**ASX Announcement**

**Australian Clinical Labs Limited**
ABN 94 645 711 128
Registered Office:
1868-1892 Dandenong Road
Clayton VIC 3168
Australia

**clinicallabs.com.au**

Friday 24 August 2021

## Australian Clinical Labs Limited - 2021 Annual General Meeting

The following announcements to the market are provided:

- AGM Notice of Meeting
- Proxy Form
- Shareholder Question Form
- Online Guide from Link Market Services
- ✓ Australian Clinical Labs Limited 2021 Annual Report (including the 2021 Corporate Governance Statement)
- Appendix 4G

**– ENDS –**

This announcement was authorised for release to ASX by the Board of ACL. For further information regarding this announcement, please contact:

**Investors**
Davina Gunn
Investor Relations
Email:
investors@clinicallabs.com.au
Phone: +61 (0) 400 896 809

**Company Secretary**
Eleanor Padman
Company Secretary
Email:
epadman@padmanadvisory.com.au
Phone: +61 (0) 422 002 918

**About Australian Clinical Labs**

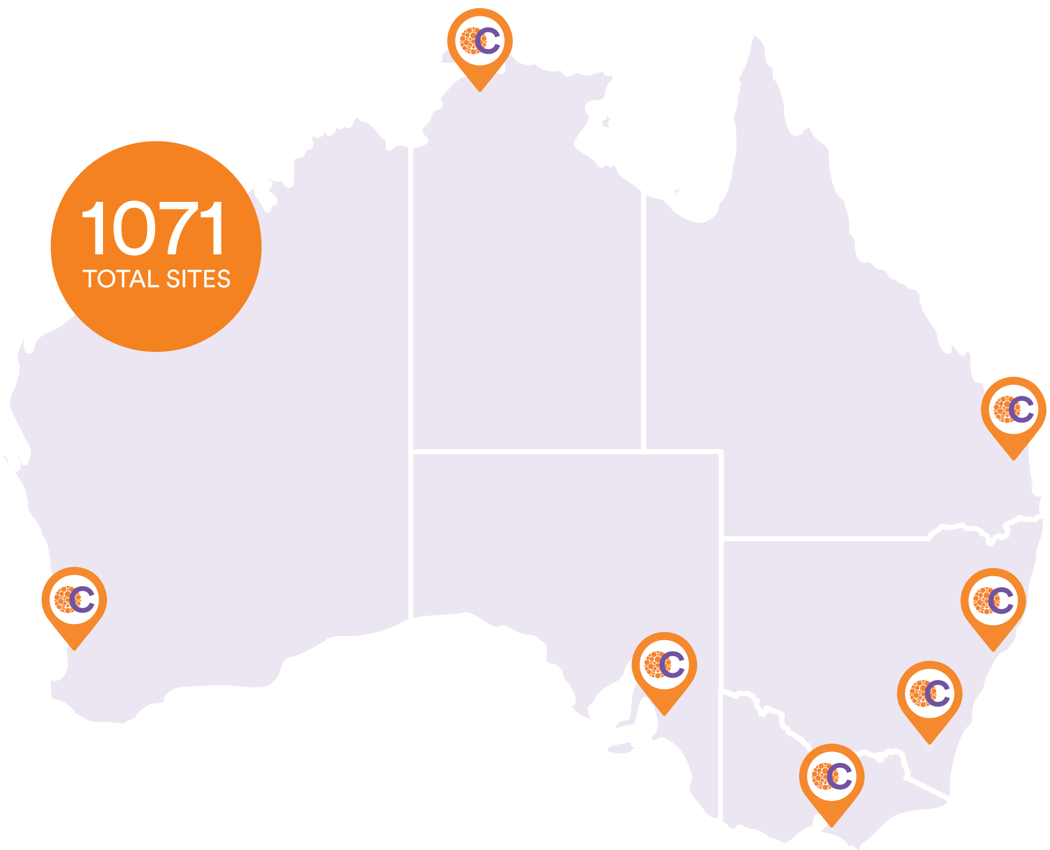
ACL is a leading Australian private provider of pathology services. Our 86 NATA accredited laboratories perform a diverse range of pathology tests each year for a range of clients including doctors, specialists, patients, hospitals and corporate clients. ACL is one of the largest private hospital pathology businesses nationally. ACL is focused on its mission of combining talented people, and medical and scientific leadership, with innovative thinking and technologies to empower decision making that saves and improves patients' lives.

# Annual Report 2021

AUSTRALIAN Clinicalabs

## SITES & LOCATIONS

ACL has a national footprint of 995 ACCs to collect patient samples, 30 GP skin cancer clinics and operates 86 NATA-accredited laboratories across Australia.




| | VIC | NSW | ACT | SA | WA | NT | QLD |
|---|---|---|---|---|---|---|---|
| Central Laboratory (4) | 1 | 1 | | 1 | 1 | | |
| Hospital Laboratory (19) | 11 | 4 | | 1 | 3 | | |
| Branch Laboratory (17) | 5 | 2 | 1 | 4 | 2 | 1 | 2 |
| Specialist Laboratory (4) | 2 | 1 | | 1 | | | |
| Veterinary Laboratory (2) | | 1 | | 1 | | | |
| ACCs (995) | 450 | 214 | 3 | 151 | 159 | 18 | |
| SunDoctors Clinics (30) | 1 | 14 | | 1 | | | 14 |
| Point of Care Laboratory (41) | 15 | 5 | | 20 | 1 | | |

*Correct as of Aug 21

# Contents

# Letter from the Chair

Dear Fellow Shareholder,

On behalf of the Board of Directors, it is my pleasure to present to you the 2021 Australian Clinical Labs (ACL) Annual Report. This is our first Annual Report since our Company's successful admission to the official list of the Australian Securities Exchange ('ASX') on 14 May 2021.

ACL is a leading private pathology provider in Australia and one of the largest private hospital pathology businesses nationally, servicing over 90 private and public hospitals. Driving ACL is its mission of combining talented people with medical and scientific leadership and innovative thinking and technologies to empower decision-making that saves and improves patients' lives.

Despite the widespread challenges faced by organisations around the world due to COVID-19, 2021 represented a year of growth and key operational achievements for ACL. Pathology services are an essential component of the everyday prevention, diagnosis and management of COVID-19 and on behalf of the board, we are very proud of the important role that ACL has played in Australia's COVID-19 response.

## FY21 RESULTS

As part of the IPO in May 2021, ACL issued forecasts for FY21 and then on 3 June 2021, ACL published an upgrade to those forecasts. Pleasingly, in our final FY21 results published on 26 August 2021, ACL achieved growth on all key metrics and exceeded the upgraded guidance.

ACL achieved an NPAT of $88.7 million representing a 19.2% outperformance against the Prospectus' forecast and a 6.0% outperformance against the midpoint of the upgraded guidance. The improved performance was attributable to increased revenue with all parts of the business performing strongly and, pleasingly, costs, other than consumables, were maintained in line with or below forecasts.

## IN FY21 ACL ACHIEVED:

- Total Revenue of $674.4 million which was 4.2% ahead of Prospectus forecast
- Pro forma EBITDA of $230.7 million which was 11.1% ahead of Prospectus forecast
- NPAT of $88.7m which was 19.2% ahead of Prospectus forecast
- Continued strong operational discipline with cost control reflective of the significant investment in systems and processes during the past six years

## ACL BOARD OF DIRECTORS

The ACL Board is comprised of a broad range of relevant experience and skills. Each Director has engaged well with the business, bringing their expertise, including industry and business knowledge, financial management, as well as clinical and governance experience.

The Board of Directors comprises Melinda McGrath as Executive Director and Chief Executive Officer, Andrew Dutton, Dr Leanne Rowe, Dr Michael Stanford, Mark Haberlin and Nathanial Thomson as Non-Executive Directors, and myself as non-Executive Chairman. Further details relating to the Board are available on page 16. I would like to take this opportunity to thank my fellow Directors for their counsel and commitment to the organisation.

## OPERATING ENVIRONMENT

The critical role pathology plays in healthcare has been exemplified in 2021 by ACL's essential service in responding to the COVID-19 pandemic. Not only have ACL's laboratories conducted significant quantities of essential COVID-19 testing each day, but the teams have also continued to deliver equally essential, non-COVID-19 testing in a timely and effective manner. ACL's pathologists, scientists and frontline healthcare staff have demonstrated their expertise and capabilities, and management has shown competence and resilience in often challenging circumstances to ensure the seamless provision of vital services.

Pleasingly, ACL's excellent performance during the heightened demand for testing validates the significant prior investment that we have made in our systems and processes. This included our investment in a unified national pathology system as well as a broad range of other process transformations and technological improvements.

In addition to the increased revenue associated with COVID-19, ACL was able to deliver improved operational flexibility, implementing a number of operational enhancements to allow for greater testing capacities at a lower operational cost which will be sustained into the future. There exists a strong pipeline of projects aimed at delivering continued improvements in our operational performance.

## ACL'S STRATEGY

ACL has a well-defined growth strategy based on embedded revenue opportunities, continual operational performance improvements, footprint expansion and strategic acquisitions where appropriate.

The Australian pathology market has demonstrated resilient growth underpinned by predictable and consistent, long-term growth drivers including a growing and ageing population, increasing prevalence of chronic diseases, increasing visits to general practitioners, and scientific and technological advancements.

The non-COVID-19 pathology market is forecast to continue to grow between 4 and 6% per annum over the next five years, with COVID-19 testing expected to further increase the size of the pathology market as COVID-19 continues to mutate and becomes endemic in our lives.

## THANK YOU TO ALL OUR STAKEHOLDERS

I would like to also take this opportunity to acknowledge and thank all of our staff.

Led by Melinda McGrath, our staff have made significant efforts and personal sacrifices to support the Australian population since the start of the Covid-19 pandemic in mid-March 2020. Being on the front line and responding to COVID-19 was at times extremely challenging and I am immensely proud of all our staff for responding in the way that they have. On behalf of the Board of Directors, I sincerely thank each and every one of them.

I would also like to take this opportunity to acknowledge the almost seamless cooperation between the federal and state governments and private pathology operators to service the Australian community.

On a final note, I would like to thank our shareholders and all stakeholders, including the general practitioners and specialist communities we work with every day for their support of ACL.

We are very proud of our company and what we have achieved in the last five years and we are very excited about executing our our growth strategies over the next five years.

I look forward to updating shareholders further at our virtual AGM scheduled for 27 October 2021.

Yours sincerely,

**Michael Alscher**
Board Chair
Australian Clinical Labs

# Letter from the CEO

Dear Shareholder,

## It is my pleasure to present to you the ACL Annual Report for FY21.

When we began this journey six years ago, we had a vision of combining Healthscope Pathology, Perth Pathology and St John of God Pathology, to create a high-quality national pathology provider, working as a unified national team to fulfil our mission: 'To empower decision-making that saves and improves patients' lives'.

Six years later, now known as Australian Clinical Labs, we are a highly respected organisation targeting global best practice efficiency, lab technology and information systems.

Following our successful IPO in May 2021, we have launched the next chapter of ACL with purpose and focus as we implement our well-defined growth strategy. FY21 represented a year of growth across all key metrics compared to FY20. Pleasingly, FY21 total revenue, EBITDA and NPAT were all ahead of both Prospectus forecasts and the upgraded guidance issued on 3 June 2021. Total revenue grew by 29% reflecting the increased demand for COVID-19 testing, as well as a return of non-COVID-19 revenue which grew 6.3% during the period.

Following the period of acquisitions and integration that began in 2015, ACL has invested over $88 million in a broad range of initiatives to improve operational performance. This investment included establishing a national unified pathology system, one national laboratory information system and an efficient unified laboratory network with state-of-the-art robotic equipment, clinical centres of excellence, digitally-enabled platforms, a focus on research and innovation, clinical governance and training, which combine to represent key operational strengths for the business.

These widespread investments in systems and processes provided the solid foundations that underpinned the Company's improved financial performance with the expanded EBITDA margins reflecting the increased scale and operating leverage. In FY21, ACL achieved EBITDA margins, (post AASB-16), of 34.2% compared to 22.2% in FY20 and a prospectus forecast of 32.1%.

NPAT was $88.7 million representing a 19.2% increase compared to the Prospectus forecast. During the period, ACL continued to generate strong operating cash flow with cash conversion in excess of 100%.

### FY21 OPERATIONAL HIGHLIGHTS

As a leading private pathology provider in Australia and one of the largest private hospital pathology businesses nationally, ACL continued to play a central role in Australia's response to safeguarding the community during the COVID-19 pandemic.

Our central labs successfully coordinated thousands of daily samples across the country, ensuring consistent and high compliance with turnaround times across the business, even during significant spikes in demand. Our supply team were able to source adequate PPE during a global shortage, ensuring that our frontline staff were safe and able to complete their essential duties.

During FY21, ACL delivered several operational initiatives that are delivering efficiencies and improved productivity, including increased automation and digitisation, progress on the SunDoctors integration, and systems and process improvements.

ACL has a strong track record of investment in research and innovation. As part of our continuous improvement program, our doctors and researchers are at the forefront of the latest scientific advancements and their subsequent introduction to the market. Historically, ACL was an early adopter of Harmony NIPT and Genetic Carrier Screening and was the first major laboratory in Australia to introduce the Liquid Biopsy cancer screening test in early 2018.

During FY21, ACL continued to leverage its deep knowledge and expertise in early-stage clinical trials. ACL is expanding into later stages of clinical trials by leveraging our existing relationships and capabilities, our existing infrastructure with our purpose-built lab at Port Melbourne, as well as our Brisbane lab currently in development.

Furthermore, ACL is continuing to expand its precision medicine services, with a principal genetics laboratory in Clayton and a specialist genetics laboratory in Subiaco. ACL's NATA accredited Molecular Genetics Labs offer a comprehensive selection of Cancer, Fertility and Pregnancy genetic testing services.

## GROWTH STRATEGY

ACL has a well-defined growth strategy based on the following strategic initiatives:

1. **Organic Market Growth**
2. **Embedded Revenue Opportunities**
3. **Rational Performance Improvements**
4. **Footprint Expansion**
5. **Strategic Acquisitions**

The recent acquisition of SunDoctors Skin Cancer Clinics, along with Helix and Southern Sun Pathology has opened up new growth opportunities nationally across both the ACL and SunDoctor businesses, with the addition of 30 clinics and two laboratories, predominantly located in Queensland and New South Wales. We have commenced integration and growth plans and look forward to further developing SunDoctors as a national provider of skin cancer services. The SunDoctors acquisition forms an important part of our expansion into Queensland and New South Wales and we have recently opened up our clinical laboratory in Southeast Queensland which will complement the SunDoctors' Gold Coast laboratory. I am pleased to say we now have a growing presence in every state in Australia, with the exception of Tasmania.

## OUR PEOPLE

Last but not least, I would like to express how proud I am of the way ACL staff showed sensitivity and compassion during what has been a challenging environment. There have been countless examples of ACL staff going the extra mile, selflessly returning from leave to support ACL's response to COVID-19 outbreaks across the country.

To ACL staff, thank you for treating our patients, our healthcare partners, and each other with respect and integrity, and for all your hard work, enthusiasm and commitment to ACL. We also have a highly experienced and dynamic senior management team, who I would like to thank for overseeing the successful transformation of ACL and for driving the performance-orientated culture across the organisation.

FY21 has been a milestone year for ACL and one that has positioned the organisation to grow and innovate while delivering outstanding patient outcomes that have become synonymous with our brand. We look forward to this new chapter in our history as we focus on delivering shareholder value.

Your sincerely,

**Melinda McGrath**
Executive Director & CEO
Australian Clinical Labs


AUSTRALIAN
Clinica
Labs

# Company Overview

## ABOUT CLINICAL LABS

With a mission to combine talented people, and medical and scientific leadership, with innovative thinking and technologies to empower decision-making that saves and improves patients' lives; Australian Clinical Labs is one of Australia's leading providers of private pathology services. Clinical Labs has a national footprint, operating out of all Australian States and Territories except for Tasmania.

Being the primary provider of pathology services to two of the three largest private hospital groups and a range of public hospitals, Clinical Labs offers a comprehensive pathology service to all of the specialists and patients within these hospitals – building a depth of experience and knowledge that only continual exposure to rare and complex hospital-based cases can provide.

Clinical Labs is widely known for its leadership in science and technology, having a strong interest in leading-edge genetic testing – delivering advanced insights through precision medicine that enable decision-making for our referrers. This extends to our specialist skin cancer group, SunDoctors, which has 30 clinics and two specialised anatomical pathology labs. In 2020, SunDoctors diagnosed 15% of all melanomas in Australia.

Our advanced, specialised pathology services are currently supporting the rapidly growing clinical trials industry, with Clinical Labs being Australia's only specialty clinical trials provider. Our two purpose-built clinical trials labs in Port Melbourne and Brisbane are the first of their kind in Australia.

### MARKET POSITION

- One of the largest private hospital pathology businesses nationally
- Established position in community pathology across Western Australia, Victoria, South Australia and the Northern Territory
- Number three and growing presence in New South Wales and the Australian Capital Territory and growing presence in Queensland

Servicing over 92

### HOSPITALS

Primary pathology provider to two of the three largest private and public hospital groups

30

### SPECIALIST SKIN CANCER CLINICS

Diagnosed approximately 15% of all reported melanomas in Australia in 2020

Over 590

### PATHOLOGISTS & SCIENTISTS

Over 90 pathologists and over 500 scientists

1041

### PATHOLOGY SITES

86 NATA accredited laboratories and 955 ACCs

2794

### FULL TIME EQUIVALENT EMPLOYEES

# Company Overview

MISSION & VALUES

## Clinical Labs mission and values were developed during the formation of the organisation with the merger of Healthscope, St John of God and Perth Pathology.

With many staff having previously worked in hospital pathology laboratories, for-profit and not-for-profit, with very different stated values, a process in which staff at all levels were engaged allowed the establishment of a shared purpose and new shared values for the new organisation. Clinical Labs staff are highly engaged by the sheer purpose of our mission. Our values, also developed with staff engagement, are key to how we behave and expect others to behave as we act and interact to fulfil our mission.

### Company Mission

Clinical Labs mission is to combine talented people, and medical and scientific leadership, with innovative thinking and technologies to empower decision-making that saves and improves patients' lives. ACL strives to achieve excellence through improving efficiency, encouraging innovation and engagement. Integral in this mission is having a positive impact on the environment, positive social impact and leading governance practices.

### Company Values

Clinical Labs values and behaviours serve to shape the culture within the workplace, and set and manage expectations for staff, patients and the community and helps define the culture of the business. Our values are strong and are felt and seen in the way we behave. The Company has formal methods of promulgating its values; however, the strength of the values is in that they are driven by staff at all levels.

### PATIENT FOCUS & MEDICAL EXCELLENCE

ACL serves to protect the best interests of patients by aiming to achieve excellence in daily actions. ACL is committed to:

- Applying evidence-based practice to our diagnostic practice and medical care.
- Utilising best practice science to deliver accurate and timely results.
- Continuously developing our skills and expertise through education & training.
- Investing in leading technologies.
- Being professional in conduct towards customers, patients and colleagues and garnering an appropriate sense of respect and empathy.
- Continuously improving service performance and setting standards within the industry.

## EFFICIENCY & EFFECTIVENESS

ACL applies innovative thinking to science and business. ACL endeavours to be agile in responding to the needs of customers and stakeholders. ACL aims to be proactive and not reactive to problems; ACL meets challenges with a "can do" attitude.

This is demonstrated by:

- Anticipating potential problems, creating solutions to problems.
- Applying innovative thinking to our diagnostic practice and our business.
- Listening, sharing, promoting and embracing new ideas, applying innovative ideas from other industries to our practice, where appropriate.
- Being flexible and agile.

## ENTREPRENEURSHIP & AGILITY

ACL seeks to deliver its mission to as many people as possible by being vigilant of delivery costs.

ACL is committed to:

- Continuously improving Company operations by being accountable and responsible, for its diligent use of resources.
- Striving to improve efficiency and effectiveness in everything we do.
- Recognising and ceasing activities that don't positively impact our goals where we are able.
- Encouraging collaboration as part of the Company's pursuit in ensuring timely information, for resilient business decision-making.
- Setting challenging but achievable goals and meeting them.

## PASSION & ENTHUSIASM

ACL is passionate about pathology and enthusiastic about living out its mission.

ACL and its staff demonstrate passion and enthusiasm by:

- Recognising and taking pride in good performances and rewarding achievements.
- Encouraging participation and collaboration to achieve team, organisation and social goals.
- Taking a genuine interest in patients, customers, colleagues and the community.
- Actively promoting pathology and ACL.

## RESPECT & INTEGRITY

ACL is committed to ensuring the Company and its representatives act with the highest integrity and respect.

ACL contributes to preserving human dignity by:

- Maintaining confidentiality and privacy, respecting the customer and in compliance with governing laws and internal protocols.
- Being honest, consistent and fair in interactions.
- Recognising individual needs, behaviours and conduct, and understanding potential impacts of adverse behaviour and/or conduct.
- Treating patients, customers and colleagues with respect and integrity.

# Company Overview

## KEY OPERATIONAL CHARACTERISTICS

ACL has established the following key operational characteristics that support its growth and performance improvements:

### UNIFIED PATHOLOGY SYSTEM

Allows the majority of tests, clinicians and laboratories to operate as one national operating system across the country.

### EFFICIENT UNIFIED LABORATORY NETWORK

Allows ACL to efficiently manage test turnaround times, specialisations and achieve the required scale to invest in equipment.

### CLINICAL CENTRES OF EXCELLENCE

Allows ACL to attract, retain and provide training to high-quality pathologists and scientists and manage changes in demand for specific testing.

### DIGITALLY ENABLED PLATFORMS

Allows improved clinical outcomes, pathologist and scientist flexibility and operational efficiency.

### FOCUS ON RESEARCH, INNOVATION AND ADVOCACY

Ensures ACL is at the forefront of developments and the introduction of new tests to the market.

### CLINICAL GOVERNANCE AND TRAINING

Ensures appropriate and consistent decision-making practices across the organisation of qualified professionals who are subject to continuing medical education.

## HELPING OUR COMMUNITIES THROUGH COVID

With this year being once again significantly affected by the pandemic, ACL found its services in even higher demand from our communities. The COVID-19 testing facilitated by our phlebotomists, courier drivers, laboratory scientists, pathologists and many others provided the diagnostic service our communities needed.

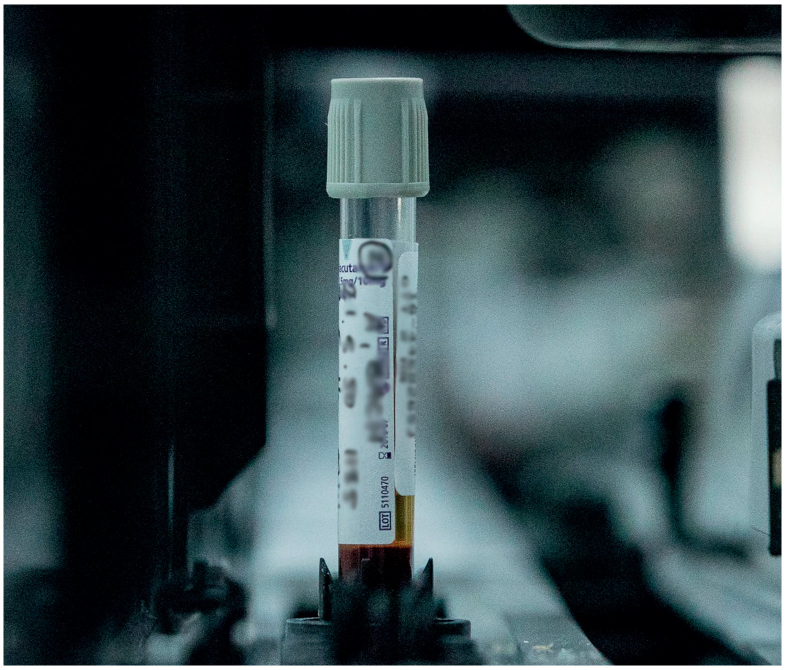
All ACL state businesses were instrumental in supporting state governments with their rigorous testing programmes and delivering unprecedented volumes of samples through our laboratories. ACL's ability to leverage its unified Laboratory Information System became paramount, with samples efficiently moved across state borders to ensure demand was met in a timely fashion.

ACL established a National COVID-19 Advisory Group, headed by Associate Professor Chris Barnes our National Director of Clinical Pathology. The group included representatives of key functions and examined literature and implemented best practices to respond to the continually changing conditions that were impacting the business every day, and to ensure that ACL was well placed to help the community response. This group was also charged with ensuring our staff were safe with PPE and mental health support.

ACL demonstrated its ability to rapidly set-up new COVID-19 collection centres for our local communities. This took a wide variety of forms from pop-up and drive-through sites, to permanent fixtures in the community – all with the ability to extend their opening hours if demand was high. ACL was also able to give assistance to our doctor referrer-base. As the nation began moving to a telehealth model of care, ACL supported our referrers through the transition by quickly catering for electronic referral forms, as well as integrating automated telehealth referrals into our eOrders platform – making it easy for doctors to continue with their practice from their homes.

## A FOCUS ON INNOVATION

For many years Clinical Labs has been at the forefront of advanced molecular testing in Australia. Molecular testing, such as Liquid Biopsy and Solid Tumour Testing, aids clinicians to select personalised precision treatments for patients.  Clinical Labs operates two Specialist Genetics Laboratories in Victoria and Perth, offering a comprehensive molecular service to our referring Specialists.



# Company Overview

## ACL'S GROWTH STRATEGY

In the medium term, ACL's objective is to achieve above-market growth for both revenue and EBITDA through:

### EMBEDDED REVENUE OPPORTUNITIES

- Broaden general practitioner relationships
- Ramp up existing contracts
- Commercial COVID-19 testing

### OPERATIONAL PERFORMANCE IMPROVEMENTS

- Continuous improvement program
- Extract additional benefits from unified pathology system
- Opportunities from SunDoctors integration

### FOOTPRINT EXPANSION

- Increase position in New South Wales growth corridors
- Grow revenue in Queensland
- Provide additional services
- SunDoctors expansion

### STRATEGIC ACQUISITIONS

- Acquisitions in specialist and general pathology

## ORGANIC MARKET GROWTH

The non-COVID-19 pathology market is forecast to grow between ~4% to ~6% p.a, due to predictable and consistent drivers including growing and ageing population, increasing testing rates and scientific and technological advancements.

**+4-6%**

**FORECASTED NON-COVID PATHOLOGY GROWTH**

## SUNDOCTORS – A STRATEGIC ACQUISITION


In FY21, ACL acquired SunDoctors, a leading skin cancer clinic group and histopathology business. Sundoctors have 30 clinics, predominantly located across Queensland and New South Wales, and last year diagnosed approximately 15% of all reported melanomas in Australia.

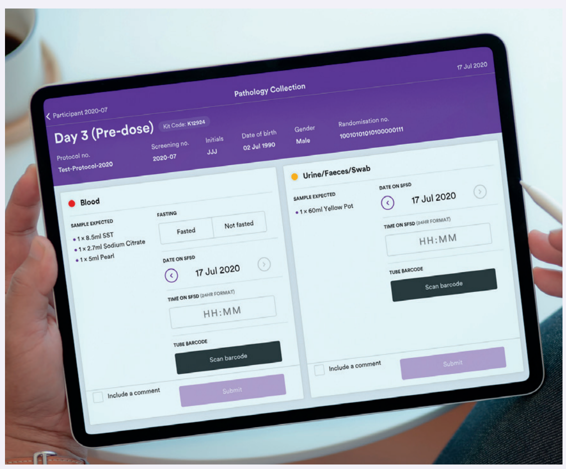
This is a strategic acquisition that opens up a strong pathway for future growth in the skin cancer space, with SunDoctors having access to ACL's national network and infrastructure. With plans to support and expand the SunDoctors clinic network a priority, the merger also forms a strong stepping stone into the QLD market for ACL. Management believes there are further opportunities based on ACL's track record of acquisition integration and it can expand adjacencies.

## CLINICAL TRIALS – A GROWTH OPPORTUNITY

Pathology testing is critical in the development of new drugs. ACL recognises the important growth opportunity of providing our advanced pathology services to help ensure new drugs are safely brought to market for patients. In 2018 we opened Australia's only specialty laboratory purpose-built for clinical trials and will soon launch a second in Queensland.

For our clinical trials service, we have invested in specialised digital technology that supports end-to-end paperless ordering and reporting to reduce our carbon footprint and subsequent paper usage, as well as implement electronic signature capabilities specific to our clinical trials partners.

Our specialised reporting tool integrates seamlessly into the clinical trials workflow, utilizing customised digital tools that interface with study and patient requirements.



