healius

ANNUAL REPORT 2019

Wellbeing at scale

HEALIUS LIMITED
ACN 064 530 516

Contents

1 in 3
Pathology samples tested in our laboratories

8M+
Medical Centre patient consults

3M+
Radiography examinations

The *greatest* care

Healius has been one of Australia's leading healthcare companies for over 30 years with a commitment to supporting quality, affordable and accessible healthcare.

...for the greatest number

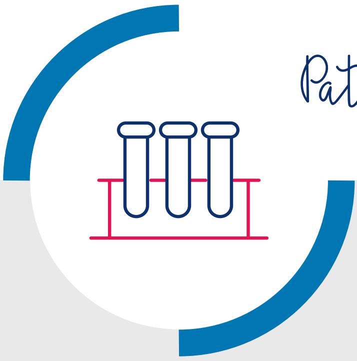
13,000+
Employees Australia-wide

1,900+
Independent HCPs Australia-wide

2,558
Site locations Australia-wide

About Healius

Today Healius has three main businesses – Pathology, Medical Centres and Imaging – and three emerging businesses – Dental, IVF and Day Hospitals. Through its unique footprint of centres and 13,000 employees, Healius provides diagnostic services to consumers and their referring practitioners, as well as enabling a range of independent healthcare professionals to deliver patient care in partnership with Healius' nurses and support staff.



Pathology

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

SDS operates over 100 medical laboratories and over 2,200 patient collection centres across metropolitan, regional and remote Australia. SDS employs around 280 specialist pathologists and 7,800 scientists, technicians, collectors and team members. Each year, it provides one in every three pathology services in Australia, extending from exclusively servicing some of Australia's largest and most complex private and public hospitals to small and remote Australian Aboriginal communities.

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

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

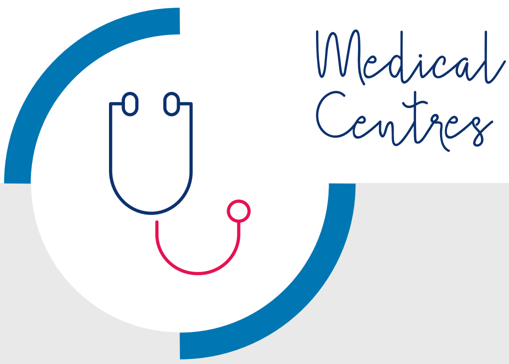
Imaging

Healius' Imaging division, through its brand Healthcare Imaging Services or HIS, operates a network of sites across the country, in partnership with around 110 independent radiologists.

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

HIS provides professional and support services to radiologists enabling them to focus on the provision of quality care for their patients. HIS also employs a highly-trained team of radiographers, sonographers, nuclear medicine technologists, nurses, centre support staff and corporate staff. A full suite of modalities and services are offered which include: X-ray, ultrasound, computerised tomography (CT), mammography, magnetic resonance imaging (MRI), nuclear medicine, positron emission tomography (PET) and interventional radiology.

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



Healius partners with almost 1,300 independent general practitioners (GPs), dentists, specialists and other healthcare professionals (HCPs) who address both acute and chronic conditions in their patients.

Healius provides a range of professional and support services to HCPs enabling them to focus on the provision of quality care for their patients.

Healius has over 70 Medical Centres across Australia which are generally open 365 days a year, 7am to 10pm, and offer appointments and walk-in services. The majority of services provided by the independent HCPs in these centres are bulk billed.

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

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

Currently reported within the Medical Centres division, Healius has three emerging businesses:

Primary Dental

Healius' dental business, Primary Dental, is one of the top four dental operators in the country. The dental centres are situated within Healius Medical Centres in over 60 locations across the country and offer accessible and affordable dental services.

Adora Fertility

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

Day Hospitals

Driven by improving surgical technology and superior patient outcomes, the healthcare industry is experiencing a shift away from higher cost overnight procedures towards day hospital procedures, with the number of private day hospital admissions doubling in the last 10 years.

Healius' emerging Day Hospitals business comprises five day hospitals situated in Medical Centres and the recently acquired Montserrat Day Hospitals (Montserrat) business. Montserrat is a unique and high quality business with nine modern, well-run facilities that are strategically located and accessible to both specialists and patients.

The business provides a platform to diversify funding in non-Medicare revenues. With its combination of day hospitals and haematology/oncology clinics, it also delivers benefits and integration opportunities to the pathology and IVF divisions.

A market leading network

2,318
Pathology laboratories and collection centres

2,216 ACCs
102 LABORATORIES

95
Medical Centres and Day Hospitals

73 HEALIUS MEDICAL CENTRES
61 with Dental sites
4 with IVF clinics
13 HEALTH & CO
14 DAY HOSPITALS
9 stand-alone

145
Imaging sites

29 HOSPITALS
61 COMMUNITY CENTRES
55 MEDICAL CENTRES

WA
213 SITES

197	Pathology
12	Medical Centres
4	Imaging

NT
18 SITES

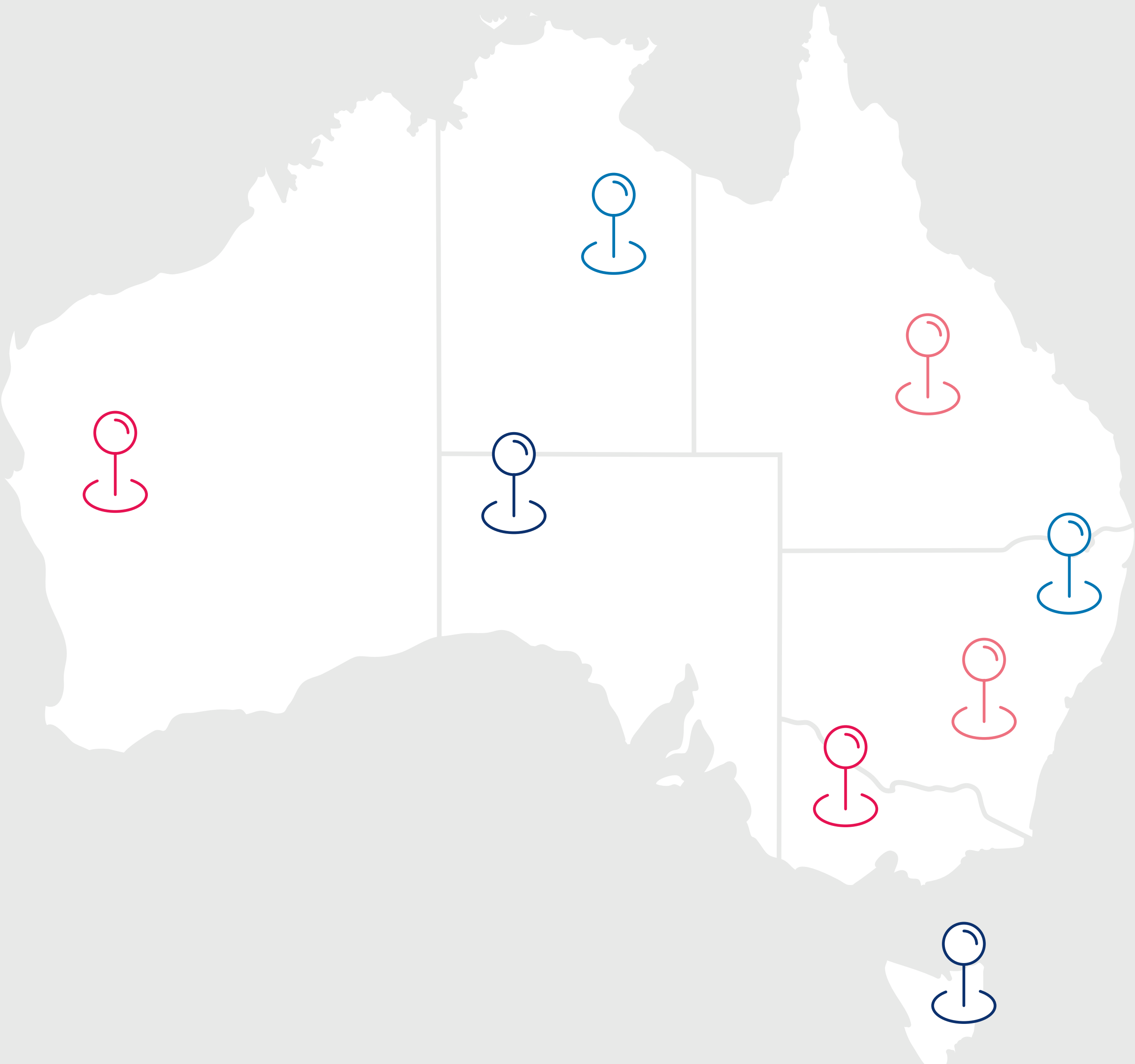
18	Pathology

QLD
678 SITES

625	Pathology
19	Medical Centres
34	Imaging

NSW
840 SITES

741	Pathology
36	Medical Centres
63	Imaging



SA
61 SITES

49	Pathology
7	Medical Centres
5	Imaging

VIC
685 SITES

630	Pathology
19	Medical Centres
36	Imaging

TAS
25 SITES

25	Pathology

ACT
38 SITES

33	Pathology
2	Medical Centres
3	Imaging

As at July 2019.

Our strategy

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

The healthcare sector is going through a period of significant change, influenced by trends in:

- Ongoing population growth and life expectancy growth
- Improving survival rates from common diseases and improving treatment options
- Artificial intelligence (AI), robotics and big data analysis
- Increasingly informed and empowered consumers demanding better ways of accessing healthcare when, where and how they want it.

Both the costs of and demands for healthcare in Australia are growing. Those companies which can combine clinical excellence, consumer-friendly delivery and cost efficiency within a frontline community setting will be sustainable into the future. They will support consumer wellbeing along with disease prevention and early intervention, core to successful healthcare in the future.

Healius is committed to positioning itself at the forefront of community healthcare delivery in Australia and to creating a sustainable working environment for HCPs and staff.
To deliver this, Healius is investing in a raft of initiatives including the repositioning of the Medical Centres with expansion of GP numbers and diversification of patient services, and upgrades to core technology platforms, including long overdue investments in radiology through iCAR[3] and a new Laboratory Information System (LIS) in Pathology.

These initiatives can be summarised as follows:

	PEOPLE **Workplace of choice**	PROCESS **Organisational efficiency**	PROPERTY **Yield optimisation**
Group	✓ Purpose, Mission and Values ✓ Performance management framework ✓ Learning and development programs	✓ Modernisation of corporate support services infrastructure	✓ Outsourced facilities management/leasing ✓ Property cost optimisation program
Pathology	✓ Staff engagement ✓ LIS[1]/SWA[2] delivering improved pathologist/referrer experience and enhanced brand	✓ LIS[1] delivering efficiencies and improved consumer experience ✓ Optimisation of pre-analytical processes ✓ Technology upgrade to SWA[2] ✓ Specialty service expansion	✓ ACC[5] and regional laboratory network optimisation ✓ ACC expansions in Medical Centres ✓ Core laboratory uplifts and centralisation of high-end tests
Medical Centres	✓ Quality reset = right culture ✓ Attracting the right HCPs[4] with simplified contracts, career pathways, skills development, appointment model ✓ New streams via registrars, roll-in M&As[6] ✓ Strengthening nursing and front-line support staff	✓ Appointments enabling better continuity of care ✓ Expansion of service offerings including SwfitQ Immediate Care, Skin2 cancer clinics, and Logic Health occupational medicine ✓ Better consumer experience: e-recalls, self-service check-in kiosks, join the queue remotely app	✓ Modernisation and extension of a range of Healius Medical Centres, with extra GP rooms, dental surgeries, immediate care facilities, treatment rooms and staff rooms
Imaging	✓ Staff engagement ✓ iCAR[3] delivering improved radiologist experience and enhanced brand	✓ Labour and operating model optimisation in dispersed community network ✓ iCAR[3] delivering efficiencies and improved consumer experience	✓ Development of high-end sites ✓ Optimisation of hospital channel

1 Laboratory Information System.
2 Serum Work Area.
3 Imaging Core Application Refresh.
4 Healthcare Professionals.
5 Approved Collection Centres.
6 Mergers and Acquisitions.

Our new brands

Over the years Healius has grown to be a diversified healthcare business supported by many independent brands and a unique footprint across Australia. To better align with the healthcare services delivered, our people and our future, the Company changed its name from Primary Health Care Limited (Primary) to Healius Limited (Healius), after shareholder approval at the 2018 Annual General Meeting.

healius

The name 'Healius' conveys a perspective that health and healing are not just when people are sick but part and parcel of everyday life. It is an integral element in establishing a modern and inspirational identity that reflects our vision and our strategy. The rebrand is also an important signal, in particular to Healthcare Professionals, of the changes that are underway in the group.

The Company changed its name and Australian Stock Exchange (ASX) code to Healius, ASX:HLS in December 2018.

In March 2019 Primary IVF welcomed a new look and name, rebranding to Adora Fertility. The name Adora means 'gift' in Ancient Greek, reflecting the organisation's mission to provide Australian couples with the opportunity to start a family. The brand was chosen to reflect the organisation's passion for making IVF services accessible to more Australian couples.

Skin² is a doctor-led service dedicated to the diagnosis and treatment of skin cancer. All Skin² facilities are state-of-the-art and located within our Medical Centre facilities where patients benefit from the best possible service and outcomes through early detection, treatment and prevention.

The SwiftQ Immediate Care brand represents a new service and experience for patients with non-life-threatening single-problem episodic care. SwiftQ complements the recurring and preventative healthcare services provided under our normal GP service with our nurses triaging patients into the appropriate treatment channel. The service is being introduced into a number of Healius Medical Centres which have been upgraded as part of the Leapfrog program.

SwiftQ Dental is a fixed-price general dentistry service, offering five dental services for $99 each, to address a need within the community for affordable dental services. The pricing structure is aimed at providing transparency for dental treatments and encouraging patients to have regular check-ups and seek treatment for symptoms of pain and discomfort resulting from dental issues.

Key milestones

$250M
equity capital raise to support strategic initiatives and Montserrat acquisition

AUG 2018

Montserrat Day Hospitals

acquired

OCT 2018

Northern Beaches Medical Imaging

opens

in Frenchs Forest, NSW

OCT 2018

Highfields Imaging

opens

Port Macquarie, NSW

NOV 2018

Healius Limited

name change

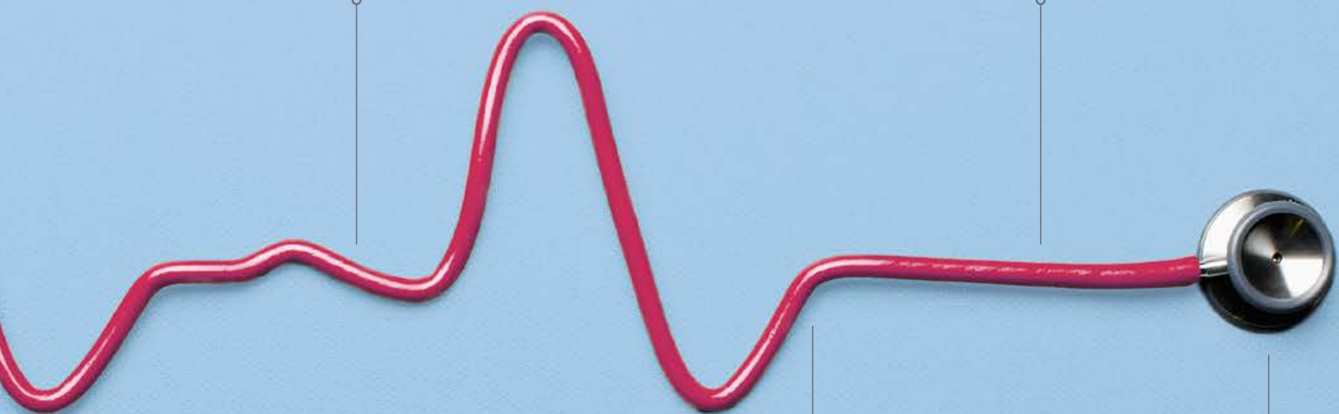
approved at AGM

NOV 2018

Australian Defence Force Contract for imaging services won,

in partnership with BUPA

FEB 2019



Maroubra Medical Centre, NSW first clinic to be

refurbished

under the Leapfrog Program

–

Primary IVF

rebrands

to Adora Fertility

MAR 2019

SwiftQ Immediate Care

opens

first urgent care clinic in Narre Warren, VIC

–

SwiftQ Dental

opens

first fixed price dental services model in Fairfield, NSW

JUN 2019

Adora Fertility

opens

new flagship Sydney clinic, NSW

JUL 2019

Sustainability

Healius has recently published its first Sustainability Report on its website detailing key social, environmental and governance matters for the Group.

In terms of its social responsibility, Healius plays an important role in society in supporting the health and wellbeing of the Australian community by means of quality, affordable and accessible frontline care.

The Company considers its success depends on putting people front and centre, with the right tools and support to deliver the best possible patient outcomes. To this end, new Purpose and Mission statements were created in 2018 with the values of 'WE CARE' representing the aspiration to develop a culture of care and empathy for its people that mirrors the care and empathy patients expect from them.

Key social areas identified and detailed in the Sustainability Report include employee compensation, training and development, engagement and diversity; HCP recruitment and engagement; supply chain management; and relations with Government and the community.

Environment

Healius, through its Environmental Policy and other policies and processes, is committed to managing its operations in an environmentally sustainable manner, to maximising resource efficiency in relation to the consumption of energy and natural resources and to minimising wastage.

The operations of the Group are not subject to any site-specific environmental licenses or permits. However with an extensive network of centres and clinics, Healius is looking at a range of energy saving opportunities and waste reduction initiatives as it refurbishes existing sites and constructs new sites including the rollout of solar power systems across a number of medical and imaging centres and pathology laboratories.

Vehicle fleet and waste management, including clinical waste management, are other key environmental matters identified and detailed in the Sustainability Report.

Governance

As part of an ongoing commitment to its shareholders, Healius is dedicated to maintaining high standards of corporate governance. Healius works within an accountable system that includes corporate governance policies and practices and risk management processes. These are designed to promote and strengthen the Company's responsible management and corporate code of conduct.

In addition to ethical standards, risk management, health and safety, data security and data privacy, Healius has identified clinical quality and accreditation as a key governance matter. Healius believes quality underpins the delivery of clinical excellence in healthcare and all divisions operate under appropriate quality systems and processes. Clinical Directors or Medically-trained Chief Operating Officers are responsible for ensuring clinical governance is maintained within their relevant businesses. In addition each of the divisions is accredited under the relevant accreditation schemes or standards.

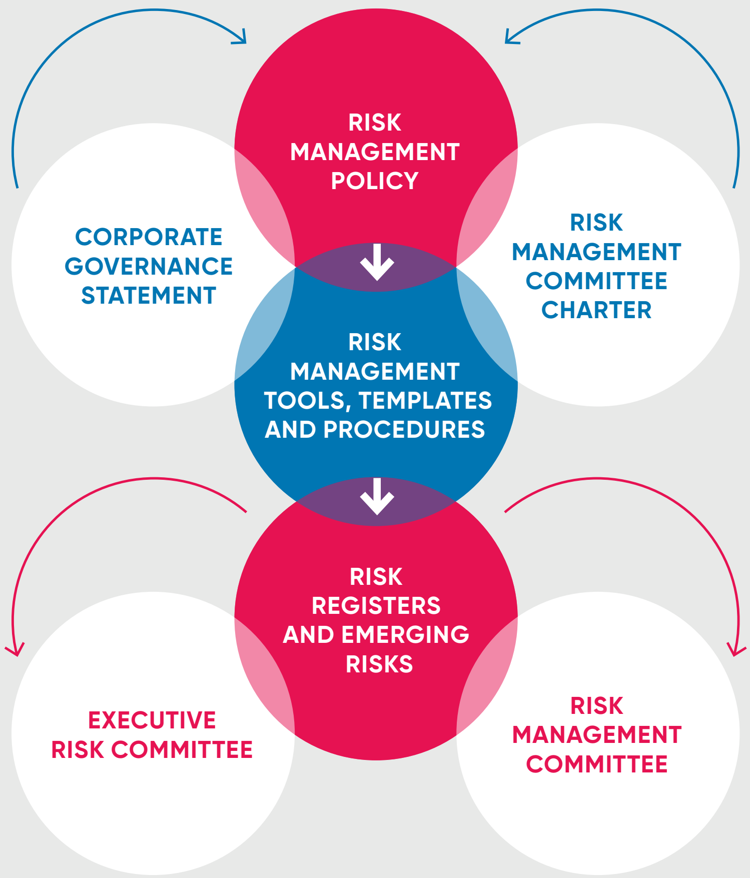
Risk management

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

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

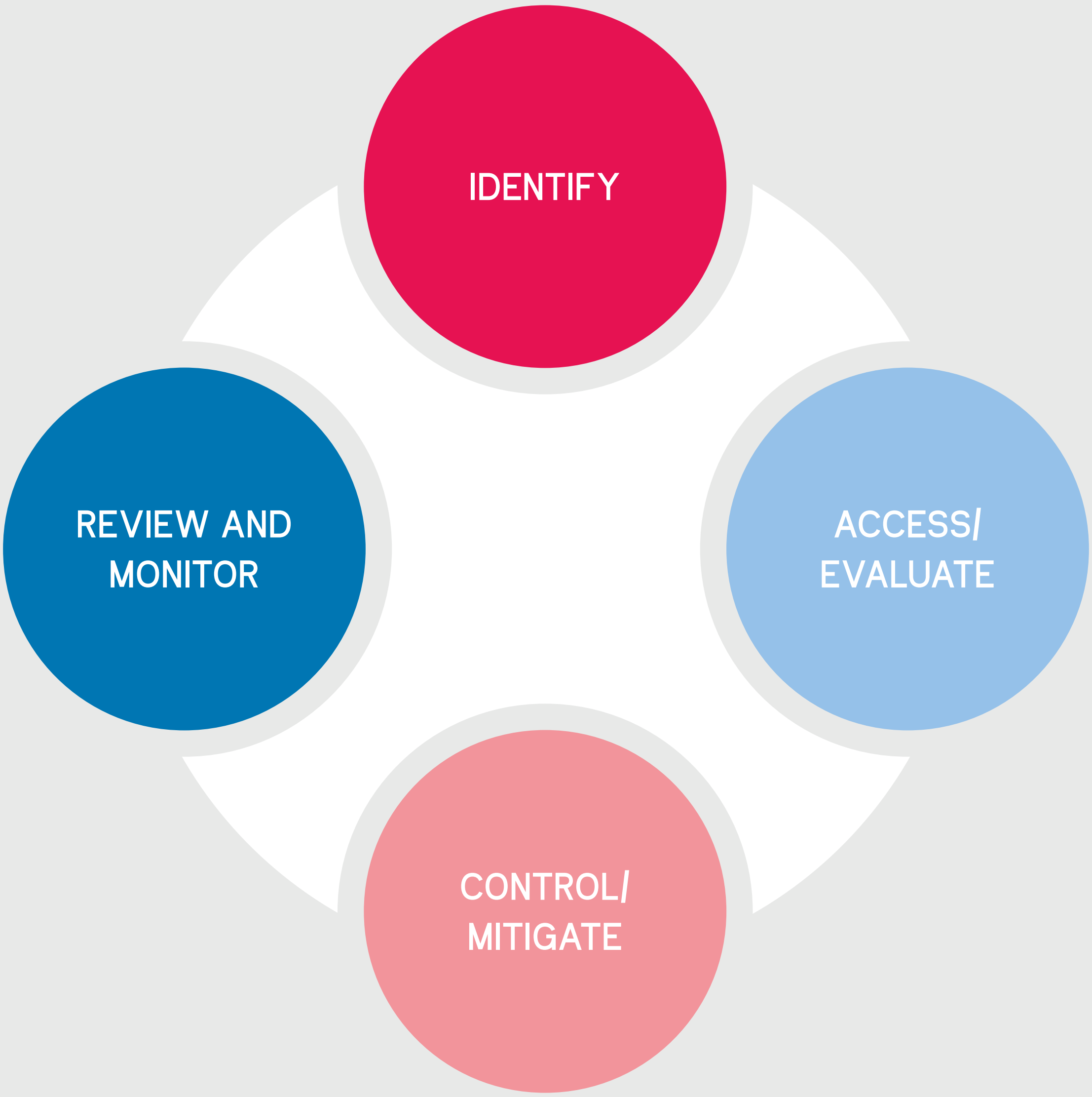
Identifying and mitigating risk is key to Healius achieving its objectives and protecting shareholder value. By following the Risk Management Framework, Healius has a consistent risk management methodology that can be applied to all strategic, operational and contractual objectives.

