

Results for announcement to the market

Healius Limited

ACN 064 530 516

Appendix 4E – Preliminary Final Report (Unaudited)

For the year ended 30 June 2022

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Healius Limited

Appendix 4E – Preliminary Final Report (Unaudited)

Results for announcement to the market

For the year ended 30 June 2022

\$M	2022 TOTAL	2021 TOTAL	\$ CHANGE 2022 VS 2021	% CHANGE 2022 VS 2021
Revenue from continuing operations	2,336.2	1,900.7	435.5	+22.9%
Underlying profit for the year after tax ¹	309.3	148.4	160.9	+108.4%
Profit for the year after tax from continuing operations	294.0	66.3	227.7	+343.4%
Profit for the year after tax	307.9	43.7	264.2	+604.6%

CENTS PER SHARE ²	2022 TOTAL	2021 TOTAL
Basic earnings per share	52.8	7.1
Underlying basic earnings per share	53.0	24.0
Diluted earnings per share	52.0	7.0
Underlying diluted earnings per share	52.3	23.7
Final dividend ^{3,4}	6.0	6.75
Interim dividend ³	10.0	6.5
	16.0	13.25

¹ Underlying profit excludes the impact of strategic initiatives and other significant non-recurring items. A reconciliation between reported profit and underlying profit is contained in the review of operations on page 8 of this preliminary final report for the year ended 30 June 2022.

² Weighted average number of shares at 30 June 2022 determined to be 583.5 million and 591.9 million for basic and diluted earnings per share calculations respectively. Refer to Note 6 for further information on earnings per share.

³ The FY22 final dividend will be 100% franked at the corporate income tax rate (FY21: 100% franked). The FY22 interim dividend was also 100% franked (FY21: 100%).

⁴ The record date for determining entitlement to the final dividend is 8 September 2022. The final dividend is payable on 21 September 2022.

GROUP PERFORMANCE

	30 JUNE 2022 \$M UNDERLYING ¹	30 JUNE 2021 \$M	30 JUNE 2022 \$M REPORTED	30 JUNE 2021 \$M
Revenue ²	2,337.7	1,913.1	2,336.2	1,900.7
EBIT	492.3	266.5	467.4	255.4
NPAT (Reported incl. discontinued operations)	309.3	148.4	307.9	43.7
Dividends cps 100% franked			16.0	13.25

GROUP UNDERLYING RESULTS

Market conditions

In the year ended 30 June 2022 (FY 2022), Healius continued to play a pivotal role in Australia's response to the COVID-19 pandemic, during the Delta and Omicron outbreaks. Since February 2022, with Omicron becoming endemic in the population, PCR testing has reduced. It now sits between 10,000-12,000 per working day supplemented by respiratory testing as influenza resurfaces in the community.

Healius also continued to provide critical non-COVID pathology testing, as well as imaging and day hospital services. These services were at reduced volumes compared to the prior comparable period (pcp), due to the impacts of state-based lockdowns, elective surgery restrictions and isolation requirements in 1H 2022 and of endemic COVID-19 on both demand from patients and availability of staff in 2H 2022.

Importantly, broad demand for non-COVID services is expected to return as the underlying drivers in both pathology and imaging remain strong including an ageing population with greater longevity but more complex health issues. A period of catch-up for the resulting backlog in routine care is expected to occur although the timing is uncertain while COVID-19 remains endemic.

Healius performance

FY 2022 was a year of delivery for Healius with record results underpinned by the Group's ability to successfully scale up and down its operations with demand, roll-out of 45% of the Sustainable Improvement Program (SIP) Phase 2 initiatives (measured as annualised benefits), and substantial progress of its digital program to reimagine its customer experience and power clinical insights.

Financial performance is self-evident in the results, with EBITDA and EBIT margins at record levels. While successfully managing its demand peaks, Healius also demonstrated cost containment, with labour cost growth contained at 12% and consumable costs at 17%, compared to revenue growth of 22%. Of particular note was the Pathology division's ability to flex down its costs as COVID-19 testing demand reduced in the second half of the year.

Underlying EBIT for the period excludes the costs relating to corporate transactions (\$10.5 million) and the Pathology digital costs (\$10.5 million). Adora Fertility was also excluded from underlying results, with its performance and profit on sale recognised as part of discontinued operations in reported NPAT.

Mirroring profits, gross operating cash flow was at a record level of \$677.1 million with EBITDA conversion over 90%. The Group generated free cash flow of \$532.2 million and approximately 45% of this was returned to shareholders in buybacks and dividends. Healius also invested for growth purchasing Axis Diagnostics and Agilix Biolabs, the latter a leading domestic clinical trials laboratory. At the end of the year the bank gearing ratio remained conservative at 1.0x, well below medium term targets of 1.7-2.2x.

Taking into consideration both the strong performance of the Company and the level of buybacks in the year, total dividends of 16.0 cps fully franked (13.25 cps in FY 2021) have been determined by the Board including a final dividend of 6.0 cps fully franked. This represents an annual yield of 4.4% (based on the 30 June 2022 closing share price).

¹ All comments in this review of operations relate to underlying results for continuing operations unless otherwise noted. For a reconciliation to reported results, refer section below titled: 'Group reported results'

² Group revenue is shown net of inter-segment sales of \$1.8 million (FY 2021: \$2.2 million) while the following divisional tables are shown gross of inter-segment sales. For a reconciliation refer note 2 to the Consolidated Financial Statements

DIVISIONAL RESULTS

PATHOLOGY

UNDERLYING	30 JUNE 2022 \$M	30 JUNE 2021 \$M	BETTER/(WORSE) %
Revenue	1,890.4	1,452.1	30.2
EBITDA	698.4	428.3	63.1
Depreciation and amortisation	(200.0)	(175.5)	(14.0)
EBIT	498.4	252.8	97.2
Capital expenditure	43.7	31.0	(41.0)

Healius Pathology delivered record revenue of \$1.9 billion, with EBIT nearly doubling to just under \$500 million.

Healius Pathology continued to play a leading role in the COVID-19 testing regime, especially in 1H 2022. The division has conducted more than 13 million COVID-19 tests to-date, successfully scaling up its laboratories and collection footprint to meet demand. Healius Pathology also undertook extensive commercial and direct-to-consumer COVID-19 testing and invested in capacity, reducing the cost per test and improving turnaround times.

