMS AND ACTIONS |
|---|---|---|
| **Supply chain and modern slavery** | Healius imports consumables, personal protective and other medical equipment. Prices and availability may impact the efficient operating of its services.<br><br>Healius is also cognisant of its modern slavery obligations within these supply chains. | Healius aims to continually manage known supply chain risks. It has a dedicated procurement function and has consolidated spend to a select pool of reputable suppliers so as to mitigate risk of supply chain disruption and also modern slavery risk. In addition, all our suppliers are expected to comply with our Supplier Code of Conduct.<br><br>Healius' commitment to human rights and the eradication of all types of modern slavery is overseen by the Sustainability Steering Committee. Its approach to modern slavery eradication is multi-faceted and includes supplier questionnaires, due diligence, risk assessments and modern slavery training for our procurement team. |
| **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 continually exploring opportunities to fund strategic investments in adjacencies to the current portfolio, to extract synergistic value and improve operating leverage across its business. There is a risk that acquisitions may not generate the financial returns or performance hurdles required to meet Healius benchmarks. | Healius' due diligence process assesses the merits of each proposed acquisition and our experienced and dedicated corporate development function ensures a smooth transition of acquired businesses 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.<br><br>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.<br><br>Healius aims to continually meet licencing and accreditation standards across all businesses.<br><br>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 government at all levels. |
| **Medical indemnity claims and costs** | Through its provision of pathology and imaging services, Healius is exposed to the risk of medical indemnity or litigation. While all laboratory test methods must meet scientifically rigorous criteria before they can be used in clinical practice, there remains the possibility for inaccurate test results. Current or former patients may, in the normal course of business, start or threaten litigation for medical negligence against Healius. | 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.<br><br>Healius has in place medical indemnity and other insurance arrangements to mitigate its financial exposure. |
| **Climate change** | Healius recognises that climate change is a global issue. Climate change risks may be 'physical' with financial implications resulting from potential damage to assets and sites, 'indirect' through impacts from supply chain disruption and availability of labour, or 'transitional' because of 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.<br><br>Healius has established detailed business continuity plans (including contingent services, alternative courier routes, etc) in place for key sites, so as to minimise disruption to operations and ensure our ability to service patients and doctors.<br><br>A sustainability report is produced annually outlining Healius' efforts and progress on material areas/priorities. In FY 2022, Healius adopted the United Nations Sustainable Development Goals framework, and are continually looking to enhance its reporting by considering other global reporting frameworks. |

# Group performance

The operating and financial review includes an analysis and description of Underlying results which are defined as Reported results adjusted for non-underlying items. The Directors believe that presentation of Underlying results (non-IFRS (International Financial Reporting Standards) financial information) is useful for investors to understand the entity's core results from operations. A reconciliation is set out on page 24 and in Note A1 to the financial statements for the year ended 30 June 2023.

| | 2023 $M | 2022 $M | BETTER/(WORSE) % |
|---|---|---|---|
| BAU revenue | **1,623.2** | 1,526.8 | 6.3% |
| COVID-19 revenue | **83.8** | 763.5 | (89.0%) |
| **Total revenue (Underlying)** | **1,707.0** | 2,290.3 | (25.5%) |
| **EBITDA (Underlying)** [1] | **376.2** | 758.2 | (50.4%) |
| D&A | **(277.2)** | (271.2) | (2.2%) |
| **EBIT (Underlying)** | **99.0** | 487.0 | (79.7%) |
| Non-underlying items | **(45.1)** | (23.4) | (92.7%) |
| Impairment charges | **(388.9)** | – | – |
| **EBIT (Reported)** | **(335.0)** | 463.6 | (172.3%) |
| Interest | **(62.3)** | (49.0) | (27.1%) |
| Tax | **17.3** | (122.2) | 114.2% |
| Profit from discontinued operations | **12.2** | 15.5 | (21.3%) |
| **NPAT (Reported)** | **(367.8)** | 307.9 | (219.5%) |

## Market conditions

Healius operates within the Australian healthcare market. This market was impacted by significant changes in the year ended 30 June 2023 (FY 2023), in particular a substantial lessening in demand for COVID-19 PCR testing and broad-based GP workforce, supply and access challenges. These led to a significant drop in COVID revenues and to a soft year for GP-referred pathology services.

Compared to pre-COVID (FY 2023 v FY 2019), both Pathology and Imaging have grown below long-term trends due to the disruption caused by the pandemic. However, underlying demand drivers remain strong including a growing and ageing population with greater longevity and more complex health issues. These drivers are expected to underpin growth in the medium-term.

The underdiagnosis of conditions such as cancers and diabetes during the COVID-19 pandemic also remains an issue and may drive more diagnosis and more treatment within the population for a period of time.

1 Underlying EBITDA and Underlying EBIT are non-IFRS (International Financial Reporting Standards) financial metrics.

**Clodagh Sheehy** *Collector, Laverty Pathology*

## Group underlying results

For Healius, Group underlying revenue dropped 25.5% between FY 2022 and FY 2023 mirroring the market conditions and in particular the decline in demand for COVID-19 PCR testing. Earnings and margins for the year were impacted by this revenue reduction. In response, Healius successfully completed a cost reset program which reduced the labour base and achieved further procurement savings helping to mitigate the impacts of inflationary pressures in the business.

Healius recorded underlying EBIT of $99.0 million which was in line with consensus. The divisional analysis is as follows:

| 2023 | PATHOLOGY $M | IMAGING $M | OTHER $M | TOTAL CONTINUING OPERATIONS $M |
|---|---|---|---|---|
| **Segment revenue** | **1,272.3** | **431.2** | **3.9** | **1,707.4** |
| Intersegment sales | | | | (0.4) |
| **Total revenue** | | | | **1,707.0** |
| **EBITDA** | **293.5** | **96.2** | **(13.5)** | **376.2** |
| **EBIT** | **78.7** | **37.8** | **(17.5)** | **99.0** |

The performance of Healius Pathology and Lumus Imaging is set out on pages 26 to 29.

**Other** comprises corporate functions which includes the management of centralised support services where those functions benefit from scale. These services are allocated to Pathology and Imaging in the form of a charge based on headcount, footprint or usage. The remaining costs are classified as corporate overheads. In FY 2023, corporate overheads reduced due to tight cost control coupled with lower accrual for management incentives reflecting depressed market conditions.

## Group reported results

Reported EBIT included items which Healius identified as non-underlying. The reconciliation is as follows:

| | 2023 $M | 2022 $M |
|---|---|---|
| **Underlying EBIT** | **99.0** | 487.0 |
| Digital transformation costs | **(21.7)** | (10.5) |
| Restructuring, terminations and other costs | **(13.9)** | – |
| Transaction costs | **(3.2)** | (10.3) |
| Takeover bid costs | **(5.4)** | – |
| Transactions with discontinued operations | **(0.9)** | (2.6) |
| **Non-underlying items** | **(45.1)** | (23.4) |
| Impairment of goodwill | **(349.8)** | – |
| Impairment of leased assets | **(39.1)** | – |
| **Impairment charges** | **(388.9)** | – |
| **Reported EBIT** | **(335.0)** | 463.6 |

The adjustments between underlying and reported EBIT are as follows:

- Digital costs of $21.7 million are part of the multi-year digital transformation program.
- Restructuring, termination and other costs of $13.9 million primarily relate to the reset of the cost base in response to the post-pandemic market conditions.
- $5.4 million of takeover bid costs are due to the hostile bid launched by ACL Pathology in March 2023, together with $3.2 million of other transaction costs.
- A non-cash impairment charge of $349.8 million has been made to goodwill in the Pathology division. This impairment relates primarily to Agilex, lower forecast cashflows post COVID, and an increase in the Weighted Average Cost of Capital to 8.5% (previously 7.8%).
- A leased asset impairment of $39.1 million in Lumus Imaging. This relates to the imaging facilities in the Medical Centres which are no longer owned by Healius but over which Healius has long-term leases. The impairment is due to lower imaging volumes than were envisaged at the time of entering into the leases.

Interest costs of $62.3 million were 27.1% up on PCP, primarily due to increases in average debt levels and the cost of borrowing with a pre-tax weighted average cost of debt of 4.8% during the year.

The results of the Day Hospitals division prior to the completion of its sale in May 2023 and the gain on sale of the division, totalling $12.2 million post-tax, were recognised in discontinued operations.

The reconciliation between Reported and Underlying Profit/(Loss) after tax is as follows:

| | 2023 $M | 2022 $M |
|---|---|---|
| **Underlying NPAT** | **25.7** | 306.6 |
| After-tax adjustments to underlying EBIT | **(303.8)** | (16.4) |
| Tax differential for non-deductible items (underlying tax calculated at 30%) | **(101.9)** | 2.2 |
| Profit/(Loss) from discontinued operations | **12.2** | 15.5 |
| **Reported NPAT incl. discontinued operations** | **(367.8)** | 307.9 |

# Cash flow and gearing

Group cash flows (including continuing and discontinued operations) for FY 2023 were as follows:

| REPORTED | 2023 $M | 2022 $M |
|---|---|---|
| **Gross cash flows from operating activities** | **404.4** | 677.1 |
| Net income tax paid | **(71.1)** | (90.3) |
| **Net cash flows from operating activities** | **333.3** | 586.8 |
| Maintenance capex | **(40.1)** | (54.6) |
| **Free cash flow** | **293.2** | 532.2 |
| Growth capex | **(36.0)** | (38.9) |
| Payments relating to acquisitions | **–** | (303.3) |
| Proceeds from sale of business & PPE | **147.2** | 31.9 |
| Payments for earn-out, settlement and deferred consideration | **(3.8)** | (36.8) |
| Net interest paid and finance costs (including on lease liabilities) | **(61.6)** | (48.2) |
| Payment of lease liabilities | **(216.8)** | (214.3) |
| Dividends, buyback of shares and shares purchased for LTIP | **(43.2)** | (259.6) |
| Net debt funding/(repayment) | **(45.0)** | 345.6 |
| **Net increase in cash held** | **34.0** | 8.6 |

In FY 2023, Healius achieved gross operating cash flow conversion in excess of 100% of underlying EBITDA. Selective investments were undertaken in growth initiatives including digital customer and referrer portals and capabilities, extension to the ACC network in Healius Pathology, a new toxicology laboratory and instrumentation upgrades in Agilex, and upgrades to Lumus Imaging's facilities.

Group net debt and key ratios on 30 June 2023 were as follows:

| REPORTED | 2023 $M | 2022 $M |
|---|---|---|
| Bank loans and financing arrangements[1] | **562.1** | 606.1 |
| Cash[2] | **(115.3)** | (81.3) |
| Net debt | **446.8** | 524.8 |
| Bank gearing ratio (covenant <4.0x)[3] | **3.48x** | 1.0x |
| Bank interest cover ratio (covenant >3.0x)[4] | **4.81x** | 44x |

The Group's gearing was within its original debt covenant of 3.5x and within its negotiated increase of 4.0x for FY 2023 and 1H 2024.

# Outlook

Healius expects the Pathology market will trend higher in 2H 2024, while the Imaging market will continue with its current strong growth rates. Healius will continue to deliver on cost-out opportunities, in particular through increased automation, digitisation and the use of AI and other technology enablers, and expects its gearing to remain within bank covenants during FY 2024.

1 Bank loans of $565 million (FY 2022: $610 million) are shown net of unamortised borrowing costs.

2 FY 2022 cash includes cash in discontinued operations.

3 Bank gearing ratio is calculated based on EBITDA of $129.3 million (underlying EBITDA of $376.2 million less $247.9 million for AASB 16 plus $1.0 million for AASB 15/gain on sale of assets) and net debt of $449.9 million (net debt of $446.8 million plus unamortised borrowing costs of $2.9 million and parents company guarantees of $0.2 million).

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

# Healius Pathology

## Core revenue was up $40.1 million or 3.6% on prior comparable period (PCP). Softness in GP pathology referrals impacted Healius due to its greater exposure to the GP market relative to its key peers. COVID-19 revenue was down $679.7 million or 89.0%.

The impact of the large drop in volumes on EBITDA and EBIT margins compared to PCP in a highly leveraged business is significant.

In FY 2023, Healius undertook a reset of both its COVID and core costs, in particular COVID labour costs were removed and core labour costs were held flat, with rightsizing and leave initiatives offsetting rate increases and legislated superannuation increases. Domestic FTEs in Pathology reduced by 11% on PCP.

Healius continues to deploy its customer facing digital solutions including Referral Hub, Collectors Portal, and Results Portal. Internally the Laboratory Information System has been rolled out in two of six main departments.

Healius appointed an experienced pathologist, Dr Jan van Rooyen, as its new head of pathology in June 2023.

## Agilex Biolabs

Agilex Biolabs is a strategic adjacency offering a capital-light high-growth profile, revenue diversification away from MBS and complementary capabilities. Healius remains confident in the market fundamentals, strategic rationale for the acquisition, and Agilex's competitive position.

Revenue for the period was $32.7 million, EBITDA was $4.4 million and EBIT was $1.3 million. Importantly, the last quarter of 2023 delivered a strong exit run-rate, with operational issues from the ownership transition and scale-up of activities having now been addressed.

### Underlying Performance

| | 2023 $M | 2022 $M | BETTER/ (WORSE) % |
|---|---|---|---|
| Revenue – Pathology Core | **1,155.8** | 1,115.7 | 3.6% |
| Revenue – Pathology COVID | **83.8** | 763.5 | (89.0%) |
| Revenue – Agilex | **32.7** | 11.2 | 192.0% |
| Revenue – Total | **1,272.3** | 1,890.4 | (32.7%) |
| EBITDA | **293.5** | 702.6 | (58.2%) |
| Depreciation and amortisation | **(214.8)** | (204.2) | (5.2%) |
| EBIT | **78.7** | 498.4 | (84.2%) |

**2,152**
Sites

**$1.3B**
Operating revenue


Norrie Arabit Communication Room Operator, Laverty Pathology

**$79M**
Underlying EBIT


Dr Shabnam Irandoust MD, FRCPA, FIAC Anatomical Pathologist, Anatomical Pathology & Cytopathology, Laverty Pathology

# Lumus Imaging

## Lumus Imaging's gross[1] revenue grew above market at 7.3% on PCP. The community and hospital channels grew by 9.0% while the Medical Centres channel declined by 1%. Growth in volumes was supported by ongoing use of higher-end modalities driving higher fees.

Compared to pre-COVID (FY 2019), Lumus Imaging delivered growth and improved efficiency. The compound average growth rate (excluding Medical Centres) for gross revenue per FTE was 4.2% and for exams per FTE was 3.1%.

Lumus Imaging's underlying EBIT nearly doubled in FY 2023, due to the benefits of cost management and digital initiatives as well as the leverage impact of higher volumes on a fixed cost base. Of note in FY 2023, Lumus Imaging:

- appointed a radiologist, Dr Phil Lucas, as Group Executive, Lumus Imaging,
- recruited a number of radiologists in the period supported by the new employment model,
- developed a greenfield clinic pipeline, with three committed and a further three with advanced business cases, and
- continued the roll-out of customer-facing digital tools.

### Underlying Performance

| | 2023 $M | 2022 $M | BETTER/(WORSE) % |
|---|---|---|---|
| Revenue | **431.2** | 393.9 | 9.5% |
| EBITDA | **96.2** | 81.8 | 17.6% |
| Depreciation and amortisation | **(58.4)** | (62.7) | 6.9% |
| EBIT | **37.8** | 19.1 | 97.9% |

1 Gross revenue is before, and statutory revenue is after, deduction for radiologists' share of revenue under AASB 15.

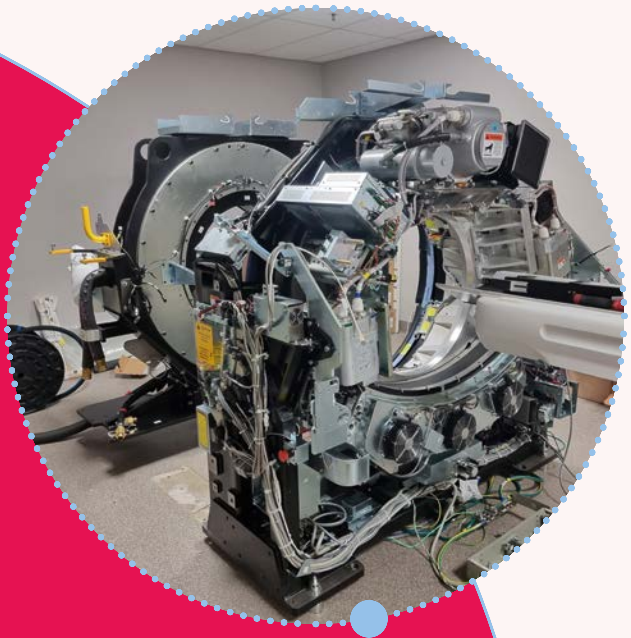
## GE Omni Legend PET/CT opens for scanning

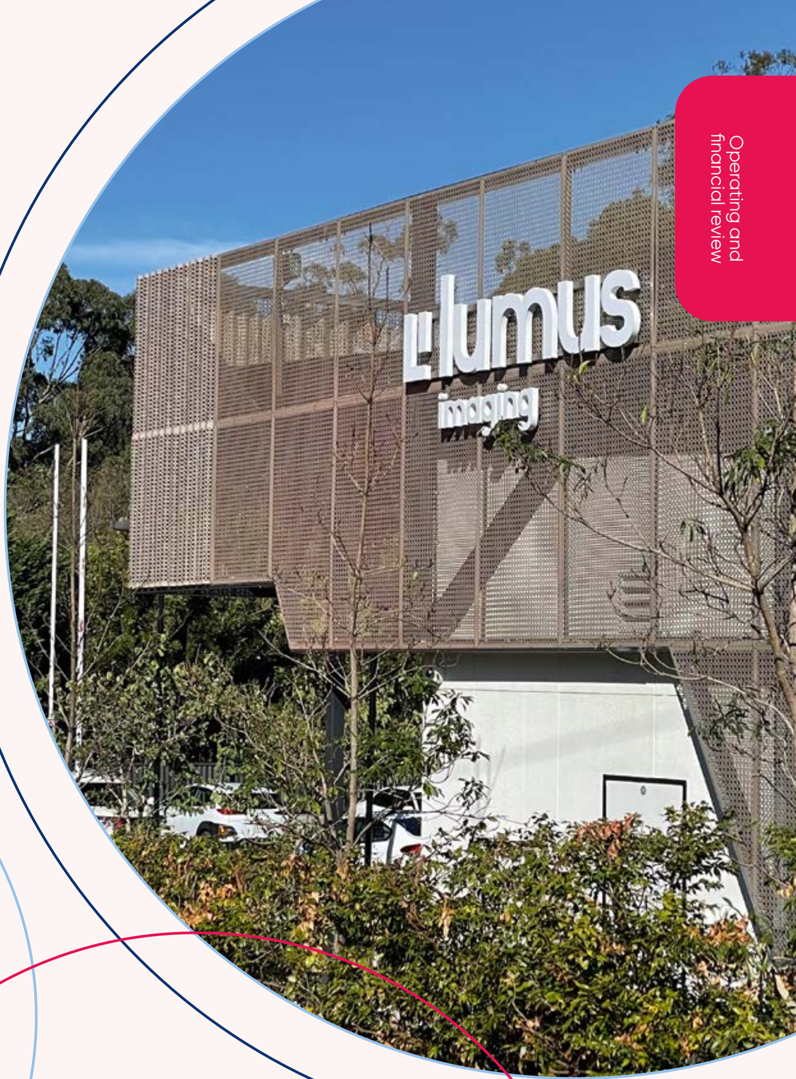
Lumus Imaging partnered with GE HealthCare to deliver a new era of PET/CT technology to St Vincent's Hospital Northside in Queensland bringing the future to the present with market-leading lesion sensitivity and scanning speed.

Other improvements include more accurate diagnosis and treatment planning and earlier detection of disease all resulting in better outcomes for both our clinicians and patients plus reducing the injected radiation dose and scanning times by 50%.

Dr Tom Huang, who leads the Lumus Imaging Nuclear Medicine Radiologist team at the hospital, reports that in the first two weeks of operation, over 70 patients were scanned and a 50% uplift in capacity was seen – running at 12 patients per day.

The Omni Legend delivers excellent PET image quality, better than other PET/CT machines can produce at this dose/time protocol, as well as significant improvements in speed and dose reduction.

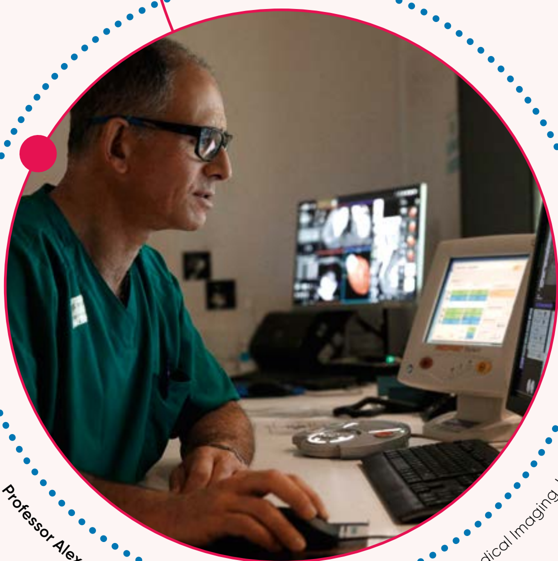





**148**
Sites

**$431M**
Operating revenue

**$38M**
Underlying EBIT



**Professor Alexander Pitman** Director of Imaging, Northern Beaches Medical Imaging, Lumus Imaging

# Board of Directors

## Jenny Macdonald

BCOM, MEI, GAICD, CA ANZ.