The elements of the Healius Risk Management Framework are:



Risk Management – Principles and Guidelines:

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



Risk management

CONTEXT	RISK	MITIGATION
Regulatory Compliance	Healius operates in sectors which are subject to extensive laws and significant levels of regulations relating to the development, licencing and accreditation of facilities and services.	Healius maintains high quality standards and audit processes to ensure it continually meets licencing and accreditation standards across all business units.
Revenue Concentration and Government Policy	Healius is committed to providing affordable healthcare. Bulk-billing its services to patients and receiving reimbursement through the Government's Medicare Benefits Schedule (MBS) is a key feature of this. As a result a substantial proportion of the group's revenue is derived from the MBS. Any changes to the MBS or any other Government funding initiatives could impact profitability through reductions in revenue.	Healius maintains tight control over costs and continually reviews the range of service offerings available to patients. Healius is continuing to diversify into other service areas to generate non-MBS revenue streams. The Group Executive for Government Relations monitors legislative and regulatory developments and engages proactively to manage this risk.
Economic Drivers	While the majority of Healius' revenue comes from MBS reimbursements, Healius does charge out-of-pockets on some services. In addition there may be a general perception that some healthcare services are expensive. Consequently consumers may delay or not use services due to affordability concerns, impacting volumes and revenue.	Healius maintains tight control over costs and continually reviews the range of service offerings available to patients.
Healthcare Professionals	Healius contracts to provide services to HCPs, including general practitioners, specialists and radiologists. A significant component of Healius' revenue is dependent upon service fees paid by HCPs providing services to patients. Failure to maintain strong relationships with these parties may impact our ability to retain and recruit HCPs. This may impact growth prospects, revenue earned, the cost structure and profitability of Healius' businesses.	Healius has managers and staff dedicated to maintaining relationships, increasing engagement and addressing any issues with HCPs on a timely basis. Healius also has Clinical Councils in place as a forum to share ideas and information with HCPs.
Referrers	Healius is reliant upon doctors continuing to choose a pathology or diagnostic imaging services provider affiliated with Healius. A reduction or loss of referrals may impact the financial performance of Healius.	Healius has managers and staff dedicated to maintaining relationships, increasing engagement and addressing any issues with HCPs, referrers and non-doctor clients on a timely basis. Under the 'Medical Hub' model, Healius works closely with partner business units to share ideas between businesses.
People	Healius is dependent on the quality of its staff, their skills, expertise and commitment to the Group. A loss of key staff may risk the loss of significant corporate knowledge.	Healius has developed staff engagement and leadership programs to increase the level of employee engagement across the Group, and identified key staff for programs that focus on retention and succession planning for the Group.
Industrial Relations	Many of Healius' employees are covered by awards, enterprise bargaining agreements and other workplace agreements which periodically require classification, renegotiation and renewal. Negotiations could result in issues which may lead to disruptions to Healius' operations and increased direct and indirect labour costs. These may adversely impact the financial performance and reputation of Healius.	Healius has developed staff engagement programs to increase the level of employee engagement within all areas of the business, including those covered by awards and agreements. Healius has managers and staff dedicated to negotiating workplace agreements.

CONTEXT	RISK	MITIGATION
IT Systems	Healius relies on effective information technology systems. Operations may be significantly impacted by disruption to a core IT platform.	Healius has IT support systems in place to underpin business operations.
Cyber Security	Healius maintains sensitive clinical and financial information and its databases may be at risk from cyber attacks.	Healius has an information security management framework and information security policy which are based on ISO 27001 and NIST best practice standards which align with Healius' risk appetite. Healius has an ongoing program to strengthen defences against unauthorised access, and to protect patient and financial data with IT managers and staff dedicated to information security.
Competition	Competition may come from new entrants into the market, existing competitors attempting to increase market share or from disruptive technologies that may change that way services are delivered. A change in competition may impact Healius' profitability, and the ability to attract and retain HCPs and secure attractive locations for its businesses.	Healius maintains its competitive edge through an extensive footprint of centres, investment in quality and innovation in healthcare services, and a cost-conscious operating model. In addition, senior management is attuned to market developments and is able to respond to any competitive threats.
Business Strategies and Transformation Projects	Healius is undergoing significant transformation as it seeks to position itself for future growth and sustainability. There is a risk that significant change may impact current operational focus and ineffective implementation, misguided strategies or industry changes of initiatives and strategies, may impact the financial performance of the business.	Healius is applying portfolio management to prioritise and align change initiatives to Healius' business strategy, in order to mitigate this risk. In addition, an organisational re-design is being undertaken to simplify management structures, improve divisional agility and drive a more efficient group function.
Reputation	Healius' reputation may be impacted by a future event that creates adverse perception of the Group for the public, investors, regulators, or rating agencies that directly or indirectly impacts earnings and value.	Healius maintains stringent quality standards, audit processes and effective involvement of executive and senior management in decision making to ensure it continues to provide quality healthcare and minimise the risk of reputational damage.
Acquisitions	Healius has an acquisition program to acquire businesses which may be either rolled into our existing businesses, or provide new service offerings in the community. There is a risk that the acquisitions may not generate the financial returns or performance hurdles required to meet Healius benchmarks.	Healius has a robust due diligence process to assess the merits of each proposed acquisition, and plans the transition of the acquired business into the Healius Group.
Climate Change	Climate change risks may be either 'physical' with financial implications resulting from potential damage to assets, indirect impacts from supply chain disruption, or 'transitional' through changes to regulations and consumer behaviour.	Healius manages its operations in an environmentally sustainable manner, focusing on energy and renewables to improve efficiency, adapting to changes in consumer behaviour and reducing its carbon footprint. In the event of extreme weather conditions impacting the operation, through damage or disruption from supply chain, Healius has the network to continue operations in other locations where possible.

Chairman and CEO's letter

Dear Shareholder,

We are pleased to present you with Healius' 2019 Annual Report. It has been another busy year for the Company, one in which we have rebranded the Group, raised capital in the market and acquired a leading day hospital business. In January 2019, we assessed and rejected a takeover offer by our largest shareholder, Jangho, on the basis of conditionality and value, and proceeded with the implementation of our strategy. We finished the year with substantial progress on key strategic initiatives and a program in train to deliver more efficiencies in our cost base.

2019 IN REVIEW

Looking at the financials, Healius delivered Underlying Net Profit after Tax (NPAT) of $93.2 million, an increase of 6.5% on revenue growth of 5.9%. All three divisions are on a positive trajectory with improved performance in 2H 2019 compared to 1H 2019.

Our largest business, Pathology produced a very creditable performance overall, after the well-publicised softness in the market in the first half of the year. It delivered revenue growth of 3.5% to $1.1 billion and underlying EBIT just below last year's result at $111 million.

In Medical Centres, underlying EBIT improved 19.0% in FY 2019 with a turnaround in the Healius Medical Centres and in Health & Co. The Day Hospitals and IVF businesses grew revenue but are not yet contributing strongly to EBIT, with greenfield investment this year to underpin future growth.

Imaging grew revenue by 7.9% in the year, and increased its market share, notwithstanding softer market conditions. Underlying EBIT was up by 14.5%, the third successive year of double-digit increases.

The underlying results are used as our prime measure of operating performance. Reported NPAT in the year, which included investment in our strategic initiatives, was $55.9 million, compared to $4.1 million in FY 2018 with no legacy issues, such as impairments, to address.

We invested in $51.6 million of maintenance capital expenditure (capex), just below FY 2018 levels, and $176.4 million of growth capex, utilising our operating cash flow and part of the funds received from the capital raise. Our resulting net debt at 30 June 2019 was $678.2 million.

In order to ensure a balance between optimal gearing, investment in strategic initiatives and payment of dividends to shareholders, the Board has declared a final dividend of 3.4 cents per share fully franked, which equates to a payout ratio of 60% of Reported Net Profit after Tax. This brings the total for the year to 7.2 cents per share fully franked (FY 2018: 10.6 cents per share). It is expected that the payout ratio will return to previous levels on completion of the current investment phase in the business.

STRATEGIC INITIATIVES

During FY 2019, we created a new brand in "Healius" which is integral to establishing a modern and inspirational identity and is an important signal, of the changes that are underway in the Group.

Medical Centres is undertaking a comprehensive renewal of its model to deliver care when, where and how consumers need it, supported by technology that makes managing health simpler, and an environment which attracts the right GPs to the right centres. During the year we saw a record number of GPs using the services of our centres and an increase in their gross billings per hour. We are now offering appointments at nearly all of our centres with a range of digital innovations to make the consumer experience better, and to reduce our costs. 15 of our medical centres have been refreshed and additional consult and treatment rooms have been added.

In all divisions we are progressing with the implementation of business-specific core platforms to support their future growth including the Laboratory Information System in Pathology, Medical Director 3 in Medical Centres and the iCAR system in Imaging which is bringing a new radiology information and picture archiving solution. The latter project is nearing completion and is tangible evidence of our success in rolling-out IT projects at Healius.

In our emerging businesses, Primary Dental, which is one of the top four dental operations in the country, performed strongly.

Our IVF business model has opened up the opportunity for more Australians to have a family. Achievements in FY 2019 included a rebrand of the business to "Adora Fertility", substantial capacity upgrades, and the opening of a facility in Western Australia, in response to growing demand. The success of our Dental and IVF businesses demonstrate our ability to build great businesses from start-up.

We acquired Montserrat Day Hospitals which, when combined with our own facilities, gives us a portfolio of 14 day hospitals. They operate in an exciting and growing market in healthcare and we see this division soon becoming a significant contributor to the Group.

At the end of FY 2019, the Company commenced an organisational re-design which aims to simplify the management structures, improve divisional agility and autonomy, and drive a more efficient Group function. This program will produce a leaner Group support structure.

OUR PEOPLE

At Healius, we believe our success depends on putting our people front and centre, with the right tools and support to deliver the best possible patient outcomes. This has been a cultural shift for the Group. We are committed to continuous improvement and, early in the year, we identified and rectified potential errors in classification and entitlements under the Modern Awards for some of our people, past and present, in Medical Centres. We continue to cooperate with the Fair Work Ombudsman on this matter. We also resolved a pay dispute in our Victorian pathology division and have improved the culture and communications in that business.

Since 30 June 2019, Healius has announced two changes to its key management personnel. Malcolm Ashcroft, the Chief Financial Officer, is leaving Healius and Maxine Jaquet is assuming this role. Maxine established our Health & Co business which now has 13 clinics in its network. More recently she has spearheaded the strategic and efficiency reviews. Additionally Wesley Lawrence, CEO of the Pathology division is leaving Healius with John McKechnie stepping in. John has a proven track record as head of one of the best-performing pathology businesses in the country, our own QML Pathology, which has an annual turnover of $350 million and over 2,000 employees.

In relation to the Board of Directors, Robert Ferguson retired as our long-standing Non-executive Chairman of the Board and Sally Evans joined the Healius Board as a Non-executive Director in July and August 2018 respectively.

OUTLOOK

The long-term drivers for healthcare remain positive. There is strong underlying demand for healthcare in Australia, underpinned by a growing and ageing population, increasing numbers of people living for longer with chronic illnesses, rising patient expectations and expanding wealth per capita. The drivers of price, convenience and technology are shifting consumer demands for better ways to access care. As a result both the costs of, and demands for, healthcare services in this country are growing.

Healius believes that a well-funded frontline health system is key to delivering efficient and effective healthcare. The Government's healthcare policy settings point to a relatively stable regulatory environment in the near-term. However, with costs on the increase, funding pressures will remain for our industry. It is incumbent upon private sector providers like ourselves to be agile, diversify their revenue, and maintain lean cost structures.

The unique footprint and services that Healius provides as a major corporate player in the sector are becoming increasingly important in this context. We believe those companies offering a combination of clinical excellence, simple consumer-friendly access and cost-efficiency in a community setting will succeed. They will support consumer wellbeing, along with disease prevention and early intervention, core to the future of good healthcare.

Turning to FY 2020, we expect to grow our underlying NPAT, subject to market conditions and any changes occurring from the implementation of AASB 16 on leases. We will give a guidance at our upcoming AGM.

We would like to thank Healius' management team, healthcare professionals and employees for their hard work and commitment over the last 12 months. We would also like to thank you, as shareholders, for your continued support.

ROBERT HUBBARD
CHAIRMAN

MALCOLM PARMENTER
CEO

Key achievements

Group

Increasingly positive momentum throughout the year

Rolled out 'Healius' brand supporting record GP recruitment

Organisational re-design commenced 2H

Pathology

Improved 2H returns (up 46% on 1H)

FY19 productivity program targets delivered

Progress on laboratory platforms

Medical Centres

Two consecutive halves of improved returns, record number of GP recruits, gross billings per hour up

Over 95% of centres on the same practice management system with appointments

15 sites upgraded as planned

Expanded consumer offerings with SwiftQ Immediate Care, Skin², Logic Health

Emerging businesses

Montserrat Day Hospitals to deliver a diversified growth platform

Rebrand IVF as Adora Fertility

Fastest growing provider of IVF services in Australia

SwiftQ Dental launch to address the need for affordable and transparent treatment

Imaging

Three successive years of double-digit EBIT growth

Market share increasing

Imaging Core Application Refresh (iCAR) roll-out continues with over 70 live sites

Contract wins and delivery:

Northern Beaches Hospital

Australian Defence Force Health Services

Group performance

GROUP PERFORMANCE

	UNDERLYING[1]		REPORTED	
	30 JUNE 2019 $M	30 JUNE 2018 $M	30 JUNE 2019 $M	30 JUNE 2018 $M
Revenue	**1,804.5**	1,704.6	**1,810.3**	1,704.6
EBIT	**167.3**	160.1	**117.4**	64.6
NPAT	**93.2**	87.5	**55.9**	4.1

1 Underlying results for the year ended 30 June 2019 exclude the impact of non-underlying items relating to restructuring and strategic initiatives.

UNDERLYING RESULTS

In the year ended 30 June 2019, Healius expanded its returns, delivering underlying NPAT growth of 6.5% on revenue growth of 5.9%.

Underlying EBIT of $167.3 million was recorded, with all three divisions seeing increasingly positive momentum throughout the year. Pathology in particular was up 46% in 2H 2019 compared to 1H 2019. Medical Centres delivered two halves of improved returns from its lows in 2H 2018. Imaging has seen three years of double-digit growth.

The strong result in 2H 2019 was due, in part, to the successful execution of productivity initiatives in response to 1H 2019 market conditions. As an extension to these initiatives, the Company is currently undertaking an organisational re-design which aims to simplify the management structures, improve divisional agility and autonomy, and drive a more efficient Group function. It will improve the performance of the Group from FY 2020 onwards.

The underlying EBIT performance in FY 2019 included additional costs of $12.5 million for investment in greenfield sites opened in the last three years including five Medical Centres, five Day Hospitals and expansion of the IVF services into Queensland and Western Australia. The ramp-up of new Medical Centres is being accelerated through the roll-in of nearby clinics which bring both GPs and patients into these centres, including three at Greensborough in Victoria. A strong increase in performance will occur as Healius stops carrying these start-up costs. Underlying EBIT was $179.8 million and underlying NPAT $102.0 million in FY 2019 normalised for this investment.

REPORTED RESULTS

At a reported level Healius recorded an EBIT of $117.4 million, up from $64.6 million in FY 2018. Known legacy issues have been substantially addressed. This review of operations focuses on the underlying results of Healius which are adjusted for several items not considered to be part of core trading performance. The adjustments between reported and underlying EBIT are as follows:

	30 JUNE 2019 $M	30 JUNE 2018 $M
Reported EBIT	**117.4**	64.6
Restructuring/strategic initiatives and other	**49.9**	46.0
Impairment	**–**	49.5
Underlying EBIT	**167.3**	160.1

There are four key strategic projects which are undeniably transformational in nature and unlikely to be undertaken again at such a collective magnitude. These are the Leapfrog project in Medical Centres, the technology platform upgrades in Pathology and in Imaging, and the corporate renewal program. They are reported separately both internally and to the market in order to neither distract or distort the underlying performance. Adjustments in FY 2019 were as follows:

- Leapfrog ($13.1 million)
- Platforms in Pathology ($10.3 million) and Imaging ($3.1 million)
- Corporate renewal program ($9.2 million)

The balance of the adjustments relates to business set-up costs for the Montserrat acquisition and Health & Co deferred payments ($5.1 million), restructuring and redundancies ($3.1 million) and other costs including rebranding and corporate defence costs ($6.0 million).

The adjustments to reported results will continue until these strategic programs are completed. The non-underlying costs relating to the Imaging platform are expected to cease and the Leapfrog program to substantially reduce after FY 2020 while the Laboratory Information System implementation in Pathology is a five-year project. The corporate renewal program is likely to increase under the organisational re-design program with acceleration of the digitisation and automation in financial shared services to bring forward potential efficiency gains. The organisational re-design also involves a redundancy program consistent with the planned simplification of the management structure and the Group function.

TAX EXPENSE

The Group reported an income tax expense for FY 2019 of $27.3 million, which equated to an effective tax rate of 32.8%, $2.3 million above the prima facie tax expense of 30%. This was primarily due to the $4.9 million permanent difference associated with amortisation of healthcare practice acquisitions prior to 30 June 2015. The additional accounting tax expense for these acquisitions will cease in FY 2020. From FY 2021 onwards, Healius expects the Group's effective tax rate to revert to 30%, assuming the current structure and nature of the business. An effective tax rate of 30% has been adopted for underlying NPAT.

Group performance

CASH FLOW AND NET DEBT

Group cash flow for FY 2019 is set out below in comparison to FY 2018:

	30 JUNE 2019 $M	30 JUNE 2018 $M
Operating cash flows	**127.6**	202.2
Maintenance capex	**(51.6)**	(56.8)
Free cash flow	**76.0**	145.4
Growth capex	**(176.4)**	(76.6)
Cash flow after growth capex	**(100.4)**	68.8
Capital recycling	**10.5**	1.2
Dividends	**(52.3)**	(56.9)
Debt reduction/finance costs	**(66.0)**	(24.6)
Proceeds from issuing shares	**244.0**	–
Net increase in cash held	**35.8**	(11.5)
Opening cash	**84.0**	95.5
F/X	**(0.1)**	–
Closing cash	**119.7**	84.0

Operating cash flow in FY 2019 was lower than FY 2018. This included outflows for:

- $22 million back payments for the Healius Medical Centres modern awards adjustment and Dorevitch pay determination, and
- $16 million of additional tax payments including a $10 million refund in FY 2018.

Operating cash flow was used, in part, to fund maintenance capital expenditure of $51.6 million, just below FY 2018 levels, and growth capital expenditure of $176.4 million including:

- $68 million Montserrat Day Hospitals acquisition, and
- $36 million for the aforementioned strategic projects (Leapfrog ($26.9 million), and platforms in Pathology ($4.2 million) and Imaging ($5.0 million).

Group net debt at 30 June 2019 was $678.2 million compared to $776.8 million 30 June 2018, analysed as follows:

REPORTED $M	30 JUNE 2019 $M	30 JUNE 2018 $M
Bank and finance debt	**797.9**	860.8
Cash	**(119.7)**	(84.0)
Net debt	**678.2**	776.8
Bank gearing ratio (covenant <3.5x)[1]	**2.4x**	2.7x
Bank interest ratio (covenant >3.0x)	**9.5x**	9.0x
Gearing (net debt: net debt + equity)	**24.8%**	29.9%

1 The bank gearing ratio is calculated based on underlying EBITDA before the impact of AASB 15.

The first tranche of Healius' syndicated bank debt facility, totalling $500 million, is due to mature in January 2021 and the second of $625 million in January 2023.

Healius has delivered a significant improvement in its leverage over the last four years from an extensive capital recycling program, free cash flow generation and the $250 million capital raise in FY 2019. In FY 2019, cash usage was high with investment in strategic initiatives and the acquisition of Montserrat. These are expected to deliver substantial operating cash flow in the future.

DIVIDENDS

In order to ensure a balance between optimal gearing, investment in strategic initiatives and payment of dividends to shareholders, the Board has decided to temporarily reduce the dividend. The Board has declared a final dividend of 3.4 cents per share, fully franked, which equates to a payout ratio of 60% of Reported Net Profit after Tax. This brings the total for the year to 7.2 cents per share, fully franked (FY 2018: 10.6 cents per share). It is expected that the payout ratio will return to previous levels on completion of the current investment phase in the business.

DIVISIONAL RESULTS

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

FY 2019 $M	PATHOLOGY	MEDICAL CENTRES[2]	IMAGING	CORPORATE	GROUP[1,3]
Revenue[1]	1,128.3	327.4	391.3	0.3	**1,804.5**
EBITDA[1]	136.2	61.4	54.1	(15.7)	**236.0**
Depreciation	(19.8)	(20.4)	(13.4)	(3.1)	**(56.7)**
Amortisation	(5.3)	(3.4)	(2.0)	(1.3)	**(12.0)**
EBIT	111.1	37.6	38.7	(20.1)	**167.3**

FY 2018 $M	PATHOLOGY	MEDICAL CENTRES[2]	IMAGING	CORPORATE	GROUP[1,3]
Revenue[1]	1,090.6	289.7	362.6	0.0	**1,704.6**
EBITDA[1]	138.7	53.7	51.2	(15.6)	**228.0**
Depreciation	(19.0)	(18.0)	(14.0)	(2.5)	**(53.5)**
Amortisation	(5.6)	(4.1)	(3.4)	(1.3)	**(14.4)**
EBIT	114.1	31.6	33.8	(19.4)	**160.1**

1 Healius adopted AASB 15 from 1 July 2018 which adjusts for upfront payments. This led to a $39.5 million reduction in revenue and EBITDA, but nil effect on EBIT in the year. FY 2020 will see a material improvement in EBITDA and EBIT following the adoption of AASB 16 on leasing.

2 Medical Centres includes Healius Medical Centres, Health & Co and Montserrat.

3 $42.8 million of inter-company revenue/expenses have been eliminated at the Group level (FY 2018: $38.3 million).

Pathology

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

$1,128M
OPERATING REVENUE

$111M
UNDERLYING EBIT

2,318
SITES

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

In FY 2019, Pathology grew its revenues by 3.5% and increased its market share, when normalised for the loss of the bowel screening contract in FY 2018. Market softness in 1H 2019 impacted Healius' annual growth in revenue but pleasingly 2H 2019 was much stronger, with June and July volumes returning to long term averages.

Pathology recorded good average fee per episode growth in FY 2019 which included increases in specialty revenue, for example a 13% increase in genetics.

Strong cost control in 2H 2019 saw the division's EBIT result improve 46% compared to 1H 2019 with the productivity programs delivering their projected savings. When normalised for the loss of the bowel screening contract in FY 2018 and Dorevitch labour cost increases in the year, annual EBIT grew greater than revenue.

The performance of the division was as follows:

Underlying Performance

	30 JUNE 2019 $M	30 JUNE 2018 $M	BETTER/(WORSE) %
Revenue	**1,128.3**	1,090.6	3.5
EBITDA	**136.2**	138.7	(1.8)
Depreciation	**(19.8)**	(19.0)	(4.2)
Amortisation	**(5.3)**	(5.6)	5.4
EBIT	**111.1**	114.1	(2.6)
Total capital expenditure	**35.1**	21.1	(66.4)

STRATEGY

Cost control

During the period, the division focussed on the optimisation of its regional laboratory network as well as the return metrics within its footprint of collection centres. The current organisational re-design initiatives will identify further efficiencies.

Investment for growth

The division has continued to invest in the development of a modern infrastructure platform that will provide significant clinical, operational and financial benefits to support future growth. This includes:

- Upgrade to the main laboratory testing equipment the Serum Work Area, or SWA, which covers around 60% of all pathology tests. This is nearing completion in Laverty Pathology (NSW), with other states to follow. It will increase automation and improve clinical methodologies while being at a lower cost per reportable.
- The Laboratory Information System, or LIS, project where SCC has been selected as the system provider and Healius is now standardising processes and conventions across existing systems to ensure a smooth implementation, expected to commence later this calendar year.

  Overall, the LIS program will revolutionise processes, reporting and service delivery. It will enable Healius to lead the way in consumer-centred pathology, increasing functionality and digital results for referrers and consumers, and putting Healius at the forefront of innovation, genetics and big data analytics. It will also enable standardisation and automation in the pre-analytical processes, including in collection, courier, data entry, and specimen reception areas.

  LIS is expected to cost in the order of $100 million and to deliver net savings of approximately $20 million per year once embedded in the business. Furthermore, an improved ability to meet referrers' needs will enable Healius to increase its market share in higher-margin and fast growth complex tests.

The division is also continuing to invest in niche specialists in particular Genomic Diagnostics. Non-invasive Prenatal Testing continued its strong growth during the period with EBIT up 33%. Breast cancer screening testing had its first full year in operation while pharmacogenomics was introduced in mid-May with promising early results.

Medical Centres

The Medical Centres division has 95 sites nation-wide including the Healius Medical Centres, Health & Co clinics and Montserrat Day Hospitals. Within some of its Medical Centres, Healius also offers dental facilities, day hospital and IVF clinics.

$327M
OPERATING REVENUE

$38M
UNDERLYING EBIT

95
SITES

UNDERLYING PERFORMANCE

Importantly, the division's EBIT improved 19.0% in FY 2019 on revenue growth of 13.0%, with two consecutive halves of growth from its lows in 2H 2018. This positive result was underpinned by the turnaround in the Healius Medical Centres and in Health & Co. While the Day Hospitals and IVF businesses have contributed to the top-line growth, they are not yet contributing strongly to EBIT with significant greenfield investment in both businesses.

Overall, Healius has made a substantial investment in greenfield sites in the Medical Centres. EBIT for FY 2019 would have been $48 million if not for the losses on greenfield sites. The roll-in of smaller acquired clinics, which bring both GPs and patients, has been accelerated to reduce the short-term drag on returns. A positive swing in performance will occur as the division stops carrying these start-up costs.

The performance of the division was as follows:

Underlying Performance

	30 JUNE 2019 $M	30 JUNE 2018 $M	BETTER/(WORSE) %
Revenue [1]	**327.4**	289.7	13.0
EBITDA [1]	**61.4**	53.7	14.3
Depreciation	**(20.4)**	(18.0)	(13.3)
Amortisation	**(3.4)**	(4.1)	17.1
EBIT	**37.6**	31.6	19.0
HCP capital expenditure	**28.9**	26.8	(7.8)
Total capital expenditure [2]	**96.6**	67.4	(43.3)

1 Healius adopted AASB 15 from 1 July 2018 which adjusts for upfront payments. This led to a $35.4 million reduction in revenue and EBITDA, but a nil effect on EBIT in the year.

2 Excludes $68.3 million Montserrat acquisition and $3.8 million new Montserrat clinics.

Healius Medical Centres: GPs

Pleasingly, Healius recruited a record 259 GPs in the year, 211 through the usual channels, nine through conversion of registrars and 39 joining through the Leapfrog M&A program. Total GP recruitment represented 63% growth on FY 2018. The average age of the recruits was 47 years bringing the cohort average down to 54 years.

Departures of GPs normalised from quarter two onwards delivering a strong increase in net GPs each month. At the end of the period, there was a total of 1,164 GPs, or 992 Full Time Equivalents (FTEs), at Healius Medical Centres.

Approximately 10% of GPs are left on the old five-year contracts. Flexible contracts are appealing to a wider cohort of GPs and delivering a more capital efficient process requiring under half the upfront costs. To balance the value proposition, the revenue sharing arrangements have increased in favour of the GP, with Healius' average share currently at 32.2% [1].