As demand for PCR screening declined in 2H 2022, Healius responded to market conditions by reducing the number of drive-throughs. It also utilised the additional capacity to test other respiratory illnesses, with influenza circulating in the community in recent months for the first time in two years.

The successful delivery of COVID-19 testing was a significant driver of revenue growth in FY 2022. Core or non-COVID revenue was down marginally, with the commercial channel achieving strong growth, and Healius' market share in bulk-billed revenue stable. Overall, the market was down on a like-for-like basis with the industry impacted by endemic COVID-19 infections in 2H 2022 (Medicare Benefits Schedule was down 3.9%³).

Healius expects non-COVID revenue will grow as COVID-19 infection numbers decrease and the community returns to diagnostic testing, including a period of catch-up for the backlog of pathology services. Growth is likely to return to the long-term annual averages of around 5-6%, although the timing is uncertain.

EBITDA and EBIT margins of 37% and 26% respectively demonstrated strong operational delivery together with the benefits of the SIP program. Importantly second half EBITDA margins were consistent with FY 2021 levels, despite the 15% reduction in the scheduled COVID-19 fee from 1 January 2022, showcasing Healius Pathology's ability to flex costs down in the challenging market conditions.

Under the SIP program, Healius Pathology improved its EBIT through the optimisation of its operations. Development of digital solutions has progressed well throughout the year, with e-referrals and the collection portal deployed and instrument management and results portal solutions underway. In FY 2023, focus areas include courier route optimisation and standardising laboratory workflows.

A total of \$43.7 million in capital was invested in the period which included digital initiatives and the investment in PCR testing capacity. The Serum Work Area has been successfully completed with over 90% of the investment realised in benefits to-date.

In December, Healius announced the acquisition of Agilex Biolabs, a strategic adjacency in pathology offering a high-margin capital-light growth profile, revenue diversification and complementary capabilities. It is being reported in the Pathology division. Revenue for the five months post acquisition was up 30% on pcp, while full year revenue was up 52%. The business is investing in its Australian operations for long-term growth.

³ COVID-19 testing removed plus an estimate of COVID PEI and BBI. Source: Australian Pathology

LUMUS IMAGING

UNDERLYING	30 JUNE 2022 \$M	30 JUNE 2021 \$M	BETTER/(WORSE) %
Revenue	393.9	406.9	(3.2)
EBITDA	79.7	84.5	(5.7)
Depreciation and amortisation	(60.6)	(53.6)	(13.1)
EBIT	19.1	30.9	(38.2)
Capital expenditure	41.0	18.6	Large

During the period, Lumus Imaging's revenue declined by 3%, reflecting the industry-wide impacts of lockdowns between July 2021 and January 2022 and endemic COVID-19 thereafter, as well as elective surgery restrictions.

Lumus Imaging's revenue was in line with market for the year and ahead in the second half with a strong performance in Queensland. Widespread use of telehealth and GP shortages impacted the division's Medical Centre volumes. (Lumus Imaging is the only listed imaging provider with contracts in medical centres, with its old HPC business, now named ForHealth).

Volumes are expected to return, including a period of catch-up for delayed diagnostic screening and elective surgery. Lumus Imaging is well-placed to capitalise on this backlog with a strong hospital presence.

EBITDA margins were flat but EBIT margins declined. COVID-related effects and increased sick leave impacted margins, in addition to site closures under the BUPA Immigration screening contract. Depreciation increased mainly due to the full-year impact of third-party leases with ForHealth which further compressed EBIT margins.

SIP initiatives progressed, including the Lumus Imaging brand launch and development of automated booking, referral and rostering systems. These SIP investments are included in operating costs (previously treated as non-underlying items).

A total of \$41.0 million in capital was spent in the period. The increase over FY 2021 was due to the purchase rather than lease of imaging equipment and the buy-back of previously leased equipment. Going forward we expect that maintenance capital expenditure will return to long-term averages.

DAY HOSPITALS

UNDERLYING	30 JUNE 2022 \$M	30 JUNE 2021 \$M	BETTER/(WORSE) %
Revenue	48.7	49.5	(1.6)
EBITDA	12.6	15.5	(18.7)
Depreciation and amortisation	(7.3)	(6.5)	(12.3)
EBIT	5.3	9.0	(41.1)
Capital expenditure	3.7	2.9	(27.6)

DAY HOSPITALS (CONTINUED)

Montserrat's revenue and procedure numbers were down slightly, experiencing similar conditions to Lumus Imaging with lockdowns impacting between July 2021 and January 2022 and endemic COVID-19 thereafter. Pleasingly, Westside Private Hospital, Montserrat's prototype for future short-stay facilities, again delivered strong revenue growth, up 12% in the year.

Volumes are likely to return as COVID-19 case numbers decline, including a period of catch-up for delayed procedures and Montserrat is well-placed for this rebound.

The division's performance included investment to support the identification and roll-out of long-term growth initiatives including a new day hospital and cancer centre at Murdoch in Perth, Western Australia. Prior period results also included JobKeeper and commercial support payments which account for approximately 50% of the decline in EBIT.

Capital expenditure of \$3.7 million was invested in the period. In addition to the Murdoch facility, Montserrat has a pipeline of greenfield and M&A opportunities under consideration as it looks to capitalise in this growing sector.

In early FY 2023, Healius issued an Information Memorandum for its Day Hospitals division. As a result, this division will be held for sale in 1H 2023.

CORPORATE

UNDERLYING	30 JUNE 2022 \$M	30 JUNE 2021 \$M	BETTER/(WORSE) %
Revenue	6.5	6.8	n/a
EBITDA	(19.9)	(14.5)	(37.2)
Depreciation and amortisation	(10.6)	(11.7)	9.4
EBIT	(30.5)	(26.2)	(16.4)
Capital expenditure	5.1	5.8	12.1

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

In FY 2022, revenue was earned on subleases to discontinued operations and from the transitional services agreement following the sale of HPC in 1H 2021, both of which were offset by correspondingly higher costs of delivery.

Corporate costs include the full year impact of the investment, during 2H 2021, in a previously-announced capability ramp up, in particular in IT support. This accounts for the increase in the year.

Capital expenditure of \$5.1 million was invested in the period with the majority of the spend on information technology systems.

