

Southern Sun Clinics Pty Ltd

ACN 601 434 511

Interim Financial Report

26 week period ended 27 December 2020

Southern Sun Clinics Pty Ltd

Interim Financial Report

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Directors' report

The Directors present their interim report on the consolidated group (the Group) consisting of Southern Sun Clinics Pty Ltd (the Company) and the entities it controlled at the end of, or during, the 26 week period ended 27 December 2020 (the half year ended 27 December 2020 or 1H FY21).

Directors

The following persons held office as Directors of Southern Sun Clinics Pty Ltd during the financial period and up to the date of this report, unless otherwise noted:

Daren McKennay
Glenn Haifer
Ian Katz
Paul Richard
Ciaron Murphy
Xiang Jing Wu (resigned 29 January 2021)
Diem Trang Tran (appointed 29 January 2021)

Principal activities

During the period, the principal continuing activities of the Group consisted of providing skin cancer diagnostics, treatment and prevention services. There was no significant change in the nature of the activity of the Group during the period.

Dividends - Southern Sun Clinics Pty Ltd

Dividends paid to members during the period were as follows:

	1H FY21	1H FY20
	\$	\$
Ordinary dividends	1,400,000	-

Distributions to non-controlling interests totalled \$133,558 (1H FY20: Nil).

Review of operations

The profit from ordinary activities after income tax amounted to \$324,850 (1H FY20: loss of \$118,868).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the period. The business has remained robust throughout the Covid pandemic in the period and did not qualify for the JobKeeper program. Year to date and forecast positive EBITDA combined with closing period end cash balance of \$2.0 million provides the Group adequate resources to continue in operational existence for the foreseeable future. During the period, the Group successfully acquired 2 skin cancer clinics and 1 pathology lab with 2 further clinic acquisitions subsequent to the period-end.

Events since the end of the period

In January 2021, the Group completed the acquisition of a skin cancer clinic in South Australia and completed the acquisition of a skin cancer clinic in NSW on 23 March 2021. The Group is currently in advanced discussions to be acquired by an Australian pathology business.

This report is made in accordance with a resolution of Directors.

Ciaron Murphy
Director



Sydney

13 APRIL 2021

Southern Sun Clinics Pty Ltd ACN 601 434 511

Interim Financial Report

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These interim financial statements are the condensed consolidated financial statements for the Group consisting of Southern Sun Clinics Pty Ltd and the entities it controls. The interim financial statements are presented in the Australian currency.

Southern Sun Clinics Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Southern Sun Clinics Pty Ltd
Unit 18, 7 Sefton Road
Thornleigh
NSW 22120

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report.

The interim financial statements were authorised for issue by the Directors on 13 APRIL 2021.