# Directors' Report

# Directors' Report
## for the year ended 30 June 2021

The Directors of Australian Clinical Labs Limited (referred to as "Clinical Labs", "ACL" or "the Company") present their Report for the financial year ended 30 June 2021 (referred to as "the year") accompanied by the Financial Report of Australian Clinical Labs Limited and the entities it controlled (referred to as "the Group") from time to time during the year. Pursuant to the requirements of the ***Corporations Act 2001*** (Cth) (Corporations Act), the Directors' Report follows:

## 1. Directors

ACL was incorporated on 6 November 2020 as ACL HoldCo Pty Ltd, in anticipation of its IPO. On 8 March 2021, ACL HoldCo Pty Ltd became an unlisted public company, before changing its name to Australian Clinical Labs Limited on 23 March 2021. ACL was then admitted to the ASX on 14 May 2021. Prior to the IPO, the business of the Company was operated through a different corporate vehicle, Clinical Laboratories Pty Ltd ACN 006 823 089. Clinical Laboratories Pty Ltd is now a wholly owned subsidiary of ACL but remains the primary operating vehicle of ACL. Further information on the corporate restructuring that took place as part of the IPO is set out in Section 8 below.

The following persons were Directors of the Company during the year (or, where indicated, during part of the year) and/or up to the date of this Report:

| Current Directors | Position | Date Appointed | Date Resigned |
|---|---|---|---|
| Michael Alscher | Non-Executive Director | 19 December 2020 | – |
| Melinda McGrath | Chief Executive Officer and Executive Director | 19 December 2020 | – |
| Nathanial Thomson | Non-Executive Director | 19 December 2020 | – |
| Andrew Dutton | Independent Non-Executive Director | 28 April 2021 | – |
| Dr Leanne Rowe AM | Independent Non-Executive Director | 28 April 2021 | – |
| Dr Michael Stanford AM | Independent Non-Executive Director | 28 April 2021 | – |
| Mark Haberlin | Independent Non-Executive Director | 28 April 2021 | – |
| **Past Directors** | | | |
| Peter Lyon-Mercado | Non-Executive Director | 6 November 2020 | 19 December 2020 |
| Dr Shane Kelly | Non-Executive Director | 19 December 2020 | 27 January 2021 |
| Michael Lukin | Non-Executive Director | 19 December 2020 | 28 April 2021 |
| Joel Mahemoff | Non-Executive Director | 19 December 2020 | 28 April 2021 |
| James Davison | Executive Director | 19 December 2020 | 19 December 2020 |

# Directors' Report
for the year ended 30 June 2021

## 1. Directors (continued)

| Name | Expertise, experience and qualifications |
| --- | --- |
| <br>**Michael Alscher**<br>***Non-Executive Director Chairman*** | Mr Michael Alscher was appointed Chair of ACL's predecessor corporate vehicle Clinical Laboratories Pty Ltd in 2015 following its acquisition by Crescent Capital Partners in 2015. Michael was appointed a Director of ACL on 19 December 2020 and Chair of ACL as part of the IPO process on 19 December 2020.<br><br>Michael is the Managing Partner and founder of Crescent, a leading Australian private equity investment firm, specialising in high growth companies and certain industry sectors such as healthcare.<br><br>Michael is the current Chair of Cardno Limited, National Dental Care Limited, National Home Doctor Service Pty Ltd and is a Non-Executive Director of Clearview Wealth Limited. Michael's former director roles include Chair of Cover-More Group Limited, LifeHealthcare Group Limited and Director of Metro Performance Glass Limited.<br><br>Prior to founding Crescent in 2000, Michael was a strategy consultant at Bain International and LEK Partnership as well as holding several senior operating roles.<br><br>Michael holds a Bachelor of Commerce (Finance and Mathematics) Degree from the University of New South Wales. |
| <br>**Melinda McGrath**<br>***Chief Executive Officer and Executive Director*** | Ms Melinda McGrath has been the Chief Executive Officer and Executive Director of ACL's predecessor corporate vehicle, Clinical Laboratories Pty Ltd since 2015. Melinda was appointed an Executive Director of ACL on 19 December 2020. Melinda has more than 30 years' experience in healthcare with over 20 years of experience in chief executive roles and over 13 years of experience in pathology CEO roles.<br><br>Melinda has played a lead role in the organisation's transformation, building ACL's scale and operational performance improvement over the past six years, overseeing the integration of Healthscope's Australian pathology business, St John of God Health Care's pathology business, Perth Pathology and SunDoctors. She has also driven the establishment of one performance oriented culture across the organisation, via one unified integrated pathology system.<br><br>Melinda was Chief Executive Officer of QML Pathology (part of Healius) from 2008 to 2015, where she developed five QML brands and established Tasmania Medical Laboratories. Prior to that, Melinda held various chief executive roles at private regional and tertiary referral hospitals in Queensland including The Sunshine Coast Private Hospital, St Andrew's War Memorial Hospital and St Stephens Private Hospital.<br><br>Melinda has held board member positions at Metro North Hospitals and Health Service including Royal Brisbane, Prince Charles, Redcliffe, Caboolture and related health services; and a superannuation fund, UC Super.<br><br>Melinda holds a Bachelor of Human Movement Studies Degree and a Bachelor of Arts Degree from the University of Queensland, a Master of Business Administration from the University of Central Queensland, and a Certificate in Governance Practice from the Governance Institute of Australia. |

| Name | Expertise, experience and qualifications |
|---|---|
| <br>**Nathanial Thomson**<br>*Non-Executive Director*<br>*Member – Nomination and Remuneration Committee* | Mr Nathanial Thomson has been a Non-Executive Director of ACL's predecessor corporate vehicle, Clinical Laboratories Pty Ltd, since April 2018. Nathanial was appointed a Non-Executive Director of ACL on 19 December 2020.<br><br>Nathanial is a Partner at Crescent, a leading Australian private equity investment firm. Nathanial has over 20 years of experience in strategy consulting, private equity and investment banking. He has significant consulting experience from his prior role at McKinsey & Co.<br><br>Nathanial is a current Director of Cardno Limited, National Dental Care Limited, Clearview Wealth Limited and National Home Doctor Service Pty Ltd. Nathanial's former director roles include Deputy Chair of Cover-More Group Limited and a Non-Executive Director of Metro Performance Glass Limited.<br><br>Nathanial holds a Bachelor of Commerce Degree and Bachelor of Laws Degree from the University of Western Australia. |
| <br>**Andrew Dutton GAICD**<br>*Independent Non-Executive Director*<br>*Chair – Nomination and Remuneration Committee*<br>*Member – Audit Committee* | Mr Andrew Dutton has been a Non-Executive Director of ACL since 28 April 2021.<br><br>Andrew has 30 years of management, business development and technology experience across Australia, Asia and Europe.<br><br>Andrew is the current Chair of Land Registry Services and was recently an Advisor to FinancialForce APJ. He has had extensive Chief Executive Officer and Board experience globally and within Australia.<br><br>Andrew's former roles include Chair of NVOI Pty Ltd and SAI Global Pty Ltd; Chief Executive Officer at Land Registry Services and Integrated Research Limited; Managing Director of the Asia Pacific/Japan region for VMware Inc.; and senior executive positions at IBM, Computer Associates, BEA Systems Inc., Lend Lease and Norwich Union Financial Services Group including roles as CFO, CMO, CRO and Divisional Heads. At IBM, Andrew was elected to the Worldwide Senior Leadership Team.<br><br>Andrew holds a Bachelor of Science Degree from the University of Sydney and is a member of the Australian Institute of Company Directors. |
| <br>**Dr Leanne Rowe AM, MD, MB BS, FRACGP, FAICD, HonLLD Monash**<br>*Independent Non-Executive Director*<br>*Member – Nomination and Remuneration Committee*<br>*Member – Risk Committee* | Dr Leanne Rowe has been a Non-Executive Director of ACL since 28 April 2021.<br><br>Leanne is a clinical professor and medical practitioner with over 30 years of clinical experience in the public and private health systems across acute care, aged care, mental health and community health.<br><br>Leanne is currently Chair of Nexus Hospitals and a Non-Executive Director of Japara Healthcare Limited, Doctor Care Anywhere Group PLC, the Medical Indemnity Protection Society and MIPS Insurance. Previously she was Chair of the Royal Australian College of General Practitioners and a Non-Executive Director of Medibank Private, I-MED Radiology Network, GMHBA, Australian Health Management, Barwon Health and Beyond Blue.<br><br>Leanne is a former Deputy Chancellor of Monash University and has been awarded a Doctor of Laws (Honoris Causa) for her services. Leanne has also received a Member of the Order of Australia for her services to medicine and is a Fellow of the Royal Australian College of General Practitioners and the Australian Institute of Company Directors.<br><br>Leanne holds a Doctor of Laws (Honoris Causa), Doctor of Medicine and a Bachelor of Medicine Degree and Bachelor of Surgery Degree from Monash University. |

## 1. Directors (continued)

<table>
<tr><th>Name</th><th>Expertise, experience and qualifications</th></tr>
<tr><td><br>Dr Michael Stanford AM, MB BS, MBA, FAICD<br>Independent Non-Executive Director<br>Chair – Risk Committee<br>Member – Audit Committee</td><td>Dr Michael Stanford has been a Non-Executive Director of ACL since 28 April 2021.<br><br>Michael has over 25 years of Non-Executive Director experience across a range of industries including healthcare services, diagnostics, biotech, pharmaceutical, property, aged care and higher education.<br><br>Michael is the current Chair of Diabetes Australia, an Independent Non-Executive Director of NorthWest Healthcare Property Management Limited and Nucleus Network Limited, and a Senior Advisor at Medibank Private Limited.<br><br>Michael's former roles include Non-Executive Director for ACL between 2016 and 2019, Healthscope Limited, Virtus Health Limited, and Deputy Chancellor of Curtin University. He was in Group Chief Executive Officer roles for 23 years including 16 years at St John of God Health Care. Michael has also received a Member of the Order of Australia for his service to the health sector, to tertiary education and in the community of Western Australia.<br><br>Michael holds a Bachelor of Medicine Degree and Bachelor of Surgery Degree from the University of New South Wales and a Master of Business Administration from Macquarie University. Michael is also a fellow of the Australasian Institute of Company Directors and was formerly a specialist in public health medicine.</td></tr>
<tr><td><br>Mark Haberlin<br>Independent Non-Executive Director<br>Chair – Audit Committee<br>Member – Risk Committee</td><td>Mr Mark Haberlin has been a Non-Executive Director of ACL since 28 April 2021.<br><br>Mark has over 25 years of audit, risk management, capital transactions and mergers and acquisitions experience across industries including healthcare, real estate and financial services.<br><br>Mark is the Lead Independent Director and Chair of the Audit and Risk Committee of Abacus Property Group. Mark is also an Independent Non-Executive Director and the Chair of the Audit and Risk Committee of Laybuy Group Limited. Previously, Mark was the Chair of PwC Australia and PwC's Public Reporting Panel, as well as a Director of the European Australia Business Council and PwC Asia Pacific.<br><br>Mark holds a Bachelor of Science (Civil Engineering) (Honours) from Imperial College London and qualified as a Chartered Accountant in the United Kingdom.</td></tr>
</table>

## 2. Directorships of other listed companies

The following table shows, for each Director, all directorships of companies that were listed on the ASX, other than the Company, from 30 June 2018, and the period for which each directorship has been held:

| Director | Listed Entity | Period Directorship Held |
|---|---|---|
| Michael Alscher | Cardno Limited<br>ClearView Wealth Limited<br>Intega Group Limited | November 2015 – present<br>November 2018 – present<br>August 2019 - present |
| Melinda McGrath | – | – |
| Nathanial Thomson | Cardno Limited<br>ClearView Wealth Limited | May 2016 – present<br>October 2012 – present |
| Andrew Dutton | NVOI Limited | June 2016 – June 2019 |
| Dr Leanne Rowe AM | Japara Healthcare Limited<br>Doctor Care Anywhere Group PLC | July 2019 – present<br>September 2020 – present |
| Dr Michael Stanford AM | Healthscope Limited<br>Virtus Heath Limited | March 2018 – June 2019<br>September 2019 – February 2021 |
| Mark Haberlin | Layby Holdings Limited<br>Abacus Property Group | April 2020 – present<br>November 2018 – present |

## 3. Meetings of Directors and Board Committees

The number of meetings of the Board and each of the Board Committees are shown below. Board meetings are shown for the period 9 March 2021 (being the date that ACL HoldCo Pty Ltd became a public company) and 30 June 2021. Committee meetings are shown for the period 14 May 2021 (ASX listing date when the Committees commenced) and 30 June 2021.

From time to time, Directors attend meetings of Committees of which they are not currently members; however, only attendance by Directors who are members of the relevant Committee are shown below:

| | Board of Directors | | Audit Committee | | Remuneration and Nomination Committee | | Risk and Management Committee | |
|---|---|---|---|---|---|---|---|---|
| **Current Directors** | **Eligible** | **Attended** | **Eligible** | **Attended** | **Eligible** | **Attended** | **Eligible** | **Attended** |
| Michael Alscher | 4 | 4 | – | – | – | – | – | – |
| Melinda McGrath | 4 | 4 | – | – | – | – | – | – |
| Nathanial Thomson | 4 | 4 | – | – | 1 | 1 | – | |
| Andrew Dutton | 3 | 3 | 1 | 1 | 1 | 1 | – | – |
| Dr Leanne Rowe AM | 3 | 2 | – | – | 1 | 1 | 1 | 1 |
| Dr Michael Stanford AM | 3 | 3 | 1 | 1 | – | – | 1 | 1 |
| Mark Haberlin | 3 | 3 | 1 | 1 | – | – | 1 | 1 |
| **Past Directors** | | | | | | | | |
| Michael Lukin | 2 | 1 | | | | | | |
| Joel Mahemoff | 2 | 2 | | | | | | |

Further meetings occurred during the year on specific issues, including meetings of the Chairman with the CEO and meetings of Directors with management.

## 4. Directors relevant interests in shares

The following table sets out the relevant interests that each Director has in the Company's ordinary shares as at the date of this report:

| Director | Ordinary Shares | Performance Rights |
|---|---|---|
| Michael Alscher | 250,000 | – |
| Melinda McGrath | 2,791,473 | 247,252 |
| Nathanial Thomson | – | – |
| Andrew Dutton | 80,000 | – |
| Dr Leanne Rowe AM | 37,500 | – |
| Dr Michael Stanford AM | 30,000 | – |
| Mark Haberlin | 25,000 | – |

## 5. Company Secretary

Eleanor Padman was appointed Company Secretary on 28 April 2021. Eleanor is a graduate of the University of Oxford and a corporate lawyer and governance expert with more than 25 years' experience gained in the UK and Australia. During the last 10 years Eleanor has held the roles of General Counsel, Company Secretary and Head of Risk and Compliance at various ASX-listed companies. Eleanor established her own boutique advisory business in 2019 and provides corporate governance services to ACL, as well as acting as Company Secretary to the Board and its Committees. Eleanor combines multi-disciplinary technical abilities with a strong commercial approach and a focus on promoting sound corporate governance. Eleanor is a Fellow of the Governance Institute of Australia, a Graduate of the Australian Institute of Company Directors and has held executive director positions on various public companies as well as having been the Chair of the Sydney Airport Trust (part of the ASX-listed stapled security for Sydney Airport Limited).

## 6. Principal Activities

During the year the principal continuing activity of the Group was the provision of pathology diagnostic services.

## 7. Operating and Financial Review

In line with the Prospectus dated 28 April 2021 all financial information reported below are on a pro forma basis. In particular, pro forma adjustments have been made to reflect the following:

- The estimated application of AASB 16 *Leases* (which came into effect in FY20) as if it had been applied by ACL from FY18 onwards. This adjustment has no net cash flow impact;
- The inclusion of the normalised historical results of SunDoctors;
- The removal of non-recurring integration and transaction related expenses incurred by ACL;
- The removal of the net impact of the non-recurring benefit of the JobKeeper Payments received by ACL, as well as the net impact of the JobKeeper Payments repaid by ACL;
- The capital structure in place post the Offer;
- The removal of the impact of the Offer Costs;
- ACL's estimate of the incremental annual costs associated with being a publicly listed company;
- The removal of the income statement benefit of the recognition of carried forward income tax losses from prior years recorded in FY20, net of the inclusion of income tax expense based on the effective income tax rate of 30% expected to be applicable going forward; and
- The income tax effect of the applicable pro forma adjustments noted above, based on the pro forma effective income tax rate of 30% expected to be applicable going forward.

Key financial highlights in the financial year ended 30 June 2021 include:

- Total revenue increased by 29% to $674.4m. This compared with the pro forma Prospectus revenue forecast of $647.0m (4.2% outperformance).
- Earnings before interest, tax, depreciation and amortisation (**EBITDA**) increased by 98.4% to $230.7m. This compared with the pro forma Prospectus EBITDA forecast of $207.7m (11.1% outperformance).
- Earnings before interest and tax (**EBIT**) increased by 373.0% to $140.0m. This compared with the pro forma Prospectus EBIT forecast of $119.3m (17.4% outperformance).
- Net profit after tax (**NPAT**) increased 659.1% to $88.7m. This compared with the pro forma Prospectus NPAT forecast of $74.5m (19.2% outperformance).
- Pro forma Net cash flow of $97.2m which was 21.3% higher than the Prospectus forecast of $80.2m.
- Cash EBITDA to Operating cash flow conversion of 101.4%.
- Net debt excluding lease liabilities decreased by 31.3% to $64.1m.
- Earnings per Share of 58.35 cents. This compared with the pro forma EPS forecast of 48.95 cents (19.2% outperformance).

ACL achieved revenue growth for the year of 29.0% which was a combination of both the increased response to the COVID-19 pandemic but also a return of non-COVID-19 revenue which grew 6.3% for the year. Non-COVID-19 revenue growth for ACL in the first half declined by 0.7% impacted by the 112-day lockdown in Victoria with the Victorian business recording a 5.4% reduction in revenue versus the rest of the business which recorded 3.2% growth. Revenue growth in the second half, whilst still impacted by snap lockdowns and movement restrictions, was 14.0% with both Victoria and other States overall recording strong levels of growth.

During the year ACL has continued to benefit from the investment it has made in its systems and processes to leverage further operational efficiencies with operating costs (excluding consumables) increasing $4.7m or 1.5% for the year. Labour efficiency as measured by episodes per full-time equivalent (FTE) increased 15.7% for the year.

The combination of revenue growth, cost control and operating efficiency gain has enabled the business to increase its EBITDA margin post AASB 16 to 34.2% (AASB 117 21.3%).

NPAT for the year at $88.7m was 19.1% above Prospectus forecast and 6.0% above the midpoint of the guidance upgrade issued on 3 June 2021.

The low working capital requirements for the business enabled conversion of Cash EBITDA to Operating cash flow of 101.4%. Similarly, the business generated Net cash flow of $97.2m which was 9.5% higher than the NPAT of the business of $88.7m. Due to the outperformance against forecast and improved cash conversion ACL increased its cash balance to $35.2m.

ACL strengthened its balance sheet with debt ratios comfortably within bank covenants. Total Net debt excluding lease liabilities decreased 31.3% to $64.1m and Net debt (excluding lease liabilities)/FY21 EBITDA (AASB 117, excluding non-cash items) was 0.4x in comparison to 0.8x in the Prospectus.

AASB 16 right of use assets and associated lease liabilities increased during the year due to longer-term options on a number of key sites being exercised.

Capital expenditure for the year of $9.5m included growth capital to support increased capacity and the expansion into Queensland.

# Directors' Report
for the year ended 30 June 2021

## 7. Operating and Financial Review (continued)

**Pro forma Profit and Loss for the financial year ended 30 June 2021**

| | FY21 | | FY20 | Growth | |
|---|---|---|---|---|---|
| **AUD in millions** | **Pro forma** | **Prospectus** | **Pro forma** | **Prospectus** | **FY20** |
| Pathology revenue | 655.0 | 629.1 | 505.5 | | |
| Clinic revenue | 13.9 | 14.1 | 13.1 | | |
| **Patient revenue** | **668.8** | **643.2** | **518.7** | | |
| Other revenue | 5.6 | 3.8 | 4.1 | | |
| **Total revenue** | **674.4** | **647.0** | **522.8** | **4.2%** | **29.0%** |
| Consumables | (121.9) | (116.7) | (89.4) | | |
| Labour costs | (253.1) | (254.5) | (247.3) | | |
| Property costs | (14.8) | (15.3) | (14.0) | | |
| Repairs and maintenance | (7.0) | (6.8) | (6.8) | | |
| Other operating expenses | (46.9) | (46.1) | (49.0) | | |
| Total operating costs (excluding consumables) | (321.8) | (322.6) | (317.1) | | |
| **Total operating costs** | **(443.7)** | **(439.3)** | **(406.5)** | | |
| **EBITDA** | **230.7** | **207.7** | **116.3** | **11.1%** | **98.4%** |
| Depreciation | (11.1) | (10.8) | (12.5) | | |
| Depreciation AASB 16 | (79.4) | (77.4) | (74.0) | | |
| **Depreciation** | **(90.5)** | **(88.3)** | **(86.5)** | | |
| Amortisation of acquired intangible assets | | | | | |
| **Amortisation of acquired intangible assets** | **(0.2)** | **(0.2)** | **(0.2)** | | |
| **EBIT** | **140.0** | **119.3** | **29.6** | **17.4%** | **373.0%** |
| Interest on loan | (1.8) | (1.6) | (1.6) | | |
| Amortisation of capitalised borrowing cost | (0.4) | (0.3) | (0.3) | | |
| Interest AASB 16 | (11.1) | (11.0) | (11.0) | | |
| **Net finance expense** | **(13.2)** | **(12.9)** | **(12.9)** | | |
| **PBT** | **126.8** | **106.4** | **16.7** | **19.2%** | **659.1%** |
| Tax expense | (38.0) | (31.9) | (5.0) | | |
| **NPAT** | **88.7** | **74.5** | **11.7** | **19.2%** | **659.1%** |
| *EBITDA margin* | *34.2%* | *32.1%* | *22.2%* | *211 bps* | *1197 bps* |
| *EBIT margin* | *20.8%* | *18.4%* | *5.7%* | *233 bps* | *1510 bps* |

Balance Sheet as at 30 June 2021

| | FY21 | | FY20 |
|---|---|---|---|
| **AUD in millions** | **Pro forma** | **Prospectus** | **Pro forma** |
| Cash and cash equivalents | 35.2 | 10.0 | 34.8 |
| Trade and other receivables | 63.0 | 53.7 | 63.3 |
| Inventories | 13.4 | 14.2 | 10.5 |
| Other assets | 5.7 | 6.4 | 3.5 |
| **Total current assets** | **117.2** | **84.3** | **112.1** |
| Plant and equipment | 42.3 | 41.1 | 38.6 |
| Right-of-use assets | 186.7 | 153.5 | 155.5 |
| Goodwill and other intangibles | 112.9 | 103.5 | 35.7 |
| Other financial assets | 0.0 | 1.0 | 1.0 |
| Deferred Tax Assets | 15.6 | 23.3 | 23.2 |
| **Non-current assets** | **357.5** | **322.4** | **254.0** |
| **Total assets** | **474.7** | **406.7** | **366.1** |
| Trade and other payables | (42.6) | (40.0) | (32.8) |
| Borrowings | 0.2 | 0.3 | – |
| Lease liabilities | (70.4) | (64.5) | (63.4) |
| Provisions | (48.6) | (44.4) | (37.5) |
| Deferred consideration | (0.7) | (0.1) | (1.8) |
| Current tax liabilities | (4.0) | (7.2) | – |
| **Total current liabilities** | **(166.2)** | **(155.9)** | **(135.5)** |
| Lease liabilities | (124.5) | (95.6) | (97.7) |
| Borrowings | (99.5) | (103.6) | (60.1) |
| Provisions | (2.6) | (2.9) | (3.8) |
| Deferred consideration | – | (0.1) | – |
| Deferred tax liabilities | 0.0 | (1.5) | (0.0) |
| **Total non-current liabilities** | **(226.6)** | **(203.7)** | **(161.6)** |
| **Total liabilities** | **(392.8)** | **(359.6)** | **(297.0)** |
| **Net assets** | **81.9** | **47.1** | **69.0** |

## 7. Operating and Financial Review (continued)

### Pro forma Cash Flow for the financial year ended 30 June 2021

| | FY21 | | FY20 | Growth | |
|---|---|---|---|---|---|
| AUD in millions | Pro forma | Prospectus | Pro forma | Prospectus | FY20 |
| **EBITDA** | 230.7 | 207.7 | 116.3 | 11.1% | 98.4% |
| Non-cash items | 1.7 | 0.8 | 0.9 | | |
| Property related payments AASB 16 | (87.2) | (86.8) | (82.4) | | |
| **Cash EBITDA** | **145.2** | **121.7** | **34.8** | **19.3%** | **317.0%** |
| Change in net working capital | 2.0 | 0.7 | 2.7 | | |
| **Operating cash flow pre capex** | 147.2 | 122.5 | 37.5 | 20.2% | 292.4% |
| Capital expenditure | (9.5) | (8.4) | (9.4) | | |
| **Free cash flow before interest, tax and financing** | **137.7** | **114.1** | **28.1** | **20.7%** | **389.5%** |
| Payments of principal portions of lease liabilities | | | | | |
| **Net Offer proceeds** | | | | | |
| Financing and investing activities | | | | | |
| Interest paid | (1.5) | (1.5) | – | | |
| Income tax expense | (39.0) | (32.4) | – | | |
| **Net cash flow** | **97.2** | **80.2** | **28.1** | **21.3%** | **245.5%** |
| Cash EBITDA to Operating cash flow | 101.4% | 100.6% | 107.7% | | |

### Shares and Dividends

| | 2021 | 2020 |
|---|---|---|
| Shares on Issue* | 153.7 million | 147.3 million |
| Basic earnings per share* | 58.35 cents | 8.04 cents |
| Pre-IPO Dividends | $42.0 million | Nil |

* Calculated on retrospective number of shares and pro forma NPAT for the 2020 and 2021 financial years.

As stated in the Prospectus, ACL will not pay a dividend for the year ended FY21 as the business only listed in May 2021. The $42m dividend relates to pre-IPO dividends.

Profit and Loss reconciliation

| | FY21 | | FY20 | Growth | |
|---|---|---|---|---|---|
| AUD in millions | Reported | Prospectus | Reported | Prospectus | FY20 |
| **Statutory Revenue** | **644.7** | **618.2** | **519.5** | **4.3%** | **24.1%** |
| Pro forma adjustments (Prospectus) | 28.9 | 28.9 | 3.3 | | |
| Other pro forma adjustments | 0.9 | – | – | | |
| **Pro forma Revenue** | **674.4** | **647.0** | **522.8** | **4.2%** | **29.0%** |
| | | | | | |
| **Statutory EBITDA** | **196.6** | **173.0** | **125.3** | **13.6%** | **56.9%** |
| Pro forma adjustments (Prospectus) | 34.7 | 34.7 | (9.0) | | |
| Other pro forma adjustments | (0.6) | – | – | | |
| **Pro forma EBITDA** | **230.7** | **207.7** | **116.3** | **11.1%** | **98.4%** |
| | | | | | |
| **Statutory NPAT** | **60.4** | **48.3** | **41.3** | **25.0%** | **46.4%** |
| Pro forma adjustments (Prospectus) | 26.2 | 26.2 | (29.6) | | |
| Other pro forma adjustments | 2.2 | | | | |
| **Pro forma NPAT** | **88.7** | **74.5** | **11.7** | **19.1%** | **659.1%** |

The pro forma adjustments align with the Prospectus with notable differences being lower than expected Offer costs, accelerated expensing of legacy management equity plan and forecast statutory Prospectus tax rate being lower than actual.

## Impact of COVID-19

Throughout FY21, ACL played a central role in Australia's response to COVID-19 with a rapid, efficient and effective response to the significant increase in demand for essential pathology and other clinical healthcare services. ACL worked in partnership with public health authorities to deliver a COVID-19 response that maintained a focus on appropriate clinical governance at all times.

As a result of the significant investment in upgrading systems and processes that was completed prior to 2020, ACL was well placed to respond to the COVID-19 pandemic. ACL was able to secure consistent supply of reagents as well as PPE and consumables to ensure patients' and staff safety, despite global shortages. ACL was able to move work around between laboratories despite logistics being impacted by Government-mandated lockdowns and travel restrictions.

ACL responded to outbreaks of COVID-19 by quickly establishing drive-through testing sites including mobilising medical staff together with other skilled, trained staff as well as marquees, security and traffic management. The ACL front line staff worked in often challenging conditions to assist the communities with a resolute focus on delivering accurate and rapid results.

The COVID-19 pandemic has had a material impact on the size and composition of the Australian pathology market. During FY21, the pathology market was impacted by outbreaks of COVID-19 as well as Government-mandated lockdowns and travel restrictions. Overall, in FY21, COVID-19 testing was additive to the size of the pathology market with non-COVID-19 testing rebounding during the period.

