Healius Limited

Appendix 4D – Half-Year Report

Results for announcement to the market

For the Half-Year ended 31 December 2020

This half-year report should be read in conjunction with the 30 June 2020 annual financial report of Healius Limited.

Healius Limited

Appendix 4D – Half-Year Report

Results for announcement to the market

For the Half-Year ended 31 December 2020

$m	% Change	31 December 2020 Total	31 December 2019 Total
Revenue from continuing operations	+15.7%	**943.8**	815.9
Profit for the period after tax from continuing operations	+1.2%	**73.8**	72.9
Profit for the period	-5.3%	**62.8**	66.3
Underlying profit for the period after tax [1]	+189.7%	**75.6**	26.1

Earnings per share	2020 ¢ per share	2019 ¢ per share
Basic and diluted earnings per share from continuing and discontinued operations	**10.1**	10.7
Basic and diluted earnings per share from continuing operations	**11.8**	11.7
Underlying basic and diluted earnings per share	**12.1**	4.2
Interim dividend [2, 3]	**6.5**	2.6

[1] Underlying profit excludes the impact of restructuring and strategic initiatives, non-recurring items and tax case. A full reconciliation between statutory profit and underlying profit is contained in the segment information note on pages 30-32 of this Healius Limited interim financial report for the period ended 31 December 2020.
[2] The 31 December 2020 interim dividend will be 100% franked at the corporate income tax rate (2019: 100% franked at the corporate income tax rate).
[3] The record date for determining entitlement to the interim dividend is 26 March 2021 and the dividend is payable on 15 April 2021.

Attachment A- Interim Financial Report
For the Half- Year ended 31 December 2020

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Your Directors present their report on the consolidated entity consisting of Healius Limited and the entities it controlled (referred to as "Healius", "the Company", or "the Group") at the end of, or during, the half-year ended 31 December 2020.

Directors

The Directors of Healius during the half-year ended 31 December 2020 and up to the date of this report were:

- Mr Gordon Davis
- Ms Sally Evans
- Mr Robert Hubbard
- Dr Paul Jones
- Dr Malcolm Parmenter
- Ms Arlene Tansey (until 22 October 2020)
- Ms Jenny Macdonald (from 2 November 2020)

Review of operations

A Review of Operations of the Group during the half-year ended 31 December 2020, and the results of those operations, can be found on pages 3 to 18 of this Report.

Subsequent events

There has not been any event, matter or circumstance that has arisen since the end of the period 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 periods.

Dividend

In respect of the half-year ended 31 December 2020, an interim dividend of 6.5 cents per share has been determined payable, 100% franked (31 December 2019: 2.6 cents per share, 100% franked).

Non-IFRS financial information

The Review of Operations attached to and forming part of this Directors' Report includes a number of non-IFRS financial measures. These non-IFRS financial measures are used internally by management to assess the performance of Healius' business and make decisions on the allocation of resources.

The Directors have included the additional line items EBITDA (earnings before interest, tax, depreciation and amortisation) and EBIT (earnings before interest and tax) within the Financial Report as such presentation is, in the Directors' view, necessary for and relevant to a full understanding of the Group's financial performance.

Rounding off of amounts

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

Auditor's independence declaration

The Auditor's Independence Declaration is set out on page 19 and forms part of this report.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors

Malcolm Parmenter
Managing Director & Chief Executive Officer

Sydney, 24 February 2021

1H 2021 OVERVIEW

- 16.7% underlying revenue growth vs pcp
- Strong results in Pathology, Day Hospitals and Corporate
- ~190% improvement in underlying earnings, underpinned by robust Pathology volumes
- Imaging result significantly impacted by Victoria lockdown, particularly in Hospital segment
- Interim dividend of 6.5 cents per share
- Strong balance sheet and operating cash flows

GROUP	PATHOLOGY	IMAGING	DAY HOSPITALS/IVF
✓ Specialist diagnostic business with growing Day Hospitals and IVF business ✓ Simplified group structure following sale of Healius Primary Care	✓ Strong revenue growth underpinned by COVID-19 testing and uplift in average fee ✓ Experience is that temporary base business declines are more than offset by COVID-19 testing volumes	✓ Revenue down marginally, despite significant impact of VIC COVID-19 lockdowns ✓ Same sites revenue, excluding VIC, up 6%	✓ Montserrat delivered a strong result, with new hospitals volumes up 33% as they continued to successfully ramp-up ✓ Expected to continue to grow and deliver a good ROIC
✓ Sustainable Improvement Program (SIP) progressing well - $23m of cost savings delivered in 1H 2021 ✓ On track to achieve targeted cost out of $15m following HPC sale ✓ Focus on margin improvement ✓ Strategic capital investment plan with targeted investment for growth	✓ Significant EBIT growth from higher volumes of COVID-19 testing and cost savings from SIP ✓ Growth in specialties - Genetics and Vets EBIT double digit growth	✓ EBIT down due to VIC lockdown, increased consumables, cost of strategic initiatives and upgrading IT ✓ Some SIP savings and controlled capex spend	✓ Healius DSU turnaround under Montserrat management despite impact of VIC lockdown ✓ Positive EBIT after $2.3m loss in pcp
✓ Strong balance sheet and operating cash flows ✓ Minimal debt, substantial liquidity ✓ Gearing of 0.7x and reduction in debt facilities ✓ On-market share buy-back commenced ✓ Flexibility to fund strategic investments	✓ LIS – Performance improvement plan approved, analysis and vendor negotiations progressing ✓ Serum Work Area automation completed in Laverty in NSW and ACT. QML and WDP expected to go live in 2H 2021, and Dorevitch in early FY22 ✓ Network optimisation and ACC rationalisation on track	✓ Successful implementation of core platform, iCAR[1], with delivery of efficiencies continuing ✓ Growth through contract wins in hospital segment, ✓ Network rationalisation in NSW	✓ IVF revenue growth of 17.5% and EBIT of $0.7m (pcp EBIT loss of $1.4m) ✓ Result underpinned by strong volumes, fresh cycles up 6% in NSW and 16% in QLD ✓ Successfully implementing price increases

[1] Imaging Core Application Refresh

GROUP PERFORMANCE

	31 DECEMBER 2020 $M UNDERLYING [2]	31 DECEMBER 2019 $M	31 DECEMBER 2020 $M REPORTED	31 DECEMBER 2019 $M
Total Revenue	953.5	817.4	943.8	815.9
EBIT	136.6	63.3	141.9	43.1
NPAT (continuing operations)	75.6	26.1	73.8	72.9
NPAT (incl, adjustment for discontinued operations)			62.8	66.3

GROUP UNDERLYING RESULTS

In the six months ended 31 December 2020, Healius grew its revenue from continuing operations by 16.7% with strong increases in Pathology and Day Hospitals. The Pathology division conducted over 1.6 million COVID-19 PCR tests during the period, providing critical and flexible COVID-19 testing services across Australia, in addition to its traditional essential testing services. The Group's underlying EBIT grew by $73.3 million (115.8%), with Pathology and Day Hospitals up significantly, offset by a decline in Imaging. Underlying NPAT was up 189.7% with lower corporate costs.

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. Reported results for the six months ended 31 December 2020 also include costs related to investment in strategic initiatives and hedge exit costs following the sale of Healius Primary Care (HPC) and other small one-off items, as set out in detail below in the section titled "Group Reported Results".