In FY 2019 $28.9 million was spent on GP upfronts, with 19% of new GPs and around 25% of re-signing GPs electing to receive upfront contracts. The reduction in capital expenditure is freeing up cash for investment elsewhere.

Health & Co

The Health & Co network comprises 13 clinics, with practices in NSW, VIC, QLD, and SA. It recorded its first positive EBIT, of $1.9 million, in FY 2019 on $19.7 million of revenue.

With 67 GPs recruited to the network (52 through acquisitions and 15 new recruits), there were 132 GPs or 98 FTEs in the Health & Co network at the end of FY 2019. GP retention was at 93%.

1 Healius adopted AASB 15 from 1 July 2018 which adjusts for upfront payments.

STRATEGY

Management is undertaking a comprehensive renewal of the business under Project Leapfrog.

People

Recruitment of significantly larger numbers of GPs through a multi-channel approach is a key part of Project Leapfrog.

As aforementioned, FY 2019 was a record recruitment year and the pipeline for FY 2020 is strong with around 70 FTE GPs with contracts already signed or terms agreed. The M&A stream also has a good pipeline of local clinics interested in moving into the existing large-scale centres.

While not yet at the target in the capital raise, Healius had a very strong result in the second half of FY 2019 with a net increase of over 60 FTE GPs. It aims to build on this success in FY 2020 and 2021.

Processes

Through significantly increasing operational efficiency, Project Leapfrog is transforming the way things are done in the medical centres. Digitisation and re-engineering of workflows are underpinning these improvements. The introduction of online appointments is enabling GPs to deliver continuity of care, improve clinical outcomes and create a more consistent patient flow throughout the day.

The Medical Director 3 (MD3) practice management system has been rolled out to the majority of sites with the remaining sites to be converted by the end of September 2019. Once complete all centres across the network will have appointment capability.

Importantly, Medical Centres which have introduced appointments and other process improvements have demonstrated increased gross billings per hour.

Expansion to the consumer offering has been progressing in line with the refurbishments of the medical centres, including SwiftQ Immediate Care, the brand under which the new urgent care service is operating, $Skin^2$ skin cancer clinic, and the occupational medicine business, now operating under the brand Logic Health.

An enhanced consumer experience through digital enablement aims to attract and retain patients. Pilot sites are trialling e-recalls, self-check in kiosks and the new "join the queue remotely" facility with good acceptance rates continuing.

Property

Project Leapfrog aims to substantially improve both the utilisation and the experience within Healius' footprint through space optimisation, facilities improvements, and the introduction of expanded and new services where the local demand is evident and with little or no incremental rental costs. The improvements are also expected to capture an increased proportion of pathology, imaging and dental flows.

To date 15 centres have undergone a modernisation and expansion of services and a further six dental and six skin-enabled rooms have been uplifted in separate centres through the year. There are further centres planned for transformation in FY 2020 under a stage-gate process once the completed sites demonstrate improved returns.

Overall the Leapfrog targets set out in the capital raise documents are expected to be delivered. However it is likely that the $1 million EBIT per centre target will be achieved one year later than originally planed in FY 2022.

Medical Centres

EMERGING BUSINESSES

Growth in Healius' emerging businesses is diversifying revenue and delivering patient flow opportunities from a 'one-stop shop' within the community care setting.

Dental

The Dental business is one of the top four dental operations in the country, with 164 dentists or 133 FTEs working at 61 dental locations. The division performed strongly in the period with a revenue increase of 4.8% to $35.2 million and an EBIT of $5.7 million.

Healius Dental is trialling a new service in SwiftQ Dental which offers five dental treatments for $99 each, to address a need within the community for affordable and transparent dental services. It may prove as successful as the IVF offering.

IVF – Adora Fertility

The IVF business model has disrupted the sector and opened up the opportunity for more Australians to have a family. Achievements in the period included a rebrand of the business to Adora Fertility, the licensing and opening of the Craigie clinic in Perth, WA, and the introduction of new satellite clinics in QLD and WA. In Melbourne and Sydney, a move of IVF operations to the new Greensborough day hospital and the recently opened Surry Hills facility lifted the cap on patient numbers.

Overall the latest Medicare statistics show Adora is the fastest growing IVF provider in the country. Cycles and revenue increased around 30% each in FY 2019, while the division recorded a small loss of $0.5 million due to the investment in the new clinics. Importantly, on a whole-of-business view and normalised for start-up costs, IVF contributed approximately $2.3 million in EBIT to the Group.

Montserrat Day Hospitals

Healius acquired Montserrat, an operator of day hospitals and haematology/oncology clinics, in October 2018. Three new hospitals were opened during the year, including the flagship Westside Private in Brisbane.

Montserrat operates in a sector where improving technology and on-going cost pressures are moving patients away from high-cost overnight hospitals into day hospitals. In the USA, Ambulatory Surgical Centers which perform same-day outpatient surgical care have grown to well over 5,000 in number and have become an integral part of that country's healthcare system. Cancer treatments, cardiology, and orthopaedic procedures are now projected to grow strongly in the outpatient setting.

Montserrat's Westside Private Hospital has equivalent high-level facilities to the Ambulatory Surgical Centres in the US. With similar cost drivers and procedural innovation in Australia, this country is likely to follow its overseas counterparts and seek to reduce hospital costs and improve clinical outcomes in a day hospital setting. The interest from private health insurers in potential new models of care remains strong.

Montserrat provides Healius with a substantial platform to grow and diversify revenue. It also provides synergies with IVF and Pathology. This year, Montserrat delivered $19.5 million of revenue. However with the ramp-up in its new hospitals, its contribution in the period was $0.6 million. This is expected to grow strongly in FY 2020.

Healius Day Hospitals

The five Day Hospitals facilities within the Healius Medical Centres delivered $13.4 million of revenue in FY 2019 with IVF volumes continuing to support them. With the established Day Hospitals profitable, the business overall operated at a $2.1 million EBIT loss due to the investment in new facilities.

The first phase of the integrated Day Hospitals division will see Healius facilities branded Montserrat and the adoption of Montserrat quality and billing systems. Monserrat has a proven approach to business development, health fund negotiations, list scheduling and labour management.

Imaging

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

$391M
OPERATING REVENUE

$39M
UNDERLYING EBIT

145
SITES

In FY 2019, Imaging grew revenue by 7.9% notwithstanding softer market conditions. Importantly, Imaging increased its market share in the year supported by existing and new site growth.

EBIT was up by 14.5%, a third successive year of double-digit increases underpinned by productivity programs delivering targeted improvements.

While unadjusted EBITDA growth was 5.7%, normalised for the impact of new and replacement equipment operating leases and AASB 15 adoption, it grew by approximately 12% on FY 2018.

Imaging contributed strongly to the Group's cash position but also invested in new sites and technology during the year.

The performance of the division was as follows:

Underlying Performance

	30 JUNE 2019 $M	30 JUNE 2018 $M	BETTER/(WORSE) %
Revenue[1]	**391.3**	362.6	7.9
EBITDA[1]	**54.1**	51.2	5.7
Depreciation	**(13.4)**	(14.0)	4.3
Amortisation	**(2.0)**	(3.4)	41.2
EBIT	**38.7**	33.8	14.5
HCP capital expenditure	**0.9**	2.8	67.9
Total capital expenditure	**22.3**	36.9	39.6

1 Healius adopted AASB 15 from 1 July 2018 which adjusts for upfront payments. This led to a $4.1 million reduction in revenue and EBITDA, but a nil effect on EBIT in the year.

STRATEGY

Growing market share

The division delivered a growth in market share following the expansion of existing sites and opening of new high-end sites. It opened Highfields in Port Macquarie, NSW and redeveloped the St Vincent's Private Hospital Northside, in Queensland. Both of these offer fully-licenced MRI facilities and PET/CT services. Imaging was granted three other full MRI licences in the year from the Federal Government.

Imaging was also successful in contract wins and deployment. Northern Beaches Hospital imaging services commenced in the year. In June 2019 it delivered its first positive contribution and is expected to ramp-up in FY 2020. The Australian Defence Force Health Services contract in partnership with BUPA was awarded early in calendar 2019 and successfully commenced in July 2019.

Efficient, modern infrastructure

iCAR is bringing a new radiology information system (RIS) and a new picture archiving and communication solution (PACS) to the division. Over 70 sites are now live with around 60% of radiologists trained to use the system and its voice recognition technology. Conversion is ramping up to around two to three sites per week. Together, these platforms will deliver substantial efficiencies and drive revenue uplift by enhancing the way the division interacts with referrers and their patients. Net annual benefits are estimated at $9 million.

Cost control

Further opportunities to improve returns in this division will be delivered through the current organisational re-design program and a reduction in Group overhead charges.

Board of Directors

Left to Right:

Sally Evans, Paul Jones, Malcolm Parmenter, Errol Katz, Robert Hubbard, Gordon Davis, Arlene Tansey

Robert Hubbard BA (Hons), FCA.

NON-EXECUTIVE CHAIRMAN

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

Mr Hubbard holds a Bachelor of Accounting (Honours) degree from the University of Birmingham. He is a Fellow of the Institute of Chartered Accountants in Australia. He previously held partnership positions in the accounting, corporate finance, assurance and audit divisions of PricewaterhouseCoopers and acted as external auditor for some of Australia's largest ASX listed companies.

Malcolm Parmenter MB, BS, MAICD.

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

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

Dr Parmenter has a strong understanding of healthcare, both in Australian and abroad, and spent more than 20 years as a General Practitioner. His experience in healthcare policy regulation is extensive, and he was most recently a member of the Federal Government's Primary Health Care Advisory Group into chronic and complex illnesses.

Gordon Davis MBA, GAICD.

NON-EXECUTIVE DIRECTOR

Mr Davis was appointed as a Non-executive Director in August 2015. He was appointed as a member of the Risk Management Committee in March 2016. He was appointed as Chair and member of the Audit Committee on 24 July 2018.

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

Sally Evans BHSc, FAICD, GAIST.

NON-EXECUTIVE DIRECTOR

Ms Evans was appointed as a Non-executive Director on 21 August 2018. She was appointed as member of the Nomination and Remuneration Committee and the Risk Management Committee from 21 August 2018. She 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.

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

Paul Jones MB, BS, FAMA.

NON-EXECUTIVE DIRECTOR

Dr Jones was appointed as a Non-executive Director in 2010. During FY 2019, he was a member of the Audit Committee and the Risk Management Committee.

Dr Jones has over 30 years' experience in a broad range of general medical practice, including 12 years' experience in the Healius Group's 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. Dr Jones 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.

Errol Katz MPP, MB, BS (HONS), LLB (HONS).

NON-EXECUTIVE DIRECTOR

Dr Katz was appointed as a Non-executive Director in 2010. He is Chairman of the Risk Management Committee and a member of the Nomination and Remuneration Committee.

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

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

NON-EXECUTIVE DIRECTOR

Ms Tansey was appointed as a Non-executive Director in 2012. During FY 2019, she was a member of the Audit Committee and the Nomination and Remuneration Committee. Ms Tansey was appointed as Chair of the Nomination and Remuneration Committee on 17 July 2018.

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

Executive Leadership Team

Malcolm Parmenter

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

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

Malcolm has a strong understanding of healthcare, both in Australian and abroad, and spent more than 20 years as a General Practitioner. His experience in healthcare policy regulation is extensive, and he was most recently a member of the Federal Government's Primary Health Care Advisory Group into chronic and complex illnesses.

Malcolm Ashcroft

CHIEF FINANCIAL OFFICER

Mr Ashcroft was appointed Chief Financial Officer (CFO) in July 2015, subsequently assuming Group Executive responsibility for Strategy, M&A, Property and Risk Management in July 2016. Malcolm was acting CEO for the period July to September 2017.

Malcolm joined Healius from the CIMIC Group Limited, where he was Deputy CFO. Malcolm was also previously a partner at KPMG. He has a proven track record in financial management and business transformation in Australia, Asia, the Middle East and the USA.

Wesley Lawrence

CHIEF EXECUTIVE PATHOLOGY

Appointed as Chief Executive for Pathology in late 2016, Mr Lawrence has over 30 years' experience in the pathology industry. He joined Healius in 1992 as a lab scientist and has since worked in several key operational and business development roles including as CEO of Laverty Pathology, a market leader both in NSW and the ACT.

Wes's proven experience in the industry, coupled with his strong leadership capability and commitment to continuous improvement, ensures the Pathology division continues to deliver on its market leading strategy.

Tim Haggett

CHIEF EXECUTIVE MEDICAL CENTRES

Dr Haggett joined Healius in October 2017 as Chief Executive of the Medical Centres division. He has practised medicine in Australia and the UK and brings over 30 years' experience as a GP, business executive and entrepreneur to his Healius role.

Tim founded and operated two pioneering medical services operations in Australia, Gemini Medical Services and Apollo Health. He is currently the Deputy Chair and Non-executive Director of Centric Health, Ireland's largest provider of GP services.
Tim is also Chairman and Non-executive Director of Healthlab Online which delivers scientifically-based online health and wellness programs.

Maxine Jaquet

CHIEF EXECUTIVE HEALTH & CO

Ms Jaquet joined Healius in July 2015 as Group Director – Commercial. In March 2016 she was appointed Chief Executive for Health & Co.

Maxine has commercial and operational line management experience in the consumer goods and industrials sectors, having led a customer transformation program in a global FMCG and having managed the Qantas Group's multi-brand commercial structure.

Dean Lewsam

CHIEF EXECUTIVE IMAGING

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

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

Scott Beattie

GROUP EXECUTIVE TECHNOLOGY & INNOVATION

Mr Beattie joined Healius in November 2017 and is currently Group Executive Technology & Innovation, responsible for the transformation and delivery of large scale projects, including new services and technologies across the Group. Prior to this Scott was Group Executive Commercial Solutions where he led the development and implementation of commercial strategies across the Group.

Scott brings over 15 years' experience in the frontline healthcare sector, having held a range of senior roles at Sonic Clinical Services and IPN. These have included line management responsibility, strategy and development, service innovation and cross business integration.

Yvette Cachia

GROUP EXECUTIVE PEOPLE & LEGAL

Ms Cachia was appointed Group Executive People and Legal in July 2017, responsible for Human Resources and Group-wide legal services. Yvette's role is focused on building the capabilities required to meet organisational objectives, including organisational design and development capability, talent strategy, workforce planning, employment policy and employee relations.

Prior to this Yvette was Group Director, Human Resources (from 2015), General Manager People and Governance (from 2010) and Company Secretary (from 2008), with responsibility across corporate governance, company secretariat, human resources, insurance and incident management.

Janet Payne

GROUP EXECUTIVE CORPORATE AFFAIRS

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

Janet managed the Initial Public Offering and established investor relations at Qantas Airways Limited. She was formerly in the finance industry, having started her career at KPMG in London and Sydney.

FORMER EXECUTIVES: Ryan Fahy, Chief Information Officer, departed May 2019.

Directors' Report
for the year ended 30 June 2019

The Directors of Healius Limited (referred to as "Healius" or "the Company") submit their Report for the financial year ended 30 June 2019 (referred to as "the year" or "FY 2019"), 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 2019

- Robert Hubbard (appointed as Chairman 24 July 2018)
- Malcolm Parmenter
- Gordon Davis
- Paul Jones
- Errol Katz
- Arlene Tansey

NEW DIRECTORS DURING FY 2019

- Sally Evans (from 21 August 2018)

DIRECTORS WHO CEASED DURING FY 2019

- Robert Ferguson (retired as Chairman and Director 24 July 2018)

Qualifications and experience of Directors

NEW AND CONTINUING DIRECTORS

The qualifications and experience of each new and continuing Director are set out on pages 34–35 of this Annual Report.

FORMER DIRECTORS

Robert Ferguson B.Ec (Hons).

NON-EXECUTIVE CHAIRMAN

Mr Ferguson was the Non-executive Chairman of the Healius Board, Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee. Mr Ferguson retired from the Board and Committees on 24 July 2018. Mr Ferguson has had over 30 years' experience in research, finance, investment management and property as well as corporate governance. Mr Ferguson was Managing Director and Chief Executive of Bankers Trust for 15 years and was an independent Non-executive Director of Westfield for 10 years.

Group Company Secretary

QUALIFICATIONS AND EXPERIENCE OF COMPANY SECRETARY DURING FY 2019

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

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

Directors' Report
for the year ended 30 June 2019

Directors' meetings during FY 2019

The number of meetings of the Board and of each Board committee held during FY 2019 and the number of meetings attended by each Director are set out below:

	BOARD OF DIRECTORS		AUDIT COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE		RISK MANAGEMENT COMMITTEE	
FY 2019	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED
Robert Hubbard [1]	22	21	5	5	4	4	1	1
Gordon Davis	22	21	5	5	N/A	N/A	4	4
Sally Evans	15	15	N/A	N/A	3	3	3	3
Robert Ferguson	1	1	N/A	N/A	N/A	N/A	N/A	N/A
Paul Jones [1]	22	21	5	5	N/A	N/A	4	4
Errol Katz [2]	22	20	N/A	N/A	4	3	4	4
Malcolm Parmenter [1]	22	21	N/A	N/A	N/A	N/A	N/A	N/A
Arlene Tansey [1]	22	21	5	5	4	4	N/A	N/A

1 Robert Hubbard, Malcolm Parmenter, Paul Jones and Arlene Tansey were granted leave of absence from one Board of Directors meeting.
2 Errol Katz was granted leave of absence from two Board of Directors meetings and one Nomination & Remuneration Committee meeting.

The above leaves of absence 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 Chairman with the CEO, meetings of Directors with management and meetings of the Due Diligence Committee for the Company's capital raising in 1H FY 2019. From time to time, Directors attend meetings of committees of which they are not currently members.

Committees of the Board in FY 2019

AUDIT COMMITTEE	NOMINATION AND REMUNERATION COMMITTEE	RISK MANAGEMENT COMMITTEE
Chair	**Chair**	**Chair**
Gordon Davis (from 24 July 2018)	Robert Ferguson (until 17 July 2018)	Errol Katz
Robert Hubbard (until 24 July 2018)	Arlene Tansey (from 17 July 2018)	
Members	**Members**	**Members**
Gordon Davis	Sally Evans (from 21 August 2018)	Gordon Davis
Robert Ferguson (until 24 July 2018)	Robert Ferguson (until 24 July 2018)	Sally Evans (from 21 August 2018)
Robert Hubbard	Robert Hubbard (from 24 July 2018)	Robert Hubbard (until 24 July 2018)
Paul Jones	Errol Katz	Paul Jones
Arlene Tansey	Arlene Tansey	Errol Katz

Directorships of other listed companies held by Healius Directors

DIRECTOR	COMPANY	POSITION	DATE APPOINTED	DATE CEASED
Gordon Davis	Nufarm Limited	Director	31/05/2011	
	Midway Limited	Director	06/04/2016	
Sally Evans	Gateway Lifestyle Operations Limited	Director	29/03/2018	10/10/2018
	Oceania Healthcare Limited	Director	23/03/2018	
Robert Ferguson	GPT Management Holdings Limited	Director and Chairman	25/05/2009	02/05/2018
	Watermark Market Neutral Fund Limited	Director	07/06/2013	
Robert Hubbard	Bendigo and Adelaide Bank Limited	Director	02/04/2013	
	Central Petroleum Limited	Director and Chairman	06/12/2013	14/05/2018
	Orocobre Limited	Director and Chairman	30/11/2012	
Arlene Tansey	Adelaide Brighton Limited	Director	05/04/2011	
	Aristocrat Leisure Limited	Director	21/07/2016	
	Future Fibre Technologies Limited	Director	11/03/2015	13/10/2016
	Urbanise.com Limited	Director	27/06/2014	13/10/2016

Significant change in the state of affairs

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

Principal activities

During the year, the group had three principal continuing activities – pathology, medical centres and imaging – and three emerging businesses – dental, IVF and day hospitals. Through a unique footprint of centres, the group provides facilities and support services to independent general practitioners, radiologists and a range of other healthcare professionals, enabling them in turn to deliver care to their patients in partnership with the Group's pathologists, nurses and other employees.

Review and results of operations

A review of the operations of the Group during the year, and the results of those operations, appears on pages 22–33 of this Report.

Events after the end of the year

On 29 July 2019, the Group announced the departure of two senior executives, Malcolm Ashcroft (Chief Financial Officer) and Wesley Lawrence (CEO of Pathology). From 19 August 2019, Maxine Jaquet will assume the role of Chief Financial Officer and John McKechnie will step in to the role of CEO of Pathology.

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

Future developments

Apart from the information provided on the 2019 Outlook on page 19 of this Report, disclosure of information regarding likely developments in the operations of the Group in future financial years (including the Group's business strategies) and the expected results of those operations other than that disclosed in this Report is likely to result in unreasonable prejudice to the Group. Accordingly, no further information is included in this Report.

Proceedings on behalf of the Company

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

Rounding of amounts

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

Dividends

During FY 2019, the FY 2018 final dividend of 5.5 cents per share (100% franked) was paid to the holders of fully paid ordinary shares on 17 September 2018.

In respect of FY 2019:

- an interim dividend of 3.8 cents per share (100% franked), was paid to the holders of fully paid ordinary shares on 26 March 2019; and
- a final dividend of 3.4 cents per share (100% franked), is to be paid to the holders of fully paid ordinary shares on 27 September 2019.

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 2019 under either the DRP or the BSP.

Shares under option

Options are held by both employees and independent contractors 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	EXERCISED SINCE PRIOR ANNUAL REPORT	LAPSED SINCE PRIOR ANNUAL REPORT	CLOSING BALANCE
Issue 114	225,000	–	(225,000)	–
Issue 115	80,000	–	(80,000)	–
Balance as at date of this Report	305,000	–	(305,000)	–

Shares issued on the exercise of options

No ordinary shares of Healius were issued during, or since the end of, FY 2019 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 2019 for a person who is or has been an officer or auditor of the Group.

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

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

Healius has not otherwise, during or since the end of FY 2019, 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 Ernst & Young (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 116 of this Report.

Management of safety risks

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

In order to improve Healius' health and safety performance, resources are allocated to the maintenance and improvement of the WHS management system. Professional health and safety staff work very closely with the Employee Representative Committees which have been established over a number of years in order to incorporate employee representation and consultation into health and safety initiatives as well as a forum for disseminating information to improve health and safety across all business units. During FY 2019 there was a detailed review of the resources devoted to the management of the WHS Systems to ensure resourcing remains appropriate to the requirements of operations.

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

Key health and safety performance indicators are as follows:

	TARGET	FY 2019	FY 2018
Completion of Health and Safety Plan activities by worksites	90% of planned activities completed	94%	95%
Mini audits – measuring compliance to Health & Safety Management System	75% Compliance Rate	85% of the 277 mini audits conducted met or exceeded target.	85% of the 281 mini audits conducted met or exceeded target.
Internal Health & Safety audits – measuring compliance to National Audit Tool Version 3	75% Compliance Rate	94% of the 47 internal audits conducted met or exceeded target.	81% of the 46 internal audits conducted met or exceeded target.
Number of WHS prosecutions	Zero	Zero	Zero
Lost Time Incidents per Million Hours Worked	Zero	5.4	5.6

For FY 2019, all incidents were investigated and there was no systematic breakdown in the WHS Management System.

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

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

Healius is engaged in continuous improvement to raise health and safety standards. During the year, there was a comprehensive review of occupational violence events and a detailed root cause analysis of manual handling incidents. In FY 2020 Healius is planning a number of strategic projects including a review and possible redesign of the WHS incident reporting process to enable the capture of a higher level of qualitive data to improve identifiable preventative and risk control strategies. There will also be a detailed analysis of the current emergency duress systems within our high-risk workplaces. Strategic projects are identified through the monitoring of incidents trends, employee feedback and WHS audit findings.

Environmental regulation

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

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

For more information on Healius' approach to sustainability please refer to page 12 of this Report.

Remuneration Report

1. Letter from the Chair of the Nomination and Remuneration Committee

Dear Shareholder,

On behalf of your Board of Directors, I am pleased to present the Remuneration Report for the financial year ended 30 June 2019 (FY 2019). This report details the remuneration framework and outcomes for Healius' Key Management Personnel (KMP) in FY 2019.

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

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

At a time when consumers are increasingly demanding better ways to access healthcare services, we are striving to create a substantial improvement in our value proposition to put us at the forefront of healthcare in the Australian community and deliver sustainable long-term shareholder returns. As a result, we are in a period of significant strategic change as we invest in the evolution of our Medical Centres model, in core IT platforms and growth initiatives in our emerging businesses.

We have again produced a simplified Remuneration Report in FY 2019, aiming to make it easy to understand and readable. It includes a summary of key decisions and outcomes for FY 2019 at section 2 and a non-statutory table of what each of the executive KMP was awarded and paid this year at section 5.2. Apart from the information in this report, you can find further details of Healius' remuneration framework on our website.

As Chair of the Nomination and Remuneration Committee I thank you for your ongoing support. I hope you will continue to support us by voting to adopt this Remuneration Report at our upcoming 2019 Annual General Meeting.

Yours sincerely

Arlene M Tansey

Arlene Tansey
Independent Non-executive Director
Chair of the Nomination and Remuneration Committee

2. Key decisions and outcomes in FY 2019

Current Executive KMP	• Malcolm Parmenter	Managing Director and Chief Executive Officer (CEO)
	• Malcolm Ashcroft	Chief Financial Officer (CFO) (ceased as KMP on 27 August 2019)
	• Timothy Haggett	Chief Executive Medical Centres
	• Maxine Jaquet	Chief Executive Health & Co
	• Wesley Lawrence	Chief Executive Pathology (ceased as KMP on 16 August 2019)
	• Dean Lewsam	Chief Executive Imaging
Base pay/fees	• Annual review of base pay resulted in no across-the-board increases in executive KMP base pay for FY 2019.	
Short Term Incentives (STI)	• In FY 2019 the Board decided that no "at risk" STI would be awarded to executive KMP even though the Group Underlying Net Profit After Tax (UNPAT) target was achieved, as the results were at the bottom of the adjusted guidance range for the year. • For STI awarded in future years, the Board changed the cash/equity split of STI awards from 75% cash/25% equity (with half the equity component deferred for one year and half deferred for two years) to 50% cash/50% equity (with all the equity component deferred for one year).	
Long Term Incentives (LTI)	• The FY 2017 LTI plan was tested on 30 June 2019. None of the Performance Rights vested as neither criteria, being Healius' relative total shareholder return measured against a comparator group (rTSR) and cumulative returns on invested capital (ROIC), were met.	