The ACL Board acknowledge and thank all of our staff, led by the Executive Team, for their significant efforts, throughout FY21. Responding to COVID-19 was at times challenging for all of our staff, and we take this opportunity to thank each and every one of them.

## 7. Operating and Financial Review (continued)

### FY21 Operations

Australian Clinical Labs is one of the largest providers of pathology services in Australia by revenue, with operations in Victoria, New South Wales, Western Australia, South Australia, Queensland and the Northern Territory. ACL originates from the aggregation of Healthscope's Australian pathology business (2015), St John of God Health Care's (SJGHC) pathology business (2016), Perth Pathology (2016) and SunDoctors (2021). The Healthscope and SJGHC pathology acquisitions provided ACL with a heritage of hospital based pathology and the skills to deliver time-critical and complex hospital pathology, as well as the scale to efficiently provide community pathology.

Over the past six years, ACL has improved its operational performance through investing in the integration and optimisation of these businesses.

ACL's network comprises;

- More than 90 pathologists
- More than 3,750 scientists, collectors and support staff
- More than 80 accredited laboratories
- More than 995 collection centres
- More than 30 specialist skin cancer clinics

During FY21, ACL successfully delivered a broad range of operational achievements including in automation and digitisation, progress on the SunDoctors integration, as well as further efficiencies and advancements in innovation and precision medicine.

ACL delivered improved logistics and courier automation benefits that delivered both financial benefits to the Group as well as environmental benefits of a reduced carbon footprint.

The acquisition of SunDoctors occurred during FY21. SunDoctors is a skin cancer clinics and histopathology business and as well as synergy opportunities that are being realised, there is also a well-defined growth plan of revenue enhancement.

ACL has a constant focus on realising efficiencies across all areas of the business. Shared services were enhanced to include finance, IT, logistics, data entry and the call centre. Overall, as a result of these efficiencies, ACL delivered a reduced cost per episode, including compliance costs.

Across the business, there was a continual focus on innovation and process improvements, as well as an investment in R&D and new test innovation. There was further strong growth in the Human Genetics (Precision Medicine) business and there exist further opportunities in this space.

## 8. Significant changes in State of Affairs

In addition to the matters described in Section 7 above, the following significant events occurred:

Australian Clinical Labs Limited (formerly ACL Holdco Pty Ltd) was incorporated on 6 November 2020. Subsequently, on 6 November 2020, a new company, ACL Midco Pty Ltd ("Midco") was incorporated with the Company as its parent. A further company, ACL Finco Pty Ltd ("Finco"), was then incorporated on the same day with Midco as its parent company. On the same day, the Company formed a tax consolidated group with Midco and Finco with the Company acting as the head company.

On 4 December 2020, Finco entered into a syndicated (debt) facility agreement with an unrelated external financier. The provision of debt financing to Finco under the facility was conditional on Finco entering into an agreement to purchase 100% of the shares on issue by Clinical Laboratories Pty Ltd ("Clinical Labs") and Finco completing this transaction.

On 16 December 2020, Finco entered into a share purchase agreement to acquire 100% of the shares on issue by Clinical Laboratories Pty Ltd under a common control acquisition. The acquisition completed on 17 December 2020 with consideration in the form of cash (subsequently funded by the aforementioned new debt facility on 18 December 2020.

The acquisition of Clinical Labs was accounted for as a common control acquisition in accordance with Australian Accounting Standards. Refer to Note 23 for full details.

Australian Clinical Labs was admitted to the Official List of ASX Limited on 14 May 2021 with shares trading on a normal settlement basis from 19 May 2021.

On 18 May 2021 the Company acquired SunDoctors, a skin cancer clinics and histopathology business comprising 30 specialist skin clinics and two pathology laboratories.

On 3 June 2021 the Company issued an earnings guidance upgrade of 10-15% above prospectus.

## 9. Business Strategies and Future Developments

The Board and the Executive Management Team continue to focus on delivery against the well-defined growth strategy that is comprised of 5 core strategic initiatives:

(1) Organic Market Growth
  - (a) The Australian pathology market is forecast to grow between 4-6% per annum due to predictable drivers including growing and ageing population, and increasing testing rates.
  - (b) ACL anticipates COVID-19 will be additive to the size of the pathology market.

(2) Embedded Revenue Opportunities
  - (a) Broadening general practitioner relationships, broadening existing contracts and commercial COVID-19 testing.

(3) Operational Performance Improvements
  - (a) Continuous improvement program, further benefits from the unified pathology system and further opportunities exist from SunDoctors integration.

(4) Footprint Expansion
  - (a) Opportunities exist to grow revenues in New South Wales growth corridors and in Queensland
  - (b) Introduction of additional services.

(5) Strategic Acquisitions

## 10. Key Risks and Uncertainties

ACL is subject to risks both specific to ACL and ACL's business activities, as well as general risks.

### Government policy and regulation may change

ACL seeks to provide affordable pathology services to its patients. This is facilitated through bulk-billing the vast majority of its services to patients and receiving reimbursements through the Australian Government's Medicare Benefits Schedule (MBS). The MBS is subject to continual review and change, with the included services and prices being determined by the Federal Government.

Any changes to the MBS or any other Government funding initiatives, including reduction in fees or tests that will be covered by the MBS, could lead to a reduction in revenue for ACL and may adversely affect ACL's ability to provide testing and demand for ACL's services. This could include a reduction in COVID-19 fees or the fee paid for any particular test.

The nature, timing and impact of future changes to laws, Government policies and regulations are not predictable and are beyond ACL's control. Failure by ACL to comply with applicable laws, regulations and other professional standards and accreditation may lead to enforcement actions that disrupt ACL's operations and result in it being subject to fines, penalties, damages and disruption to its operations.

ACL monitors legislative and regulatory developments and engages proactively with key stakeholders to manage this risk.

### COVID-19 or another pandemic may impact ACL's business

Pandemic risks, such as COVID-19, pose business continuity risk to ACL. There is the risk from lockdowns across communities in response to a pandemic that the volume of routine (non-COVID-19) pathology testing may be adversely impacted.

There is a risk that staff and laboratories are adversely impacted by a pandemic, such as COVID-19, which limits ACL's ability to provide testing facilities. ACL staff are front line personnel providing collection services to customers potentially infected by COVID-19. Notwithstanding policies and procedures in place to mitigate such risks, there is a risk that staff in key operational roles are infected, impacting ACL's operations.

## 10. Key Risks and Uncertainties (continued)

### IT system may fail and may be subject to cyber security risks

ACL is heavily dependent on technology for the delivery of the services it provides its customers. Any information technology system is potentially vulnerable to interruption and/or damage from a number of sources, including but not limited to computer viruses, cyber security attacks and other security breaches, power, systems, internet and data network failures, and natural disasters.

ACL is committed to preventing and reducing cyber security risks. ACL has an information security policy and standards framework established in accordance with the international standard Information Security Management (ISO27001). ACL implements and operates IT security in-house with the assistance of partners and common IT security technologies to protect, detect and respond to security concerns. ACL conducts routine testing of systems and works closely with third-party security specialists to implement its security roadmap.

### ACL may be unable to recruit and retain key personnel

The successful operation of ACL's business relies on its ability to recruit and retain experienced and high-performing management, pathologists, scientists, and IT and operating staff. Relationships with certain referrers may be heavily reliant on particular ACL personnel (especially pathologists and scientists), such that their departure from the business could have an adverse impact on ACL's relationship with the referrer. There is significant competition to recruit these personnel, which can lead to increased labour costs.

ACL's focus on diagnostic excellence through its centres of excellence and commitment to continuing professional education for staff and referrers, including training the next generation of pathologists and scientists, helps to attract and retain a professional workforce. ACL's unified pathology system also provides flexibility to its national workplace.

### ACL's exposure to international developments may impact its operations

ACL sources testing supplies such as reagents and equipment from international markets. Prices of these supplies and equipment are subject to change driven by, among other factors, foreign exchange rates, market demand and supply, and scientific and technological advancements. ACL is unable to pass on cost increases as a substantial portion of ACL's revenue is derived from the MBS with almost all community pathology being bulk-billed under the MBS and some private hospital contracts linked to services in the MBS. Any adverse movements in testing supplies and equipment may increase ACL's costs of business and may have a material adverse impact on ACL's performance.

ACL manages supply price risk by entering into long-term fixed price arrangements with major suppliers for consumable products and by sourcing consumables locally in Australia. ACL remains vigilant in actively monitoring international developments, and managing supply costs and disruptions. For example, ACL has successfully managed the surge in demand for COVID-19 testing with no material operational disruptions.

## 11. Matters subsequent to the end of the financial year

Since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in these financial statements 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 subsequent financial years.

## 12. Dividends

The Board determined no final dividend would be paid in respect of the 2021 financial year.

As outlined in the Prospectus, it is intended that the first dividend paid by ACL will be an interim dividend in respect of the period from 1 July 2021 to 31 December 2021.

During the year, the 30 June 2020 final dividend of 6.21 cents per share (100% franked) was paid by Clinical Laboratories Pty Ltd to shareholders on 29 September 2020. On a retrospective basis, in line with the EPS calculation at Note 21, the dividend would have been 14.45 cents per share.

In respect of the 2021 financial year, a pre-IPO dividend of 14.25 cents per share (100% franked) was paid by Australian Clinical Labs Limited to shareholders on 18 May 2021.

## 13. Performance Rights and Options granted over unissued shares

The Australian Clinical Labs Long Term Variable Remuneration (LTVR) plan was created in March 2021 for selected senior executives including KMP. The purpose of the plan is to provide at-risk remuneration and incentives that reward executives for performance against long-term value creation objectives set by the Board at the beginning of the financial year and to align the interests of executives with the interests of shareholders through “skin in the game”.

In May 2021, the Company granted 804,532 Performance Rights under the LTVR plan. The Performance Rights granted during the financial year have an Indexed Total Shareholder Return (iTSR) vesting condition (100% weighting). The vesting of such Performance Rights will be determined by comparing the Company’s TSR over the Measurement Period with the TSR of the S&P/ASX 300 industrials Ex-Financials and Resources Index.

Each performance right entitles the holder to acquire one ordinary fully paid share in the Company.

On 13 July 2021 a further 104,025 Performance Rights were issued under the LTVR plan and are subject to the same vesting conditions.

The table in Section 14 sets out the details of Performance Rights that have been granted under the LTVR plan which remain on issue as at the date of the Directors’ Report.

Further information about Performance Rights issued under the LTVR plan is included in the Remuneration Report.

## 14. Shares issued on the exercise of Performance Rights

During the financial year ended 30 June 2021 there were no shares issued on exercise of Performance Rights.

The following table shows those Performance Rights that have been granted up to the date of this report.

| Date performance right granted | Expiry date | Issue price | Number of Performance Rights on issue |
|---|---|---|---|
| 25 May 2021 | 25 May 2026 | Nil | 804,532 |
| 13 July 2021 | 13 July 2026 | Nil | 104,025 |
| **Closing balance of Performance Rights** | | | **908,557** |

There were shares issued in previous years that were held in escrow by senior executives as part of the legacy Management Equity Plan which vested at IPO. Further information about the Management Equity Plan is included in the Remuneration Report.

## 15. Remuneration Report

The Remuneration Report which forms part of this Directors’ Report is presented separately from page 33.

## 16. Indemnification and insurance of Directors and Officers

The Company's Constitution provides that the Company may indemnify current and former Directors, alternate Directors, Executive Officers, Officers and auditors of the Company on a full indemnity basis and to the extent permitted by the law against all liabilities and losses incurred as an officer of the Group, except to the extent covered by insurance. Further, the Company's Constitution permits the Company to maintain and pay insurance premiums for Director and Officer liability insurance, to the extent permitted by law.

Consistent with (and in addition to) the provisions in the Company's Constitution outlined above, the Company has also entered into deeds of access, indemnity and insurance with all Directors and certain Officers of the Company which provide indemnities against losses incurred in their role, subject to certain exclusions, including to the extent that such indemnity is prohibited by the *Corporations Act 2001* (Cth) or any other applicable law.

During the financial period, the Company paid insurance premiums for a Directors' and Officers' liability insurance contract that provides cover for the current and former Directors, alternate Directors, Secretaries, Executive Officers and Officers of the Company and its subsidiaries. The Directors have not included details of the nature of the liabilities covered in this contract or the amount of the premium paid, as disclosure is prohibited under the terms of the contract.

The Group's auditor is Pitcher Partners (Melbourne) (PP). No payment has been made to indemnify PP during or up to the date of this report. No premium has been paid by the Group in respect of any insurance for PP. No Officers of the Group were Partners or Directors of PP whilst PP conducted audits of the Group.

## 17. Proceedings on behalf of the Company

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

## 18. Environmental regulation

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

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

ACL plans to publish a Sustainability Report in September 2021.

## 19. Non-audit services

There is no person who has acted as an officer of the Group during the year who has previously been a partner at Pitcher Partners when that firm conducted Clinical Labs' audit.

During the year Pitcher Partners did not provide any non-audit services.

## 20. Auditor's independence declaration

**AUSTRALIAN CLINICAL LABS LIMITED**
**ABN: 94 645 711 128**

**AUDITOR'S INDEPENDENCE DECLARATION**
**TO THE DIRECTORS OF**
**AUSTRALIAN CLINICAL LABS LIMITED**

In relation to the independent audit for the year ended 30 June 2021, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of Australian Clinical Labs Limited and the entities it controlled during the year.

S D WHITCHURCH
Partner

Date: 26 August 2021

PITCHER PARTNERS
Melbourne

17

**Pitcher Partners.** An independent Victorian Partnership ABN 27 975 255 196. Level 13, 664 Collins Street, Docklands, VIC 3008
**Pitcher Partners is an association of independent firms.** Liability limited by a scheme approved under Professional Standards Legislation.
Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities

**Adelaide Brisbane Melbourne Newcastle Sydney Perth**

***pitcher.com.au***

# Directors' Report
for the year ended 30 June 2021

## 21. Rounding of amounts

The Company is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument, amounts in this Report and the Financial Report are rounded off to the nearest thousand dollars or, in certain cases, to the nearest dollar.

Some numerical figures included in this report have been subject to rounding adjustments. Any differences between totals and sums of components in tables or figures contained in this report are due to rounding.

## 22. Annual general meeting

ACL will be holding its inaugural AGM on 27 October 2021.

## Signing of Directors' Report

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

**Michael Alscher**
Chair

26 August 2021

## Remuneration Report

### Overview

The Remuneration Report for the year ended 30 June 2021 (2021 Financial Year or FY21) forms part of the Directors' Report. It has been prepared in accordance with the Corporations Act 2001 (Cth) (the Act), Corporations Regulation 2M.3.03, in compliance with AASB124 Related Party Disclosures, and audited as required by section 208(3C) of the Act. It also includes additional information and disclosures that are intended to support a deeper understanding of remuneration governance and practices, for shareholders, where statutory requirements are not sufficient.

### Report structure

The report is divided into the following sections:

| Section | | Description |
|---|---|---|
| 1 | Letter from the Chair of the Nomination and Remuneration Committee | A brief introduction from the Chair of the Nomination and Remuneration Committee outlining the Board's view of performance and reward in FY21. |
| 2 | People covered in this report | This section provides details of the Directors and Executives who are subject to the disclosure requirements of this report, together the Key Management Personnel (KMP), including roles and changes in roles. |
| 3 | Remuneration overview | This section provides an overview of performance and reward for FY21, including "at-a-glance" summaries, as well as key governance matters. |
| 4 | The Australian Clinical Labs remuneration strategy, policy and framework | This section provides details of the elements of the remuneration framework, including market positioning, changes to Fixed Pay, variable remuneration principles, and the terms of variable remuneration. |
| 5 | The link between performance and reward in FY21 | This section addresses FY21 short-and long-term variable remuneration outcomes based on performance measurement periods completed during FY21, as well as the "achieved" remuneration outcomes for executives. |
| 6 | Statutory tables and supporting disclosures | This section provides the statutory disclosures not addressed by preceding sections of the report, including statutory remuneration tables, changes in equity, KMP service agreements, related party loans/transactions, and the engagement of external remuneration consultants. |

## Remuneration Report (continued)

## Letter from the Chair of the Nomination and Remuneration Committee

Dear Shareholders,
On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 30 June 2021 (FY21).

FY21 has been a successful year for ACL as it transitioned towards IPO and was admitted to the official list in May 2021. While communities, markets and businesses have grappled with the implications of COVID-19, the Company and its shareholders have continued to enjoy a high level of year-on-year growth despite the volatility of another COVID-19 impacted year.

ACL is fortunate to have personnel with extraordinary experience in many facets of pathology and health systems. Our goal is to ensure remuneration meets or exceeds our competitors and correctly recognises the efforts of our people in our collective drive to grow and expand your business.

Your Board has been in the process of implementing a remuneration framework appropriate for a listed company, to provide a clear line of sight between Company performance and remuneration outcomes, in addition to creating a strong alignment between the interests of directors, employees and shareholders. I welcome feedback on this report as an input into our considerations for FY22.

Some of the structures outlined in this report will not be evident for some time as the measurement periods for the first grant of Long Term Variable Remuneration (LTVR) will not conclude until the end of FY23.

While some key executives hold shares under a legacy (pre-listing) Management Equity Plan (MEP), a minimum of 60% of these shares remain in escrow which are subject to a service condition only.

In addition to this, a STVR plan was in place. Whilst the MEP creates some long-term alignment with executive remuneration and the experience of shareholders, the Company intends to transition over time to a combination of short-medium and long-term remuneration components more suitable to operating in a listed environment and to align it with market practice of comparable peers.

On behalf of the Committee and the Board, I would like to thank shareholders for their ongoing support of the Company.

**Mr. Andrew Dutton**
Chair, Remuneration and Nomination Committee

## a. People covered in this Report

This Report covers Key Management Personnel (KMP) which are defined as those who have the authority and responsibility for planning, directing and controlling the activities of Australian Clinical Labs.

| | | | Committee membership | | |
|---|---|---|---|---|---|
| **Name** | **Role at year end** | **Appointed** | **Audit** | **Remuneration and Nomination** | **Risk** |
| **Non-executive KMP** | | | | | |
| Michael Alscher* | Board Chair | 19/12/2020 | | | |
| Nathanial Thomson* | Non-executive Director | 19/12/2020 | | M | |
| Andrew Dutton | Independent Non-executive Director | 28/4/2021 | M | C | |
| Dr Leanne Rowe AM | Independent Non-executive Director | 28/4/2021 | | M | M |
| Dr Michael Stanford AM | Independent Non-executive Director | 28/4/2021 | M | | C |
| Mark Haberlin | Independent Non-executive Director | 28/4/2021 | C | | M |
| **Executive KMP** | | | | | |
| Melinda McGrath* | Chief Executive Officer and Executive Director | 9/11/2015 | | | |
| James Davison | Chief Financial Officer | 1/2/2011 | | | |

* Were previously Directors of Clinical Laboratories Pty Ltd prior to the incorporation of Australian Clinical Labs Limited.

M = Member, C = Chair.

The following changes to KMP occurred during FY21 or between the end of FY21 and the date of publication of this report:

- Peter Lyon-Mercado (Director – appointed: 6 November 2020, resigned: 19 December 2020)
- Michael Lukin (Director – appointed: 19 December 2020, resigned: 28 April 2021)
- Joel Mahemoff (Director – appointed: 19 December 2020, resigned: 28 April 2021)
- Shane Kelly (Director – appointed: 19 December 2020, resigned: 27 January 2021)
- James Davison (Director – appointed : 19 December 2020, resigned 19 December 2020)

Note: Appointment dates of non-executive KMPs above is the appointment dates in Australian Clinical Labs Limited. Michael Alscher and Nathanial Thompson were appointed as Directors of Clinical Laboratories Pty Ltd, the preceding parent entity of the Group, on 11 August 2015 and 30 April 2018 respectively.

## Remuneration Report (continued)

### b. Remuneration overview

#### FY21 executive remuneration structure at-a-glance

The following diagram outlines the executive KMP remuneration cycle under the remuneration framework as applicable for grants made in FY21 where STVR is Short Term Variable Remuneration, and LTVR is Long Term Variable Remuneration:

| Component | FY21 | FY22 | FY23 | FY24 | FY25 |
|---|---|---|---|---|---|
| Fixed | Fixed Pay Cash and Benefits | | | | |
| Short Term | STVR Performance Period | Audit and Metric Assessment<br>Cash Award | | | |
| Long Term | | LTVR Performance Period – Performance Rights and SARs with a TSR Vesting Condition | | | Audit, Metric Assessment, Vesting, Exercise up to 5th Yr. |

The table above represents the components of the FY21 remuneration being fixed component payable during the year, short term payable in FY22 as a results of audit and matrix assessment based on the FY21 year and long term exercisable in FY26 based on TSR from FY22 to FY24.

#### FY21 Company performance at-a-glance

The following outlines the Company's performance, which is intended to assist in demonstrating the link between performance, value creation for shareholders, and executive reward:

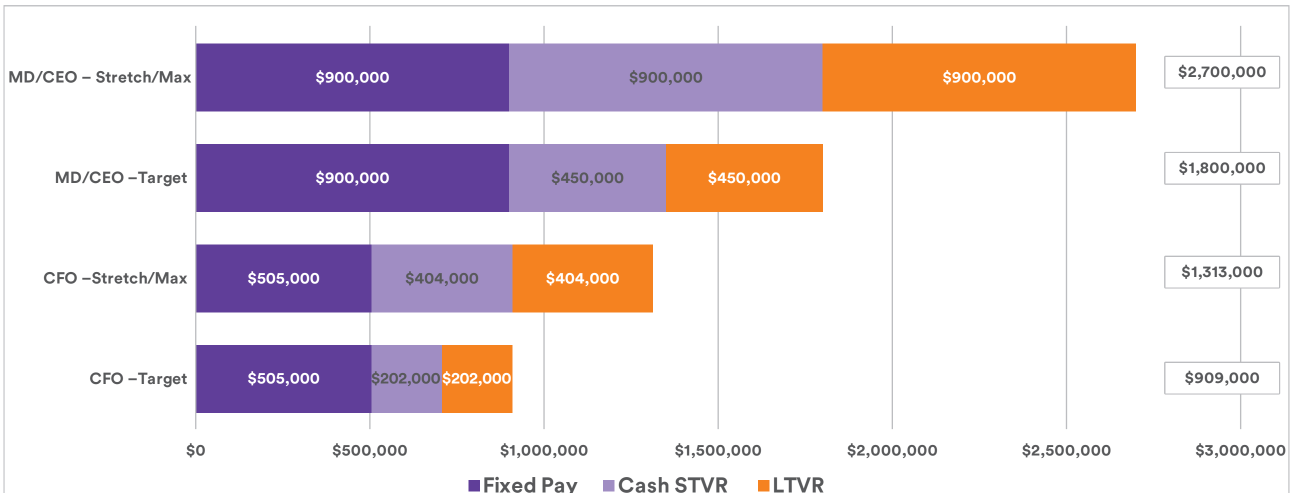
| FY End Date | Pro Forma Net Profit After Tax | Share Price (end of year) $ | Pro Forma Revenue Growth Year on Year % | Pro Forma EBITDA Growth Year on Year % | Pro Forma NPAT Growth Year on Year % |
|---|---|---|---|---|---|
| 30/6/2021 | $88.7m | $3.40 | 29.0% | 98.4% | 659.1% |

In addition to these metrics linked to value creation and the variable remuneration structures, the following were notable performance achievements for the year:

- Successful listing on the ASX
- Acquisition of SunDoctors
- Results exceeded Prospectus forecasts (NPAT up 19.1%)
- Results exceeded revised guidance on 3 June 2021 (NPAT up 6.0% on midpoint)

#### FY22 Executive remuneration opportunities

During FY21, a LTVR plan was introduced by ACL as the Company transitioned towards listing in May 2021 along with its existing STVR plan. The following charts outline the remuneration opportunities for FY22 under the new executive remuneration structures, with the outcomes dependent on performance over FY22 for STVR and over FY22 to FY24 for LTVR.



### Key KMP Remuneration Governance Development in FY21

The following summarises the key remuneration governance developments that occurred in FY21:

- Developing and implementing STVR and LTVR plans in the transition towards listing, in line with the market and the expectations of shareholders and proxy advisors.
- Developing suitable governance structures and policies suitable to an ASX-listed status.
- Benchmarking of Executive and Non-Executive Director remuneration against comparable ASX listed companies to determine an appropriate quantum and mix of remuneration for ACL's KMP upon listing.

## c. The Australian Clinical Labs remuneration strategy, policy and framework

### Executive remuneration – Fixed pay (FP), Total Remuneration Package (TRP) and the variable remuneration framework

Fixed Pay (FP) comprises base salary plus any other fixed elements such as superannuation, allowances, benefits and fringe benefits tax for example. Fixed Pay is intended to be positioned at P50 of market benchmarks for comparably designed roles.

Total Remuneration Package (TRP) is intended to be composed of an appropriate mix of remuneration elements including FP, short-term variable remuneration (STVR) and long-term variable remuneration (LTVR). The Target TRP (TTRP, being the TRP value at Target/Expected performance) is generally intended to fall around the P62.5 of market benchmarks, subject to smoothing for volatility across role samples at the same level. The Board views P62.5 market positioning as an indicator of P50 TTRP opportunities due to the impact of AASB 2/IFRS 2 and nil (sometimes negative) values that often appear in market data based on statutory disclosure, dragging down the market data compared to actual remuneration opportunities. That is, share based payment expenses for accounting purposes may be nil (sometimes negative) in market data therefore the Board views P62.5 market positioning as an indicator of P50.

Variable Remuneration is not a "bonus", but a blend of at-risk remuneration (below Target) and incentives (above Target and up to Stretch/maximum). Metrics selected are intended to be linked to the primary drivers of value creation for stakeholders, and successful implementation of the long-term strategy over both the short and long term. Thresholds are intended to be a near-miss of expectations, while Target is intended to be a challenging but realistically achievable objective with a probability of around 50% to 60%. Stretch on the other hand is designed to be exceptionally challenging with a probability of around 10% to 20%.

The Board's approach to the variable remuneration framework and how it fits within the remuneration policy is demonstrated in the below graphic:

| Variable Remuneration Component | Policy Market Position – TRP | Performance |
|---|---|---|
| Target to Stretch – Incentive/Upside | P100+ | Exceeds Expectations |
| | P62.5 to P100 | |
| Target – Expected Reward | P62.5 | Meets Expectations |
| Threshold to Target – At Risk/Down Side | P50 to P62.5 | Below Expectations |
| | P50 | |
| Fixed Pay Only | P10- (P50 of Fixed Pay Benchmarks) | Below Threshold |

Executive KMP remuneration will be tested annually by reference to appropriate independently sourced comparable benchmark data, and specific advice as may be appropriate from time to time. Benchmark groups are generally designed to be based on 20 companies from the same market sector, within a range of 50% to 200% of the market value of the Company at the time, and evenly balanced to ensure measures of central tendency are highly relevant. Benchmarks may be adjusted upwards or downwards for variations in role design compared to market benchmark roles, and individual remuneration may vary by +/- 20% compared to the policy midpoint, to reflect individual/incumbent factors such as experience, qualifications and performance.