Consolidated statement of comprehensive income

For the half year ended	Notes	(Unreviewed)	
		26 weeks ending 27 December 2020	26 weeks ending 29 December 2019
		\$	\$
Revenue from continuing operations	1	14,476,693	11,844,951
Other income	2(a)	100,000	-
Pathologist expenses		(1,544,503)	(1,489,125)
Employee benefits expense		(5,567,203)	(4,974,453)
Acquisition transaction expenses		(488,592)	(69,615)
Administration, consultancy, governance, marketing and other professional services expenses		(1,710,301)	(1,782,536)
Depreciation and amortisation	2(b)	(1,944,533)	(1,228,852)
Medical supplies		(1,209,786)	(914,479)
Occupancy related expenses		(539,037)	(723,781)
Other expenses		(532,680)	(492,569)
Shared based payment expense		(64,800)	(64,800)
Finance expenses		(313,647)	(223,609)
Profit/ (loss) before income tax		661,610	(118,868)
Income tax (charge)/ benefit		(336,760)	-
Profit/ (loss) for the period		324,850	(118,868)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/ (expense) for the period		324,850	(118,868)
Income/ (expense) is attributable to:			
Owners of Southern Sun Clinics Pty Ltd		295,166	(214,710)
Non-controlling interests		29,684	95,842
		324,850	(118,868)
Total comprehensive income/ (expense) for the period is attributable to:			
Owners of Southern Sun Clinics Pty Ltd		295,166	(214,710)
Non-controlling interests		29,684	95,842
		324,850	(118,868)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at	Notes	27 December 2020	28 June 2020
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	3(b)	2,046,165	4,034,086
Trade and other receivables	3(a)	1,982,282	2,406,759
Inventories		554,293	471,541
Total current assets		4,582,740	6,912,386
Non-current assets			
Deposits	3(a)	5,954	5,954
Property, plant and equipment	4(a)	3,951,920	3,275,594
Right-of-use assets		4,721,223	4,435,213
Intangible assets	4(b)	4,443,362	3,284,629
Total non-current assets		13,122,459	11,001,390
Total assets		17,705,199	17,913,776
LIABILITIES			
Current liabilities			
Trade and other payables	3(c)	2,805,683	4,338,428
Borrowings	3(d)	728,000	928,000
Current tax liabilities		39,564	46,901
Lease liabilities		1,807,469	1,643,377
Deferred payments		64,456	98,958
Employee benefit obligations - current		508,958	353,923
Total current liabilities		5,954,130	7,409,587
Non-current liabilities			
Deferred tax liabilities		1,076,669	372,922
Borrowings	3(d)	3,524,674	2,338,841
Lease liabilities		3,055,583	2,900,808
Deferred payments		99,461	19,756
Employee benefit obligations		226,846	155,622
Total non-current liabilities		7,983,235	5,787,949
Total liabilities		13,937,364	13,197,536
Net assets		3,767,835	4,716,240
EQUITY			
Share capital	5(a)	35,844,336	22,657,137
Convertible loan notes	5(b)	-	12,991,696
Other reserves		(14,462,190)	(14,526,990)
Loss reserve		(18,403,641)	(18,403,641)
Retained earnings		253,866	1,358,700
Non-controlling interests		535,464	639,338
Total equity		3,767,835	4,716,240

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

		Attributable to the owners of Southern Sun Clinics Pty Ltd						
Notes	Share capital	Convertible Loan Notes	Other reserves	Loss reserve	Retained earnings/ (losses)	Total	Non- controlling interests	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
At 30 June 2019	22,657,137	12,749,112	(14,656,590)	(18,403,641)	218,113	2,564,131	259,552	2,823,683
Profit/ (loss) for the period	-	-	-	-	(214,710)	(214,710)	95,842	(118,868)
Convertible Loan Note - interest settled	5(b)	159,321	-	-	-	159,321	-	159,321
Share schemes - employee share scheme and clinic tracking shares	-	-	64,800	-	-	64,800	-	64,800
At 29 December 2019	22,657,137	12,908,433	(14,591,790)	(18,403,641)	3,403	2,573,542	355,395	2,928,936
Profit for the period	-	-	-	-	1,355,297	1,355,297	7,075	1,362,371
Distributions to non-controlling interests	-	-	-	-	-	-	(150,632)	(150,632)
Purchase of non-controlling interest	-	-	-	-	-	-	427,501	427,501
Convertible Loan Note - interest settled	5(b)	83,263	-	-	-	83,263	-	83,263
Share schemes - employee share scheme and clinic tracking shares	-	-	64,800	-	-	64,800	-	64,800
At 28 June 2020	22,657,137	12,991,696	(14,526,990)	(18,403,641)	1,358,700	4,076,902	639,338	4,716,240
Profit for the period	-	-	-	-	295,166	295,166	29,684	324,850
Distributions to non-controlling interests	-	-	-	-	-	-	(133,558)	(133,558)
Dividends to shareholders	-	-	-	-	(1,400,000)	(1,400,000)	-	(1,400,000)
Convertible Loan Note - interest settled & conversion	5(b)	13,187,199	(12,991,696)	-	-	195,503	-	195,503
Share schemes - employee share scheme and clinic tracking shares	-	-	64,800	-	-	64,800	-	64,800
At 27 December 2020	35,844,336	0	(14,462,190)	(18,403,641)	253,866	3,232,371	535,464	3,767,835