3. Setting Senior Executive remuneration

3.1 OVERVIEW OF THE DESIGN

Total Remuneration Package (TRP)

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

Base Package

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

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

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

STI

- 25% of TRP at Target (27% for CEO and CFO).
- Measured against an individual's balanced scorecard which includes financial, non-financial and behavioural Key Performance Indicators (KPIs), and takes an holistic view of performance, strategic implementation, culture and risk-management.
- Comprises cash (50%) and deferred equity (50%) in the form of Service Rights.

LTI

- 25% of TRP at Target (27% for CEO and CFO).
- Determined by rTSR and ROIC.
- Comprises deferred equity in the form of Performance Rights.

3.2 NOTABLE COMPONENTS

3.2.1 Link between Senior Executive remuneration and Company performance

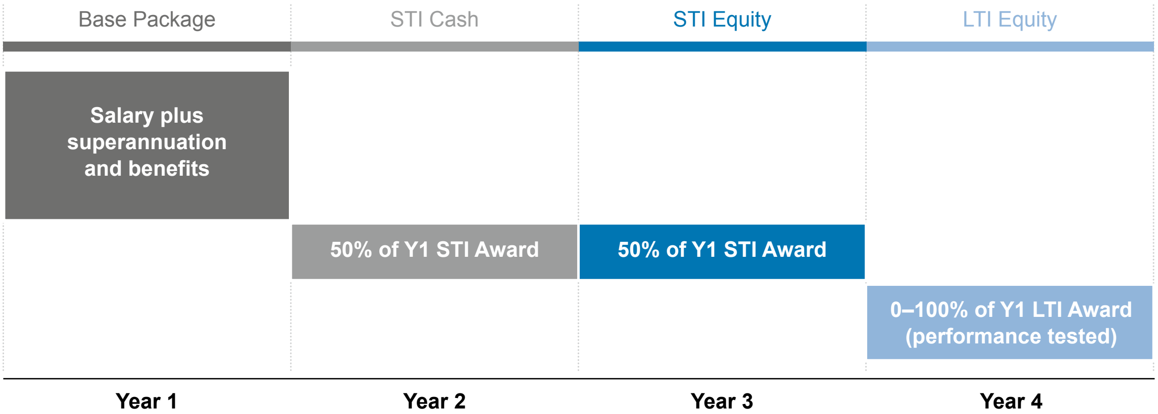
The remuneration of Senior Executives is designed to link executive reward and Company performance. The link is achieved through the at-risk pay elements of an executive's package which represent 50% or more of total remuneration (at Target levels).

Healius' STI plan is not a guaranteed part of executive KMP remuneration. In FY 2019 the Board decided that no STI would be awarded even though the Group UNPAT target was achieved, as the results were at the bottom of the adjusted forecast range for the financial year.

Additionally, no LTI Rights vested in either FY 2018 or FY 2019 relating to the FY 2016 and 2017 years, as the targets for the three-year measurement periods were not met for either of these years.

3.2.2 Multi-year vesting of equity

Rights granted in a given year as part of STI and LTI awards will not vest, if at all, until later. STI equity is deferred for one year and LTI rights are measured and vest after three years and then only if targets are met. The rolling nature of remuneration payments encourages Executive retention.



3.2.3 Positive gate for rTSR

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

3.2.4 Clawback provisions for STIs and LTIs

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

3.2.5 Stretch performance target for STIs and LTIs

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

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

3.2.6 Comparator group for rTSR

The comparator group for the assessment of rTSR vesting conditions was selected from healthcare companies listed on the ASX, with assistance from external remuneration consultants and using the following broad parameters:

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

4. Executive KMP – remuneration outcomes for FY 2019

4.1 KEY MANAGEMENT PERSONNEL

KMP are the Non-executive Directors, the executive Director and employees who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The following roles and individuals were identified as executive KMP for FY 2019 (Non-executive Directors are identified in section 6):

4.1.1 Current executive KMP

NAME	ROLE	DATES
Malcolm Parmenter	Managing Director & Chief Executive Officer (CEO)	6 September 2017
Malcolm Ashcroft	Chief Financial Officer (CFO) Acting Chief Executive Officer	13 July 2015 (ceased as KMP on 27 August 2019) 23 May 2017 to 5 September 2017
Timothy Haggett	Chief Executive Medical Centres	23 October 2017
Maxine Jaquet	Chief Executive Health & Co	1 March 2016 (commenced as CFO 19 August 2019)
Wesley Lawrence	Chief Executive Pathology	8 December 2016 (ceased as KMP on 16 August 2019)
Dean Lewsam	Chief Executive Imaging	23 October 2015

4.1.2 Former executive KMP

John Houston	Chief Executive Medical Centres	1 March 2016 to 17 October 2017

4.2 EXECUTIVE KMP – OPPORTUNITIES AND OUTCOMES FOR FY 2019

The following table provides shareholders with a picture of:

- Remuneration opportunities of executive KMP in FY 2019, at Target performance.
- The total remuneration of executive KMP **awarded** in respect of FY 2019 performance, some of which may be paid or vest during subsequent financial years.
- The total remuneration of executive KMP **received** during FY 2019, 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 2019.

4.2 EXECUTIVE KMP – OPPORTUNITIES AND OUTCOMES FOR FY 2019

This is a non-statutory table. Please refer to section 6 for Healius' statutory FY 2019 remuneration tables for executive KMP.

			BASE PACKAGE		SHORT-TERM INCENTIVE (STI) (50% CASH; 50% DEFERRED EQUITY FOR FY 2019)
					TARGET STI OPPORTUNITY
POSITION	NAME	YEAR	ANNUAL BASE PACKAGE INCLUDING SUPER ($)	BASE PACKAGE ACTUALLY PAID IN YEAR ($)	TARGET STI AMOUNT ($)[3]
1	2	3	4	5	6
Current executive KMP FY 2019					
CEO	Malcolm Parmenter[1, 6]	**FY 2019**	**1,650,000**	**1,650,000**	**961,950**
		FY 2018	1,650,000	1,351,731	788,799
CFO	Malcolm Ashcroft[2, 7]	**FY 2019**	**895,000**	**895,000**	**521,785**
		FY 2018	1,031,482	1,031,482	601,015
CE Medical Centres	Timothy Haggett[1]	**FY 2019**	**800,000**	**800,000**	**400,000**
		FY 2018	800,000	560,000	280,000
CE Health & Co	Maxine Jaquet[7]	**FY 2019**	**600,000**	**600,000**	**300,000**
		FY 2018	600,000	600,000	300,000
CE Pathology	Wesley Lawrence[7]	**FY 2019**	**750,000**	**750,000**	**375,000**
		FY 2018	750,000	750,000	375,000
CE Imaging	Dean Lewsam[7, 8]	**FY 2019**	**650,000**	**613,384**	**325,000**
		FY 2018	580,000	580,000	290,000
Former executive KMP					
CE Medical Centres	John Houston[7, 9]	FY 2018	750,000	231,283	N/A
TOTAL EXECUTIVE KMP REMUNERATION		**FY 2019**	**5,345,000**	**5,308,384**	**2,883,735**
		FY 2018	6,161,482	5,104,496	2,634,814

Guide to using the Table

1 **Column 14** is the **total remuneration** **paid or awarded** **for FY 2019 performance** to the relevant KMP (with FY 2018 comparison), some of which may be paid in future periods. It is the sum of **columns 5 and 7**, and in respect of Malcolm Parmenter in FY 2018 only, the ex gratia payment included in **column 13**. While the number of Rights granted in FY 2019 under Primary's LTIP is set out in section 6.1 of this report, the value of vested Rights (if any) relating to the FY 2019 LTI award will not be known until the measurement period ends at the close of FY 2021 and the applicable performance criteria are tested. Consequently, no amount is included in this table for FY 2019 LTI.

2 **Column 15** is the **total remuneration** **received** **during FY 2019** by the relevant KMP (with FY 2018 comparison), some of which relates to past periods. It is the sum of **columns 5, 9, 10, 12 and 13**. Where part of these amounts involve the valuation of vested Rights, the dollar value is calculated based on the closing share price on the day that shares are issued for the vested Rights.

SHORT-TERM INCENTIVE (STI) (FY 2019 – 50% CASH; 50% DEFERRED EQUITY) (FY 2018 – 75% CASH; 25% DEFERRED EQUITY)				LONG-TERM INCENTIVE (LTI) (100% DEFERRED EQUITY)		OTHER PAYMENTS	TOTAL REMUNERATION	
STI OUTCOME FOR YEAR (TO BE PAID IN FOLLOWING YEARS)[4]		STI FROM PRIOR YEARS (PAID IN YEAR)[4]		TARGET LTI OPPORTUNITY (ONLY VESTS AFTER 3 YEAR MEASUREMENT PERIOD IF HURDLES ARE MET)	LTI FROM PRIOR YEARS (VESTED IN YEAR)			
STI AWARDED ($)	STI AWARDED/ NOT AWARDED (% OF TARGET)	CASH STI PAYMENT FROM PRIOR YEAR ($)	VALUE OF STI EQUITY VESTED FROM PRIOR YEARS ($)	TARGET LTI AMOUNT ($)[5]	LTI VESTED FROM PRIOR YEARS ($)	OTHER PAYMENTS RECEIVED IN YEAR ($)	TOTAL REMUNERATION AWARDED FOR YEAR'S PERFORMANCE (EXC LTI) ($)	TOTAL REMUNERATION RECEIVED DURING YEAR ($)
7	8	9	10	11	12	13	14	15
Nil	**0%/100%**	**399,329**	**N/A**	**961,950**	**N/A**	**Nil**	**1,650,000**	**2,049,329**
532,439	68%/32%	N/A	N/A	788,799	N/A	63,462	1,947,632	1,415,193
Nil	**0%/100%**	**232,503**	**49,526**	**521,785**	**Nil**	**244,504**	**895,000**	**1,421,533**
310,003	52%/48%	162,508	17,836	601,015	Nil	474,322	1,341,485	1,686,148
Nil	**0%/100%**	**137,655**	**N/A**	**400,000**	**N/A**	**Nil**	**800,000**	**937,655**
183,540	66%/34%	N/A	N/A	280,000	N/A	Nil	743,540	560,000
Nil	**0%/100%**	**84,150**	**33,775**	**300,000**	**Nil**	**Nil**	**600,000**	**717,925**
112,200	37%/63%	121,500	10,568	300,000	Nil	317,981	712,200	1,050,049
Nil	**0%/100%**	**127,013**	**35,901**	**375,000**	**Nil**	**Nil**	**750,000**	**912,914**
169,350	45%/55%	153,441	7,610	375,000	Nil	397,479	919,350	1,308,530
Nil	**0%/100%**	**117,018**	**40,630**	**325,000**	**Nil**	**Nil**	**613,384**	**771,032**
156,024	54%/46%	162,038	10,347	290,000	Nil	291,248	736,024	1,043,633
N/A	N/A	105,469	17,615	N/A	Nil	407,879	231,283	762,246
Nil	**0%/100%**	**1,097,668**	**159,832**	**2,883,735**	**Nil**	**244,504**	**5,308,384**	**6,810,388**
1,463,556	56%/44%	704,956	63,976	2,634,814	Nil	1,952,371	6,631,514	7,825,799

Notes

1. Column 4. Base Package and target amounts are shown on an annual basis. As Malcolm Parmenter and Timothy Haggett commenced during the FY 2018 year these amounts were not paid in full in FY 2018. Column 5 shows the pro-rata amount actually paid in FY 2018.
2. Column 4. Malcolm Ashcroft was Acting CEO between 23 May 2017 and 5 September 2017, during which period his base salary and incentive arrangements were equivalent to the current CEO level on a pro rata basis.
3. Column 6. Stretch STI is up to 112% of Target STI.
4. Columns 7–10. Zero STI was awarded to KMP in relation to FY 2019. STI outcomes for FY 2018 are paid as follows: 75% in cash in FY 2019, 12.5% in equity in FY 2020 and 12.5% in equity in FY 2021.
5. Column 11. Stretch LTI is up to 200% of Target LTI.
6. Column 13. The amount included for Malcolm Parmenter in FY 2018 is an ex gratia payment of $63,462 granted by the Board in relation to a two week orientation period undertaken in August 2017.
7. Column 13. The amounts included for Malcolm Ashcroft, Wesley Lawrence, Maxine Jaquet, Dean Lewsam and John Houston in FY 2018 are for retention payments. The amount included for Malcolm Ashcroft in FY 2019 is for the vesting of a sign on arrangement dating from 12 September 2016. The amount was paid by way of the issue of 68,681 ordinary shares in the Company on 13 July 2018 at a price of $3.435 per share (closing price on that date).
8. Column 4. Dean Lewsam received an increase to his total package effective 1 January 2019.
9. Column 13. The amount reported for John Houston in FY 2018 includes an amount of $10,400 for the vesting of cash amounts under legacy LTI arrangements (FY 2013–FY 2014).

4.3 EXECUTIVE KMP – BASE PACKAGE OUTCOMES FOR FY 2019

The annual review of pay resulted in no across-the-board increases in executive KMP base pay for FY 2019.

4.4 EXECUTIVE KMP – STI OPPORTUNITY AND RATIONALE FOR FY 2019 AND FY 2019 OUTCOMES

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

In FY 2019 the Board decided that no STI would be awarded even though the Group UNPAT target was achieved, as the result was at the bottom of the adjusted forecast range for the financial year.

The outline of the current STI plan, including the 2018 balanced scorecards for each Executive KMP, were set out in the 2018 Annual Report. As no STI remuneration was awarded to executive KMP for FY 2019, detailed STI targets, including the balanced scorecards, are not set out below. They will be reinstated in future Annual Reports if STIs are awarded by the Board.

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

4.4.1 Group and Divisional UNPAT and Group Cash Flow

Group and divisional UNPAT and Group cash flow were selected by the Board as being the most appropriate method of measuring the Company's FY 2019 financial performance. These measures typically accounted for around 70% of an executive KMP's potential STI award.

As for FY 2018 STI plan, Healius incorporated Threshold, Target and Stretch goals into the UNPAT metrics, in order to incentivise Senior Executives to continue to achieve once a lower goal had been achieved.

4.4.2 Role specific strategic objectives

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

4.4.3 Leadership behavioural KPIs

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

4.5 EXECUTIVE KMP – LTI OPPORTUNITY FOR FY 2019 AND RATIONALE

4.5.1 Measurement period for 2019

LTI awards relating to FY 2019 will be made after a three year measurement period starting on 1 July 2018 and ending on 30 June 2021. Healius issues Performance Rights for LTI awards. These Rights will not vest unless and until:

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

4.5.2 rTSR and ROIC criteria for 2019

LTI awards for all executive KMP will be determined based on two equally-weighted criteria:

- 50% based on rTSR; and
- 50% based on ROIC.

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

TSR	Share price movement + dividends (14-day Volume Weighted Average Price).
Comparator Group	See table in 8.3.
Linear vesting scale	Nil below Target. 50% at Target, being point at which 50% of comparator group lie below. 100% at Stretch, being point at which 75% of comparator group lie below.
Positive Gate	Nil if Healius' TSR is zero or negative.

ROIC was selected by the Board to motivate Senior Executives to focus on projects which generate strong returns on capital invested and thereby increase shareholder value. ROIC is calculated as follows:

ROIC	Underlying EBIT as a percentage of average invested capital (net debt plus equity). Calculated annually and then averaged over the three year measurement period.
Goodwill	Inclusive of goodwill.
Performance criteria	Threshold, Target and Stretch levels set by the Board at the start of the measurement period using Healius' budget and cost of capital.
Linear vesting scale	Nil below Threshold. 25% at Threshold. 50% at Target. 100% at Stretch.

ROIC performance criteria for LTI awards (FY 2017–FY 2019 inclusive)

	ROIC						
AWARD YEAR	THRESHOLD %	TARGET %	STRETCH %	ACHIEVED[1] %	MEASUREMENT PERIOD	VESTING DATE (IF TARGETS ACHIEVED)	AWARD OUTCOME
FY 2019	7.1	7.3	7.5	6.3	FY 2019 – 2021	After 1 July 2021	Open
FY 2018	8.2	8.4	8.6	6.2	FY 2018 – 2020	After 1 July 2020	Unlikely
FY 2017	8.2	8.4	8.6	6.3	FY 2017 – 2019	After 1 July 2019	Nil

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

4.6 EXECUTIVE KMP – LTI OUTCOME FOR FY 2017

The measurement period for FY 2017 LTI awards was FY 2017–FY 2019. The LTI performance criteria set by the Board for FY 2017 and Healius' results for FY 2017–FY 2019 inclusive, are set out in the following table:

LTI PERFORMANCE MEASURE	TARGET PERFORMANCE	ACTUAL RESULT	OUTCOME
rTSR	P50 of comparator group	HLS TSR (<0)% Comparator group N/A because HLS TSR <0%.	Below Threshold/Target Nil award
ROIC	8.4%	HLS ROIC 6.3%	Below Threshold Nil award

As the performance criteria were not met, there will be no LTI awarded in relation to FY 2017. All Performance Rights issued to executive KMP in relation to the FY 2017 LTI will lapse.

5 Executive KMP remuneration in detail

5.1 EXECUTIVE KMP REMUNERATION – STATUTORY DISCLOSURE FOR FY 2019

The following tables outline the remuneration received by Healius' executive KMP during FY 2019 prepared according to statutory disclosure requirements and applicable accounting standards.

		SHORT-TERM EMPLOYEE BENEFITS				
NAME	YEAR	CASH SALARY ($)	CASH STI ($)	NON-MONETARY BENEFITS[2] ($)	ANNUAL LEAVE[3] ($)	CASH RETENTION ($)
Current Executive KMP						
Malcolm Parmenter (from 6 Sept 2017)	**2019**	**1,629,469**	**–**	**2,124**	**26,417**	**–**
	2018	1,335,306	399,329	1,864	59,496	–
Malcolm Ashcroft[1]	**2019**	**874,469**	**–**	**2,124**	**(10,301)**	**–**
	2018	1,011,433	232,503	2,331	(13,078)	175,004
Timothy Haggett (from 23 Oct 2017)	**2019**	**779,469**	**–**	**2,124**	**41,072**	**–**
	2018	545,966	137,655	1,031	41,123	–
Maxine Jaquet	**2019**	**579,469**	**–**	**2,124**	**(2,367)**	**–**
	2018	579,951	84,150	2,331	869	117,321
Wesley Lawrence	**2019**	**729,469**	**–**	**2,124**	**5,617**	**–**
	2018	729,951	127,013	2,331	(13,790)	146,652
Dean Lewsam	**2019**	**592,853**	**–**	**2,124**	**26,457**	**–**
	2018	559,951	117,018	2,331	(19,920)	113,411
Former Executive KMP						
John Houston (until 17 October 2017)	2018	224,600	–	1,300	(96,222)	69,013
TOTAL EXECUTIVE KMP REMUNERATION	**2019**	**5,185,198**	**–**	**12,744**	**86,895**	**–**
	2018	4,987,158	1,097,668	13,519	(41,522)	621,401

1 On 12 September 2016 Malcolm Ashcroft was awarded Service Rights to the value of $250,000 pursuant to a sign on arrangement. Included within LTI for 2018 is an amount to reflect the three year service period associated with the Service Rights and which has been calculated in accordance with AASB 2 Share-based Payments.

2 Represents the taxable value of fringe benefits for the respective FBT 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 represent the utilisation of annual leave for continuing employees and reversal of leave balances for former employees.

4 The amount reported as other is an ex gratia payment granted by the Board, paid on 14 December 2017, in relation to a two week orientation period undertaken by Malcolm Parmenter in August 2017.

5 Relates to rights granted in respect of the FY 2017, FY 2018 and FY 2019 Plans and calculated in accordance with AASB 2 Share-based Payments.

6 Termination benefits include annual leave, long service leave and pay in lieu of notice.

	SHORT-TERM EMPLOYEE BENEFITS	POST-EMPLOYMENT BENEFITS	LONG-TERM EMPLOYEE BENEFITS	EQUITY SETTLED SHARE-BASED PAYMENTS				
	OTHER[4] ($)	SUPER CONTRIBUTIONS ($)	LONG SERVICE LEAVE[3] ($)	STI[5] ($)	LTI[5] ($)	RETENTION ($)	TOTAL ($)	TERMINATION BENEFITS[6] ($)
	–	**20,531**	**28,631**	**59,186**	**133,165**	**–**	**1,899,523**	**–**
	63,462	16,425	22,918	55,462	262,933	–	2,217,195	–
	–	**20,531**	**15,346**	**43,294**	**145,776**	**–**	**1,091,239**	**–**
	–	20,049	39,724	61,389	448,323	114,677	2,092,355	–
	–	**20,531**	**13,694**	**20,403**	**57,827**	**–**	**935,120**	**–**
	–	14,034	9,596	19,119	92,000	–	860,524	–
	–	**20,531**	**10,160**	**19,077**	**81,973**	**–**	**710,967**	**–**
	–	20,049	25,124	32,358	178,887	76,877	1,117,917	–
	–	**20,531**	**18,361**	**26,152**	**85,439**	**–**	**887,693**	**–**
	–	20,049	36,567	56,537	180,468	96,099	1,381,877	–
	–	**20,531**	**13,178**	**27,166**	**91,432**	**–**	**773,741**	**–**
	–	20,049	29,348	42,347	172,525	63,231	1,100,291	–
	–	6,683	(29,824)	6,541	34,943	45,223	262,257	895,601
	–	**123,186**	**99,370**	**195,278**	**595,612**	**–**	**6,298,283**	**–**
	63,462	117,338	133,453	273,753	1,370,079	396,107	9,032,416	895,601

5.2 EXECUTIVE KMP – SERVICE AND PERFORMANCE RIGHTS AWARDED, VESTED AND LAPSED DURING FY 2019

All equity awards relating to FY 2019 are made in the form of Rights.

1 **Service Rights** are used for the equity portion of STI awards and, once issued, are subject to the relevant Senior Executive remaining employed by Healius for a predetermined period; at the end of which the Service Rights vest and one ordinary share is issued for each vested Right. 100% of the Service Rights vest after one year. A Service Right is used for the equity portion of the STI award in order to enable deferral of a portion of the STI award to promote Senior Executive retention.

2 **Performance Rights** are used for LTI awards 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.

Rights are granted for nil monetary consideration and do not have an exercise price.

5.2.1 Service Rights

NAME	GRANT	RIGHTS AWARDED DURING YEAR (NO.)	AWARD DATE[1]	FAIR VALUE PER RIGHT AT AWARD DATE[1] ($)
Current Executive KMP				
Malcolm Parmenter	FY 2018 STI – Tranche 1	25,461	18 October 2018	$2.79
	FY 2018 STI – Tranche 2	26,537	18 October 2018	$2.68
Malcolm Ashcroft	FY 2018 STI – Tranche 1	14,824	18 October 2018	$2.79
	FY 2018 STI – Tranche 2	15,451	18 October 2018	$2.68
	FY 2017 STI – Tranche 1	–	–	–
	FY 2016 STI – Tranche 2	–	–	–
	Sign on arrangement	–	–	–
Tim Haggett	FY 2018 STI – Tranche 1	8,777	18 October 2018	$2.79
	FY 2018 STI – Tranche 2	9,148	18 October 2018	$2.68
Maxine Jaquet	FY 2018 STI – Tranche 1	5,365	18 October 2018	$2.79
	FY 2018 STI – Tranche 2	5,592	18 October 2018	$2.68
	FY 2017 STI – Tranche 1	–	–	–
	FY 2016 STI – Tranche 2	–	–	–
Wesley Lawrence	FY 2018 STI – Tranche 1	8,098	18 October 2018	$2.79
	FY 2018 STI – Tranche 2	8,440	18 October 2018	$2.68
	FY 2017 STI – Tranche 1	–	–	–
	FY 2016 STI – Tranche 2	–	–	–
Dean Lewsam	FY 2018 STI – Tranche 1	7,461	18 October 2018	$2.79
	FY 2018 STI – Tranche 2	7,776	18 October 2018	$2.68
	FY 2017 STI – Tranche 1	–	–	–
	FY 2016 STI – Tranche 1	–	–	–

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

2 For Rights awarded during the year the vesting date is the first day after the end of the measurement period, which is the first day on which ordinary shares could be issued once the relevant Rights have vested. For Rights that have vested during the year the vesting date is the actual date on which ordinary shares were issued for the vested rights.

3 Calculated based on the closing share price on the day that ordinary shares are issued for vested rights (the vesting date in the tables above) being $3.55 on 2 July 2018 and $3.56 on 13 July 2018.