NON-EXECUTIVE CHAIR

Ms Macdonald was appointed as a Non-Executive Director in November 2020. She was appointed Chair of the Board in September 2022 and at that time she stepped down as Chair of the Audit Committee and as a Member of the Risk Management Committee.

Jenny brings to the Board extensive financial, regulatory and governance expertise, coupled with a strong focus on understanding market trends and customer and consumer behaviour. She has a track record developing and implementing strategy with a focus on value creation, growth and capital management discipline.

Jenny spent her executive career in customer-facing organisations primarily in technology, retail, travel services and manufacturing, where she was responsible for strategic turnarounds and digital transformation.

Her last executive role was interim CEO and CFO at Helloworld Limited, where she oversaw the merger with AOT Group to create the second largest integrated travel distribution business in Australia and New Zealand. Before that, she was the CFO and General Manager International of the REA Group, with responsibility for the financial growth strategy and execution for operations in Southeast Asia and parts of Europe, having helped deliver record revenue and net profit for the company.

Jenny holds a Bachelor of Commerce and a Master of Entrepreneurship and Innovation from Swinburne University, is a Graduate of the Australian Institute of Company Directors and a Chartered Accountant.

## Maxine Jaquet

BCOM

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Ms Jaquet was appointed Managing Director and Chief Executive Officer of Healius in March 2023. Previously, Maxine served as Chief Financial Officer from August 2019. Her role expanded in January 2021 to include Chief Operating Officer. Maxine joined Healius in July 2015 as Group Director – Commercial and was appointed Chief Executive for Health & Co. from March 2016.

As CEO, Maxine has extensive executive experience, and brings a strategic approach. She has led significant turnaround efforts, generating substantial margin improvement and business growth. She has also established and managed complex international partnerships, and has deep commercial and operational line management experience across industrials and consumer sectors. Maxine's track record at Healius includes leading the portfolio strategy which created a pure diagnostics business, building a dynamic leadership team, investing in leading-edge technology, establishing and growing the successful private-billing general practitioner network, Health & Co. prior to its sale and leading two efficiency reviews with significant productivity gains.

Maxine holds a Bachelor of Commerce from Macquarie University.

## 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 and was appointed as Chair of the Audit Committee in September 2022. He is a former Chair and member of the Risk Management Committee, having stepped down as Chair of that committee in January 2023.

Gordon has been an executive or non-executive director of ASX listed companies for 17 years. Before becoming a Non-Executive Director, he was Managing Director of AWB Limited between 2006 and 2010 and had a varied career, managing international operating businesses in chemicals and agriculture. Gordon joined the Healius Board at a time of some corporate uncertainty, bringing experience in governance and business transformation in challenging circumstances.

He served as Policy Advisor to the federal Leader of the Opposition from 1990 to 1993 in the fields of environment, science and resources.

Gordon holds degrees in B Forest Science, Master of Ag. Science, and an MBA from Melbourne University.

## Sally Evans

BHSC, FAICD, GAIST.

NON-EXECUTIVE DIRECTOR

Ms Evans was appointed as a Non-executive Director in August 2018. She is Chair of the People & Governance Committee and a member of the Risk Management 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. With large scale change and growth leadership experience, Sally moved to asset management in social infrastructure covering debt and equity raisings, investor relations, acquisitions and governance.

During her career, Sally has frequently been appointed to Ministerial Advisory Committees. She holds a Bachelor of Applied Science from the University of Otago, is a Fellow of the Australian Institute of Company Directors, and Graduate of the Australian Institute of Superannuation Trustees.

## John Mattick

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

NON-EXECUTIVE DIRECTOR

Professor Mattick was appointed as a Non-Executive Director in March 2022 and is a member of the Audit and Risk Management Committees.

John is a Professor in the School of Biotechnology and Biomolecular Science at UNSW Sydney. From 2018 to 2010, he was Chief Executive of Genomics England, which was established by the UK government to foster the use of genetic information in healthcare. He was Director of the Garvan Institute of Medical Research in Sydney from 2012 to 2018, where he established high throughput NATA accredited DNA sequencing and genome analysis facilities.

John was a member of the Australian Health Ethics Committee (AHEC) of the National Health & Medical Research Council (NHMRC) from 1997 to 2003, an advisor to the Australian Law Reform Commission's Inquiry into the Protection of Human Genetic Information and Gene Patenting & Human Health, and the AHEC Committee to Revise the Ethical Guidelines on Assisted Reproductive Technology.

John is a Fellow of the Australian Academies of Science, Technology & Engineering, and Health & Medical Sciences, and an Honorary Fellow of the Royal College of Pathologists of Australasia. He was appointed an Officer of the Order of Australia in 2001 for services to scientific research in the fields of molecular biology, genetics and biotechnology.

## Kate McKenzie

BA, LLB, MAICD.

NON-EXECUTIVE DIRECTOR

Ms McKenzie was appointed as a Non-Executive Director in February 2021. She was appointed Chair of the Risk Management Committee in January 2023 and is a member of the People & Governance Committee.

Kate is a highly experienced Chief Executive Officer and Non-Executive Director with extensive experience in large change management and digital transformation. She started her career in the public sector, where among other things, she was involved in aspects of health policy, including a state-based review of health system and re-negotiation of a Medicare agreement, and had extensive involvement in working with Treasury on health budget allocations and methodologies.

Kate joined Telstra in 2004 and held a range of senior executive roles in strategy, marketing, products and operations (responsible for networks, IT, field services and property). She was CEO of Chorus, a publicly listed NZ telco, for three years from 2017.

Kate holds a Bachelor of Arts and Bachelor of Law from the University of Sydney and is a Members of the Australian Institute of Company Directors.

## Charlie Taylor

BEC, LLB, MPHIL ECONOMICS

NON-EXECUTIVE DIRECTOR

Mr Taylor was appointed as a Non-Executive Director in 20 March 2023 and is a member of the Audit and People & Governance Committees. Charlie has over 30 years' experience in international advisory having recently retired as Senior Partner at McKinsey where he led the Health and Public Sector practices. He has advised many of Australia's private and public sector healthcare organisations on topics including strategy, digital, operations and growth transformations, global expansion and supply chains, mergers and acquisitions and board governance. Charlie initiated multi-year research efforts on healthcare, COVID response, productivity and innovation and has published research articles and reports on healthcare reform lessons from around the globe.

Charlie is currently a part-time senior board advisor at McKinsey for the Health and Public Sector practice, a Director of MacLauglin River Pastoral Company, a member of the strategic advisory committee For Purpose Investment Partners and was recently appointed as Chair of the NSW Innovation and Productivity Commission. Charlie is the Honorary Federal Treasurer for the Liberal Party and a Board member on the Federal Executive.

Charlie holds a Bachelor of Economics (First Class) and Laws (Hons) from the University of Sydney, and a Masters' in Philosophy Economics from the University of Cambridge.

# Executive Leadership Team

## Maxine Jaquet
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Ms Jaquet was appointed Managing Director and Chief Executive Officer of Healius in March 2023. Previously, Maxine served as Chief Financial Officer from August 2019. Her role expanded in January 2021 to include Chief Operating Officer. Maxine joined Healius in July 2015 as Group Director – Commercial and was appointed Chief Executive for Health & Co. from March 2016. As CEO, Maxine has extensive executive experience, and brings a strategic approach. She has led significant turnaround efforts, generating substantial margin improvement and business growth. She has also established and managed complex international partnerships, and has deep commercial and operational line management experience across industrials and consumer sectors. Maxine's track record at Healius includes leading the portfolio strategy which created a pure diagnostics business, building a dynamic leadership team, investing in leading-edge technology, establishing and growing the successful private-billing general practitioner network, Health & Co. prior to its sale and leading two efficiency reviews with significant productivity gains.

## Paul Anderson
CHIEF FINANCIAL OFFICER AND HEAD OF PEOPLE

Mr Anderson was appointed Chief Financial Officer effective 1 March 2023. Paul was previously Chief Executive Officer of Network Ten from 2015 to 2020 and was also Executive Vice President Viacom CBS Networks Australia & New Zealand from 2019 to March 2020. He worked at Network Ten in a range of finance roles before being appointed Group Chief Financial Officer in 2011 and Chief Financial and Operating Officer in 2014. Before joining Network Ten, Paul worked for over a decade at CLS Holdings plc in London and KPMG in New Zealand. He is a Chartered Accountant (ANZ) and a member of the Governance Institute of Australia.

## Jan van Rooyen
GROUP EXECUTIVE, HEALIUS PATHOLOGY

Dr Van Rooyen was appointed Group Executive, Healius Pathology effective from 19 June 2023. Jan is both a Pathologist and a business leader and was the Chief Executive Officer of AMPATH in South Africa for nearly 20 years. Under his leadership, AMPATH was transformed clinically and operationally from a collection of independent practices to a market-leading business. During this time, Jan took the lead in bringing together 70 pathologists and support teams as well as IT systems consolidation and grew the business to 160 pathologists and more than 4,000 staff members. By 2018 AMPATH had around 900 collection facilities and was performing ~24 million tests a year, having become the leading pathology practice in South Africa with a market share (~40%) and a reputation for ethics and quality.

## Phil Lucas
GROUP EXECUTIVE, LUMUS IMAGING

Dr Lucas joined Healius as Group Executive, Lumus Imaging in January 2023. Phil is a skilled radiologist with over 25 years' experience. Before joining Healius, he was a Director of PRP Diagnostics Imaging (PRP) for over 15 years. Phil has broad clinical, commercial and leadership experience with a proven record developing imaging practices, including establishing the first PRP clinics and growing the PRP group to move than 24 sites. Phil has also held positions as Clinical Lecturer at the University of NSW, Associate Lecturer at the University of Sydney and Honorary Radiologist for the 2000 Sydney Olympics and a number of NSW and Australian Rugby, AFL and NRL teams. He continues as a consultant radiologist part time at Northern Beaches Hospital, Sydney.

## Prasad Arav
GROUP EXECUTIVE, DIGITAL AND TECHNOLOGY

Mr Arav joined Healius in April 2021 and is the Group Executive for Digital and Technology. Prasad has over 20 years of experience in technology-focused executive roles and management consulting. He has successfully managed digitisation of businesses and new market expansions across Big-4 banking, health, insurance, and retail industries. Prior to joining Healius, Prasad was Chief Digital Officer and Chief Information Officer for a health insurer and Chief Strategy Officer for a global technology company. In his role, he is responsible for the CIO function, as well as for Healius Digital, which is focused on building a leading diagnostics platform across Pathology and Imaging. This includes modernising Healius' LIS as well deploying new Digital Health solutions focused on improving services for doctors and patients.

## Jon Eide GROUP EXECUTIVE, COMMERCIAL AND CUSTOMER

Mr Eide was appointed as Group Executive, Commercial and Customer in April 2023. Jon joined Healius in 2020 and previously held the role of Chief Commercial Officer for Healius Pathology. In his role, Jon is responsible for leading our Healius-wide Commercial and Customer team, working across both Imaging and Pathology to deliver our revenue growth and diversification strategies. Prior to this, Jon held a number of senior commercial roles at Qantas over 12 years, including leadership of the airline's strategic partnership portfolio and optimisation of the $5 billion+ revenue pool associated with the international network. Earlier in his career, Jon worked as a management consultant serving a global client base across diverse industries such as financial services, manufacturing, information and communication technology, retail and aviation.

## Steve Humphries GROUP EXECUTIVE, GENERAL AFFAIRS AND DEPUTY CFO

Mr Humphries was appointed as Group Executive, General Affairs and Deputy Chief Financial Officer in April 2023. Previously, Steve has held the role of Deputy Chief Financial Officer since February 2020 and before that was contracted to Healius as Acting Chief Financial Officer from May to August 2017. Steve spent more than 35 years working in professional services including 23 years as Senior Assurance Partner at PwC before retiring in February 2017. While predominately based in Sydney he has also worked in New Zealand, United Kingdom, Indonesia, Papua New Guinea and other parts of Southeast Asia. He has extensive experience, commercial acumen developed working across numerous industries including healthcare, financial services, manufacturing, construction, technology, media & communications, and resources sectors.

## Arjun Narang GROUP EXECUTIVE, OPERATIONS TRANSFORMATION

Mr Narang was appointed as Group Executive, Operations Transformation in May 2023. Arjun joined Healius in November 2021 and previously held the role of General Manager, Operations Transformation. Arjun has extensive business management, advisory and start-up experience across Australia, Asia, Europe, Africa and North America. Prior to joining Healius, Arjun successfully built start-up Internet of Things (IoT) businesses at Ventia and Taggle Systems enabling low-cost data collection at scale and Big Data analytics to drive better operational management and capital allocation decisions. He then moved on to Aurecon in 2019 to become a senior leader in their Asset Management & Performance Advisory business. Arjun's career has included running operations for Schlumberger Wireline and over 15 years advising Boards and senior management teams on operations transformation and strategy. He started his consulting career at Mitchell Madison Group going on to become a co-founder of Sourcing Value.

## Mark Neeham GROUP EXECUTIVE GOVERNMENT AFFAIRS

Mr Neeham 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, public affairs communications and cultural change. He also has a military background, serving in the British Army, and continues to serve, working with the Australian Army to develop the next generation of leaders. Mark has responsibility for developing and implementing Healius' relationship strategies with Government, professional and industry bodies and external stakeholders. Since 2018, Mark has also been President of Australian Pathology, the peak body for private pathology in Australia.

## Janet Payne GROUP EXECUTIVE CORPORATE AFFAIRS

Ms Payne was appointed as Group Executive Corporate Affairs in July 2015. Janet joined Healius from CIMIC Group Ltd where she was head of investor relations. She has worked in a range of roles, including investor and media advisory and board advisory. Janet managed the Initial Public Offering and established investor relations at Qantas Airways Limited. Her former corporate roles were in the finance industry, having started her career at KPMG in London and Sydney.

# Directors' Report
for the year ended 30 June 2023

The Directors of Healius Limited (referred to as 'Healius' or 'the Company') submit their Report for the financial year ended 30 June 2023 (referred to as 'the year' or 'FY 2023'), 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 2023

- Jenny Macdonald
- Gordon Davis
- Sally Evans
- Kate McKenzie
- John Mattick

### NEW DIRECTORS DURING FY 2023

- Maxine Jaquet (from 1 March 2023)
- Charlie Taylor (from 20 March 2023)

### DIRECTORS WHO CEASED IN FY 2023

- Robert Hubbard (retired as a Director and Chair 19 September 2022)
- Paul Jones (retired as a Director 20 October 2022)
- Malcolm Parmenter (retired as Managing Director and Chief Executive Officer 1 March 2023)

## Qualifications and experience of Directors

### CONTINUING DIRECTORS

The qualifications and experience of each new and continuing Director are set out on pages 24–25 of this Annual Report.

### FORMER DIRECTORS

**Robert Hubbard** BA (Hons), FCA

NON-EXECUTIVE DIRECTOR & 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 joined the People & Governance Committee on 24 July 2018 and was a member of the Risk Management Committee up to that date. Rob holds a Bachelor of Accounting (Honours) degree from Birmingham City University. He is a Fellow of the Institute of Chartered Accountants in Australia. He previously held partnership positions in the accounting, corporate finance, assurance and audit divisions of PricewaterhouseCoopers and acted as external auditor for some of Australia's largest ASX-listed companies.

**Paul Jones** MB. BS. FAMA

NON-EXECUTIVE DIRECTOR

Dr Jones was appointed as a Non-executive Director in November 2010. During FY 2023, he was a member of the Audit Committee and the People & Governance Committee and over his tenure as a Director served on all three of the Board's committees. 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.

**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.

## Committees of the Board in FY 2023

| AUDIT COMMITTEE | PEOPLE & GOVERNANCE COMMITTEE | RISK MANAGEMENT COMMITTEE |
|---|---|---|
| **Chair**<br>Jenny Macdonald (until 19 September 2022)<br>Gordon Davis (from 19 September 2022) | **Chair**<br>Sally Evans | **Chair**<br>Gordon Davis (until 1 January 2023)<br>Kate McKenzie (from 1 January 2023) |
| **Members**<br>Gordon Davis (until 19 September 2022)<br>Robert Hubbard (until 19 September 2022)<br>Paul Jones (until 19 September 2022)<br>Jenny Macdonald<br>John Mattick (from 19 September 2022)<br>Kate McKenzie (from 19 September 2022 to 1 January 2023)<br>Charlie Taylor (from 27 June 2023) | **Members**<br>Kate McKenzie<br>Charlie Taylor (from 1 May 2023)<br>Jenny Macdonald (from 19 September 2022 to 1 May 2023) | **Members**<br>Sally Evans<br>John Mattick<br>Gordon Davis (from 1 January 2023)<br>Kate McKenzie (until 1 January 2023)<br>Jenny Macdonald (until 19 September 2023) |

## Group Company Secretary

### QUALIFICATIONS AND EXPERIENCE OF COMPANY SECRETARIES DURING FY 2023

**Mary Weaver** BA(Hons)/LLB AGIA ACIS

Mary Weaver was appointed as Group Company Secretary of the Company on 28 March 2023. Mary was admitted as a legal practitioner in 1996 and has been an Associate of the Governance Institute, Australia since 2009. She held graduate and associate roles at Allens and Baker & McKenzie, and in-house legal and governance roles in health, construction and property organisations including Multiplex Limited, Genea Limited and the Aventus Group. She was Company Secretary of Genea Limited for seven years, the Aventus Group (ASX:AVN) for seven years and the HomeCo Daily Needs REIT (ASX:HDN) for nine months. Mary Weaver is the person responsible for communications between the Company and ASX.

**Steve Humphries** BSc (Combined Honours), FICAA and FICAEW

Steve Humphries is the Group Executive, General Affairs and Deputy Chief Financial Officer, a role which commenced in March 2023 when he was also appointed as a Company Secretary of the Company. Mr Humphries has held the role of Deputy Chief Financial Officer since February 2020 and was contracted to Healius as Acting Chief Financial Officer from May to August 2017. Mr Humphries spent more than 35 years working in professional services including 23 years as a Senior Assurance Partner at PwC before retiring in February 2017. He has extensive experience working across numerous industries including the healthcare, manufacturing, construction, technology, media & communications, and resources sectors. He is a Chartered Accountant and holds a Bachelor of Science degree in Business Studies and Politics (Combined Honours) from the University of Aston in Birmingham, UK. He is a Fellow of both the Institute of Chartered Accountants in Australia and The Institute of Chartered Accountants England and Wales, and is a graduate of the Australian Institute of Company Directors.

## Directors' meetings during FY 2023

The number of meetings of the Board and of each Board committee held during FY 2023 and the number of meetings attended by each Director are set out below:

| | BOARD OF DIRECTORS | | AUDIT COMMITTEE | | PEOPLE & GOVERNANCE COMMITTEE | | RISK MANAGEMENT COMMITTEE | |
|---|---|---|---|---|---|---|---|---|
| DIRECTOR | ELIGIBLE | ATTENDED | ELIGIBLE | ATTENDED | ELIGIBLE | ATTENDED | ELIGIBLE | ATTENDED |
| Jenny Macdonald | 18 | 18 | 5 | 5 | 3 | 3 | 1 | 1 |
| Gordon Davis [1] | 18 | 18 | 5 | 4 | N/A | N/A | 3 | 3 |
| Sally Evans | 18 | 18 | N/A | N/A | 8 | 8 | 3 | 3 |
| Kate McKenzie | 18 | 18 | N/A | N/A | 8 | 8 | 3 | 3 |
| John Mattick | 18 | 18 | 2 | 2 | 1 | 1 | N/A | N/A |
| Maxine Jaquet | 6 | 6 | N/A | N/A | N/A | N/A | N/A | N/A |
| Charlie Taylor | 5 | 5 | 1 | 1 | 4 | 4 | N/A | N/A |
| Malcolm Parmenter [2] | 12 | 11 | N/A | N/A | N/A | N/A | N/A | N/A |
| Rob Hubbard | 3 | 3 | 2 | 2 | 1 | 1 | N/A | N/A |
| Paul Jones | 4 | 4 | 2 | 2 | 1 | 1 | N/A | N/A |

1 Gordon Davis was granted leave of absence from one Audit Committee meeting.

2 Malcolm Parmenter was granted leave of absence from one Board meeting.

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

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

## Directorships of other listed companies held by Directors

| DIRECTOR | COMPANY | POSITION | DATE APPOINTED | DATE CEASED |
|---|---|---|---|---|
| **Jenny Macdonald** | Australian Pharmaceutical Industries Limited | Director | 09/11/2017 | 31/03/2022 |
| | Bapcor Limited | Director | 01/09/2018 | 19/10/2022 |
| | Redbubble Limited | Director | 22/02/2018 | |
| | Siteminder Limited | Director | 21/10/2021 | |
| **Gordon Davis** | Midway Limited | Director and Chair | 06/04/2016 | |
| | Nufarm Limited | Director | 31/05/2011 | |
| **Sally Evans** | Ingenia Communities Holdings Limited | Director | 01/12/2020 | |
| | Oceania Healthcare Limited | Director | 23/03/2018 | |
| **Kate McKenzie** | AMP Limited | Director | 18/11/2020 | |
| | Stockland Corporation Limited | Director | 02/12/2019 | |

## Significant change in the state of affairs
During FY 2023 the Group sold its Day Hospitals business in its entirety.

## Principal activities
During the year, the Group had two principal continuing activities – pathology and imaging. 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.