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

		(Unreviewed)
Notes	26 weeks ending 27 December 2020	26 weeks ending 29 December 2019
	\$	\$
Cash flows from operating activities		
Receipts from customers (net of GST)	14,551,693	11,932,651
Payments to suppliers and employees (net of GST)	(12,396,116)	(10,231,145)
	2,155,577	1,701,506
Income tax paid	(20,697)	-
Interest and other income received	100,000	-
Net cash inflow from operating activities	6(a) 2,234,880	1,701,506
Cash flows from investing activities		
Payments for acquisitions, net of cash acquired	8(a) (1,323,260)	-
Payment of deferred earn-outs from prior acquisitions	(125,000)	(175,330)
Payments for property, plant and equipment	(1,137,828)	(588,410)
Net cash outflow from investing activities	(2,586,088)	(763,740)
Cash flows from financing activities		
Principal elements of lease payments	(955,843)	(625,940)
Distributions paid to shareholders	(1,400,000)	-
Distributions paid to non-controlling interests	(133,558)	-
Proceeds from borrowings	1,650,000	-
Repayment of borrowings and interest	(797,312)	-
Net cash outflow from financing activities	(1,636,713)	(625,940)
Net increase/ (decrease) in cash and cash equivalents	(1,987,921)	311,826
Cash and cash equivalents at the start of the financial year	4,034,086	382,105
Cash and cash equivalents at end of year	3(b) 2,046,165	693,931

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Interim Financial Statements

1 Segment and revenue information

(a) Description of segments and information provided to the Board

The Group's Board considers the business from service perspective and has identified four reportable segments.

Clinic – skin cancer support services provided to doctors (enabling them to treat patients), in consideration for a percentage share of billings, as determined by each doctor's medical services agreement with the Group. Revenue is recognised in the period in which doctors' services are rendered to patients and presented on a net basis for the Group's share of clinic revenues/ costs as an agent for the doctors to collect the clinic billings and as a result, the Group's revenue from clinic services reflects the Group's service fee element only.

Pathology – pathology services provided to SunDoctors and non-SunDoctors clinics. Revenue is recognised on a per case basis, using the prevailing Medicare item rates, in the period in which the services are rendered.

Imaging - providing de-identified images on a per lesion basis to third parties, using the agreed contract rate, in the period in which the images are delivered.

The table below shows the segment information provided to the Board:

	(Unreviewed)	
	1H FY21	1H FY20
Revenue from continuing operations - recognised at a point in time	\$	\$
Clinic	6,616,061	5,208,997
Pathology	7,676,493	5,944,679
Imaging	184,139	691,276
Total revenue from external customers	14,476,693	11,844,951

2 Other income and expense items

(a) Other income

	(Unreviewed)	
	1H FY21	1H FY20
	\$	\$
Other income	100,000	-
	100,000	-

Other income relates to Federal Government COVID-19 rebate provided for PAYG.

(b) Expenses

	(unreviewed)	
	1H FY21	1H FY20
	\$	\$
Depreciation	526,804	585,902
Depreciation of right-of-use assets	928,292	613,967
Amortisation	489,437	28,983
Total depreciation and amortisation	1,944,533	1,228,852

3 Financial assets and financial liabilities

(a) Trade and other receivables

	27-Dec-20			28-Jun-20		
	Current	Non-current	Total	Current	Non-current	Total
	\$	\$	\$	\$	\$	\$
Trade receivables	891	-	891	81,223	-	81,223
Other receivables	1,283,908	-	1,283,908	1,345,646	-	1,345,646
Monies held in trust	341,720	-	341,720	652,337	-	652,337
Prepayments	355,763	-	355,763	327,553	-	327,553
Deposits	-	5,954	5,954	-	5,954	5,954
	1,982,282	5,954	1,988,236	2,406,759	5,954	2,412,713

(i) Classification as trade and other receivables

Other receivables represent primarily clinic, pathology and imaging accrued revenue amounts which are in the process of being billed. Accrued revenue is generally due for settlement within 14 days and therefore is all classified as current.

Monies held in trust (trust bank accounts held on behalf of each clinic) are classified as trade and other receivables until the Group is entitled to its service fee, usually within 7 days of the period end. The share owing to doctors (disbursed the following week) is shown within trade payables.