# Directors' Report
for the year ended 30 June 2021

## Remuneration Report (continued)

### FY22 Short Term Variable Remuneration (STVR) plan

A description of the STVR structure applicable for FY21 is set out below. No changes will be made to this plan for FY22.

| | |
|---|---|
| Purpose | To provide at-risk remuneration and incentives that reward executives for performance against annual objectives set by the Board at the beginning of the financial year. Objectives selected are designed to support long-term value creation for shareholders, and link to the long-term strategy on an annual basis. |
| Measurement Period | The Financial Year of the Company. |
| Opportunity | The Target value is 50% of Fixed Pay for the CEO, with a maximum/Stretch of 100% of Fixed Pay.<br><br>The Target value is 40% of Fixed Pay for the CFO, with a maximum/Stretch of 80% of Fixed Pay. |
| Outcome Metrics and Weightings | The STVR is dependent on meeting Group Performance Objectives. For FY22 the metrics are based on EBITDA performance.<br><br>This metric was selected because it is viewed by the Board as the primary driver of value creation for the business. |
| Settlement | Awards are determined following auditing of accounts after the end of the financial year. |
| Service Condition | STVR is subject to the Participant remaining employed on the last day of the financial year unless otherwise determined by the Board. |
| Malus and Clawback | The STVR is currently not subject to any malus or clawback clauses or policies, however this will be reviewed in FY22. |
| Board Discretions | The Board has discretion to modify the awards payable to Participants regardless of any performance outcome or gate, to ensure that outcomes are appropriate to the circumstances that prevailed over the Measurement Period. |
| Corporate Actions | The Board has discretion to determine the treatment of unpaid STVR in the case of major corporate actions such as a change in control, delisting, major return of capital or demerger. |

### Long Term Variable Remuneration (LTVR) plan

A description of the LTVR structure applicable for FY21 is set out below. No changes will be made to this plan for FY22. Details of the Company's legacy equity plan, the Management Equity Plan, under which the CEO and CFO currently also hold shares, are provided later in this section of the report.

| | |
|---|---|
| Purpose | To provide at-risk remuneration and incentives that reward executives for performance against long-term value creation objectives set by the Board at the beginning of the financial year and to align the interests of executives with the interests of shareholders through "skin in the game". |
| Measurement Period | Three financial years including the financial year of grant. For the FY21 grant, the measurement period is from FY21 to FY23. |
| Opportunity | The Target value is 50% of Fixed Pay for the CEO, with a maximum/Stretch of double the Target, or 100% of Fixed Pay.<br><br>The Target value is 40% of Fixed Pay for direct reports to the CEO, with a maximum/Stretch of 80% of Fixed Pay. |
| Instrument | The Awards that may be offered under the LTVR Plan consist of Performance Rights for the CEO and CFO. |
| Price and Exercise Price | The Price is nil, because it forms part of the remuneration of the Participant.<br><br>The Exercise Price is nil. |
| Allocation method | The Rights are valued using the following method:<br><br>Right Value = Share Price – (Annual Dividend x Years to First Exercise)<br><br>The Number of Rights to be granted = FP$ x Target LTVR % ÷ Target Vesting % ÷ Right Value<br><br>Share Price = Volume Weighted Average Price during last 21 days or listing price if less than 21 days.<br><br>Note: dividing Target $ by the vesting % at Target grosses the grant up to the Stretch $ level. |
| Performance Metrics and Weightings | FY21 granted Performance Rights have an Indexed Total Shareholder Return (iTSR) vesting condition (100% weighting). The vesting of such Performance Rights will be determined by comparing the Company's TSR over the Measurement Period with the TSR of the S&P/ASX 300 industrials Ex-Financials and Resources Index.<br><br>50% of the Performance Rights will vest based on the following vesting schedule: |

| Performance Level | Company's TSR compared to S&P/ASX 300 Ex-Financials and Resources Index over performance period | % of Tranche Vesting |
|---|---|---|
| Target | Index TSR + 5% CAGR | 100% |
| **Threshold** | **Index TSR** | **50%** |

Outcomes that fall between the threshold and target level of performance will result in a pro-rata calculation being applied.

## Remuneration Report (continued)

| | |
|---|---|
| | 50% of the Performance Rights will vest based on the following vesting schedule:<br><br>**Performance Level** / **Company's TSR compared to S&P/ASX 300 Ex-Financials and Resources Index over performance period** / **% of Tranche Vesting**<br>Stretch / index movement + 10% CAGR / 100%<br>**Below Stretch** / **< Index TSR + 10% CAGR** / **0%**<br><br>There will be no pro-rata calculation applied for outcomes that fall below the stretch level of performance.<br><br>TSR is the sum of Share price appreciation and dividends (assumed to be reinvested in Shares) during the Measurement Period. It is annualised for the purposes of the above vesting scale. The TSR of the Company over the Measurement Period will be calculated and converted to a compound annual growth rate (CAGR) value for the purposes of assessment against this scale. During periods of nil dividends being declared, TSR is equal to change in Share Price.<br><br>This metric was selected because it is the best measure of value creation for shareholders that adjusts for windfall gains and losses arising from broad market movements.<br><br>Equity grants are tested against the performance measures set. If the performance hurdles are not met at the vesting date, Performance Rights lapse. |
| Gate | iTSR Performance Rights are subject to a gate of TSR for ACL being positive for the Measurement Period to ensure the grant does not vest when shareholders are losing value. |
| Settlement | The Rights are "Indeterminate" which may be settled in the form of a Company Share (including a Restricted Share), or cash equivalent, upon valid exercise. |
| Term | For FY22 grants, Rights must be exercised within five years of the Grant Date; otherwise they lapse. |
| Service Condition | In addition to the performance conditions, continued service during the full Measurement Period is a requirement in order for any Rights to become eligible to vest. |
| Malus and Clawback | The LTVR plan includes malus and clawback clauses which will result in forfeiture of unvested Rights in a range of circumstances, including material misstatements resulting in overpayment, or the Participant joining a competitor or being involved in actions that are deemed to have harmed other stakeholders. |
| Board Discretion | The Board has discretion to modify vesting to Participants regardless of any performance outcome or gate, to ensure that outcomes are appropriate to the circumstances that prevailed over the Measurement Period. |
| Corporate actions | In the case of a Change in Control, unvested Rights will vest in the proportion that the elapsed portion of the measurement period bears to the full measurement period. The Board, in its discretion, may determine that none, some or all of the remaining unvested Rights also vest. Any Rights that remain unvested following exercise of the Board's discretion will lapse.<br><br>In the case of a major return of capital or demerger, the Board has discretion to bring forward vesting or to alter the number of Rights or the Exercise Price or to alter Vesting Conditions to ensure that the outcome is fair to Participants. This is because following such an event the share price is likely to be materially different from the basis of the grant, and performance conditions set may be unable to be met. |

### Management Equity Plan (MEP/Legacy Plan)

The Group has previously established an equity incentive plan under which certain senior executives received ordinary shares as part of their incentive arrangements (Management Equity Plan and MEP Shares). Equity issued under the Management Equity Plan will be dealt with as described below to ensure that participants continue to be motivated to achieve sustained growth for shareholders.

Under the arrangements for the issue of the MEP Shares, if a participant ceases to be employed by the Group, the participant will no longer have an entitlement to MEP Shares still under escrow.

There are currently 3,545,863 MEP Shares which are being held in escrow as follows:

- One-third will be released from escrow following announcement of the Company's financial results for the period ended 31 December 2021;
- One-third will be released from escrow following announcement of the Company's financial results for the period ended 30 June 2022; and
- One-third will be released from escrow following announcement of the Company's financial results for the period ended 31 December 2022.

No further shares will be issued under the Legacy Plan.

### FY21 Non-Executive Director (NED) fee policy

The following outlines the principles that Australian Clinical Labs applies to governing NED remuneration:

| Principle | Comment |
|---|---|
| Fees are set by reference to key considerations | Fees for Non-Executive Directors are based on the nature of the Directors' work and their responsibilities, taking into account the nature and complexity of the Company and the skills and experience of the Director. Non-Executive Directors' fees are recommended by the Nomination and Remuneration Committee and determined by the Board. External consultants may be used to source the relevant data and commentary or to obtain independent recommendations given the potential for a conflict of interest in the Board setting its own fees. |
| Remuneration is structured to preserve independence whilst creating alignment | To preserve independence and impartiality, Non-Executive Directors are not entitled to any form of variable remuneration payments and the level of their fees is not set with reference to measures of the Company's performance. Non-Executive Directors are encouraged to hold shares in the Company, however they do not currently receive equity as part of their remuneration. |
| Aggregate Board fees | The total amount of fees paid to Non-Executive Directors in the year ended 30 June 2021 is within the aggregate amount disclosed in the Company Constitution of $1,500,000 per annum. |

# Directors' Report
for the year ended 30 June 2021

## Remuneration Report (continued)

The following outlines the Board Fees applicable as at the end of FY21:

| Role/Function | Main Board | Audit Committee | Remuneration and Nomination Committee | Risk Committee |
|---|---|---|---|---|
| Chair | $180,000 | $15,000 | $15,000 | $15,000 |
| Member | $120,000 | $10,000 | $10,000 | $10,000 |

Note: Fees are expressed as inclusive of superannuation. The Chair of the Board is not a member of any Committee and does not receive any fees in that capacity. Non-Executive Directors are also reimbursed for their reasonable out-of-pocket expenses that are incurred in the discharge of their roles.

### Other elements of the FY21 KMP remuneration governance framework

The following outlines the other elements that together with the foregoing form the KMP remuneration governance framework:

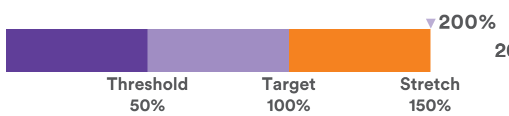
- The Nomination and Remuneration Committee Charter, which outlines the roles and responsibilities of the Committee. This is available for inspection on the Company website.
- The Securities Trading Policy, which outlines under what circumstances and when trading in ACL securities by KMP and other nominated employees may be permitted or prohibited.
- External Remuneration Consultant (ERC) Engagement Policy which is intended to ensure the independence of any recommendation received regarding KMP remuneration, and which supports the Board's published statements regarding such recommendations. In addition to the requirements outlined in the Corporations Act, it requires the ERC to notify the Board if management makes contact with the ERC on remuneration matters outside of interactions approved or supervised by the Board, such as the provision of factual information for benchmarking purposes.

## d. The link between performance and reward in FY21

The Board views the outcomes of remuneration for FY21 performance as appropriately aligned with stakeholder interests generally, given the strong Group and individual performance against annual objectives, the substantial shareholder value created through share price growth, and progress towards strategy objectives made by the executive team.

### FY21 STVR Outcomes

The STVR plan is designed to reward executives for the achievement against annual performance objectives set by the Board at the beginning of the performance period. The payment of an STVR is dependent on delivery of performance against a range of outcome metrics. The primary metrics and outcomes of assessment against those metrics are summarised below:

| Metric/Measure | Weight | Performance | Outcome (% of Target) | % of Target $ Payable |
|---|---|---|---|---|
| Financial Performance | 100% | | | |
| This metric is viewed as the primary financial driver of shareholder value creation under the current strategy. | | > 150% of EBITDA vs Budget achieved |  | 200% of Target $ Payable |

## Achieved total remuneration package for FY21

The following outlines "Achieved" total remuneration, including the portions of maximum variable remuneration that were awarded or vested, and portions that were forfeited or lapsed as the result of performance assessments:

| Name | Role(s) | Year | Fixed Pay (incl Super) | | Total STVR Awarded Following Completion of the Financial Year | | | | Value of MEP Shares that Vested Following Completion of the Measurement Period/FY | | | | Achieved Total Remuneration Package (TRP) | Gains/Losses on Vested LTVR from Change in Value Before Vesting[iii] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Amount | % of TRP | Amount[i] | % of Max Awarded | % of Max Forfeited | % of TRP | Amount[ii] | % of Max Vested | % of Max Lapsed | % of TRP | | |
| Ms Melinda McGrath | Chief Executive Officer and Executive Director | FY21 | $919,328 | 41% | $900,000 | 100% | 0% | 40% | $425,872 | 100% | 0% | 19% | $2,245,200 | $2,263,592 |
| | | FY20 | $892,265 | 50% | $900,000 | 100% | 0% | 50% | $0 | 0% | 0% | 0% | $1,792,265 | $0 |
| Mr James Davison | Chief Financial Officer | FY21 | $500,667 | 52% | $ 346,678 | 100% | 0% | 36% | $115,091 | 100% | 0% | 12% | $962,436 | $611,730 |
| | | FY20 | $392,838 | 54% | $339,877 | 100% | 0% | 46% | $0 | 0% | 0% | 0% | $732,715 | $0 |

(i) This is the value of the total STVR award calculated and accrued during the FY21. It will be settled following the release of the FY21 full year results.
(ii) This is the grant value of the LTVR that vested at IPO and is not held in escrow, i.e. number that vested multiplied by the Black-Scholes value at grant.
(iii) This is the difference between the Black-Scholes value at grant, and the realisable value based on the market value of a share at the time of vesting, for the LTVR that vested at IPO.

## Remuneration Report (continued)

### e. Statutory tables and supporting disclosures

The following table outlines the statutory remuneration of executive KMP. These disclosures have been calculated in accordance with the Australian Accounting Standards:

| | | | Fixed Pay | | | | | Variable Remuneration | | | | | | | | Total for Year | Other Statutory Items | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Total Fixed Pay | | Cash STVR(i) | | LTVR(ii) | | MEP(iii) | | MEP Accelerated(iv) | | | | |
| Name | Role(s) | FY | Salary | Super | Other Benefits(v) | Amount | % of TRP | Amount | % of TRP | Amount | % of TRP | Amount | % of TRP | Amount | % of TRP | Statutory Total Remuneration Package (TRP) | Change in Accrued Leave(vi) | Termination Benefits |
| Ms Melinda McGrath | Chief Executive Officer and Executive Director | 2021 | $875,418 | $24,600 | $19,311 | $919,328 | 40% | $900,000 | 39% | $13,259 | 1% | $ 110,115 | 5% | $368,993 | 16% | $2,311,695 | $ 73,115 | $0 |
| | | 2020 | $851,952 | $21,003 | $19,310 | $892,265 | 46% | $900,000 | 47% | $0 | 0% | $133,451 | 7% | $0 | 0% | $1,925,716 | $65,208 | $0 |
| Mr James Davison | Chief Financial Officer | 2021 | $466,071 | $24,600 | $9,996 | $500,667 | 51% | $346,678 | 35% | $5,952 | 1% | $29,758 | 3% | $99,719 | 10% | $982,774 | ($6,043) | $0 |
| | | 2020 | $358,242 | $24,600 | $9,996 | $392,838 | 51% | $339,877 | 44% | $0 | 0% | $36,065 | 5% | $0 | 0% | $768,780 | $105,353 | $0 |

(i) Note that the STVR value reported in this table is the STVR that was accrued during the reporting period. This will be paid following the release of the FY21 full year results.

(ii) Note that the LTVR value reported in this table is the amortised accounting charge of all grants that have not lapsed or vested as at the start of the reporting period. Where a market based measure of performance is used such as TSR, no adjustments can be made to reflect actual LTVR vesting.

(iii) Note that the MEP value reported in this table is the amortised accounting charge of all grants that had not lapsed or vested up to IPO.

(iv) Note that the MEP accelerated value reported in this table is the accelerated accounting charge of all grants that vested at IPO including those are held within escrow.

(v) Other benefits include items such as car parking, car allowances, FBT, etc.

(vi) FY20 annual leave was impacted by Senior Executives (including KMP) who volunteered to accept a commensurate annual leave increase in lieu of salary to preserve cash within the business when the Covid-19 pandemic began.

## Non-executive Director KMP statutory remuneration for FY21

The following table outlines the statutory and audited (A-IFRS) remuneration of NEDs ($, except where otherwise indicated):

| Name | Role(s) | Year | Cash Board Fees | Committee Fees | Superannuation | Other Benefits | Total |
|---|---|---|---|---|---|---|---|
| Mr Michael Alscher | Board Chair | 2021 | $127,097 | $0 | $0 | $0 | $127,097 |
| | | 2020 | $120,000 | $0 | $0 | $0 | $120,000 |
| Mr Nathanial Thomson | Non-executive Director | 2021 | $66,616 | $1,663 | $0 | $0 | $68,279 |
| | | 2020 | $60,000 | $0 | $0 | $0 | $60,000 |
| Mr Andrew Dutton | Independent Non-executive Director | 2021 | $19,951 | $4,156 | $2,290 | $28,274 | $54,671 |
| Dr Leanne Rowe AM | Independent Non-executive Director | 2021 | $19,951 | $3,325 | $2,211 | $26,301 | $51,788 |
| Dr Michael Stanford AM | Independent Non-executive Director | 2021 | $19,951 | $4,156 | $2,290 | $28,274 | $54,671 |
| Mr Mark Haberlin | Independent Non-executive Director | 2021 | $19,951 | $4,156 | $2,290 | $15,781 | $42,178 |
| Mr Michael Lukin | Independent Non-executive Director | 2021 | $52,903 | $0 | $0 | $0 | $52,903 |
| | | 2020 | $60,000 | $0 | $0 | $0 | $60,000 |
| Mr Joel Mahemoff | Independent Non-executive Director | 2021 | $52,903 | $0 | $0 | $0 | $52,903 |
| | | 2020 | $60,000 | $0 | $0 | $0 | $60,000 |
| Dr Shane Kelly | Independent Non-executive Director | 2021 | $30,000 | $0 | $0 | $0 | $30,000 |
| | | 2020 | $60,000 | $0 | $0 | $0 | $60,000 |

(i) Other benefits relates to consulting fees that were paid prior to the Director being appointed as a Director of the Company.

## KMP equity interests and changes during FY21

Movements in equity interests held by executive KMP during the reporting period, including their related parties, are set out below. All equity interests are granted by the listed entity unless otherwise specified:

| | | Number Held at Open FY21[(i)] | Granted FY21 | | FY21 Purchased/ Other[(i)] | FY21 Sold | Number Held at Close FY21[(ii)] |
|---|---|---|---|---|---|---|---|
| Name | Instrument | Number | Date Granted | Number | Number | Number | Number |
| Ms Melinda McGrath | Shares | 5,524,866 | – | – | 926,197 | (3,659,590) | 2,791,473 |
| | Unvested Rights | – | 25/05/2021 | 247,252 | – | – | 247,252 |
| Mr James Davison | Shares | 1,076,801 | – | – | 180,516 | (502,927) | 754,390 |
| | Unvested Rights | – | 25/05/2021 | 110,988 | – | – | 110,988 |
| TOTALS | | 6,601,667 | n/a | 358,240 | 1,106,713 | (4,162,517) | 3,904,103 |

(i) Note the numbers of shares has been restated retrospectively to 1 July 2020 to remove the impacts associated with the common control acquisition, share split and share consolidation processes that occurred as part of the initial public offering of the Company during the period.

(ii) Note the numbers of shares held at close are all held in escrow in accordance with the MEP.

## Remuneration Report (continued)

Movements in equity interests held by non-executive KMP during the reporting period, including their related parties, are set out below:

| | | Number Held at Open FY21 | FY21 Purchased/ Other | FY21 Sold | Number Held at Close FY21 |
|---|---|---|---|---|---|
| **Name** | **Instrument** | **Number** | **Number** | **Number** | **Number** |
| Mr Michael Alscher | Shares | – | 250,000 | – | 250,000 |
| Mr Andrew Dutton | Shares | – | 80,000 | – | 80,000 |
| Dr Leanne Rowe AM | Shares | – | 37,500 | – | 37,500 |
| Dr Michael Stanford AM | Shares | – | 30,000 | – | 30,000 |
| Mr Mark Haberlin | Shares | – | 25,000 | – | 25,000 |

The following outlines the accounting values and potential future costs of equity remuneration granted during FY21 for executive KMP:

| FY21 Equity Grants<br>Name | Tranche | Grant Type | Number | Vesting Conditions | Grant Date | Fair Value Each at Grant Date | Total Fair Value at Grant | Value Expensed in FY 21 | Max Value to be Expensed in Future Years |
|---|---|---|---|---|---|---|---|---|---|
| Ms Melinda McGrath | Tranche 1 | LTVR Rights | 123,626 | iTSR | 25/05/2021 | $3.64 | $449,999 | $7,916 | $233,081 |
| | Tranche 2 | LTVR Rights | 123,626 | iTSR | 25/05/2021 | $3.64 | $449,999 | $5,343 | $157,324 |
| Mr James Davison | Tranche 1 | LTVR Rights | 55,494 | iTSR | 25/05/2021 | $3.64 | $201,998 | $3,553 | $104,627 |
| | Tranche 2 | LTVR Rights | 55,494 | iTSR | 25/05/2021 | $3.64 | $201,998 | $2,398 | $70,621 |
| TOTALS | n/a | n/a | 358,240 | n/a | n/a | n/a | 1,303,994 | $19,210 | $565,652 |

Note: All Rights granted under the LTVR in FY21 will expire in FY26. They may only be exercised after vesting which is expected to occur after release of the year ended 30 June 2024 results.

The total fair value at grant date differs from the total value expected to be expensed through the profit and loss due to the measure of the plan using the Monte Carlo valuation for accounting purposes, which is different to the valuation at grant date.

## KMP Service Agreements

*Executive KMP Service Agreements*

*The following outlines current executive KMP service agreements:*

| Name | Position Held at Close of FY21 | Employing Company | Duration of Contract | Period of Notice | |
|---|---|---|---|---|---|
| | | | | From Company | From KMP |
| Ms Melinda McGrath | Chief Executive Officer and Executive Director | Clinical Laboratories Pty Ltd | No fixed term | 6 months | 6 months |
| Mr James Davison | Chief Financial Officer | Clinical Laboratories Pty Ltd | No fixed term | 6 months | 6 months |

*Non-Executive Directors service agreements*

Non-Executive Directors are appointed under a service agreement. The service agreements stipulate that Non-Executive Directors' fees are inclusive of superannuation and that Non-Executive Directors are not eligible for any termination benefits or other contractual or statutory entitlements (other than superannuation) following termination of their office.

## Other statutory disclosures

*Loans to KMP and their related parties*

During the financial year and to the date of this report, the Company has not made any loans to Directors and other KMP.

Historically, there were existing loans with KMP in relation to the MEP, which were repaid in full prior to the IPO.

In addition, there were historical loans with other shareholders advanced on commercial terms. These were also repaid in full prior to the IPO.

There are no loan balances outstanding as at 30 June 2021 with any related parties.

*Other transactions with KMP*

Certain Directors and KMP, or their personally-related entities (Related Parties), hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the FY21 reporting period. The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with unrelated entities on an arm's-length basis.

There were no transactions which occurred with entities controlled by Related Parties.

*External remuneration consultants*

During FY21 the Board engaged approved External Remuneration Consultants to provide KMP remuneration recommendations and other services as outlined below:

- Godfrey Remuneration Group Pty Ltd:
  - Market data and recommendations regarding Executive Remuneration quantum and structure – $18,000;
  - Recommendations on LTVR design and implementation – $38,000; and
  - Assistance in producing Section 6 of ACL's Prospectus, and the FY21 Remuneration Report – $24,000.
    - The consultant provided statements indicating that they viewed the advice they gave as being independent from undue influence.
    - The Board is of the view that the recommendations received were independent and free from undue influence of any KMP to whom the recommendations related, because the ERC complied with the Company's policy for engaging ERCs.

# Corporate Governance Statement

# Corporate Governance Statement
for the year ended 30 June 2021

## Introduction

As part of its initial public offering, ACL adopted the ASX Corporate Governance Principles and Recommendations, 4th edition (**ASX 4th Principles**) that apply to entities listed on the Australian Securities Exchange. This Corporate Governance Statement was approved by the Board on 25 August 2021.

Australian Clinical Labs Limited (ACN 645 711 128)(**ACL**) is a leading provider of pathology services, skin cancer clinics and other diagnostics modalities in Australia and one of the largest hospital pathology businesses nationally with 995 approved collection centres.

ACL originated from the aggregation of Healthscope Limited's Australian pathology business (2015), St John of God Health Care's pathology business (2016), Perth Pathology (2016) and SunDoctors (2021). ACL became a publicly listed company on the ASX on 14 May 2021.

ACL generates revenue by providing pathology services across the community, hospital and other pathology segments with operations as follows:

- **Community pathology:** ACL operates 995 ACCs and 30 clinics from which it collects community pathology samples. ACL's clinics are mostly co-located at medical centres, where ACL leases an area within the medical centre and provides an ACL employee to conduct the sample collection. ACL operates 30 skin cancer clinics across Queensland, New South Wales, South Australia and Victoria. ACL also sources pathology samples from general practitioners, specialists and patients that self-collect their samples;
- **Hospital pathology:** ACL provides services to public and private hospitals, which include large-scale hospital facilities, day hospitals, acute care facilities, 24/7 emergency departments and smaller regional hospitals;
- **Other pathology:** ACL provides a number of other pathology services to other users which include veterinary clinics, phase one clinical trials providers, functional pathology providers, corporate organisations to assist compliance with occupational health and safety regulations and government organisations, including the Australian Department of Defence.

The corporate governance framework that ACL has adopted to enable and facilitate the performance of its operations comprises:

- a board of directors (**Board**), which is responsible for managing and directing the affairs of ACL and which is legally responsible for its operations. The Board is supported in this role by a number of standing committees of the Board;
- a senior executive management team (**Executive Team**), which is led by a Chief Executive Officer (**CEO**). The CEO and Executive Team are responsible for the day-to-day operations of ACL and for implementing ACL's strategy. The CEO is also an executive director of the Board; and
- external assurance provided by its auditor and other professional advisers.

The corporate governance framework described above can be visually represented as follows:

# Corporate Governance Statement
for the year ended 30 June 2021

The legal and constitutional framework that governs ACL consists principally of its Constitution, the *Corporations Act* 2001 and the ASX Listing Rules. ACL is also accredited by NATA and subject to its governance and compliance requirements.

## Principle 1: Lay solid foundations for management and oversight

### Roles and Responsibilities

The Board is the legal decision-making body of ACL and has responsibility for the development and approval of strategy, monitoring the implementation of strategy by the CEO and Executive Team and oversight of ACL's financial position and financial reporting.

The Board's main functions are:

- to strive to build sustainable value for shareholders whilst protecting the assets and reputation of ACL;
- to demonstrate leadership, including at strategic and cultural levels;
- to define ACL's purpose and to set its strategies, budgets and business plans;
- to approve ACL's statement of values and code of conduct to underpin a culture of acting lawfully, ethically and responsibly;
- to satisfy itself that ACL has in place an appropriate risk management framework (for both financial and non-financial risks as well as risks relating to clinical governance) and setting the risk appetite within which the Board expects management to operate;
- to satisfy itself that ACL's remuneration policies are aligned with its purpose, values, strategic objectives and risk appetite;
- to oversee management in its implementation of ACL's strategic objectives, its role in instilling ACL's values and performance generally;
- to monitor the performance of the CEO and the Executive Team;
- to set measurable objectives for achieving gender diversity in the composition of ACL's Board, the Executive Team and workforce generally;
- to approve major borrowing and debt arrangements, the acquisition, establishment, disposal or cessation of any significant business of the company, any significant transaction or capital expenditure and the issue of any shares, options, equity instruments or other securities in ACL;
- to approve ACL's annual report including the financial statements, directors' report, remuneration report and corporate governance statement, with advice from the Remuneration and Nomination Committee, the Audit Committee and the Risk Committee, as appropriate;
- to oversee ACL's process for making timely and balanced disclosure of all material information concerning ACL that a reasonable person would expect to have a material effect on the price or value of ACL's securities;
- to satisfy itself that an appropriate framework exists for relevant information to be reported to the Board by management;
- to recognise that ACL provides professional medical services and therefore, ACL should adhere to medical ethics and ACL's code of conduct, and value the importance of ACL's commitment to empower decision making that saves and improves patient's lives;
- whenever required, to challenge management and hold it to account;
- to review operating information to understand at all times the state of health of ACL;
- to consider the economic, occupational health and safety, environmental and social sustainability risks of ACL's activities;
- to ensure that ACL acts legally and responsibly on all matters and that the highest ethical standards are maintained;
- to develop an investor-relations program to facilitate effective two-way communication with investors;
- to maintain a constructive and ongoing relationship with the ASX and regulators, and to approve policies regarding disclosure and communications with the market and ACL's shareholders; and
- to monitor the effectiveness of, and approving changes to, internal governance including delegated authorities, and monitoring resources available to Senior Management.

The Board has a charter that sets out its role and its responsibilities in more detail and provides guidance on the functions which it has reserved to itself. A copy of the Board Charter can be found at https://investors.clinicallabs.com.au/wp-content/uploads/2021/04/ACL-Limited-Board-Charter.pdf

During the 2021 financial year, the Board delegated certain responsibilities to its three Board committees being:

- the Audit Committee, which is responsible for the oversight of financial reporting, financial risk management, tax, internal control systems, internal and external audit functions;
- the Risk Committee, which is responsible for overseeing the establishment of and approving ACL's risk management framework for both non-financial and financial risk (with the assistance of the Audit Committee) as well as risks relating to clinical governance; and monitoring the effectiveness of that framework;
- the Remuneration and Nomination Committee, which is responsible for the oversight of remuneration policy and strategy, the performance of the CEO and the Executive Team, and CEO and Board succession planning;

Each Board committee has its own charter which sets out its role and responsibilities in more detail. The committees meet at least quarterly or more frequently if required. Regular reporting on the activities of each committee is provided to the Board.

Under the terms of the Board Charter, the Board has delegated authority and power to manage the daily operations of ACL to the CEO within levels of authority specified by the Board. The CEO may delegate aspects of her authority and power but remains accountable to the Board for ACL's performance and is required to report regularly to the Board on progress being made by ACL's business units.

ACL has 28 subsidiaries and the boards of ACL's subsidiaries are generally comprised of executive directors. ACL's corporate governance framework, including its risk management and compliance framework, applies to its subsidiaries.