## Operating and financial review
An operating and financial review of the Group during the year, and the results of those operations, appears on pages 2–23 of this Report. The review includes an analysis of underlying results which are defined as reported results adjusted for non-underlying items. The directors believe that the presentation of Underlying results (non-IFRS (International Financial Reporting Standards) is useful for investors to understand the entity's financial results from operations.

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

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

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

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

## On-market buyback
Pursuant to ASX listing Rule 4.10.18, the Company notes there is no on-market buyback in progress as at the date of this Report.

## Securities purchased for employee incentive scheme
During FY 2023, the Company purchased 975,995 ordinary Shares on-market at an average price of $3.83 per Share to satisfy the entitlements of the holders of Options issued under the FY 2020 Transformational Long-Term Incentive Plan (an employee incentive scheme) to acquire ordinary Shares on the exercise of those Options.

## Dividends

During FY 2023, the FY 2022 final dividend of 6 cents per share (100% franked) was paid to the holders of fully paid ordinary Shares on 21 September 2022.

In respect of FY 2023 the Board determined that no dividend would be paid.

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 2023 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[1] | LAPSED SINCE PRIOR ANNUAL REPORT[1] | CLOSING BALANCE |
|---|---|---|---|---|---|
| Transformation Long-Term Incentive Plan (TLTIP) FY 2020–22 | 24,262,825 | – | – | 12,131,414 | 12,131,411 |
| Balance as at date of this Report | 24,262,825 | – | – | 12,131,414 | 12,131,411 |

1 12,131,414 Options lapsed as no Options exercised in relation to the second tranche of the FY 2020 TLTIP.

## Shares issued on the exercise of Options

1,619,909 fully paid ordinary Shares of Healius were issued during, or since the end of, FY 2023 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 2023 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 2023. Healius has not otherwise, during or since the end of FY 2023, 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 106 of this Report.

## Management of safety risks

Healius as a healthcare provider is dedicated to ensuring a safe work environment for our team members, patients, and customers. Healius continuously reviews and updates the health and safety management system (WHSMS) to align with its regulatory and operational requirements.

Healius has adopted a range of key performance indicators, encompassing lead and lag indicators, which are used to monitor work, health and safety (WHS) performance.

The key indicators, and their targets are as follows:

| | TARGET | FY 2023 | FY 2022 |
|---|---|---|---|
| Completion of Health and Safety Plan activities by worksites | 90% of planned activities completed | 93% | 92% |
| Mini audits – measuring compliance to WHSMS | 75% compliance rate | 96% of the 160 mini audits conducted met or exceeded the target | 97% of the 162 mini audits conducted met or exceeded the target |
| Internal Health and Safety audits – measuring compliance to National Audit Tool Version 3 | 80% compliance rate | 94% of the 32 internal audits conducted met or exceeded the target | 94% of the 33 internal audits conducted met or exceeded the target |
| Number of WHS prosecutions | Zero | Zero | Zero |
| Lost Time Incidents per Million Hours Worked (LTIFR) | Zero | 7.3 [1] | 4.2 [1] |

1 Adjusted LTIFR. LTIFR including COVID-19 related exposure incidents is 15.9 (FY 2022: 18.2).

Despite operational challenges during the past year, our performance in key proactive health and safety indicators remains strong. This is commendable, given a continued reduction in site visits and remote auditing due to the lag effects of COVID-19.

In FY 2023, 93% of planned WHS activities were completed across the Group, surpassing the benchmark of 90%. WHS Audits play a vital role in assessing our WHSMS implementation. WHS Mini Audits conducted by the team provide an independent evaluation of workplace implementation.

FY 2023 saw 160 mini audits conducted across Healius Group, with 96% of workplaces achieving or exceeding benchmark compliance, which is comparable to the previous year. This highlights that the WHS management system's site-level operation was maintained. Corrective action plans were established for sites not meeting the benchmark.

Onsite WHS mini audits by WHS coordinators re-commenced in 2H 2023 for local sites with regional sites to resume in FY 2024, offering greater support and feedback to workplace managers. In summary, proactive safety indicators affirm the maintenance of the WHS management system's site-level operation over the past year.

FY 2024 will also focus on enhancing health and safety capabilities, aiming for a proactive, people-centered approach to maintain mental and physical well-being. A roadmap of WHS activities is under development, incorporating safety indicators such as hazard management, audit non-conformance corrective actions, and incident investigation completion rates into quarterly WHS division performance review meetings.

Healius is self-insured for workers' compensation in certain states, underwriting claims and employing re-insurance policies to protect against significant cost claims. In other regions, insurance policies for workers' compensation are held.

Healius provides its people with information on rights, responsibilities, claims procedures, and complaint handling. Accounting provisions are recognized based on reported and estimated claims, determined through discounted and actuarial valuations. Reporting on claims and provisions is made to senior management and the Board.

## 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 www.healius.com.au/invest-in-us/reports/sustainability-report/.

# Remuneration Report (Audited)

This report sets out the remuneration arrangements for the Company's executive Key Management Personnel (KMP) and Non-executive Directors for the year ended 30 June 2023 (FY 2023).
It is prepared in accordance with section 300A of the *Corporations Act 2001* (Corporations Act).

## 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 2023 (FY 2023). This Report sets out the remuneration framework for our senior executives (defined as Key Management Personnel (KMP) and other members of the Executive Leadership Team (ELT)) and the specific outcomes for our KMP in FY 2023.

Our remuneration framework aims to attract, retain and reward talented employees while aligning their 'at risk' arrangements to sustained shareholder value creation. In FY 2023 the executive succession plan developed to support the delivery of the Healius ***Diagnostics for Life*** strategy was implemented with the promotion of Maxine Jaquet to the role of Managing Director and CEO. In addition, we recruited an experienced CFO and two business unit leaders with clinical and commercial expertise in their respective fields of pathology and radiology. We believe that we have in place an ELT capable of successfully driving your Company's future growth, delivering improved operational and financial outcomes, and enhancing its culture and sustainability.

In FY 2023, the fixed annual remuneration of our KMP was established at the time of their respective promotions and/or appointments, taking into consideration the Group's size and complexity, the individual's skills, expertise and responsibilities, and market benchmarking. For our CEO Maxine, this included the recalibration of her total remuneration package at maximum award levels. Outcomes are set out in this report.

Following the announcement of an off-market takeover bid from Australian Clinical Labs Limited (ACL) on 20 March 2023, the Board sought to support retention and give key executives certainty of their remuneration outcomes during this extended offer period. For your KMP this meant determining that, in a change of control event, the Board's discretion would be applied to remove performance hurdles and vest all on-foot Performance Rights and Options. These arrangements remain on foot up until 30 June 2024.

No STIs have been awarded in FY 2023 since budgetary outcomes were not met this year amid the difficult market trading conditions, as described in detail in the Operating and financial review section of this Annual Report. While some of the non-financial STI measures were achieved, the board applied negative discretion to the STI awards for all ELT.

In relation to the LTIPs, FY 2023 was the second (of three) measurement years for the FY 2020 Transformation LTIP. No options were exercised under the second tranche of the TLTIP because the options were out of the money at the measurement date, with the option value being lower than the strike price.

A simpler FY 2023 LTIP was approved at the 2022 AGM. In response to stakeholder feedback, this plan included the granting of Performance Rights rather than Options, to be determined at Face Value instead of Fair Value. The weighting of the rTSR hurdle was increased from 33.3% to 66.7%, with a commensurate reduction in the EPS percentage, to drive closer alignment to shareholder returns. This LTIP also expands the number of eligible participants while maintaining a similar cost to the Company. Performance Rights have been granted to be measured after the end of FY 2025 in relation to performance over the three-year period.

For your Non-Executive Directors (NEDs), we undertook a review of base fees as these have been unchanged since FY 2018, with the assistance of an external review. Details of the proposed fee pool increase is set out in this report. In terms of equity holdings, your NEDs have a target of one year's fees in equity by 30 June 2025 or five years after their date of appointment.

Before closing I would like to emphasise that your Board believes that we have the right leadership team and the right remuneration structures in place to drive your Company's future growth through delivery of our ***Diagnostics for Life*** strategy and its four pillars of Service, Insights, Operating Leverage and People.

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. Healius' Remuneration Governance

Healius' Remuneration Governance Framework and the Charter of the People & Governance Committee are available on the Company's corporate governance section at: 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 | Kate McKenzie | Charlie Taylor**

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:

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

### Officers or employees | External consultants | Other stakeholders

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

## 2. Overview of senior executive remuneration framework

### Remuneration Principles

- Support Healius' Purpose, Mission and Values and the business strategy
- Attract, reward and retain high calibre senior executives being executive Key Management Personnel (KMP) and other members of the Executive Leadership Team (ELT)
- Align the rewards of these executives to performance and sustained shareholder value
- Continually reviewed to ensure relevance.

### Fixed Remuneration (FAR)

- 37.5% of Total Remuneration Package (TRP) at maximum for CEO and CFO
- 39% of TRP at maximum for other KMP and ELT
- 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
- Ongoing assessment against change in role scope, market relativities, and general wage movements
- Ongoing consideration of retention preferences and succession planning
- Minimum shareholding policy requiring 1.0x FAR for KMP and 0.5x for other members of the ELT to be held in shares

### FY 2023 Short-term Incentive Plan (STIP)

- 25% of TRP and 67% of FAR at maximum for CEO and CFO
- 22% of TRP and 56% of FAR at maximum for other KMP and ELT
- To reward achievement over one financial year
- Measured against an individual's scorecard which includes financial, operational, strategic and sustainability Key Performance Indicators (KPIs) with behaviours acting as a gateway to any award (including the Board's discretion to modify any award to zero if deemed necessary)
- Comprises 67:33 cash and equity. The equity portion is in the form of Restrictive Shares which are deferred in equal portions for a further one and two years beyond the performance year subject to on-going employment
- Creates senior executive equity ownership, directly aligns senior executives with shareholders and encourages retention
- Scaling of financial hurdles to include stretch or maximum levels incentivises senior executives to continue to outperform if a lower goal has been achieved
- STIP payments or vesting in the prior three financial years are subject to Healius' clawback policy, if it transpires that they were based on materially incorrect performance information or that actions taken by the relevant senior executive to secure a benefit were, are or will be detrimental to the best interests of Healius

### FY 2023 Long-term Incentive Plan (LTIP)

- 37.5% of TRP and 100% of FAR at maximum for CEO and CFO
- 39% of TRP and 100% of FAR at maximum for other KMP and ELT
- To reward multi-year performance, achievement of long-term strategic objectives and help retain key talent
- 67% measured against relative Total Shareholder Return (rTSR) and 33% against underlying Earnings per Share (EPS) growth, directly aligned with shareholder interests
- Comprises a grant of Performance Rights which are assessable after the end of FY 2025
- Creates senior executive equity ownership, directly aligns senior executives with shareholders and encourages retention
- Scaling of rTSR and EPS hurdles to include stretch or maximum levels incentivises senior executives to continue to outperform if a lower goal has been achieved
- A positive rTSR gate applies to Healius' rTSR performance such that no award can be made if Healius' rTSR over the measurement period is zero or negative
- LTIP vesting in the prior three financial years are subject to Healius' clawback policy, if it transpires that they were based on materially incorrect performance information or that actions taken by the relevant senior executive to secure a benefit were, are or will be detrimental to the best interests of Healius

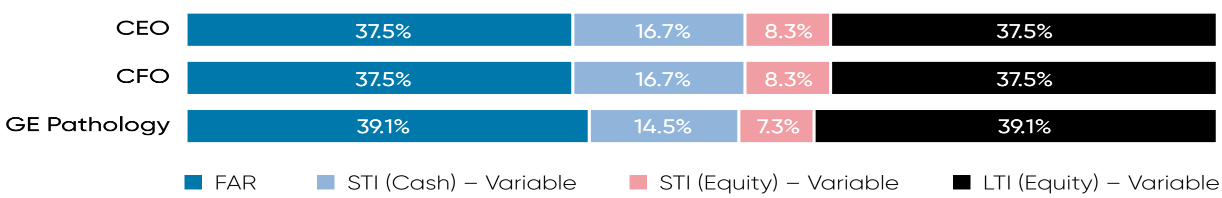
## 3. Executive Key Management Personnel FY 2023

KMP are the Non-executive Directors, the executive Director and employees who have authority and responsibility for planning, directing and controlling the material activities of the Group, directly or indirectly. The following roles and individuals were identified as executive KMP for FY 2023 (Non-executive Directors are identified in section 7).

| ROLE | NAME | DATES |
|---|---|---|
| Managing Director & Chief Executive Officer (CEO) | Malcolm Parmenter<br>Maxine Jaquet | September 2017 – March 2023<br>March 2023 – current |
| Chief Financial Officer (CFO) | Maxine Jaquet<br>Paul Anderson | August 2019 – February 2023<br>March 2023 – current |
| Group Executive Pathology | John McKechnie<br>Dr Jan van Rooyen | August 2019 – June 2023<br>June 2023 – current |

The Total Remuneration Packages of current Healius KMP at stretch or maximum can be illustrated as follows:

**Remuneration Mix (Maximum %)**




## 4. Executive KMP – Framework and outcomes FY 2023

### 4.1 FY 2023 FIXED ANNUAL REMUNERATION

The fixed annual remuneration (FAR) was reviewed and negotiated at the time of the respective appointments of new KMPs in FY 2023, taking into consideration the Group's size and complexity, an individual's skills, expertise and responsibilities, and benchmarking of similar companies/divisions. The reviews resulted in the following changes in executive KMP annual FAR, with amounts paid in FY 2023 pro-rated for the period of service:

| POSITION | ANNUAL FAR FOR NEW APPOINTEE | ANNUAL FAR FOR PREVIOUS APPOINTEE |
|---|---|---|
| CEO | $1.500m | $1.650m |
| CFO | $800k | $900k |
| Group Executive Pathology | $850k | $800k |

A minimum shareholding policy has been established this year in order to strengthen the alignment between senior executives and shareholders. The policy requires a shareholding of 1.0x FAR for KMP and 0.5x for other members of the ELT. Participants are required to hold 50% of their vested Performance Rights or Shares until their minimum level is achieved.

On 1 March 2023, Dr Malcolm Parmenter stepped down from the role of CEO and Managing Director of Healius. The Board decided that, given Malcolm's extensive experience and expertise, it was in the best interest of Healius for him to remain in an advisory capacity during his 12-months' contractual notice period to assist the incoming executives. In table 6.1 a termination benefit of $1.69 million is set out. Of that figure, $1.65 million represents his fixed annual remuneration during his contractual notice period.

The balance of $0.04 million relates to accruals under the accounting standards for the rTSR element of the third and final tranche of the FY 2020 Long-Term Incentive Plan. It remains subject to the performance testing mechanisms outlined in this report and may not eventuate. The Board used its discretion to allow Malcolm to retain full entitlement to options in relation to this tranche of the Transformation LTI Plan, given the period outside of his contract amounted to only four months out of a five-year measurement period. It should also be noted that these options have a strike price of $3.05 and that the second tranche, assessed for this Remuneration Report, was out of the money and therefore did not vest (see 4.3 below).

Following the announcement of an off-market takeover bid from Australian Clinical Labs Limited (ACL) on 20 March 2023, the Board sought to give key executives who hold roles critical to delivery of the Healius business plan certainty of their remuneration outcomes. For KMP this meant determining that in a change of control event, the Board's discretion will be applied to remove performance hurdles and vest all on foot Performance Rights and Options.

## 4.2 FY 2023 SHORT-TERM INCENTIVE PLAN (STIP)

### Framework

Key outline of the FY 2023 STIP for senior executives (primarily executive KMP and other ELT members) is as follows, with further details set out in section 8 below:

- The purpose of the STIP is to reward achievement over the course of a single financial year, measured against an individual's performance scorecard which includes relevant and tailored financial, operational, strategic and sustainability KPIs.
- The STIP ensures executive KMP are measured and rewarded for initiatives over which they have responsibility, which contribute directly to the achievement of the Company's strategic goals and which deliver increased shareholder value.
- Leadership behaviours act as a gateway for the STIP award, including the Board's discretion to modify any award to zero.
- The STIP currently equates to 67% of FAR at maximum for CEO and CFO (56% of FAR at maximum for other KMP and ELT).
- The STIP maximum opportunity equates to 120% of target for CEO and CFO (112% for other KMP and ELT).
- Under the plans, the Board retains discretion to increase awards above maximum in exceptional circumstances.
- Two-thirds of any STIP award will be paid in cash and one-third in the form of Restricted Shares.
- Half of the Restricted Shares will be deferred for a further one year and the other half will be deferred for two years beyond the performance year subject to the participant remaining employed by the Company at the end of the applicable vesting period (unless the Board determines otherwise).
- Restricted Shares carry dividend and voting rights but may not be traded. After vesting the restrictions are removed and they become ordinary fully paid Shares.

### Outcomes

As set out in the Operating and financial review section of this Annual Report, Healius operates within the Australian healthcare market which was impacted in the year by a substantial lessening in demand for COVID-19 PCR testing and by widespread GP workforce, supply and access challenges. These led to a drop in COVID revenues and to a soft year for GP-referred pathology services for Healius. As a result of the performance, budgetary outcomes were not met and no STI awards were made for the FY 2023 year.

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

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

### Outcomes

The FY 2023 year is the second of these three measurement years. No options were exercised under the TLTIP because the options were out-of-the-money at the measurement date, with the option value being lower than the strike price.

## 4.4 FY 2023 LONG-TERM INCENTIVE PLAN (LTIP)

**Vesting conditions**

The purpose of the FY 2023 LTIP is to create a link between longer-term performance and reward by providing an at-risk element of executive remuneration that focuses on a three-year period. Outcomes will be measured after the end of FY 2025. The FY 2023 LTIP equates to 100% of FAR at maximum for CEO, CFO, other executive KMP and ELT.

A summary of the vesting conditions for the FY 2023 LTIP is set out below with further details set out in section 8. FY 2023 LTIP awards for executive KMP will be determined using the following ratios:

| LTIP PERFORMANCE MEASURE | ALL KMP |
|---|---|
| Group rTSR | 66.7% |
| CAGR Group Underlying EPS | 33.3% |

**rTSR** was selected by the Board to motivate senior executives to drive returns which outperform those of comparable companies. rTSR has a positive gate. It is measured against a benchmark of the S&P/ASX 100-200 index excluding financial services, resources and technology stocks and calculated as follows:

| PERFORMANCE BAND | rTSR RANK (P VALUE) | % OF PERFORMANCE RIGHTS |
|---|---|---|
| Below Entry | <P50 | Nil |
| Entry | P50 | 50% |
| Between Entry and Maximum | P51–P74 | Straight line 51%–99% |
| At or above Maximum | ≥P75 | 100% |

**Underlying EPS** was also selected by the Board to ensure alignment to shareholder returns. There are three relevant measures: Entry, Target and Maximum and these have been calculated in absolute cents per share. Because of commercial sensitivity, these performance measures will not be disclosed until FY 2025 Remuneration Report together with performance against those measures. Performance bands and level of options exercisable at each band are as follows:

| PERFORMANCE BAND | % OF RIGHTS EXERCISABLE |
|---|---|
| Below Entry | Nil |
| Entry | 50% |
| Between Entry and Target | Straight line 51%–89% |
| Target | 90% |
| Between Target and Maximum | Straight line 91%–99% |
| At or above Maximum | 100% |

## 4.5 FY 2023 COMPANY PERFORMANCE

The following provides a summary of the key financial results for the Company over the FY 2023 period and the previous four financial years in accordance with the requirements of the Corporations Act:

| FY | REVENUE (UNDERLYING) | REPORTED NPAT | UNDERLYING NPAT | CLOSING SHARE PRICE | CHANGE IN SHARE PRICE | TOTAL DIVIDENDS PAID IN YEAR | SHORT-TERM CHANGE IN SHAREHOLDER VALUE OVER 1 YEAR | | LONGER-TERM CHANGE IN SHAREHOLDER VALUE CUMULATIVE OVER 3 YEARS | |
|---|---|---|---|---|---|---|---|---|---|---|
| | $M | $M | $M | $ | $ | $ | $ | % | $ | % |
| **30-Jun-23** | **1,707** | **(368)** | **26** | **3.18** | **(0.49)** | **0.060** | **(0.43)** | **(11.72)** | **0.45** | **14.70** |
| 30-Jun-22 | 2,338 | 308 | 309 | 3.67 | (0.96) | 0.168 | (0.79) | (17.12) | 0.94 | 31.21 |
| 30-Jun-21 | 1,913 | 44 | 148 | 4.63 | 1.58 | 0.091 | 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) |

## 5. Executive KMP – Table of opportunity, awards and receipts FY 2023 – non-statutory

The following table provides shareholders with a picture of:

- Remuneration **opportunities** of executive KMP in FY 2023, at maximum performance
- The total remuneration of executive KMP **awarded** in respect of FY 2023 performance, some of which may be paid or vest during subsequent financial years
- The total remuneration of executive KMP **received** during FY 2023, 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 2023.

