ASX Announcement

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

clinicallabs.com.au

Monday 23 September 2024

Australian Clinical Labs Limited - 2024 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 2024 Annual Report (including the 2024 Corporate Governance Statement)
- Appendix 4G

– ENDS –

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

Company Secretary
Eleanor Padman
Company Secretary
Email:
epadman@padmanadvisory.com.au
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About Australian Clinical Labs

ACL is a leading Australian private provider of pathology services. Our 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.

AUSTRALIAN
Clinicalabs

Annual Report **2024**

Contents

2024 Annual General Meeting (AGM) will be held on Friday, 25 October 2024 at 9am AEDT

Our Mission and Values

Our Mission and Values were created by our staff and reflect what we stand for, and what we want to achieve as a healthcare organisation.

Our Mission

We combine talented people, medical and scientific leadership, with innovative thinking and technologies to empower decision making that saves and improves patients' lives.

Our staff take great pride in our company, and in all of the business units across the country, there are numerous examples of our staff striving to achieve our Mission and Values.

Our Values

Our Company Values help us implement our mission and reflect who we are and what we stand for as a Company.

Patient Focus and Medical Excellence

Respect and Integrity

Efficiency and Effectiveness

Entrepreneurship and Agility

Passion and Enthusiasm

Overview

ACL is a leading private provider of pathology services in Australia.

ACL has laboratories and pathology collection centres in all Australian States and Territories (except Tasmania) and is one of the largest private hospital pathology businesses nationally.

In FY24, our 73 NATA-accredited laboratories serviced a range of clinicians and patients within our communities. ACL is also a leading provider of skin cancer care via the SunDoctors brand – operating 31 clinics across Queensland, New South Wales and Victoria.

$696.4m
ANNUAL REVENUE

$62.6m
UNDERLYING EBIT[1]

4.7
STARS OUT OF 5 FOR OUR SERVICE

140K
CUSTOMER RATINGS

4,900+
EMPLOYEES

1,300+
APPROVED COLLECTION CENTRES

73
NATA-ACCREDITED LABORATORIES

90+
HOSPITALS SERVICED NATIONALLY

30+
SPECIALIST SKIN CANCER CLINICS

1 Underlying figures are calculated ex HLS takeover costs as well as certain non-recurring revenue and expenses.

Letter from the Chair

In FY24, ACL once again demonstrated the resilience, medical excellence and commitment required to meet the challenges of a financial year full of complex environmental demands, and produce some exceptional results for our shareholders.

Dear Shareholder,

On behalf of the Board of Directors, it is my pleasure to present to you ACL's FY24 Annual Report.

In FY24, ACL once again demonstrated the resilience, medical excellence and commitment required to meet the challenges of a financial year full of complex environmental demands, and produce some exceptional results for our shareholders. On behalf of the Board, I would like to extend my gratitude to ACL's dedicated staff, whose expertise and commitment continue to positively impact our doctor and patient communities around Australia. I would also like to thank Melinda and the senior executive team for their experience, leadership and drive for a continuous improvement that is at the heart of ACL's success.

FY24 was a year in which the dust from the pandemic finally began to settle, and we began to see clear signs of recovery in the pathology sector. There were still many external challenges largely stemming from the pandemic, including ongoing inflation, a sluggish return to pre-pandemic routine pathology testing and lingering healthcare professional availability issues. Despite these challenges, the ACL team delivered some outstanding results as summarised below.

In FY24, ACL:

- generated revenue of $696.4m, which was in line with FY23, despite a 59% decline in COVID revenue;
- achieved an underlying EBIT[1] of $62.6m, which was realised via a strong second half performance of $39.1m in H2 at an 11% margin; and
- achieved Underlying NPAT[1] of $31.6m.

The Company announced a final fully franked dividend of 9 cents per share, which when combined with the interim dividend has delivered total fully franked dividends for FY24 of 12 cents per share. This represents a 4.6% fully franked dividend yield, based on the share price of $2.63 on 27 August.

1 Underlying figures are calculated ex HLS takeover costs as well as certain non-recurring revenue and expenses.

Operational Highlights

ACL has continued to focus on operational improvement, allowing profit margins to stay constant, despite external pressures mentioned above.

Our Medlab acquired sites have continued to grow revenue, which aside from COVID testing, were depressed as they were on the main located in key COVID outbreak areas when we first acquired Medlab. We are applying our collaborative approach to service development, working with the Medlab referrers for their patients' benefit.