SALE OF HEALIUS PRIMARY CARE

The sale of HPC completed in November 2020. When completion accounts are finalised, the Group expects to have received net consideration of $489.2 million, including the entire deferred consideration of $75 million for the Dental business. The sale of HPC is in line with the Group's strategy to streamline the business and focus on its specialist diagnostic and growing Day Hospitals and IVF businesses.

SUSTAINABLE IMPROVEMENT PROGRAM

The Sustainable Improvement Program (SIP) was introduced in 2019 to drive efficiencies in operations and reduce cost-to-serve. Savings in labour, property (through network rationalisation) and consumables continue to be delivered. Initial targeted savings have been achieved ahead of time.

[2] All comments in this review of operations relate to underlying results unless otherwise noted. Underlying results for the six months ended 31 December 2020 exclude the impact of investment in strategic initiatives, hedge exit costs and other one-off items. For a reconciliation and analysis, refer section titled: "Group Reported Results".

In FY 2020, the SIP was extended to focus on structural improvements to drive margin expansion. Management's target is to grow EBIT margin in Pathology and Imaging by 300 bps by FY23. This is to be delivered through four key areas; digitisation, workforce management, network optimisation and sourcing. To achieve these targets, more extensive structural changes including continued simplification of our operating model, technology adoption, and evolving our customer offering is required.

BALANCE SHEET MANAGEMENT

At the end of 1H 2021, Healius delivered an improved balance sheet with gearing and interest ratios well within bank covenants. Liquidity increased significantly to $641.7 million.

Operating cash flow of $251.2 million is more than $90 million above the prior period despite absorbing $63 million of deferred tax payments from FY20 and payments to suppliers relating to higher trade payables at 30 June 2020. Capital expenditure was also carefully controlled.

During the half, proceeds from the sale of HPC were received, strengthening the Group's balance sheet. Healius is well positioned to meet the capital needs of the business going forward, including strategic value-generating investments, sustainable dividend payments and the current share buy-back program.

Healius' liquidity is such that it maintains a significant buffer to manage uncertainties that may arise due to unforeseen economic disruptions.

DIVIDENDS

Taking into consideration the performance of the business, the competing demands of optimal gearing, strategic investments, and payment of dividends to shareholders, the Board has determined that a fully franked interim dividend of 6.5 cents per share is payable, representing a 55% payout ratio. This level was set to preserve flexibility for sustainable dividend growth in future years while more than doubling the dividend paid to our shareholders compared to prior comparable period. It is in line with the recently announced dividend payout ratio of 50%-70% of Reported Net Profit after Tax from continuing operations.

DIVISIONAL RESULTS

The underlying divisional results of the Group are as follows:

1H 2021 $M	PATHOLOGY	IMAGING	DAY HOSPITALS/IVF	CORPORATE	GROUP [3]
Total Revenue	711.4	200.4	41.8	2.3	953.5
EBITDA	209.2	38.8	10.4	(4.8)	253.6
Depreciation	(78.7)	(23.3)	(4.4)	(3.7)	(110.1)
Amortisation	(3.6)	(1.3)	(0.3)	(1.7)	(6.9)
EBIT	126.9	14.2	5.7	(10.2)	136.6

1H 2020 $M	PATHOLOGY	IMAGING	DAY HOSPITALS/IVF	CORPORATE	GROUP
Total Revenue	583.0	201.8	34.4	-	817.4
EBITDA	124.7	46.6	3.2	(7.0)	167.5
Depreciation	(69.1)	(22.2)	(4.1)	(3.2)	(98.6)
Amortisation	(3.0)	(1.1)	(0.2)	(1.3)	(5.6)
EBIT	52.6	23.3	(1.1)	(11.5)	63.3

[3] $2.4 million of inter-company revenue/expenses have been eliminated at the Group level (1H 2020: $1.8 million)

PATHOLOGY

	31 DECEMBER 2020 $M	31 DECEMBER 2019 $M	BETTER/(WORSE) %
Revenue	711.4	583.0	22.0
EBITDA	209.2	124.7	67.8
Depreciation	(78.7)	(69.1)	(13.9)
Amortisation	(3.6)	(3.0)	(20.0)
EBIT	126.9	52.6	141.3
Total capital expenditure	17.4	23.9	27.2

Pathology contributed a strong result for the half reflecting the value of its national network of laboratories and collection centres, significant infrastructure and the in-house expertise of its people. Revenue was up 22% to $711.4 million, reflecting a 10.2% increase in overall volumes and an increase in average fees.

This performance was supported by robust COVID-19 testing volumes with the business conducting more than 1.6 million COVID-19 tests during the half, including more than 800,000 in Victoria. This helped offset the impact of lockdowns on traditional areas of pathology demand, including restrictions on elective surgery, particularly in Victoria.

Overall non-COVID revenue was stable compared with pcp after normalising for increased flu volumes in 1H 2020 and was achieved on a 6% smaller ACC network. The business experienced a reduction in certain test types, likely due to lower GP visitation numbers and the temporary cessation of elective surgeries. Good growth was achieved in some specialty areas, with veterinary testing revenue up 22.8% and genetics testing (largely driven by chromosomal testing) up 14.6%. The average fee increase on non-COVID revenue was 6.1%, driven by increases across all customer account classes.

EBIT rose significantly to $126.9 million. The strong demand for COVID-19 tests and testing locations drove substantially higher collection and consumables expenses. The business was able to effectively manage surges in COVID-19 testing, whilst maintaining the focus on cost control.

As previously advised, Pathology received Government grants in FY20 in return for the ongoing delivery of its essential pathology services including in remote and regional areas, maintenance of staffing levels and remuneration and fee/salary reductions for the Board and senior management. In 1H 2021, an additional $6.3 million was recognised as grant income in connection with its revenue declines in April and May 2020.

STRATEGY

Revenue growth

Looking forward, the division will continue to actively pursue emerging commercial COVID-19 testing opportunities as they arise, for example as the travel industry returns. Healius' substantial infrastructure has already enabled the business to provide testing to a range of organisations including contracts with governments (including COVID testing for the Federal Government in Canberra and with the DHSS in Victoria), and other commercial partners including sporting organisations such as the AFL, mining companies, entertainment companies and consumer testing for travel. Opportunities in specialty testing are also being targeted, with good progress being made in genetics and veterinary revenue which was underpinned by equine testing for racing events.

Network optimisation

Pathology is continuing to right-size its ACC and laboratory network with a focus on improving yield and utilisation. Over 100 sites were closed during the half, with 12 opened.

Digitisation

Pathology is investing in 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, called the Serum Work Area, which covers around 60% of all pathology tests, increasing automation, improving clinical methodologies and lowering cost per test. Implementation for Laverty in New South Wales and ACT is now complete. QML in Queensland went live in December and is on track to be completed in FY21. Western Diagnostic Pathology in Western Australia and the Northern Territory is also on track to go live before the end of FY21 and Dorevitch in Victoria is expected to be completed in early FY22.

- The national Laboratory Information System (LIS) project to enable Healius to standardise processes and conventions, automate the pre-analytical processes (in collection, courier, data entry, and specimen reception areas), increase functionality and better meet referrers' needs.

Digital technology will be a driver of growth for the division, improving digital capability whilst retaining modularity. The division continues to build the product roadmap, evaluating alternative solutions for the LIS modernisation, which includes negotiations with potential vendors.
The division is also developing solutions to extend the lifespan of the current LIS to ensure optionality and allow adequate time to manage implementation of the new system.