CASH FLOW AND GEARING

Group cash flows (including continuing and discontinued operations) for FY 2022 were as follows:

REPORTED	30 JUNE 2022 \$M	30 JUNE 2021 \$M
Gross cash flows from operating activities	677.1	571.9
Net income tax paid	(90.3)	(46.0)
Net cash flows from operating activities	586.8	525.9
Maintenance capex	(54.6)	(39.9)
Free cash flow	532.2	486.0
Growth capex	(38.9)	(33.6)
Payments relating to acquisitions	(303.3)	-
Proceeds from capital recycling	31.9	460.4
Montserrat earn-out & settlement and deferred consideration	(36.8)	-
Net interest paid and finance costs (including on lease liabilities)	(48.0)	(72.1)
Payment of lease liabilities	(214.5)	(203.1)
Dividends, buyback of shares and shares purchased for LTIP	(259.6)	(153.8)
Net debt funding /(repayment)	345.6	(555.7)
Net increase/(decrease) in cash held	8.6	(71.9)

In FY 2022, Healius achieved strong gross operating cash flows, 18.4% above the prior period, with cash flow conversion over 90%. Free cash flow grew by 9.5% to \$532.2 million. Approximately 45% of this was used to reward shareholders with \$139.4 million in buybacks and \$98.1 million in dividends paid in the year.

The Group has achieved materially lower capital intensity following the divestment of HPC in 1H 2021. However, as announced at the FY 2021 results, investments are now being undertaken in digital and other initiatives under the SIP program and in selective growth M&A. In the period, Healius invested:

- \$290.7 million for the acquisition of Agilex Biolabs (net of cash acquired)
- \$12.6 million for the acquisition of Axis Diagnostics (net of cash acquired)
- \$36.0 million for the final Montserrat earn-out and settlement
- \$38.9 million in organic growth capital

The Group's balance sheet remains strong and conservatively geared below medium-term targets, positioned to continue to meet the on-going capital needs of the business, reward shareholders, fund value-generating investments and maintain a liquidity buffer. Group net debt and key ratios on 30 June 2022 were as follows:

REPORTED	30 JUNE 2022 \$M	30 JUNE 2021 \$M
Bank loans and financing arrangements ⁴	606.1	258.1
Cash ⁵	(81.3)	(72.7)
Net debt	524.8	185.4
Bank gearing ratio (covenant <3.5x) ⁶	1.0x	0.7x
Bank interest cover ratio (covenant >3.0x) ⁷	44x	10x

⁴ Bank loans of \$610 million (FY 2021: \$260 million) are shown net of unamortised borrowing costs

⁵ FY 2021 cash includes cash in discontinued operations

⁶ Bank gearing ratio is calculated based on underlying EBITDA before the impact of AASB 15 and 16 and is adjusted for share-based payments. Net debt is adjusted for parent company guarantees and unamortised borrowing costs.

⁷ Bank interest cover ratio is calculated based on underlying EBITDA divided by finance costs (excluding AASB 16 interest)

GROUP REPORTED RESULTS

This review of operations focuses on the underlying results of Healius which adjust for items not considered to be part of core trading performance.

REVENUE

The reconciliation between reported and underlying revenue is as follows:

	30 JUNE 2022 \$M	30 JUNE 2021 \$M
Underlying revenue	2,337.7	1,913.1
Reclassification of grant income from revenue to other income	–	(9.8)
Transactions with discontinued operations ⁸	(1.5)	(2.6)
Reported revenue	2,336.2	1,900.7

EBIT

The reconciliation between reported and underlying EBIT is as follows:

	30 JUNE 2022 \$M	30 JUNE 2021 \$M
Underlying EBIT	492.3	266.5
Pathology digital transformation	(10.5)	(11.3)
Corporate transactions	(10.5)	(1.1)
Montserrat earn-out and settlement expense	–	(3.0)
Transactions with discontinued operations ⁸	(3.9)	4.3
Reported EBIT	467.4	255.4

NPAT

The reconciliation between reported and underlying NPAT is as follows:

	30 JUNE 2022 \$M	30 JUNE 2021 \$M
Underlying NPAT	309.3	148.4
After-tax adjustments to underlying EBIT (set out above)	(17.5)	(7.8)
After-tax adjustments to finance costs (close out of interest rate swaps)	–	(6.6)
ATO case – tax and interest	–	(63.1)
Tax differential for non-deductible items (underlying tax calculated at 30%) ⁹	2.2	(4.6)
Profit/(Loss) from discontinued operations	13.9	(22.6)
Reported NPAT incl. discontinued operations	307.9	43.7

⁸ Transactions with discontinued operations represent rental income received in Corporate from Healius Day Hospitals and corporate recharges for costs incurred on behalf of discontinued operations. In FY 2021 transactions with discontinued operations also included rental costs incurred by Pathology and Imaging from Healius Primary Care

⁹ Refer note 5 to the Consolidated Financial Statements

STRATEGY

Our vision is to create sustainable value for all our stakeholders by supporting clinical decisions across the Australian healthcare system, realised through the provision of personalised insights and superior customer experience across our national network of general pathology and diagnostic imaging businesses.

Our strategy rests on three pillars:

1. **Insights:** Delivering precise and comprehensive insights for screening, diagnosis, therapy and research & development
2. **Service:** Serving patients and clinicians with superior healthcare experiences
3. **Growth:** Creating clinical and financial value in new and growing diagnostic markets

This strategy is supported by global and Australian tailwinds in healthcare including, but not limited to, the increasing importance of screening and diagnosis in reducing downstream healthcare costs, the autonomy and decision-making of individuals as healthcare consumers, the convergence of pathology and radiology in the treatment of disease, the innovations in diagnostic testing (especially genomics, specialty pathology, and AI), and the expansion of digital health.

Our capital allocation and group-wide programs (Sustainable Improvement Program (SIP) and Healius Digital) demonstrate our commitment to long-term sustainable growth, improving returns from core diagnostic businesses and developing the right capabilities. With a more simplified portfolio and strong balance sheet, the company is well positioned for the future. The FY 2022 acquisition of Agilex is an example of disciplined adjacency growth (clinical trials research) where Healius has a natural advantage (at-scale operator of Australian laboratory services).

SIP was introduced at the end of FY 2019 to deliver a more competitive portfolio through margin growth. SIP Phase I achieved targets of \$58 million in annualised savings for the Group (excluding Medical Centres). SIP Phase II focuses on structural and sustainable margin accretion, with a target of 300 bps EBIT margin growth (pre-AASB16) in Pathology and Imaging. Over 100 initiatives in the Phase II are in the pipeline with 45% already implemented. Healius remains on track to exit FY 2023 at its target run-rate.