We continue to evaluate potential acquisitions, but we will only progress with appropriately priced and accretive acquisitions. Key targets include domestic pathology, strategically aligned domestic adjacencies as well as international pathology. We expect to advance acquisitions within the SunDoctors business as well this year.

ESG

ACL is in its fourth year of the execution of our ESG strategy and it continues to deliver strong performance and positive change over time. ACL acknowledges the significance of Environmental, Social and Governance (ESG) priorities as a strategic enabler – enhancing our long-term resilience and sustainability but also actively contributing to the wellbeing of our society.

Key ESG highlights for FY24 include:

- Reduction of carbon emissions from 1.4kg (FY22) to 1.25kg (FY24) CO_2 per episode (accounting for the COVID period which distorted the numbers in FY23).
- Implementation of cold chain logistics removing approximately 26,000kg of packaging.
- Increasing the number of hybrid cars across the Group and further optimisation of route planning software resulting in a 9% reduction in km/per episode.
- Receiving 142,026 patient satisfaction survey responses in FY24, with an average score of 4.7 out of 5, and a net promotor score of +79.
- Reduction of lost time injury frequency rate to 2.25, down from 3.78 in FY23.
- RESPECT@CL campaign delivered to all staff with the aim of increasing awareness of respectful behaviour and prevention of sexual harassment, while improving personal safety, psychosocial health and wellbeing.
- Improved gender diversity of both Board and Executive, with Board at 43% female representation (up from 33% in FY23), and Executive at 33% female representation (up 8% from FY23).
- ACL has continued its cyber security program and has continued to improve its NIST score. A Chief Information Security Officer was appointed, governing an enhanced cyber risk management process and continues to enhance ACL's cyber security roadmap.
- The Board endorsed ACL preparing a Reflection Reconciliation Action Plan (RAP) for submission to Reconciliation Australia. A working group was established and a draft RAP was prepared and submitted to Reconciliation Australia during FY24. ACL intends to launch its RAP in FY25.

Industry Indexation

In FY24, the Federal Government announced indexation to approximately one -third of the total pathology items. While the industry appreciates the indexation, unfortunately this change has been largely offset by fee cuts on certain tests – meanwhile the remaining two-thirds of items remain unindexed. Suffice to say this was not the outcome we were looking for.

ACL, along with other providers, will continue to build awareness through our strong patient community networks of more than 1.2 million people per week to engage, educate and ultimately create a more sustainable pathology sector.

Share Buy-back Program

The Board announced a 12-month on-market, share buy-back program of up to 20 million ACL shares, which equates to approximately 10% of the Company's outstanding share capital. This decision was made possible due to the strong balance sheet position ACL has built in recent years, with net debt (excluding lease liabilities) of only $28.9m as at the end of FY24.

We believe, based on this strong balance sheet and cash conversion, that a share buy-back program may provide an opportunity to enhance value for shareholders, without compromising the Company's strong capital position and ability to execute on its growth strategy. The buy-back is expected to reduce the shares on issue with a resulting improvement in earnings per share, dividends per share and return on equity.

The Board believes, given ACL's outlook, this is a sensible use of our balance sheet capacity.

Conclusion

With the fallout and disruption to 20 years of pathology growth due to the global pandemic starting to ease, ACL has successfully weathered the storm and emerges in a position of resilience and strength. While the broader market and ACL still have a growth gap to make up, we have a strong balance sheet and are capital light, have a diverse customer base, and are poised to capitalise on a return to double-digit growth and normalising inflation.

ACL is an essential service at the forefront of an array of new technological advancements that enhance the health of our patients. I see ACL benefitting from these technological developments (including pharmaceutical and treatment development that require ongoing outcome monitoring), population and demographic changes, and the ageing population.

Once again, I would like to thank my fellow Directors and the entire ACL Group for their truly commendable efforts and their steadfast commitment to our mission, and to you our shareholders for being an integral part of our journey.

Yours sincerely,

Michael Alscher
Chair

ACL has continued to focus on operational improvement, allowing profit margins to stay constant, despite external pressures.

Letter from the CEO

We have a laser focus on performance and this cascades throughout the organisation, and is aligned with the requirements of our patients, referrers and shareholders.