IMAGING

	31 DECEMBER 2020 $M	31 DECEMBER 2019 $M	BETTER/(WORSE) %
Revenue	200.4	201.8	(0.7)
EBITDA	38.8	46.6	(16.7)
Depreciation	(23.3)	(22.2)	(5.0)
Amortisation	(1.3)	(1.1)	(18.2)
EBIT	14.2	23.3	(39.1)
Total capital expenditure	4.3	7.2	40.3

Results for the Imaging division in 1H 2021 reflect the impact of the extended COVID-19 lockdown in Victoria, restrictions on elective surgery, opening and ramping up of new sites including Northern NSW LHD hospitals contract, continuing review of community sites to achieve optimum scale and efficiency, delays in the roll-out of iCAR in Victoria due to COVID-19, and costs associated with the implementation of key strategic initiatives.

Revenue was relatively steady, down 0.7%, with growth achieved in all states other than Victoria. Easing of restrictions in Victoria towards the end of the half saw volumes improve, to clear the backlog of elective surgery demand.

Revenue from hospitals grew strongly in all states excluding Victoria, with a highlight being the continued ramp up of the Northern Beaches Hospital in Sydney which is now performing above expectations. Several other hospital contracts were successfully renewed during the half, including the Northern NSW Local Health District at Tweed Heads (extended to also cover Lismore and Grafton Base hospitals).

As part of the sale of Healius Primary Care, long-term contracts were agreed with BGH for Imaging sites within their medical centres.

Divisional EBIT declined 39.1% to $14.2 million, significantly impacted by the COVID-19 lockdown in Victoria which was in place from July to October. Victoria has historically been the division's strongest earnings contributor and is where the division has a large number of hospital contracts. The result in Victoria was also impacted by the increased costs of direct COVID-19 related PP&E and consumables, plus an inability to reduce labour costs due to requirements to maintain staffing levels and social distancing in Hospitals.

STRATEGY

Looking forward, the SIP is fundamental to the Imaging strategy to deliver sustained value growth. The business is focused on growing and leveraging its position in the hospital segment and building on its service excellence and relationships with key hospital providers and local area health authorities. There are a number of tenders ongoing in this channel.

Imaging also continues its investment in large-scale, high-end comprehensive practices with the opening of the St George Specialist Centre (Kogarah, NSW) in late FY 2020, and the new South Tweed and Orange Bloomfields locations due to open in 2H 2021.

The Imaging Core Application Refresh (iCAR) roll-out has provided the division with a standard technology platform across its network. This infrastructure not only enables the business to leverage data to drive operational efficiencies and savings, but also sets the platform on which the business can use technology to improve the way it interacts with referrers and their patients.

In 2H 2021 the business will be launching a large-scale deployment of AI-reading assistance to radiologists to support the screening of tuberculosis for immigration purposes. This will improve the turnaround time and efficiency of our radiologists.

Imaging continues to pursue opportunities to improve its returns through network optimisation, with 11 underperforming sites closed in the last 12 months.

The division also continues to evaluate selective M&A opportunities where greater network synergies can be captured and explore value-generating inorganic investment opportunities.

DAY HOSPITALS/IVF

This division includes Montserrat, Healius Day Hospitals and IVF.

31 DECEMBER 2020 $M	MONTSERRAT	HEALIUS DAY HOSPITALS	IVF	DAY HOSPITALS TOTAL
Revenue	22.7	7.7	11.4	41.8
EBITDA	8.1	0.6	1.7	10.4
Depreciation	(3.1)	(0.4)	(0.9)	(4.4)
Amortisation	(0.2)	0.0	(0.1)	(0.3)
EBIT	4.8	0.2	0.7	5.7
Total capital expenditure	1.9	0.1	0.4	2.4

31 DECEMBER 2019 $M	MONTSERRAT	HEALIUS DAY HOSPITALS	IVF	DAY HOSPITALS TOTAL
Revenue	18.1	6.6	9.7	34.4
EBITDA	5.5	(1.7)	(0.6)	3.2
Depreciation	(2.8)	(0.6)	(0.7)	(4.1)
Amortisation	(0.1)	(0.0)	(0.1)	(0.2)
EBIT	2.6	(2.3)	(1.4)	(1.1)
Total capital expenditure	1.0	0.0	0.0	1.0

Montserrat Day Hospitals

In 1H 2021, Montserrat delivered $22.7 million of revenue, an increase of 25.4% over 1H 2020. Montserrat traded strongly throughout the half, with revenue increasing primarily due to the ramp-up of its four new facilities, including Brisbane's multi-specialist Westside Private Hospital which achieved a new activity record in November. Overall, volumes were up 14% vs pcp, with the four new facilities up 33%.

Montserrat achieved EBITDA of $8.1 million, a 47% increase on pcp due to strong volumes and good cost management.

The business accessed $1.3 million in JobKeeper from the Federal Government for some of its hospitals, however Healius has decided that these JobKeeper payments will be repaid to the Government in 2H 2021.

Healius Day Hospitals

Healius Day Hospitals revenue increased 16.7% in 1H 2021 vs pcp, despite being impacted by the Victorian lockdown and COVID-related elective surgery restrictions. Importantly, the business traded at break-even with an EBIT of $0.2 million for the half, benefitting from operating improvements under Montserrat management.

Healius Day Hospitals accessed various State Governments' Viability Guarantee agreements totalling $0.8 million during the half.

IVF – Adora Fertility

Healius' IVF business, Adora Fertility, grew revenue by 17.5% to $11.4 million, despite the impact of the Victorian lockdown. The business saw strong growth in fresh cycles in NSW up 6%, and Queensland up 16%.

Adora achieved EBIT of $0.7 million (pcp EBIT loss $1.4 million). This important turnaround in contribution is due to improved volumes and price initiatives.

STRATEGY

Montserrat Day Hospitals

Montserrat operates in a sector where advancements in medicine and technology and on-going cost pressures are moving patients away from high-cost overnight hospitals into day hospitals. Montserrat's flagship hospital, Westside Private Hospital in Brisbane, has equivalent high-level facilities to the Ambulatory Surgical Centres in the USA, which perform same-day outpatient surgical care and have become an integral part of that country's healthcare system.

Australia is lagging other developed markets in the shift towards day surgeries. Cancer treatments, cardiology, and orthopaedic procedures are projected to grow strongly in the outpatient setting, reducing hospital costs and improving clinical outcomes in a day hospital setting. The interest from private health insurers and governments in potential new models of care remains strong, with many patients also showing preference for short-stay settings.

As a leading player with a scalable platform in a fragmented industry, Montserrat is focused on further growth through the ramp up of its four new sites. The division is also exploring selective M&A, as well as greenfield and brownfield growth opportunities.

Healius Day Hospitals

The business is making good progress in its turnaround from loss-making into profit. This is being achieved by integrating the Healius Day Hospitals into Montserrat, unifying management and branding, and improving margins by merging supply chains and billing systems, seeking opportunities for business development and improved labour management.

IVF

As a value-based provider, the business is focused on delivering a profitable contribution to the Group. It will continue to optimise its service model through digitising delivery activities, growing brand awareness and monetising selective services to increase revenue per cycle. IVF has also upgraded capacity in Western Australia to meet expected demand where it holds ~30% market share.