The strategic focus areas for the Group can be summarised as follows:

Grow the core

This is centred around a customer-based strategy to increase revenue in core Australian markets by optimising mix, product, price and distribution. The business also continues to improve its Pathology Approved Collection Centre (ACC) and Imaging site networks with the focus on better performance per facility.

Progress during the year included:

- B2C and B2B launches and rollouts around COVID-19 testing and a patient feedback program
- ACC footprint optimisation based on a standardised approach supported by enhanced analytics. This is delivering efficiencies and improved collection economics, with revenue per ACC growing 10.9% since FY 2019
- Rebranding Imaging sites to Lumus Imaging with all 124 in-scope sites completed during the year
- Pursuing strategic opportunities with major health players to diversify revenue sources

Laboratories of the future

This is focused on modernisation of clinical information systems in our Pathology laboratories including improvement and standardisation of operational workflows across departments.

Progress during the year included:

- Progressed development of new *LIS Modules* for Cytology and Microbiology to digitise effort-intensive workflows for Pathologists and migrate out of legacy systems
- Commenced roll-out of a new *Instrument Manager* for standardised configuration of our Pathology laboratory analysers

- Built and launched *Digital Pathology* in Histopathology and Haematology including trials of AI supported workflows through global partnerships

Digital journeys

This is focused on digitising core services in across Pathology and Imaging to improve experiences for customers (referrers and patients) and employees, as well as deliver process efficiencies.

Progress during the year included:

- Built and launched an *Electronic Referrals* solution for doctors to send Pathology and Imaging requests via SMS to patients
- Built and launched a *Collections Portal* for staff in collection centres to digitise paper-based manual processes across registration, test ordering, and collection of specimens
- Built and launched a *Booking System* for staff in Imaging centres to prioritise and convert incoming referrals to appointments through outbound calls to patients
- Progressed with build of a *Results App* for Specialist doctors and staff in hospitals to view patient results and order add-on tests with a market-leading experience

Productivity potential

We are targeting the optimisation of our internal labour productivity across the Group and ensuring disciplined procurement management through price negotiation with vendors, volume and demand management by the businesses, and procurement policies and controls.

Progress during the year included:

- In Lumus Imaging, the national rollout of our *Booking Optimisation* tool for sonography was completed
- Across the Group, a new *Time and Attendance* module was rolled out to underpin our dynamic rostering tool
- Savings across a number of procurement categories including voice telecommunications, teleradiology and transcription services, with additional categories expected to benefit in FY 2023

Consolidated statement of profit or loss for the year end 30 June 2022

	NOTE	2022 \$M	2021 \$M
Revenue	3	2,336.2	1,900.7
Other income and gains		0.5	13.5
Employee benefits expense		(951.4)	(848.9)
Property expenses		(53.1)	(59.6)
Consumables		(316.7)	(270.6)
Repairs and maintenance		(30.5)	(29.1)
IT expenses		(48.3)	(42.7)
Insurance		(7.6)	(7.6)
Transaction and digital transformation costs	2	(21.0)	(15.4)
Short-term equipment hire		(35.7)	(8.5)
Other expenses		(126.5)	(129.1)
Depreciation		(44.5)	(38.1)
Depreciation – right of use assets		(219.7)	(195.4)
Amortisation of intangibles		(14.3)	(13.8)
Earnings before interest and tax		467.4	255.4
Finance costs	4	(50.5)	(87.6)
Profit before tax		416.9	167.8
Income tax expense	5	(122.9)	(101.5)
Profit for the year from continuing operations		294.0	66.3
Gain/(loss) for the year from discontinued operations	21	13.9	(22.6)
Profit for the year		307.9	43.7
Attributable to:			
Equity holders of Healius Limited		307.9	43.7

Notes to the financial statements are included on pages 17 to 31.

Consolidated statement of other comprehensive income for the year end 30 June 2022

	2022 \$M	2021 \$M
Profit for the year	307.9	43.7
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value gain/(loss) on cash flow hedges	0.8	(1.8)
Reclassification adjustments relating to realised cash flow hedges for amounts recognised in profit or loss	5.3	7.8
Reclassification adjustments relating to ineffective cash flow hedges	-	11.3
Exchange differences arising on translation of foreign operations	-	(0.4)
Income tax relating to items that may be reclassified subsequently to profit or loss	(1.8)	(5.2)
Other comprehensive income for the year, net of income tax	4.3	11.7
Total comprehensive income for the year	312.2	55.4

Notes to the financial statements are included on pages 17 to 31.

Consolidated statement of financial position as at 30 June 2022

	NOTE	30 JUNE 2022 \$M	30 JUNE 2021 \$M
Current assets			
Cash	20 (a)	81.3	70.1
Receivables	7	241.3	199.8
Consumables		49.2	35.9
Assets held for sale		-	25.1
Total current assets		371.8	330.9
Non-current assets			
Goodwill	8	2,344.3	2,042.3
Right of use assets	12	1,074.9	1,087.2
Property, plant and equipment	9	196.0	157.7
Other intangible assets	10	75.2	76.3
Other financial assets		5.8	5.6
Deferred tax asset		68.8	82.2
Total non-current assets		3,765.0	3,451.3
Total assets		4,136.8	3,782.2
Current liabilities			
Payables	13	169.6	195.5
Deferred consideration	14	5.7	38.9
Tax liabilities		67.3	46.8
Provisions	15 (a)	175.0	165.7
Lease liabilities	11	223.7	224.4
Liabilities held for sale		-	13.4
Total current liabilities		641.3	684.7
Non-current liabilities			
Provisions	15 (b)	18.6	28.9
Interest bearing liabilities	16	606.1	258.1
Lease liabilities	11	949.2	953.2
Total non-current liabilities		1,573.9	1,240.2
Total liabilities		2,215.2	1,924.9
Net assets		1,921.6	1,857.3
Equity			
Issued capital	17	2,422.9	2,575.6
Treasury shares	18	-	(3.6)
Reserves		19.9	16.9
Accumulated losses		(521.2)	(731.6)
Total equity		1,921.6	1,857.3

Notes to the financial statements are included on pages 17 to 31.