Deposits are presented as trade and other receivables as they have a maturity of more than 3 months from the date of acquisition. These deposits relate to security deposits provided for our property leases.

(b) Cash and cash equivalents

	27-Dec-20	28-Jun-20
	\$	\$
Current assets		
Cash at bank and in hand	2,046,165	4,034,086

(i) Classification as cash equivalents

Cash at bank is presented as cash and cash equivalents if it has a maturity of 3 months or less and are repayable with 24 hours notice with no loss of interest. The decrease in cash balance reflects the distribution of \$1.4m net dividend to shareholders and \$0.8m repayments of borrowings. The improved trading results enabled full repayment of PAYG/ BAS/ payroll tax liabilities previously deferred at year end as part of the State and Federal Government COVID-19 reliefs for businesses.

(c) Trade and other payables

	27-Dec-20	28-Jun-20
	\$	\$
Current liabilities		
Trade payables	965,268	2,067,276
Accrued expenses	1,200,570	1,001,401
Payroll tax and other statutory liabilities	220,719	920,625
Make good provisions	419,126	349,126
	2,805,683	4,338,428

Trade payables are unsecured and are usually paid within 30-90 days of recognition. The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature. The decreased balance since year end primarily reflects repayment of State and Federal Governments PAYG/BAS/ payroll taxes liabilities as part of their COVID-19 relief for businesses as well as temporarily extended supplier terms.

3 Financial assets and financial liabilities (continued)

(d) Borrowings

	27-Dec-20	28-Jun-20
Secured	\$	\$
Interest bearing - current	800,000	1,000,000
Unamortised fees - current	(72,000)	(72,000)
Total current borrowings	728,000	928,000
Interest bearing - non current	3,590,035	2,440,035
Unamortised fees - non current	(65,361)	(101,194)
Total non current borrowings	3,524,674	2,338,841

The Group has a 3 year, \$10 million secured interest-bearing loan facility with Macquarie Bank, split into an \$8 million acquisition facility (Facility A), and \$2 million working capital and bank guarantee facility (Facility B), with \$0.2 million repayments each quarter for Facility A and final residual repayment of Facility A and Facility B in November 2022. The Group successfully completed all reporting and financial covenant obligations for the period as scheduled.

4 Non-financial assets and liabilities

(a) Property, plant and equipment

	Plant and equipment	Furniture, fittings and equipment	Motor vehicles	Leasehold improvements	Total
Cost	\$	\$	\$	\$	\$
At 28 June 2020	1,890,026	4,268,322	5,454	2,405,556	8,569,358
Additions	139,528	779,136	37,810	106,656	1,063,130
Acquisitions	-	-	-	140,000	140,000
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
At 27 December 2020	2,029,554	5,047,458	43,264	2,652,212	9,772,488
Accumulated depreciation					
At 28 June 2020	(1,354,656)	(2,912,816)	(5,454)	(1,020,838)	(5,293,764)
Depreciation charge	(103,261)	(321,203)	(2,267)	(100,072)	(526,804)
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
At 27 December 2020	(1,457,917)	(3,234,019)	(7,722)	(1,120,910)	(5,820,568)
Net book value at 28 June 2020	535,370	1,355,506	-	1,384,718	3,275,594
Net book value at 27 December 2020	571,637	1,813,439	35,542	1,531,302	3,951,920

4 Non-financial assets and financial liabilities (continued)

(b) Intangible assets

	Goodwill	Customer relationships	Total
	\$	\$	\$
Cost			
At 28 June 2020	5,878,498	8,021,916	13,900,414
Additions	-	-	-
Acquisitions	380,347	1,267,823	1,648,170
Disposals	-	-	-
Reclassifications	-	-	-
At 27 December 2020	6,258,845	9,289,739	15,548,584
Accumulated depreciation			
At 28 June 2020	(5,254,498)	(5,361,287)	(10,615,785)
Amortisation charge	-	(489,437)	(489,437)
Disposals	-	-	-
Reclassifications	-	-	-
At 27 December 2020	(5,254,498)	(5,850,724)	(11,105,222)
Net book value at 28 June 2020	624,000	2,660,629	3,284,629
Net book value at 27 December 2020	1,004,347	3,439,015	4,443,362