During the reporting period, and since the date of the initial public offering of ACL on 14 May 2021, the Board has held one Board meeting, with attendance as follows:

| Name of director | Eligible to attend | Attended |
|---|---|---|
| Michael Alscher (Chair) | 1 | 1 |
| Melinda McGrath (Managing Director and Group CEO) | 1 | 1 |
| Andrew Dutton | 1 | 1 |
| Mark (Harry) Haberlin | 1 | 1 |
| Dr Leanne Rowe AM | 1 | 1 |
| Dr Michael Stanford AM | 1 | 1 |
| Nathanial Thomson | 1 | 1 |

### Appointment of Directors

ACL's constitution provides that directors are appointed as a casual vacancy to the Board and then must stand for formal appointment by a vote of shareholders at the next AGM. Subject to the requirement that an election of directors must occur each year at ACL's AGM, a director will generally serve a term of three years from appointment and is then eligible to stand for re-appointment for a further term of three years. There are no maximum tenure provisions in ACL's Constitution. As ACL was incorporated in November 2020 as part of the preparation for the IPO, all directors are relatively new appointments. At the 2021 AGM, Michael Alscher and Nathanial Thomson will stand for re-appointment in conformance with the obligation under ACL's constitution that a certain number of directors stand for election each year, irrespective of the length of tenure.

In the notice of meeting proposing resolutions to appoint directors, Shareholders will be provided with information in relation to a director's biographical details, qualifications, skills and experience, as well as details of any other directorships or material interests that they hold. The Board will also provide its recommendation in relation to any proposed re-appointment.

If a Board vacancy arises, the Remuneration and Nominations Committee will conduct a search for a new director, having regard to ACL's commitment that the Board should comprise directors with a broad range of skills, expertise and experience from a diverse range of backgrounds and able to contribute to the effective direction of the Company. Appropriate reference and background checks are conducted when a director is first appointed to the Board.

# Corporate Governance Statement
for the year ended 30 June 2021

### Service Agreements

Upon appointment and re-appointment, directors are provided with written agreements that set out the terms of their appointment, including the required time commitment, remuneration arrangements including superannuation, the requirement to disclose material interests and any matter which may affect their independence, the requirement to comply with key policies including ACL's code of conduct, indemnity and insurance arrangements, access to corporate records and ongoing confidentiality arrangements.

All senior executives, including the CEO and Executive Team, have contracts of employment that set out the terms and conditions of their employment, including rights and obligations in respect of the termination of their employment and the circumstances in which summary termination may occur.

### Secretary

The Company Secretary is appointed by the Board and all directors have direct access to the Company Secretary. The Company Secretary attends Board and Committee meetings and is responsible for providing the Board with advice on corporate governance issues. The Company Secretary is responsible for the operation of the company secretariat function and is accountable to the Board through the Chair on all matters to do with the proper functioning of the Board. The Company Secretary is also responsible for communications with the ASX about listing rule matters, including making disclosures to the ASX in accordance with the ACL's Disclosure Policy.

During the reporting period, the Board had access to the services and advice of Eleanor Padman, the Company Secretary. Details of the experience and qualifications of Eleanor Padman are set out in ACL's 2021 Directors' Report.

### Inclusion and Diversity

The Board considers that inclusion and diversity (**I&D**) in all its forms supports ACL's strategy and values and allows ACL to achieve better overall performance by allowing ACL to compete for the widest possible pool of talent, attract and retain employees whilst also encouraging a variety of viewpoints that enhance problem-solving, continual improvement and innovation.

ACL has a Diversity Policy that applies to the employees and officers of the Company and its subsidiaries. The Diversity Policy provides that the Board is responsible for setting measurable objectives to promote gender diversity and Company's progress in achieving them. During FY22, the Board will be setting inaugural measurable objectives FY22 for achieving gender diversity in the composition of the Board, Senior Management the workforce generally in accordance with this target. A full copy of ACL's Diversity Policy can also be found at https://investors.clinicallabs.com.au/wp-content/uploads/2021/04/ACL-Limited-Diversity-Policy.pdf

As at 30 June 2021, the respective proportions of men and women on the Board, the CEO and the Executive Team (defined as the CEO's direct reports and excluding the CEO) were as follows:

| | Board | | CEO | | Executive Team | |
|---|---|---|---|---|---|---|
| | Number | Percentage | Number | Percentage | Number | Percentage |
| Men | 5 | 71.4% | | | 7 | 87.5% |
| Women | 2 | 28.5% | 1 | 100% | 1 | 12.5% |

ACL is a relevant employer under the Australian *Workplace Gender Equality Act* 2012 (Cth) and remains compliant with its reporting obligations under this legislation.

Further information in respect of ACL's approach to I&D can be found in its 2021 ESG report which is available on its investor portal at https://investors.clinicallabs.com.au/

### Performance of the Board

The Board charter provides that the Board will, with the guidance of the Remuneration and Nominations Committee, regularly review the performance of the Board, its Committees and each director.

As the Board was newly constituted in April 2021 with the appointment of four new non-executive directors as part of the initial public offering of the Company, the Board determined that there was insufficient time to conduct an effective Board performance evaluation during FY21. The Board instead intends to conduct a review of its performance during FY22 and will disclose if that evaluation has taken place in its 2022 Corporate Governance Statement.

### Performance of CEO and Senior Executives

Performance reviews of the CEO and CFO are performed annually by the Board, with the assistance of the Remuneration and Nominations Committee where required. The CEO is responsible for conducting performance reviews of the other members of the Executive Team (other than the CFO). The Executive Team's performance is reviewed against a number of metrics which include:

- economic performances;
- positioning the Company for growth;
- culture, innovation, staff engagement and leadership; and
- brand and relationship management.

During the reporting period, performance reviews were completed for the CEO, CFO and the other members of the Executive Team.

## Principle 2: Structure the board to add value

### Remuneration and Nominations Committee

The Remuneration and Nominations Committee is a standing committee of the Board. During the reporting period and from the date of listing its members were Andrew Dutton (Chair), Leanne Rowe AM and Nathaniel Thompson. Andrew Dutton and Leanne Rowe are both considered to be independent within the meaning of Box 2.3 of the ASX Principles.

During the reporting period, and since the date of the initial public offering of ACL on 14 May 2021, the Remunerations and Nominations Committee has held one meeting, with attendance as follows:

| Name of director | Eligible to attend | Attended |
|---|---|---|
| Andrew Dutton (Chair) | 1 | 1 |
| Dr Leanne Rowe AM | 1 | 1 |
| Nathanial Thomson | 1 | 1 |
| Melinda McGrath (Managing Director and Group CEO)(non- member) | – | 1 |

As set out in its charter, the function of the Remuneration and Nomination Committee is to assist the Board in discharging the following responsibilities in relation to ACL:

- the recruitment of directors and Senior Management, including ensuring that appropriate background checks are performed;
- remuneration policies, including evaluating and approving remuneration packages for the CEO, Senior Management and non-executive directors and engaging external remuneration consultants;
- developing and approving short and long term incentive plans and equity plans;
- Board performance and composition, including the appropriate size and diversity of the Board, the development of skills matrices, selection criteria, succession plans, induction processes and any other requirements for the Board;
- Overseeing remuneration related disclosures required in ACL's annual statutory reporting.

A full copy of the committee's charter can be found at https://investors.clinicallabs.com.au/wp-content/uploads/2021/04/ACL-Limited-Remuneration-and-Nomination-Committee-Charter.pdf

### Board skills matrix

During FY22, the Board skills matrix will be developed and maintained by the Remuneration and Nominations Committee and will be reviewed annually in order to ensure that the Board is constituted to best align with ACL's strategic objectives. The Board skills matrix will provide an evaluation of the technical and soft skills, knowledge and experience of directors and help to ensure diversity of gender, experience, age and other different perspectives.

# Corporate Governance Statement
for the year ended 30 June 2021

The Board values the following attributes:

- a strong understanding of the pathology industry and industry environment in which ACL operates;
- a demonstrated high level of commercial acumen and ASX-listed experience;
- strong financial acumen, including an ability to probe the adequacies of financial and risk controls;
- the ability to act as a steward of the organisation, to set the tone and steer the organisation forward to create sustainable value for shareholders;
- a good understanding of current corporate governance and risk management requirements and experience in applying sound risk management approaches to drive outcomes;
- experience in best practice clinical and corporate governance, with a focus on customers and customer experience;
- experience in strategic planning and organisational change leadership;
- broad corporate experience delivering results with a particular focus on people, culture and performance;
- experience in mergers and acquisitions and growth strategies domestically and internationally;
- experience in ASX remuneration practices including incentive frameworks;
- experience in IT platforms and building a data strategy;
- experience in privacy, cyber-security and the management of data; and
- experience in creating a sustainable operating model focused on medium-long term growth and setting and monitoring economically, socially and environmentally sustainable development targets.

Further information in relation to the specific skills of each director is set out below.

### Independence of directors and the Chair

From the date of listing, the Board was comprised of six non-executive directors and the CEO, who is appointed as an executive director. ACL's Board Charter provides that the Chair of the Board must be a non-executive director and must not hold (or have held in the previous three years) the office of CEO. The table below provides further information on the background and independence status of each director and their length of service.

| Name | Skills and background | Date appointed | Independent as per Box 2.3 of the ASX 4th Principles |
|---|---|---|---|
| Mr Michael Alscher<br><br>Non-executive Chair | Managing partner and founder of Crescent Capital Partners (CCP)<br><br>Relevant experience to ACL:<br>• strategic planning and execution including change management and M&A<br>• pathology and other healthcare industry expertise<br>• corporate performance, leadership development and culture<br>• financial, investment and commercial acumen<br>• ASX-listed non-executive directorships and company governance | 19 December 2020 | No – CCP is a substantial holder of shares in ACL |

| Name | Skills and background | Date appointed | Independent as per Box 2.3 of the ASX 4th Principles |
|---|---|---|---|
| Melinda McGrath<br><br>CEO and executive director | CEO and executive director of ACL's predecessor corporate vehicle since 2015<br><br>Relevant experience to ACL:<br>• more than 30 years in healthcare with over 20 years of experience in CEO roles and 13 years in pathology CEO roles<br>• organisational transformation and change management<br>• commercial and clinical performance improvement<br>• strategy execution including M&A<br>• leadership development and executive performance | 19 December 2020 | No - CEO |
| Andrew Dutton<br><br>Non-executive director | Chair of the Remuneration and Nominations Committee<br><br>Relevant experience to ACL:<br>• leadership roles in software and the IT industry, including public company roles of CMO, CFO and CEO<br>• international strategy development and execution<br>• technology, digital and data management, including privacy and cyber-security<br>• executive remuneration and leadership development | 28 April 2021 | Yes |
| Mark Haberlin<br><br>Non-executive director | Chair of the Audit Committee<br><br>Relevant experience to ACL:<br>• ASX-listed non-executive directorships and company governance<br>• former partner of PwC and Chair of PwC Australia<br>• acquisitions and mergers<br>• treasury and funding transactions<br>• audit, financial controls and financial reporting<br>• risk management and internal controls<br>• leadership and talent management | 28 April 2021 | Yes |

# Corporate Governance Statement
for the year ended 30 June 2021

| Name | Skills and background | Date appointed | Independent as per Box 2.3 of the ASX 4th Principles |
|---|---|---|---|
| Dr Leanne Rowe AM<br><br>Non-executive director | Relevant experience to ACL:<br>• healthcare expertise as a clinical and medical practitioner<br>• Public and private health systems and hospitals<br>• clinical governance<br>• ASX listed company governance<br>• Legal expertise | 28 April 2021 | Yes |
| Dr Michael Stanford AM<br><br>Non-executive director | Chair of the Risk Committee<br><br>Relevant experience to ACL:<br>• Healthcare services, diagnostics, biotech and pharmaceutical<br>• Risk management, risk and compliance frameworks<br>• clinical governance<br>• corporate strategy development and execution, including M&A<br>• ASX-listed company governance | 28 April 2021 | Yes |
| Nathanial Thomson<br><br>Non-executive director | Partner at Crescent Capital Partners<br>• Strategy development and execution<br>• M&A and change management<br>• Financial, investment and commercial acumen<br>• Healthcare and pathology | 19 December 2020 | No – CCP is a substantial holder of shares in ACL |

As noted above, the Chair, Michael Alscher is not considered an independent director in accordance with recommendation 2.5 of the ASX 4th Principles. The Board acknowledges the recommendation but considers that Michael brings objective and unbiased judgement to the position of Chair of the Board. Given ACL's status as a newly listed company with four recently appointed directors, the Board further believes that Michael's ongoing role as Chair is in the best interests of the Company, as are the considerable skills, experience and understanding of the Company's business which he continues to bring to his role.

### Board induction and education

As part of the appointment process, all new directors receive detailed information outlining their duties and responsibilities and an opportunity to meet with the CEO and members of the Executive Team. They are also invited to attend orientation sessions to ensure that they are familiar with ACL's key business and strategic issues, as well as an understanding of the NATA regulatory framework.

Time is allocated at Board and Committee meetings for the continuing education of directors on significant issues facing ACL and changes to the regulatory environment.

## Principle 3: Instil a culture of acting lawfully, ethically and responsibly

### Articulate and disclose values

ACL's mission is to combine talented people, medical and scientific leadership with innovative thinking and technologies to empower decision making that saves and improves patients' lives. ACL's values reflect what it stands for as a company and are:

- Patient focus and medical excellence: ACL serves to protect the best interests of the patients by aiming to achieve excellence in daily actions. ACL is committed to:
  - Applying evidence-based practice to its diagnostic practice and medical care.
  - Utilising best practice science to deliver accurate and timely results.
  - Continuously developing its people's skills and expertise through education and training.
  - Investing in leading technologies.
  - Being professional in conduct towards customers, patients and colleagues and garnering an appropriate sense of respect and empathy.
  - Continuously improving service performance and setting standards within the industry.
- Entrepreneurship and agility: ACL seeks to deliver its mission to as many people as possible by being vigilant of delivery costs. ACL is committed to:
  - Continuously improving Company operations by being accountable and responsible, for its diligent use of resources.
  - Striving to improve efficiency and effectiveness in everything it does.
  - Recognising and ceasing activities that do not positively impact its goals where possible.
  - Encouraging collaboration as part of the Company's pursuit in ensuring timely information, for resilient business decision-making.
  - Setting challenging but achievable goals and meeting them.
- Efficiency and effectiveness: ACL applies innovative thinking to science and business. ACL endeavours to be agile in responding to the needs of customers and stakeholders. ACL aims to be proactive and not reactive to problems; ACL meets challenges with a "can do" attitude. This is demonstrated by:
  - Anticipating potential problems, creating solutions to problems.
  - Applying innovative thinking to our diagnostic practice and our business.
  - Listening, sharing, promoting and embracing new ideas, applying innovative ideas from other industries to our practice, where appropriate.
  - Being flexible and agile.
- Passion and enthusiasm: ACL is passionate about pathology and enthusiastic about living out its mission. ACL and its staff demonstrate passion and enthusiasm by:
  - Recognising and taking pride in good performance and rewarding achievements.
  - Encouraging participation and collaboration to achieve team, organisation and social goals.
  - Taking a genuine interest in patients, customers, colleagues and the community.
  - Actively promoting pathology and ACL.
- Respect and integrity: ACL is committed to ensuring the Company and its representatives act with the highest integrity and respect. ACL contributes to preserving human dignity by:
  - Maintaining confidentiality and privacy, respecting the customer and in compliance with governing laws and internal protocols.
  - Being honest, consistent and fair in interactions.
  - Recognising individual needs, behaviours and conduct, and understanding the potential impacts adverse behaviour and/or conduct may have.
  - Treating patients, customers and colleagues with respect and integrity.

Further information about how ACL instils its values across the organisation can be found in its 2021 ESG report which is available on its investor portal at https://investors.clinicallabs.com.au/

### Code of Conduct

As part of its initial public offering, ACL adopted a Code of Conduct that applies to all employees, contractors, consultants, managers and directors of the Company.

Material breaches of the Code of Conduct are reported to the Board and/or the Audit Committee and Risk Committee as appropriate.

A copy of the Code of Conduct can be found at https://investors.clinicallabs.com.au/wp-content/uploads/2021/04/ACL-Limited-Code-of-Conduct.pdf

### Whistleblower Policy

ACL is committed to a corporate culture that encourages the reporting and investigation of misconduct or serious wrongdoing. ACL has implemented a Whistleblower Policy to protect whistleblowers which includes a third-party anonymous whistleblowing reporting service, Yourcall, which can be accessed at httsp://www.yourcall.com.au/report.

Once a report is lodged, it is relayed to a Whistleblower Protection Officer who will consult in relation to the disclosure with the Chair of the Board except where the report is about the Chair of the Board.

A fully copy of the Whistleblower Policy can be accessed at https://investors.clinicallabs.com.au/wp-content/uploads/2021/04/ACL-Limited-Whistleblower-Protection-Policy.pdf

### ABC Policy

As part of its initial public offering, the Board approved a new Anti-Bribery & Corruption Policy (**ABC Policy**) which commits ACL to compliance with anti-bribery and corruption obligations in the countries in which it operates. The ABC Policy applies to all employees, officers and directors and in certain circumstances consultants, secondees, contractors, agents and intermediaries.

Material breaches of the Code of Conduct are reported to the Board and/or the Audit Committee and Risk Committee as appropriate.

A fully copy of the ABC Policy can be accessed at https://investors.clinicallabs.com.au/wp-content/uploads/2021/04/ACL-Limited-Anti-Bribery-and-Corruption-Policy.pdf

## Principle 4: Safeguard the integrity of corporate reports

### Audit Committee

The Audit Committee is a standing committee of the Board. During the reporting period and from the date of listing, its members were:

- Mark Haberlin FCA (Chair);
- Andrew Dutton; and
- Dr Michael Stanford AM.

All three members are considered to be independent directors within the meaning of Box 2.3 of the ASX Principles.

The Chair, Mark Haberlin, is the former Chair of PwC Australia and has over 25 years of audit experience, as well as significant experience in financial reporting and risk. Mark also chairs Audit and Risk Committees for Abacus Property Group and Laybuy Group Limited.

Dr Michael Stanford AM has a Masters of Business Administration and is a Fellow of the Australian Institute of Company Directors. Michael currently has 23 years' experience as a Group CEO with responsibility for revenues of greater than $1 billion per annum. Michael is currently Chairs the Audit Committee of NZX listed Vital Healthcare Property Trust and has previously been a member of audit committees for other listed companies.

Andrew Dutton has previously held the role of Chief Financial Officer at Norwich Union Pty Ltd and IMB NZ Pty Ltd. Andrew has also served on other Audit Committees.

Under the terms of its charter, the key objective of the Audit Committee is to support the Board in fulfilling its corporate governance and oversight responsibilities in respect of ACL's financial reporting and internal and external audit functions. Its duties include:

- Overseeing the establishment of and approving ACL's risk management framework (for financial risks) including strategy, policies, procedures and systems, with the assistance of the Risk Committee;
- Reviewing and approving ACL's financial statements and reports;
- Reviewing the suitability of ACL's accounting policies and principles, assessing significant estimates and judgements in the financial reports and assessing information from the external auditor to ensure the quality of the financial reports;
- Recommending the financial reports to the Board for approval;
- Overseeing (with the assistance of the Risk Committee) ACL's financial controls and systems;
- Managing audit arrangements and auditor independence, including any internal audit function;
- Ensuring that any periodic corporate reporting released by ACL to the market that has not been subject to audit discloses the process taken to verify the integrity of its content.

A full copy of the Audit Committee's charter can be found at https://investors.clinicallabs.com.au/wp-content/uploads/2021/04/ACL-Limited-Audit-Committee-Charter.pdf

During the reporting period, and since the date of the initial public offering of ACL on 14 May 2021, the Audit Committee has held one meeting, with attendance as follows:

| Name of director | Eligible to attend | Attended |
|---|---|---|
| Mark (Harry) Haberlin | 1 | 1 |
| Andrew Dutton | 1 | 1 |
| Dr Michael Stanford AM | 1 | 1 |
| Melinda McGrath (Managing Director and Group CEO)(non-member) | – | 1 |

### CEO and CFO declaration

Before the Board approves financial statements for a financial period, it receives a declaration from the CEO and Chief Financial Officer stating that in their opinion:

- the financial records of the entity have been properly maintained;
- the financial statements comply with appropriate accounting standards and interpretations and give a true and fair view of the financial position and performance of the entity; and
- this opinion was formed based on sound risk management systems and internal controls, which operate effectively.

### Verification of unaudited reports

ACL's 2021 Remuneration Report was subject to external review by the Company's auditors, Pitcher Partners. ACL does not currently release quarterly activity reports, quarterly cash flow reports or other periodic corporate reporting that investors might rely upon when making investment decisions.

## Principle 5: Make timely and balanced disclosure

### Continuous disclosure and market announcements

ACL is committed to ensuring that all investors have equal and timely access to material information concerning the Company and maintains a Disclosure Policy to ensure compliance with its obligations. The Board has also established a Disclosure Committee comprised of the Chair of the Board, ACL's CEO, CFO and Company Secretary. The Disclosure Committee's responsibilities include:

- determining what information will be disclosed by ACL to the ASX;
- implementing procedures to ensure that disclosure can be made immediately to the ASX and trading halt requests lodged;
- reviewing and preparing external announcements for referral to the Board for approval; and
- providing the Board with copies of all material market announcements promptly after they have been made.

### Investor and analyst presentations

ACL's Disclosure Policy provides that a copy of any new or substantive investor or analyst presentations must be released to the ASX ahead of any presentation being held, even if the information in the presentation would not otherwise require market disclosure.

The Disclosure Policy also states that the only ACL people authorised to speak on behalf of ACL to investors, potential investors, analysts or the media are the Chair, the CEO and the CFO are such other persons as may be approved from time to time.

A full copy of the Disclosure Policy can be found at https://investors.clinicallabs.com.au/wp-content/uploads/2021/04/ACL-Limited-Disclosure-Policy.pdf

## Principle 6: Respect the rights of members

### Governance information

ACL's website contains a dedicated investor centre that provides shareholders with information about the governance of the organisation, members of the Board and the Executive Team, copies of all key governance documents and policies and a feed to its ASX announcements.

### Investor relations program

ACL's investor relations program is designed to ensure engagement with its key stakeholders including retail shareholders, institutional investors, buy-side and sell-side research analysts and individual investors. The program includes scheduled engagements following the release of ACL's half-year and full-year financial results, as well as attending other events to provide operational updates.

The Board understands the importance of these interactions as providing an opportunity for ACL to articulate its strategy and to receive feedback from investors and other market participants on its financial performance, strategy, financial reporting and governance.

Key information released and available via ACL's investor portal at which is available on its investor portal at https://investors.clinicallabs.com.au/ includes for each reporting period:

- ACL's annual report and periodic financial reporting;
- ACL's Corporate Governance Statement;
- ACL's ESG report;
- market briefings and presentations; and
- ASX announcements.

### Shareholder engagement at the AGM

ACL will be holding its inaugural AGM on 27 October 2021. In response to the ongoing COVID-19 pandemic and travel restrictions, the Board will promote shareholder engagement and encourage participation by holding a virtual AGM and allowing shareholders who are unable to attend to participate virtually. Engagement is also facilitated by:

- distributing a copy of the annual report and the notice of meeting for the AGM to shareholders via their nominated means of communication, including electronic communication;
- enabling the use of online proxy voting for shareholders who are unable to attend the AGM and;
- encouraging shareholders to submit written questions in advance of the AGM. The Chair will address as many of the more frequently raised topics as possible in his AGM address.

ACL's auditors, Pitcher Partners, will also be attending the 2021 AGM for the purpose of answering shareholder questions about the audit report and the audit process.

### Voting on resolutions by a poll

The Board acknowledges that deciding votes of shareholders on the basis of a show of hands rather than by a poll is inconsistent with the principle of "one security one vote". The Board is committed to ensuring that all substantive resolutions at a meeting of shareholders are decided by a poll rather than a show of hands.

### Electronic communications

ACL has a continuing commitment to electronic communications with shareholders and stakeholders generally including via its dedicated web-based investor centre. Shareholders may elect to receive information about the Company electronically.

## Principle 7: Recognise and manage risk

### Risk Committee

The Board has established a dedicated Risk Committee which is tasked with assisting the Board to oversee corporate governance, clinical governance and ACL's internal control structure and risk management systems. During the reporting period and from the date of listing, the members of the Risk Committee were:

- Dr Michael Stanford AM (Chair);
- Mark Haberlin; and
- Dr Leanne Rowe AM.

All three members of the Risk Committee are considered to be independent within the definition of Box 2.3 of the ASX 4th Principles.

The Risk Committee's responsibilities include:

- to oversee the establishment of and approving ACL's risk management framework for both financial and non-financial risks including its strategy, policies, procedures and systems;
- to review at least annually the effectiveness of ACL's risk management framework to satisfy itself that it continues to be sound and that ACL is operating with due regard to the risk appetite set by the Board;
- the approval or disclosure of related party transactions (if any); and
- to evaluate and improve its risk management and internal control processes.

The types of risks overseen by the Risk Committee include regulatory and compliance risk, investment risk, legal risk, economic risk, environmental and social risk, clinical governance risk, workplace health and safety risk including mental health, digital and cyber security risk and operational risk.

The Group's risk management framework establishes a foundation for the management of strategic and operational risk during periods of organisational uncertainty or increased stress, whilst also supporting the organisation's efforts in achieving its strategic objectives. ACL has adopted a "Three Lines of Defence" risk framework and all staff, led by the Executive Team, are responsible for the identification, assessment, management, reporting and monitoring of all risks across the operating spectrum, including emerging risks and strategic risks. Risks are expected to be escalated to the Executive Team and are discussed at the Executive Team Risk Committee, together with the tracking of any improvement plans required for potential remediation and monitoring. Regular updates are provided to the Risk Committee or on an as-required basis.

A full copy of the Risk Committee's charter can be found at https://investors.clinicallabs.com.au/wp-content/uploads/2021/04/ACL-Limited-Risk-Committee-Charter.pdf

During the reporting period, and since the date of the initial public offering of ACL on 14 May 2021, the Risk Committee has held one meeting, with attendance as follows:

| Name of director | Eligible to attend | Attended |
|---|---|---|
| Dr Michael Stanford AM | 1 | 1 |
| Mark (Harry) Haberlin | 1 | 1 |
| Dr Leanne Rowe AM | 1 | 1 |
| Melinda McGrath (Managing Director and Group CEO)(non-member) | – | 1 |

### Enterprise Risk Management Framework

As part of its role, the Risk Committee conducts a program of work that includes a review of ACL's risk management framework and systems to ensure that they continue to be sound and fit-for-purpose. The Risk Committee also monitors that ACL is operating within the risk appetite set by the Board. During the reporting period, the Risk Committee conducted this review.

### Internal audit

ACL maintains high-quality standards and internal audit processes to ensure that it continually meets licensing and accreditation standards across its business. In addition, the company's core focus on the efficient and accurate delivery of a diverse range of diagnostic and analytical information is supported by a robust quality assurance framework comprised of internal and external quality control measures, standardised national training and competency and credentialing programs for pathologist's and scientific staff.

ACL's established procedures focus on best practice, clinical excellence and continuous service improvements, which serve to mitigate operational risk and address regulatory compliance.

In respect of other key areas of its operations, particularly areas of special expertise such as IT and cyber-security risk, ACL does not have an internal audit function but instead regularly engages external subject-matter expert advisers to conduct audits of its operating environment to ensure that risks are effectively identified and mitigated.

In respect of other key areas of its operations, particularly areas of special expertise such as IT and cyber-security risk, ACL does not have an internal audit function but instead regularly engages external subject-matter expert advisers to conduct audits of its operating environment to ensure that risks are effectively identified and mitigated.

### Environmental and social sustainability risks

ACL's approach to identifying and managing its exposure to environmental and social risks is set out in detail in its 2021 ESG Report which can be on ACL's investor portal at https://investors.clinicallabs.com.au/

## Principle 8: Remunerate fairly and responsibly

### Remuneration and Nominations Committee

Information in respect of the Remuneration and Nominations Committee has already been set out at on page 33 above.

### Remuneration policies and practices

*Non-executive*

Under the terms of ACL's Constitution, the Company may in a general meeting determine the maximum aggregate remuneration to be paid to non-executive directors for their services. Initially following the listing of the Company, and until a different amount is determined, the maximum aggregate non-executive directors' remuneration for the purpose of the Constitution and the ASX Listing Rules has been set at $1,500,000 per annum, of which $885,000 is currently utilised. Advice was sought from external remuneration consultants prior to the initial public offering in order to determine the appropriate level of this remuneration pool.

Currently, there is no requirement for non-executive directors to hold shares in ACL, although all members of the Board do have shareholdings in ACL in accordance with the disclosures made periodically to the ASX. No non-executive directors hold any performance rights or grants under the LTVR Plan operated by the Company.