Consolidated statement of changes in equity for the year ended 30 June 2022

\$M	ISSUED CAPITAL	TREASURY SHARES	CASH FLOW HEDGE RESERVE	SHARE-BASED PAYMENTS RESERVE	OTHER RESERVES	ACCUMULATED LOSSES	TOTAL
Balance at 1 July 2021	2,575.6	(3.6)	(4.5)	22.1	(0.7)	(731.6)	1,857.3
Profit for the year	–	–	–	–	–	307.9	307.9
Fair value gain on cash flow hedges	–	–	0.8	–	–	–	0.8
Reclassification adjustments relating to realised cash flow hedges recognised in profit or loss	–	–	5.3	–	–	–	5.3
Income tax relating to components of other comprehensive income	–	–	(1.8)	–	–	–	(1.8)
Total comprehensive income	–	–	4.3	–	–	307.9	312.2
Buy-back of shares (Note 17 & 18)	(135.8)	–	–	–	–	–	(135.8)
Shares issued via Non-executive Director (NED) Share Plan	0.2	–	–	–	–	–	0.2
Payment of dividends	–	–	–	–	–	(98.1)	(98.1)
Shares purchased for Long Term Incentive Plan	(22.1)	–	–	–	–	–	(22.1)
Share based payments	–	–	–	7.9	–	–	7.9
Transfers	5.0	3.6	–	(9.2)	–	0.6	–
Balance at 30 June 2022	2,422.9	–	(0.2)	20.8	(0.7)	(521.2)	1,921.6

Notes to the financial statements are included on pages 17 to 31.

Consolidated statement of changes in equity for the year ended 30 June 2022

\$M	ISSUED CAPITAL	TREASURY SHARES	CASH FLOW HEDGE RESERVE	SHARE-BASED PAYMENTS RESERVE	OTHER RESERVES	ACCUMULATED LOSSES	TOTAL
Balance at 1 July 2020	2,672.3	–	(16.6)	13.5	(0.3)	(737.6)	1,931.3
Profit for the year	–	–	–	–	–	43.7	43.7
Exchange differences arising on translation of foreign operations	–	–	–	–	(0.4)	–	(0.4)
Fair value loss on open cash flow hedges	–	–	(1.8)	–	–	–	(1.8)
Reclassification adjustments relating to realised cash flow hedges recognised in profit or loss	–	–	7.8	–	–	–	7.8
Reclassification adjustments relating to ineffective cash flow hedges	–	–	11.3	–	–	–	11.3
Income tax relating to components of other comprehensive income	–	–	(5.2)	–	–	–	(5.2)
Total comprehensive income	–	–	12.1	–	(0.4)	43.7	55.4
Buy-back of shares (Note 17 & 18)	(97.4)	(3.6)	–	–	–	–	(101.0)
Shares issued via Short Term Incentive Plan	0.7	–	–	(0.7)	–	–	–
Payment of dividends	–	–	–	–	–	(40.2)	(40.2)
Share based payments	–	–	–	11.8	–	–	11.8
Transfers	–	–	–	(2.5)	–	2.5	–
Balance at 30 June 2021	2,575.6	(3.6)	(4.5)	22.1	(0.7)	(731.6)	1,857.3

Notes to the financial statements are included on pages 17 to 31.

Consolidated statement of cash flows for the year ended 30 June 2022

	NOTE	2022 \$M	2021 \$M
Cash flows from operating activities			
Receipts from customers		2,456.2	2,129.6
Payments to suppliers and employees		(1,779.1)	(1,557.7)
Gross cash flows from operating activities		677.1	571.9
Net income tax paid		(90.3)	(46.0)
Net cash provided by operating activities	20 (b)	586.8	525.9
Cash flows from investing activities			
Proceeds from sale of business (net of cash disposed)		28.2	459.3
Payment for property, plant and equipment		(81.4)	(48.4)
Payment for business acquired (net of cash received) – Agilex Biolabs	22	(290.7)	-
Payment for business acquired (net of cash received) – Axis Diagnostics	22	(12.6)	-
Payments for earn out, settlement and deferred consideration		(36.8)	-
Payment for Imaging healthcare professionals		-	(0.7)
Payment for Pathology healthcare practices and subsidiaries		-	(1.5)
Payment for other intangibles		(12.1)	(12.9)
Proceeds from the sale of property, plant and equipment and intangibles		3.7	1.1
Payment for Medical Centres healthcare professionals – discontinued operations		-	(5.3)
Payment for Medical Centres practices and subsidiaries – discontinued operations		-	(4.7)
Net cash (used in)/from investing activities		(401.7)	386.9
Cash flows from financing activities			
Finance costs on interest bearing liabilities		(13.0)	(21.9)
Interest paid on ineffective hedge close out		-	(11.3)
Interest paid on lease liabilities		(35.0)	(39.5)
Interest received		-	0.5
Payments for buyback of shares		(139.4)	(97.4)
Shares purchased for Long Term Incentive Plan		(22.1)	-
Net proceeds from/(repayment of) borrowings		345.6	(555.7)
Payment of lease liabilities		(214.5)	(203.1)
Dividends paid		(98.1)	(56.3)
Net cash used in financing activities		(176.5)	(984.7)
Net increase/(decrease) in cash held		8.6	(71.9)
Cash at the beginning of the year	20 (a)	72.7	144.5
Effect of exchange rate movements on cash held in foreign currencies		-	0.1
Cash at the end of the year	20 (a)	81.3	72.7

Notes to the financial statements are included on pages 17 to 31.

1. SIGNIFICANT ACCOUNTING POLICIES

Healius Limited (Healius), is a for-profit entity domiciled in Australia. These financial statements represent the consolidated financial statements of Healius for the financial year ended 30 June 2022 and comprise Healius and its subsidiaries (together referred to as "the consolidated entity" or "the Group").

Statement of compliance

The preliminary financial report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. This preliminary financial report does not include all the notes included with the annual financial report.

Basis of preparation

This 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.

The accounting policies and methods of computation adopted in the preparation of the preliminary financial report are consistent with those adopted and disclosed in the Group's annual report for the financial year ended 30 June 2021. These accounting policies are consistent with Australian Accounting Standards and International Financial Reporting Standards.

New and amended standards adopted

There are no new accounting standards or interpretations that are applicable for the first time in financial year 2022 which have a material impact on the disclosures or amounts recognised in the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Rounding of amounts

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

Comparative information

Where necessary, comparative amounts have been reclassified and repositioned for consistency with current period disclosures. Further details on the nature and reason for amounts that have been reclassified and repositioned for consistency with current period disclosures, where considered material, are referred to separately in the preliminary financial report or notes thereto.