This is a non-statutory table and does not include termination benefits. It does not follow the Australian Accounting Standards. Please refer to section 6 for Healius' statutory FY 2023 remuneration tables for executive KMP.

| | FIXED ANNUAL REMUNERATION | | SHORT-TERM INCENTIVE (STI) (FY 2023 & FY 2022: 67% CASH, 33% DEFERRED EQUITY) | | |
|---|---|---|---|---|---|
| | FAR (INCL. SUPER) | FAR PAID FY 2023 | MAXIMUM STI OPPORTUNITY | STI OUTCOME FOR YEAR (TO BE PAID IN FOLLOWING YEARS) | |
| | ($) 1 | ($) 2 | ($) 3 | STI AWARDED ($) 4 | STI AWARDED/ FORFEITED (% OF MAXIMUM) 5 |
| **2023** | | | | | |
| **Current Executive KMP** | | | | | |
| Maxine Jaquet | 1,500,000 | 1,146,539 | 1,000,000 | – | 0%/100% |
| Paul Anderson (from 1 March 2023) | 800,000 | 200,938 | 133,966 | – | 0%/100% |
| Jan van Rooyen (from 19 June 2023) | 850,000 | 17,559 | 9,833 | – | 0%/100% |
| **Former Executive KMP** | | | | | |
| Malcolm Parmenter (until 1 March 2023) | 1,650,000 | 1,103,014 | 735,342 | – | 0%/100% |
| John McKechnie (until 19 June 2023) | 800,000 | 775,890 | 434,499 | – | 0%/100% |
| | 5,600,000 | 3,243,941 | 2,313,640 | – | – |
| **2022** | | | | | |
| **Current Executive KMP** | | | | | |
| Maxine Jaquet | 900,000 | 900,000 | 475,200 | 443,520 | 93%/7% |
| **Former Executive KMP** | | | | | |
| Malcolm Parmenter | 1,650,000 | 1,650,000 | 871,200 | 776,820 | 89%/11% |
| John McKechnie | 750,000 | 750,000 | 337,500 | 306,562 | 91%/9% |
| | 3,300,000 | 3,300,000 | 1,683,900 | 1,526,902 | – |

### Guide to using the table:

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

**Column 1.** The FAR for Maxine Jaquet in FY 2023 is with respect to her position as CEO.

**Column 2.** Shows the pro-rata amount actually paid as KMP. Jan van Rooyen became KMP on 19 June 2023, at which point John McKechnie ceased to be a KMP. Malcolm Parmenter FAR paid represents amounts paid until step-down date and Maxine Jaquet FAR paid has been prorated based on transition from CFO & COO to CEO during the year.

**Column 3**. Maximum STIP opportunity ranges from 112% to 120% of Target STI. Amounts have been prorated based on period of service as KMP where relevant.

**Columns 4–5.** There is no STI payable for FY 2023.

**Column 6.** Represents the cash payment received in FY 2023 relating to the FY 2022 STI.

**Column 7.** Represents the equity portion of the FY 2021 STI award that has vested in FY 2023.

| SHORT-TERM INCENTIVE (STI) (FY 2023 & FY 2022: 67% CASH, 33% DEFERRED EQUITY) | | LONG-TERM INCENTIVE (LTI) (100% DEFERRED EQUITY) | | TOTAL REMUNERATION | |
|---|---|---|---|---|---|
| STI FROM PRIOR YEARS (PAID IN THE YEAR) | | MAXIMUM LTI OPPORTUNITY (ONLY AWARDED AFTER 3 YEAR PERIOD IF HURDLES ARE MET) | LTI FROM PRIOR YEARS | TOTAL REMUNERATION AWARDED FOR FY 2023 PERFORMANCE | TOTAL REMUNERATION RECEIVED DURING FY 2023 |
| CASH STI PAYMENT FROM PRIOR YEAR ($) 6 | STI EQUITY VESTED FROM PRIOR YEARS ($) 7 | ($) 8 | ($) 9 | ($) 10 | ($) 11 |
| 295,680 | 234,667 | 1,277,336 | – | 1,146,539 | 2,667,562 |
| – | – | 260,672 | – | 200,938 | 200,938 |
| – | – | – | – | 17,559 | 17,559 |
| 517,880 | 484,000 | 1,076,550 | – | 1,103,014 | 4,299,009 |
| 204,375 | 108,750 | 800,000 | – | 775,890 | 1,916,890 |
| 1,017,935 | 827,417 | 3,414,557 | – | 3,243,941 | 9,101,959 |
| 469,357 | – | 1,132,400 | 990,676 | 2,334,196 | 2,397,388 |
| 968,048 | – | 2,508,000 | 2,194,115 | 4,620,935 | 5,914,442 |
| 217,511 | – | 942,500 | 827,875 | 1,884,437 | 1,241,653 |
| 1,654,916 | – | 4,582,900 | 4,012,666 | 8,839,568 | 9,553,483 |

**Column 8.** The maximum LTI opportunity represents the maximum LTIP (FY 2022: TLTIP) award granted in that financial year. Amounts have been prorated based on when the KMP entered or exited their respective positions.

**Column 9.** Represents the LTIs that have vested from FY 2020 TLTIP tranche 2 (FY 2022: FY 2020 TLTIP tranche 1). The value of vested LTIs from prior periods is determined using the Company's 10 day VWAP before year end results announcement. For FY 2023, this was $2.74, which is less than the option strike price of $3.05, and as a result no Options vested.

**Column 10.** The total remuneration **paid or awarded for FY 2023** performance to the relevant KMP (with FY 2022 comparisons), some of which may be paid in future periods. It is the sum of columns 2, 4 and 9.

**Column 11.** The total remuneration **received during FY 2023** by the relevant KMP (with FY 2022 comparisons), some of which relates to past periods. It is the sum of columns 2, 6, 7 plus column 9 from the prior year.

# 6. Executive KMP – Statutory disclosures FY 2023

## 6.1 EXECUTIVE KMP – STATUTORY DISCLOSURE FY 2023

The following tables outline the remuneration received by Healius' executive KMP during FY 2023 prepared according to statutory disclosure requirements and applicable accounting standards.

| | SHORT-TERM | | | | POST | LONG-TERM | SHARE-BASED PAYMENTS | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | SALARY [1] | CASH STI | NON-MONETARY [2] | ANNUAL LEAVE [3] | SUPER [4] | LSL [3] | STI [5] | LTI [6] | TERMINATION [7] | TOTAL |
| **2023** | | | | | | | | | | |
| **Current Executive KMP** | | | | | | | | | | |
| Maxine Jaquet | 1,121,247 | – | 2,009 | 123,801 | 25,292 | 98,093 | 73,920 | (538,490) | – | 905,872 |
| Paul Anderson | 193,677 | – | 570 | 15,710 | 7,262 | 3,402 | – | 13,997 | – | 234,618 |
| Jan van Rooyen | 15,819 | – | – | 2,567 | 1,740 | 556 | – | – | – | 20,682 |
| **Former Executive KMP** | | | | | | | | | | |
| Malcolm Parmenter | 1,086,106 | – | 1,534 | (26,404) | 16,908 | 28,495 | 129,470 | (1,090,672) | 1,690,221 | 1,835,657 |
| John McKechnie | 751,360 | – | 1,710 | 36,874 | 24,530 | 32,648 | 51,094 | (622,507) | – | 275,708 |
| | 3,168,209 | – | 5,824 | 152,548 | 75,731 | 163,194 | 254,484 | (2,237,673) | 1,690,221 | 3,272,537 |
| **2022** | | | | | | | | | | |
| **Current Executive KMP** | | | | | | | | | | |
| Maxine Jaquet | 876,432 | 295,680 | 853 | 26,043 | 23,568 | 25,273 | 191,242 | 963,852 | – | 2,402,942 |
| **Former Executive KMP** | | | | | | | | | | |
| Malcolm Parmenter | 1,626,432 | 517,880 | 853 | 39,836 | 23,568 | 28,987 | 371,446 | 2,503,598 | – | 5,112,599 |
| John McKechnie | 726,432 | 204,375 | – | 12,692 | 23,568 | 20,037 | 105,463 | 593,269 | – | 1,685,836 |
| | 3,229,296 | 1,017,935 | 1,705 | 78,571 | 70,704 | 74,297 | 668,150 | 4,060,719 | – | 9,201,377 |

1 Represents the salary received during the financial year, excluding super, for the period in their capacity as a KMP.
2 Represents the taxable value of fringe benefits for the respective Fringe Benefits Tax year ended 31 March.
3 Changes in accrued leave represent annual leave and long service leave accrued or utilised during the financial year. Negative amounts (if any) represent the utilisation of annual leave for continuing employees and reversal of balances for former employees.
4 Super amounts for Malcolm Parmenter and John McKechnie have been prorated to reflect the period served as a KMP.
5 Relates to Service Rights granted in respect of the respective prior year STI plans and has been calculated in accordance with AASB 2 *Share-based Payments*.
6 Relates to the Options granted in respect of the FY 2020–22 TLTIP and performance rights relating to the FY 2023 LTIP. Amounts have been calculated in accordance with AASB 2 *Share-based Payments*. Negative amounts due to the reversal of tranches relating to earnings based measures.
7 Termination benefits relates to remuneration for 12 months of notice period post step down date while retained in an advisory capacity and the accounting recognition of long term incentives.

## 6.2 EXECUTIVE KMP – SERVICE AND PERFORMANCE RIGHTS AND OPTIONS AWARDED, VESTED AND LAPSED DURING FY 2023

FY 2023 equity awards to executive KMP can be made in the form of Service Rights or Performance Rights. Certain Executive KMP also hold Options from the previous LTI plan.

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

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

### Service Rights

| NAME | GRANT | AWARD DATE[1] | VESTING DATE | RIGHTS AWARDED DURING YEAR (NO.) | VALUE OF RIGHTS AWARDED DURING YEAR ($)[2] | RIGHTS VESTED DURING YEAR (NO.) | RIGHTS LAPSED DURING YEAR (NO.) |
|---|---|---|---|---|---|---|---|
| **Current Executive KMP** | | | | | | | |
| Maxine Jaquet | FY 2022 STI | 28 Sep 2022 | 31 Aug 2023 | 41,066 | 114,948 | – | – |
| | FY 2021 STI | 20 Oct 2021 | 1 Jul 2022 | – | – | 48,986 | – |
| **Former Executive KMP** | | | | | | | |
| Malcolm Parmenter | FY 2022 STI | 28 Sep 2022 | 1 Jul 2023 | 71,927 | 228,728 | – | – |
| | FY 2021 STI | 20 Oct 2021 | 1 Jul 2022 | – | – | 101,034 | – |
| John McKechnie | FY 2022 STI | 28 Sep 2022 | 1 Jul 2023 | 28,385 | 90,264 | – | – |
| | FY 2021 STI | 20 Oct 2021 | 1 Jul 2022 | – | – | 22,701 | – |

1 Award date has been determined in accordance with the principles of AASB 2 *Share-based Payment*.
2 Calculated based on the closing share price on the day that ordinary shares are allocated for vesting rights (the vesting date in the tables above) being $3.18 on 30 June 2023 and $2.80 on 30 August 2023.

### Options

| NAME | GRANT | AWARD DATE[1] | EXERCISE DATE[2] | OPTIONS EXERCISED DURING THE YEAR DURING YEAR (NO.) | CASHLESS EXERCISE VALUE $ (TOTAL) | OPTIONS LAPSED DURING YEAR (NO.) |
|---|---|---|---|---|---|---|
| **Current Executive KMP** | | | | | | |
| Maxine Jaquet | FY 2020 TLTIP – EPS | 2 Mar 2020 | 1 Sep 2022 | 1,111,870 | 689,358 | – |
| | FY 2020 TLTIP – rTSR | 2 Mar 2020 | 1 Sep 2022 | 539,257 | 334,337 | 16,678 |
| **Former Executive KMP** | | | | | | |
| Malcolm Parmenter | FY 2020 TLTIP – EPS | 2 Mar 2020 | 1 Sep 2022 | 2,462,531 | 1,526,768 | – |
| | FY 2020 TLTIP – rTSR | 2 Mar 2020 | 1 Sep 2022 | 1,194,328 | 740,481 | 36,938 |
| John McKechnie | FY 2020 TLTIP – EPS | 2 Mar 2020 | 1 Sep 2022 | 555,248 | 344,253 | – |
| | FY 2020 TLTIP – rTSR | 2 Mar 2020 | 1 Sep 2022 | 269,295 | 166,959 | 8,329 |
| | FY 2020 TLTIP – EBIT | 2 Mar 2020 | 1 Sep 2022 | 555,248 | 344,253 | – |

1 Award date has been determined in accordance with the principles of AASB 2 *Share-based Payment*.
2 Calculated based on the exercise price on the day that ordinary shares are allocated for exercised options (the vesting date in the tables above) being $3.67.

### Performance Rights

| NAME | GRANT | AWARD DATE[1] | VESTING DATE[2] | RIGHTS AWARDED DURING YEAR (NO.) | VALUE OF RIGHTS AWARDED DURING YEAR ($)[3] | RIGHTS VESTED DURING YEAR (NO.) | RIGHTS LAPSED DURING YEAR (NO.) |
|---|---|---|---|---|---|---|---|
| **Current Executive KMP**[4] | | | | | | | |
| Maxine Jaquet | FY 2023 LTIP – EPS | 16 Mar 2023 | 31 Aug 2025 | 123,941 | 425,737 | – | – |
| | FY 2023 LTIP – rTSR | 16 Mar 2023 | 31 Aug 2025 | 247,918 | 851,598 | – | – |
| Paul Anderson | FY 2023 LTIP – EPS | 12 May 2023 | 31 Aug 2025 | 25,295 | 86,888 | – | – |
| | FY 2023 LTIP – rTSR | 12 May 2023 | 31 Aug 2025 | 50,592 | 173,783 | – | – |
| **Former Executive KMP** | | | | | | | |
| Malcolm Parmenter | FY 2023 LTIP – EPS | 16 Mar 2023 | 31 Aug 2025 | 104,458 | 358,813 | – | – |
| | FY 2023 LTIP – rTSR | 16 Mar 2023 | 31 Aug 2025 | 208,948 | 717,736 | – | – |
| John McKechnie | FY 2023 LTIP – EPS | 16 Mar 2023 | 31 Aug 2025 | 77,632 | 266,665 | – | – |
| | FY 2023 LTIP – rTSR | 16 Mar 2023 | 31 Aug 2025 | 155,266 | 533,338 | – | – |

1 Award date has been determined in accordance with the principles of AASB 2 *Share-based Payment*.
2 Vesting date is indicative as FY 2025 results release date not yet determined.
3 Face value per Right is $3.435.
4 Jan van Rooyen was not a participant.

## 6.3 EXECUTIVE KMP – EQUITY HOLDINGS FY 2023

### Ordinary Shares

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

| NAME | BALANCE AT BEGINNING OF YEAR (NO.) | VESTING OF RIGHTS/ OPTIONS[2] (SHARES ISSUED) (NO.) | SHARES PURCHASED/ (SOLD) (NO.) | BALANCE AT END OF YEAR (NO.) |
|---|---|---|---|---|
| **Current Executive KMP**[1] | | | | |
| Maxine Jaquet | 40,095 | 327,922 | – | 368,017 |
| **Former Executive KMP** | | | | |
| Malcolm Parmenter | 681,524 | 718,813 | (1,340,740) | 59,597 |
| John McKechnie | 79,951 | 255,798 | (135,000) | 200,749 |

1 Jan van Rooyen and Paul Anderson have held no shares in Healius Limited during the period.
2 The number of shares issued as a result of the exercise of Options included in this number is determined by reference to the difference between the share price and the exercise price.

**Rights and Options**

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

| NAME | GRANT | BALANCE AT BEGINNING OF YEAR (NO.) | RIGHTS/ OPTIONS AWARDED AS COMPENSATION DURING YEAR (NO.)[1] | RIGHTS/ OPTIONS VESTED/ EXERCISED DURING YEAR (NO.)[2] | RIGHTS/ OPTIONS LAPSED DURING YEAR (NO.)[3] | RIGHTS/ OPTIONS FORFEITED DURING YEAR (NO.) | BALANCE AT ENDS OF YEAR (NO.) |
|---|---|---|---|---|---|---|---|
| **Current executive KMP** [4] | | | | | | | |
| Maxine Jaquet | Service Rights | 48,986 | 41,066 | (48,986) | – | – | 41,066 |
| | Performance Rights | – | 371,859 | – | – | – | 371,859 |
| | Options | 5,003,416 | – | (1,651,127) | (16,678) | – | 3,335,611 |
| Paul Anderson | Service Rights | – | – | – | – | – | – |
| | Performance Rights | – | 75,887 | – | – | – | 75,887 |
| | Options | – | – | – | – | – | – |
| **Former Executive KMP** | | | | | | | |
| Malcolm Parmenter | Service Rights | 101,034 | 71,927 | (101,034) | – | – | 71,927 |
| | Performance Rights | – | 313,406 | – | – | – | 313,406 |
| | Options | 11,081,391 | – | (3,656,859) | (36,938) | – | 7,387,594 |
| John McKechnie | Service Rights | 22,701 | 28,385 | (22,701) | – | – | 28,385 |
| | Performance Rights | – | 232,898 | | | – | 232,898 |
| | Options | 4,164,358 | – | (1,379,791) | (8,329) | – | 2,776,238 |

1 Issue of FY 2022 STI Service Rights.
2 Vesting of FY 2020 TLTIP Performance Rights.
3 Lapsing of options.
4 No awards were made to Jan van Rooyen in FY 2023.

## 7. Non-executive Directors (NEDs) shareholding with fee payments summary

### 7.1 NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

The NED Remuneration Policy includes details on Board fees, committee fees, superannuation, other benefits, and securities. The current policy can be found at www.healius.com.au/about-us/corporate-governance/.

Key points of the NED remuneration framework include:

- An external review of Board fees was undertaken in FY 2023 and has resulted in the setting of the following parameters:
  - Board fee levels have been set around the median point of comparator companies who have between 50% and 200% of Healius' FY 2022 revenue.
  - Board Chair to member fee ratio has been set at 2.35 times, with Board Chair to Total NED Fee ratio at 1.8 times.
  - Committee Member fees have been set at 50% of Committee Chair fees.
  - The current aggregate annual fee limit for NED remuneration is $1.4 million, which was approved by shareholders in 2008. A resolution will be tabled at the 2023 Annual General Meeting to increase the NED fee pool to $2 million to ensure this pool is sufficient for the next five years fees, assuming six NED positions remain filled (excluding Board Chair).
- A NED Equity Holding Policy requires NEDs to hold Healius Shares to the value of one year's fees with the holding to be in place by 30 June 2025 (or five years after the date of the relevant NED's appointment after 1 July 2020). A NED Equity Plan, under which NEDs can salary-sacrifice fees for shares in the Company, was approved by shareholders at the Company's 2019 AGM and has been implemented.