Dear Fellow Shareholder,

FY24 has been a year of transition. The ongoing lag in healthcare recruitment due a lack of immigration when borders were closed, workforce retirement through the pandemic, and billing practice changes leading to reduced GP hours nationally, all continued to affect the entire industry throughout the first half of FY24. I am pleased that this did improve in the second half. Returning medical and nursing practitioners helped remove hospital bottlenecks, GP availability improved greatly, and we are starting to see a return to more normal ordering patterns – which is excellent for the future health of Australians.

Consequently, our 2024 results are a tale of two halves, underpinned by the resilience and diversification of our business. Shareholders should be proud that ACL teams have yet again successfully steered the Company through an unpredictable and changing external environment, and produced a great set of results.

Key Financial Metrics

In the 12 months to 30 June 2024, ACL achieved:

- Revenue of $696.4m, in line with FY24 guidance and FY23 revenue, despite a 59% decline in COVID-19 revenue.
- Total Non-COVID Revenue of $646.7m – up 5.4% on FY23 (with H2 up 6.9% on pcp).
- Underlying EBITDA[1] of $191m – up 1.3% on FY23 (with $103.8m in H2 vs $87.1m in H1), again noting the decreased COVID-19 revenue.
- Underlying EBIT[1] of $62.6m, in line with FY24 guidance (with $39.1m in H2 at 11% margin vs $23.4m in H1 at 7% margin). Adjusting for the decline in COVID revenue, FY24 underlying EBIT grew by 24%.[2]
- Underlying NPAT[1] of $31.6m (with $21.3m in H2 vs $10.3m in H1).
- Free cash flow before interest tax and financing of $54.4m – up 4% on FY23.
- Declared final fully franked dividend of 9 cps, taking the full year dividend to 12 cps – representing 77% of underlying NPAT, and a fully franked dividend yield of 4.6% based on the share price on 27 August of $2.63 per share.

Our operating cash flow conversion from EBITDA was 101% and we continue to demonstrate efficient cash management, with free cash flow up on FY23 despite the COVID earnings drag.

Operational Review

ACL's ability to drive continuous operational improvement through focused KPI improvement programs has enabled us to hold margins constant – despite subdued volumes and industry cost pressures. Culturally, we have a laser focus on performance and this cascades throughout the organisation, and is aligned with the requirements of our patients, referrers and shareholders.

Our project management office has a range of operational improvement projects underway which are rolled out nationally onto our unified laboratory information system (LIS). ACL is the only national laboratory in Australia with a single instance of its LIS interconnected across the country, allowing pathologists and scientists to work in a borderless manner. It enhances our agility, it negates size differential, and enhances our operational leverage.

In FY24 we have completed several projects which have been rolled out nationally across our LIS:

- Upgrades to blood banking and lifesaving emergency medicine;
- Machine learning and automation of our blood film production which improves haematologist productivity;
- Cybersecurity upgrades and additional specialised cyber staff;
- Upgrades to our electronic Results platform improving visibility of results, notifications of critical results and clinical Continuing Professional Development participation;
- Major networking upgrades for the Clayton laboratory;
- Deployment of a cloud-based dictation system for pathologists; and
- Improvements to our telehealth platform for patient electronic requesting.

Over the next year, we will continue to progress feasibility of our Lab of the Future program, as well as piloting AI initiatives to reduce support function labour costs and improve manual processes.

Growth Strategy

ACL's growth strategy is centred around six pillars:

- A Disciplined Network Expansion
- Indexation Campaign
- Growth of Strategic New Business
- Accretive Acquisitions
- Billing Enhancement Initiatives
- Operational Improvement

FY24 illustrated our strategic focus on disciplined network expansion and profitable revenue to preserve margins. We chose not to drastically reduce our footprint, as we are consistent in our review of margin-producing revenue which resulted in an improvement in the mix. The decision not to renew certain sites with unattractive rent dynamics, but replace them with better-performing centres' will benefit the business into FY25.

Our Medlab investment has continued to grow revenue, and we are applying our collaborative approach to patient care and service development, and working with the Medlab referrers for the ultimate benefit of our patients' health.

This collaborative approach sees ACL taking on an educative, specialist role with our referrers, providing advanced insight on innovative service models and the latest clinical data so they can provide superior care and treatment outcomes for their patients.

1 Underlying figures are calculated ex HLS takeover costs as well as certain non-recurring revenue and expenses.
2 Based on 40% contribution margin on COVID-19 revenues.