CORPORATE

UNDERLYING	1H 2021 $M	1H 2020 $M	BETTER/(WORSE) %
Revenue	2.3	0.0	n.a.
EBITDA	(4.8)	(7.0)	31.4
Depreciation	(3.7)	(3.2)	(15.6)
Amortisation	(1.7)	(1.3)	(30.8)
EBIT	(10.2)	(11.5)	11.3
Total capital expenditure	3.4	7.1	(52.1)

Our Corporate function includes the management of centralised support services for the Group where those functions benefit from scale, and core corporate costs including strategy, capital and stakeholder management, group finance and treasury, Board costs and executive incentives. Amounts are allocated to the divisions in the form of an overhead charge based on headcount, footprint, and usage.

In 1H 2021, net corporate costs were lower due to the impact of a comprehensive program of initiatives to right-size the support cost base across the Group following the sale of HPC, offset by significant cost growth in Directors and Officers Insurance.

Revenue in the period principally relates to rental income from a small number of medical centres which were not sold as part of the divestment of HPC, but from which HPC, Healius Day Hospitals and IVF continue to operate. This income is offset by a corresponding increase in property costs.

DISCONTINUED OPERATIONS: HEALIUS PRIMARY CARE

As noted above, in November 2020, Healius completed the sale of its Medical Centres and Dental businesses, called Healius Primary Care. The Group reported results for 1H 2021 include an adjustment for discontinued operations.

Loss from discontinued operations of $11.0 million has been recognised as follows:

	1H 2021 $M	1H 2020 $M
Revenue from Contracts with Customers	101.5	129.5
Expenses	(89.6)	(127.2)
Earnings before interest, tax and loss on sale	11.9	2.3
Net finance costs	(11.1)	(10.9)
Profit /(loss) before tax and loss on sale	0.8	(8.6)
Loss on sale	(8.3)	-
Loss before tax from discontinued operations	(7.5)	(8.6)
Income tax (expense) / benefit from discontinued operations	(3.5)	2.0
Loss from discontinued operations	(11.0)	(6.6)

Further details are set out in Note 17 of the Appendix 4D. The loss for the period principally represents funding of non-current assets, being contract payments to doctors and for property, plant & equipment during the period prior to sale completion.

GROUP CASH FLOW AND GEARING

Group cash flow for 1H 2021 was as follows:

REPORTED $m	31 DECEMBER 2020 $M	31 DECEMBER 2019 $M
Operating cash flows	251.2	160.8
Maintenance capex	(18.8)	(34.5)
Free cash flow	232.4	126.3
Growth capex	(20.2)	(51.5)
Cash flow after growth capex	212.2	74.8
Cash received out of proceeds from sale of HPC	459.3	-
Proceeds received from sale of PPE	0.9	-
Interest	(45.7)	(31.5)
Dividends	(16.2)	(21.4)
Payments for buyback of shares	(0.5)	-
Debt funding / (reduction)	(593.0)	70.0
Payment of lease liabilities	(97.9)	(90.4)
Net increase/(decrease) in cash held	(80.9)	1.5
Opening cash	144.5	119.7
F/X	0.1	0.1
Closing cash	63.7	121.3

Group cash flow includes continuing and discontinued operations.

Operating cash flow in 1H 2021 was higher than 1H 2020. The movement included:

- Increase in receipts from customers of $121.8 million
- Payments of $63 million for tax deferred from prior periods under cash flow relief provided by the ATO at 30 June 2020 ($23 million), and trade creditors at 30 June 2020 ($40 million), which were higher than normal as the Group tightly controlled its cash flows. No such build-up of trade creditors happened at 31 December 2020

Cash consideration of $458.6 (net of transaction costs and cash disposed) was received from the sale of businesses during the half. Operating cash flow was used to fund $18.8 million in maintenance capital and $20.2 million in growth capital. Capital expenditure was well below 1H 2020 levels.

Group net debt at 31 December 2020 was as follows:

REPORTED $M	30 DECEMBER 2020 $M	30 JUNE 2020 $M
Bank and finance debt	222.0	810.1
Cash	(63.7)	(144.5)
Net debt	158.3	665.6
Bank gearing ratio (covenant <3.5x)[4]	0.7x	2.7x
Bank interest ratio (covenant >3.0x)	6.3x	8.9x
Gearing (net debt: net debt + equity)	7.3%	25.6%

Healius has delivered a significant improvement in its gearing underpinned by strong free cash flow generation, the sale of HPC and an extensive capital recycling program. At the end of 1H 2021, gearing and interest ratios remain well within covenants, with adequate capital headroom for investment and sustainable dividend payments.

Healius has reduced its debt facilities to $800 million from $1,095 million. Tranche B is due to be refinanced in January 2023 and has a facility limit of $525 million. Tranche A which has a facility limit of $275 million is not due to be refinanced until January 2024.

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. The adjustments between reported and underlying have reduced significantly in line with the Company's stated aim. The reconciliation between reported and underlying results for 1H 2021 is as follows:

1H 2021 $M	REPORTED	HEDGE CLOSE OUT COSTS	STRATEGIC INITIATIVES	OTHER	TRANSACTIONS WITH DISCONTINUED OPS	UNDERLYING
EBIT	141.9		3.8	1.1	(10.2)	136.6
INTEREST	(36.2)	7.6				(28.6)
PBT	105.7					108.0
Income Tax Benefit / (Expense)[5]	(31.9)					(32.4)
NPAT	73.8					75.6

[4] Bank gearing ratio is calculated based on underlying EBITDA before the impact of AASB 15 and 16

[5] Underlying tax is assumed at 30%

HEDGE CLOSE-OUT COSTS

As part of its capital management program, following receipt of consideration for the sale of HPC, Healius closed out a number of interest rate swaps. Closing out these swaps brought forward the recognition of $7.6 million of associated costs for continuing operations which is therefore classified as a non-recurring item.

STRATEGIC PROJECTS

As previously advised, the technology platform upgrades in Pathology are to be the only remaining strategic projects accounted for as non-underlying.

OTHER

Other non-underlying adjustments comprise $1.1 million related to one-off costs, mainly legal and advisor fees.

TRANSACTIONS WITH DISCONTINUED OPERATIONS

Accounting standards require businesses held for sale to include in their results only transactions with external parties and hence there is a need to eliminate any intercompany transactions during the period. Accordingly, rental revenue from the Pathology and Imaging divisions, net of overhead charges and other costs, have been eliminated within discontinued operations and the corresponding net costs have also been eliminated in continuing operations. These net costs of $10.2 million have been added back for the underlying results of continuing operations because they will continue to be incurred by Healius going forward, as part of its normal business operations.

ATO TAX CASE 2003-2007

In 2015, Healius was advised by the Commissioner of Taxation ("the Commissioner") that lump sum payments made by it to healthcare practitioners for the financial years 2010 to 2014 were tax deductible. Healius subsequently filed an application for similar tax deductions for the financial years 2003 to 2007[6], subject to the Commissioner's discretion in allowing an out-of-time objection. Following the Commissioner's decision not to allow such an objection, Healius commenced legal proceedings. These culminated in a favourable decision by the Federal Court of Australia in November 2019. The Commissioner appealed to the Full Court of the Federal Court of Australia and, at a hearing in August 2020, the appeal was allowed. In November 2020, Healius applied to the High Court of Australia seeking special leave to appeal and is awaiting the outcome.