5 Equity

(a) Share Capital

	27-Dec-20	28-Jun-20	27-Dec-20	28-Jun-20
	Shares	Shares	\$	\$
Ordinary shares - fully paid	24,506	11,826	35,844,336	22,657,137
			Number of shares	\$
Balance at 28 June 2020			11,826	22,657,137
Balance at 27 December 2020			24,506	35,844,336

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. The Company does not have a limited amount of authorised capital. The increase in ordinary shares during the period reflects the conversion of \$13.1million of Convertible Loan Notes in October 2020.

(b) Convertible Loan Notes

	27-Dec-20	28-Jun-20	27-Dec-20	28-Jun-20
	Notes	Notes	\$	\$
Convertible loan notes - 2016 (0% interest)	-	7,933	-	10,133,011
Convertible loan notes - 2018 (12% interest)	-	2,230,000	-	2,858,685
	-	2,237,933	-	12,991,696
	2016 CLNs (0% interest)		2018 CLNs (12% interest)	
	Notes	\$	Notes	\$
Balance at 28 June 2020	7,933	10,133,011	2,230,000	2,858,685
Interest accrued	-	-	-	195,504
Conversion	(7,933)	(10,133,011)	(2,230,000)	(3,054,189)
Balance at 27 December 2020	-	-	-	-

In October 2020, the noteholders exercised their right to convert all loan notes into ordinary shares. The 2016 convertible loan notes converted into shares at \$1,277.32 per share. The 2018 convertible loan notes converted into shares at \$643.40 per share. As a result, 12,680 total ordinary shares were issued, with no loan notes remaining.

6 Cash flow information

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	(unreviewed)	
	1H FY21	1H FY20
	\$	\$
Profit for the period	324,850	(118,868)
Depreciation and amortisation	1,944,533	1,228,852
Interest expense	313,647	223,609
Change in operating assets and liabilities:		
(Increase)/ decrease in trade and other receivables	424,477	795,781
(Increase)/ decrease in inventory	(82,754)	(22,000)
Increase/ (decrease) in trade & other payables	(1,452,396)	(470,714)
Increase/ (decrease) in provision for income tax payable and deferred tax	696,410	-
(Decrease)/ Increase in employee benefit obligations and other provisions	66,113	64,845
Net cash inflow from operating activities	2,234,880	1,701,506

7 Capital Management

(a) Dividends

The Company declared and paid a \$0.5 million fully franked dividend on 30 June 2020 and a further \$0.9 million fully franked dividend on 16 December 2020 out of distributable retained earnings of the Company, following subsidiary company dividends.

8 Business combinations

(a) Summary of acquisitions

On 19 August 2020, the Group acquired the trade and assets of Smart Clinics Burleigh Heads Skin Cancer Clinic in QLD. Total consideration of \$0.2 million (all cash) was paid and allocated below: The Group holds a 100% equity interest.

Property, plant & equipment	\$
Intangible customer list	20,000
Goodwill	180,000
Deferred tax liability (on intangible customer list)	54,000
	<u>(54,000)</u>
	<u>200,000</u>

On 21 August 2020, the Group acquired the trade, assets and selected liabilities of Helix Pathology lab in QLD. Total consideration of \$0.9 million (all cash) was paid and allocated below: The Group holds a 100% equity interest.

Property, plant & equipment	\$
Inventory	100,000
Intangible customer list	105,728
Goodwill	801,536
Employee benefits	240,461
Other liabilities	(87,406)
Deferred tax liability (on intangible customer list)	(10,072)
	<u>(240,461)</u>
	<u>909,786</u>

On 29 October 2020, the Group acquired the trade, assets and selected liabilities of Byron Bay Skin Cancer Clinic in NSW. Total consideration of \$0.3 million (all cash) was paid and allocated below: The Group holds a 100% equity interest.