In FY24 we continued our focus on advanced genetic testing, with ACL capturing an over-proportionate share of the genetic carrier screening market (21%); and made further headway into the non-invasive prenatal testing market. Genetic carrier screening was introduced to the Medicare schedule in November 2023 as a fully-rebatable item, and enables doctors to assess the likelihood of parents-to-be passing common genetic conditions. Our Molecular Genetics laboratory has done some outstanding work keeping up with the additional volume and providing the most competitive turnaround times in Australia.

ACL and Geneseq are due to launch Melaseq – our melanoma tissue and blood test – with commercialisation to commence in 2025. This test features world-first, cutting edge science and is aimed at patients who are considered high-risk for melanoma, of which there are approximately 2 million in Australia alone. There are approximately 2 million melanoma/skin cancer-related biopsies per year in Australia – and testing these biopsies with Melaseq has the potential to materially reduce the economic and social costs associated with melanoma. The launch of these tests fits strategically with our SunDoctors business, as well as our surgical referral processes.

Outlook

The chart opposite shows that whilst improving, post COVID volumes continue to lag the historical trend by 12%, which implies a ~$60m revenue shortfall for ACL. The shortfall is reducing, and we expect volumes to return to trend over time, particularly as GP shortages ease. Currently, the market has not yet returned to its predictable growth, and volumes remain a little difficult to predict. In addition, we still face some ongoing inflation, and State government imposed additional labour costs resulting in margin pressure. Despite this, we expect a stronger EBIT result in FY25 compared to FY24.

I would like to finish by thanking our pathologists and scientists for their leadership, and all Clinical Labs team members for their unwavering focus on our vision, values and customer centricity. I would also like to thank our talented executive leaders and Board members for their enormous contribution again this year. And finally, our shareholders for their support as we continue our important work on behalf of the Australian community.