Healius has reconsidered the recognition of the tax receivable and the interest receivable following the decision of the Full Federal Court and has determined that it remains appropriate to continue to recognise these assets. To the extent the special leave is not granted and/or the appeal is unsuccessful, these amounts would need to be reversed in a future period.

As at 31 December 2020 Healius has continued to recognise a tax receivable of $46.6 million (30 June 2020: $46.6 million) and associated interest receivable of $23.6 million (30 June 2020: $23.6 million).

ADOPTION OF AASB 16

AASB 16 was adopted by Healius from 1 July 2019. This accounting standard has removed the distinction between operating and finance leases with most leases now being recognised as a right-of-use asset with a corresponding lease liability, except for short term leases and leases of low value assets. Results of the business are now stated including the impact of AASB 16.

The adoption of AASB 16 has no economic impact on Healius, nor on its banking covenants or cashflows. The impact of AASB 16 on reported results for 1H 2021 is as follows:

P&L	31 DECEMBER 2020 $M	31 DECEMBER 2020 $M	
Property & other expenses	98.8		Operating lease expense reversed
EBITDA		98.8	
Depreciation	(90.4)		Depreciation of right of use asset recognised
EBIT		8.4	
Finance costs	(15.9)		Interest paid on lease liability recognised
Profit before tax		(7.5)	
Tax @ 30%	2.3		
NPAT		(5.2)	

The negative impact of the AASB 16 accounting entries reflects the profile of Healius' leases. As there are a large number of newer leases, applying AASB 16 has a negative impact. This impact reverses as these leases age, albeit subject to future renewals and new lease inceptions.

[6] Healius was in a loss-making position for taxation purposes during FY 2008 and FY 2009

The impact of AASB 16 on Healius' cash flow for 1H 2021 is as follows:

CASH FLOW	31 DECEMBER 2020 $M	31 DECEMBER 2020 $M	
Interest paid on lease liabilities	(20.6)		
Payments of lease liabilities	(97.9)		
Net cash used in financing activities		(118.5)	

The impact of AASB 16 on the closing Balance Sheet for 1H 2021 is as follows:

BALANCE SHEET	31 DECEMBER 2020 $M	31 DECEMBER 2020 $M	
Right of use assets	1,151.3		Leases recognised as an asset and depreciated
Total assets		1,151.3	
Current interest-bearing lease liabilities	(218.4)		Leases recognised as a liability representing future lease payments discounted at incremental borrowing rate
Non-current interest-bearing lease liabilities	(1,024.6)		Leases recognised as a liability representing future lease payments discounted at incremental borrowing rate
Total Liabilities		(1,243.0)	

As shown above, there is a net asset reduction of $91.7 million. This is due to the differences in the profile of depreciation and lease liability run-off on Healius' larger property leases on adoption of AASB16 on 1 July 2019, plus onerous lease provisions of $27 million which are offset against Right of Use Assets. With the completion of sale of Healius Primary Care, Healius' lease liability and right-of-use asset increased due to leases with Medical Centres being recognised as third-party leases.

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Auditor's Independence Declaration to the Directors of Healius Limited

As lead auditor for the review of the half-year financial report of Healius Limited for the half-year ended 31 December 2020, 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 review; and

b. No contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Douglas Bain
Partner
Sydney

24 February 2021

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Independent auditor's review report to the members of Healius Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Healius Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Building a better
working world

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Douglas Bain
Partner
Sydney
24 February 2021

The Directors declare that:

(a) in the Directors' opinion, the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including section 304 (compliance with Accounting Standards) and section 305 (true and fair view); and

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

This declaration is made in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Malcolm Parmenter
Managing Director & Chief Executive Officer

Sydney, 24 February 2021

Condensed consolidated statement of profit or loss
For the half-year ended 31 December 2020

		CONSOLIDATED	
	Note	31 December 2020 $M	31 December 2019 $M
Revenue		**943.8**	815.9
Other income		**8.4**	-
Less:			
Employee benefits expense		**422.8**	422.9
Property expenses		**29.6**	40.1
Consumables		**134.2**	100.7
Repairs and maintenance		**14.6**	13.9
IT expenses		**22.4**	17.1
Impairment and related items		**-**	2.5
Other expenses		**69.7**	71.4
Depreciation - fixed assets	5	**19.7**	20.5
Depreciation - right of use asset	8	**90.4**	78.1
Amortisation of intangibles	6	**6.9**	5.6
Earnings before interest and tax		**141.9**	43.1
Net finance costs	3	**(36.2)**	(3.0)
Profit before tax		**105.7**	40.1
Income tax (expense)/ benefit	4	**(31.9)**	32.8
Profit for the period from continuing operations		**73.8**	72.9
Loss for the period from discontinued operations	17	**(11.0)**	(6.6)
Profit for the period attributable to the shareholders of Healius Limited		**62.8**	66.3

Earnings per share	2020 ¢ per share	2019 ¢ per share
Basic and diluted earnings per share from continuing and discontinued operations	**10.1**	10.7
Basic and diluted earnings per share from continuing operations	**11.8**	11.7

Notes to the financial statements are included on pages 29 to 40

Condensed consolidated statement of comprehensive income
For the half-year ended 31 December 2020

	CONSOLIDATED	
	31 December 2020 $M	31 December 2019 $M
Profit for the period	**62.8**	66.3
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**(0.3)**	(0.1)
Fair value loss on cash flow hedges	**(1.9)**	(1.5)
Reclassification adjustments relating to cash flow hedges for amounts recognised in profit or loss	**5.0**	3.3
Reclassification adjustments relating to ineffective cash flow hedges	**11.3**	-
Income tax relating to items that may be reclassified subsequently to profit and loss	**(4.3)**	(0.5)
Other comprehensive income for the period, net of income tax	**9.8**	1.2
Total comprehensive income for the period	**72.6**	67.5

Notes to the financial statements are included on pages 29 to 40

Condensed consolidated statement of financial position
As at 31 December 2020

		CONSOLIDATED	
As at	Note	31 December 2020 $M	30 June 2020 $M
Current assets			
Cash	16 (a)	**63.7**	137.5
Receivables		**198.4**	188.9
Tax receivable	4	**-**	46.6
Interest receivable	4	**-**	23.6
Consumables		**32.0**	26.9
Contract assets		**2.0**	2.5
Asset held for sale		**-**	915.6
Total current assets		**296.1**	1,341.6
Non-current assets			
Receivables		**2.6**	3.6
Tax receivables	4	**46.6**	-
Interest receivable	4	**23.6**	-
Goodwill		**2,040.2**	2,040.2
Right of use asset	8	**1,151.3**	876.9
Property, plant and equipment	5	**164.4**	166.7
Other intangible assets	6	**78.6**	79.3
Contract assets		**4.4**	5.6
Deferred tax asset		**89.4**	74.4
Total non-current assets		**3,601.1**	3,246.7
Total assets		**3,897.2**	4,588.3
Current liabilities			
Payables		**201.5**	219.2
Deferred consideration	9	**34.0**	2.0
Tax liabilities		**36.7**	23.2
Provisions		**129.5**	121.5
Other financial liabilities		**4.2**	9.5
Lease liability	7	**218.4**	173.9
Liabilities held for sale		**-**	447.9
Total current liabilities		**624.3**	997.2
Non-current liabilities			
Deferred consideration	9	**1.2**	33.5
Provisions		**18.2**	38.1
Other financial liabilities		**4.9**	14.2
Interest bearing liabilities	10	**217.3**	810.1
Lease liability	7	**1,024.6**	763.9
Total non-current liabilities		**1,266.2**	1,659.8
Total liabilities		**1,890.5**	2,657.0
Net assets		**2,006.7**	1,931.3
Equity			
Issued capital	13	**2,673.0**	2,672.3
Treasury shares	14	**(0.9)**	-
Reserves		**7.0**	(3.4)
Accumulated losses		**(672.4)**	(737.6)
Total equity		**2,006.7**	1,931.3