2. SEGMENT INFORMATION

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

OPERATING SEGMENT	ACTIVITY
Pathology	Provider of pathology services, including specialty pathology and clinical trials.
Imaging	Provider of imaging and scanning services from stand-alone imaging sites, hospitals and medical centres.
Day Hospitals	Operator of day hospitals.
Other	Comprises corporate functions.

The Group operates predominantly in Australia.

Intersegment

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

Presentation of segment revenue and results

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

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

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

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

2. SEGMENT INFORMATION (CONTINUED)

Underlying results

2022	PATHOLOGY \$M	IMAGING \$M	DAY HOSPITALS \$M	OTHER \$M	TOTAL CONTINUING OPERATIONS \$M
Segment revenue	1,890.4	393.9	48.7	6.5	2,339.5
Intersegment sales					(1.8)
Total revenue					2,337.7
EBITDA ¹	698.4	79.7	12.6	(19.9)	770.8
Depreciation	(21.2)	(16.2)	(3.0)	(4.1)	(44.5)
Amortisation of intangibles	(7.2)	(3.1)	-	(4.0)	(14.3)
Depreciation – right of use assets	(171.6)	(41.3)	(4.3)	(2.5)	(219.7)
EBIT²	498.4	19.1	5.3	(30.5)	492.3

2021	PATHOLOGY \$M	IMAGING \$M	DAY HOSPITALS \$M	OTHER \$M	TOTAL CONTINUING OPERATIONS \$M
Segment revenue	1,452.1	406.9	49.5	6.8	1,915.3
Intersegment sales					(2.2)
Total revenue					1,913.1
EBITDA ¹	428.3	84.5	15.5	(14.5)	513.8
Depreciation	(20.8)	(10.7)	(2.7)	(3.9)	(38.1)
Amortisation of intangibles	(7.3)	(2.8)	-	(3.7)	(13.8)
Depreciation – right of use assets	(147.4)	(40.1)	(3.8)	(4.1)	(195.4)
EBIT²	252.8	30.9	9.0	(26.2)	266.5

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

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

2. SEGMENT INFORMATION (CONTINUED)

Reconciliation of underlying segment revenue to reported revenue

	SEGMENT RESULT	
	2022 \$M	2021 \$M
Total underlying segment revenue from continuing operations	2,337.7	1,913.1
Reclassification of grant income from revenue to other income	-	(9.8)
Transactions with discontinued operations	(1.5)	(2.6)
Total reported revenue (Note 3)	2,336.2	1,900.7

Reconciliation of underlying segment result to reported profit before tax

	SEGMENT RESULT	
	2022 \$M	2021 \$M
Underlying results from continuing operations before tax	492.3	266.5
Strategic initiatives and other significant non-recurring items	(21.0)	(15.4)
Transactions with discontinued operations	(3.9)	4.3
Reported EBIT	467.4	255.4
Finance cost	(50.5)	(87.6)
Reported profit before tax	416.9	167.8

3. REVENUE

	2022 \$M	2021 \$M
Trading revenue	2,336.2	1,900.7

4. EXPENSES

Finance costs

	2022 \$M	2021 \$M
Interest cost from FY2003 to FY2007 tax case	-	23.6
Interest expense	12.8	17.4
Interest on lease liabilities	35.0	34.0
Unwinding of discounting on provisions	-	1.1
Ineffective cash flow hedges	-	7.6
Amortisation of borrowing costs	2.7	3.9
	50.5	87.6

For more information on the interest benefit from FY2003 to 2007 tax case, refer to Note 5.

5. INCOME TAX EXPENSE

	2022 \$M	2021 \$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	416.9	167.8
Income tax calculated at 30% (2021: 30%)	125.1	50.3
Tax effect of non-temporary differences:		
Share related expense/(benefit)	(4.2)	4.1
Non-deductible acquisition costs	1.6	
Other items	0.3	1.7
	(2.3)	5.8
2003/07 tax objection ¹	-	46.6
Under/(over) provision in prior years	0.1	(1.2)
Income tax expense	122.9	101.5

¹ATO objection decisions – years 2003–2007

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

The Commissioner appealed the Federal Court of Australia's decision and on 9 October 2020 the Full Federal Court decided in favour of the Commissioner. On 6 November 2020 Healius applied for special leave to appeal the Full Court's decision, however on 4 March 2021 the High Court of Australia dismissed the special leave application. Healius therefore reversed the income tax benefit and tax receivable of \$46.6m and associated interest receivable of \$23.6m (less \$7.1m tax) in its 30 June 2021 financial statements.

6. EARNINGS PER SHARE

Basic and diluted earnings per share

EARNINGS	2022 \$M	2021 \$M
The earnings used in the calculation of basic and diluted earnings per share are the same and can be reconciled to the consolidated statement of profit or loss as follows:		
Profit for the year from continuing operations	294.0	66.3
Profit attributable to equity holders of Healius Limited	307.9	43.7

EARNINGS PER SHARE	2022 CENTS	2021 CENTS
Basic earnings per share	52.8	7.1
Basic underlying earnings per share	53.0	24.0
Diluted earnings per share	52.0	7.0
Diluted underlying earnings per share	52.3	23.7

Any share options and performance rights on issue are contingently issuable shares. They are included in the calculation of diluted earnings per share only when the performance conditions have been met.

7. RECEIVABLES

	2022 \$M	2021 \$M
Measured at amortised cost		
Current		
Trade receivables	199.5	170.6
Allowance for expected credit losses	(22.0)	(23.1)
	177.5	147.5
Prepayments	21.6	15.7
Accrued revenue	36.3	33.9
Other receivables	5.9	2.7
	241.3	199.8

8. GOODWILL

	2022 \$M	2021 \$M
Carrying value		
Opening balance	2,042.3	2,040.2
Acquisition of businesses	302.0	2.1
Closing balance	2,344.3	2,042.3
Impairment tests		
Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:		
Pathology	1,876.1	1,589.0
Imaging	371.5	356.6
Montserrat	96.7	96.7
	2,344.3	2,042.3

The accounting for the acquisition of Agilex Biolabs Pty Ltd (note 22) has not yet been finalised, however the Group has allocated the estimated value of goodwill arising from this acquisition to the Pathology CGU on a provisional basis.