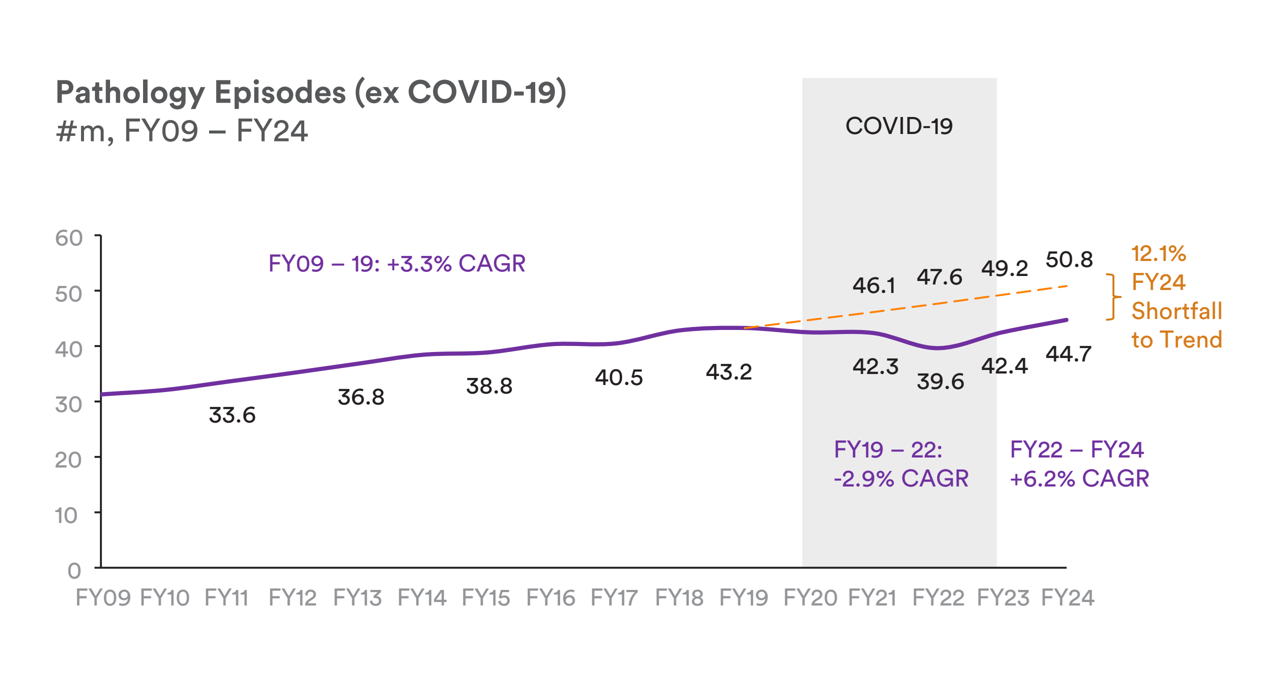
Yours sincerely,

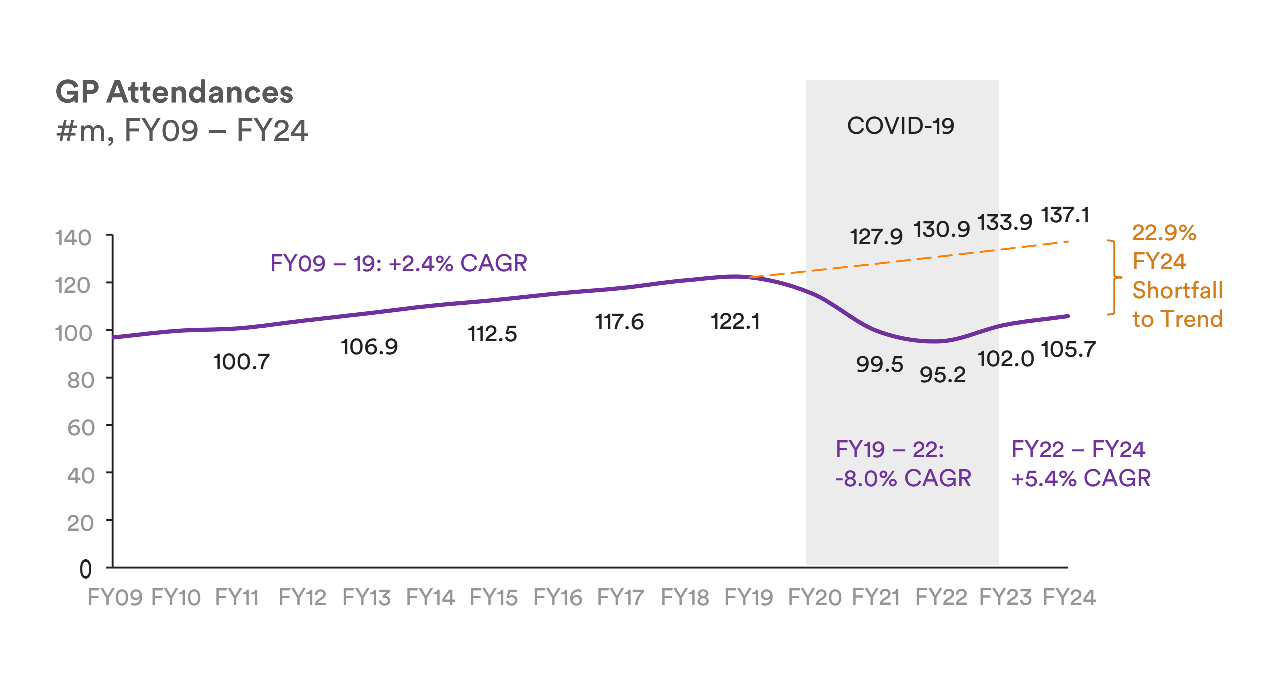
Melinda McGrath

Melinda McGrath

CEO

Returning medical and nursing practitioners helped remove hospital bottlenecks, GP availability improved greatly, and we are starting to see a return to more normal ordering patterns – which is terrific news for the future health of Australians.


Pathology Episodes (ex COVID-19)
#m, FY09 – FY24
COVID-19
FY09 – 19: +3.3% CAGR
33.6
36.8
38.8
40.5
43.2
46.1
47.6
49.2
50.8
42.3
39.6
42.4
44.7
12.1% FY24 Shortfall to Trend
FY19 – 22: -2.9% CAGR
FY22 – FY24 +6.2% CAGR
FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22 FY23 FY24


GP Attendances
#m, FY09 – FY24
COVID-19
FY09 – 19: +2.4% CAGR
100.7
106.9
112.5
117.6
122.1
127.9
130.9
133.9
137.1
99.5
95.2
102.0
105.7
22.9% FY24 Shortfall to Trend
FY19 – 22: -8.0% CAGR
FY22 – FY24 +5.4% CAGR
FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22 FY23 FY24

Our Strategic Growth Pillars

Six strategic pillars

ACL's growth strategy is centred on six strategic pillars.