VALUE OF RIGHTS AWARDED DURING YEAR ($)	VESTING DATE[2]	RIGHTS VESTED DURING YEAR (NO.)	VALUE OF RIGHTS VESTED DURING YEAR[3] ($)	RIGHTS LAPSED DURING YEAR (NO.)
71,036	2 July 2019	–	–	–
71,119	1 July 2020	–	–	–
41,359	2 July 2019	–	–	–
41,409	1 July 2020	–	–	–
–	2 July 2018	8,037	28,531	–
–	2 July 2018	5,914	20,995	–
–	13 July 2018	68,681	244,504	–
24,488	2 July 2019	–	–	–
24,517	1 July 2020	–	–	–
14,968	2 July 2019	–	–	–
14,987	1 July 2020	–	–	–
–	2 July 2018	6,009	21,332	–
–	2 July 2018	3,505	12,443	–
22,593	2 July 2019	–	–	–
22,619	1 July 2020	–	–	–
–	2 July 2018	7,589	26,941	–
–	2 July 2018	2,524	8,960	–
20,816	2 July 2019	–	–	–
20,840	1 July 2020	–	–	–
–	2 July 2018	8,014	28,450	–
–	2 July 2018	3,431	12,180	–

5.2.2 Performance Rights

NAME	GRANT	RIGHTS AWARDED DURING YEAR (NO.)	AWARD DATE[1]	FAIR VALUE PER RIGHT AT AWARD DATE[1] ($)
Current Executive KMP				
Malcolm Parmenter	FY 2019 LTI – ROIC	402,490	1 March 2019	$2.54
	FY 2019 LTI – rTSR	402,490	1 March 2019	$1.27
	FY 2018 LTI – ROIC	237,590	18 September 2018	$2.85
	FY 2018 LTI – rTSR	237,590	18 September 2018	$1.42
Malcolm Ashcroft	FY 2019 LTI – ROIC	218,320	1 March 2019	$2.54
	FY 2019 LTI – rTSR	218,320	1 March 2019	$1.27
	FY 2018 LTI – ROIC	181,029	18 September 2018	$2.85
	FY 2018 LTI – rTSR	181,029	18 September 2018	$1.42
	FY 2016 LTI – ROIC	–	20 September 2016	–
	FY 2016 LTI – rTSR	–	20 September 2016	–
Tim Haggett	FY 2019 LTI – ROIC	167,364	1 March 2019	$2.54
	FY 2019 LTI – rTSR	167,364	1 March 2019	$1.27
	FY 2018 LTI – ROIC	83,133	18 September 2018	$2.85
	FY 2018 LTI – rTSR	83,133	18 September 2018	$1.42
Maxine Jaquet	FY 2019 LTI – ROIC	125,523	1 March 2019	$2.54
	FY 2019 LTI – rTSR	125,523	1 March 2019	$1.27
	FY 2018 LTI – ROIC	90,361	18 September 2018	$2.85
	FY 2018 LTI – rTSR	90,361	18 September 2018	$1.42
	FY 2016 LTI – ROIC	–	20 September 2016	–
	FY 2016 LTI – rTSR	–	20 September 2016	–
Wesley Lawrence	FY 2019 LTI – ROIC	156,904	1 March 2019	$2.54
	FY 2019 LTI – rTSR	156,904	1 March 2019	$1.27
	FY 2018 LTI – ROIC	112,952	18 September 2018	$2.85
	FY 2018 LTI – rTSR	112,952	18 September 2018	$1.42
	FY 2016 LTI – ROIC	–	20 September 2016	–
	FY 2016 LTI – rTSR	–	20 September 2016	–
Dean Lewsam	FY 2019 LTI – ROIC	135,983	1 March 2019	$2.54
	FY 2019 LTI – rTSR	135,983	1 March 2019	$1.27
	FY 2018 LTI – ROIC	87,349	18 September 2018	$2.85
	FY 2018 LTI – rTSR	87,349	18 September 2018	$1.42
	FY 2016 LTI – ROIC	–	20 September 2016	–
	FY 2016 LTI – rTSR	–	20 September 2016	–

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

2 For Rights awarded during the year the vesting date is the first day after the end of the measurement period, which is the first day on which ordinary shares could be issued once the relevant Rights have vested. For Rights that have vested during the year the vesting date is the actual date on which ordinary shares were issued for the vested rights.

3 The FY 2016, FY 2017 and FY 2018 LTI allow for the retesting of Performance Rights, extending the measurement period (and therefore the vesting date) by one year compared to the dates in the above table. The Board has determined that no retesting will be undertaken in relation to the FY 2016, FY 2017 or FY 2018 LTI. The FY 2019 LTI does not allow for the retesting of Performance Rights.

VALUE OF RIGHTS AWARDED DURING YEAR ($)	VESTING DATE[2,3]	RIGHTS VESTED DURING YEAR (NO.)	VALUE OF RIGHTS VESTED DURING YEAR ($)	RIGHTS LAPSED DURING YEAR[3] (NO.)
1,022,325	1 July 2021	–	–	–
511,162	1 July 2021	–	–	–
676,875	1 July 2020	–	–	–
337,378	1 July 2020	–	–	–
554,533	1 July 2021	–	–	–
277,266	1 July 2021	–	–	–
515,933	1 July 2020	–	–	–
257,061	1 July 2020	–	–	–
–	1 July 2018	–	–	143,348
–	1 July 2018	–	–	143,348
425.105	1 July 2021	–	–	–
212,552	1 July 2021	–	–	–
236,929	1 July 2020	–	–	–
118,049	1 July 2020	–	–	–
318,828	1 July 2021	–	–	–
159,414	1 July 2021	–	–	–
257,529	1 July 2020	–	–	–
128,313	1 July 2020	–	–	–
–	1 July 2018	–	–	61,813
–	1 July 2018	–	–	61,813
398,536	1 July 2021	–	–	–
199,268	1 July 2021	–	–	–
321,913	1 July 2020	–	–	–
160,392	1 July 2020	–	–	–
–	1 July 2018	–	–	21,978
–	1 July 2018	–	–	21,978
345,397	1 July 2021	–	–	–
172,698	1 July 2021	–	–	–
248,945	1 July 2020	–	–	–
124,036	1 July 2020	–	–	–
–	1 July 2018	–	–	59,066
–	1 July 2018	–	–	59,066

5.3 EXECUTIVE KMP – EQUITY HOLDINGS IN FY 2019

5.3.1 Ordinary shares

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

NAME	BALANCE AT BEGINNING OF YEAR (NO.)	VESTING OF RIGHTS (SHARES ISSUED) (NO.)	SHARES PURCHASED/(SOLD) (NO.)	BALANCE AT END OF YEAR (NO.)
Current Executive KMP				
Malcolm Parmenter	50,000	–	9,597	59,597
Malcolm Ashcroft	95,475	82,632	31,508	209,615
Maxine Jaquet	40,095	9,514	–	49,609
Wesley Lawrence	48,319	10,113	–	58,432
Dean Lewsam	34,510	11,445	(15,000)	30,955

Tim Haggett did not hold any ordinary shares during the period from when he was appointed as a KMP up until 30 June 2019.

5.3.2 Rights

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

NAME	CLASS	BALANCE AT BEGINNING OF YEAR (NO.)	RIGHTS AWARDED AS COMPENSATION DURING YEAR [1,2] (NO.)	RIGHTS VESTED DURING YEAR (NO.)	RIGHTS LAPSED DURING YEAR (NO.)	BALANCE AT END OF YEAR (NO.)
Current Executive KMP						
Malcolm Parmenter	Service Rights	–	51,998 [1]	–	–	51,998
	Performance Rights	–	1,280,160 [2]	–	–	1,280,160
Malcolm Ashcroft	Service Rights	90,940	30,275 [1]	(82,632)	–	38,583
	Performance Rights	594,084	798,698 [2]	–	(286,696)	1,106,086
Timothy Haggett	Service Rights	–	17,925 [1]	–	–	17,925
	Performance Rights	–	500,994 [2]	–	–	500,994
Maxine Jaquet	Service Rights	15,726	10,957 [1]	(9,514)	–	17,169
	Performance Rights	285,352	431,768 [2]	–	(123,626)	593,494
Wesley Lawrence	Service Rights	17,958	16,538 [1]	(10,113)	–	24,383
	Performance Rights	204,602	539,712 [2]	–	(43,956)	700,358
Dean Lewsam	Service Rights	19,729	15,237 [1]	(11,445)	–	23,521
	Performance Rights	274,466	446,664 [2]	–	(118,132)	602,998

1 Service Rights awarded as compensation during the year relate to the FY 2018 STI plan.

2 Performance Rights awarded as compensation during the year relate to the FY 2018 LTI (awarded on 19 September 2018) and FY 2019 LTI (awarded 29 January 2019) plans respectively.

5.4 COMPANY PERFORMANCE

5.4.1 Five-year performance table

The following provides a summary of the key financial results for the Company over the FY 2019 period and the previous four financial years in accordance with the requirements of the Corporations Act:

FY	REVENUE ($M)	REPORTED PROFIT/ (LOSS) AFTER TAX ($M)[1]	UNDERLYING PROFIT/ (LOSS) AFTER TAX ($M)[2]	CLOSING SHARE PRICE ($)	CHANGE IN SHARE PRICE ($)	DIVIDENDS ($)[3]	SHORT TERM CHANGE IN SHAREHOLDER VALUE OVER 1 YEAR (SP INCREASE + DIVIDENDS) AMOUNT ($)	%	LONG TERM (CUMULATIVE) 3 YEARS CHANGE IN SHAREHOLDER VALUE AMOUNT ($)	%
30-Jun-19	1,805	56	93	3.02	-0.35	0.14	-0.21	-6.23	-0.48	-12.08
30-Jun-18	1,705	4	88	3.37	-0.27	0.16	-0.12	-3.22	-1.16	-22.93
30-Jun-17	1,659	(517)	92	3.64	-0.31	0.16	-0.15	-3.80	-0.25	-5.57
30-Jun-16	1,637	75	104	3.95	-1.09	0.20	-0.89	-17.63	-0.06	-1.19
30-Jun-15	1,618	136	112	5.04	0.50	0.29	0.79	17.31		

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

5.4.2 Link between Remuneration Outcomes and Financial Performance

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

In FY 2019 the Board decided that no STI would be awarded even though the Group UNPAT target was achieved, as the results was at the bottom of the adjusted forecast range for the financial year.

All of the LTI award potential is currently linked to the longer-term performance of the Group with half of the award based on rTSR and half on ROIC. No LTI Rights vested in FY 2018 and FY 2019 relating to the FY 2016 and FY 2017 years, as neither the rTSR nor ROIC targets for the three-year measurement periods were met. This reflects the fact that total shareholder returns have not been positive during this period.

6 Non-executive Directors (NEDs)

6.1 NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

The NED Remuneration Policy, which applies to NEDs of the Company in their capacity as Directors, can be found at https://www.healius.com.au/globalassets/corporate/healius-new-pdfs---corporate-governance/new-remuneration-docs-may-2019/2019-01-25-rem---ned-rem-policy-and-procedure.pdf. It includes details on Board fees, committee fees, superannuation, other benefits, and securities (if issued). Key points include:

- The aggregate annual fee limit for NED remuneration is $1.4 million, as approved by shareholders in 2008.
- Board fees are externally benchmarked against relevant comparator companies.
- Board fees, including superannuation, are set around the point at which 50% of relevant comparator companies lie below.
- NEDs are required by Healius' Constitution to resign at least every three years and may, if they wish to do so, stand for re-election. A third of NEDs on the Board (other than casual appointees and alternate Directors) must also retire at each AGM.
- Healius does not have an equity holding policy applicable to NEDs; the adoption of such a policy remains under consideration by the Board.
- A NED Equity Plan, under which NEDs would be able to salary sacrifice fees for Shares in the Company, is also under consideration by the Board. The aim of this Plan would be to assist NEDs in acquiring more Shares in the Company, thereby increasing NED alignment with shareholders.

6.2 NON-EXECUTIVE DIRECTOR FEES

The following table sets out the fees applicable to NEDs for FY 2019:

FUNCTION	ROLE	FEE (INCL SUPER) FY 2019/2018 ($)
Main Board	Chair	300,000 [1]
	Member	130,000
Audit Committee	Chair	30,000
	Member	15,000
Nomination and Remuneration Committee	Chair	25,000
Risk Management Committee	Member	12,500

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

6.3 OTHER NON-EXECUTIVE DIRECTOR BENEFITS

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

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

6.4 NON-EXECUTIVE DIRECTOR REMUNERATION DURING FY 2019

The following table outlines the remuneration received by Healius' NEDs during FY 2019 prepared according to statutory disclosure requirements and applicable accounting standards.

NAME	YEAR	BOARD FEES ($)	COMMITTEE FEES ($)	SUPERANNUATION CONTRIBUTIONS ($)	TOTAL ($)
Current Non-executive Directors					
Robert Hubbard Chair	**2019**	**271,954**	**–**	**20,068**	**292,022**
	2018	115,034	42,500	14,966	172,500
Gordon Davis	**2019**	**115,192**	**40,682**	**14,808**	**170,682**
	2018	117,637	12,500	12,363	142,500
Sally Evans (from 21 August 2018)	**2019**	**100,928**	**21,649**	**11,645**	**134,222**
Paul Jones	**2019**	**116,336**	**27,500**	**13,664**	**157,500**
	2018	116,336	27,500	13,664	157,500
Errol Katz	**2019**	**115,468**	**37,500**	**14,532**	**167,500**
	2018	115,468	37,500	14,532	167,500
Arlene Tansey	**2019**	**115,818**	**38,958**	**14,704**	**169,480**
	2018	116,336	27,500	13,664	157,500
Former Non-executive Directors					
Robert Ferguson (until 24 July 2018)	**2019**	**23,289**	**–**	**1,711**	**25,000**
	2018	279,951	–	20,049	300,000
Brian Ball	2018	50,765	9,167	5,694	65,626
Total	**2019**	**858,985**	**166,289**	**91,132**	**1,116,406**
	2018	911,527	156,667	94,932	1,163,126

NEDs do not sit on any subsidiary Boards at Healius.

6.5 NON-EXECUTIVE DIRECTOR EQUITY HOLDINGS IN FY 2019

		OPENING BALANCE	PURCHASED/OTHER	CLOSING BALANCE
NAME	INSTRUMENT	NUMBER	NUMBER	NUMBER
Robert Hubbard	Shares	31,000	20,951	51,951
Gordon Davis	Shares	30,000	25,759	55,759
Sally Evans	Shares	–	–	–
Robert Ferguson[1]	Shares	290,800	–	290,800
Paul Jones	Shares	34,052	6,536	40,588
Errol Katz	Shares	10,000	15,000	25,000
Arlene Tansey	Shares	10,000	5,920	15,920

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

There were no shares granted to or forfeited by NEDs during FY 2019 in connection with their remuneration. No NEDs held rights or options over Healius shares in FY 2019.

7 Healius' Remuneration Governance

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

In summary the remuneration governance framework is as follows:

Healius Board

Ultimate responsibility for all remuneration-related matters

Nomination and Remuneration Committee

Arlene Tansey – Chair | Sally Evans | Robert Hubbard | Errol Katz

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:

- Senior Executive remuneration, recruitment, retention, performance evaluation, incentives and termination.
- Remuneration framework for Non-executive Directors.
- Board succession planning and leadership development.
- Performance evaluation of the Board, its committees and Directors.
- Required competencies of Directors.
- Appointment and re-election of Directors.

Officers or employees | External Consultants inc. remuneration consultants | Other stakeholders

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

8 Remuneration details relating to FY 2019

8.1 SENIOR EXECUTIVE EMPLOYMENT TERMS

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

8.2 SHORT-TERM INCENTIVE PLAN (STIP) DETAILS

KEY TERM	SUMMARY OF KEY TERM
Period	1 July 2018–30 June 2019 inclusive.
Eligibility	Senior Executives comprising the MD & CEO, other KMP who hold executive roles, other direct reports to the MD & CEO, and other persons selected by the Board.
Plan gate and Board discretion	The Board retains the discretion to either abandon the plan or modify outcomes to ensure that they are appropriate given the circumstances that have prevailed over the measurement period (this is intended to ensure alignment between performance and reward outcomes). A specified "gate" condition may apply to offers of STI such that no award will be payable in relation to any KPI if the gate condition is not met or exceeded. FY 2019 No gate was specified by the Board. FY 2020 invitations To be determined.
Termination of employment	If an STIP participant ceases to be an employee of the Healius Group, and the termination of their employment is in circumstances other than Special Circumstances (defined below), then all unvested Rights held by the participant will be forfeited and lapse unless and to the extent otherwise determined by the Board. If an STIP participant's termination is in Special Circumstances, then Service Rights granted under the STIP in the financial year of termination will be forfeited in the same proportion that the remainder of the financial year bears to the full financial year, unless otherwise determined by the Board. Service Rights that do not lapse at the termination of employment will continue to be held by participants with a view to testing for vesting at the end of the relevant measurement period. **Special Circumstances** means death, total and permanent disablement as determined by the Board, retirement with the prior consent of the Board, redundancy, retrenchment or other Company-initiated terminations other than for cause.
Change of Control including takeover	In the event of a Change of Control (defined below) the Board may in its discretion decide to: • terminate the STIP for the measurement period and pay pro-rata awards based on the completed proportion of the measurement period and taking into account performance up to the date of the Change of Control; or • continue the STIP but make interim non-refundable pro-rata awards based on the completed proportion of the measurement period and taking into account performance up to the date of the Change of Control; or • allow the STIP to continue.

8.3 LONG-TERM INCENTIVE PLAN (LTIP) DETAILS

KEY TERM	SUMMARY OF KEY TERM
Measurement period	The measurement period will include three financial years unless otherwise determined by the Board (which would only apply in exceptional circumstances). **FY 2017 LTI** The measurement period is from 1 July 2016 to 30 June 2019. **FY 2018 LTI** The measurement period is from 1 July 2017 to 30 June 2020. **FY 2019 LTI** The measurement period will be from 1 July 2018 to 30 June 2021.
Eligibility	**Senior Executives** comprising the CEO, other KMP who hold executive roles, other direct reports to the CEO, and other persons selected by the Board.
Issue of Performance Rights	Healius issues a sufficient number of Performance Rights to accommodate the maximum possible LTI award being a Stretch target award, regardless of how likely or unlikely such an award may be.
Vesting and exercise of Performance Rights	When a Performance Right (or Services Right) vests, it is automatically exercised, that is, for each Right that vests, the Company issues one ordinary share to the relevant participant. Rights do not carry dividend or voting rights. On vesting or exercise of a Right, the Board may determine in its absolute discretion whether to deliver the value of the Right in the form of shares (either through a new issue or on-market acquisition), cash or a combination of shares and cash. Each Right will be granted for nil monetary consideration and will not have an exercise price. No shares acquired by participants on vesting or exercise may be disposed of if to do so would breach the Company's share trading policy or insider trading prohibitions. In addition, shares allocated on vesting of Right may be subject to specified disposal restrictions (as set out in the terms of the relevant award) which prevent the acquired share being disposed of for a specified period following acquisition. If Rights in a tranche have not vested and there is no opportunity for those Rights to vest at a later date, they will lapse. Other than in limited circumstances, Rights may not be disposed of, transferred or otherwise dealt with, and lapse immediately on a purported disposal, transfer or dealing.
Retesting	For FY 2018 and 2019 LTI the Board has determined that no retesting of Performance Rights will be available. For FY 2017 LTI retesting of Performance Rights is at the Board's discretion, however the Board has exercised its discretion to determine that no such retesting will be undertaken. Given stakeholder feedback on these provisions, the Board continues to consider whether or not to retain these retesting provisions as part of the LTI Plan.

KEY TERM	SUMMARY OF KEY TERM

Vesting scales for rTSR portion of LTI

PERFORMANCE LEVEL	HEALIUS' TSR RELATIVE TO COMPARATOR GROUP TSRs	% OF rTSR-RELATED TARGET LTI AWARD VALUE	% OF rTSR-RELATED PERFORMANCE RIGHTS WHICH VEST
Stretch	≥P75	200	100
Between Target and Stretch	>P50 but <P75	Pro-rata 100–200	Pro-rata 50–100
Target	P50	100	50
Below Target	<P50	Nil	Nil

Comparator group for rTSR portion of LTI

ASX CODE	NAME	INDEX CODE AND DESCRIPTION
AHZ	Admedus Limited	30 All Ordinaries
ANN	Ansell Limited	52 S&P/ASX 300
API	Australian Pharmaceutical Ind	52 S&P/ASX 300
CAJ	Capitol Health Limited	52 S&P/ASX 300
COH	Cochlear Limited	52 S&P/ASX 300
EHE	Estia Health Limited	52 S&P/ASX 300
FPH	Fisher & Paykel Healthcare Corp	52 S&P/ASX 300
GID	Gi Dynamics Inc	30 All Ordinaries
IPD	Impedimed Limited	52 S&P/ASX 300
JHC	Japara Healthcare Limited	52 S&P/ASX 300
NAN	Nanosonics Limited	52 S&P/ASX 300
ONT	1300 Smiles Limited	30 All Ordinaries
PME	Pro Medicus Limited	30 All Ordinaries
PSQ	Pacific Smiles Group Limited	30 All Ordinaries
REG	Regis Healthcare Limited	52 S&P/ASX 300
RHC	Ramsay Health Care Limited	52 S&P/ASX 300
RMD	ResMed Inc	52 S&P/ASX 300
SHL	Sonic Healthcare Limited	52 S&P/ASX 300
SIG	Sigma Healthcare Limited	52 S&P/ASX 300
SOM	SomnoMed Limited	30 All Ordinaries
VRT	Virtus Health Limited	52 S&P/ASX 300

Vesting scales for ROIC portion of LTI

PERFORMANCE LEVEL	HEALIUS' ROIC FOR FY 2019	% OF ROIC TARGET LTI AWARD VALUE	% OF ROIC-RELATED PERFORMANCE RIGHTS WHICH VEST
Stretch	7.5%	200	100
Between Target and Stretch	>7.3% <7.5%	Pro-rata 100–200	Pro-rata 50–100
Target	7.3%	100	50
Between Threshold and Target	>7.1% <7.3%	Pro-rata 50–100	Pro-rata 25–50
Threshold	7.1%	50	25
Below Threshold	<7.1%	Nil	Nil

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 Rights held by the participant will be forfeited and lapse unless and to the extent otherwise determined by the Board.

If an LTIP participant's termination is in Special Circumstances, then Performance and Service Rights granted under the LTIP in the financial year of termination will be forfeited in the same proportion that the remainder of the financial year bears to the full financial year, unless otherwise determined by the Board.

Performance Rights and Service Rights that do not lapse at the termination of employment will continue to be held by participants with a view to testing for vesting at the end of the relevant measurement period.

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

<table>
<tr><th>KEY TERM</th><th>SUMMARY OF KEY TERM</th></tr>
<tr><td>Change of Control including takeover</td><td>Unless otherwise determined by the Board, in the event of a Change of Control (defined below), the vesting conditions attached to a tranche of Rights at the time of the relevant Change of Control offer will cease to apply and:
• unvested Performance Rights granted in the final year of the Change of Control will lapse in the proportion that the remainder of the financial year bears to the full financial year;
• all remaining unvested Performance Rights will vest in accordance with the application of the following formula (noting that negative results will be taken to be nil):

$$\text{Unvested Performance Rights} \times \frac{\text{Share Price at the Change of Control} - \text{Offer Share Price}}{\text{Offer Share Price}}$$
where:

Share Price at the Change of Control means the volume weighted average share price (VWAP) at which the Company's shares were traded on ASX in the 14 days prior to the date of calculation (i.e. the date on which the Change of Control (defined below) occurs).

Offer Share Price means the VWAP at which the Company's shares traded on ASX in the 14 days following announcement of the most recent annual results of the Company, or such other date determined by the Board.

• any remaining unvested Performance Rights that do not vest in accordance with the above formula will lapse unless otherwise determined by the Board;
• all unvested Service Rights will vest; and
• any disposal restrictions applied to deferred Rights by the Company and specified as part of the LTI Award will be lifted (including the removal of any Company-initiated CHESS holding lock if applicable), unless otherwise determined by the Board.

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.</td></tr>
</table>

8.4 Remuneration-related policies

KEY TERM	SUMMARY OF KEY TERM
Securities Trading Policy	KMP may only trade during a "trading window" (with some limited exceptions as set out in the policy). The following periods in a calendar year are "trading windows", unless otherwise determined by the Board: • Four weeks commencing one trading day after the day of release of the Appendix 4D (half-year report), typically in mid-February. • Four weeks commencing one trading day after the day of release of the Appendix 4E (preliminary final report), typically in mid-August. • Four weeks commencing one trading day after the day of Healius' Annual General Meeting, typically in mid-late November. • The duration of the offer period for an offer of securities made pursuant to a prospectus or cleansing statement. • Any other period declared by the Board in its discretion to be a trading window.
Equity holding Policy	Healius does not currently have an equity holding policy applicable to KMP; the adoption of such a policy remains under consideration by the Board.
Executive Remuneration Consultant Policy and Payments	• Healius' policy requires that ERCs are approved and engaged by the Board before any advice is received. This policy enables the Board to state whether or not the advice received from ERCs has been independent and why. Interactions between management and the ERC must be approved, and are supervised by the Nomination and Remuneration Committee when appropriate. • During FY 2019, no KMP remuneration recommendations were provided to the Board by an ERC. • Where KMP remuneration recommendations are received from an ERC, the Board can be satisfied that those KMP remuneration recommendations are free from undue influence from KMP to whom the recommendations related because: – the Board is confident that the policy for engaging ERCs is being adhered to and is operating as intended; – the Board is closely involved in all dealings with ERCs; and – each KMP remuneration recommendation received is accompanied by a declaration from the ERC to the effect that their advice has been provided free from undue influence from the KMP to whom the recommendation relates.

8.5 TRANSACTIONS WITH KMP

KEY TERM	SUMMARY OF KEY TERM
Transactions with current KMP	• During the years ended 30 June 2019 and 30 June 2018 the Healius Group provided medical centre management services (Services) to Dr Paul F Jones Pty Ltd, a company controlled by Paul Jones, a Non-executive Director of Healius. The Services were provided to Dr Jones' general medical practice, which is conducted at one of Healius' medical centres, on ordinary arm's length terms. The Service fees received by the Group for FY 2019 were $131,330 (FY 2018: $96,219). This Service fee revenue was accounted for by Healius in the same way as revenue from other healthcare practices. Under the terms of the most recent extension of the agreement between Dr Jones' company and the Group, Dr Jones' company is entitled to receive a lump sum amount in three instalments from the Group. The FY 2019 instalment was $nil (FY 2018: $40,000). There were no amounts payable or receivable as at 30 June 2019 (2018: nil) and the provision of the Services continues as at the date of this report. • During the years ended 30 June 2019 and 30 June 2018, Healius contracted with Slick Azz Auto Detailing Pty Ltd (Slick Azz), a company controlled by a child of Wesley Lawrence, for provision of car wash services for the QML Pathology courier fleet. The contract is on ordinary arm's length terms and was awarded following a tender process. Mr Lawrence was not a member of the management line that awarded the contract. The fees for services rendered by Healius for FY 2019 were $26,847 (FY 2018: $83,800). The expenses for these services were accounted for by Healius in the same way as expenses from other operational expenditure. As at 30 June 2019, $nil was payable to Slick Azz (30 June 2018: $16,054). The services ceased during FY 2019. • From time to time, KMPs (and their personally-related entities) enter into transactions with the Healius Group, including the use or provision of services under normal customer, supplier or employee relationships. These transactions: – occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the Group would have adopted if dealing at arm's length with an unrelated person; – do not have the potential to adversely affect decisions about the allocation of scarce resources made by users of the financial report, or the discharge of accountability by the KMP; and – are trivial or domestic in nature.
Loans to current KMP	No loans have been made to any of the KMP or their related parties during FY 2019.