Directors may be reimbursed for travel and other expenses in attending to Company affairs, including travel to and from meetings. A director who performs additional or special duties for the Company may be paid such additional or special remuneration as determined by the Board. There are no retirement benefit schemes for non-executive directors, other than statutory superannuation contributions

More information on the benefits paid to non-executive directors during the reporting period can be found in ACL's 2021 Directors' Report on page 62.

*Executives*

The Company has established a short term variable remuneration plan (**STVR Plan**) under which cash awards may be payable to participants subject to the satisfaction of specified performance criteria. Participation in the STVR Plan is determined by the Board in its absolute discretion and is conditional upon:

- the Company's financial performance against criteria set by the Board; and
- individual performance criteria tailored to each respective role (if any).

The Company has also established a long term variable remuneration plan (**LTVR Plan**) to assist in the motivation, retention and reward of eligible employees. The Board has the discretion to determine which employees are eligible to participate in the LTVR Plan and the number of rights they will be offered. The rights that may be offered under the LTVR Plan consist of performance rights for all participants and share appreciation rights for the CEO. The grant of rights is not subject to the payment of an acquisition price by the participant. The number of rights which may be granted prior to the approval of the LTVR Plan by shareholders following listing will not exceed 5% of the total issued capital.

The LTVR Plan is designed to align the interests of employees and shareholders by providing an opportunity for employees to receive equity interests in the Company. Under the LTVR Plan, eligible participants may be offered options or performance rights which will be subject to vesting conditions set by the Board. A summary of the key terms of the LTVR Plan was set out in the Company's Prospectus and include:

- forfeiture and lapse of rights in certain circumstances, including in the event that the Board determines that a participant has engaged in conduct that may cause harm to the Company's stakeholders, may have taken excessive risks or contributed to an unacceptable culture;
- malus and clawback provisions;
- forfeiture in full in the event of cessation of employment; and
- prohibitions against participants entering into arrangements to offer rights as security, or to hedge or otherwise limit the economic risk of participation.

More information on the benefits paid to KMP during the reporting period can be found in ACL's 2021 Directors' Report on page 33.

# Financial Statements

# Consolidated statement of profit or loss

## for the year ended 30 June 2021

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| Revenue | 3 | 646,702 | 490,570 |
| Other income | 3 | (2,034) | 28,952 |
| **Total** | | **644,668** | **519,522** |
| Consumables | | (119,585) | (87,040) |
| Labour costs | | (249,685) | (237,547) |
| Property costs | | (14,017) | (18,292) |
| Repairs and maintenance | | (6,889) | (6,668) |
| IPO transaction costs | | (17,420) | – |
| Other operating expenses | | (40,473) | (44,654) |
| Depreciation | 4 | (10,160) | (11,314) |
| Depreciation of right-of-use assets | 4 | (77,865) | (66,588) |
| Amortisation of acquired intangible assets | 4 | (27) | – |
| **Total operating costs** | | **(536,121)** | **(472,103)** |
| **Earnings before interest and tax** | | **108,547** | **47,419** |
| Net finance costs | 5 | (21,894) | (16,528) |
| Share of losses from equity accounted investments | | – | (61) |
| **Profit before income tax** | | **86,653** | **30,830** |
| Income tax (expense)/benefit | 6 | (26,264) | 10,425 |
| **Profit for the year** | | **60,389** | **41,255** |
| Net (profit) attributable to non-controlling interests | | (16) | – |
| **Net profit to members of Australian Clinical Labs Limited** | | **60,373** | **41,255** |

**Earnings per share**

| | | Cents per share | Cents per share |
|---|---|---|---|
| Basic earnings per share from continuing operations | 21 | 39.69 | 28.39 |
| Diluted earnings per share from continuing operations | 21 | 39.69 | 28.39 |

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

# Consolidated statement of other comprehensive income
## for the year ended 30 June 2021

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Profit for the year** | 60,389 | 41,255 |
| **Other comprehensive income** | | |
| **Items that may be reclassified subsequently to profit and loss** | | |
| Exchange differences on translation of foreign operations | (36) | (10) |
| **Other comprehensive income for the year, net of tax** | **(36)** | **(10)** |
| **Total comprehensive income for the year** | **60,353** | **41,245** |
| **Total comprehensive income attributable to:** | | |
| Members of Australian Clinical Labs Limited | 60,337 | 41,245 |
| Non-controlling interests | 16 | – |
| | **60,353** | **41,245** |

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

# Consolidated statement of financial position
## as at 30 June 2021

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 27(a) | 35,233 | 34,849 |
| Trade and other receivables | 7 | 62,976 | 63,298 |
| Inventories | 8 | 13,356 | 10,498 |
| Other assets | 9 | 5,661 | 3,443 |
| Current tax assets | | – | 12 |
| **TOTAL CURRENT ASSETS** | | **117,226** | **112,100** |
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | 10 | 42,287 | 38,590 |
| Right-of-use assets | 11 | 186,657 | 155,463 |
| Intangible assets | 12 | 112,906 | 35,748 |
| Other assets | 9 | – | 988 |
| Deferred tax assets | 13 | 15,625 | 23,164 |
| **TOTAL NON-CURRENT ASSETS** | | **357,475** | **253,953** |
| **TOTAL ASSETS** | | **474,701** | **366,053** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 14 | 42,629 | 32,762 |
| Lease liabilities | 15 | 70,396 | 63,440 |
| Borrowings | 16 | (190) | – |
| Provisions | 17 | 48,648 | 37,465 |
| Current tax liabilities | | 4,018 | 1,799 |
| Deferred consideration | | 675 | – |
| **TOTAL CURRENT LIABILITIES** | | **166,176** | **135,466** |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | 15 | 124,544 | 97,695 |
| Borrowings | 16 | 99,511 | 60,070 |
| Provisions | 17 | 2,556 | 3,816 |
| Deferred tax liabilities | | – | 18 |
| **TOTAL NON-CURRENT LIABILITIES** | | **226,611** | **161,599** |
| **TOTAL LIABILITIES** | | **392,787** | **297,065** |
| **NET ASSETS** | | **81,914** | **68,988** |
| **EQUITY** | | | |
| Issued capital | 18 | 797,975 | 146,505 |
| Reserves | 19 | (778,271) | (118,772) |
| Retained earnings | | 62,194 | 41,255 |
| **Total parent entity interest** | | **81,898** | **68,988** |
| **Non-controlling interest** | | 16 | – |
| **TOTAL EQUITY** | | **81,914** | **68,988** |

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

# Consolidated statement of changes in equity
## for the year ended 30 June 2021

| 2020 | Issued capital $'000 | Reserves $'000 | Retained earnings $'000 | Total $'000 | Non-controlling interest $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Opening balance at 1 July 2019** | 146,505 | (119,085) | – | **27,420** | – | **27,420** |
| Profit for the year | – | – | 41,255 | **41,255** | – | **41,255** |
| Exchange differences on translation of foreign operations | – | (10) | – | **(10)** | – | **(10)** |
| Other comprehensive income for the year net of tax | **–** | **(10)** | **–** | (10) | **–** | (10) |
| **Total comprehensive income for the year** | **–** | **(10)** | **41,255** | **41,245** | **–** | **41,245** |
| **Transactions with owners in their capacity as owners** | | | | | | |
| Management share scheme | – | 323 | – | **323** | **–** | **323** |
| **Closing balance at 30 June 2020** | **146,505** | **(118,772)** | **41,255** | **68,988** | **–** | **68,988** |

| 2021 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|---|---|
| **Opening balance at 1 July 2020** | **146,505** | **(118,772)** | **41,255** | **68,988** | **–** | **68,988** |
| Profit for the year | – | – | 60,373 | **60,373** | 16 | **60,389** |
| Exchange differences on translation of foreign operations | – | (36) | – | **(36)** | – | **(36)** |
| Other comprehensive income for the year net of tax | **–** | **(36)** | **–** | (36) | **–** | (36) |
| **Total comprehensive income for the year** | **–** | **(36)** | **60,373** | **60,337** | **16** | **60,353** |
| **Transactions with owners in their capacity as owners** | | | | | | |
| Management share scheme | – | 1,235 | – | **1,235** | – | **1,235** |
| Dividend declared and paid | – | – | (42,000) | **(42,000)** | – | **(42,000)** |
| Reverse existing capital resulting from restructure | (146,505) | – | – | **(146,505)** | – | **(146,505)** |
| Ordinary shares issued net of transaction costs | 797,975 | – | – | **797,975** | – | **797,975** |
| Common control reserve from acquisition | – | (645,632) | – | **(645,632)** | – | **(645,632)** |
| Payment of promissory note | – | (12,500) | – | **(12,500)** | – | **(12,500)** |
| Reclassification of pre IPO Management Equity Plan | – | (2,566) | 2,566 | **–** | – | **–** |
| **Closing balance at 30 June 2021** | **797,975** | **(778,271)** | **62,194** | **81,898** | **16** | **81,914** |

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

# Consolidated statement of cash flows
## for the year ended 30 June 2021

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers and government grants | | 661,967 | 507,863 |
| Payments to suppliers and employees | | (450,224) | (393,809) |
| **Cash provided by operations** | | **211,743** | **114,054** |
| Interest received | | 75 | 37 |
| Interest and costs of finance paid | | (39,390) | (12,494) |
| Income tax (paid)/received | | (18,564) | 139 |
| **Net cash provided by operating activities** | 27(b) | **153,864** | **101,736** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of plant and equipment | | 112 | 110 |
| Proceeds from disposal of investments | | 1,066 | – |
| Purchase of plant and equipment | | (9,506) | (9,381) |
| Inflows from/(payments for) business combinations (net of cash acquired) | | 2,252 | (687) |
| **Net cash used in investing activities** | | **(6,076)** | **(9,958)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Principal portion of lease payments | | (75,134) | (60,916) |
| Proceeds from new shares issued net of transaction costs | | 146,254 | – |
| Repayment of borrowings | | (269,590) | – |
| Proceeds from borrowings | | 321,600 | – |
| Payment for common control restructure | | (216,000) | – |
| Dividends paid | | (42,000) | – |
| Payment of promissory note | | (12,500) | – |
| **Net cash used in financing activities** | | **(147,370)** | **(60,916)** |
| **Net increase in cash and cash equivalents** | | **418** | **30,862** |
| Foreign exchange differences on cash holdings | | (34) | (144) |
| Cash and cash equivalents at the beginning of the year | | 34,849 | 4,131 |
| **Cash and cash equivalents at the end of the year** | 27(a) | **35,233** | **34,849** |

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

# Notes to the financial statements
for the year ended 30 June 2021

## Note 1: Summary of Significant Accounting Policies

The principal accounting policies adopted in the presentation of the financial report are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

### (a) Basis of preparation

The general purpose financial report has been prepared in accordance with Australian Accounting Standards, interpretations issued by the Australian Accounting Standards Board (AASB), all other applicable authoritative pronouncements of the AASB and the Corporations Act 2001.

The financial report includes financial statements for the Consolidated Group ('the Group') consisting of Australian Clinical Labs Limited (formerly ACL Holdco Pty Ltd) ('Parent Company' or 'Company') and its subsidiaries. Australian Clinical Labs Limited is a for-profit entity domiciled in Australia.

The financial report was authorised for issue by the Directors on 26 August 2021.

*Compliance with IFRS*

The financial report of the Group complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Parent Company financial information included in Note 29 also complies with IFRS.

*Basis of measurement*

The financial report has been prepared on the basis of historical cost except for the revaluation of financial assets and liabilities at fair value through profit or loss. Cost is based on the fair values of the consideration given in exchange for assets.

Where applicable, comparatives may be restated in line with current year presentation.

*Going concern*

As at 30 June 2021, the Group recorded a deficiency in current assets of $49.0m. This has been caused by AASB 16 *Leases*, whereby $70.4m of lease liability has been recognised as current; however the corresponding right-of-use asset is non-current. Excluding the current portion of the lease liability, the Group has a current asset surplus of $21.4m.

The Directors have concluded that the Group will be able to pay its debts as and when they fall due with consideration of the above factors and the profitability of the Group. Accordingly, the financial report has been prepared on a going concern basis.

### (b) Basis of consolidation

The financial report incorporates the assets and liabilities of all subsidiaries controlled by Australian Clinical Labs Limited as at 30 June 2021 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when it is exposed, or has rights to variable returns' from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

When control of an entity is obtained during a financial year, its results are included in the statement of profit and loss from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Non-controlling interests in the results and equity of controlled entities are shown separately in the statement of profit and loss, statement of comprehensive income, statement of financial position and statement of changes in equity.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

*Associates*

An associate is an entity over which the Group is able to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's interests in associates are accounted for using the equity method after initially being recognised at cost. Under the equity method, the Group's share of the profits or losses of the associate is recognised in the Group's profit or loss and the Group's share of other comprehensive income items is recognised in the Group's other comprehensive income.

Unrealised gains and losses on transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate.

### (c) Business combination

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method unless it is a common control acquisition.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at its acquisition-date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is carried at its acquisition-date fair value.

Goodwill is recognised initially at the excess of: (a) the aggregate of the consideration transferred, the amount of the non-controlling interest, and the acquisition-date fair value of the acquirer's previously held equity interest (in case of step acquisition); over (b) the acquisition-date amount of the identifiable assets acquired and liabilities assumed.

If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition-date fair value of the acquirer's previously held equity interest, the difference is immediately recognised as a gain in profit or loss. Acquisition related costs are expensed as incurred.

#### *Common control acquisition*

A common control acquisition is a transaction whereby the direct ownership changes as a result of a restructure, however there is ultimately no change in control over the assets.

Common control acquisitions are recognised in accordance with Australian Accounting Standards and are presented as a continuation of the pre-existing entity.

### (d) Foreign currency translation and balances

#### *Functional and presentation currency*

The financial statements for each entity within the Group are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The Consolidated financial statements are presented in Australian dollars which is the Group's functional currency.

#### *Transactions and balances*

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year. All resulting exchange arising on settlement or restatement are recognised as revenue or expenses for the financial year.

#### *Foreign subsidiaries*

Subsidiaries that have a functional currency different to the presentation currency of the consolidated Group are translated as follows:

- Assets and liabilities are translated at the closing rate on reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised in other comprehensive income.

### (e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates or other similar allowances.

## Note 1: Summary of Significant Accounting Policies (continued)

*Rendering of services*

Revenue from the provision of services is recognised when the related services are completed. Revenue is accrued at balance date for services which are completed but yet to be invoiced.

*Clinic revenue*

Clinic revenue represents 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. Revenue is recognised in the period in which doctors' services are rendered to patients.

### (f) Other income

Government grant income is only recognised when there is reasonable assurance that the Group will comply with the conditions attaching to the grant, and the grant will be received.

### (g) Income tax

Income tax expense or benefit represents the sum of the tax currently payable and deferred tax.

*Current tax*

The current tax payable is based on taxable profit for the year. Taxable profit differs from 'profit before income tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting year.

*Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial report and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

*Current and deferred tax for the year*

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss. In the case of a business combination, the tax effect is included in the accounting for the business combination.

*Tax consolidation*

Australian Clinical Labs Limited and its wholly owned Australian controlled entities have implemented the Australian tax consolidation legislation on 6 November 2020.

Australian Clinical Labs Limited and subsidiaries in the tax-consolidated group have entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries in the tax consolidated group recognise current or deferred tax amounts arising in respect of their own transactions, events and balances; and
- current tax liabilities and deferred tax assets arising in respect of tax losses are transferred from the subsidiaries in the tax-consolidated group to the head entity as inter-company payables or receivables.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on demand deposits. Cash equivalents are short-term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### (i) Inventories

Inventories represent medical and laboratory supplies. They are measured at the lower of cost and net realisable value.

### (j) Plant and equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and accumulated impairment losses.

- Plant and equipment is measured on the cost basis.
- Leasehold improvements are measured on the cost basis.

*Depreciation*

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, but excluding freehold land is depreciated over their useful lives to the Group, commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual accounting period, with the effect of any changes recognised on a prospective basis.

The ranges of depreciation rates used for each class of depreciable assets are:

| Class of property, plant and equipment | Depreciation rate |
|---|---|
| Leasehold improvements | 2% to 100% |
| Plant and equipment | 5% to 50% |

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal, and is included in operating profit before income tax of the Group in the year of disposal.

### (k) Leases

At the commencement date of a lease (other than leases of 12 months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

## Note 1: Summary of Significant Accounting Policies (continued)

*Lease assets*

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any re-measurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

*Lease liabilities*

Lease liabilities are initially recognised at the present value of the future lease payments. These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments reduced by rental accruals for missed lease payments. Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments (once confirmed) and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

*Leases of 12 months or less and leases of low value assets*

Lease payments made in relation to leases of 12 months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense as incurred.

*COVID-19 related rent concessions*

The Group has elected to apply the practical expedient (as permitted by Australian Accounting Standards) not to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications, and to account for any changes in lease payments resulting from the rent concessions as if the changes were not lease modifications. Any gains arising from COVID-19 related rent concessions are recognised in profit or loss.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments due on or before 30 June 2022; and

(c) there is no substantive change to other terms and conditions of the lease.

### (l) Intangible assets

*Goodwill*

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised. Goodwill is initially recognised at an amount equal to the excess of: (a) the aggregate of the consideration transferred, the amount of any non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in the case of a step acquisition); over (b) the net fair value of the identifiable assets acquired and liabilities assumed. For accounting purposes, such measurement is treated as the cost of goodwill at that date.

Goodwill is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses.

*Intangible assets acquired separately*

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

*Intangible assets acquired in a business combination*

Intangibles acquired in a business combination are initially recognised at fair value (which, for accounting purposes, is treated as the cost of the intangible asset), and are subsequently amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost, less accumulated amortisation and any accumulated impairment losses.

## (m) Impairment testing of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives such as goodwill and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at a re-valued amount in which case the impairment is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit other than goodwill) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a re-valued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

## (n) Financial instruments

*Recognition*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

*Classification of financial assets*

Financial assets recognised by the Group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

(a) the Group's business model for managing the financial assets; and

(b) the contractual cash flow characteristics of the financial asset.

*Classification of financial liabilities*

Financial liabilities classified as held-for-trading, contingent consideration payable by the Group for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the Group are subsequently measured at amortised cost.

## Note 1: Summary of Significant Accounting Policies (continued)

*Trade and other receivables*

Trade and other receivables arise from the Group's transactions with its customers.

Consistent with both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

*Impairment of financial assets*

Receivables from customers are tested for impairment by applying the 'expected credit loss' impairment model.

The Group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for both receivables from contracts with customers and contract assets. Under the AASB 9 simplified approach, the Group determines the allowance for credit losses for receivables from contracts with customers and contract assets on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

The Group consider a range of information when assessing whether the credit risk has increased since initial recognition. This includes such factors as the identification of significant changes in external market indicators of credit risk, significant adverse changes in the financial performance or financial position of the counterparty, significant changes in the value of collateral, and past due information.

The Group assumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 120 days past due.

The Group determines expected credit losses using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. When material, the time value of money is incorporated into the measurement of expected credit losses. There has been no change in the estimation techniques or significant assumptions made during the reporting period.

The gross carrying amount of a financial asset is written off (i.e. reduced directly) when the counterparty is in severe financial difficulty and the Group has no realistic expectation of recovery of the financial asset. Financial assets written off remain subject to enforcement action by the Group. Recoveries, if any, are recognised in profit or loss.

### (o) Employee benefits

*Short-term employee benefit obligations*

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

Liabilities recognised in respect of short-term employee benefits are measured at their nominal value, using the remuneration rate expected to apply at the time of settlement.

*Long-term employee benefit obligations*

Liabilities recognised in respect of long-term employee benefits are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

*Retirement benefit obligations*

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

*Share based payments*

The Group operates share-based payment employee share and option schemes for accounting purposes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

*Bonus plan*

The Group recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured

### (p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

### (q) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (r) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that instrument, amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

### (s) Significant accounting estimates and assumptions

In the financial report, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The following are the estimates and judgements that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial report:

*Employee entitlements*

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- Future increases in salaries and wages;
- Future on-cost rates;
- Experience of employee departures and period of service; and
- Appropriate discount rate to reflect long-term liabilities at present value.

*Impairment of tangible and intangible assets*

Determining whether assets are impaired requires an estimation of recoverable amount for the cash-generating units to which these assets have been allocated. The recoverable amount of each cash-generating unit is the greater of its value in use or fair value less costs to sell.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form. Value in use is determined by applying assumptions specific to the Group's continued use and cannot take into account future development. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

*Share based payments*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the day on which they are granted. The fair value is determined using a Black-Scholes model or Monte Carlo model and is recognised as an expense over the vesting period, with a corresponding increase to an equity account.

# Notes to the financial statements
for the year ended 30 June 2021

## Note 1: Summary of Significant Accounting Policies (continued)

*Deferred tax balances*

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

*Determination of the lease term as the non-cancellable term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal including penalties to terminate, the value of leasehold improvements remaining plus current and future expected economic performance from use of the asset.

After the commencement date, the Group generally can only make a reasonable certainty assessment if there is a significant event or change in circumstances that is within its control and affects the ability to exercise (or not exercise) the option to renew.

*Calculation of incremental borrowing rates*

Where the Group cannot readily determine the interest rate implicit in lease contracts, the present value of the Group's lease liabilities is estimated using the incremental borrowing rate as if leasing over a similar term, and the funds necessary to obtain an asset of a similar value to the right-of-use asset, in a similar economic environment. The Group uses observable inputs such as market interest rates as applicable.

### (t) Adoption of new and revised Accounting Standards

The Group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2020. These standards do not have a material impact on the Group's financial results or position.

### (u) Standards and interpretations issued but not yet effective

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided not to early adopt any of these new and amended pronouncements. These pronouncements are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

## Note 2: Segment Information

The Group's Chief Executive Officer and the Board of Directors (the chief operating decision makers) review the Group's performance of the business to assess performance and determine the allocation of resources. Discrete financial information is reported to the chief operating decision makers on at least a monthly basis. The discrete financial information is provided by one operating segment and one geographical segment, being Australia.

The Group has the one reportable segment:

**Pathology**

Pathology/clinical laboratory services provided in Australia.

## Note 3: Revenue and Other Income

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| An analysis of the Group's revenue for the year is as follows: | | |
| Pathology revenue | 639,679 | 487,530 |
| Clinic revenue | 1,632 | – |
| Rental revenue from subleasing right-of-use assets | 673 | 662 |
| Other revenue | 4,718 | 2,378 |
| **Total revenue** | **646,702** | **490,570** |
| **Other** | | |
| JobKeeper income | (2,034) | 28,900 |
| Gain on disposal of plant and equipment | – | 52 |
| **Total other income** | **(2,034)** | **28,952** |

On 3 March 2021, the Board chose to repay JobKeeper grants received in the financial year with the repayment conducted on 16 March 2021. The 2021 balance shown above was initially recognised as income in June 2020 as it related to the last fortnight in June. However, these funds were repaid in full in March 2021 resulting in a negative income amount shown above.

## Note 4: Expenses

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Profit before income tax includes the following specific expenses: | | |
| **(a) Depreciation expense** | | |
| Leasehold improvements | 3,733 | 4,143 |
| Plant and equipment | 6,427 | 7,171 |
| Right-of-use assets | 77,865 | 66,588 |
| | **88,025** | **77,902** |
| | | |
| **(b) Amortisation expense** | | |
| Customer lists | 27 | – |
| | | |
| **(c) Lease rental expense** | | |
| Short-term/low value lease payments | 12,070 | 16,186 |

## Note 5: Finance Income and Expenses

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Finance Income** | | |
| Bank deposits | 75 | 38 |
| **Finance Expenses** | | |
| Interest expense – related parties | (1,046) | (4,072) |
| Interest expense – bank facilities | (3,054) | – |
| Interest expense – leasing arrangements | (11,030) | (12,494) |
| Other borrowing costs | (6,839) | – |
| | (21,969) | (16,566) |
| **Net finance costs** | **(21,894)** | **(16,528)** |

### Other borrowing costs

As part of the IPO, the pre-existing debt facility was repaid in full resulting in $5.8m of transaction costs being released into the P&L through other borrowing costs.

## Note 6: Income Tax

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **(a) Components of income tax expense** | | |
| Current tax | 33,401 | 8,690 |
| Recognition of tax loss carried forward | – | (19,742) |
| Deferred tax | (7,137) | 627 |
| | **26,264** | **(10,425)** |
| | | |
| **(b) Income tax reconciliation** | | |
| The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows: | | |
| Profit before tax | 86,653 | 30,830 |
| Domestic tax rate | 30% | 30% |
| **Expected income tax expense** | **25,996** | **9,249** |
| Adjustments for non-deductible expenses: | | |
| Other non-deductible expenses | 268 | 68 |
| Tax losses recognised | – | (19,742) |
| **Actual income tax expense** | **26,264** | **(10,425)** |
| | | |
| **(c) Amounts recognised directly in equity** | | |
| Aggregate current and deferred tax arising in the reporting period and not recognised in the net profit or loss or other comprehensive income but credited directly to equity | | |
| Capital raising costs | **6,208** | **–** |

## Note 7: Trade and Other Receivables

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **CURRENT** | | |
| Trade receivables | 44,117 | 34,226 |
| Allowance for expected credit loss | (2,342) | (1,969) |
| | 41,775 | 32,257 |
| Accrued revenue | 19,744 | 29,548 |
| Other receivables | 1,457 | 1,493 |
| | 62,976 | 63,298 |

### a) At 30 June, the ageing analysis of trade receivables is as follows:

| | Gross Value | |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| **Current** | 31,131 | 23,996 |
| **30 to 60 days** | 6,783 | 5,117 |
| **60 to 90 days** | 1,551 | 807 |
| **90 to 120 days** | 965 | 841 |
| **120 days +** | 3,687 | 3,465 |
| **Closing balance at 30 June** | **44,117** | **34,226** |

### b) Allowance for expected credit loss

The Group applies the simplified approach to measure the expected credit losses, using a provision matrix for all trade receivables and adjusts for any known forward-looking issues specific to the debtors and the economic environment.
To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The provision matrix assesses all debtors greater than 120 days based on past experience. As at 30 June 2021 current trade receivables for the Group with a nominal value of $2.3 million (2020: $2.0 million) were impaired.

| | Gross Value | |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| **Movement in allowance for expected credit losses** | | |
| Opening balance at 1 July | 1,969 | 2,509 |
| Provision for impairment expensed | 1,476 | 882 |
| Receivables written off | (1,103) | (1,422) |
| **Closing balance at 30 June** | **2,342** | **1,969** |

Amounts charged to the allowance for expected credit loss are generally written off when there is no expectation of recovering additional cash in excess of the cost of recovery.

### c) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 28. All carrying amounts of the Group's trade debtors are denominated in functional currency.

### d) Fair value and credit risk

Due to the short-term nature of these receivables, the carrying value is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

## Note 8: Inventories

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Consumable supplies at cost | **13,356** | **10,498** |

## Note 9: Other Assets

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **CURRENT** | | |
| Prepayments | 4,612 | 3,008 |
| Bonds and securities | 1,049 | 435 |
| | **5,661** | **3,443** |
| **NON-CURRENT** | | |
| Equity accounted other investments | **–** | **988** |

On 27 April 2021, the Group entered into a conditional contract to dispose of its equity accounted investment. The transaction completed on 18 May 2021. The contribution of this investment was not material to the Group.