## 7.2 NON-EXECUTIVE DIRECTOR FEES

The following table sets out the fees applicable to NEDs for FY 2023. NEDs do not sit on any subsidiary Boards at Healius.

| FUNCTION | ROLE | 1H FY 2023 ($) | 2H FY 2023 ($) |
|---|---|---|---|
| Main Board | Chair | 300,000 | 329,000 [1] |
| | Member | 130,000 | 140,000 |
| Audit Committee | Chair | 30,000 | 30,000 |
| | Member | 15,000 | 15,000 |
| People & Governance Committee | Chair | 25,000 | 30,000 |
| Risk Management Committee | Member | 12,500 | 15,000 |

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

## 7.3 OTHER NON-EXECUTIVE DIRECTOR BENEFITS

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

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

## 7.4 NON-EXECUTIVE DIRECTOR REMUNERATION

The following table outlines the remuneration received by Healius' NEDs during FY 2023 prepared according to statutory disclosure requirements and applicable accounting standards.

| NAME | YEAR | BOARD FEES $ | COMMITTEE FEES $ | SUPERANNUATION $ | TOTAL $ |
|---|---|---|---|---|---|
| **Current Non-executive Directors** | | | | | |
| Jenny Macdonald – Chair | 2023 | 255,022 | 8,542 | 23,067 | 286,631 |
| | 2022 | 118,182 | 38,636 | 15,682 | 172,500 |
| Gordon Davis | 2023 | 122,165 | 42,279 | 17,277 | 181,721 |
| | 2022 | 130,000 | 40,000 | – | 170,000 |
| Sally Evans | 2023 | 122,172 | 37,330 | 16,748 | 176,250 |
| | 2022 | 118,182 | 34,091 | 15,227 | 167,500 |
| Kate McKenzie | 2023 | 135,000 | 35,704 | – | 170,704 |
| | 2022 | 118,182 | 22,727 | 14,091 | 155,000 |
| John Mattick (from 31 March 2022) | 2023 | 122,708 | 20,669 | 14,363 | 157,739 |
| | 2022 | 32,757 | – | 3,982 | 36,739 |
| Charlie Taylor | 2023 | 35,691 | 2,375 | 4,006 | 42,073 |
| | 2022 | – | – | – | – |
| **Former Non-Executive Directors** | | | | | |
| Robert Hubbard (until 19 September 2022) | 2023 | 57,377 | – | 8,197 | 65,574 |
| | 2022 | 278,306 | – | 21,694 | 300,000 |
| Paul Jones (until 20 October 2022) | 2023 | 39,230 | 5,442 | 4,672 | 49,344 |
| | 2022 | 118,182 | 25,000 | 14,318 | 157,500 |
| Total | 2023 | 889,365 | 152,341 | 88,330 | 1,130,036 |
| | 2022 | 913,790 | 160,455 | 84,995 | 1,159,239 |

## 7.5 NON-EXECUTIVE DIRECTOR EQUITY HOLDINGS AS AT 30 JUNE 2023

| NAME | INSTRUMENT | OPENING BALANCE NUMBER | PURCHASED/ISSUED NUMBER | VESTED NUMBER[5] | CLOSING BALANCE NUMBER |
|---|---|---|---|---|---|
| Jenny Macdonald – Chair | Shares | 41,024 | 78,524 | – | 119,548 |
| | NED Share Rights | 6,024 | – | (6,024) | – |
| Gordon Davis[1] | Shares | 63,791 | 20,107 | | 83,898 |
| | NED Share Rights | 8,032 | 24,150 | (20,107) | 12,075 |
| Sally Evans[2] | Shares | 31,783 | 12,061 | – | 43,844 |
| | NED Share Rights | 6,024 | 12,075 | (12,061) | 6,038 |
| Kate McKenzie[3] | Shares | 5,504 | 11,504 | – | 17,008 |
| | NED Share Rights | 1,004 | – | (1,004) | – |
| John Mattick[4] | Shares | – | 35,088 | – | 35,088 |
| | NED Share Rights | – | 15,093 | (7,546) | 7,547 |
| Charlie Taylor | Shares | – | – | – | – |
| | NED Share Rights | – | – | – | – |

1 55,759 Shares held by GR & G Davis Superannuation Fund. 12,075 NED Share Rights held by Gordon Davis. 28,139 Restricted Ordinary Shares held by Gordon Davis.

2 15,000 Shares held by RBC Investor Services Australia Nominees Pty Ltd <Evans A/C>. 28,844 Shares and all NED Share Rights held by Sally Evans.

3 15,000 Shares held by MCK Family Holdings Pty Ltd. 2,008 shares held by Kathryn McKenzie.

4 27,542 Ordinary Shares held by J & L Mattick Retirement Fundy Holdings Pty Ltd. 7,546 Ordinary Shares held by John Mattick.

5 FY 2023 NED Share Rights and FY 2022 NED Share Rights issued under the NED Share Plan to participating NEDs through salary sacrifice. All securities were issued pursuant to shareholder approval under ASX Listing Rule 10.14. During FY 2023, the final 50% of FY 2022 NED Share Rights vested into Shares in September 2022 following the Company's FY 2022 results announcement. Also during FY 2023, 50% of FY 2023 NED Share Rights vested into Shares in March 2023 following the Company's HY 2023 results announcement. The remaining 50% of FY 2023 NED Share Rights vested in FY 2024 following the announcement of the Company's FY 2023 results.

# 8. Remuneration policies in detail FY 2023

## 8.1 SENIOR EXECUTIVE EMPLOYMENT TERMS

| KEY TERM | SUMMARY OF KEY TERM |
| --- | --- |
| **Senior executives** | The CEO, other KMP who hold executive roles, and other direct reports to the CEO. |
| **Employing company** | Idameneo (No 789) Ltd. (This is the service company in the Healius Group and a large number of Group employees are employed by this entity). |
| **Basis of employment** | Permanent full time. No fixed or maximum term. |
| **Period of notice** | Six to 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. |

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

| KEY TERM | SUMMARY OF KEY TERM |
| --- | --- |
| **Period** | 1 July 2022 to 30 June 2023 inclusive. |
| **Eligibility** | Senior Executives and other persons approved by the Board. NEDs are not eligible to participate. |
| **Potential annual award** | For the CEO and CFO, 67% of FAR, equivalent to 25% of Total Potential Remuneration (at maximum level performance).<br>For other executive KMP, 56% of FAR equivalent to 22% of Total Potential Remuneration (at maximum level performance). |
| **Plan gate and Board discretion** | The Board retains the discretion to either abandon the plan or modify outcomes to ensure that they are appropriate given the circumstances that have prevailed over the measurement period (this is intended to ensure alignment between performance and reward outcomes).<br>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.<br>FY 2023: Must meet leadership behavioural standards aligned to the Company's 'WE CARE' values.<br>FY 2024 invitations: To be determined. |
| **Termination of employment** | If a STIP participant ceases to be an employee of the Healius Group, and the termination of their employment is in circumstances other than Special Circumstances (defined below), then all unvested Rights held by the participant will be forfeited and lapse unless and to the extent otherwise determined by the Board.<br>If an STIP participant's termination is in Special Circumstances, then Service Rights granted under the STIP in the financial year of termination may still vest on Vesting Day.<br>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.<br>**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** | 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.<br>In the event of a Change of Control, the Board may:<br>• 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<br>• 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.<br>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. |

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

| KEY TERM | SUMMARY OF KEY TERM |
|---|---|
| **Purpose** | The purpose of the TLTIP is to create a strong link between performance and reward by providing an at-risk element of executive remuneration that focuses on performance over the strategic plan period, up to five 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, equivalent to 50% of Total Potential Remuneration (at maximum level performance).<br><br>For other executive KMP, 130% of FAR, equivalent to 47% of Total Potential Remuneration (at maximum level performance). |
| **Form of awards** | Under the TLTIP, awards to executive KMP are made in the form of Options.<br><br>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.<br><br>The number of Options issued is sufficient to satisfy 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 or FY 2022.<br><br>**The measurement period for the Performance Conditions for each Tranche is as follows:**<br>• Tranche 1 (1/3 of the Options issued to the relevant participant) FY 2020–FY 2022 inclusive<br>• Tranche 2 (1/3 of the Options issued to the relevant participant) FY 2020–FY 2023 inclusive, and<br>• 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).<br><br>If the Exercise Price on the Exercise Date is exceeded by the Company's traded Share price on the Exercise Date, the Option is 'in the money' and can be exercised and the issued Shares sold by the relevant participant for a profit. If the Exercise Price on the Exercise Date is higher than or equal to the Company's traded Share price on the Exercise Date, the Option is 'out of the money' and will generally not be exercised (and so will lapse).<br><br>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.<br><br>The relevant TLTIP participant has the choice as to whether an Option is exercised on the Exercise Date.<br><br>The Board may determine to allow a cashless exercise of Options.<br><br>Exercise of Options is also conditional on the Performance Conditions being satisfied.<br><br>The Exercise Date Schedule for FY 2020 TLTIP Options is as follows:<br>• Tranche 1 (1/3 of the Options issued to the relevant participant) will be exercisable at the end of FY 2022<br>• Tranche 2 (1/3 of the Options issued to the relevant participant) will be exercisable at the end of FY 2023, and<br>• Tranche 3 (1/3 of the Options issued to the relevant participant) will be exercisable at the end of FY 2024. |
| **Expiry date of Options** | The Options expire on the first to occur of:<br>(a) 3 March 2035<br>(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)<br>(c) failure to meet a vesting condition or any other condition applicable to the Option within the vesting period, or<br>(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. |

| KEY TERM | SUMMARY OF KEY TERM |
|---|---|
| **rTSR comparator group** | 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):<br>• 1300 Smiles Limited * 2<br>• Accent Group Limited<br>• Ansell Limited *<br>• ARB Corporation Limited<br>• Australian Pharmaceutical Industries Limited * 2<br>• Australian Clinical Labs Limited 1<br>• Bapcor Limited<br>• Bega Cheese Limited<br>• Blackmores Limited<br>• Bravura Solutions Limited<br>• Breville Group Limited<br>• Capitol Health Limited *<br>• Carsales.Com Limited<br>• Clinuvel Pharmaceuticals Limited<br>• Collins Foods Limited<br>• Corporate Travel Management Limited<br>• Eagers Automotive Limited<br>• Estia Limited *<br>• Event Hospitality & Entertainment Limited<br>• Inghams Group Limited<br>• Invocare Limited<br>• Japara Healthcare Limited * 2<br>• JB Hi-Fi Limited<br>• Link Administration Holdings Limited<br>• McMillan Shakespeare Limited<br>• Metcash Limited<br>• Pacific Smiles Group Limited *<br>• Pact Group Holdings Limited<br>• Premier Investments Limited<br>• Ramsay Health Care Limited *<br>• Regis Healthcare Limited *<br>• Resmed Inc *<br>• Sigma Healthcare Limited *<br>• Somnomed Limited *<br>• Sonic Healthcare Limited *<br>• Southern Cross Media Group Limited<br>• Virtus Health Limited * 2<br>1 The Board added Australian Clinical Labs Limited to the comparator group following the ASX listing of this direct competitor of the Company in 2021.<br>2 Companies which have been delisted or which are subject to a control premium as at the date of assessment of rTSR may be removed or have their TSR adjusted at the Board's discretion. |
| **Re-testing** | There is no re-testing of Performance Conditions or deferral of the Exercise Date of Options. |
| **Lapse and transferability** | Any Option not exercised on the Exercise Date automatically lapses.<br>Other than in limited circumstances, Options may not be disposed of, transferred or otherwise dealt with, and lapse immediately on a purported disposal, transfer or dealing. |
| **Termination of employment** | If a participant ceases to be an employee of the Company, and the termination of their employment is in circumstances other than Special Circumstances (defined below), then all unvested Options held by the participant will be forfeited and lapse unless and to the extent otherwise determined by the Board. If a participant's termination is in Special Circumstances, then Options on issue will be forfeited on a pro-rata basis unless otherwise determined by the Board.<br>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.<br>**Special Circumstances** means death, total and permanent disablement as determined by the Board, retirement with the prior consent of the Board, redundancy, retrenchment or other Company-initiated terminations other than for cause. |
| **Bonus issues, rights issues and capital reorganisation** | In cases of bonus Share issues by the Company, the number of Options held by a participant will be increased by the same number as the number of bonus Shares that would have been received by the participant had the Options been fully paid ordinary Shares in the Company (except in the case that the bonus Share issue is in lieu of a dividend payment, in which case no adjustment will apply). In the case of general rights issues to shareholders there will be no adjustment to Options. In the case of an issue of rights other than to the Company's shareholders, there will be no adjustment to Options.<br>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.<br>In the event of a Change of Control of the Company, the Board has discretion to determine that vesting of all or some of the Options should be accelerated. If a Change of Control occurs before the Board has exercised its discretion, a pro rata portion of Options will vest, calculated based on the portion of the relevant performance period that has elapsed up to the Change of Control, and the Board retains a discretion to determine if the remaining Options will vest or lapse. |
| **Amendment** | The Board may amend or terminate the TLTIP at any time provided that the rights of participants to awards earned prior to the amendment or termination are not affected, unless otherwise agreed in writing by the participants. |

## 8.4 SENIOR EXECUTIVE LONG-TERM INCENTIVE PLAN (LTIP) DETAILS

| KEY TERM | SUMMARY OF KEY TERM |
|---|---|
| **Period** | 1 July 2023 to 30 June 2025 inclusive. |
| **Eligibility** | Executive Leadership Team (ELT) and other persons approved by the Board. NEDs are not eligible to participate. |
| **Potential annual award** | For the CEO, 100% of FAR<br>For KMP and ELT members, 100% of FAR<br>For other participants a range of 30% to 40% of FAR |
| **Form of awards** | The number of Performance Rights are determined by the following formula:<br>FAR x Maximum LTIP Allocation/Performance Rights Value |
| **Performance Conditions** | Performance Rights will only vest to the extent the Performance Conditions and the Service Conditions are satisfied.<br>Grants are subject to the following performance conditions relating to the Company. The Grant will be split into two tranches to enable the separate vesting according to the respective conditions:<br>• 1/3 of Performance Rights are subject to an earnings per share (EPS) hurdle; and<br>• 2/3 of Performance Rights are subject to a relative total shareholder return (rTSR) hurdle.<br>The Performance Conditions will be tested after the end of the Performance Period, and the Board will determine the number of Performance Rights (if any) that will vest.<br>Any Performance Rights which do not vest following testing of the Performance Conditions will lapse. |
| **rTSR comparator group** | When implementing the LTIP, the Board determined that the comparator group of companies is the ASX 100–200 minus Banks, Technology and Resources.<br>The Board has the discretion to adjust the comparator group, including to take into account acquisitions, mergers or other relevant corporate action or delisting. |
| **Termination of employment** | If an LTIP 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 Performance Rights held by the participant will be forfeited and lapse unless and to the extent otherwise determined by the Board.<br>If an LTIP participant's termination is in Special Circumstances, then Performance Rights granted under the LTIP in the financial year of termination may still vest on Vesting Day.<br>Performance 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.<br>**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** | 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.<br>In the event of a Change of Control, the Board may:<br>1. terminate the LTIP 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<br>2. continue the LTIP 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<br>3. allow the LTIP to continue.<br>In the absence of the Board exercising its discretion above, unvested LTIP Performance Rights immediately vest on at least a pro-rata basis upon the Change of Control. |

## 8.5 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:<br>• Four weeks commencing one trading day after the day of release of the Appendix 4D (half-year report), typically in mid-February<br>• Four weeks commencing one trading day after the day of release of the Appendix 4E (preliminary final report), typically in late August<br>• Four weeks commencing one trading day after the day of Healius' Annual General Meeting, typically in late October or November<br>• The duration of the offer period for an offer of securities made pursuant to a prospectus or cleansing statement<br>• 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 executive 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 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.<br>• 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:<br>– the Board is confident that the policy for engaging ERCs is being adhered to and is operating as intended,<br>– the Board is closely involved in all dealings with ERCs, and<br>– 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.<br>• During FY 2022, KMP remuneration options were provided to the Board by an ERC in respect of the FY 2023 LTI plan. No remuneration recommendations were made by that ERC. |

## 8.6 TRANSACTIONS WITH KMP

| KEY TERM | SUMMARY OF KEY TERM |
|---|---|
| **Transactions with current KMP** | • 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:<br>– 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,<br>– 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<br>– 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 2023. |

## 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.

**Jenny Macdonald**
Chair

26 September 2023

# 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 2023, 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 2023 Corporate Governance Statement can be viewed at: www.healius.com.au/about-us/corporate-governance/.

# Auditor's Independence Declaration

Ernst & Young
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Building a better working world

## Auditor's independence declaration to the directors of Healius Limited

As lead auditor for the audit of the financial report of Healius Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Katrina Zdrilic
Partner
26 September 2023

Building a better working world

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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 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and

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

### Basis for opinion

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

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

### Key audit matters

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

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

# Independent Auditor's Report

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Carrying Value of Goodwill

| Why significant | How our audit addressed the key audit matter |
|---|---|
| At 30 June 2023, the Group's consolidated balance sheet includes goodwill and other intangible assets of $1,970.6m and other non-current assets of $ 1,338.3m.<br><br>As disclosed in Note B2 the Group performs an annual impairment test for each cash generating unit (CGU) to which goodwill is allocated to determine whether the recoverable value of each CGU exceeds its carrying amount. The impairment test resulted in an impairment charge of $349.8m recorded against the goodwill of the Pathology CGU.<br><br>A fair value less cost of disposal model was used to calculate the recoverable amount of each cash generating unit. The impairment test incorporates significant judgement and estimates based on conditions existing at 30 June 2023. The estimates and assumptions relate to future performance, market and economic conditions.<br><br>This was considered a key audit matter due to the value of the balance relative to the Group's total assets, extent of audit effort and significant judgment required to assess the reasonableness of cash flow forecasts, growth rates, discount rates and terminal growth rates used by the Group in undertaking the impairment test. | ► Our audit procedures included the following:<br><br>► Assessed whether the impairment testing methodology used by the Group met the requirements of Australian Accounting Standards.<br><br>► Assessed the reasonableness of future cash flow forecasts, by considering our knowledge of the business, the reliability of previous forecasts and budgets, current trading performance and corroborating data with external information where possible.<br><br>► 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.<br><br>► Tested the mathematical accuracy of the cash flow models including the consistency of the cash flow forecasts with Board approved business budget.<br><br>► Performed sensitivity analyses on the key assumptions including discount rates, terminal growth rates and EBITDA forecasts for each of the Group's CGUs.<br><br>► 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.<br><br>► We involved our valuation specialists in performing these procedures.<br><br>► Assessed 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 2023 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.

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

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

### Responsibilities of the directors for the financial report

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# Independent Auditor's Report

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 40 to 58 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Healius Limited for the year ended 30 June 2023, 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

Katrina Zdrilic
Partner
26 September 2023

# Directors' declaration

The Directors of Healius Limited (Healius) declare that:

A. in the Directors' opinion, there are reasonable grounds to believe that Healius will be able to pay its debts as and when they become due and payable

B. in the Directors' opinion, the financial statements and notes thereto, for the financial year ended 30 June 2023, are in accordance with the *Corporations Act 2001* (Cth), including section 296 (compliance with accounting standards) and section 297 (true and fair view)

C. the financial statements and notes thereto are in compliance with International Financial Reporting Standards issued by the International Accounting Standards Board as provided in the introduction to the Notes to the consolidated financial statements

D. there are reasonable grounds to believe that Healius and the controlled entities identified in Note D2 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the Deed of Cross Guarantee between Healius and those controlled entities pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, and

E. the Directors have been given the declarations required by section 295A of the *Corporations Act 2001* (Cth) from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2023.

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

Jenny Macdonald

**Jenny Macdonald**
Chair

26 September 2023

# Financial statements



## Notes to the financial statements

# Consolidated statement of profit or loss
for the year ended 30 June 2023

| | NOTE | 2023 $M | 2022[1] $M |
|---|---|---|---|
| Revenue | A2 | **1,706.9** | 2,288.9 |
| Employee benefits expense | A3 | **(864.3)** | (932.1) |
| Property expenses | A3 | **(56.3)** | (50.8) |
| Consumables | | **(223.7)** | (306.4) |
| Repairs and maintenance | | **(30.4)** | (29.7) |
| IT expenses | | **(46.2)** | (47.6) |
| Insurance | | **(7.2)** | (7.6) |
| Short-term equipment hire | | **(3.5)** | (35.7) |
| Other expenses | | **(100.0)** | (123.4) |
| Depreciation – property, plant and equipment | | **(40.8)** | (41.5) |
| Depreciation – right of use assets | | **(220.9)** | (215.4) |
| Amortisation – intangibles | | **(15.5)** | (14.3) |
| Digital transformation costs | | **(21.7)** | (10.5) |
| Transaction costs | | **(3.2)** | (10.3) |
| Takeover bid costs | | **(5.4)** | – |
| Impairment of leased assets | | **(39.1)** | – |
| Impairment of goodwill | | **(349.8)** | – |
| Restructuring, termination and other costs | | **(13.9)** | – |
| **(Loss)/earnings before interest and tax** | | **(335.0)** | 463.6 |
| Net finance costs | A3 | **(62.3)** | (49.0) |
| **(Loss)/profit before tax** | | **(397.3)** | 414.6 |
| Income tax benefit/(expense) | A4 | **17.3** | (122.2) |
| **(Loss)/profit for the year from continuing operations** | | **(380.0)** | 292.4 |
| Profit for the year from discontinued operations | E2 | **12.2** | 15.5 |
| **(Loss)/profit for the year** | | **(367.8)** | 307.9 |
| | | | |
| **Attributable to:** | | | |
| Equity holders of Healius Limited | | **(367.8)** | 307.9 |

| | NOTE | 2023 CENTS PER SHARE | 2022 CENTS PER SHARE |
|---|---|---|---|
| Basic (loss)/earnings per share from continuing operations | A5 | **(66.7)** | 50.1 |
| Basic (loss)/earnings per share from continuing and discontinued operations | A5 | **(64.6)** | 52.8 |
| Diluted (loss)/earnings per share from continuing operations | A5 | **(66.7)** | 49.4 |
| Diluted (loss)/earnings per share from continuing and discontinued operations | A5 | **(64.6)** | 52.0 |

1 The results of entities disposed in FY 2023 are excluded from continuing operations and presented as results from discontinued operations.

Notes to the financial statements are included on pages 73 to 108.