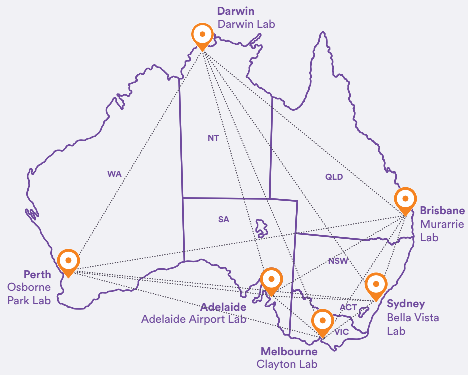
1. A Disciplined Network Expansion

ACL has a disciplined approach to network expansion, choosing to focus on high-quality, sustainable and profitable growth. This growth is expected to come organically from new referrers to our existing footprint, as well as strategic placements of new pathology collection centres that have an attractive margin.

Across the Group we work with our referrers on innovative service models, and education of practitioners, which we see as part of our role as a specialist medical practice. This model continues to drive benefits in both volume and average fee.

ACL's business is relatively diversified with no single customer group producing more than 2-3% of overall revenue, aside from our total Medicare revenue.

As more GPs come back into the system our growth will continue to expand.



2. Indexation Campaign

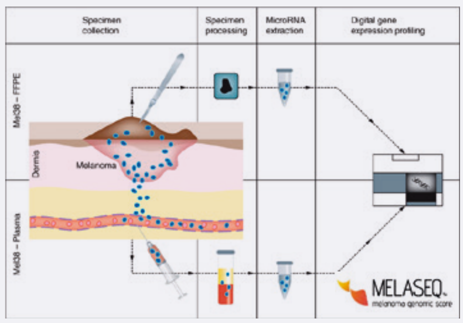
Australian Pathology's Indexation campaign has resulted in Indexation of one-third of the schedule and is due to commence in FY26. This indexation has been partially offset by fee cuts on certain Medicare rebatable tests. While the industry appreciates the indexation, this is not the result the industry was after, and we are continuing the campaign to educate and advise patients that their rebate has not been increased in almost 25 years. We have excellent community engagement – as an industry we provide pathology services to more than 1.2 million people per week.

3. Growth of Strategic New Business

ACL continues to focus on a number of new strategic businesses initiatives. ACL and Geneseq are set to launch Melaseq™, our melanoma tissue and blood tests, with commercialisation due to commence in 2025. We are also focused on developing a pipeline of new test and service opportunities through investments in partnerships to support growth.

Genetic testing at ACL continues to experience strong growth with market share improvements in our Carrier Screening and further penetration of the non-invasive prenatal testing market.

Melaseq™: an ACL/Geneseq Partnership



4. Accretive Acquisitions

Evaluations of potential acquisitions continue, however they will only progress if appropriately priced and accretive. Key targets include domestic pathology providers, strategically aligned domestic adjacencies and international pathology providers. Further skin clinic acquisition is expected to take place by our SunDoctors business in FY25.

5. Billing Enhancement Activities

At present, most private bills are invoiced post-service, which makes collection of payment difficult. We are currently digitising the billing process to enable upfront billing, and to reduce bad debt and debt write-off.

As part of this, we have various initiatives to support growth of non-MBS test fees and trials of expanded private billing opportunities on MBS items.

6. Operational Improvement

A roadmap is in development to step-change operational improvements in automation and AI initiatives, including projects in AI and Optical Character Recognition (OCR) in data entry, and manual code based billing processes.

ACL is actively watching AI developments in diagnostics which will likely have dramatic, beneficial impacts to workflow, productivity and patient health outcomes.

We continue to design and scope our 'Lab of the Future' program, leveraging the one laboratory information system, and enhancing our automated, borderless, national network.

Our Commitment to Sustainability

At ACL, we have considered our sustainability commitment and contribution as an organisation, and we want to meaningfully contribute to the community we operate in and have a positive social impact.

This commitment and focus is Company-wide and extends from our Mission and Values.

Energy

We recognise the urgent need to address climate change and waste management to build a resilient and sustainable future. Our environmental strategy revolves around three core pillars: climate change mitigation, waste reduction, and alignment with some of the targets set under SDGs 7, 11, 12 and 13. Our initiatives focus on energy sustainability, vehicle emissions, refrigerant gases, and minimising landfill waste.