Notes to the financial statements are included on pages 29 to 40

Condensed consolidated statement of changes in equity

For the half-year ended 31 December 2020

CONSOLIDATED $M	NOTE	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 period		**-**	**-**	**-**	**-**	**-**	**62.8**	**62.8**
Exchange differences arising on translation of foreign operations		**-**	**-**	**-**	**-**	**(0.3)**	**-**	**(0.3)**
Fair value gain on cash flow hedges		**-**	**-**	**(1.9)**	**-**	**-**	**-**	**(1.9)**
Reclassification adjustments relating to cash flow hedges recognised in profit or loss		**-**	**-**	**5.0**	**-**	**-**	**-**	**5.0**
Reclassification adjustment relating to ineffective cash flow hedges		**-**	**-**	**11.3**	**-**	**-**	**-**	**11.3**
Income tax relating to components of other comprehensive income		**-**	**-**	**(4.3)**	**-**	**-**	**-**	**(4.3)**
Total comprehensive income for the period		**-**	**-**	**10.1**	**-**	**(0.3)**	**62.8**	**72.6**
Buy-back of shares	14	**-**	**(0.9)**	**-**	**-**	**-**	**-**	**(0.9)**
Share issued via STIP		**0.7**	**-**	**-**	**(0.7)**	**-**	**-**	**-**
Share based payments		**-**	**-**	**-**	**3.7**	**-**	**-**	**3.7**
Transfers		**-**	**-**	**-**	**(2.4)**	**-**	**2.4**	**-**
Balance at 31 December 2020		**2,673.0**	**(0.9)**	**(6.5)**	**14.1**	**(0.6)**	**(672.4)**	**2,006.7**

Notes to the financial statements are included on pages 29 to 40

Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2019

CONSOLIDATED $M	Issued capital	Cash flow hedge reserve	Foreign currency translation reserve	Share-based payments reserve	Other reserves	Accumulated losses	Total
Balance at 1 July 2019	**2,671.1**	**(15.5)**	**(0.5)**	**7.2**	**1.2**	**(612.4)**	**2,051.1**
Impact of AASB 16 adoption	-	-	-	-	-	(20.5)	(20.5)
Balance at 1 July 2019 (restated)	**2,671.1**	**(15.5)**	**(0.5)**	**7.2**	**1.2**	**(632.9)**	**2,030.6**
Profit for the period	-	-	-	-	-	66.3	66.3
Exchange differences arising on translation of foreign operations	-	-	(0.1)	-	-	-	(0.1)
Fair value loss on cash flow hedges	-	(1.5)	-	-	-	-	(1.5)
Reclassification adjustments relating to cash flow hedges recognised in profit or loss	-	3.3	-	-	-	-	3.3
Income tax relating to components of other comprehensive income	-	(0.5)	-	-	-	-	(0.5)
Total comprehensive income for the period	-	1.3	(0.1)	-	-	66.3	67.5
Share issued via STIP	1.2	-	-	(1.2)	-	-	-
Payment of dividends	-	-	-	-	-	(21.4)	(21.4)
Share based payments	-	-	-	3.6	-	-	3.6
Transfers	-	-	-	(2.2)	-	2.2	-
Balance at 31 December 2019	**2,672.3**	**(14.2)**	**(0.6)**	**7.4**	**1.2**	**(585.8)**	**2,080.3**

Notes to the financial statements are included on pages 29 to 40

Statement of Cashflow

For the half-year ended 31 December 2020

	Note	CONSOLIDATED 31 December 2020 $M	31 December 2019 $M
Cash flows from operating activities			
Receipts from customers		**1,121.2**	999.4
Payments to suppliers and employees		**(836.2)**	(819.4)
Gross cash flows from operating activities		**285.0**	180.0
Net income tax paid		**(33.8)**	(19.2)
Net cash provided by operating activities	16 (b)	**251.2**	160.8
Cash flows from investing activities			
Proceeds from sale of business – net of cash disposed		**459.3**	–
Proceeds from sale of property, plant and equipment		**0.9**	–
Payments for property, plant and equipment		**(21.7)**	(28.5)
Payment for Day Hospital practices and subsidiaries		–	(11.0)
Payment for Imaging healthcare practitioners		**(0.4)**	(0.9)
Payments for Pathology healthcare practices and subsidiaries		–	(5.2)
Payments for other intangibles		**(6.9)**	(16.4)
Payment for Medical Centres healthcare practitioners		**(5.3)**	(15.7)
Payment for Medical Centres practices and subsidiaries		**(4.7)**	(8.3)
Net cash used in investing activities		**421.2**	(86.0)
Cash flows from financing activities			
Interest paid on interest bearing liabilities		**(25.4)**	(13.7)
Interest paid on lease liabilities		**(20.6)**	(18.2)
Interest received		**0.3**	0.4
Payments for buyback of shares		**(0.5)**	–
(Repayment of)/proceeds from borrowings		**(593.0)**	70.0
Dividends paid	15	**(16.2)**	(21.4)
Payment of lease liabilities		**(97.9)**	(90.4)
Net cash used in financing activities		**(753.3)**	(73.3)
Net (decrease)/increase in cash held		**(80.9)**	1.5
Cash at the beginning of the period		**144.5**	119.7
Effect of exchange rate movements on cash held in foreign currencies		**0.1**	0.1
Cash at the end of the period	16 (a)	**63.7**	121.3

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

Notes to the financial statements are included on pages 29 to 40

1. SIGNIFICANT ACCOUNTING POLICIES

Healius Limited ("Healius") is a for-profit entity domiciled in Australia. These financial statements represent the condensed consolidated financial statements of Healius for the half-year ended 31 December 2020 and comprises Healius and its subsidiaries (together referred to as "the consolidated entity" or "the Group").

Statement of compliance

This half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.* This financial report does not include all of the notes normally included within the annual financial report and should be read in conjunction with the 30 June 2020 annual financial report of Healius Limited.

Basis of preparation

This half-year 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.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual report for the financial year ended 30 June 2020, except for the new and amended standards adopted and set out below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New and Amended Standards Adopted

A number of new and amended accounting standards and interpretations are applicable for the first time in FY 2021 but their adoption does not have a material impact on the disclosures or amounts recognised in 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) 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.

2. 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.
Imaging	This division provides imaging and scanning services from standalone imaging sites, hospitals and medical centres.
Day Hospitals	This division is an operator of day hospitals and haematology/ oncology services and also provides services and facilities to IVF specialists.

The other category comprises corporate functions.

The Group operates predominantly in Australia.

Intersegment

The Day Hospital division charges the Pathology division a fee for use of its facilities and services. These charges are eliminated on consolidation.