Property, plant & equipment	\$
Intangible customer list	20,000
Goodwill	286,287
Employee benefits	85,886
Input GST	(16,103)
Deferred tax liability (on intangible customer list)	29,018
	<u>(85,886)</u>
	<u>319,202</u>

9 Events occurring after the reporting period

In January 2021, the Group completed the acquisition of a skin cancer clinic in South Australia and completed the acquisition of a skin cancer clinic in NSW on 23 March 2021. The Group is currently in advanced discussions to be acquired by an Australian pathology business.

10 Related party transactions

There were no related party transactions during the current or prior period.

11 Basis of preparation

In the Directors' opinion, the Company is not a reporting entity because there are no users dependent on general purpose financial reports. The financial report has been prepared on a 26 week retail calendar (29 June 2020 – 27 December 2020), in line with the operations of the Group. Amounts included in the current period have been presented in a manner which provides enhanced reporting which is relevant to the understanding of the current period's financial statements.

The financial statements have been prepared on a going concern basis using historical cost conventions. The Group was in a net current liability position of \$1.4 million at 27 December 2020 (28 June 2020: \$0.5 million) driven by the current lease liability totalling \$1.8 million. The Group will not immediately settle this liability and is forecast to generate profits and operating cash flows higher than disclosed for the 26 week period ending 27 December 2020.

This consolidated interim financial report for the 26 week period ending 27 December 2020 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting. It does not contain all the notes included in the annual financial report. Accordingly, the report is to be read in conjunction with the annual report for the year ended 28 June 2020. The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The Group has not adopted any new or amended standards during the period which had a material impact on the Group.

(b) New standards and interpretations not yet adopted

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Directors' declaration

The interim financial report has been prepared in accordance with Accounting Standards and mandatory professional reporting requirements to the extent described in note 11.

In the Directors' opinion:

- (a) The interim financial statements and notes set out on pages 4 to 16:
 - (i) complying with Accounting Standards and other mandatory professional reporting requirements, as detailed above; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 27 December 2020 and of its performance for the 26 week period ended on that date, and
- (b) 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 Directors.

Ciaran Murphy
Director



Sydney

13 APRIL 2021



Independent auditor's review report to the members of Southern Sun Clinics Pty Limited

Report on the interim financial report

Conclusion

We have reviewed the interim financial report of Southern Sun Clinics Pty Limited (the Company) and the entities it controlled during the 26 week period ended 27 December 2020 (together the Group), which comprises the consolidated statement of financial position as at 27 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 26 week period ended on that date, explanatory notes 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 accompanying interim financial report of Southern Sun Clinics Pty Limited does not present fairly, in all material respects, the Group's financial position as at 27 December 2020 and its financial performance and its cash flows for the 26 week period ended on that date, in accordance with the accounting policies as described in Note 11 to the financial statements.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the interim financial report* section of our report.

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter - basis of accounting and restriction on distribution and use

We draw attention to Note 11 in the interim financial report, which describes the basis of accounting. The interim financial report has been prepared for internal purposes to assist Southern Sun Clinics Pty Limited. As a result, the interim financial report may not be suitable for another purpose. Our report is intended solely for Southern Sun Clinics Pty Limited and its members and should not be distributed or used by parties other than Southern Sun Clinics Pty Limited and its members. Our conclusion is not modified in respect of this matter.

Responsibilities of the directors for the interim financial report

The directors of the Company are responsible for the preparation and fair presentation of the interim financial report in accordance with the accounting policies as described in Note 11 to the financial statements and have determined that the accounting policies in Note 11, which form part of the interim financial report, are appropriate to meet the needs of the members and for internal purposes. The directors are also responsible for such internal control as the directors determine is necessary to enable

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the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the interim financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial report does not present fairly, in all material respects, the financial position of the Group as at 27 December 2020 and of its financial performance and its cash flows for the 26 week period ended on that date in accordance with the accounting policies as described in Note 11 to the financial statements.

A review of an interim 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.

A handwritten signature in blue ink that reads 'N. James.'.

Nicholas James
Authorised Representative
PricewaterhouseCoopers Securities Ltd

Sydney
13 April 2021