# Consolidated statement of other comprehensive income for the year ended 30 June 2023

| | 2023 $M | 2022 $M |
|---|---|---|
| **(Loss)/profit for the year** | **(367.8)** | 307.9 |
| | | |
| **Other comprehensive income** | | |
| *Items that may be reclassified subsequently to profit or loss* | | |
| Fair value gain on cash flow hedges | **4.1** | 0.8 |
| Reclassification adjustments relating to realised cash flow hedges for amounts recognised in profit or loss | **0.7** | 5.3 |
| Income tax relating to items that may be reclassified subsequently to profit or loss | **(1.4)** | (1.8) |
| **Other comprehensive income for the year, net of income tax** | **3.4** | 4.3 |
| **Total comprehensive (loss)/income for the year** | **(364.4)** | 312.2 |

Notes to the financial statements are included on pages 73 to 108.

# Consolidated statement of financial position
as at 30 June 2023

| | NOTE | 30 JUNE 2023 $M | 30 JUNE 2022 $M |
|---|---|---|---|
| **Current assets** | | | |
| Cash | E1 | **115.3** | 81.3 |
| Receivables | B1 | **189.5** | 241.3 |
| Consumables | | **32.8** | 49.2 |
| Tax assets | E3 | **6.7** | – |
| **Total current assets** | | **344.3** | 371.8 |
| **Non-current assets** | | | |
| Goodwill | B2 | **1,897.5** | 2,344.3 |
| Right of use assets | B6 | **1,067.3** | 1,074.9 |
| Property, plant and equipment | B3 | **176.0** | 196.0 |
| Other intangible assets | B4 | **73.1** | 75.2 |
| Other financial assets | | **7.1** | 5.8 |
| Deferred tax assets | E3 | **87.9** | 68.8 |
| **Total non-current assets** | | **3,308.9** | 3,765.0 |
| **Total assets** | | **3,653.2** | 4,136.8 |
| **Current liabilities** | | | |
| Payables | B7 | **218.0** | 169.6 |
| Deferred consideration | B8 | **0.9** | 5.7 |
| Tax liabilities | E3 | **1.9** | 67.3 |
| Provisions | B9 | **145.8** | 175.0 |
| Lease liabilities | B5 | **263.0** | 223.7 |
| **Total current liabilities** | | **629.6** | 641.3 |
| **Non-current liabilities** | | | |
| Provisions | B9 | **14.4** | 18.6 |
| Interest-bearing liabilities | C1 | **562.1** | 606.1 |
| Lease liabilities | B5 | **940.9** | 949.2 |
| **Total non-current liabilities** | | **1,517.4** | 1,573.9 |
| **Total liabilities** | | **2,147.0** | 2,215.2 |
| **Net assets** | | **1,506.2** | 1,921.6 |
| **Equity** | | | |
| Issued capital | C2 | **2,421.0** | 2,422.9 |
| Reserves | | **8.5** | 19.9 |
| Accumulated losses | | **(923.3)** | (521.2) |
| **Total equity** | | **1,506.2** | 1,921.6 |

Notes to the financial statements are included on pages 73 to 108.

# Consolidated statement of changes in equity

for the year ended 30 June 2023

| $M | ISSUED CAPITAL | TREASURY SHARES | CASH FLOW HEDGE RESERVE | SHARE-BASED PAYMENTS RESERVE | OTHER RESERVES | ACCUMULATED LOSSES | TOTAL |
|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2022** | **2,422.9** | **–** | **(0.2)** | **20.8** | **(0.7)** | **(521.2)** | **1,921.6** |
| Loss for the year | – | – | – | – | – | (367.8) | (367.8) |
| Fair value gain on cash flow hedges | – | – | 4.1 | – | – | – | 4.1 |
| Reclassification adjustments relating to realised cash flow hedges recognised in profit or loss | – | – | 0.7 | – | – | – | 0.7 |
| Income tax relating to components of other comprehensive income | – | – | (1.4) | – | – | – | (1.4) |
| **Total comprehensive loss** | **–** | **–** | **3.4** | **–** | **–** | **(367.8)** | **(364.4)** |
| Buyback of shares (note C2) | (5.2) | – | – | – | – | – | (5.2) |
| Shares issued via Non-executive Director (NED) Share Plan (note C2) | 0.3 | – | – | – | – | – | 0.3 |
| Payment of dividends (note C4) | – | – | – | – | – | (34.3) | (34.3) |
| Shares purchased for Long Term Incentive Plan (note C2) | (3.7) | – | – | – | – | – | (3.7) |
| Share based payments | – | – | – | (8.1) | – | – | (8.1) |
| Transfers | 6.7 | – | – | (6.7) | – | – | – |
| **Balance at 30 June 2023** | **2,421.0** | **–** | **3.2** | **6.0** | **(0.7)** | **(923.3)** | **1,506.2** |

| $M | ISSUED CAPITAL | TREASURY SHARES | CASH FLOW HEDGE RESERVE | SHARE-BASED PAYMENTS RESERVE | OTHER RESERVES | ACCUMULATED LOSSES | TOTAL |
|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2021** | **2,575.6** | **(3.6)** | **(4.5)** | **22.1** | **(0.7)** | **(731.6)** | **1,857.3** |
| Profit for the year | – | – | – | – | – | 307.9 | 307.9 |
| Fair value gain on cash flow hedges | – | – | 0.8 | – | – | – | 0.8 |
| Reclassification adjustments relating to realised cash flow hedges recognised in profit or loss | – | – | 5.3 | – | – | – | 5.3 |
| Income tax relating to components of other comprehensive income | – | – | (1.8) | – | – | – | (1.8) |
| **Total comprehensive income** | – | – | **4.3** | – | – | **307.9** | **312.2** |
| Buyback of shares (note C2) | (135.8) | – | – | – | – | – | (135.8) |
| Shares issued via Non-executive Director (NED) Share Plan (note C2) | 0.2 | – | – | – | – | – | 0.2 |
| Payment of dividends (note C4) | – | – | – | – | – | (98.1) | (98.1) |
| Shares purchased for Long Term Incentive Plan (note C2) | (22.1) | – | – | – | – | – | (22.1) |
| Share based payments | – | – | – | 7.9 | – | – | 7.9 |
| Transfers | 5.0 | 3.6 | – | (9.2) | – | 0.6 | – |
| **Balance at 30 June 2022** | **2,422.9** | **–** | **(0.2)** | **20.8** | **(0.7)** | **(521.2)** | **1,921.6** |

Notes to the financial statements are included on pages 73 to 108.

# Consolidated statement of cash flows

for the year ended 30 June 2023

| | NOTE | 2023 $M | 2022 $M |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **1,904.8** | 2,456.2 |
| Payments to suppliers and employees | | **(1,500.4)** | (1,779.1) |
| Gross cash flows from operating activities | | **404.4** | 677.1 |
| Net income tax paid | | **(71.1)** | (90.3) |
| **Net cash provided by operating activities** | E1 | **333.3** | 586.8 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of business (net of cash disposed and transaction costs) | E2 | **116.3** | 28.2 |
| Payment for property, plant and equipment | | **(62.7)** | (81.4) |
| Payment for other intangibles | | **(13.4)** | (12.1) |
| Proceeds from the sale of property, plant and equipment and intangibles | | **30.9** | 3.7 |
| Payment for business acquired (net of cash received) – Agilex Biolabs | E9 | **–** | (290.7) |
| Payment for business acquired (net of cash received) – Axis Diagnostics | | **–** | (12.6) |
| Payments for earn out, settlement and deferred consideration | | **(3.8)** | (36.8) |
| **Net cash from/(used in) investing activities** | | **67.3** | (401.7) |
| **Cash flows from financing activities** | | | |
| Finance costs on interest-bearing liabilities | | **(28.5)** | (13.3) |
| Interest received | | **1.6** | 0.3 |
| Interest paid on lease liabilities | | **(34.7)** | (35.2) |
| Payment of lease liabilities | | **(216.8)** | (214.3) |
| Payments for buyback of shares | | **(5.2)** | (139.4) |
| Shares purchased for Long Term Incentive Plan | | **(3.7)** | (22.1) |
| Proceeds from borrowings | | **135.0** | 510.6 |
| Repayment of borrowings | | **(180.0)** | (165.0) |
| Dividends paid | | **(34.3)** | (98.1) |
| **Net cash used in financing activities** | | **(366.6)** | (176.5) |
| **Net increase in cash held** | | **34.0** | 8.6 |
| Cash at the beginning of the year | E1 | **81.3** | 72.7 |
| **Cash at the end of the year** | E1 | **115.3** | 81.3 |

Notes to the financial statements are included on pages 73 to 108.

# Notes to the financial statements

for the year ended 30 June 2023

## 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 2023 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. Notwithstanding that the Group's working capital position is in a net current liability position as at 30 June 2023 of $285.3 million (2022: $269.5 million), management continually monitor the Group's working capital position, including forecast working capital requirements and the available debt facilities. The Group's financial forecasts demonstrate that there are sufficient financial resources to meet obligations as they fall due throughout the going concern period.

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

### NEW AND AMENDED STANDARDS ADOPTED

There are no new accounting standards or interpretations that are applicable for the first time in financial year 2023 which have a material impact on the disclosures or amounts recognised in the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

### ROUNDING OF AMOUNTS

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

### SIGNIFICANT ACCOUNTING POLICIES

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

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

| ACCOUNTING ESTIMATE AND JUDGEMENT | NOTE | PAGE |
|---|---|---|
| Carrying value of goodwill | B2 | 80 |
| Recognition and recoverability of other intangible assets | B4 | 83 |
| Measurement of deferred consideration | B8 | 85 |
| Provisions | B9 | 86 |

### 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.

# A. Group performance

This section contains details of the way the business measures performance for the purpose of internal reporting and 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. Pursuant to the disposal of the Day Hospitals business, the Group's continuing operations comprise the following three divisions or operating segments. The segment results of the prior year have been restated for consistency with the current year operating segments:

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

The Group operates predominantly in Australia.

### Intersegment

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

### Presentation of segment revenue and results

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

Underlying results exclude the impact of impairment expenses and 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

| 2023 | PATHOLOGY $M | IMAGING $M | OTHER $M | TOTAL CONTINUING OPERATIONS $M |
| --- | --- | --- | --- | --- |
| **Segment revenue** | **1,272.3** | **431.2** | **3.9** | **1,707.4** |
| Intersegment sales | | | | **(0.4)** |
| **Total revenue** | | | | **1,707.0** |
| **EBITDA [1]** | **293.5** | **96.2** | **(13.5)** | **376.2** |
| Depreciation – property, plant and equipment | **(25.4)** | **(14.7)** | **(0.7)** | **(40.8)** |
| Amortisation – intangibles | **(9.5)** | **(4.6)** | **(1.4)** | **(15.5)** |
| Depreciation – right of use assets | **(179.9)** | **(39.1)** | **(1.9)** | **(220.9)** |
| **EBIT [2]** | **78.7** | **37.8** | **(17.5)** | **99.0** |

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

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

## A1. Segment information (continued)

| 2022 | PATHOLOGY $M | IMAGING $M | OTHER $M | TOTAL CONTINUING OPERATIONS [3] $M |
|---|---|---|---|---|
| **Segment revenue** | 1,890.4 | 393.9 | 6.5 | 2,290.8 |
| Intersegment sales | | | | (0.5) |
| **Total revenue** | | | | 2,290.3 |
| **EBITDA** [1] | 702.6 | 81.8 | (26.2) | 758.2 |
| Depreciation – property, plant and equipment | (22.8) | (17.0) | (1.7) | (41.5) |
| Amortisation – intangibles | (8.8) | (3.9) | (1.6) | (14.3) |
| Depreciation – right of use assets | (172.6) | (41.8) | (1.0) | (215.4) |
| **EBIT** [2] | 498.4 | 19.1 | (30.5) | 487.0 |

1 EBITDA is a non-statutory profit measure representing underlying earnings before interest, tax, depreciation and amortisation.
2 EBIT is a non-statutory profit measure representing underlying earnings before interest and tax.
3 The results of entities disposed in FY 2023 are excluded from continuing operations and presented as results from discontinued operations.

Reconciliation of underlying segment revenue to reported revenue:

| | SEGMENT RESULT | |
|---|---|---|
| | 2023 $M | 2022 [1] $M |
| Total underlying segment revenue from continuing operations | **1,707.0** | 2,290.3 |
| Transactions with discontinued operations | **(0.1)** | (1.4) |
| **Reported revenue** | **1,706.9** | 2,288.9 |

1 The results of entities disposed in FY 2023 are excluded from continuing operations and presented as results from discontinued operations.

Reconciliation of underlying segment result to reported (loss)/profit before tax:

| | SEGMENT RESULT | |
|---|---|---|
| | 2023 $M | 2022 [1] $M |
| Underlying results from continuing operations before tax | **99.0** | 487.0 |
| Digital transformation costs | **(21.7)** | (10.5) |
| Transaction costs | **(3.2)** | (10.3) |
| Takeover bid costs | **(5.4)** | – |
| Impairment of leased assets | **(39.1)** | – |
| Impairment of goodwill | **(349.8)** | – |
| Restructuring, termination and other costs | **(13.9)** | – |
| Transactions with discontinued operations | **(0.9)** | (2.6) |
| **Reported EBIT** | **(335.0)** | 463.6 |
| Finance cost | **(62.3)** | (49.0) |
| **Reported (loss)/profit before tax** | **(397.3)** | 414.6 |

1 The results of entities disposed in FY 2023 are excluded from continuing operations and presented as results from discontinued operations.

## A2. Revenue

| | 2023 $M | 2022[1] $M |
|---|---|---|
| Trading revenue | **1,706.9** | 2,288.9 |

### 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 including specialty pathology and clinical trials; and
- Provision of imaging services.

*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.

Revenue from clinical trials is recognised on a percentage of completion method. As per the contractual terms, revenue is recognised based on the hours/units incurred relative to the total estimated hours/units delivered for the trial.

## A3. Expenses

### EMPLOYEE BENEFITS EXPENSE

| | 2023 $M | 2022[1] $M |
|---|---|---|
| Employee benefits | **806.9** | 861.1 |
| Defined contribution superannuation | **65.2** | 63.1 |
| Share-based payments | **(7.8)** | 7.9 |
| | **864.3** | 932.1 |

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

| | 2023 $M | 2022[1] $M |
|---|---|---|
| Short-term lease payments | **22.1** | 18.7 |
| Other property expenses | **34.2** | 32.1 |
| | **56.3** | 50.8 |

### NET FINANCE COSTS

| | 2023 $M | 2022[1] $M |
|---|---|---|
| Interest expense | **27.5** | 12.8 |
| Interest on lease liabilities | **33.7** | 33.5 |
| Amortisation of borrowing costs | **1.1** | 2.7 |
| | **62.3** | 49.0 |

1 The results of entities disposed in FY 2023 are excluded from continuing operations and presented as results from discontinued operations.

## A3. Expenses (continued)

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

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

| | 2023 $M | 2022[1] $M |
|---|---|---|
| The prima facie income tax expense/(credit) on pre-tax accounting profit/(loss) reconciles to the income tax expense/(credit) in the financial statements as follows: | | |
| (Loss)/profit before tax | **(397.3)** | 414.6 |
| Income tax calculated at 30% (2022: 30%) | **(119.2)** | 124.4 |
| Tax effect of non-temporary differences: | | |
| Non-deductible asset impairment expense | **104.9** | - |
| Share related benefit | **(3.5)** | (4.2) |
| Non-deductible acquisition costs | **-** | 1.6 |
| Other items | **0.4** | 0.3 |
| | | |
| Under provision in prior years | **0.1** | 0.1 |
| **Income tax (benefit)/expense** | **(17.3)** | 122.2 |
| Comprising: | | |
| Current tax | **(1.1)** | 109.6 |
| Deferred tax | **(16.3)** | 12.5 |
| Under provision in prior years | **0.1** | 0.1 |
| **Income tax (benefit)/expense** | **(17.3)** | 122.2 |

1 The results of entities disposed in FY 2023 are excluded from continuing operations and presented as results from discontinued operations.

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.

## A5. Earnings per share

### BASIC AND DILUTED EARNINGS PER SHARE

| EARNINGS | 2023 $M | 2022[1] $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: | | |
| (Loss)/profit for the year from continuing operations | **(380.0)** | 292.4 |
| (Loss)/profit attributable to equity holders of Healius Limited | **(367.8)** | 307.9 |

| WEIGHTED AVERAGE NUMBER OF SHARES | 2023 000's | 2022 000's |
|---|---|---|
| The weighted average number of shares used in the calculation of basic earnings per share | **569,756** | 583,542 |
| Effects of dilution from options and rights | **-** | 8,364 |
| The weighted average number of shares used in the calculation of diluted earnings per share | **569,756** | 591,906 |

| EARNINGS PER SHARE | 2023 CENTS | 2022[1] CENTS |
|---|---|---|
| Basic (loss)/earnings per share from continuing operations | **(66.7)** | 50.1 |
| Basic (loss)/earnings per share from continuing and discontinued operations | **(64.6)** | 52.8 |
| Diluted (loss)/earnings per share from continuing operations | **(66.7)** | 49.4 |
| Diluted (loss)/earnings per share from continuing and discontinued operations | **(64.6)** | 52.0 |

1 The results of entities disposed in FY 2023 are excluded from continuing operations and presented as results from discontinued operations.

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 2023, and is not anti-dilutive. During the current year, since the company made a net loss, the contingent shares issuable under options and rights are deemed anti-dilutive, and therefore excluded from the calculation of the diluted EPS.

## 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

| | 2023 $M | 2022 $M |
|---|---|---|
| **Measured at amortised cost** | | |
| **Current** | | |
| Trade receivables | **143.7** | 199.5 |
| Allowance for expected credit losses | **(23.0)** | (22.0) |
| | **120.7** | 177.5 |
| Prepayments | **24.9** | 21.6 |
| Accrued revenue | **35.8** | 36.3 |
| Other receivables | **8.1** | 5.9 |
| | **189.5** | 241.3 |
| **Ageing of trade receivables** | | |
| Current | **61.1** | 54.5 |
| 30–60 days | **33.5** | 36.4 |
| 60–90 days | **7.4** | 8.7 |
| 90 days + | **41.7** | 99.9 |
| | **143.7** | 199.5 |
| **Movement in allowance for expected credit losses** | | |
| Balance at beginning of year | **22.0** | 23.1 |
| Provision for the year | **11.3** | 14.1 |
| Amounts written off during the year as uncollectable | **(10.3)** | (15.2) |
| | **23.0** | 22.0 |

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

| | 2023 $M | 2022 $M |
|---|---|---|
| **Carrying value** | | |
| Opening balance | **2,344.3** | 2,042.3 |
| Acquisition of businesses | **(0.3)** | 302.0 |
| Impairment of goodwill | **(349.8)** | – |
| Business divestments | **(96.7)** | – |
| **Closing balance** | **1,897.5** | 2,344.3 |
| | | |
| Goodwill is allocated to the Group's cash-generating units (CGUs) as follows: | | |
| Pathology | **1,526.0** | 1,876.1 |
| Imaging | **371.5** | 371.5 |
| Day Hospitals | **–** | 96.7 |
| **Closing balance** | **1,897.5** | 2,344.3 |

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

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

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

The accounting for the acquisition of Agilex Biolabs Pty Ltd (note E9) has been finalised and the Group has allocated the goodwill arising from this acquisition to the Pathology CGU.

### 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 2024 Board-approved budget; and
- for financial years 2025–2028, growth rates have been determined with reference to historical company experience, industry data and a long-term growth rates expected for the industry.

A non-cash impairment charge of $349.8 million has been made to goodwill in the Pathology division. This impairment relates primarily to Agilex, lower forecast cashflows post COVID-19, and an increase in the Weighted Average Cost of Capital.

## B2. Goodwill (continued)

The key assumptions in the Group's discounted cash flow model as at 30 June 2023 are as follows:

| ASSUMPTION | HOW DETERMINED |
|---|---|
| Forecast revenue | Cumulative average revenue growth rates for FY 2024–FY 2028 are as follows:<br>• Pathology: 5.8% (30 June 2022: -0.7%)<br>• Imaging: 7.3% (30 June 2022: 5.8%)<br><br>Consistent with the prior year, forecast revenue has been determined with reference to historical company experience and industry data. |
| Terminal value growth rates | The terminal value growth rates assumed are:<br>• Pathology: 2.75% (30 June 2022: 3.0%)<br>• Imaging: 3.0% (30 June 2022: 3.0%)<br><br>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.<br><br>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:<br>• Pathology: 8.5% (30 June 2022: 7.8%)<br>• Imaging: 8.0% (30 June 2022: 8.0%) |

### SENSITIVITY ANALYSIS

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

The carrying value of the Pathology CGU is equal to the recoverable amount after recognising an impairment of $349.8 million in FY 2023, therefore any negative changes in assumptions would give rise to further impairment.