Signing of Directors' Report

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

On behalf of the Directors.

Robert Hubbard
Chair

27 August 2019

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 2019, Healius' governance arrangements were generally consistent with the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

In accordance with ASX Listing Rule 4.10.3, Healius' FY 2019 Corporate Governance Statement can be viewed at: https://www.healius.com.au/about-us/corporate-governance/.

Auditor's Independence Declaration

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

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

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 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Douglas Bain
Partner

27 August 2019

Independent Auditor's Report

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

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

Independent Auditor's Report to the Members of Healius Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the financial report of Healius Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 2019 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

KEY AUDIT MATTERS

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

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

Independent Auditor's Report

Building a better working world

CARRYING VALUE OF GOODWILL

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
As disclosed in Note B2 of the financial report and in accordance with the requirements of Australian Accounting Standards, the Group performed an annual impairment test of all cash generating units (CGUs) where goodwill was allocated to determine whether the recoverable value of each CGU exceeded its carrying amount at 30 June 2019. A fair value less cost of disposal model was used to calculate the recoverable amount of each cash generating unit. This was considered a Key Audit Matter due to the extent of audit effort and judgement required to assess the reasonableness of the forecast cash flows, growth rates, discount rates and terminal growth rates used by the Group in undertaking the impairment review.	Our audit procedures included the following: • We assessed whether the impairment testing methodology used by the Group met the requirements of Australian Accounting Standards. • We assessed the basis of preparing cash flow forecasts, considering the accuracy of previous forecasts and budgets and current trading performance. • We assessed the appropriateness of other key assumptions such as the discount rates and growth rates with reference to publicly available information on comparable companies in the industry and markets in which the Group operates. • We tested the mathematical accuracy of the cash flow models. • We performed sensitivity analyses and evaluated whether a reasonably possible change in assumptions could cause the carrying amount of the cash generating unit to exceed its recoverable amount. • We considered implied EBITDA multiples as a cross-check of the recoverable amount derived from the discounted cashflow models against a range from comparable companies and transactions. • We involved our valuation specialists in performing these procedures. • We evaluated the adequacy of the disclosures relating to the goodwill carrying values in the financial report, including those made with respect to judgements and estimates.

INFORMATION OTHER THAN THE FINANCIAL REPORT AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORT

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

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

Building a better working world

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 financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Independent Auditor's Report

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REPORT ON THE AUDIT OF THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 43 to 68 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Healius Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Douglas Bain
Partner
Sydney
27 August 2019

Vida Virgo
Partner
Sydney
27 August 2019

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Directors' declaration

The Directors of Healius Limited (Healius) declare that:

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

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

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

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

E. the Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2019.

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

On behalf of the Directors

Robert Hubbard
Chairman

27 August 2019

Financial statements

Notes to the financial statements

Consolidated statement of profit or loss

for the year ended 30 June 2019

	NOTE	2019 $M	RESTATED 2018 $M[1]
Revenue	A2	**1,804.5**	1,704.6
Other income		**5.8**	–
Employee benefits expense	A3	**903.2**	849.7
Property expenses	A3	**289.2**	266.2
Consumables		**206.5**	200.0
Repairs and maintenance		**45.0**	41.4
IT expenses		**29.2**	24.9
Impairment and other related items	A3	**–**	49.5
Other expenses		**151.1**	140.4
Depreciation	B3	**56.7**	53.5
Amortisation of intangibles	B4	**12.0**	14.4
Earnings before interest and tax		**117.4**	64.6
Finance costs	A3	**34.2**	35.1
Profit before tax		**83.2**	29.5
Income tax expense	A4	**27.3**	25.4
Profit for the year		**55.9**	4.1
Attributable to:			
Equity holders of Healius Limited		**55.9**	4.1
Non-controlling interest		**–**	–
Profit for the year		**55.9**	4.1

	NOTE	2019 CENTS PER SHARE	2018 CENTS PER SHARE
Basic and diluted earnings per share	A5	**9.2**	0.8

1 Refer to Overview on page 84 for further details of the restated amounts.

Notes to the financial statements are included on pages 84 to 117.

Consolidated statement of other comprehensive income
for the year ended 30 June 2019

	2019 $M	2018 $M
Profit for the year	**55.9**	4.1
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value loss on cash flow hedges	**(20.8)**	(4.5)
Reclassification adjustments relating to cash flow hedges for amounts recognised in profit or loss	**1.7**	2.3
Fair value loss on financial assets	**–**	(1.5)
Exchange differences arising on translation of foreign operations	**0.4**	0.1
Income tax relating to items that may be reclassified subsequently to profit or loss	**5.8**	1.1
Items that will not be reclassified subsequently to profit or loss		
Net gain on equity instruments designatied at fair value through other comprehensive income	**0.2**	–
Other comprehensive loss for the year, net of income tax	**(12.7)**	(2.5)
Total comprehensive income for the year	**43.2**	1.6

Notes to the financial statements are included on pages 84 to 117.

Consolidated statement of financial position

as at 30 June 2019

	NOTE	30 JUNE 2019 $M	RESTATED 30 JUNE 2018 $M[1]
Current assets			
Cash		**119.7**	84.0
Receivables	B1	**169.0**	146.5
Consumables		**22.7**	22.2
Tax receivable	E3	**3.6**	–
Contract assets		**31.5**	34.3
Total current assets		**346.5**	287.0
Non-current assets			
Receivables	B1	**5.0**	3.9
Goodwill	B2	**2,482.5**	2,348.7
Property, plant and equipment	B3	**327.0**	297.5
Other intangible assets	B4	**77.9**	63.0
Contract assets		**39.2**	51.1
Other financial assets		**0.6**	10.5
Deferred tax asset	E3	**72.1**	64.6
Total non-current assets		**3,004.3**	2,839.3
Total assets		**3,350.8**	3,126.3
Current liabilities			
Payables	B5	**251.6**	218.3
Tax liabilities	E3	**1.9**	7.9
Provisions	B6	**130.9**	147.4
Other financial liabilities		**6.9**	0.5
Interest bearing liabilities	C1	**0.6**	0.8
Total current liabilities		**391.9**	374.9
Non-current liabilities			
Payables	B5	**35.9**	14.1
Provisions	B6	**55.1**	55.8
Other financial liabilities		**15.2**	2.6
Interest bearing liabilities	C1	**797.3**	860.0
Total non-current liabilities		**903.5**	932.5
Total liabilities		**1,295.4**	1,307.4
Net assets		**2,055.4**	1,818.9
Equity			
Issued capital	C2	**2,671.1**	2,424.2
Reserves		**(7.6)**	12.9
Accumulated losses		**(608.1)**	(618.2)
Equity attributable to equity holders		**2,055.4**	1,818.9

1 Refer to Overview on page 84 for further details of the restated amounts.

Notes to the financial statements are included on pages 84 to 117.

Consolidated statement of changes in equity

for the year ended 30 June 2019

$M	ISSUED CAPITAL	FINANCIAL ASSETS FAIR VALUE RESERVE	CASH FLOW HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE-BASED PAYMENTS RESERVE	OTHER RESERVES	ACCUMULATED LOSSES	TOTAL
Balance at 1 July 2018	**2,424.2**	**6.4**	**(2.1)**	**(0.9)**	**8.3**	**1.2**	**(618.2)**	**1,818.9**
Impact of AASB 9 adoption [1]	–	–	–	–	–	–	(2.2)	(2.2)
Balance at 1 July 2018 (restated)	**2,424.2**	**6.4**	**(2.1)**	**(0.9)**	**8.3**	**1.2**	**(620.4)**	**1,816.7**
Profit for the year	–	–	–	–	–	–	55.9	55.9
Exchange differences arising on translation of foreign operations	–	–	–	0.4	–	–	–	0.4
Fair value gain on investments	–	0.2	–	–	–	–	–	0.2
Fair value loss on cash flow hedges	–	–	(20.8)	–	–	–	–	(20.8)
Reclassification adjustments relating to cash flow hedges recognised in profit or loss	–	–	1.7	–	–	–	–	1.7
Income tax relating to components of other comprehensive income	–	–	5.7	–	–	–	0.1	5.8
Total comprehensive income	**–**	**0.2**	**(13.4)**	**0.4**	**–**	**–**	**56.0**	**43.2**
Entitlement offer	250.5	–	–	–	–	–	–	250.5
Entitlement offer – fees and transaction costs	(6.5)	–	–	–	–	–	–	(6.5)
Entitlement offer – equity tax	1.9	–	–	–	–	–	–	1.9
Payment of dividends	–	–	–	–	–	–	(52.3)	(52.3)
Share–based payment	–	–	–	–	1.9	–	–	1.9
Transfers	–	(6.6)	–	–	(2.0)	–	8.6	–
Shares issued via Short Term Incentive Plan	0.8	–	–	–	(0.8)	–	–	–
Shares issued via Sign On Arrangement	0.2	–	–	–	(0.2)	–	–	–
Balance at 30 June 2019	**2,671.1**	**–**	**(15.5)**	**(0.5)**	**7.2**	**1.2**	**(608.1)**	**2,055.4**

1 Refer to Overview on page 84 for further details of the restated amounts.

Notes to the financial statements are included on pages 84 to 117.

Consolidated statement of changes in equity (continued)

for the year ended 30 June 2019

$M	ISSUED CAPITAL	FINANCIAL ASSETS FAIR VALUE RESERVE	CASH FLOW HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE-BASED PAYMENTS RESERVE	OTHER RESERVES	ACCU-MULATED LOSSES	ATTRIBUT-ABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTEREST	TOTAL
Balance at 1 July 2017	**2,422.8**	**7.5**	**(0.6)**	**(1.0)**	**4.6**	**–**	**(565.7)**	**1,867.6**	**1.5**	**1,869.1**
Profit for the year	–	–	–	–	–	–	4.1	4.1	–	4.1
Exchange differences arising on translation of foreign operations	–	–	–	0.1	–	–	–	0.1	–	0.1
Fair value loss on available-for-sale financial assets	–	(1.5)	–	–	–	–	–	(1.5)	–	(1.5)
Fair value loss on cash flow hedges	–	–	(4.5)	–	–	–	–	(4.5)	–	(4.5)
Reclassification adjustments relating to cash flow hedges recognised in profit or loss	–	–	2.3	–	–	–	–	2.3	–	2.3
Income tax relating to components of other comprehensive income	–	0.4	0.7	–	–	–	–	1.1	–	1.1
Total comprehensive income	**–**	**(1.1)**	**(1.5)**	**0.1**	**–**	**–**	**4.1**	**1.6**	**–**	**1.6**
Payment of dividends	–	–	–	–	–	–	(56.9)	(56.9)	–	(56.9)
Share-based payment	–	–	–	–	5.4	–	–	5.4	–	5.4
Transfers	–	–	–	–	(0.3)	–	0.3	–	–	–
Acquisition of non-controlling interest	–	–	–	–	–	1.2	–	1.2	(1.5)	(0.3)
Shares issued via Short Term Incentive Plan	0.4	–	–	–	(0.4)	–	–	–	–	–
Shares issued via Retention Plan	1.0	–	–	–	(1.0)	–	–	–	–	–
Balance at 30 June 2018	**2,424.2**	**6.4**	**(2.1)**	**(0.9)**	**8.3**	**1.2**	**(618.2)**	**1,818.9**	**–**	**1,818.9**

Notes to the financial statements are included on pages 84 to 117.

Consolidated statement of cash flows
for the year ended 30 June 2019

	NOTE	2019 $M	2018 $M
Cash flows from operating activities			
Receipts from customers		**1,879.1**	1,792.2
Payments to suppliers and employees		**(1,684.1)**	(1,535.1)
Gross cash flows from operating activities		**195.0**	256.1
Interest paid		**(30.7)**	(32.5)
Net income tax paid		**(37.9)**	(22.4)
Interest received		**1.2**	1.0
Net cash provided by operating activities	E1	**127.6**	202.2
Cash flows from investing activities			
Payment for property plant and equipment		**(79.6)**	(57.0)
Payment for Day Hospital practices and subsidiaries	E2	**(68.3)**	–
Payment for Medical Centres healthcare professionals		**(28.9)**	(26.8)
Payment for Medical Centres practices and subsidiaries	E2	**(29.4)**	(13.3)
Payment for Imaging healthcare professionals		**(0.9)**	(2.8)
Payment for Imaging practices and subsidiaries	E2	**(0.5)**	(16.6)
Payment for Pathology healthcare practices and subsidiaries		**–**	(0.6)
Payment for other intangibles		**(20.4)**	(16.3)
Proceeds from sale of investments		**9.9**	–
Proceeds from the sale of property plant and equipment		**0.6**	1.2
Net cash used in investing activities		**(217.5)**	(132.2)
Cash flows from financing activities			
Proceeds from issuing shares, net of transaction costs		**244.0**	–
Proceeds from borrowings		**130.0**	–
Repayment of borrowings and finance leases		**(196.0)**	(20.6)
Dividends paid		**(52.3)**	(56.9)
Other finance costs		**–**	(4.0)
Net cash provided by/(used) in financing activities		**125.7**	(81.5)
Net increase/(decrease) in cash held		**35.8**	(11.5)
Cash at the beginning of the year		**84.0**	95.5
Effect of exchange rate movements on cash held in foreign currencies		**(0.1)**	–
Cash at the end of the year		**119.7**	84.0

FINANCE REPORT

Notes to the financial statements are included on pages 84 to 117.

Notes to the financial statements
for the year ended 30 June 2019

About this Report

OVERVIEW

Healius Limited (Healius), formerly known as Primary Health Care Limited, 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 2019 and comprise Healius and its subsidiaries (together referred to as "the consolidated entity" or "the Group").

STATEMENT OF COMPLIANCE

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

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

BASIS OF PREPARATION

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

NEW AND AMENDED STANDARDS ADOPTED

New and amended accounting standards relevant to the Group that are effective for the period are as follows:

AASB 15 *Revenue from Contracts with Customers*

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers and replaces previous revenue recognition guidelines.

The Group has adopted AASB 15 from 1 July 2018. Other than the treatment of up-front payments to healthcare professionals discussed below the adoption of this standard did not have a material impact on the financial statements.

Previously payments made by the Group to healthcare professionals on entering into contractual relationships were accounted for as intangible assets and amortised over the life of the relevant contract. Under AASB 15 consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment is made in exchange for a distinct good or service that the customer transfers to the entity. As no distinct good or service is received by the Group from the healthcare professional in exchange for the payment made the adoption of AASB 15 has resulted in a classification adjustment on transition in regards to these payments.

Payments made by the Group to healthcare professionals are now recognised as a Contract Asset and are recognised as a reduction to the revenue recognised over the term of the relevant contract. The Group has elected to apply AASB 15 on a full retrospective basis and accordingly has restated the consolidated statement of profit or loss for the year ended 30 June 2018 and the consolidated statement of financial position as at 30 June 2018. As this change in accounting policy impacts the classification of certain items but not the timing of recognition in the income statement there is no adjustment to opening retained earnings for the Group on adoption of AASB 15.

Impact on the Income Statement for the year ended 30 June 2018

	RESTATED 30 JUNE 2018 $M	RESTATEMENT INCREASE/ (DECREASE) $M	AS REPORTED 30 JUNE 2018 $M (RESTATED)
Revenue	**1,704.6**	(47.3)	1,751.9
Amortisation	**14.4**	47.3	61.7
Earnings before interest and tax	**64.6**	–	64.6
Profit for the year	**4.1**	–	4.1

Impact on the Balance Sheet as at 30 June 2018

	RESTATED 30 JUNE 2018 $M	RESTATEMENT INCREASE/ (DECREASE) $M	AS REPORTED 30 JUNE 2018 $M
Contract assets – current	**34.3**	34.3	–
Total current assets	**287.0**	34.3	252.7
Other intangible assets	**63.0**	(85.4)	148.4
Contract assets	**51.1**	51.1	–
Total non-current assets	**2,839.3**	(34.3)	2,873.6
Total assets	**3,126.3**	–	3,126.3

Details of the Group's accounting policies on revenue are disclosed in Note A2. As AASB 15 has been applied on a full retrospective basis, these accounting policies apply to both the current and comparative periods presented in this report.

AASB 9 *Financial Instruments*

AASB 9 introduces new guidance for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

The Group has adopted AASB 9 from 1 July 2018. In adopting this standard the following adjustments have been recognised:

- The measurement of the allowance for doubtful debts in relation to trade receivables has moved from an incurred credit loss approach to an expected credit loss approach under AASB 9. On adoption of the new standard the allowance for doubtful debts has increased by $1.7 million, deferred tax assets have increased by $0.5 million and the net adjustment of $1.2 million has been recognised as an increase in accumulated losses as at 1 July 2018. Comparative balances have not been restated.
- The refinancing of the second tranche of the Syndicated Facility Agreement in December 2017 did not represent a significant modification and accordingly no amount of gain or loss was recognised in the income statement at the time. On adoption of AASB 9 the carrying amount of the facility is required to be remeasured and any adjustment recognised to accumulated losses. As at 1 July 2018 non-current interest bearing liabilities have increased by $1.5 million, deferred tax assets have increased by $0.5 million and accumulated losses have increased by $1.0 million. This amount will be recognised as a reduction to finance costs over the remaining term of the facility. Comparative balances have not been restated.
- The Group's investment in equity instruments that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date have been designated as at fair value through other comprehensive income. The change in fair value on these equity instruments continues to be accumulated in reserves and will now not subsequently be reclassified to profit or loss on derecognition. No adjustment was required to be recognised on adoption of AASB 9 for these equity instruments.

Other new and amended accounting standards

A number of accounting standards and interpretations have been published that are not effective for the Group in the current financial year. The Group has elected not to early adopt these new standards or amendments in the financial report the most significant of which is AASB 16 *Leases*.

Details of the expected financial impact of applying AASB 16 are disclosed in Note E9.

NET CURRENT LIABILITY POSITION

The Group has a net current asset deficiency of $45.4 million (30 June 2018: $87.9 million). The Group generates significant operating cash flows and as per note C4, had access to $325 million of unused financing facilities at the end of the reporting period.

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 Corporations Instrument amounts in the financial report are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

SIGNIFICANT ACCOUNTING POLICIES

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

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

ACCOUNTING ESTIMATE AND JUDGEMENT	NOTE	PAGE
Recoverability of goodwill	B2	92
Recognition and recoverability of other intangible assets	B4	95
Measurement of deferred consideration	B5	96
Provisions	B6	96

BASIS OF CONSOLIDATION – SUBSIDIARIES

Subsidiaries are those entities controlled by Healius. The financial statements of subsidiaries are included in the consolidated financial report from the date that control is obtained until the date that control ceases. All inter-entity transactions, balances and any unrealised gains and losses arising from inter-entity transactions have been eliminated on consolidation. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and consolidated statement of financial position respectively.

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

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

Notes to the financial statements
for the year ended 30 June 2019

A. Group performance

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

A1. Segment information

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

OPERATING SEGMENT	ACTIVITY
Pathology	This division provides pathology services.
Medical Centres	This division provides a range of services and facilities to general practitioners, specialists, dentists, IVF specialists and other healthcare professionals operating in the bulk billing and private billing sectors. This division is also an operator of day hospital and haematology/oncology clinics.
Imaging	This division provides imaging and scanning services from standalone imaging sites, hospitals and from within the consolidated entity's medical centres.

The other category comprises corporate functions.

The Group operates predominantly in Australia.

Intersegment

The Medical Centres division charges the Group's Imaging and Pathology divisions a fee for use of its facilities and services. These charges are eliminated on consolidation.

Presentation of segment revenue and results

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

Underlying results for the year ended 30 June 2019 exclude the impact of non-underlying items relating to:

- Restructuring and strategic initiatives and other non-recurring items.

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

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

Notes to the financial statements
for the year ended 30 June 2019

A1. Segment information (continued)

UNDERLYING

2019	PATHOLOGY $M	MEDICAL CENTRES $M	IMAGING $M	OTHER $M	TOTAL $M
Segment Revenue	1,128.3	327.4	391.3	0.3	1,847.3
Intersegment sales					(42.8)
Total Revenue					1,804.5
EBITDA [2]	136.2	61.4	54.1	(15.7)	236.0
Depreciation	19.8	20.4	13.4	3.1	56.7
Amortisation of intangibles	5.3	3.4	2.0	1.3	12.0
EBIT [3]	111.1	37.6	38.7	(20.1)	167.3
Finance costs					34.2
Profit before tax					133.1
Income tax expense [4]					39.9
Profit for the year					93.2

2018 [1] RESTATED	PATHOLOGY $M	MEDICAL CENTRES $M	IMAGING $M	OTHER $M	TOTAL $M
Segment Revenue	1,090.6	289.7	362.6	–	1,744.9
Intersegment sales					(38.3)
Total Revenue					1,704.6
EBITDA [2]	138.7	53.7	51.2	(15.6)	228.0
Depreciation	19.0	18.0	14.0	2.5	53.5
Amortisation of intangibles	5.6	4.1	3.4	1.3	14.4
EBIT [3]	114.1	31.6	33.8	(19.4)	160.1
Finance costs					35.1
Profit before tax					125.0
Income tax expense [4]					37.5
Profit for the year					87.5

1 Refer to Overview on page 84 for further details of the restated amounts.
2 EBITDA is a non-statutory profit representing earnings before interest, tax, depreciation and amortisation.
3 EBIT is a non-statutory profit representing earnings before interest and tax.
4 Underlying income tax is calculated as 30% of underlying profit before tax.

Reconciliation of underlying segment result to profit before tax:

	SEGMENT RESULT	
	2019 $M	2018 $M
Total segment result from continuing operations before tax	133.1	125.0
Impairment and related provisions (refer Note A3)	–	(49.5)
Restructuring and strategic initiatives and other non-recurring items	(49.9)	(46.0)
Total profit before tax	83.2	29.5

A1. Segment information (continued)

Strategic initiatives include laboratory platforms ($10.3 million), Leapfrog ($13.1 million), Imaging IT ($3.1 million) and Corporate renewals ($9.2 million). These initiatives are transformational in nature and unlikely to be undertaken again at such a collective magnitude. Other non underlying items are:

- Business set-up costs including Montserrat and adjustments to Health & Co deferred consideration ($5.1 million)
- Restructuring and redundancies ($3.1 million)
- Other includes rebranding and corporate defence ($6.0 million)

2019 $M	LABORATORY PLATFORMS	LEAPFROG [1]	iCAR	CORPORATE
Strategic projects				
Project management, design & planning	**9.3**	**3.6**	**2.2**	**3.0**
Project implementation & training [2]	**1.0**	**9.5**	**0.9**	**6.2**
	10.3	**13.1**	**3.1**	**9.2**

1 Included in Leapfrog are project management costs, additional recruitment and M&A costs to support the Leapfrog ramp-up, and additional costs to support implementation and training.

2 All implementation costs are capitalised where they directly relate to PPE or an intangible asset otherwise implementation costs are expensed as non-underlying items.

A2. Revenue

	2019 $M	RESTATED 2018 $M
Trading revenue	**1,804.5**	1,704.6

Contract Assets

	2019 $M	RESTATED 2018 $M
Current contract assets	**31.5**	34.3
Non-current contract assets	**39.2**	51.1
	70.7	85.4

The change in the contract asset balance during the current period is due to upfront payments

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 a good or service to a customer.

The Group recognises revenue from the following major sources:

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

(a) Provision of facilities and services to healthcare professionals

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

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

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

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

A3. Expenses

EMPLOYEE BENEFITS EXPENSE

	2019 $M	RESTATED 2018 $M
Employee benefits	**840.8**	787.6
Defined contribution superannuation	**60.5**	56.7
Share-based payments (refer to note E5)	**1.9**	5.4
	903.2	849.7

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

PROPERTY EXPENSES

	2019 $M	2018 $M
Operating leases	**234.4**	219.0
Other property expenses	**54.8**	47.2
	289.2	266.2

Operating lease payments, including fixed rate increases to lease payments, are recognised as an expense on a straight-line basis over the lease term.

The benefits of operating lease incentives are recognised as a reduction of rental expense on a straight-line basis over the lease term. An asset or liability is recognised for the difference between the amount paid and the lease expense recognised in earnings on a straight-line basis.

Contingent rentals arising under operating leases, for example CPI-linked increases to lease payments, are recognised as an expense in the period in which they are incurred.

IMPAIRMENT AND OTHER RELATED ITEMS

	2019 $M	2018 $M
Other asset impairments, provisions and related items	**–**	49.5

No asset impairment has been recognised in the current year. In FY 2018, impairments and provisions of $49.5 million relate to onerous lease provisions of $33.6 million, impairment of assets of $5.8 million at three medical centres and $10.1 million of other items.