Presentation of segment revenue and results

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

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

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

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

2. SEGMENT INFORMATION (CONTINUED)

Underlying

31 December 2020	Pathology $M	Imaging $M	Day Hospital $M	Other $M	Total $M
Segment Revenue	711.4	200.4	41.8	2.3	955.9
Intersegment sales					(2.4)
Total Revenue					953.5
EBITDA [1]	209.2	38.8	10.4	(4.8)	253.6
Depreciation	10.5	5.4	2.1	1.7	19.7
Amortisation of intangibles	3.6	1.3	0.3	1.7	6.9
Depreciation – right of use	68.2	17.9	2.3	2.0	90.4
EBIT [2]	126.9	14.2	5.7	(10.2)	136.6
Finance costs					28.6
Profit before tax					108.0
Income tax expense [3]					32.4
Profit for the period					75.6

31 December 2019	Pathology $M	Imaging $M	Day Hospitals $M	Other $M	Total $M
Segment Revenue	583.0	201.8	34.4	-	819.2
Intersegment sales					(1.8)
Total Revenue					817.4
EBITDA [1]	124.7	46.6	3.2	(7.0)	167.5
Depreciation	10.2	6.2	2.4	1.7	20.5
Amortisation of intangibles	3.0	1.1	0.2	1.3	5.6
Depreciation – right of use	58.9	16.0	1.7	1.5	78.1
EBIT [2]	52.6	23.3	(1.1)	(11.5)	63.3
Finance costs					26.0
Profit before tax					37.3
Income tax expense [3]					11.2
Profit for the period					26.1

1. EBITDA is a non-statutory profit measure representing earnings before interest, tax, depreciation and amortisation.
2. EBIT is a non-statutory profit measure representing earnings before interest and tax.
3. Underlying income tax is calculated as 30% of underlying profit before tax.

2. SEGMENT INFORMATION (CONTINUED)

Reconciliation of underlying segment revenue to statutory revenue

	31 December 2020 $M	31 December 2019 $M
Total underlying segment revenue from continuing operations	953.5	817.4
Reclassification of grant income and other government support from revenue to other income	(8.4)	-
Inter-company eliminations and transactions with discontinued operations	(1.3)	(1.5)
Total statutory revenue	943.8	815.9

Reconciliation of underlying result to statutory profit before tax

	31 December 2020 $M	31 December 2019 $M
Total segment result from continuing operations before tax	**108.0**	37.3
Restructuring, strategic initiatives and other non-recurring items	**(12.5)**	(23.5)
Impairment of assets and other related items	**-**	(2.5)
Interest benefit from tax case for FY03 to 07 (Note 3)	**-**	23.3
Total non-underlying items	**(12.5)**	(2.7)
Transactions with discontinued operations	**10.2**	5.5
Total significant items	**10.2**	5.5
Total non-underlying and significant items	**(2.3)**	2.8
Total statutory profit before tax	**105.7**	40.1

3. NET FINANCE COSTS	31 December 2020 $M	31 December 2019 $M
Interest benefit from FY03-07 tax case (Note 4)	**-**	(23.3)
Interest expense	**11.4**	10.2
Interest from lease liability	**15.7**	14.8
Unwinding of discount on provisions	**0.6**	0.5
Ineffective cash flow hedges	**7.6**	-
Amortisation of borrowing costs	**0.9**	0.8
Total net finance costs	**36.2**	3.0

4. INCOME TAX EXPENSE/(BENEFIT)	31 December 2020 $M	31 December 2019 $M
The prima facie income tax expense on the pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit before tax	**105.7**	40.1
Income tax calculated at 30% (2020: 30%)	**31.7**	12.0
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share related expense	**1.1**	1.1
Other items	**0.6**	0.7
	1.7	1.8
Over provision in prior years	**(1.5)**	(46.6)
Income tax expense/(benefit)	**31.9**	(32.8)

ATO objection decisions – years 2003-2007

The Federal Court of Australia decided in favour of Healius on 29 November 2019 regarding its appeal against the Commissioner of Taxation's (Commissioner's) decision to disallow its tax objections for the 2003 to 2007 years in respect to lump sum payments made to healthcare practitioner's 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 to the High Court of Australia seeking special leave to appeal the Full Court's decision.

Healius has reconsidered the recognition of the tax receivable and the interest receivable following the decision of the Full Federal Court and has determined that it remains appropriate to continue to recognise these assets. To the extent the special leave is not granted and/or the appeal is unsuccessful, these amounts would need to be reversed in a future period.

As at 31 December 2020 Healius has continued to recognise a tax receivable of $46.6 million (30 June 2020: $46.6 million) and associated interest receivable of $23.6 million (30 June 2020: $23.6 million).

5. PROPERTY, PLANT AND EQUIPMENT

31 December 2020 $M	Plant and Equipment	Leasehold Improvements	Assets Under Construction	Total
Net book value				
Opening balance	**86.2**	**75.4**	**5.1**	**166.7**
Additions	**7.9**	**0.8**	**11.1**	**19.8**
Capitalisation of assets under construction	**(1.6)**	**16.2**	**(14.6)**	**-**
Disposals	**(0.7)**	**(1.7)**	**-**	**(2.4)**
Depreciation expense	**(13.2)**	**(6.5)**	**-**	**(19.7)**
Closing balance	**78.6**	**84.2**	**1.6**	**164.4**
Cost	**313.7**	**181.3**	**1.6**	**496.6**
Accumulated depreciation	**(235.1)**	**(97.1)**	**-**	**(332.2)**
Closing balance	**78.6**	**84.2**	**1.6**	**164.4**

6. OTHER INTANGIBLE ASSETS

31 December 2020 $M	IT Software	Licences	Intangibles Under Construction	Total
Net book value				
Opening balance	**63.2**	**9.8**	**6.3**	**79.3**
Additions	**1.4**	**-**	**6.6**	**8.0**
Capitalisation of intangible assets under construction	**7.6**	**-**	**(7.6)**	**-**
Disposal	**-**	**-**	**(1.8)**	**(1.8)**
Amortisation expense	**(6.5)**	**(0.4)**	**-**	**(6.9)**
Closing balance	**65.7**	**9.4**	**3.5**	**78.6**
Cost	**142.2**	**40.3**	**3.5**	**186.0**
Accumulated amortisation	**(76.5)**	**(30.9)**	**-**	**(107.4)**
Closing balance	**65.7**	**9.4**	**3.5**	**78.6**

7. LEASE LIABILITIES	31 December 2020 $M
Opening balance	**937.8**
New leases and remeasurement of leases during the period	**392.2**
Interest	**15.9**
Payments	**(102.9)**
Closing balance	**1,243.0**

Presented as:	
Current lease liabilities	**218.4**
Non-current lease liabilities	**1,024.6**
Total lease liabilities	**1,243.0**

8. RIGHT OF USE ASSET	31 December 2020 $M
Opening balance	**876.9**
New leases and remeasurement of leases during the period	**364.8**
Depreciation	**(90.4)**
Closing balance	**1,151.3**

9. DEFERRED CONSIDERATION	31 December 2020 $M	30 June 2020 $M
Montserrat Day Hospital	**32.5**	-
Other deferred consideration	**1.5**	2.0
Total current deferred consideration	**34.0**	2.0
Montserrat Day Hospital deferred consideration	**-**	31.9
Other deferred consideration	**1.2**	1.6
Total non-current deferred consideration	**1.2**	33.5

The purchase of Montserrat Day Hospitals in 2019 included an earn-out payment based upon future results of the business to 30 June 2021. The amount of the earn-out is capped, such that the maximum amount payable for the acquisition is $138.5m.