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 Imaging CGU 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 |
| Imaging | (6.2%) | (5.4%) | 3.6% |

### ACCOUNTING ESTIMATES AND JUDGEMENTS: IMPAIRMENT OF GOODWILL

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

## B3. Property, plant and equipment

| 2023 $M | PLANT AND EQUIPMENT | LEASEHOLD IMPROVEMENTS | ASSETS UNDER CONSTRUCTION | TOTAL |
|---|---|---|---|---|
| **Net book value** | | | | |
| Opening balance | **116.9** | **67.0** | **12.1** | **196.0** |
| Additions | **21.7** | **3.4** | **34.0** | **59.1** |
| Capitalisation of assets under construction | **29.8** | **7.9** | **(37.7)** | **–** |
| Transfers and disposals | **(26.5)** | **(0.3)** | **–** | **(26.8)** |
| Business divestments | **(8.7)** | **(2.7)** | **(0.1)** | **(11.5)** |
| Depreciation expense | **(29.4)** | **(11.4)** | **–** | **(40.8)** |
| **Closing balance** | **103.8** | **63.9** | **8.3** | **176.0** |
| Cost | **343.1** | **171.7** | **8.3** | **523.1** |
| Accumulated depreciation and impairment | **(239.3)** | **(107.8)** | – | **(347.1)** |
| **Closing balance** | **103.8** | **63.9** | **8.3** | **176.0** |

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

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

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

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

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

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

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

## B4. Other intangible assets

| 2023<br>$M | IT SOFTWARE | LICENCES | INTANGIBLES UNDER CONSTRUCTION | TOTAL |
|---|---|---|---|---|
| **Net book value** | | | | |
| Opening balance | **62.7** | **8.2** | **4.3** | **75.2** |
| Additions | **0.6** | **–** | **13.0** | **13.6** |
| Capitalisation of intangible assets under construction | **3.1** | **–** | **(3.1)** | **–** |
| Transfers and disposals | **(0.1)** | **–** | **(0.1)** | **(0.2)** |
| Amortisation expense | **(14.6)** | **(0.9)** | **–** | **(15.5)** |
| **Closing balance** | **51.7** | **7.3** | **14.1** | **73.1** |
| Cost | **159.1** | **40.4** | **14.1** | **213.6** |
| Accumulated amortisation and impairment | **(107.4)** | **(33.1)** | **–** | **(140.5)** |
| **Closing balance** | **51.7** | **7.3** | **14.1** | **73.1** |

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

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

| | 2023 $M | 2022 $M |
|---|---|---|
| **Opening balance** | **1,172.9** | 1,177.6 |
| New leases and remeasurements during the year | **287.4** | 208.6 |
| Business divestments | **(42.9)** | – |
| Interest | **33.7** | 35.2 |
| Payments | **(247.2)** | (248.5) |
| **Closing balance** | **1,203.9** | 1,172.9 |
| Presented as: | | |
| Current lease liabilities | **263.0** | 223.7 |
| Non-current lease liabilities | **940.9** | 949.2 |
| **Total lease liabilities** | **1,203.9** | 1,172.9 |

## B6. Right of use assets

| 2023 | PROPERTY $M | EQUIPMENT $M | TOTAL $M |
|---|---|---|---|
| Opening balance | **1,025.4** | **49.5** | **1,074.9** |
| New leases and remeasurements during the year | **260.5** | **32.5** | **293.0** |
| Depreciation | **(207.3)** | **(13.6)** | **(220.9)** |
| Business divestments | **(40.6)** | **–** | **(40.6)** |
| Impairment | **(39.1)** | **–** | **(39.1)** |
| **Closing balance** | **998.9** | **68.4** | **1,067.3** |

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

### 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 3.07% (30 June 2022: 3.02%).

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)

A non-cash impairment charge of $39.1 million has been made to the right of use assets in the Imaging division which has been determined by comparing the carrying value of the assets to the present value of the projected future cashflows on a site-by-site basis. Key assumptions have been outlined below:

- Post-tax discount rate 8.0%;
- future cashflows have been determined with reference to historical company experience, industry data and a long-term growth rates expected for the industry.

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

| | 2023 $M | 2022 $M |
|---|---|---|
| **Current** | | |
| Trade payables and accruals | **218.0** | 169.6 |
| **Total payables** | **218.0** | 169.6 |

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

| | 2023 $M | 2022 $M |
|---|---|---|
| **Current** | | |
| Other deferred consideration | **0.9** | 5.7 |
| **Total current deferred consideration** | **0.9** | 5.7 |

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

| | 2023 $M | 2022 $M |
|---|---|---|
| **Current** | | |
| Provision for employee benefits | **131.3** | 155.5 |
| Self-insurance provision | **6.7** | 5.9 |
| Make good provision | **–** | 3.3 |
| Other provisions | **7.8** | 10.3 |
| **Total current provisions** | **145.8** | 175.0 |
| **Non-current** | | |
| Provision for employee benefits | **8.4** | 10.1 |
| Self-insurance provision | **3.8** | 7.1 |
| Make good provision | **2.2** | 1.4 |
| **Total non-current provisions** | **14.4** | 18.6 |

| 2023 | SELF-INSURANCE $M | MAKE GOOD $M | OTHER $M |
|---|---|---|---|
| Opening balance | **13.0** | **4.7** | **10.3** |
| Arising during the year | **1.2** | **0.8** | **5.9** |
| Utilised | **(3.7)** | **(3.3)** | **(8.4)** |
| **Closing balance** | **10.5** | **2.2** | **7.8** |

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

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 New South Wales, Victoria, Queensland and Western Australia. Provisions are recognised based on claims reported, and an estimate of claims incurred but not reported. These provisions are determined on a discounted basis and having regard to actuarial valuations.

### MAKE GOOD PROVISION

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

## C. Financing and capital structure

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

## C1. Interest-bearing liabilities

| | 2023 $M | 2022 $M |
|---|---|---|
| **Non-current** | | |
| Gross bank loans | **565.0** | 610.0 |
| Refinancing valuation adjustment | **–** | 0.1 |
| Unamortised borrowing costs | **(2.9)** | (4.0) |
| | **562.1** | 606.1 |

### CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

| 2023 | GROSS BANK LOANS $M | VALUATION ADJUSTMENT $M | BORROWING COSTS $M | TOTAL $M |
|---|---|---|---|---|
| Opening balance | **610.0** | **0.1** | **(4.0)** | **606.1** |
| Cash draw down | **135.0** | **–** | **–** | **135.0** |
| Borrowing repayments | **(180.0)** | **–** | **–** | **(180.0)** |
| Amortisation | **–** | **(0.1)** | **1.1** | **1.0** |
| **Closing balance** | **565.0** | **–** | **(2.9)** | **562.1** |

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

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.

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

## C2. Issued capital

| | 2023 NO. OF SHARES 000's | 2022 NO. OF SHARES 000's | 2023 $M | 2022 $M |
|---|---|---|---|---|
| **Opening balance** | **569,207** | 599,446 | **2,422.9** | 2,575.6 |
| Shares issued via Short Term Incentive Plan (deferred equity) | **228** | – | **0.8** | – |
| Shares issued via Non-executive Director (NED) Share Plan | **61** | 62 | **0.3** | 0.2 |
| Shares issued via Long Term Incentive Plan | **2,660** | 4,391 | **5.9** | 8.6 |
| Own shares acquired for Long Term Incentive Plan | **(976)** | (4,391) | **(3.7)** | (22.1) |
| Own shares acquired during buy back | **(1,651)** | (29,529) | **(5.2)** | (135.8) |
| Treasury shares cancelled | **–** | (772) | **–** | (3.6) |
| **Closing balance** | **569,529** | 569,207 | **2,421.0** | 2,422.9 |

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 2023, the company had 24,262,825 (2022: 36,394,239) share options on issue, exercisable on a 1:1 basis for 24,262,825 (2022: 36,394,239) ordinary shares of Healius at an exercise price of $3.05. The share options vest between July 2023 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 2023, the company had 246,426 (2022: 228,341) service rights on issue, exercisable on a 1:1 basis for 246,426 (2022: 228,341) ordinary shares of Healius at an exercise price of $nil.

As at 30 June 2023, the company had 6,731,128 (2022: 5,549,056) performance rights on issue, exercisable on a 1:1 basis for 6,731,128 (2022: 5,549,056) ordinary shares of Healius at an exercise price of $nil. The performance rights vest between July 2023 and October 2025 subject to the satisfaction of applicable service and performance conditions and carry no rights to dividends and no voting rights.

As at 30 June 2023, the company had 25,660 (2022: 35,140) Non-Executive Director (NED) share rights on issue, exercisable on 1:1 basis for 25,660 (2022: 35,140) ordinary shares of Healius at an exercise price of $nil.

### RESTRICTED SHARES ON ISSUE

As at 30 June 2023, the company had 78,585 (2022: 76,024) restricted shares on issue.

## C3. Treasury shares

| | 2023 NO. OF SHARES 000's | 2022 NO. OF SHARES 000's | 2023 $M | 2022 $M |
|---|---|---|---|---|
| Opening balance | – | 772 | – | 3.6 |
| Shares cancelled | – | (772) | – | (3.6) |
| **Closing balance** | – | – | – | – |

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

## C4. Dividends on equity instruments

| | 2023 CENTS PER SHARE | 2022 CENTS PER SHARE | 2023 $M | 2022 $M |
|---|---|---|---|---|
| **Recognised amounts** | | | | |
| Final dividend – previous financial year | **6.00** | 6.75 | **34.3** | 40.2 |
| Interim dividend – this financial year | – | 10.00 | – | 57.9 |
| | **6.00** | 16.75 | **34.3** | 98.1 |
| **Unrecognised amounts** | | | | |
| Final dividend – this financial year | – | 6.00 | – | 34.3 |

No dividends are expected to be paid for the year ended 30 June 2023. A final dividend of 6.00 cps was paid with regards to the year ended 30 June 2022.

| FRANKING ACCOUNT | 2023 $M | 2022 $M |
|---|---|---|
| Closing balance as at 30 June | **178.4** | 194.4 |

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 have overall responsibility for the establishment and oversight of risk management and this is delegated through the Group's:

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

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

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

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

## 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 $143.7 million (30 June 2022: $199.5 million). The ageing of the Group's trade receivables and an analysis of the Group's provision for expected credit losses is provided in note B1.

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

### Liquidity risk

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

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

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

| | 2023 $M | 2022 $M |
|---|---|---|
| **Financing facilities** | | |
| **Non-current** | | |
| Unsecured Syndicated Debt Facilities | | |
| Amount used | **565.0** | 610.0 |
| Amount unused | **435.0** | 390.0 |
| **Total financing facilities** | **1,000.0** | 1,000.0 |

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

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

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

The repayment of contractual cash flows due in the period less than one year from 30 June 2023 will be met through the ordinary working capital cycle of the Group, including the collection of trade receivables (30 June 2023: $143.7 million) and the unused headroom in the Syndicated Debt Facility (30 June 2023: $435.0 million).

## C5. Financial instruments (continued)

| 2023 | 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[1] | **565.0** | **687.1** | **32.1** | **655.0** | **–** |
| Payables | **218.0** | **218.0** | **218.0** | **–** | **–** |
| Deferred consideration | **0.9** | **0.9** | **0.9** | **–** | **–** |
| Lease liabilities | **1,203.9** | **1,341.0** | **303.1** | **748.1** | **289.8** |
| | **1,987.8** | **2,247.0** | **554.1** | **1,403.1** | **289.8** |

| 2022 | 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[1] | 610.0 | 697.0 | 24.8 | 672.2 | – |
| Payables | 169.6 | 169.6 | 169.6 | – | – |
| Deferred consideration | 5.7 | 5.7 | 5.7 | – | – |
| Lease liabilities | 1,172.9 | 1,326.1 | 260.4 | 819.7 | 246.0 |
| | 1,958.2 | 2,198.4 | 460.5 | 1,491.9 | 246.0 |

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

### Interest rate risk

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

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

| 2023 | AVERAGE INTEREST RATE % | VARIABLE INTEREST RATE $M |
|---|---|---|
| **Financial assets** | | |
| Cash | **3.21** | **115.3** |
| **Financial liabilities** | | |
| Gross bank loans | **4.02** | **(565.0)** |
| Lease liabilities – equipment | **3.41** | **(18.2)** |
| | | **(467.9)** |

| 2022 | AVERAGE INTEREST RATE % | VARIABLE INTEREST RATE $M |
|---|---|---|
| **Financial assets** | | |
| Cash | 0.57 | 81.3 |
| **Financial liabilities** | | |
| Gross bank loans | 1.56 | (610.0) |
| Lease liabilities – equipment | 2.18 | (19.2) |
| | | (547.9) |

## 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.

| 2023 | AVERAGE CONTRACTED FIXED INTEREST RATE % | NOTIONAL PRINCIPAL $M | FAIR VALUE $M |
|---|---|---|---|
| **Interest rate swaps** | | | |
| Less than 1 year | **3.00** | **90.0** | **2.1** |
| 1 to 2 years | **3.71** | **315.0** | **2.4** |
| | | **405.0** | **4.5** |

The aggregate notional principal amount of the outstanding interest rate swap contracts as at 30 June 2023 was $405.0 million.

| 2022 | AVERAGE CONTRACTED FIXED INTEREST RATE % | NOTIONAL PRINCIPAL $M | FAIR VALUE $M |
|---|---|---|---|
| **Interest rate swaps** | | | |
| 1 to 2 years | 2.37 | 200.0 | (0.2) |
| 2 to 5 years | 2.73 | 30.0 | (0.1) |
| | | 230.0 | (0.3) |

### Interest rate sensitivity analysis

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

| | PROFIT AFTER TAX | | OTHER COMPREHENSIVE INCOME | |
|---|---|---|---|---|
| | 100BP INCREASE $M | 100BP DECREASE $M | 100BP INCREASE $M | 100BP DECREASE $M |
| **Consolidated** | | | | |
| 30 June 2023 – variable rate instruments | **(2.7)** | **2.7** | **7.4** | **(7.4)** |
| 30 June 2022 – variable rate instruments | (1.8) | 1.8 | 0.4 | (0.4) |

### 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.

## C5. Financial instruments (continued)

### ACCOUNTING POLICY

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

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

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

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

### Fair value of financial instruments

*Basis for determining fair value*

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

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

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

*Fair value measurement – valuation methods*

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

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

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

### Carrying amount

| 2023<br>$M | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Interest rate swaps | **–** | **4.5** | **–** | **4.5** |
| **Financial liabilities** | | | | |
| Deferred consideration | **–** | **–** | **0.9** | **0.9** |

| 2022<br>$M | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Interest rate swaps | – | 0.3 | – | 0.3 |
| Deferred consideration | – | – | 5.7 | 5.7 |

## C5. Financial instruments (continued)

*Fair value of other financial instruments*

The fair value of cash, receivables, payables and lease liabilities approximates their carrying amount. The fair value of the non-current interest-bearing liabilities approximates the carrying amount of the gross bank loans of $565.0 million (2022: $610.0 million).

**Other risks**

*Currency risk*

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

*Capital management*

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

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

## C6. Commitments for expenditure

| | 2023 $M | 2022 $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 | **17.1** | 14.3 |
| Later than 1 year but not later than 5 years | **1.8** | – |
| | **18.9** | 14.3 |

## D. Group structure

This section contains details of the way the business is structured including details of controlled entities, 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 2023 % | 2022 % |
|---|---|---|---|
| Healius Limited | Australia | | |
| Former AP Pty Ltd | Australia | **100** | 100 |
| Former SDS Pty Limited | Australia | **100** | 100 |
| The Sydney Diagnostic Services Unit Trust | Australia | **100** | 100 |
| Healius Nominees Pty Ltd | Australia | **100** | 100 |
| Healius Training Institute Pty Ltd | Australia | **100** | 100 |
| Idameneo (No. 124) Pty Ltd | Australia | **100** | 100 |
| Idameneo (No. 789) Ltd | Australia | **100** | 100 |
| ACN 063 535 884 Pty Ltd | Australia | **100** | 100 |
| ACN 063 535 955 Pty Ltd | Australia | **100** | 100 |
| ACN 138 935 403 Pty Ltd | Australia | **100** | 100 |
| Crystal Eye Clinic (WA) Pty Ltd | Australia | **100** | 100 |
| Digital Diagnostic Imaging Pty Ltd | Australia | **100** | 100 |
| Healius Health Care Institute Pty Ltd | Australia | **100** | 100 |
| HLS Camden Pty Ltd | Australia | **100** | 100 |
| Primary (Camden) Property Trust | Australia | **100** | 100 |
| HLS Healthcare Holdings Pty Ltd | Australia | **100** | 100 |
| HLS Imaging Holdings Pty Ltd | Australia | **100** | 100 |
| ACN 088 631 949 Pty Ltd | Australia | **100** | 100 |
| Orana Service Unit Trust | Australia | **100** | 100 |
| Amokka Java Pty Limited | Australia | **100** | 100 |
| Brystow Pty Ltd | Australia | **100** | 100 |
| Healthcare Imaging Services (SA) Pty Ltd | Australia | **100** | 100 |
| Healthcare Imaging Services (Victoria) Pty Ltd | Australia | **100** | 100 |
| Healthcare Imaging Services (WA) Pty Ltd | Australia | **100** | 100 |
| Healthcare Imaging Services Pty Ltd | Australia | **100** | 100 |
| Campbelltown MRI Pty Ltd | Australia | **100** | 100 |
| Queensland Diagnostic Imaging Pty Ltd | Australia | **100** | 100 |
| Axis Diagnostic Holdings Pty Ltd | Australia | **100** | 100 |
| Granite Belt Diagnostic Imaging Pty Ltd | Australia | **100** | 100 |
| Keperra Diagnostic Imaging Pty Ltd | Australia | **100** | 100 |
| Toowoomba Diagnostic Imaging Pty Ltd | Australia | **100** | 100 |
| Whitsunday Radiology Pty Ltd | Australia | **100** | 100 |
| Northcoast Nuclear Medicine (QLD) Pty Ltd | Australia | **100** | 100 |
| PET Imaging Services Pty Ltd [1] | Australia | **100** | – |

## D1. Subsidiaries (continued)

| NAME OF SUBSIDIARY | PLACE OF INCORPORATION AND OPERATION | PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP 2023 % | 2022 % |
|---|---|---|---|
| HLS Pathology Holdings Pty Ltd | Australia | **100** | 100 |
| Agilex Biolabs 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 India Private Limited [2] | India | **100** | 100 |
| Healius Pathology Pty Ltd | Australia | **100** | 100 |
| Moaven & Partners Pathology Pty Ltd | Australia | **100** | 100 |
| Pathways Unit Trust | Australia | **100** | 100 |
| Queensland Medical Services Pty Ltd | Australia | **100** | 100 |
| SDS Healthcare Solutions Inc. [3] | Philippines | **99.98** | 99.98 |
| Jandale Pty Ltd | Australia | **100** | 100 |
| Integrated Health Care Pty Ltd | Australia | **100** | 100 |
| Queensland Specialist Services Pty Ltd | Australia | **100** | 100 |
| Specialist Haematology Oncology Services Pty Ltd | Australia | **100** | 100 |
| Specialist Veterinary Services Pty Ltd | Australia | **100** | 100 |
| HLS Millers Point Pty Ltd | Australia | **100** | 100 |
| Primary Millers Point Property Trust | Australia | **100** | 100 |
| HLS Richmond Pty Ltd | Australia | **100** | 100 |
| HLS PST Pty Ltd | Australia | **100** | 100 |
| Primary (Greensborough) Property Sub Trust | Australia | **100** | 100 |
| Primary (Richmond) Property Trust | Australia | **100** | 100 |
| Primary (Robina) Property Sub Trust | Australia | **100** | 100 |
| John R Elder Pty Ltd | Australia | **100** | 100 |
| Larches Pty Ltd | Australia | **100** | 100 |
| Kelldale Pty Ltd | Australia | **100** | 100 |
| MGSF Pty Ltd | Australia | **100** | 100 |
| Murdoch Haematology & Oncology Clinic Pty Ltd [4] | Australia | **100** | 100 |
| Murdoch Private Hospital Pty Ltd [5] | Australia | **100** | 100 |
| HLS 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 |

## D1. Subsidiaries (continued)

| NAME OF SUBSIDIARY | PLACE OF INCORPORATION AND OPERATION | PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP 2023 % | 2022 % |
|---|---|---|---|
| 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 [6] | Australia | **–** | 100 |
| Albany Day Hospital Pty Ltd [6] | Australia | **–** | 100 |
| Bendigo Day Hospital Pty Ltd [6] | Australia | **–** | 100 |
| Bunbury Day Surgery Pty Ltd [6] | Australia | **–** | 100 |
| Felpet Pty Ltd [6] | Australia | **–** | 100 |
| Montserrat Healthcare Pty. Ltd [6] | Australia | **–** | 100 |
| Montserrat Medical Services Pty Ltd [6] | Australia | **–** | 100 |
| Western Breast Clinic Pty Ltd [6] | Australia | **–** | 100 |
| Western Haematology & Oncology Clinics Pty Ltd [6] | Australia | **–** | 60 |
| North Lakes Day Hospital Pty Ltd [6] | Australia | **–** | 100 |
| Oxford Medical Pty Ltd [6] | Australia | **–** | 100 |
| The Oxford Unit Trust [6] | Australia | **–** | 100 |
| Peel Private Development Pty Ltd [6] | Australia | **–** | 100 |
| Windermere House Pty Ltd [6] | Australia | **–** | 100 |
| Montserrat DH Pty Ltd [6] | Australia | **–** | 100 |
| Brookvale Day Hospital Pty Ltd [6] | Australia | **–** | 100 |
| PHC (No. 01) Pty Ltd | Australia | **100** | 100 |
| Transport Security Insurance (Pte) Limited | Singapore | **100** | 100 |

1 Entity incorporated on 9 May 2023.
2 Entity has a 31 March year end.
3 Entity has a 31 December year end.
4 Entity changed ownership from Montserrat Medical Services Pty Ltd to Idameneo (No.789) Limited on 6 December 2022.
5 Entity changed ownership from MB Healthcare Pty Ltd to Idameneo (No. 789) Limited on 6 December 2022.
6 Montserrat Day Hospitals entities sold to Nexus Hospitals on 1 May 2023.