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

In its impairment assessment, the Group determines the recoverable amount based on a fair value less costs of disposal calculation, under a five-year discounted cash flow model cross checked to available market data. The five-year discounted cash flow uses:

- year one cash flows derived from the financial year 2023 (FY23) Board approved budget; and
- for financial years 2024 – 2027, growth rates have been determined with reference to historical company experience, industry data and a long-term growth rate consistent with historic industry trend levels.

The Board approved budget for FY23 takes into account the Group's view with regards to the potential economic impacts of COVID-19 on the business.

9. PROPERTY, PLANT AND EQUIPMENT

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

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

10. OTHER INTANGIBLE ASSETS

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

2021 \$M	IT SOFTWARE	LICENCES	INTANGIBLES UNDER CONSTRUCTION	TOTAL
Net book value				
Opening balance	63.1	9.9	6.3	79.3
Additions	4.0	-	8.2	12.2
Capitalisation of intangible assets under construction	11.1	-	(11.1)	-
Disposals	(0.3)	(0.1)	(0.6)	(1.0)
Amortisation expense	(13.3)	(0.8)	-	(14.1)
Transfer to asset held for sale	(0.1)	-	-	(0.1)
Closing balance	64.5	9.0	2.8	76.3
Cost	146.9	40.3	2.8	190.0
Accumulated amortisation and impairment	(82.4)	(31.3)	-	(113.7)
Closing balance	64.5	9.0	2.8	76.3

11. LEASE LIABILITIES

	2022 \$M	2021 \$M
Opening balance	1,177.6	937.8
New leases and remeasurement of leases during the year	208.8	439.8
Interest	35.0	34.4
Payments	(248.5)	(225.5)
Transfer to liabilities held for sale	-	(8.9)
Closing balance	1,172.9	1,177.6
Presented as:		
Current lease liabilities	223.7	224.4
Non-current lease liabilities	949.2	953.2
Total lease liabilities	1,172.9	1,177.6

12. RIGHT OF USE ASSETS

	2022 \$M	2021 \$M
Opening balance	1,087.2	876.9
New leases and remeasurement of leases during the year	207.4	414.7
Depreciation	(219.7)	(196.4)
Transfer to assets held for sale	-	(8.0)
Closing Balance	1,074.9	1,087.2

13. PAYABLES

	2022 \$M	2021 \$M
Current		
Trade payables and accruals	169.6	195.5
Total payables	169.6	195.5

14. DEFERRED CONSIDERATION

	2022 \$M	2021 \$M
Current		
Montserrat Day Hospitals	-	36.0
Other deferred consideration	5.7	2.9
Total current deferred consideration	5.7	38.9

15. PROVISIONS

	2022 \$M	2021 \$M
(a) Current		
Provision for employee benefits	134.7	129.3
Self-insurance provision	5.9	6.4
Make good provision	3.3	0.6
Other current provisions	31.1	29.4
	175.0	165.7
(b) Non-current		
Provision for employee benefits	10.1	12.0
Self-insurance provision	7.1	6.4
Make good provision	1.4	4.0
Other non-current provisions	-	6.5
	18.6	28.9

16. INTEREST BEARING LIABILITIES

	2022 \$M	2021 \$M
Non-current		
Gross bank loans	610.0	260.0
Refinancing valuation adjustment	0.1	0.5
Unamortised borrowing costs	(4.0)	(2.4)
Closing Balance	606.1	258.1

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

	2022 \$M	2021 \$M
Financing facilities		
Non-current		
<i>Unsecured Syndicated Debt Facilities</i>		
Amount used	610.0	260.0
Amount unused	390.0	340.0
Closing balance	1,000.0	600.0

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

17. ISSUED CAPITAL

	2022 NO. OF SHARES 000'S	2021 NO. OF SHARES 000'S	2022 \$M	2021 \$M
Opening balance	599,446	622,743	2,575.6	2,672.3
Shares issued via Short Term Incentive Plan	-	265	-	0.7
Shares issued via Non-Executive Director (NED) Share Plan	62	14	0.2	-
Shares issued via Long Term Incentive Plan	4,391	-	8.6	-
Own shares acquired for 2019 LTIP	(4,391)	-	(22.1)	-
Own shares acquired during buy back	(29,529)	(23,576)	(135.8)	(97.4)
Treasury shares cancelled	(772)	-	(3.6)	-
Closing balance	569,207	599,446	2,422.9	2,575.6

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 2022, the company had 36,394,239 (2021: 36,394,239) share options on issue, exercisable on a 1:1 basis for 36,394,239 (2021: 36,394,239) ordinary shares of Healius at an exercise price of \$3.05. The share options will vest between July 2022 and July 2024 subject to the satisfaction of applicable service and performance conditions and carry no rights to dividends and no voting rights.

Rights on issue

As at 30 June 2022, the company had 228,341 (2021: nil) service rights on issue, exercisable on a 1:1 basis for 228,341 (2021: nil) ordinary shares of Healius at an exercise price of \$nil.

As at 30 June 2022, the company had 5,549,056 (2021: 9,731,935) performance rights on issue, exercisable on a 1:1 basis for 5,549,056 (2021: 9,731,935) ordinary shares of Healius at an exercise price of \$nil. The performance rights will vest between July 2022 and October 2023 subject to the satisfaction of applicable service and performance conditions and carry no rights to dividends and no voting rights.

As at 30 June 2022, the company had 35,140 (2021: 22,257) Non-Executive Director (NED) share rights on issue, exercisable on 1:1 basis for 35,140 (2021: 22,257) ordinary shares of Healius at an exercise price of \$nil.

Restricted shares on issue

As at 30 June 2022, the company had 76,024 (2021: 13,627) restricted shares on issue, exercisable on a 1:1 basis for 76,024 (2021: 13,627) ordinary shares of Healius at an exercise price of \$nil.

18. TREASURY SHARES

	2022 NO. OF SHARES 000'S	2021 NO. OF SHARES 000'S	2022 \$M	2021 \$M
Opening balance	772	-	3.6	-
Own shares acquired under buy back	-	772	-	3.6
Shares cancelled	(772)	-	(3.6)	-
Closing balance	-	772	-	3.6

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

19. DIVIDENDS ON EQUITY INSTRUMENTS

	2022 CENTS PER SHARE	2021 CENTS PER SHARE	2022 \$M	2021 \$M
Recognised amounts				
Final dividend – previous financial year	6.75	-	40.2	-
Interim dividend – this financial year	10.00	6.50	57.9	40.2
	16.75	6.50	98.1	40.2
Unrecognised amounts				
Final dividend – this financial year	6.0	6.75	34.2	40.2

In respect of FY 2022:

- a final dividend of 6.75 cents per share (100% franked) was paid with regards to the year ended 30 June 2021 on 8 October 2021.
- an FY22 interim dividend of 10 cents per share (100% franked) was paid to the holders of fully paid ordinary shares on 5 April 2022.