FINANCE COSTS

	2019 $M	2018 $M
Interest expense	**29.6**	30.8
Unwinding of discount on provisions	**3.1**	0.7
Amortisation of borrowing costs	**1.5**	3.6
	34.2	35.1

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

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

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

A4. Income tax expense

	2019 $M	2018 $M
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit before tax	**83.2**	29.5
Income tax calculated at 30% (2018: 30%)	**25.0**	8.8
Tax effect of amounts which are not deductible in calculating taxable income:		
Amortisation of pre FY 2015 contractual relationship intangibles	**4.9**	8.4
Hospital contract intangible assets	**–**	2.0
Other items	**(2.1)**	5.2
	2.8	15.6
(Over)/under provision in prior years	**(0.5)**	1.0
Income tax expense	**27.3**	25.4
Comprising:		
Current tax	**26.7**	39.3
Deferred tax	**1.1**	(14.3)
(Over)/under provision in prior years	**(0.5)**	0.4
	27.3	25.4

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

ATO OBJECTION DECISIONS – YEARS 2003–2007

The Commissioner of Taxation disallowed Healius' objections for the years ended 30 June 2003 to 2007 (Objections) in relation to medical practice acquisitions after Healius' received favourable decisions in both the Administrative Appeals Tribunal and Full Federal Court of Australia to treat the Objections as if they had been lodged within the required time period. Healius has filed an appeal to the Federal Court of Australia and the matter has been listed for hearing in October 2019. No amounts have been recognised in relation to this matter in either the current or comparative periods.

A5. Earnings per share

BASIC AND DILUTED EARNINGS PER SHARE

EARNINGS	2019 $M	2018 $M
The earnings used in the calculation of basic and diluted earnings per share are the same and can be reconciled to the consolidated statement of profit or loss as follows:		
Profit attributable to equity holders of Healius Limited	**55.9**	4.1

WEIGHTED AVERAGE NUMBER OF SHARES	2019 000'S	2018 000'S
The weighted average number of shares used in the calculation of basic earnings per share	**606,907**	521,631
Effects of dilution from Service Rights	**495**	342
The weighted average number of shares used in the calculation of diluted earnings per share	**607,402**	521,973

EARNINGS PER SHARE	2019 CENTS	2018 CENTS
Basic and diluted earnings per share	**9.2**	0.8

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

Any Performance Rights on issue are contingently issuable shares for which the conditions have not been met as at 30 June 2019 and are therefore excluded from the weighted average number of shares for the purposes of diluted earnings per share.

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

	2019 $M	2018 $M
Measured at amortised cost		
Current		
Trade receivables	**140.6**	119.0
Allowance for expected credit losses	**(17.0)**	(13.5)
	123.6	105.5
Prepayments	**17.8**	14.9
Accrued revenue	**20.1**	20.4
Other receivables	**7.5**	5.7
	169.0	146.5
Non-current		
Other receivables and prepayments	**5.0**	3.9
	5.0	3.9
Ageing of trade receivables		
Current	**82.5**	62.9
30–60 days	**22.9**	14.4
60–90 days	**6.5**	10.9
90 days +	**28.7**	30.8
	140.6	119.0
Movement in allowance for expected credit losses		
Balance at beginning of year	**13.5**	13.6
Impact of AASB 9	**1.7**	–
Provision for the year	**5.5**	3.7
Amounts written off during the year as uncollectable	**(3.7)**	(3.8)
	17.0	13.5

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

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

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

Further discussion of the credit risk associated with trade receivables is included in Note C4.

B2. Goodwill

	2019 $M	2018 $M
Carrying value		
Opening balance	**2,348.7**	2,315.5
Acquisition of subsidiaries	**100.8**	–
Acquisition of businesses	**33.0**	33.2
Closing balance	**2,482.5**	2,348.7
Impairment tests		
Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:		
Medical Centres	**401.1**	385.4
Health & Co	**46.5**	25.1
Pathology	**1,581.7**	1,581.7
Imaging	**356.5**	356.5
Montserrat	**96.7**	–
	2,482.5	2,348.7

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

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

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

Refer to note E2 for details on Montserrat acquisition.

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.

Goodwill has been allocated to Montserrat on a provisional basis as the acquisition accounting has been performed on a provisional basis (refer to Note E2).

In its impairment assessment, the Group determines the recoverable amount based on a fair value less costs of disposal calculation, under a five year discounted cash flow model cross checked to available market data (level 3 fair value measurement in the fair value hierarchy – refer note C4 for further details on the hierarchy). The five year discounted cash flow uses:

- year one cash flows derived from the FY 2020 Board approved budget; and
- for FY 2021 – FY 2024 growth rates have been determined with reference to historical company experience, industry data and a long term growth rate consistent with historic industry trend levels.

B2. Goodwill (continued)

The key assumptions in the Group's discounted cash flow model as at 30 June 2019 are as follows:

ASSUMPTION	HOW DETERMINED
Forecast revenue	Cumulative average revenue growth rates for FY 2020–FY 2024 are as follows: • Medical Centres: 8.7% (30 June 2018: 6.6%) • Pathology: 5.2% (30 June 2018: 6.2%) • Imaging: 7.3% (30 June 2018: 7.4%) • Health & Co: 5.5% (30 June 2018: 4.7%) • Montserrat: 14.6% (30 June 2018: N/A) Forecast revenue in the current year and prior year has been determined with reference to historical company experience, industry data and scheduled centre openings.
Terminal value growth rates	The terminal value growth rates assumed are: • Medical Centres: 2.5% (30 June 2018: 2.5%) • Pathology: 3.0% (30 June 2018: 3.0%) • Imaging: 3.0% (30 June 2018: 3.0%) • Health & Co: 3.0% (30 June 2018: 3.0%) • Montserrat: 3.0% (30 June 2018: N/A) The terminal value growth rates have been determined with reference to historical company experience for the CGU and expectations of long-term operating conditions. The growth rates do not exceed long term industry growth rates for the business in which the industry operates.
Discount rates	Post-tax discount rates for each CGU reflect the Group's estimate of the time value of money and risks specific to each CGU. In determining the appropriate discount rate for each CGU, consideration has been given to the estimated weighted average cost of capital (WACC) for the Group adjusted for business risks specific to that CGU. The post-tax discount rate for each CGU is: • Medical Centres: 8.5% (30 June 2018: 8.5%) • Pathology: 8.5% (30 June 2018: 8.5%) • Imaging: 8.5% (30 June 2018: 8.5%) • Health & Co: 8.5% (30 June 2018: 8.5%) • Montserrat: 10.0% (30 June 2018: N/A)

SENSITIVITY ANALYSIS

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

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

	INCREASE/(DECREASE) IN ASSUMPTIONS REQUIRED FOR RECOVERABLE AMOUNT TO EQUAL CARRYING AMOUNT		
CGU	REVENUE GROWTH PER ANNUM	TERMINAL GROWTH PER ANNUM	DISCOUNT RATE
Medical Centres	(0.9%)	(1.7%)	1.3%
Pathology	(0.3%)	(0.8%)	0.7%
Imaging	(1.6%)	(6.1%)	4.3%
Health & Co	(0.3%)	(0.5%)	0.5%
Montserrat	(0.4%)	(0.5%)	0.4%

ACCOUNTING ESTIMATES AND JUDGEMENTS: IMPAIRMENT OF GOODWILL

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

B3. Property, plant and equipment

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

2018 $M	PLANT AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	ASSETS UNDER CONSTRUCTION	TOTAL
Net book value				
Opening balance	96.2	172.3	30.5	299.0
Additions	34.5	6.6	16.6	57.7
Capitalisation of assets under construction	2.8	17.4	(20.2)	–
Disposals	(1.0)	(0.7)	–	(1.7)
Impairment	(3.3)	(0.7)	–	(4.0)
Depreciation expense	(27.6)	(25.9)	–	(53.5)
Closing balance	101.6	169.0	26.9	297.5
Cost	403.0	365.6	26.9	795.5
Accumulated depreciation and impairment	(301.4)	(196.6)	–	(498.0)
Closing balance	101.6	169.0	26.9	297.5

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. Further disclosure relating to the assessment of the recoverable amount of the Group's CGUs is provided in Note B2.

B4. Other intangible assets

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

2018 $M	IT SOFTWARE	LICENCES	OTHER	INTANGIBLES UNDER CONSTRUCTION	TOTAL
Net book value					
Opening balance	35.9	7.4	3.3	7.9	54.5
Additions	1.5	–	2.9	14.2	18.6
Business acquisition	–	4.7	–	–	4.7
Capitalisation of intangible assets under construction	6.4	–	–	(6.4)	–
Disposals	–	–	(0.4)	–	(0.4)
Amortisation expense	(10.8)	(0.7)	(2.9)	–	(14.4)
Closing balance	33.0	11.4	2.9	15.7	63.0
Cost	126.6	40.2	5.5	15.7	188.0
Accumulated amortisation and impairment	(93.6)	(28.8)	(2.6)	–	(125.0)
Closing balance	33.0	11.4	2.9	15.7	63.0

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. Further disclosure relating to the assessment of the recoverable amount of the Group's CGUs is provided in Note B2.

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.

Details of estimation uncertainty relating to the assessment as to whether other intangible assets are impaired are set out in Note B2.

B5. Payables

	2019 $M	RESTATED 2018 $M
Current		
Trade payables and accruals	**222.9**	209.2
Deferred consideration	**28.7**	9.1
	251.6	218.3
Non-current		
Trade payables and accruals	**6.6**	3.2
Deferred consideration	**29.3**	10.9
	35.9	14.1

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

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

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

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 amounts is payable is dependent to the future financial performance of the business that has been acquired.

B6. Provisions

	2019 $M	RESTATED 2018 $M
Current		
Provision for employee benefits	**105.3**	100.2
Self-insurance provision	**3.3**	3.2
Onerous contract provision	**9.6**	8.0
Make good provision	**0.3**	1.4
Other provisions	**12.4**	34.6
	130.9	147.4
Non-current		
Provision for employee benefits	**10.3**	9.5
Self-insurance provision	**3.2**	3.0
Onerous contract provision	**34.8**	38.0
Make good provision	**6.8**	5.3
	55.1	55.8

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

Provisions are recognised when:

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

B6. Provisions (continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). Where applicable, prior year comparatives have been restated in line with current year presentation.

EMPLOYEE BENEFITS

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

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

SELF-INSURANCE

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

ONEROUS CONTRACT PROVISION

The Group recognises onerous contract provisions whereby the unavoidable cost of future payments under non-cancellable contracts, being primarily in relation to property operating leases, exceeds the future economic benefits expected to be obtained under the contract.

MAKE GOOD PROVISION

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

ACCOUNTING ESTIMATES AND JUDGEMENTS – ONEROUS CONTRACT PROVISION

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

C. Financing and capital structure

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

C1. Interest-bearing liabilities

	2019 $M	2018 $M
Measured at amortised cost		
Current		
Finance lease liabilities	0.6	0.8
	0.6	0.8
Non-current		
Finance lease liabilities	0.2	0.9
Gross bank loans	800.0	865.0
Refinancing valuation adjustment	1.5	–
Unamortised borrowing costs	(4.4)	(5.9)
	797.3	860.0

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

2018	LEASE LIABILITIES $M	GROSS BANK LOANS $M	UNAMORTISED BORROWING COSTS $M	TOTAL $M
Opening balance	0.3	885.0	(5.6)	879.7
Cash payments	(0.6)	(20.0)	(4.0)	(24.6)
New leases	2.0	–	–	2.0
Amortisation	–	–	3.6	3.6
Other	–	–	0.1	0.1
Closing balance	1.7	865.0	(5.9)	860.8

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.

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

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

C2. Issued capital

	2019 NO. OF SHARES 000'S	2018 NO. OF SHARES 000'S	2019 $M	2018 $M
Opening balance	**521,853**	521,433	**2,424.2**	2,422.8
Shares issued via Entitlement Offer, net of transaction costs	**100,183**	–	**245.9**	–
Shares issued via Short Term Incentive Plan	**218**	90	**0.8**	0.4
Shares issued via sign on arrangement	**69**	–	**0.2**	–
Shares issued via Retention Plan	**–**	330	**–**	1.0
Closing balance	**622,323**	521,853	**2,671.1**	2,424.2

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 2019, the company has nil (2018: 597,500) share options on issue. The options on issue as at 30 June 2018 all expired during the current year.

RIGHTS ON ISSUE

As at 30 June 2019, the company has 723,212 (2018: 419,506) Service Rights on issue, exercisable on a 1:1 basis for 723,212 (2018: 419,506) ordinary shares of Healius at an exercise price of $nil. The Service Rights will vest between July 2019 and July 2020 subject to the satisfaction of applicable service conditions and carry no rights to dividends and no voting rights.

As at 30 June 2019, the company has 13,084,714 (2018: 5,057,856) Performance Rights on issue, exercisable on a 1:1 basis for 13,084,714 (2018: 5,057,856) ordinary shares of Healius at an exercise price of $nil. The Performance Rights will vest between October 2019 and October 2021 subject to the satisfaction of applicable service and performance conditions and carry no rights to dividends and no voting rights.

C3. Dividends on equity instruments

	2019 CENTS PER SHARE	2018 CENTS PER SHARE	2019 $M	2018 $M
Recognised amounts				
Final dividend – previous financial year	**5.5**	5.8	**28.7**	30.3
Interim dividend – this financial year	**3.8**	5.1	**23.6**	26.6
	9.3	10.9	**52.3**	56.9
Unrecognised amounts				
Final dividend – this financial year	**3.4**	5.5		

In respect of FY 2019:

- an interim dividend of 3.8cps (100% franked), was paid to the holders of fully paid ordinary shares on 26 March 2019; and
- the Directors have approved the payment of a final dividend of 3.4cps (100% franked), to the holders of fully paid ordinary shares, the record date being 30 August 2019, payable on 27 September 2019.

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

The final dividend and the interim dividend for the year ended 30 June 2018 was 100% franked.

FRANKING ACCOUNT	2019 $M	2018 $M
Closing balance as at 30 June	**65.6**	58.9

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.

C4. Financial instruments

FINANCIAL RISK MANAGEMENT

Overview

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

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

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

Risk management framework

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

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

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

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

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

Credit risk

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

The Group's exposure to credit risk arises principally from cash and derivatives held with financial institutions and trade receivables due from external customers. The credit risk on cash and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-ratings agencies. The Group's maximum exposure to credit risk from trade receivables is equal to the carrying amount of the Group's trade receivables as at the reporting date of $140.6 million (30 June 2018: $119.0 million). The ageing of the Group's trade receivables and an analysis of the Group's provision for expected credit losses is provided in Note B1.

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

Liquidity risk

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

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

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

	2019 $M	2018 $M
Financing facilities		
Non-current		
Unsecured Syndicated Debt Facilities		
Amount used	**800.0**	865.0
Amount unused	**325.0**	260.0
Total financing facilities	**1,125.0**	1,125.0

C4. Financial instruments (continued)

The first tranche of the syndicated bank facility of $500.0 million matures in January 2021 and the second tranche of $625.0 million matures in January 2023.

Amounts unused on non-current facilities are able to be drawn during the course of the ordinary working capital cycle of the Group.

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

The repayment of contractual cash flows due in the period less than one year from 30 June 2019 will be met through the ordinary working capital cycle of the Group, including the collection of trade receivables (30 June 2019: $140.6 million) and the unused headroom in the Syndicated Debt Facility (30 June 2019: $325.0 million).

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

		CONTRACTUAL CASH FLOWS		
2018	CARRYING AMOUNT $M	TOTAL $M	LESS THAN 1 YEAR $M	1 TO 5 YEARS $M
Consolidated				
Non-derivative financial liabilities				
Gross bank loan	865.0	988.1	31.3	956.8
Payables	241.1	241.1	227.0	14.1
Finance lease liabilities	1.4	1.4	0.6	0.8
	1,107.5	1,230.6	258.9	971.7
Derivative financial liabilities				
Interest rate swaps	3.1	3.3	1.3	2.0

Interest rate risk

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

The following table details the Group's exposure to interest rate risk on non-derivative financial assets and financial liabilities as at 30 June 2019.

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

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C4. Financial instruments (continued)

2018	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE $M	FIXED INTEREST RATE LESS THAN 1 YEAR $M	FIXED INTEREST RATE 1 TO 5 YEARS $M	TOTAL $M
Financial assets					
Cash	1.83	84.0	–	–	84.0
Financial liabilities					
Finance leases	3.23	–	(0.8)	(0.9)	(1.7)
Gross bank loan	3.36	(865.0)	–	–	(865.0)
		(781.0)	(0.8)	(0.9)	(782.7)

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

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

The aggregate notional principal amount of the outstanding interest rate swap contracts as at 30 June 2019 was $800 million. Included in this amount is $200 million of forward dated interest rate swap contracts which commence in the 2021 financial year.

2018	AVERAGE CONTRACTED FIXED INTEREST RATE %	NOTIONAL PRINCIPAL $M	FAIR VALUE $M
Interest Rate Swaps			
Less than 1 year	3.18	200.0	0.1
1 to 2 years	–	–	–
2 to 5 years	3.80	600.0	(3.2)
		800.0	(3.1)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the Group's exposure to variable interest rates during the financial year, projecting a reasonably possible change taking place at the beginning of the financial year, held constant throughout the financial year and applied to variable interest payments made throughout the financial year. A 50 basis point increase represents management's assessment of a reasonably possible change in interest rates. If interest rates had been 50 basis points higher or lower and all other variables were held constant, the impact on the profit after tax and other comprehensive income would have been as follows:

	PROFIT AFTER TAX 50BP INCREASE $M	PROFIT AFTER TAX 50BP DECREASE $M	OTHER COMPREHENSIVE INCOME 50BP INCREASE $M	OTHER COMPREHENSIVE INCOME 50BP DECREASE $M
Consolidated				
30 June 2019 – variable rate instruments	**(0.7)**	**0.7**	**8.2**	**(8.2)**
30 June 2018 – variable rate instruments	(0.3)	0.3	9.5	(9.5)

C4. Financial instruments (continued)

Cash flow hedges (Interest rate swap contracts)

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

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

ACCOUNTING POLICY

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

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

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

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

Fair value of financial instruments

Basis for determining fair value

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

(i) Financial assets at fair value through comprehensive income

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

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

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

Fair value measurement – valuation methods

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

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

C4. Financial instruments (continued)

Carrying Amount

2019 $M	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial liabilities				
Interest rate swaps	–	22.1	–	22.1
Deferred consideraton	–	–	58.0	58.0

2018 $M	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Other investments	–	9.7	–	9.7
Financial liabilities				
Interest rate swaps	–	3.1	–	3.1
Deferred consideration	–	–	20.0	20.0

Fair value of other financial instruments

The fair value of cash, receivables and payables approximates their carrying amount. The fair value of the non-current interest bearing liabilities approximates the carrying amount of the gross bank loans of $800.0 million (2018: $865.0 million).

Other risks

Currency risk

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

Capital management

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

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

C5. Commitments for expenditure

	2019 $M	2018 $M
Non-cancellable operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases not recognised as liabilities, payable:		
Within 1 year	196.6	196.2
Later than 1 year but not later than 5 years	351.4	334.5
Later than 5 years	168.2	91.1
	716.2	621.8
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	12.3	20.5
Later than 1 year but not later than 5 years	1.2	1.6
	13.5	22.1

OPERATING LEASE TERMS

Operating leases relate to:

- Premises for medical centres, pathology and imaging sites as well as corporate offices have lease terms of between one and twenty years; and
- Diagnostic imaging equipment with lease terms of between one and five years.

Note E9 summarises management's view as to the likely impact on the Group Financial Statements of AASB 16 *Leases* when it comes into effect in the year ended 30 June 2020.

D. Group structure

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

D1. Subsidiaries

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

		PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP	
NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND OPERATION	2019 %	2018 %
Healius Limited [1]	Australia		
Australian Medical Partners Pty Ltd	Australia	**100**	100
Former AP Pty Ltd	Australia	**100**	100
Former SDS Pty Limited	Australia	**100**	100
The Sydney Diagnostic Services Unit Trust	Australia	**100**	100
Healius Training Institute Pty Ltd [2]	Australia	**100**	100
Health & Co Pty Ltd	Australia	**100**	100
ACN 623 887 516 Pty Ltd [3]	Australia	**100**	100
Brindabella Medical Practice Services Pty Ltd	Australia	**100**	100
Cooper Street Clinic Pty Ltd	Australia	**100**	100
Bourke Street Clinic Pty Ltd	Australia	**100**	100
Healthyu Corporations Pty Ltd	Australia	**100**	100
Medical Centre Services Pty Ltd	Australia	**100**	100
Park Family Practice Services Pty Ltd	Australia	**100**	100
Idameneo (No. 123) Pty Ltd	Australia	**100**	100
ACN 138 935 403 Pty Ltd	Australia	**100**	100
Digital Diagnostic Imaging Pty Ltd	Australia	**100**	100
John R Elder Pty Ltd	Australia	**100**	100
Healius Health Care Institute Pty Ltd [4]	Australia	**100**	100
The Artlu Unit Trust	Australia	**100**	100
Idameneo (No. 124) Pty Ltd	Australia	**100**	100
Idameneo (No. 125) Pty Ltd	Australia	**100**	100
Idameneo (No. 789) Ltd	Australia	**100**	100
ACN 008 103 599 Pty Ltd	Australia	**100**	100
ACN 063 535 884 Pty Ltd	Australia	**100**	100
ACN 063 535 955 Pty Ltd	Australia	**100**	100
HLS Camden Pty Ltd [5]	Australia	**100**	100
Primary (Camden) Property Trust	Australia	**100**	100
HLS Healthcare Holdings Pty Ltd [6]	Australia	**100**	100
HLS Imaging Holdings Pty Ltd [7]	Australia	**100**	100
ACN 088 631 949 Pty Ltd	Australia	**100**	100
Orana Service Unit Trust	Australia	**100**	100
Amokka Java Pty Limited	Australia	**100**	100
Brystow Pty Ltd	Australia	**100**	100
Healthcare Imaging Services (SA) Pty Ltd	Australia	**100**	100
Healthcare Imaging Services (Victoria) Pty Ltd	Australia	**100**	100
Healthcare Imaging Services (WA) Pty Ltd	Australia	**100**	100
Healthcare Imaging Services Pty Ltd	Australia	**100**	100
Campbelltown MRI Pty Ltd	Australia	**100**	100
Queensland Diagnostic Imaging Pty Ltd	Australia	**100**	100
Northcoast Nuclear Medicine (QLD) Pty Ltd	Australia	**100**	100
HLS Medical Centre Holdings Pty Ltd [8]	Australia	**100**	100
Larches 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 2019 %	2018 %
Kelldale Pty Ltd	Australia	**100**	100
Pacific Medical Centres Pty Ltd	Australia	**100**	100
Sidameneo (No. 456) Pty Ltd	Australia	**100**	100
HLS Millers Point Pty Ltd [9]	Australia	**100**	100
Primary Millers Point Property Trust	Australia	**100**	100
HLS Pathology Holdings Pty Ltd [10]	Australia	**100**	100
AME Medical Services Pty Ltd	Australia	**100**	100
HLS Pathology Holdings Asia Pty Ltd [11]	Australia	**100**	100
SDS Pathology (Singapore) Private Limited	Singapore	**100**	100
Jandale Pty Ltd	Australia	**100**	100
Integrated Health Care Pty Ltd	Australia	**100**	100
Queensland Specialist Services Pty Ltd	Australia	**100**	100
Specialist Diagnostic Services Pty Ltd	Australia	**100**	100
Moaven & Partners Pathology Pty Ltd	Australia	**100**	100
Pathways Unit Trust	Australia	**100**	100
Queensland Medical Services Pty Ltd	Australia	**100**	100
SDS Healthcare Solutions Inc. [12]	Philippines	**99.98**	99.98
Specialist Diagnostic Services Pathology (India) Private Limited [13]	India	**100**	100
Specialist Haematology Oncology Services Pty Ltd	Australia	**100**	100
Specialist Veterinary Services Pty Ltd	Australia	**100**	100
HLS Richmond Pty Ltd [14]	Australia	**100**	100
HLS PST Pty Ltd [15]	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
MGSF Pty Ltd	Australia	**100**	100
PHC Employee Share Acquisition Plan Pty Ltd	Australia	**100**	100
Senior Executive Short-term Incentive Plan Trust	Australia	**100**	100
Symbion Employee Share Acquisition Plan Trust	Australia	**100**	100
Symbion Executive Short-term Incentive Plan Trust	Australia	**100**	100
PHC Finance (Australia) Pty Ltd	Australia	**100**	100
PSCP Holdings Pty Ltd	Australia	**100**	100
Saftsal Pty Ltd	Australia	**100**	100
Aksertel Pty Ltd	Australia	**100**	100
Onosas Pty Ltd	Australia	**100**	100
Sumbrella Pty Ltd	Australia	**100**	100
HLS Health Insurance Pty Ltd [16]	Australia	**100**	100
Wellness Holdings Pty Ltd	Australia	**100**	100
The Ward Corporation Pty Ltd	Australia	**100**	100
Symbion International BV	Netherlands	**100**	100
Idameneo UK Ltd	United Kingdom	**100**	100
Mayne Nickless Incorporated	United States	**100**	100
Symbion Holdings (UK) Ltd	United Kingdom	**100**	100
Occupational Health Holdings Pty Ltd	Australia	**100**	100
Logic Enterprises (WA) Pty Ltd [17]	Australia	**100**	–
MB Healthcare Pty Ltd [18]	Australia	**100**	–
Albany Day Hospital Pty Ltd [18]	Australia	**100**	–
Bunbury Day Surgery Pty Ltd [18]	Australia	**100**	–
Felpet Pty. Ltd [18]	Australia	**100**	–
Montserrat Healthcare Pty Ltd [18]	Australia	**100**	–

D1. Subsidiaries (continued)

NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP 2019 %	2018 %
Montserrat Medical Services Pty Ltd [18]	Australia	**100**	–
Western Breast Clinic Pty Ltd [18]	Australia	**100**	–
Western Haematology & Oncology Clinics Pty Ltd [18]	Australia	**60**	–
North Lakes day Hospital Pty Ltd [18]	Australia	**100**	–
Oxford Medical Pty Ltd [18]	Australia	**100**	–
The Oxford Unit Trust [18]	Australia	**100**	–
Windermere House Pty Ltd [18]	Australia	**100**	–
PHC (No. 01) Pty Ltd	Australia	**100**	100
PHC Nominees Pty Ltd	Australia	**100**	100
Primary Health Care Pty Ltd [19]	Australia	**100**	100
Transport Security Insurance (Pte) Limited	Singapore	**100**	100

1 Name changed from Primary Health Care Limited to Healius Limited on 3 December 2018.
2 Name changed from Primary Training Institute Pty Ltd to Healius Training Institute on 20 February 2019.
3 Name changed from Coburg Medical Services Pty Ltd to ACN 623 887 516 Pty Ltd on 2 November 2018.
4 Name changed from Primary Health Care Institute Pty Ltd to Healius Health Care Institute Pty Ltd on 20 February 2019.
5 Name changed from Primary (Camden) Pty Ltd to HLS Camden Pty Ltd on 20 February 2019.
6 Name changed from PHC Healthcare Holdings Pty Ltd to HLS Healthcare Holdings Pty Ltd on 20 February 2019.
7 Name changed from PHC Diagnostic Imaging Holdings Pty Ltd to HLS Imaging Holdings Pty Ltd on 20 February 2019.
8 Name changed from PHC Medical Centre Holdings Pty Ltd to HLS Medical Centre Holdings on 20 February 2019.
9 Name changed from Primary Millers Point Pty Ltd to HLS Millers Point Pty Ltd on 20 February 2019.
10 Name changed from PHC Pathology Holdings Pty Ltd to HLS Pathology Holdings Pty Ltd on 20 February 2019.
11 Name changed from PHC Pathology Holdings Asia Pty Ltd to HLS Pathology Holdings Asia Pty Ltd on 20 February 2019.
12 Entity has a 31 December year end.
13 Entity has a 31 March year end.
14 Name changed from Primary (Richmond) Pty Ltd to HLS Richmond Pty Ltd on 20 February 2019.
15 Name changed from Primary PST Pty Ltd to HLS PST Pty Ltd on 20 February 2019.
16 Name changed from Primary Health Insurance Pty Ltd to HLS Health Insurance Pty Ltd on 20 February 2019.
17 Logic Enterprises (WA) Pty Ltd was acquired on 13 August 2018.
18 MB Healthcare Pty Ltd and its subsidiary companies were acquired on 19 October 2018.
19 Primary Health Care Network Pty Ltd changed its name to Primary Health Care Pty Ltd on 3 December 2018.