## Note 10: Plant and Equipment

| 2021 | Leasehold improvements $'000 | Plant and equipment $'000 | Capital work in Progress $'000 | Total $'000 |
|---|---|---|---|---|
| Gross carrying amount | 44,973 | 87,762 | 1,687 | 134,422 |
| Accumulated depreciation | (31,559) | (60,576) | – | (92,135) |
| **Total plant and equipment as at 30 June 2021** | **13,414** | **27,186** | **1,687** | **42,287** |

| 2020 | Leasehold improvements $'000 | Plant and equipment $'000 | Capital work in Progress $'000 | Total $'000 |
|---|---|---|---|---|
| Gross carrying amount | 42,194 | 81,197 | 482 | 123,873 |
| Accumulated depreciation | (28,845) | (56,438) | – | (85,283) |
| **Total plant and equipment as at 30 June 2020** | **13,349** | **24,759** | **482** | **38,590** |

# Notes to the financial statements
for the year ended 30 June 2021

## Note 10: Plant and Equipment (continued)

| 2021 | Leasehold improvements $'000 | Plant and equipment $'000 | Capital work in Progress $'000 | Total $'000 |
|---|---|---|---|---|
| **Gross carrying amount** | | | | |
| Balance at 1 July 2020 | 42,194 | 81,197 | 482 | 123,873 |
| Additions | 2,246 | 5,793 | 1,507 | 9,546 |
| Additions through business combination | 1,571 | 2,429 | 499 | 4,499 |
| Disposals | (1,153) | (2,287) | – | (3,440) |
| Capitalisation of work in progress | 135 | 666 | (801) | – |
| Net exchange differences | (20) | (36) | – | (56) |
| **Balance at 30 June 2021** | **44,973** | **87,762** | **1,687** | **134,422** |
| **Accumulated depreciation** | | | | |
| Balance at 1 July 2020 | (28,845) | (56,438) | – | (85,283) |
| Disposals | 1,045 | 2,248 | – | 3,293 |
| Net exchange differences | 4 | 11 | – | 15 |
| Depreciation | (3,763) | (6,397) | – | (10,160) |
| **Balance at 30 June 2021** | **(31,559)** | **(60,576)** | **–** | **(92,135)** |
| | | | | |
| **Carrying amount at 30 June 2021** | **13,414** | **27,186** | **1,687** | **42,287** |

| 2020 | Leasehold improvements $'000 | Plant and equipment $'000 | Capital work in Progress $'000 | Total $'000 |
|---|---|---|---|---|
| **Gross carrying amount** | | | | |
| Balance at 1 July 2019 | 40,479 | 75,687 | 211 | 116,377 |
| Additions | 1,776 | 6,054 | 357 | 8,187 |
| Disposals | (30) | (630) | – | (660) |
| Capitalisation of work in progress | (19) | 105 | (86) | – |
| Net exchange differences | (12) | (19) | – | (31) |
| **Balance at 30 June 2020** | **42,194** | **81,197** | **482** | **123,873** |
| **Accumulated depreciation** | | | | |
| Balance at 1 July 2019 | (24,784) | (49,792) | – | (74,576) |
| Disposals | (14) | 615 | – | 601 |
| Depreciation | (4,049) | (7,264) | – | (11,313) |
| Net exchange differences | 2 | 3 | – | 5 |
| **Balance at 30 June 2020** | **(28,845)** | **(56,438)** | **–** | **(85,283)** |
| | | | | |
| **Carrying amount at 30 June 2020** | **13,349** | **24,759** | **482** | **38,590** |

## Note 11: Right-of-use Assets

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Carrying amount of lease assets, by class of underlying asset:** | | |
| *Buildings under lease arrangements* | | |
| At cost | 331,103 | 222,051 |
| Accumulated depreciation | (144,446) | (66,588) |
| **Total carrying amount of lease assets** | **186,657** | **155,463** |
| **Additions to right-of-use assets** | | |
| Buildings under lease arrangements | 104,109 | 42,092 |

## Note 12: Intangible Assets

| 2021 | Goodwill $'000 | Brand names $'000 | Customer lists $'000 | Total $'000 |
|---|---|---|---|---|
| Gross carrying amount | 105,983 | 5,600 | 1,350 | 112,933 |
| Accumulated amortisation | – | – | (27) | (27) |
| **Total intangibles as at 30 June 2021** | **105,983** | **5,600** | **1,323** | **112,906** |
| **2020** | | | | |
| Gross carrying amount | 35,748 | – | – | 35,748 |
| Accumulated amortisation | – | – | – | – |
| **Total intangibles as at 30 June 2020** | **35,748** | **–** | **–** | **35,748** |

| 2021 | Goodwill $'000 | Brand names $'000 | Customer lists $'000 | Total $'000 |
|---|---|---|---|---|
| **Gross carrying amount** | | | | |
| Balance at 1 July 2020 | 35,748 | – | – | 35,748 |
| Additions through business combination | 70,235 | 5,600 | 1,350 | 77,185 |
| **Balance at 30 June 2021** | **105,983** | **5,600** | **1,350** | **112,933** |
| **Accumulated amortisation** | | | | |
| Balance at 1 July 2020 | – | – | – | – |
| Amortisation | – | – | (27) | (27) |
| **Balance at 30 June 2021** | **–** | **–** | **(27)** | **(27)** |
| **Carrying amount at 30 June 2021** | **105,983** | **5,600** | **1,323** | **112,906** |

## Note 12: Intangible Assets (continued)

| 2020 | Goodwill $'000 | Brand names $'000 | Customer lists $'000 | Total $'000 |
|---|---|---|---|---|
| **Gross carrying amount** | | | | |
| Balance at 1 July 2019 | 35,748 | – | – | 35,748 |
| Additions | – | – | – | – |
| **Balance at 30 June 2020** | **35,748** | **–** | **–** | **35,748** |
| **Accumulated amortisation** | | | | |
| Balance at 1 July 2019 | – | – | – | – |
| Amortisation | – | – | – | – |
| **Balance at 30 June 2020** | **–** | **–** | **–** | **–** |
| **Carrying amount at 30 June 2020** | **35,748** | **–** | **–** | **35,748** |

On 18 May 2021, the Group acquired the SunDoctors Group (refer to Note 23) and as a result the brand name associated with SunDoctors was recognised along with associated customer lists.

### Impairment testing of goodwill and intangibles with indefinite useful lives

Goodwill is allocated to a cash-generating unit or units (CGU) according to management's expectations regarding which assets will be expected to benefit from the synergies arising from the business combination that gave rise to the goodwill. Management has assessed that only one CGU exists, being the Australian pathology business.

The recoverable amount of a CGU is based on value-in-use calculations. These calculations use cash projections based on financial budgets/forecasts approved by management for covering a minimum period of one year (maximum of five years). Management's determination of cash flow projections and gross margins is based on past performance and its expectation for the future. The present value of future cash flows has been calculated using an average growth rate of 5.4% (2020: 1.5%) for cash flows in years two to five which is based on historic growth rate and industry trends and a terminal value growth rate of 3.5% (2020: 1.5%) and a discount rate of 9.3% (2020: 8.5%) to determine value-in-use.

The carrying value of brand names at 30 June 2021 relates solely to SunDoctors. The recoverable amount of the SunDoctors brand is based on value-in-use calculations via the relief from royalty valuation method. Under this method, the fair value is based on the present value of future foregone royalty payments over the life of the asset by virtue of owning the asset. The present value of future cash flows has been calculated using a royalty rate of 3%, an indefinite useful life and a discount rate of 8.7%.

Management has determined that this brand will be used as part of the wider pathology business with synergies from the existing pathology operations and as such, the brand relates solely to the existing one CGU and the recoverable amounts are assessed as part of the recoverable amount of the CGU.

After performing sensitivity analysis, management believes that any reasonably possible change in the key assumptions on which the recoverable amount has been assessed would not cause the carrying amount to exceed the recoverable amount.

## Note 13: Deferred Tax Assets

Deferred taxes arising from temporary differences and unused tax losses are summarised as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Doubtful debts | 703 | 591 |
| Employee benefits | 15,211 | 10,477 |
| Sundry accruals | 1,320 | 318 |
| Lease liability | 58,407 | 48,147 |
| Tax losses | – | 12,851 |
| Share issue costs | 2,682 | 572 |
| Capitalised costs | 1,502 | – |
| Less: amounts offset against deferred tax assets | (64,200) | (49,792) |
| | **15,625** | **23,164** |
| **Amounts offset against deferred tax assets** | | |
| Prepayments and sundry debtors | (197) | (20) |
| Inventories | (4,007) | (3,149) |
| Right-of-use assets | (55,832) | (46,453) |
| Intangibles | (2,085) | – |
| Plant and equipment | (1,966) | (9) |
| Capitalised costs | (113) | (161) |
| | **(64,200)** | **(49,792)** |

| **Movement** | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Opening balance at 1 July | 23,164 | 10,891 |
| Amounts recognised in profit or loss | (7,014) | 12,273 |
| Amounts recognised in business combination | (2,027) | – |
| Amounts recognised directly in equity | 1,502 | – |
| **Closing balance at 30 June** | **15,625** | **23,164** |

## Note 14: Trade and Other Payables

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **CURRENT** | | |
| Trade creditors | 17,025 | 12,890 |
| Sundry creditors and accruals | 25,604 | 19,872 |
| | **42,629** | **32,762** |

Due to the short-term nature of these payables, the carrying values are assumed to approximate their fair value.

## Note 15: Lease Liabilities

| Lease liabilities | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Current lease liabilities | 70,396 | 63,440 |
| Non-current lease liabilities | 124,544 | 97,695 |
| **Total carrying amount of lease liabilities** | **194,940** | **161,135** |

| Cash outflow | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Total cash outflow in relation to lease liabilities and associated interest | (86,164) | (73,410) |

### Lease arrangements

The above information is presented in accordance with AASB 16 *Leases*. Leases relate to properties leased by the Group with lease terms between one and 15 years. Leases can contain market review/fixed increments/CPI increment within the lease period and can contain additional clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

## Note 16: Borrowings

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **CURRENT** | | |
| **Unsecured – at amortised cost** | | |
| Bank loans | (190) | – |
| **NON-CURRENT** | | |
| **Unsecured – at amortised cost** | | |
| Related party loans | – | 60,070 |
| Bank loans | 99,511 | – |
| | **99,511** | **60,070** |

Related party loans are at arm's length and are interest bearing. Related party loans were repaid in full on 29 September 2020.

Details of the fair values and interest rate risk exposure relating to each of the unsecured liabilities are set out in Note 28.

### Terms and repayment schedule

The terms and conditions of outstanding loans are as follows:

| Loan | Currency | Nominal interest rate | Year of maturity | 2021 $'000 | 2020 $'000 |
|---|---|---|---|---|---|
| Bank loans | AUD | BBSY + 1.5% - 2.4% | 2024 | 99,321 | – |
| Related party | AUD | 7.00% | 2022 | – | 60,070 |
| | | | | **99,321** | **60,070** |

## Note 17: Provisions

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **CURRENT** | | |
| Employee benefits | 42,770 | 36,557 |
| Other | 5,878 | 908 |
| | **48,648** | **37,465** |
| **NON-CURRENT** | | |
| Employee benefits | 2,556 | 3,816 |

The current provision for employee entitlements is calculated using probability models of employees reaching vesting dates. The calculations are based on pattern of leave taken and are grossed up for future rates, discounted to present value at appropriate discount rates. They are inclusive of on-costs.

## Note 18: Issued Capital

### a) Share capital

| | 2021 Shares | 2020 Shares | 2021 $'000 | 2020 $'000 |
|---|---|---|---|---|
| Fully paid ordinary shares | **201,834,105** | **337,909,852** | **797,975** | **146,505** |

### b) Movements in ordinary share capital

| Date 2021 | Details | Number of shares | Value of shares $'000 |
|---|---|---|---|
| 7/1/2020 | Opening balance of the Group | 337,909,852 | 146,505 |
| 12/17/2020 | Reverse existing capital resulting from restructure | (337,909,852) | (146,505) |
| 11/6/2020 | Incorporation of ACL Holdco Pty Ltd | 1 | 0 |
| 12/16/2020 | ACL Holdco Pty Ltd share issue | 100,000 | 1 |
| 12/17/2020 | Ordinary shares issued to existing shareholders | 584,000,000 | 584,000 |
| 2/3/2021 | Shares issued under Management Equity Plan | 7,984,946 | 2,256 |
| 3/22/2021 | Share consolidation | (489,113,638) | – |
| 4/26/2021 | Share split | 44,355,737 | – |
| 5/18/2021 | Shares issued under acquisition of SunDoctors | 18,688,342 | 74,652 |
| 5/18/2021 | Shares issued via Employee Gift Offer | 183,000 | 732 |
| 5/18/2021 | Shares issued via Priority Employee Discount Offer | 332,058 | 1,328 |
| 5/18/2021 | Shares issued under an Institutional Placement | 35,303,659 | 141,215 |
| 5/18/2021 | Transaction costs associated with issue of new shares | – | (6,209) |
| **6/30/2021** | **Balance of the Group** | **201,834,105** | **797,975** |
| | | | |
| 2020 | | | |
| 7/1/2019 | Opening balance of the Group | 337,909,852 | 146,505 |
| **6/30/2020** | **Balance of the Group** | **337,909,852** | **146,505** |

## Note 18: Issued Capital (continued)

### c) Ordinary shares

All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings of Australian Clinical Labs Limited.

### d) Options and performance rights

Details of options and performance rights issued, exercised and forfeited during the financial year and options and performance rights outstanding at the end of the financial year are set out in Note 20.

### e) Share restructure

Capital was reversed and reissued to existing shareholders as part of the common control acquisition explained in Note 23.

### f) Shares issued as part of acquisition of business

Shares were issued in the Company as part of the SunDoctors acquisition. Refer to Note 23 for full details.

### g) Employee gift shares

Eligible employees who elected to receive $1,000 worth of shares in the Company at no cost as part of the IPO.

### h) Priority employee discount offer

Eligible employees who elected to acquire shares at a discounted price of 85% of the Offer price as part of the IPO.

## Note 19: Reserves and Retained Earnings

| 2020 | Share based payment reserve $'000 | Foreign currency translation reserve $'000 | Common control reserve $'000 | Loss reserve $'000 | Total reserves $'000 |
|---|---|---|---|---|---|
| **Opening balance at 1 July 2019** | 1,051 | 152 | – | (120,288) | **(119,085)** |
| Exchange differences on translation of foreign operations | – | (10) | – | – | **(10)** |
| Management share scheme | 323 | – | – | – | **323** |
| **Closing balance at 30 June 2020** | **1,374** | **142** | **–** | **(120,288)** | **(118,772)** |

| 2021 | $'000 | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|---|
| **Opening balance at 1 July 2020** | 1,374 | 142 | – | (120,288) | **(118,772)** |
| Exchange differences on translation of foreign operations | – | (36) | – | – | **(36)** |
| Management share scheme – Legacy Plan | 272 | – | – | – | **272** |
| Management share scheme – Legacy Plan (acceleration) | 920 | – | – | – | **920** |
| Management share scheme – LTVR | 43 | – | – | – | **43** |
| Common control reserve from acquisition | – | – | (645,632) | – | **(645,632)** |
| Payment of promissory note | – | – | – | (12,500) | **(12,500)** |
| Reclassification of pre-IPO Management Equity Plan | (2,566) | – | – | – | **(2,566)** |
| **Closing balance at 30 June 2021** | **43** | **106** | **(645,632)** | **(132,788)** | **(778,271)** |

### a) Share based payment reserve

The share based payment reserve reflects the fair value of equity-settled share based payments.

The Group established an equity incentive plan under which management received ordinary shares as part of their incentive arrangements (Legacy Plan). Equity issued under the Legacy Plan is treated as share options for accounting purposes and the expense associated with the current year is booked in the share based payment reserve.

The IPO triggered the Legacy Plan to vest and subsequently there was an acceleration of the expense associated with this plan which led to a one-off expense totalling $920k.

Given the Legacy Plan has ceased for accounting purposes, the share based payment reserve associated with this reserve has been transferred to retained earnings.

Post IPO the Group established a Long Term Variable Remuneration (LTVR) Plan. The current year expense relates to the first issue from 25 May 2021 to 30 June 2021.

Refer to Note 1(s), Note 26 and the Remuneration Report for full details.

### b) Foreign currency translation reserve

Exchange differences arising on translation of the foreign subsidiary are taken to the foreign currency translation reserve as described in accounting policy Note 1(d).

### c) Common control reserve

On 17 December 2020, a restructure took place that resulted in a newly incorporated company, Australian Clinical Labs Limited (formerly ACL Holdco Pty Ltd) obtaining control over Clinical Laboratories Pty Ltd and its controlled entities. Refer to Note 23(a) for full details.

The financial report is presented on the basis of historical cost however the debt and restructure occurred based on the fair value of the business which has not been reflected in the financial report resulting in the recognition of a common control reserve.

### d) Loss reserve

The reserve is comprised of losses up to 30 June 2019 ($120.3m), and a $12.5m payment to Advanced Medical Technology Pty Ltd as a result of the restructure, where the Group recognised and settled a Promissory Note.

## Note 20: Share Based Payments

The Group has an equity-settled share based compensation plan for executives and employees. The fair value of equity remuneration granted under the plan is recognised as an expense with a corresponding increase in equity. Please refer to Note 1(s) for further details.

### (a) Employee Share Schemes – Employee Gift Offer (IPO)

The Employee Gift Offer was an offer in conjunction with the IPO and was open to Eligible Employees, being persons who are full-time or part-time employees of the Group, with a start date prior to 31 December 2020 who have a registered address in Australia and are not located in the United States, and who have received an offer from the Company to acquire $1,000 worth of shares in the Company at no cost and have not elected to receive the equivalent cash gift or receive the equivalent amount in cash.

Directors of the Company were not eligible to participate in the Employee Gift Offer.

Eligible Employees may not sell, transfer or otherwise dispose of any shares acquired under the Employee Gift Offer for a minimum period of three years, unless the Eligible Gift Employee ceases to be employed by ACL or the dealing is required by law (in which case the shares will be released).

| Grant date | No. of employee gift shares issued | Share price at grant date | Exercise price | Share based payment expense recognised |
|---|---:|---:|---:|---:|
| 18 May 2021 | 183,000 | $4.00 | $0.00 | $732,000 |

## Note 20: Share Based Payments (continued)

### (b) Employee Share Schemes – Priority Employee Discount Offer (IPO)

The Priority Employee Discount Offer was an offer in conjunction with the IPO and was open to Eligible Priority Employees. Eligible Priority Employees are persons who have a registered address in Australia and are not located in the United States, and are employees of the Company as management or pathologists.

Eligible Priority Employees have received an offer from the Company to acquire shares at a discounted price of 85% of the Offer Price. The Offer Price for IPO was $4.00.

Eligible Priority Employees may not sell, transfer or otherwise dispose of any shares acquired under the Priority Employee Discount Offer until the release of 30 June 2022 results, unless the Eligible Priority Employee ceases to be employed by ACL or the dealing is required by law (in which case the shares will be released).

| Grant date | No. of priority employee discount shares issued | Share price at grant date | Exercise price | Share based payment expense recognised |
|---|---|---|---|---|
| 18 May 2021 | 332,058 | $4.00 | $3.40 | $199,235 |

### (c) Australian Clinical Labs Limited Rights Plan

Performance rights are granted under the Australian Clinical Labs Limited Rights Plan for no consideration and carry no dividend or voting rights. When exercisable, each performance right is convertible into one ordinary share.

| Grant Date | Expiry date | Exercise price | Balance at start of year | Granted during the year | Balance at end of year | Exercisable at end of year | Balance at date of this report |
|---|---|---|---|---|---|---|---|
| 25-May-21 | 24-May-26 | Nil | – | 804,532 | 804,532 | – | 804,532 |

### Fair value of rights granted

The average assessed fair value of rights granted during the year ended 30 June 2021 was $1.814 per right (2020: nil). The valuation model inputs for performance rights granted during the year ended 30 June 2021 included:

| Grant Date | Expiry date | Exercise price | Share price at time of grant | Expected life (years from date of issue) | Share price volatility | Risk free rate | Dividend yield |
|---|---|---|---|---|---|---|---|
| 25-May-21 | 24-May-26 | Nil | $3.60 | 3.1 | 45% | 0.15% | 2.96% |

A Monte Carlo simulation was applied to fair value the TSR performance condition element of performance rights granted. The model simulated ACL's TSR and compared it against the peer group over the vesting periods.

### (d) Legacy Plan

The Company established an equity incentive plan under which key management personnel received ordinary shares as part of their incentive arrangements (Legacy Plan/MEP). Equity issued under the Legacy Plan will be dealt with as described below to ensure that participants continue to be motivated to achieve sustained growth.

Under the arrangements for the issue of the MEP Shares, if a participant ceases to be employed by the Group, the participant will no longer have an entitlement to unvested MEP Shares.

Of the current MEP Shares, they will be held in Escrow and vest as follows:

One-third will vest after the release of the Company's results for the period to 31 December 2021;

One-third will vest after the release of the Company's results for the period to 30 June 2022; and

One-third will vest after the release of the Company's results for the period to 31 December 2022.

The IPO triggered the Legacy Plan to vest and subsequently there was an acceleration of the expense associated with this plan which led to a one-off expense totalling $920k.

No further shares will be issued under the Legacy Plan.

### (e) Expenses arising from share based payment transactions

Total expenses arising from equity-settled share based payment transactions recognised during the financial year as part of employee benefit expense were as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Employee gift offer | 732 | – |
| Priority employee discount offer | 199 | – |
| Share based payment expense | 315 | 323 |
| Share based payment expense (accelerated) | 920 | – |
| | **2,166** | **323** |

The IPO triggered the Legacy Plan to vest and subsequently there was an acceleration of the expense associated with this plan which led to a one-off expense totalling $920k.

## Note 21: Earnings Per Share

### Basic and diluted earnings per share

The calculation of basic and diluted earnings per share ("EPS") has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares.

| | 2021 Cents | 2020 Cents |
|---|---|---|
| Basic earnings per share | 39.69 | 28.39 |
| Diluted earnings per share | 39.69 | 28.39 |

| Earnings | 2021 $'000 | 2020 $'000 |
|---|---|---|
| The earnings used in the calculation of basic and diluted earnings per share are the same and can be reconciled to the consolidated statement of profit or loss and other comprehensive income as follows: | | |
| Profit for the year | 60,389 | 41,255 |
| Net (profit) attributable to non-controlling interests | (16) | – |
| **Earnings used in calculating basic and diluted earnings per share** | 60,373 | 41,255 |

| Weighted average number of shares | 2021 | 2020 |
|---|---|---|
| The weighted average number of shares used in the calculation of basic earnings per share | 152,104,491 | 145,340,171 |
| The weighted average number of shares and potential ordinary shares used in the calculation of diluted earnings per share | 152,104,491 | 145,340,171 |

The number of ordinary shares outstanding has been adjusted retrospectively back to 1 July 2019 (see Note 18).

Performance rights under the Australian Clinical Labs Performance Rights Plan are determined to be contingently issuable shares because their issue is contingent upon satisfying specified conditions in addition to the passage of time and therefore are not included in the determination of diluted earnings per share.

Details of the options and rights exercised, forfeited and issued in the period between the reporting date and the date of this report are detailed in Note 20.

## Note 22: Dividends

| (a) Dividends paid or declared | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Final dividend for the year-ended 30 June 2020 of 6.21 cents (2019: Nil cents) per share paid on 29 September 2020 fully franked. On a retrospective basis, in line with the EPS calculation at Note 21, the dividend would have been 14.45 cents per share. | 21,000 | – |
| Pre IPO dividend of 14.25 cents per share paid on 18 May 2021 fully franked. On a retrospective basis, in line with the EPS calculation at Note 21, the dividend would have been 14.25 cents per share. | 21,000 | |
| | **42,000** | **–** |

| (b) Franked dividends | | |
|---|---|---|
| Franking credits available at year end for subsequent financial years based on a tax rate of 30% | 11,687 | 1,853 |

## Note 23: Changes to the Composition of the Group

### a) Common control acquisition

On 17 December 2020, a restructure took place that resulted in a newly incorporated company, Australian Clinical Labs Limited (formerly ACL Holdco Pty Ltd) obtaining control over Clinical Laboratories Pty Ltd and its controlled entities. The shareholders in Australian Clinical Labs Limited prior to the restructure were also all shareholders in Clinical Laboratories Pty Ltd with the same proportionate economic and beneficial interests. Notwithstanding the direct ownership of Clinical Laboratories Pty Ltd changed as a result of the restructure, there was ultimately no change in the control over its assets.

Accordingly, the Directors have accounted for the restructure as a common control acquisition in accordance with the Australian Accounting Standards. As such, the financial report of Australian Clinical Labs Limited has been presented as a continuation of the pre-existing entities. Those entities being:

- Clinical Laboratories Pty Ltd
- Clinical Laboratories (WA) Pty Ltd
- Perth Medical Laboratories Pty Ltd
- Malvern Pathology Labs Sdn Bhd
- ACL Specialist Investments Pty Ltd (deregistered 5 August 2020)

The financial report is presented on the basis of historical cost however the debt and restructure occurred based on the fair value of the business which has not been reflected in the financial report.

### b) Deregistration of ACL Specialist Investments Pty Ltd

On 5 August 2020, ACL Specialist Investments Pty Ltd was voluntarily deregistered.

### c) Disposal of interest in Geneseq Pty Ltd

During the 2020 financial year, the Group acquired shares in Geneseq Pty Ltd ("Geneseq") in addition to those held at the end of the 2019 financial year, resulting in the Group holding a 20% share in Geneseq. Consequently, the investment is treated using the equity method as the Group was deemed to have significant influence over Geneseq.

On 18 May 2021, the Group disposed of all shares at cost price.

## d) Business combinations

### Acquisition of SunDoctors

On 18 May 2021 in conjunction with the IPO, the Group acquired 100% of the issued share capital in Southern Sun Clinics Pty Ltd (SunDoctors).

The details of the business combination are as follows:

| | 2021<br>$'000 |
|---|---|
| **Fair value of consideration transferred** | |
| Amount settled in cash | 90 |
| Shares issued in Australian Clinical Labs Limited | 74,651 |
| **Total** | **74,741** |
| **Recognised amounts of identifiable net assets** | |
| Cash and cash equivalents | 2,358 |
| Trade and other receivables | 2,426 |
| Inventories | 597 |
| Other assets | 967 |
| **Total current assets** | **6,348** |
| Plant and equipment (Note 10) | 4,499 |
| Right-of-use assets | 4,942 |
| **Total non-current assets** | **9,441** |
| Trade and other payables | 4,701 |
| Lease liabilities | 1,807 |
| Provisions | 1,118 |
| Current tax liabilities | 26 |
| Borrowings | 4,661 |
| Deferred consideration | 664 |
| **Total current liabilities** | **12,977** |
| Lease liabilities | 3,229 |
| Deferred tax liabilities | 496 |
| **Total non-current liabilities** | **3,725** |
| **Identifiable net assets** | **(913)** |
| **Goodwill on acquisition (Note 12)** | **70,235** |
| **Brand value on acquisition (Note 12)** | **5,600** |
| **Customer lists on acquisition (Note 12)** | **1,350** |
| **Deferred tax on acquisition** | **(1,531)** |
| Consideration transferred settled in cash | (90) |
| Cash and cash equivalents acquired | 2,358 |
| **Net cash inflow on acquisition** | **2,268** |

# Notes to the financial statements
for the year ended 30 June 2021

## Note 23: Changes to the Composition of the Group (continued)

### Consideration transferred

The acquisition of SunDoctors was settled in cash of $90k and shares issued in the Company amounting to $74.7m.

Acquisition-related costs are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss, as part of other expenses.

### Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to $2.4m, with a gross contractual amount of $2.4m. As of acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected is $nil.

### SunDoctors contribution to the Group results

SunDoctors made a profit of $585k for the period from 18 May 2021 to the reporting date, 30 June 2021. Revenue for the period was $3.4m.

## Note 24: Controlled Entities

The financial report includes the financial statements of Australian Clinical Labs Limited and its controlled entities as listed below:

| | Country of incorporation | Percentage owned (%) 2021 | Percentage owned (%) 2020 |
|---|---|---|---|
| *Parent Entity:* | | | |
| Australian Clinical Labs Limited | Australia | | |
| | | | |
| *Subsidiaries of Australian Clinical Labs Limited:* | | | |
| ACL MidCo Pty Ltd | Australia | 100 | – |
| ACL Finco Pty Ltd | Australia | 100 | – |
| Clinical Laboratories Pty Ltd | Australia | 100 | 100 |
| Clinical Laboratories (WA) Pty Ltd | Australia | 100 | 100 |
| Perth Medical Laboratories Pty Ltd | Australia | 100 | 100 |
| Malvern Pathology Laboratories Sdn Bhd. | Malaysia | 100 | 100 |
| ACL Specialist Investments Pty Ltd | Australia | – | 100 |
| Southern Sun Clinics Pty Ltd | Australia | 100 | – |
| SunDoctors Kalowen Pty Ltd | Australia | 85 | – |
| Southern Sun Practices Pty Ltd | Australia | 100 | – |
| SunDoctors Taree Pty Ltd | Australia | 100 | – |
| SunDoctors Coffs Harbour (Southern Cross) Pty Ltd | Australia | 100 | – |
| SunDoctors Pottsville Pty Ltd | Australia | 100 | – |
| SunDoctors Byron Bay Pty Ltd | Australia | 100 | – |
| SunDoctors Burleigh Heads Pty Ltd | Australia | 100 | – |
| SunDoctors Novocastrian Pty Ltd | Australia | 100 | – |
| Dermapath AI Pty Ltd | Australia | 100 | – |
| Southern Sun Pathology (Helix) Pty Ltd | Australia | 100 | – |
| Southern Sun Healthcare Pty Ltd | Australia | 100 | – |
| SunDoctors Joondalup Pty Ltd | Australia | 100 | – |
| WSCC Healthcare Pty Ltd | Australia | 50 | – |
| Orange Skin Cancer Clinic Pty Ltd | Australia | 100 | – |
| Ryde Skin Cancer Clinic Pty Ltd | Australia | 100 | – |
| Bolton Street Cancer Clinic Pty Ltd | Australia | 100 | – |
| Gosford SCC Pty Ltd | Australia | 100 | – |
| Southern Sun Pathology Pty Ltd | Australia | 100 | – |
| Skin Cancer Clinic Parramatta Pty Ltd | Australia | 100 | – |
| Aussie Skin Cancer Clinics Pty Ltd | Australia | 100 | – |
| Wollongong SCC Pty Ltd | Australia | 100 | – |

## Note 24: Controlled Entities (continued)

In the 2020 column of the above table, the parent entity was Clinical Laboratories Pty Ltd. Please refer to Note 23(a) for more details regarding the common control acquisition that occurred in the 2021 financial year.