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

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

## 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 2023 are as follows:

ACN 138 935 403 Pty Ltd
Agilex Biolabs Pty Ltd
Crystal Eye Clinic (WA) Pty Ltd
Digital Diagnostic Imaging Pty Ltd
Former AP Pty Ltd
Former SDS 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
Moaven & Partners Pathology Pty Ltd
Queensland Diagnostic Imaging Pty Ltd
Queensland Medical Services Pty Ltd
Specialist Haematology Oncology Services Pty Ltd
Specialist Veterinary Services 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 2023 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 | 2023 $M | 2022 $M |
|---|---|---|
| **Assets** | | |
| Current | **2.1** | – |
| Non-current | **2,053.1** | 2,287.2 |
| **Total assets** | **2,055.2** | 2,287.2 |
| **Liabilities** | | |
| Current | **6.7** | 1.5 |
| Non-current | **562.1** | 605.8 |
| **Total liabilities** | **568.8** | 607.3 |
| **Net assets** | **1,486.4** | 1,679.9 |
| **Equity** | | |
| Issued capital | **2,441.0** | 2,442.8 |
| Accumulated losses | **(963.6)** | (783.4) |
| Other reserves | **9.0** | 20.5 |
| **Total equity** | **1,486.4** | 1,679.9 |

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

| STATEMENT OF COMPREHENSIVE (LOSS)/INCOME | 2023 $M | 2022 $M |
|---|---|---|
| (Loss)/profit for the year | **(145.9)** | 15.9 |
| Other comprehensive income | **3.4** | 4.3 |
| **Total comprehensive (loss)/income** | **(142.5)** | 20.2 |

A non-cash impairment charge of $349.8 million has been made to the investment held in subsidiaries arising from the recognition of goodwill impairment in the Pathology CGU.

## 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 | 2023 $M | 2022 $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 | | **115.3** | 81.3 |
| **Cash as disclosed in the Group statement of cash flows** | | **115.3** | 81.3 |

| | NOTE | 2023 $M | 2022 $M |
|---|---|---|---|
| **Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities** | | | |
| (Loss)/profit for the year | | **(367.8)** | 307.9 |
| Finance costs | | **63.4** | 50.7 |
| Depreciation of plant and equipment | | **40.8** | 44.5 |
| Depreciation of right of use assets | | **220.9** | 219.7 |
| Amortisation of intangibles | | **15.5** | 14.3 |
| Amortisation of HCP upfronts | | **1.8** | 2.4 |
| Share-based payment expense | | **(7.8)** | 7.9 |
| Gain on sale of Day Hospitals | E2 | **(6.8)** | – |
| Gain on sale of Adora | E2 | – | (16.5) |
| Gain on derecognition of right of use assets | | **(4.2)** | (0.5) |
| (Gain)/loss on sale of PP&E and intangibles | | **(1.1)** | 0.3 |
| Impairment of leased assets | | **39.1** | – |
| Impairment of goodwill | | **349.8** | – |
| Other non-cash items | | **(1.3)** | (1.3) |
| Increase/(decrease) in: | | | |
| Trade payables and accruals | | **40.1** | (36.4) |
| Provisions | | **(31.6)** | 2.5 |
| Deferred revenue | | **4.7** | 2.8 |
| Income tax and deferred taxes | | **(89.3)** | 33.9 |
| Decrease/(increase) in: | | | |
| Consumables | | **14.5** | (12.4) |
| Receivables and prepayments | | **52.6** | (33.0) |
| **Net cash provided by operating activities** | | **333.3** | 586.8 |

### FINANCING FACILITIES

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

## E2. Discontinued operations

### (a) Day Hospital Businesses (Day Hospitals)

On 9 December 2022 the Group announced that it had entered into a binding agreement to sell the Day Hospitals business to Nexus Hospitals for an enterprise value of up to $138.6 million (including deferred contingent consideration of up to $11.4 million) on a cash and debt free basis. The sale completed on 30 April 2023.

The results of the business have been presented in the results from discontinued operations in the 2023 financial year, with comparatives restated accordingly.

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

The Group sold Adora on 1 June 2022. The results of the business up until this date have been presented in the comparative results from discontinued operations.

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

| | 2023 $M | 2022 $M |
|---|---|---|
| Revenue and other gains | **43.7** | 74.9 |
| Expenses | **(38.1)** | (72.2) |
| **Earnings before interest and tax** | **5.6** | 2.7 |
| Finance costs | **(1.1)** | (1.7) |
| **Earnings before tax** | **4.5** | 1.0 |
| Profit on sale | **6.8** | 16.5 |
| **Profit before tax from discontinued operations** | **11.3** | 17.5 |
| Income tax benefit/(expense) | **0.9** | (2.0) |
| **Profit from discontinued operations** | **12.2** | 15.5 |

The net cash flows of discontinued operations are:

| | 2023 $M | 2022 $M |
|---|---|---|
| Operating | **6.6** | 13.3 |
| Investing | **113.2** | 24.5 |
| Financing | **(4.3)** | (6.0) |
| **Net cash inflow** | **115.5** | 31.8 |

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

| | 2023 CENTS | 2022 CENTS |
|---|---|---|
| Basic profit per share from discontinued operations | **2.1** | 2.7 |
| Diluted profit per share from discontinued operations | **2.1** | 2.6 |

## E3. Taxation

### CURRENT TAX BALANCES

### INCOME TAX

| | 2023 $M | 2022 $M |
|---|---|---|
| Income tax payable is attributable to: | | |
| Entities in the tax consolidated group | – | (65.5) |
| Other | (1.9) | (1.8) |
| | (1.9) | (67.3) |

| | 2023 $M | 2022 $M |
|---|---|---|
| Income tax receivable is attributable to: | | |
| Entities in the tax consolidated group | 6.7 | – |
| | 6.7 | – |

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

### DEFERRED TAXATION

| 2023 $M | 1 JULY 2022 OPENING BALANCE | CREDITED/ (CHARGED) TO INCOME | CREDITED/ (CHARGED) TO EQUITY | ACQUISITIONS AND OTHER ADJUSTMENTS | 30 JUNE 2023 CLOSING BALANCE |
|---|---|---|---|---|---|
| Receivables | (5.6) | (1.4) | – | – | (7.0) |
| Consumables | (14.3) | 4.1 | – | 0.5 | (9.7) |
| Prepayments | (0.9) | (0.1) | – | – | (1.0) |
| Property, plant and equipment | (4.7) | (3.6) | – | 1.6 | (6.7) |
| Right of use assets | (322.5) | 3.0 | – | (0.7) | (320.2) |
| Intangibles and capitalised costs | (1.0) | 4.5 | – | 0.8 | 4.3 |
| Entitlement offer | 0.4 | (0.4) | – | – | – |
| Payables | 7.7 | (1.4) | – | (0.1) | 6.2 |
| Provisions | 56.2 | (8.9) | – | (0.6) | 46.7 |
| Lease liabilities | 351.8 | 9.3 | – | – | 361.1 |
| Other financial liabilities | 0.5 | 0.2 | (1.4) | (0.2) | (0.9) |
| Net temporary differences | 67.6 | 5.3 | (1.4) | 1.3 | 72.8 |
| Tax losses – revenue [1] | 1.2 | 10.9 | – | 3.0 | 15.1 |
| **Deferred tax asset** | 68.8 | 16.2 | (1.4) | 4.3 | 87.9 |

## E3. Taxation (continued)

| 2022 $M | 1 JULY 2021 OPENING BALANCE | CREDITED/ (CHARGED) TO INCOME | CREDITED/ (CHARGED) TO EQUITY | ACQUISITIONS AND OTHER ADJUSTMENTS | 30 JUNE 2022 CLOSING BALANCE |
|---|---|---|---|---|---|
| Receivables | (3.8) | (0.9) | – | (0.9) | (5.6) |
| Consumables | (10.4) | (3.9) | – | – | (14.3) |
| Prepayments | (1.2) | 0.3 | – | – | (0.9) |
| Property, plant and equipment | 3.1 | (6.9) | – | (0.9) | (4.7) |
| Right of use assets | (326.1) | 6.7 | – | (3.1) | (322.5) |
| Intangibles and capitalised costs | (1.1) | 0.1 | – | – | (1.0) |
| Entitlement offer | 0.8 | (0.4) | – | – | 0.4 |
| Payables | 12.3 | (4.6) | – | – | 7.7 |
| Provisions | 51.7 | 3.6 | – | 0.9 | 56.2 |
| Lease liabilities | 353.2 | (4.7) | – | 3.3 | 351.8 |
| Other financial liabilities | 2.2 | 0.1 | (1.8) | – | 0.5 |
| Net temporary differences | 80.7 | (10.6) | (1.8) | (0.7) | 67.6 |
| Tax losses – revenue | 1.5 | (1.9) | – | 1.6 | 1.2 |
| Deferred tax asset | 82.2 | (12.5) | (1.8) | 0.9 | 68.8 |

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

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

| | 2023 $M | 2022 $M |
|---|---|---|
| **Guarantees** | | |
| Property related | **0.2** | 10.5 |
| | **0.2** | 10.5 |

Contingent liabilities relate to guarantees provided by the Group for certain property leases entered into by Healius Primary Care (HPC) & Adora. As part of the sale of the HPC & Adora businesses the majority of these guarantees were extinguished.

# Notes to the financial statements

for the year ended 30 June 2023

## 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. The Board may determine to allow a cashless exercise of Options.

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

The Group operate the following share based payment plans:

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

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

The TLTIP was 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:

- Earnings Per Share (EPS) cumulative compound annual growth rate (CAGR) 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) Long Term Incentive Plan (LTIP) and previously Transformation Long Term Incentive Plan (TLTIP) – Performance Rights Plans

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

In FY 2023, Performance Rights were granted under the 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 2023 the Performance Rights are subject to EPS growth and rTSR performance conditions (split 1/3 to 2/3 between EPS and rTSR);
- In FY 2022 the Performance Rights are subject to EPS growth and rTSR performance conditions (split 2/3 to 1/3 between EPS and rTSR);
- In FY 2021 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)

The measurement period for Performance Rights granted under the FY 2023 award is 1 July 2022 to 30 June 2025 (FY 2022 award: 1 July 2021 to 30 June 2024). Retesting will not occur under any of these awards.

## E5. Share-based payments (continued)

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

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

In FY 2022, the CEO, CFO and all direct reports to the CEO received 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) was at the discretion of management.

Set out below are summaries of the equity instruments granted under each of the plans as at 30 June 2023:

| DESCRIPTION | GRANT DATE[1] | BALANCE AS AT 1 JULY 2022 NUMBER | GRANTED DURING THE YEAR NUMBER | EXERCISED DURING THE YEAR NUMBER | FORFEITED DURING THE YEAR NUMBER[2] | BALANCE AS AT 30 JUNE 2023 NUMBER |
|---|---|---|---|---|---|---|
| FY 2020 TLTIP – Options | 28 February 2020 | 33,816,116 | – | (9,553,291) | (4,594,396) | **19,668,429** |
| FY 2020 LTIP – Rights | 20 March 2020 | 1,473,325 | – | (1,070,935) | (402,390) | **–** |
| FY 2021 LTIP – Rights | 26 October 2020 | 1,462,903 | – | (10,044) | (133,348) | **1,319,511** |
| FY 2021 STIP – Rights | 20 October 2021 | 228.341 | – | (228,341) | – | **–** |
| FY 2022 LTIP – Rights | 21 May 2022 | 2,024,047 | – | – | (297,205) | **1,726,842** |
| FY 2022 STIP – Rights | 23 September 2022 | – | 221,426 | – | – | **221,426** |
| FY 2023 Retention – Rights | 29 July 2022 | – | 25,000 | – | – | **25,000** |
| FY 2023 LTIP – Rights | 16 March 2023 | – | 3,061,529 | – | (51,298) | **3,010,231** |

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 2023, FY 2022, FY 2021 and FY 2020 Plans were estimated at the grant date using a Monte-Carlo simulation model taking into account the terms and conditions on which the Options and Performance Rights were granted including the rTSR performance condition where applicable. As the EPS and EBIT performance conditions are non-market conditions they are not taken into account when determining the fair value of the Options and Performance Rights but rather are considered when determining the number of Options and Performance Rights that will ultimately vest.

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

| DESCRIPTION | TRANCHE | GRANT DATE | MEASUREMENT PERIOD | GRANT DATE FAIR VALUE PER RIGHT $ |
|---|---|---|---|---|
| FY 2023 LTIP – Rights | EPS | 16 March 2023 | 1 July 2022 to 30 June 2025 | 2.68 |
| FY 2023 LTIP – Rights | rTSR | 16 March 2023 | 1 July 2022 to 30 June 2025 | 0.83 |

### 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 and EBIT.

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

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Short-term employee benefits | 4,368 | 5,410 |
| Post-employment benefits | 164 | 156 |
| Other long-term employee benefits | 163 | 74 |
| Termination payments | 1,690 | – |
| Share-based payments | (1,983) | 4,729 |
| | **4,402** | 10,369 |

### 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

| | 2023 $000 | 2022 $000 |
|---|---|---|
| **Fees to Ernst & Young (Australia)** | | |
| Fees for auditing the statutory financial report of the Group | **905** | 745 |
| Fees for other assurance and agreed-upon-procedures services | | |
| Internal controls and compliance | **5** | 5 |
| **Fees for other services** | | |
| Tax consulting | **69** | 142 |
| Due diligence | **97** | 413 |
| Advisory | **162** | – |
| **Total fees to Ernst & Young (Australia)** | **1,238** | 1,305 |
| | | |
| **Fees to overseas member firms of Ernst & Young (Australia)** | | |
| Fees for auditing the financial report of the Group's controlled entities | **40** | 37 |
| **Fees for other services** | | |
| Tax consulting | **17** | 18 |
| **Total fees to overseas member firms of Ernst & Young (Australia)** | **57** | 55 |
| **Total auditor's remuneration** | **1,295** | 1,360 |

## E9. Businesses acquired

### AGILEX BIOLABS PTY LTD

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

The amounts presented at 30 June 2022 were based on a provisional assessment of fair value. These amounts have since been finalised with a reduction of $0.3 million in goodwill recognised in the current year. Final amounts are presented below.

| | $M |
|---|---|
| Current assets | 9.1 |
| Non-current assets | 20.8 |
| Current liabilities | (11.0) |
| Non-current liabilities | (12.5) |
| **Total identifiable net assets at fair value** | **6.4** |
| Goodwill arising on acquisition | 286.5 |
| **Total consideration** | **292.9** |
| Add: Purchase price adjustments | 0.1 |
| **Cash paid to vendors on acquisition** | **293.0** |
| Less: Cash acquired | (2.3) |
| **Net cash transferred on acquisition** | **290.7** |

## E10. Adoption of new and revised standards

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

A number of amendments to Standards issued by the Australian Accounting Standards Board (AASB) and Interpretations are applicable for the first time in the 2023 financial year, however adoption does not have a material impact on the disclosures or amounts recognised in the consolidated financial statements of the Group.

### STANDARDS ON ISSUE NOT YET ADOPTED

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

## E11. Subsequent events

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 2023, there were 569,643,263 fully paid ordinary Shares held by 16,017 shareholders.

## Distribution of ordinary Shares as at 31 August 2023

| NUMBER OF SHARES HELD | INDIVIDUALS |
|---|---|
| 1–1,000 | 4,940 |
| 1,001–5,000 | 5,949 |
| 5,001–10,000 | 2,145 |
| 10,001–100,000 | 1,542 |
| 100,001–999,999,999 | 65 |
| **Total** | 14,641 |

1,376 shareholders hold less than a marketable parcel of Shares.

## Number of Rights holders

As at 31 August 2023, there were 6,767,776 Rights held by 63 persons.

## Distribution of Rights as at 31 August 2023

| NUMBER OF RIGHTS HELD | INDIVIDUALS |
|---|---|
| 1–1,000 | 0 |
| 1,001–5,000 | 1 |
| 5,001–10,000 | 0 |
| 10,001–100,000 | 32 |
| 100,001–999,999,999 | 30 |
| **Total** | 63 |

## Number of Options holders

As at 31 August 2023, there were 24,262,825 Options held by eight persons.

## Distribution of Options as at 31 August 2023

| 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 |

# Shareholder information

## 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.

## Top 20 shareholders as at 31 August 2023

| RANK | NAME | SHARES | % OF SHARES |
|---|---|---|---|
| 1 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 179,525,030 | 31.51 |
| 2 | CITICORP NOMINEES PTY LIMITED | 113,011,084 | 19.84 |
| 3 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 101,426,357 | 17.80 |
| 4 | NATIONAL NOMINEES LIMITED | 41,431,994 | 7.27 |
| 5 | ARGO INVESTMENTS LIMITED | 19,132,634 | 3.36 |
| 6 | BNP PARIBAS NOMS PTY LTD <DRP> | 13,878,419 | 2.44 |
| 7 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C> | 3,770,723 | 0.66 |
| 8 | CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C> | 3,577,160 | 0.63 |
| 9 | BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C> | 3,367,888 | 0.59 |
| 10 | UBS NOMINEES PTY LTD | 3,150,206 | 0.55 |
| 11 | RINRIM PTY LTD | 2,362,047 | 0.41 |
| 12 | BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C> | 1,204,931 | 0.21 |
| 13 | ECAPITAL NOMINEES PTY LIMITED <ACCUMULATION A/C> | 1,032,081 | 0.18 |
| 14 | ALPHAGEN CAPITAL PTY LTD | 1,000,000 | 0.18 |
| 15 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 704,441 | 0.12 |
| 16 | JOROMADA PTY LTD | 680,000 | 0.12 |
| 17 | NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C> | 636,689 | 0.11 |
| 18 | MR GREGORY ANTHONY THOMAS BATEMAN | 636,213 | 0.11 |
| 19 | NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C> | 580,893 | 0.10 |
| 20 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA | 569,088 | 0.10 |
| **Total** | | 491,677,878 | 86.30 |

# Shareholder information

## Substantial shareholders as at 31 August 2023

| NAME | NUMBER OF FULLY PAID ORDINARY SHARES AS AT DATE OF EACH NOTICE | % OF TOTAL ISSUED CAPITAL AS AT THE DATE OF EACH NOTICE |
|---|---|---|
| Perpetual Limited [1] | 79,312,419 | 13.92 |
| Australian Retirement Trust Pty Ltd ATF Australian Retirement Trust [2] | 54,173,608 | 9.51 |
| Tanarra Capital Australia Pty Ltd and its related entities [3] | 45,549,533 | 7.84 |
| Host-Plus Pty Limited [4] | 35,155,034 | 6.17 |
| Dimensional Entities [5] | 30,485,918 | 6.04 |
| State Street Corporation and its related entities [6] | 34,968,120 | 6.02 |
| Mitsubushi UFJ Financial Group, Inc [7] | 29,374,935 | 5.06 |
| First Sentier Holdings Pty Ltd [8] | 29,374,935 | 5.06 |
| United Super Pty Ltd [9] | 28,642,884 | 5.03 |
| Commonwealth Back of Australia [10] | 29,214,808 | 5.03 |
| Vanguard Group [11] | 29,004,002 | 5.00 |

1 Substantial shareholder notice received by the Company on 24 July 2023.
2 Substantial shareholder notice received by the Company on 2 June 2023.
3 Substantial shareholder notice received by the Company on 19 January 2023.
4 Substantial shareholder notice received by the Company on 17 August 2023.
5 Substantial shareholder notice received by the Company on 6 December 2013.
6 Substantial shareholder notice received by the Company on 9 December 2022.
7 Substantial shareholder notice received by the Company on 21 September 2022.
8 Substantial shareholder notice received by the Company on 20 September 2022.
9 Substantial shareholder notice received by the Company on 9 August 2023.
10 Substantial shareholder notice received by the Company on 11 January 2023.
11 Substantial shareholder notice received by the Company on 27 July 2022.

## Auditor

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

# Financial calendar

| 2024 | |
|---|---|
| Half year results announcement | 27 February |
| Year end | 30 June |
| Full year results announcement | 29 August |

# Corporate information

## Company's Registered Office

(and location of Register of Option Holders)

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

## Share Registry

(and location of Register of Rights Holders)

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

# Our brands

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

## Pathology

qml pathology

laverty pathology

dorevitch pathology

abbott pathology

western diagnostic pathology

tml pathology

Genomic Diagnostics

KOSSARD DERMATOPATHOLOGISTS

Gastrolab GUT DIAGNOSIS

IQ PATHOLOGY

Vetnostics

ASAP LABORATORY

AGILEX BIOLABS

Vetpath Laboratory Services

## Imaging

lumus imaging

healius

www.healius.com.au