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

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

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

D2. Deed of cross guarantee

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

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

HEALIUS GROUP – DEED OF CROSS GUARANTEE

Healius Limited has entered into a Deed of Cross Guarantee with certain of its wholly-owned subsidiaries. The holding entity and subsidiaries, subject to the Deed of Cross Guarantee as at 30 June 2019 are as follows:

ACN 138 935 403 Pty Ltd
Australian Medical Partners Pty Ltd
Bourke Street Clinic Pty Ltd
Brindabella Medical Practice Services Pty Ltd
Cooper Street Clinic Pty Ltd
Digital Diagnostic Imaging Pty Ltd
Former AP Pty Ltd
Former SDS Pty Ltd
Health & Co Pty Ltd
Healius Limited (holding entity)
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
Healthyu Corporation Pty Ltd
HLS Healthcare Holdings Pty Ltd
HLS Imaging Holdings Pty Ltd
HLS Medical Centre Holdings Pty Ltd
HLS Pathology Holdings Pty Ltd
Idameneo (No.123) Pty Ltd
Idameneo (No 124) Pty Ltd
Idameneo (No 125) Pty Ltd
Idameneo (No.789) Limited
Integrated Health Care Pty Ltd
Medical Centre Services Pty Ltd
Moaven & Partners Pathology Pty Ltd
Pacific Medical Centres Pty Ltd
Park Family Practice Services Pty Ltd
Queensland Diagnostic Imaging Pty Ltd
Queensland Medical Services Pty Ltd
Sidameneo (No.456) Pty Ltd
Specialist Diagnostic Services Pty Ltd
Specialist Haematology Oncology Services Pty Ltd
Specialist Veterinary Services Pty Ltd

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 2019 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	2019 $M	2018 $M
Assets		
Current	**–**	–
Non-current	**2,776.8**	2,579.6
Total assets	**2,776.8**	2,579.6
Liabilities		
Current	**18.6**	8.9
Non-current	**829.9**	873.4
Total liabilities	**848.5**	882.3
Net assets	**1,928.3**	1,697.3
Equity		
Issued Capital	**2,690.9**	2,444.1
Accumulated losses	**(792.1)**	(793.0)
Other reserves	**29.5**	46.2
Total equity	**1,928.3**	1,697.3

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

STATEMENT OF COMPREHENSIVE INCOME	2019 $M	2018 $M
Profit for the year	**50.1**	93.3
Other comprehensive income	**(12.7)**	(1.5)
Total comprehensive income	**37.4**	91.8

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

	2019 $M	RESTATED 2018 $M
Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities		
Profit for the year	**55.9**	4.1
Depreciation of plant and equipment	**56.7**	53.5
Amortisation of HCP upfronts in revenue	**39.4**	47.3
Amortisation of intangibles	**12.0**	14.4
Amortisation of borrowing costs	**1.5**	3.6
Share-based payment expense	**1.9**	5.4
Impairment of other intangibles	**–**	2.5
Impairment of property, plant and equipment	**–**	4.0
Other non-cash items	**(1.7)**	3.4
Loss on sale of PP&E and intangibles	**2.5**	–
Net exchange differences	**(0.1)**	–
Increase/(decrease) in:		
Trade payables and accruals	**9.3**	2.5
Provisions	**(17.8)**	71.8
Deferred revenue	**0.1**	(6.6)
Income tax and deferred taxes	**(13.7)**	3.8
Decrease/(increase) in:		
Consumables	**0.2**	2.9
Receivables and prepayments	**(18.6)**	(10.4)
Net cash provided by operating activities	**127.6**	202.2

NON-CASH INVESTING AND FINANCING

During the financial year, 217,811 (2018: 90,516) and 68,681 (2018: nil) shares were issued pursuant to the Short Term Incentive Plan and sign on arrangement respectively for nil consideration. There have not been any shares issued pursuant to the Retention Plan during the year (2018: 329,510). These transactions are not reflected in the cash flow statement.

E2. Businesses acquired

(a) Montserrat Day Hospitals

On 19 October 2018 the Group acquired 100% of the issued capital of MB Healthcare Pty Ltd, the parent entity of the Montserrat Day Hospital Group ("Montserrat"). As at acquisition, Montserrat operated seven specialist day hospitals and hematology/oncology clinics across Queensland, Western Australia and New South Wales. The acquisition will assist in the diversification of revenue for the Group by growing non-Medicare revenues and also complements the existing businesses of the Group.

The goodwill of $96.7 million is attributable to the expected benefits arising from the acquisition, the strong and experienced management team that has been retained and the potential for future growth.

E2. Businesses acquired (continued)

The aggregate fair values of the identifiable assets and liabilities of Montserrat as at the date of acquisition were:

	2019 $M
Current assets	8.9
Non-current assets	4.9
Current liabilities	(8.3)
Non-current liabilities	(16.6)
Total identifiable net assets at fair value	**(11.1)**
Goodwill arising on acquisition	96.7
Total consideration	**85.6**
Less: Deferred consideration	(31.6)
Cash paid to vendors on acquisition	**54.0**
Cash transferred to repay debt on acquisition	**16.3**
Total cash transferred on acquisition	**70.3**
Less: Cash acquired	(3.4)
Net cash transferred on acquisition[1]	**66.9**

1 The payment for Day Hospitals practices and subsidaries of $68.3 million as disclosed in the Statement of cashflows includes $66.9 million for the acquisition of Montserrat and $1.4 million in respect to a payment of deferred consideration within the Montserrat group.

The deferred consideration recognised on acquisition consists of the following components:

- A deferred payment of up to $15 million which is payable no earlier than 1 July 2019 and is subject to the successful commissioning of three new facilities in South East Queensland and Western Australia and the completion of the purchase of a private hospital in Western Australia. As at 30 June 2019 the conditions have been met in relation to $11 million of this deferred payment which has been paid in July 2019. As these amounts have been or are expected to be paid within 12 months they have been recognised on an undiscounted basis.
  Subsequent to the acquisition of Montserrat the completion of the purchase of a private hospital in Western Australia did not proceed. The deferred consideration of $4 million that would have been payable on completion has been reversed and recognised in the Statement of profit and loss in the current period.
- Earn-out payments that may be payable at the end of FY 2020 and FY 2021, depending on Montserrat achieving certain agreed financial milestones. An amount of $16.6 million has been recognised for these earn-out payments which represents fair value at acquisition date. This component of the deferred consideration has been recognised on a discounted basis.

From the date of acquisition Montserrat contributed $0.6 million to profit before interest and tax of the Group.

The initial accounting for Montserrat business combination has been performed on a provisional basis as the identification and fair value measurement of the asset and liabilities remain ongoing.

(b) Other Businesses Acquired

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

The initial accounting for the other businesses acquired has been performed on a provisional basis. The identification and fair value measurement of the assets and liabilities acquired remains ongoing as does the assessment of acquisition date fair value of the deferred consideration payable.

	2019 $M
Current assets	1.9
Non-current assets	1.9
Current liabilities	(0.7)
Non-current liabilities	(0.9)
Total identifiable net assets at fair value	**2.2**
Goodwill arising on acquisition	37.1
Total consideration	**39.3**
Less: deferred consideration	(8.5)
Cash paid on acquisition	**30.8**
Less: cash acquired	(0.9)
Net cash paid on acquisition	**29.9**
Disclosed in the statement of cash flows:	
Payment for Medical Centres practices and subsidiaries	(29.4)
Payment for Imaging practices and subsidiaries	(0.5)
	(29.9)

E2. Businesses acquired (continued)

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the fair value of identifiable assets and liabilities, applying judgement in their identification, classification and measurement in accordance with contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the Group will be recognised at fair value at the acquisition date. Refer to Note B5 for further details of deferred consideration recognised by the Group.

E3. Tax balances

CURRENT TAX BALANCES

	2019 $M	2018 $M
Income tax receivable/(payable) is attributable to:		
Entities in the Tax Consolidated Group	**3.6**	(7.2)
Other	**(1.7)**	(0.7)
	1.9	(7.9)

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

RECONCILIATION OF DEFERRED TAX BALANCES

2019 $M	1 JULY 2018 OPENING BALANCE	CREDITED/ (CHARGED) TO INCOME	CREDITED/ (CHARGED) TO EQUITY	ACQUISITIONS AND OTHER ADJUSTMENTS	30 JUNE 2019 CLOSING BALANCE
Receivables	**(2.2)**	**0.3**	**–**	**–**	**(1.9)**
Consumables	**(6.5)**	**–**	**–**	**–**	**(6.5)**
Prepayments	**(1.7)**	**(0.3)**	**–**	**–**	**(2.0)**
Financial assets at fair value through other comprehensive income	**(2.8)**	**–**	**2.8**	**–**	**–**
Property, plant and equipment	**26.6**	**(0.5)**	**–**	**(0.3)**	**25.8**
Intangibles and capitalised costs	**(29.3)**	**(0.8)**	**–**	**(0.2)**	**(30.3)**
Entitlement offer	**–**	**–**	**1.9**	**–**	**1.9**
Payables	**18.9**	**0.7**	**–**	**–**	**19.6**
Provisions	**59.2**	**(3.2)**	**–**	**1.0**	**57.0**
Other financial liabilities	**0.6**	**–**	**5.7**	**0.4**	**6.7**
Net temporary differences	**62.8**	**(3.8)**	**10.4**	**0.9**	**70.3**
Tax losses – revenue	**1.8**	**–**	**–**	**–**	**1.8**
Deferred tax asset	**64.6**	**(3.8)**	**10.4**	**0.9**	**72.1**

2018 $M	1 JULY 2017 OPENING BALANCE	CREDITED/ (CHARGED) TO INCOME	CREDITED/ (CHARGED) TO EQUITY	ACQUISITIONS AND OTHER ADJUSTMENTS	30 JUNE 2018 CLOSING BALANCE
Receivables	(3.2)	1.0	–	–	(2.2)
Consumables	(6.4)	(0.1)	–	–	(6.5)
Prepayments	(1.5)	(0.1)	–	(0.1)	(1.7)
Financial assets at fair value through other comprehensive income	(3.3)	–	0.5	–	(2.8)
Property, plant and equipment	29.5	(1.1)	–	(1.8)	26.6
Intangibles and capitalised costs	(25.7)	(3.6)	–	–	(29.3)
Payables	16.6	2.3	–	–	18.9
Provisions	43.1	15.9	–	0.2	59.2
Other financial liabilities	(0.1)	–	0.7	–	0.6
Net temporary differences	49.0	14.3	1.2	(1.7)	62.8
Tax losses – revenue	1.8	–	–	–	1.8
Deferred tax asset	50.8	14.3	1.2	(1.7)	64.6

E3. Tax balances (continued)

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

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

Deferred tax assets are recognised to the extent that it is probable that future taxable amounts will be available against which the assets can be utilised.

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

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

TAX CONSOLIDATION

Healius Limited and its wholly-owned Australian entities elected to form an income tax consolidated group as of 1 July 2002. The entities in the income tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the entities' joint and several liability in the case of an income tax payment default by the head entity, Healius Limited.

The entities 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

	2019 $M	2018 $M
Treasury bank guarantees		
Workers compensation statutory requirement	**18.5**	15.4
Property related	**16.1**	11.5
	34.6	26.9

FINANCE REPORT

E5. Share-based payments

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

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. Rights will vest if the relevant conditions are met. Each Performance Right or Service Right is an entitlement to one fully-paid ordinary share in Healius.

Performance Rights and Service Rights carry no rights to dividends and no voting rights. On vesting, Performance Rights and Service Rights are exercised automatically for nil consideration and convert to fully-paid ordinary shares in Healius unless the Board exercises its discretion to settle the Rights in the form of cash.

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

The group operate the following share-based payment plans:

(a) Long Term Incentive Plan (LTIP) – Performance Rights Plan

The purpose of the LTIP is to motivate Senior Executives to achieve long-term objectives linked to shareholder value creation over the long term and to create a strong link between performance and reward over the long term. The LTIP is granted in the form of Performance Rights which are subject to continued employment throughout the measurement period and the following performance conditions:

- 50% of the Performance Rights are subject to a relative total shareholder return (rTSR) performance condition; and
- 50% of the Performance Rights are subject to return on invested capital (ROIC) performance condition.

The measurement period for Performance Rights granted under the FY 2019 award is 1 July 2018 to 30 June 2021 (FY 2018 award: 1 July 2017 to 30 June 2020 and FY 2017 award: 1 July 2016 to 30 June 2019). Retesting will not occur under the FY 2019, FY 2018 and FY 2017 awards.

Further details of the LTIP can be found in the Remuneration Report.

E5. Share-based payments (continued)

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

In the current year the CEO, CFO and all direct reports to the CEO will receive 50% of any STIP award in cash and 50% in equity which is subject to a service period of 12 months following the end of the measurement period. The Board of Directors have determined that in relation to FY 2019 no "at risk" STI will be awarded to Executive Key Management Personnel. For all other members of the STIP the nature of any award (cash or equity) is at the discretion of management.

Set out below are summaries of the rights granted under each of the plans as at 30 June 2019:

DESCRIPTION	GRANT DATE[1]	BALANCE AS AT 1 JULY 2018 NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	FORFEITED DURING THE YEAR NUMBER	BALANCE AS AT 30 JUNE 2019 NUMBER
FY 2016 LTIP	20 September 2016	2,294,896	–	–	(2,294,896)	**–**
FY 2016 STIP	30 January 2017	92,728	–	(92,728)	–	**–**
Service Rights[2]	12 September 2016	68,681	–	(68,681)	–	**–**
FY 2017 LTIP	18 September 2017	2,762,960	–	–	(21,866)	**2,741,094**
FY 2017 STIP	31 August 2017	258,097	–	(125,083)	(3,709)	**129,305**
FY 2018 LTIP	18 September 2018	–	4,182,338	–	(30,120)	**4,152,218**
FY 2018 STIP	18 October 2018	–	608,040	–	(14,133)	**593,907**
FY 2019 LTIP	1 March 2019	–	6,231,044	–	(39,642)	**6,191,402**

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 These Service Rights were awarded pursuant to a sign on arrangement.

In accordance with the definition of grant date in AASB 2 the rights under the FY 2019 STIP had not been granted as at 30 June 2019 and accordingly are excluded from the table above. Based on the known participants in each plan an estimate of the rights that will be granted has been made in order to account for the plans in accordance with the requirements of AASB 2 for the year ended 30 June 2019.

FAIR VALUE OF RIGHTS GRANTED

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

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

DESCRIPTION	TRANCHE	GRANT DATE	GRANT DATE FAIR VALUE PER RIGHT $
FY 2018 LTI	rTSR	18 September 2018	$1.42
FY 2018 LTI	ROIC	18 September 2018	$2.85
FY 2018 STI	12 month service period	18 October 2018	$2.79
FY 2018 STI	24 month service period	18 October 2018	$2.68
FY 2019 LTI	rTSR	1 March 2019	$1.27
FY 2019 LTI	ROIC	1 March 2019	$2.54

ACCOUNTING POLICY

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

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

E6. Related party disclosures

TRANSACTIONS WITHIN THE WHOLLY-OWNED GROUP

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

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

E7. Key management personnel disclosures

KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2019 $000	2018 $000
Short-term employee benefits	**5,285**	6,742
Post-employment benefits	**123**	117
Other long-term employee benefits	**99**	133
Termination payments	**–**	896
Share-based payments	**791**	2,040
	6,298	9,928

TRANSACTIONS WITH PAUL JONES

During the years ended 30 June 2019 and 30 June 2018 the Group provided medical centre management services (Services) to Dr Paul F Jones Pty Limited, a company controlled by Paul Jones, a Non-executive Director of Healius. The Services were provided to Dr Jones' general medical practice, which is conducted at one of Healius' medical centres, on ordinary arm's length terms.

The Service fees received by the Group for FY 2019 were $131,330 (FY 2018: $96,219). This Service fee revenue was accounted for by Healius in the same way as revenue from other healthcare practices. Under the terms of the most recent extension to the agreement between Dr Jones' company and the Group, Dr Jones' company is entitled to receive a lump sum amount in three instalments from the Group. The FY 2019 instalment was $nil (FY 2018: $40,000).

There were no amounts payable or receivable as at 30 June 2019 (30 June 2018: nil) and the provision of the Services continues as at the date of this financial report.

TRANSACTIONS WITH WESLEY LAWRENCE

During the year ended 30 June 2019, Healius contracted with Slick Azz Auto Detailing Pty Limited (Slick Azz), a company controlled by a child of Wesley Lawrence for provision of car wash services for the QML Pathology courier fleet. The contract is on ordinary arm's length terms and was awarded following a tender process. Wesley Lawrence was not a member of the management line that awarded the contract. The fees for services rendered by Healius for FY 2019 $26,847 (FY 2018: $83,800). The expenses for these services were accounted for by Healius in the same way as expenses from other operational expenditure. As at 30 June 2019, $nil was payable to Slick Azz (30 June 2018: $16,054). The services ceased during FY 2019.

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

	2019 $000	2018 $000
Amounts received or due and receivable by auditor of financial statements		
Audit and other assurance services		
Auditing and review of financial statements	**839**	650
Total remuneration for audit and other assurance services	**839**	650
Taxation services		
Tax consulting	**54**	198
Other services		
Due diligence	**394**	125
Advisory	**88**	–
	1,375	973
Network firms of Ernst & Young Australia		
Audit and other assurance services		
Audit and review of financial statements of overseas entities	**29**	11
	29	11
Network firms of Deloitte Touche Tohmatsu Australia		
Audit and other assurance services		
Audit and review of financial statements of overseas entities	**27**	31
Taxation services		
Tax consulting	**–**	10
	27	41

E9. Adoption of new and revised standards

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

A number of amendments to AASBs issued by the Australian Accounting Standards Board (AASB) are mandatorily effective for an accounting period that begins on or after 1 July 2018 and are therefore relevant for the current year end. Details of the impact of adopting AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* disclosed on pages 84 and 85. No other amendments have had a material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

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

STANDARDS ON ISSUE NOT YET ADOPTED

At the date of authorisation of the financial statements, a number of Standards and Interpretations were on issue but not yet effective for the Group. In the Directors' opinion, the following Standard on issue but not yet effective, are most likely to impact the amounts reported by the Group in future financial periods:

STANDARD	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 16 *Leases*	1 January 2019	30 June 2020

AASB 16 will remove the distinction between operating and finance leases resulting in almost all leases being recognised by lessees as a Right-of-Use Asset and a lease liability on the statement of financial position except for short-term leases and leases of low value assets. The income statement impact for leases currently classified as operating leases will be both to the classification of the expense (interest and depreciation rather than property rental expense) and timing of recognition (the overall expense for an individual contract will be higher in the earlier periods when the interest expense which is calculated on the outstanding liability is higher).

The new Standard also provides enhanced guidance on identifying whether a contract contains a lease and includes enhanced disclosure requirements.

E9. Adoption of new and revised standards (continued)

Transition

The Group will initially apply the new standard using the modified retrospective approach, which requires no restatement of comparative information.

The lease liability on initial adoption will be measured as the future lease payments under the various lease agreements discounted at the relevant incremental borrowing rate at the date of transition, being 1 July 2019.

In relation to the opening balance of Right-of-Use Assets the Group will apply the following approach:

- For the largest property leases the Right-of-Use Asset will be calculated as the present value of lease payments since the commencement of the lease using the discount rate applicable as at the date of transition based on the remaining lease term less cumulative straight-line depreciation and adjusted for any lease incentives received or receivable.
- For all other leases the Right-of-Use Asset will be equivalent to the lease liability.

Adjustments are also made for any accrued or prepaid rent and straight-line lease balances as at the date of transition. The Right-of-Use Asset balance will be adjusted for any onerous lease provisions as at the date of transition.

Estimated Financial Impact on Adoption

The Group has carried out a preliminary assessment of the initial impact on the Balance Sheet of the Group as at 1 July 2019 on adoption of AASB 16. Based on the work performed, it is estimated that lease liabilities of approximately $1.2 billion and Right-of-Use Assets of approximately $1.1 billion will be recognised on adoption of AASB 16. The net impact to the Balance sheet on adoption, adjusted for deferred tax, will be recognised as an adjustment to accumulated losses as at 1 July 2019.

The impact predominately relates to the Group's leasing of property and imaging equipment.

E10. Subsequent events

On 29 July 2019, the Group announced the departure of two senior executives, Malcolm Ashcroft (Chief Financial Officer) and Wesley Lawrence (CEO Pathology). Maxine Jaquet (the Chief Financial Officer) and John McKechnie (CEO Pathology) have been appointed as successors effective 19 August 2019.

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

Shareholder information

Number of shareholders

As at 1 August 2019, there were 622,742,479 fully paid ordinary shares held by 14,323 shareholders.

Distribution of ordinary shares as at 1 August 2019

NUMBER OF SHARES HELD	INDIVIDUALS
1–1,000	3,597
1,001–5,000	6,573
5,001–10,000	2,421
10,001–100,000	1,668
100,001–999,999,999	64
Total	14,323

874 shareholders hold less than a marketable parcel of shares.

Number of Rights holders

As at 1 August 2019, there were 13,056,608 Rights held by 146 persons.

Distribution of Rights as at 1 August 2019

NUMBER OF RIGHTS HELD	INDIVIDUALS
1–1,000	41
1,001–5,000	77
5,001–10,000	8
10,001–100,000	45
100,001–999,999,999	37
Total	208

Options

There were no options on issue as at 1 August 2019.

Securities Exchange Listing

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

Voting Rights

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

Healius fully paid ordinary shares carry voting rights of one vote per share.

Healius options carry no voting rights.

Healius Rights carry no voting rights.

Shareholder information

Top 20 shareholders as at 1 August 2019

RANK	NAME	SHARES	% OF SHARES
1.	HSBC Custody Nominees (Australia) Limited	171,879,061	27.60
2.	J P Morgan Nominees Australia Pty Limited	102,216,325	16.41
3.	Jangho Health Care Australia Pty Ltd and its related bodies corporate	99,096,666	15.91
4.	National Nominees Limited	72,476,971	11.64
5.	Citicorp Nominees Pty Ltd	49,414,807	7.94
6.	BNP Paribas Noms Pty Ltd <DRP>	11,633,372	1.87
7.	Argo Investments Limited	10,307,750	1.66
8.	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	4,606,768	0.74
9.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	2,652,761	0.43
10.	Woodross Nominees Pty Ltd	2,637,183	0.42
11.	RinRim Pty Limited	2,155,584	0.35
12.	HSBC Custody Nominees (Australia) Limited – GSCO ECA	1,669,966	0.27
13.	Navigator Australia Ltd <SMA Antares Inv Core Opp A/C>	1,242,335	0.20
14.	Charado Pty Ltd	1,135,488	0.18
15.	Hubam Development Australia Pty Ltd	1,095,000	0.18
16.	Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	1,040,639	0.17
17.	T Batsakis Pty Ltd	1,020,865	0.16
18.	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	943,059	0.15
19.	Navigator Australia Ltd <MLC Investment Sett A/C>	936,883	0.15
20.	HSBC Custody Nominees (Australia) Limited	866,462	0.14
Total		593,027,945	86.57

Substantial shareholders as at 1 August 2019

NAME	NUMBER OF FULLY PAID ORDINARY SHARES	% OF TOTAL ISSUED CAPITAL AS AT THE DATE OF EACH NOTICE
Jangho Health Care Australia Ltd and its related bodies corporate	99,096,444	15.91
Dimensional Entities	34,260,039	5.50

Information in the table above is as per the most recent substantial holder notices received by Healius as at 1 August 2019.

OTHER INFORMATION

Auditor

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

Financial calendar

2019	
Half year results announcement	15 February
Record date for interim dividend	18 March
Interim dividend payable	26 March
Year end	30 June
Full year results announcement	16 August
Record date for final dividend	30 August
Final dividend payable	27 September

2020	
Half year results announcement	14 February
Year end	30 June
Full year results announcement	21 August

Corporate information

Company's Registered Office

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

Company's Principal Administrative Office
(and location of Register of Option Holders)

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

Share Registry
(and location of Register of Rights Holders)

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

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