Malvern Pathology Laboratories Sdn Bhd. recharges its costs plus a mark-up to Clinical Laboratories Pty Ltd which is eliminated upon consolidation.

On 5 August 2020, ACL Specialist Investments Pty Ltd was voluntarily deregistered.

## Note 25: Interests in Associates and Joint Arrangements

At the end of the 2020 financial year, the Group had a 20% ownership interest in Geneseq Pty Ltd. The interest was immaterial to the Group. The Group's interest in Geneseq was sold on 18 May 2021. Please refer to Note 23(c) for more details.

## Note 26: Related Parties

### a) Parent entities and subsidiaries

Australian Clinical Labs Limited is the ultimate Parent Company in the Group comprising the Company and its subsidiaries as detailed in Note 24.

### b) Key management personnel compensation

Details of remuneration of key management personnel and transactions with them have been disclosed in the Remuneration Report within the Directors' Report. The aggregate remuneration of the key management personnel is shown below:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Short-term employee benefits: | 3,159 | 2,934 |
| Long-term employee benefits | 51 | 76 |
| Post-employment benefits | 58 | 46 |
| Share based payments | 159 | 170 |
| Share based payments (accelerated) | 469 | – |
| | **3,896** | **3,226** |

The IPO triggered the Legacy Plan to vest and subsequently there was an acceleration of the expense associated with this plan which led to a one-off expense totalling $920k of which $469k was in relation to key management personnel. Refer to Note 20 for full details.

### c) Related party loans

On 29 September 2020, the Group repaid loans totalling $61.1m inclusive of interest to shareholders of Clinical Laboratories Pty Ltd. Refer to Note 16. The loans were provided to Clinical Laboratories Pty Ltd on ordinary arm's length terms.

## Note 27: Notes to the Statement of Cash Flows

### (a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial period as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Cash and cash equivalents – at amortised cost | 35,233 | 34,849 |

### (b) Reconciliation of net profit for the year to net cash flows from operating activities

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Profit for the year before taxation | 86,637 | 30,830 |
| | | |
| **Non-cash flows in operating profit** | | |
| Depreciation | 88,052 | 77,902 |
| Loss on sale of assets | (26) | (52) |
| Share of losses from equity accounted investments | – | 61 |
| Share based payments expense | 2,166 | 323 |
| Accrued interest expense on borrowings | (16,672) | 4,071 |
| Capitalised borrowing costs | (749) | – |
| Non-controlling interest | 16 | – |
| | **159,424** | **113,135** |
| **Changes in assets and liabilities** | | |
| (Increase)/decrease in trade and other receivables | 2,749 | (16,803) |
| (Increase)/decrease in other assets | (1,251) | 1,013 |
| Increase in inventories | (2,261) | (828) |
| Increase to trade and other payables | 5,175 | 5,749 |
| Increase/(decrease) to provisions | 8,592 | (669) |
| Income tax (paid)/received | (18,564) | 139 |
| **Net cash provided by operating activities** | **153,864** | **101,736** |

### (c) Non-cash financing and investing activities

The following non-cash financing and investing activities occurred during the year and are not reflected in the statement of cash flows:

- Acquisition of right-of-use assets (Note 11)
- Options and rights issued to employees for no cash consideration (Note 20)

### (d) Bank facilities and guarantees

At 30 June 2021, the Group had a bank overdraft available of $6.5m which had not been utilised at year end (2020: $6.0m, nil utilised).

Financial guarantees also existed in relation to rental properties. The Group has utilised $5.1m (2020: $5.4m of designated $7.0m facility) with the Commonwealth Bank at 30 June 2021.

In order to enhance the Group's liquidity, the Group established the following unsecured debt facilities:

- $13.5m with the Commonwealth Bank, which includes the facility in relation to the financial guarantees noted above ($5.1m utilised)
- $100.0m funded jointly by Commonwealth Bank and HSBC which is fully utilised as at 30 June 2021 (2020: nil, nil utilised)

## Note 28: Financial Risk Management

The Company's activities expose it to a variety of financial risks which include market risk (including currency and interest rate risk), credit risk and liquidity risk. The Company's risk management is coordinated at its head office, in close cooperation with the Board of Directors, and focuses actively in ensuring the Company's short-to medium-term cash flows by minimising potential adverse effects on the financial performance of the Company.

The Company's financial instruments consist mainly of deposits with banks, debt facilities, trade receivables and trade payables. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The below is an outline of key financial risks and the Company management's strategies for managing them.

| Risk | Description | Strategy for management |
|---|---|---|
| **Capital management risk** | The Company manages its capital with the aim to ensure the consolidated entity's ability to continue to operate as a going concern so that it can continue to provide returns to its shareholders.<br><br>The Company aims to optimise its debt and equity balance to reduce the cost of capital. | The Company proactively manages its capital structure and may issue new shares, or enter into rights issues or vary the amount of dividends paid to shareholders.<br><br>The capital structure of the Group is mainly monitored on the basis of the following ratios, which are also covenants under the Company's debt facilities:<br>• Leverage Ratio.<br>The Company's leverage ratio as at 30 June 2021 is approximately 0.48, which is well under the upper threshold of 3.50.<br>• Fixed Charge Cover Ratio.<br>The Company's fixed charge ratio as at 30 June 2021 is approximately 8.84, which is well over the bottom threshold of 1.50. |
| **Market risk** | | |
| Interest rate risk | The Company's exposure to market risk from changes in interest rates relates primarily to its short-term cash investments and bank borrowings at variable interest rates. | The Company may enter into interest rate swap contracts to hedge against exposure to fluctuations in interest rates. The Company did not enter into any interest rate swaps in the current year. |
| Foreign exchange risk | The Company has minimal foreign currency risk from the following:<br>• Translation of the net assets of the Company's foreign controlled entity, which operates using a different functional currency.<br>• The Company has a limited number of transactions that are required to be settled in foreign currencies. | The Company may enter into cash flow hedges for committed, large and known expenditure denominated in foreign currency to manage its foreign exchange risk. |
| Price risk | The Company does not have significant exposure to fluctuations in the fair values or future cash flows of financial instruments associated with changes in market prices. | The Company does not currently invest in equity securities or other financial instruments with market prices risk. |

| Risk | Description | Strategy for management |
|---|---|---|
| **Credit risk** | The exposure to credit risk at the balance date is the carrying amount of those assets, net of any provisions for impairment as disclosed in Note 7 of the financial report.<br><br>The Company does not have any material exposure to any individual customers or counterparties other than certain Government or statutory funded bodies which the Company operates. | The Company manages credit risk by performing ageing analysis on receivable balances on an ongoing basis. The Company also has a rigorous process in place to minimise bad debts which involve sending out reminder notices, demand for repayments and referral to debt collection agencies.<br><br>The Company has not renegotiated any material collection/repayment terms of any financial assets in the current of previous financial years. |
| **Liquidity risk** | The Company is required to maintain a high level of liquidity to ensure that it is capable of meeting its obligations associated with its financial liabilities and to fund its long-term strategic initiatives and expansion plans. | The Company manages its liquidity risk by:<br>• The Company has adequate debt facilities in place should they be required to refinance any short-term liabilities.<br>• Ongoing cash flow forecasting and reporting. |

### a) Interest rate risk

The Company's exposure to interest rate risk and the effective weighted average interest rate by maturity period is set out in the below table. Exposure predominantly arises from the Company's borrowings at floating interest plus a fixed margin.

| | | | Fixed Interest Rate | | | |
|---|---|---|---|---|---|---|
| **2021** | **Average Interest Rate %** | **Variable Interest Rate $'000** | **Less than 1 year $'000** | **1 to 5 years $'000** | **More than 5 years $'000** | **Total $'000** |
| **Financial assets** | | | | | | |
| Cash | 0.15% | 35,233 | – | – | – | **35,233** |
| **Financial liabilities** | | | | | | |
| Bank loans | BBSY + 1.5% - 2.40% | (99,321) | – | – | – | **(99,321)** |
| Lease liabilities | 2.05% - 7.00% | – | (70,396) | (110,062) | (14,482) | **(194,940)** |
| **Total** | | **(64,088)** | **(70,396)** | **(110,062)** | **(14,482)** | **(259,028)** |

| | | | Fixed Interest Rate | | | |
|---|---|---|---|---|---|---|
| **2020** | **Average Interest Rate %** | **Variable Interest Rate $'000** | **Less than 1 year $'000** | **1 to 5 years $'000** | **More than 5 years $'000** | **Total $'000** |
| **Financial assets** | | | | | | |
| Cash | 0.10% | 34,849 | – | – | – | **34,849** |
| **Financial liabilities** | | | | | | |
| Related party loans | 7.00% | (60,070) | – | – | – | **(60,070)** |
| Lease liabilities | 7.00% | – | (63,440) | (82,620) | (15,075) | **(161,135)** |
| **Total** | | **(25,221)** | **(63,440)** | **(82,620)** | **(15,075)** | **(186,356)** |

## Note 28: Financial Risk Management (continued)

### b) Sensitivity Analysis

The following table summarises the sensitivity of the consolidated entity's financial asset and liabilities to interest rate risk. The analysis has been determined based on the Company's exposure to variable interest rates during the financial year projecting a reasonably possible change taking place at the beginning of the financial year, held constant throughout the financial year and applied to variable interest payments made throughout the financial year.

| | | Result | | Equity | |
|---|---|---|---|---|---|
| **2021** | **Carrying Amount $'000** | **0.5%/50BP Increase $'000** | **0.5%/50BP Decrease $'000** | **0.5%/50BP Increase $'000** | **0.5%/50BP Decrease $'000** |
| **Financial Assets** | | | | | |
| Cash | 35,233 | 176 | (176) | 176 | (176) |
| **Financial Liabilities** | | | | | |
| Bank loans | (99,321) | (497) | 497 | (497) | 497 |
| **Total** | **(64,088)** | **(321)** | **321** | **(321)** | **321** |

| | | Result | | Equity | |
|---|---|---|---|---|---|
| **2020** | **Carrying Amount $'000** | **0.5%/50BP Increase $'000** | **0.5%/50BP Decrease $'000** | **0.5%/50BP Increase $'000** | **0.5%/50BP Decrease $'000** |
| **Financial Assets** | | | | | |
| Cash | 34,849 | 174 | (174) | 174 | (174) |
| **Financial Liabilities** | | | | | |
| Related party loans | (60,070) | (300) | 300 | (300) | 300 |
| **Total** | **(25,221)** | **(126)** | **126** | **(126)** | **126** |

## Note 29: Parent Entity Information

| | 2021 $'000 |
|---|---|
| **Assets** | |
| Current assets | 226,984 |
| Non-current assets | 586,579 |
| **Total assets** | **813,563** |
| **Liabilities** | |
| Current liabilities | 865 |
| Non-current liabilities | – |
| **Total liabilities** | **865** |
| **Equity** | |
| Issued capital | 797,975 |
| Reserves | 43 |
| Retained earnings | 14,680 |
| **Total equity** | **812,698** |

| | 2021 $'000 |
|---|---|
| **Financial performance** | |
| Loss for the year | (9,353) |
| **Total comprehensive income** | **(9,353)** |

At 30 June 2020, the parent entity of the Group was Clinical Laboratories Pty Ltd (see Note23(a)). Consequently, there is no comparative 2020 column above as Australian Clinical Laboratories Limited, the parent at 30 June 2021, did not exist in the prior financial year.

## Note 30: Auditors' Remuneration

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Auditor of Australian Clinical Labs Limited – Audit Services** | | |
| Audit of the financial report for the financial year ended 30 June 2021 | 195 | 129 |
| Review of the financial report for the half year ended 31 December 2020 | 85 | – |
| **Total audit and other assurance services** | **280** | **129** |

## Note 31: Contingent Liability

The Company had issued a promissory note to Advanced Medical Technology Pty Ltd payable on sale of the Clinical Laboratories Pty Ltd shares whereby the return on investments exceeds a predetermined amount. At 30 June 2020 the maximum amount payable was $12.5m.

On 21 December 2020 the Promissory Note was paid totalling $12.5m.

No other contingent liabilities are noted.

## Note 32: Deed of Cross Guarantee

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

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

The parent entity and subsidiaries subject to the Deed of Cross Guarantee as at 30 June 2021 are as follows:

- Australian Clinical Labs Limited
- ACL MidCo Pty Ltd
- ACL FinCo Pty Ltd
- Clinical Laboratories Pty Ltd
- Clinical Laboratories (WA) Pty Ltd
- Southern Sun Clinics Pty Ltd
- Southern Sun Pathology Pty Ltd
- Southern Sun Healthcare Pty Ltd
- Southern Sun Pathology (Helix) Pty Ltd

These entities above represent a 'Closed Group' for the purposes of the Instrument.

## a) Consolidated statement of profit or loss of the Closed Group

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Revenue | 641,616 | 486,191 |
| Other income | (2,034) | 28,952 |
| **Total** | **639,582** | **515,143** |
| Consumables | (119,547) | (87,040) |
| Labour costs | (245,957) | (234,318) |
| Property costs | (14,015) | (18,247) |
| Repairs and maintenance | (6,859) | (6,637) |
| IPO transaction costs | (17,420) | – |
| Other operating expenses | (40,008) | (44,141) |
| Depreciation | (9,720) | (11,004) |
| Depreciation of right-of-use assets | (77,865) | (66,588) |
| Amortisation of acquired intangible assets | 7 | – |
| **Total operating costs** | **(531,384)** | **(467,975)** |
| **Earnings before interest and tax** | **108,198** | **47,168** |
| Net finance costs | (21,848) | (16,480) |
| Share of losses from equity accounted investments | – | (61) |
| **Profit before income tax** | **86,350** | **30,627** |
| Income tax (expense)/benefit | (26,176) | 10,470 |
| **Profit for the year** | **60,174** | **41,097** |
| Net (profit) attributable to non-controlling interests | (16) | – |
| **Net profit attributable to members of the Closed Group** | **60,158** | **41,097** |

## b) Consolidated statement of other comprehensive income of the Closed Group

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Profit for the year** | **60,174** | **41,097** |
| **Other comprehensive income** | | |
| **Items that may be reclassified subsequently to profit and loss** | | |
| Exchange differences on translation of foreign operations | – | – |
| **Other comprehensive income for the year, net of tax** | – | – |
| **Total comprehensive income for the year** | **60,174** | **41,097** |
| **Total comprehensive income attributable to:** | | |
| Members of the Closed Group | 60,158 | 41,097 |
| Non-controlling interests | 16 | – |
| | **60,174** | **41,097** |

## Note 32: Deed of Cross Guarantee (continued)

### c) Reconciliation of retained earnings of the Closed Group

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Retained earnings at the beginning of the financial year | 41,099 | – |
| Profit from ordinary activities after income tax expense | 60,158 | 41,099 |
| Dividends paid during the year | (42,000) | – |
| Reclassification of pre-IPO Management Equity Plan | 2,566 | – |
| **Retained earnings at the end of the financial year** | **61,823** | **41,099** |

### d) Consolidated Statement of Financial Position of the Closed Group

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 34,565 | 34,834 |
| Trade and other receivables | 62,864 | 63,424 |
| Inventories | 13,249 | 10,498 |
| Other assets | 7,159 | 3,298 |
| Current tax assets | – | – |
| **TOTAL CURRENT ASSETS** | **117,837** | **112,054** |
| NON-CURRENT ASSETS | | |
| Plant and equipment | 40,784 | 37,880 |
| Right-of-use assets | 184,358 | 154,842 |
| Intangible assets | 111,371 | 35,748 |
| Other assets | – | 988 |
| Deferred tax assets | 16,145 | 23,164 |
| **TOTAL NON-CURRENT ASSETS** | **352,658** | **252,622** |
| **TOTAL ASSETS** | **470,495** | **364,676** |
| CURRENT LIABILITIES | | |
| Trade and other payables | 42,262 | 32,713 |
| Lease liabilities | 69,570 | 63,300 |
| Borrowings | (190) | – |
| Provisions | 48,441 | 37,432 |
| Current tax liabilities | 4,003 | 1,799 |
| Deferred consideration | 200 | – |
| Intercompany | – | – |
| **TOTAL CURRENT LIABILITIES** | **164,286** | **135,244** |

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| **NON-CURRENT LIABILITIES** | | |
| Lease liabilities | 123,038 | 97,188 |
| Borrowings | 99,511 | 60,070 |
| Provisions | 2,556 | 3,816 |
| Deferred tax liabilities | – | – |
| **TOTAL NON-CURRENT LIABILITIES** | **225,105** | **161,074** |
| **TOTAL LIABILITIES** | **389,391** | **296,318** |
| **NET ASSETS** | **81,104** | **68,358** |
| **EQUITY** | | |
| Issued capital | 797,975 | 146,505 |
| Reserves | (778,710) | (119,246) |
| Retained earnings | 61,823 | 41,099 |
| **Total parent entity interest** | **81,088** | **68,358** |
| **Non-controlling interest** | 16 | – |
| **TOTAL EQUITY** | **81,104** | **68,358** |

## Note 33: Subsequent Events

There were no significant changes in the Group's state of affairs that occurred following the end of the financial year and up to the date of the financial report, other than those referred to elsewhere in this report.

# Directors' declaration

In the Directors' opinion:

a) the financial statements and notes set out on pages 64 to 107 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

c) at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 32 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 32.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required under section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.

M.Alsher
Chair
Sydney, 26 August 2021

M. McGrath
Chief Executive Officer and Executive Director
Melbourne, 26 August 2021

PITCHER PARTNERS

**AUSTRALIAN CLINICAL LABS LIMITED**
**AND CONTROLLED ENTITIES**
**ABN: 94 645 711 128**

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF**
**AUSTRALIAN CLINICAL LABS LIMITED**

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Australian Clinical Labs Limited "the Company" and its controlled entities, "the Group", which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| *Carrying value of Goodwill*<br>Refer to Note 1(l) and Note 12 | |
| At 30 June 2021 the Group's balance sheet includes goodwill relating to one cash generating unit ("CGU"). We believe due to the significance of the goodwill balance, that the carrying value is a key audit matter.<br><br>Specifically, the key audit matter for us was whether the Group's value in use model for impairment included appropriate consideration and support for significant estimates and judgements and the selection of key external and internal inputs. | Our procedures included, amongst others:<br>• Assessing management's determination of the Group's CGU based on our understanding of the nature of the Group's business and the economic environment in which it operates.<br>• Understanding and evaluating the design and implementation of management's process and controls regarding valuation of the Group's goodwill assets to determine any asset impairment including the procedures around the preparation and review of forecasts. |

**Pitcher Partners.** An independent Victorian Partnership ABN 27 975 255 196. Level 13, 664 Collins Street, Docklands, VIC 3008
**Pitcher Partners is an association of independent firms.** Liability limited by a scheme approved under Professional Standards Legislation.
Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities

**Adelaide Brisbane Melbourne Newcastle Sydney Perth**

**pitcher.com.au**

PITCHER PARTNERS

**AUSTRALIAN CLINICAL LABS LIMITED**
**AND CONTROLLED ENTITIES**
**ABN: 94 645 711 128**

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF**
**AUSTRALIAN CLINICAL LABS LIMITED**

| | |
|---|---|
| Management's assessment of impairment of the Group's goodwill balances incorporated significant estimates and judgements in respect of factors such as forecast:<br>• revenues;<br>• expenses;<br>• capital expenditure; and<br>• economic assumptions in the cash flow model such as, discount rates, growth rates and terminal growth rate. | • Evaluating the Group's significant estimates and judgements used to determine the recoverable value of its assets, including those relating to forecast revenue, expenses, capital expenditure, and other economic assumptions.<br>• Engaging an auditor's expert to evaluate the key economic assumptions to external market data.<br>• Recalculating the mathematical accuracy of the cash flow model.<br>• Assessing the historical accuracy of forecasting of the Group.<br>• Performing sensitivity analysis in relation to the significant estimates and judgements used by management.<br>• Assessing the adequacy of disclosure in the financial statements. |
| *Purchase price allocation of SunDoctors intangible assets*<br>Refer to Note 1(l) and Note 12 | |
| On 18 May 2021 the Group acquired SunDoctors Group. The purchase of SunDoctors included significant intangible balances relating to customer lists, brand value and residual goodwill. Significant accounting estimates and judgements were undertaken to assess the identification and valuation of the intangible assets arising from the acquisition of SunDoctors.<br><br>Management's assessment of the purchase price allocation involved engaging an external expert to provide a report outlining the allocation of intangible assets in conjunction with discounting forecasted cashflows for calculation of the acquired business' enterprise value. | Our procedures included, amongst others:<br>• Assessing management's determination of the Group's purchase price allocation based on specialist advice provided by management's expert.<br>• Understanding and evaluating the design and implantation of management's process and controls regarding the allocation of the Group's customer lists, brand value and goodwill assets to determine the appropriate allocations for each intangible asset recently acquired in the business acquisition.<br>• Evaluating the mathematical accuracy of the purchase price allocation model.<br>• Recalculating the Group's purchase price allocation using observable inputs.<br>• Engaging an auditor's expert to evaluate the key economic assumptions, accounting estimates, judgements and the methodology used in the report produced by management's expert to identify and value intangible assets arising from the business acquisition.<br>• Assessing both management's and auditor's experts' qualifications and expertise.<br>• Assessing the adequacy of disclosure in the financial statements. |

*Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

AUSTRALIAN CLINICAL LABS LIMITED
AND CONTROLLED ENTITIES
ABN: 94 645 711 128

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
AUSTRALIAN CLINICAL LABS LIMITED

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

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

*Responsibilities of the Directors for the Financial Report*

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

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

*Auditor's Responsibilities for the Audit of the Financial Report*

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

# Independent Auditors' Report

AUSTRALIAN CLINICAL LABS LIMITED
AND CONTROLLED ENTITIES
ABN: 94 645 711 128

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
AUSTRALIAN CLINICAL LABS LIMITED

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

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

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in page 33 to 47 of the Directors' report for the year ended 30 June 2021. In our opinion, the Remuneration Report of Australian Clinical Labs Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

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

S D WHITCHRUCH
Partner

PITCHER PARTNERS
Melbourne

26 August 2021

# Shareholder Information

## Number of shareholders

As at 14 September 2021, there were 201,834,015 fully paid ordinary shares held by 2,904 shareholders.

**Distribution of ordinary shares as at 14 September 2021**

| Number of shares held | No. of individuals |
|---|---|
| 1 - 1,000 | 1007 |
| 1,001 - 5,000 | 1,172 |
| 5,001 - 10,000 | 403 |
| 10,001 - 100,000 | 274 |
| 100,001 - and over | 48 |
| **TOTAL** | **2,904** |

No shareholders held less than a marketable parcel of shares.

## Number of rightsholders

As at 14 September 2021, there were 908,557 Rights held by 15 persons.

**Distribution of Rights as at 14 September 2021**

| Number of Rights held | No. of individuals |
|---|---|
| 1 - 1,000 | – |
| 1,001 - 5,000 | – |
| 5,001 - 10,000 | – |
| 10,001 - 100,000 | 12 |
| 100,001 - and over | 3 |
| **TOTAL** | **15** |

# Shareholder Information

## Number of Options holders

As of 14 September 2021, the Company did not have any options on issue.

## Shares held in escrow

Prior to its IPO, the Group had previously established an equity incentive plan under which certain senior executives received ordinary shares.  Under the arrangements for the issue of the MEP Shares, if a participant ceases to be employed by the Group, the participant will no longer have an entitlement to MEP Shares still under escrow.

There are currently 9,048,990 MEP Shares that are being held in escrow as follows:

- One-third will be released from escrow following the announcement of the Company's financial results for the period ended 31 December 2021;
- One-third will be released from escrow following the announcement of the Company's financial results for the period ended 30 June 2022; and
- One-third will be released from escrow following the announcement of the Company's financial results for the period ended 31 December 2022.

As at 14 September 2021, there were 12 employees holding 9,048,990 MEP Shares as follows:

| Number of MEP Shares held | No. of individuals |
|---|---|
| 1 - 1,000 | – |
| 1,001 - 5,000 | – |
| 5,001 - 10,000 | – |
| 10,001 - 100,000 | 1 |
| 100,001 - and over | 11 |
| **TOTAL** | **12** |

## Securities Exchange Listing

As of 14 May 2021, Australian Clinical Labs Limited became a listed public company, incorporated and operating in Australia. The shares of the Company are listed on the ASX under the code "ACL".

## Voting rights

The voting rights of members are governed by ACL's constitution, which provides that each member is entitled to be present at any general meeting of ACL and to vote on any resolution on a show of hands or upon a poll. A member can attend personally or by appointing a proxy, attorney or corporate representative, as appropriate. Every member present in person, by proxy, attorney or corporate representative has one vote for every share held.

ACL's fully paid ordinary shares carry voting rights of one vote per share.

ACL Rights do not carry voting rights.  Restricted shares following the exercise of a Right carry voting rights.

MEP Shares do not carry voting rights.

### Top 20 Shareholders as at 8 September 2021

| Rank | Name | No. of shares | % of shares on issue |
|---|---|---|---|
| 1. | Crescent Capital Partners | 39,270,974 | 19.46 |
| 2. | HSBC Custody Nominees (Australia) Limited | 27,912,181 | 13.83 |
| 3. | Citicorp Nominees Pty Limited | 24,293,812 | 12.04 |
| 4. | National Nominees Limited | 18,924,054 | 9.38 |
| 5. | Instanz Nominees Pty Ltd | 14,036,045 | 6.95 |
| 6. | CCP Trusco 1 Pty Ltd | 13,158,261 | 6.52 |
| 7. | CCP Trusco 5 Pty Ltd | 6,207,125 | 3.08 |
| 8. | CCP Trusco 2 Pty Ltd | 5,765,804 | 2.86 |
| 9. | CCP Trusco 4 Pty Ltd | 5,533,472 | 2.74 |
| 10. | JP Morgan Nominees Australia Pty Limited | 3,624,902 | 1.80 |
| 11. | BNP Paribas Noms Pty Ltd | 3,544,378 | 1.76 |
| 12. | Perpetual Corporate Trust Ltd | 3,074,742 | 1.52 |
| 13. | Perpetual Corporate Trust Ltd | 2,635,495 | 1.31 |
| 14. | Brispot Nominees Pty Ltd | 2,541,938 | 1.26 |
| 15. | Melinda McGrath | 2,123,508 | 1.05 |
| 16. | HSBC Custody Nominees (Australia) Limited | 2,031,155 | 1.01 |
| 17. | Morgan Stanley Australia Securities (Nominee) Pty Limited | 980,557 | 0.49 |
| 18. | CS Fourth Nominees Pty Limited | 911,576 | 0.45 |
| 19. | Anthony Landgren | 838,211 | 0.42 |
| 20. | UBS Nominees Pty Ltd | 830,226 | 0.41 |
| **TOTAL** | | 178,238,416 | 88.31 |

### Substantial shareholders as at 14 September 2021

| Name | Number of fully paid ordinary shares | % of total issued capital as at the date of latest notice |
|---|---|---|
| Crescent Capital Partners<br>*(through the various investment vehicles listed in the Form 604)* | 89,681,918 | 44.43 |
| Ethical Partners Funds Management Pty Ltd | 17,398,419 | 8.62 |

## Indicative corporate calendar*

| | |
|---|---|
| 2021 AGM | 27 October 2021 |
| FY22 half year results announcement | 24 February 2022 |
| FY22 year end | 30 June 2022 |
| FY22 full year results announcement | 25 August 2022 |
| 2022 AGM | 26 October 2022 |

*These dates are indicative only and subject to change.

Shareholders are reminded that under the Company's constitution any shareholder wishing to nominate themselves or another person as a candidate for election as a director must serve a signed notice of nomination and a consent to the nomination on the Company by no later than 35 business days before an AGM.

This page has been intentionally left blank.

# Corporate directory

## Corporate information

**Company's registered office and principal administrative office**

Australian Clinical Labs Limited
1868-1892 Dandenong Road
Clayton VIC 3168

Tel: 1300 453 688

**Share registry**

Link Market Services
Level 12
680 George Street
Sydney NSW 2000

Tel: 1300 554 474

Designed and produced by ideate

Australian Clinical Labs Limited
1868 Dandenong Road
Clayton, Vic, 3168

ABN 94 645 711 128