Based upon current forecasts for the business for the 6 months to 30 June 2021, the deferred consideration payable is $32.5m. The maximum amount of deferred consideration payable is $52.5m.

10. INTEREST-BEARING LIABILITIES	31 December 2020 $M	30 June 2020 $M
Non-current		
Gross bank loans	**222.0**	815.0
Refinancing valuation adjustment	**0.7**	0.9
Unamortised borrowing costs	**(5.4)**	(5.8)
Closing balance	**217.3**	810.1

The fair value of the non-current interest-bearing liabilities approximates the carrying amount of gross bank loans disclosed above.

Tranche B of the facility ($525.0 million) matures in January 2023 and Tranche A ($275.0 million) matures in January 2024. The second tranche was reduced from $570.0m in December 2020.

11. NET TANGIBLE LIABILITY BACKING	31 December 2020 $	30 June 2020 $
Net tangible liability backing per share	**(0.32)**	(0.42)

12. CONTINGENT LIABILITIES

Healius Limited had previously provided parent company guarantees (PCGs) in relation to certain property leases entered into by Healius Primary Care. As part of the sale of the Healius Primary Care business the majority of these PCGs were extinguished. As at 31 December 2020 the value of guarantees provided by Healius to certain landlords of Healius Primary Care in relation to property leases was $22.1 million.

Other than the above, there were no other material changes in contingent liabilities since 30 June 2020.

13. ISSUED CAPITAL	No. of shares 31 December 2020 000's	No. of shares 30 June 2020 000's	31 December 2020 $M	30 June 2020 $M
Opening balance	**622,743**	622,323	**2,672.3**	2,671.1
Shares issued via Short Term Incentive Plan	**265**	420	**0.7**	1.2
Closing balance	**623,008**	622,743	**2,673.0**	2,672.3

Issued capital consists of fully paid ordinary shares carrying one vote per share and the right to dividends.

14. TREASURY SHARES	No. of shares 31 December 2020 000's	No. of shares 30 June 2020 000's	31 December 2020 $M	30 June 2020 $M
Opening balance	**-**	–	**-**	–
Own shares acquired under buy-back	**251**	–	**0.9**	–
Closing balance	**251**	–	**0.9**	–

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 are disclosed above and were cancelled in January 2021.

15. DIVIDENDS ON EQUITY INSTRUMENTS	31 December 2020 Cents per share	31 December 2019 Cents per share	31 December 2020 $M	31 December 2019 $M
Recognised amounts				
Final dividend – previous financial year	**-**	3.4	**-**	21.4
Total dividends paid	**-**	3.4	**-**	21.4

Note: FY20 interim dividend of $16.2 million originally payable on 15 April 2020 was deferred and subsequently paid on 13 October 2020.

Unrecognised amounts		
Interim dividend – current financial period	**6.5**	2.6

The Directors have determined an interim dividend of 6.5 cps 100% franked is payable to the holders of fully paid ordinary shares, the record date being 26 March 2021 and payable on 15 April 2021. No final dividend was paid with regards to the year ended 30 June 2020.

16. NOTES TO THE CASH FLOW STATEMENT	31 December 2020 $M	31 December 2019 $M
(a) Reconciliation of cash		
For the purposes of the cash flow statement, cash includes cash on hand and in banks, net of outstanding bank overdrafts. Cash at the end of the period as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:		
Cash	**63.7**	121.3

(b) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities

	31 December 2020 $M	31 December 2019 $M
Profit attributable to equity holders	**62.8**	66.3
Net finance cost	**47.5**	36.9
Depreciation of plant and equipment	**19.7**	29.7
Depreciation of right of use asset	**90.4**	97.1
Amortisation of HCP upfronts in revenue	**11.1**	18.3
Amortisation of intangibles	**6.9**	7.6
Impairment of assets and related items	**-**	8.3
Loss on sale of Healius Primary Care	**8.3**	-
Share based payments expense	**3.7**	3.1
Other non-cash items	**(0.4)**	(0.6)
Increase/(decrease) in liabilities:		
Trade payables and accruals	**(34.5)**	(26.9)
Provisions	**(5.3)**	(1.8)
Income tax	**60.2**	(53.2)
Decrease/(increase) in assets:		
Receivables and prepayments	**9.2**	(21.6)
Consumables	**(4.8)**	(1.8)
Income tax and deferred taxes	**(23.6)**	(0.6)
Net cash provided by operating activities	**251.2**	160.8

17. DISCONTINUED OPERATIONS

On 26 February 2020, the Group publicly announced the decision of its Board of Directors to sell the Healius Primary Care business. The Group classified the Healius Primary Care business as a disposal group held for sale and a discontinued operation from that date and ceased the depreciation and amortisation of non-current assets.

On 15 June 2020, the Group announced that it had entered into a binding agreement to sell the Healius Primary Care business. The sale of the Healius Primary Care business completed on 23 November 2020. The Group disposed of 100% of its shareholding of the entities within the Healius Primary Care business on that date and control passed to the acquirer. The entities disposed of are:

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

	31 December 2020 $M
Consideration	**489.2**
Carrying amount on disposal	**497.5**
Net loss on disposal of controlled entities before tax	**8.3**
Carrying value of assets and liabilities disposed	
Cash	**24.8**
Receivables	**21.6**
Contract assets	**36.1**
Property, plant and equipment	**140.9**
Other intangible assets	**10.8**
Goodwill	**348.6**
Right-of-use asset	**320.2**
Deferred tax asset	**17.1**
Payables	**42.7**
Provisions	**15.2**
Lease liabilities	**364.7**
Net assets disposed	**497.5**
Cash flows resulting from sale	
Cash consideration	**483.4**
Cash disposed	**24.8**
Net cash inflow	**458.6**

17. DISCONTINUED OPERATIONS (CONTINUED)

The Healius Primary Care business represented the entirety of the previously reported Medical Centres operating segment except for IVF and Healius Day Hospitals which remain with the Group and are now reported as part of the Day Hospitals segment. With the Healius Primary Care business classified as discontinued operations it is no longer presented in the segment note. The results and cash flow information for the Healius Primary Care business presented below are for the period 1 July 2020 to 22 November 2020 and the half-year ended 31 December 2019.

	31 December 2020 $M	31 December 2019 $M
Revenue from contracts with customers	**101.5**	129.5
Expenses	**(89.6)**	(127.2)
Earnings before interest, tax and loss on sale	**11.9**	2.3
Net finance costs	**(11.1)**	(10.9)
Profit/(loss) before tax and loss on sale	**0.8**	(8.6)
Loss on sale	**(8.3)**	-
Loss before tax from discontinued operations	**(7.5)**	(8.6)
Income tax (expense)/benefit from discontinued operations	**(3.5)**	2.0
Loss from discontinued operations	**(11.0)**	(6.6)

The net cash flows incurred by the Healius Primary Care business are:

	31 December 2020 $M	31 December 2019 $M
Operating	**19.4**	28.2
Investing	**(12.1)**	(31.3)
Financing	**11.3**	2.9
Net cash inflow	**18.6**	(0.2)

The loss per share attributable to Healius Primary Care is as follows:

	31 December 2020	31 December 2019
Basic and diluted loss per share from discontinued operations	**(1.8)**	(1.1)

18. SUBSEQUENT EVENTS

There has not been any event, matter or circumstance that has arisen since the end of the period 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 periods.