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

FRANKING ACCOUNT	2022 \$M	2021 \$M
Closing balance as at 30 June	194.4	125.6

20. NOTES TO THE STATEMENT OF CASH FLOWS

	NOTE	2022 \$M	2021 \$M
(a) Reconciliation of cash			
For the purpose of the statement of cash flows, cash includes cash on hand and in banks.			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:			
Cash as disclosed in statement of financial position		81.3	70.1
Cash classified as asset held for sale		-	2.6
Cash as disclosed in the Group statement of cash flows		81.3	72.7
(b) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities			
Profit for the year		307.9	43.7
Finance costs		50.7	99.2
Depreciation of plant and equipment		44.5	39.8
Depreciation of right of use asset		219.7	196.4
Amortisation of HCP upfronts		2.4	12.8
Amortisation of intangibles		14.3	14.1
Share-based payment expense		7.9	11.8
Gain on sale of Adora	21 (b)	(16.5)	-
Deferred consideration		-	3.0
Loss on sale of Healius Primary Care	21	-	8.3
Gain on derecognition of ROU asset		(0.5)	(5.2)
Loss on sale of PP&E and intangibles		0.3	1.0
Net exchange differences		-	0.2
Other non-cash items		(1.3)	-
Increase/(decrease) in:			
Trade payables and accruals		(36.4)	(56.8)
Provisions		2.5	34.4
Deferred revenue		2.8	(0.8)
Income tax and deferred taxes		33.9	86.8
Decrease/(increase) in:			
Consumables		(12.4)	(8.9)
Receivables and prepayments		(33.0)	46.1
Net cash provided by operating activities		586.8	525.9

Non-cash investing and financing

During the financial year Nil (2021: 265,634) shares were issued pursuant to the Short-Term Incentive Plan. These transactions are not reflected in the cash flow statement.

Financing facilities

Details of financing facilities available to the Group are provided at Note 16.

21. DISCONTINUED OPERATIONS

(a) Healius Primary Care (HPC)

The Group sold HPC on 23 November 2020. The profit and loss impact of the disposal on the results to 30 June 2022 includes the income and costs incurred in relation to the Transitional Services Agreement that the Group has with HPC.

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

In May 2021 Healius announced its intention to divest Adora and issued an Information Memorandum to interested parties. Consequently, Adora was accounted for as a discontinued operation in the 2021 financial year.

On 24 March 2022, the Group entered into a binding sale agreement with Liverpool Partners to sell Adora. The sale completed on 1 June 2022. The results of the business up until this date have been presented in the results from discontinued operations in the 2022 financial year.

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

	2022 \$M	2021 \$M
Revenue and other gains	27.6	134.8
Expenses	(28.7)	(130.4)
Earnings before interest, tax and impairment	(1.1)	4.4
Finance costs	(0.2)	(11.6)
Loss before tax and impairment	(1.3)	(7.2)
Impairment loss recognised on the remeasurement to fair value less costs to sell	-	(2.3)
Profit/(loss) on sale	16.5	(8.3)
Profit/(loss) before tax from discontinued operations	15.2	(17.8)
Income tax expense	(1.3)	(4.8)
Profit/(loss) from discontinued operations	13.9	(22.6)

The net cash flows of discontinued operations are:

	2022 \$M	2021 \$M
Operating	4.7	28.8
Investing	28.0	(16.5)
Financing	(1.0)	5.3
Net cash inflow	31.7	17.6

The profit/(loss) per share attributable to discontinued operations is as follows:

	2022 Cents	2021 Cents
Basic profit/(loss) per share from discontinued operations	2.4	(3.7)
Diluted profit/(loss) per share from discontinued operations	2.3	(3.6)

22. BUSINESSES ACQUIRED

Axis Diagnostic Holdings Pty Ltd

On 1 July 2021 the Group acquired 100% of the issued capital of Axis Diagnostic Holdings Pty Ltd, the parent entity of the Axis Group ('Axis'). Axis is a high-quality Queensland-based imaging business. The acquisition accounting for Axis has been finalised. The fair values of the identifiable assets and liabilities, as at the date of acquisition, are presented below.

Agilex Biolabs Pty Ltd

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

The provisional goodwill amount of \$286.7 million is attributable to the expected benefits arising from the acquisition, workforce, access to new markets and the potential for future growth.

The initial accounting for the Agilex business combination has been performed on a provisional basis because the identification and fair value measurement of the assets and liabilities remains ongoing. The provisional fair values of the identifiable assets and liabilities, as at the date of acquisition, are presented below.

	AXIS \$M	AGILEX \$M
Current assets	0.6	10.4
Non-current assets	1.6	19.2
Current liabilities	(0.8)	(11.0)
Non-current liabilities	(0.1)	(12.5)
Total identifiable net assets at fair value	1.3	6.1
Goodwill arising on acquisition	14.9	286.7
Total consideration	16.2	292.8
Less: Deferred consideration	(3.3)	-
Add: Purchase price adjustments	-	0.2
Cash paid to vendors on acquisition	12.9	293.0
Less: Cash acquired	(0.3)	(2.3)
Net cash transferred on acquisition	12.6	290.7

23. SUBSEQUENT EVENTS

Since the end of the reporting period the Group has decided to sell the Day Hospital business in its entirety. The sale process was initiated in July 2022 when an Information Memorandum was distributed to potential buyers and is expected to be completed in the 2023 financial year.

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

24. NET TANGIBLE LIABILITY BACKING

	2022 \$	2021 \$
Net tangible liability backing per share	(0.97)	(0.56)

Net tangible liability backing is calculated based upon net assets excluding goodwill, deferred taxation and other intangible assets.

This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

Identify other standards used

NIL

This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

This report gives a true and fair view of the matters disclosed.

This report is based on accounts to which one of the following applies.

(Tick one)

☐ The accounts have been audited.

☐ The accounts have been subject to review.

☒ The accounts are in the process of being audited.

☐ The accounts have *not* yet been audited or reviewed.

If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately they are available.

The entity has a formally constituted audit committee.

Sign here:

Date: 30 August 2022



(Director)

Print name: Malcolm Parmenter