We now have 98 hybrid and electric cars within our national fleet, with aims to increase the number by 10% every year. This in combination with our GPS routing system for courier cars – which plots the most efficient route between collection points (addressing our second-highest source of emissions) – has provided a 9% improvement in km/episode. In FY24, Scope 1 and 2 emissions were further reduced to 1.2kg CO_2 per episode (69% utilities, 29% transport fuel, 2% refrigerants).

Solar panels and LED lighting continue to be installed where possible across all of our main laboratories and packaging waste (styrofoam) was reduced by over 26 tonnes in FY24.

9%

improvement in km/episode

26 tonnes

less packing waste per year

Our Commitment to Sustainability continued

Gender Equality and Inclusion

ACL considers inclusion and diversity, including gender equality, fundamental in achieving our 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. This goal has guided management decisions and provided a shared vision for the entire organisation.

Considerable effort has been made to increase the representation of women in leadership positions, to reduce the gender pay gap, and to promote workplace flexibility.

Currently, almost 80% of our staff are women with 76% of our technical scientific staff and 43% of our Board being women. We are immensely proud to have one of the highest rates of female pathologists (60%) in the sector and representation of women in these technical and leadership roles, but we have more work to do.

In addition to our range of strategies and policies on gender equality, we have published a Gender Equality Strategy and Action Plan (GESAP), which aims to improve participation and equality for all of our people by improving our practices which relate to equality.

We have mapped our GESAP to each of the six WGEA Gender Equality Indicators and identified specific strategies and actions that address each indicator. This will serve as our roadmap for the next three years of action as we move towards gender equality.

In FY24, our RESPECT@CL campaign was launched to eliminate workplace sex discrimination, sexual harassment and other unlawful behaviour.

This program was organised around key areas of action identified in the Respect@Work Report; the framework indicators cover:

- Leadership
- Knowledge
- Culture
- Risk assessment and transparency
- Support
- Reporting
- Measurement

By aligning with this framework, we can effectively demonstrate that our positive duty obligations are met, address sexual harassment, create safer workplaces, and protect the wellbeing of our employees.

Representation of women at ACL:

Furthering Education in General Practice

ACL and SunDoctors are committed to supporting and fostering the education of thousands of GPs across Australia through the continuing professional development (CPD) Programs we provide.

Our CPD Programs support the clinical and educational development of GPs, which leads to better patient outcomes and more sustainable healthcare in Australia.

While GPs are required by the Medical Board of Australia to participate in CPD activities, thousands of GPs across Australia are specifically turning to our CPD Programs because they are informative, engaging, interactive and highly relevant to general practice.

Our Diabetes Program equips GPs with all the necessary skills to better manage their patients living with diabetes. It enables GPs to review their patients on a regular basis to determine if they require a HbA1c test that is used in monitoring blood glucose levels in the long term.

Our Skin Program is an educational experience that can save patient lives. It serves to improve the skin cancer diagnosis skills of GPs and allows them to spot skin cancers such as melanoma early. As part of this program, GPs submit histology samples with a provisional diagnosis for our expert pathologists to review the diagnostic accuracy and margin adequacy.

Our newest Cytology Evaluation Program was developed to support women's health, as it analyses Cervical Screening Tests and supports the broader Australian Government's National Cervical Screening Program. The pathology testing for this program includes Human Papillomavirus molecular test (HPV) and Liquid Based Cytology (LBC). By encouraging eligible patients aged 25 to 74 years of age to have a Cervical Screening Test, our program and participating GPs are helping to reduce illness and death from cervical cancer.

5,000+ GPs

are registered to our CPD Programs
across ACL and SunDoctors

Directors' Report
for the year ended 30 June 2024

The Directors of Australian Clinical Labs Limited (referred to as 'the Company') present their Report for the financial year ended 30 June 2024 (referred to as 'the year') accompanied by the Financial Report of Australian Clinical Labs Limited and the entities it controlled (referred to as 'Clinical Labs', 'ACL' or 'the Group') from time to time during the year. Pursuant to the requirements of the *Corporations Act 2001* (Cth) (Corporations Act), the Directors' Report is as follows:

1. Directors

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/Resigned
Michael Alscher	Chair	Temporary leave from 3 July 2023 to 11 September 2023
Melinda McGrath	Chief Executive Officer and Executive Director	
Nathanial Thomson	Non-Executive Director	
Andrew Dutton	Independent Non-Executive Director	
Dr Leanne Rowe AM	Independent Non-Executive Director	
Mark Haberlin	Independent Non-Executive Director	
Daren McKennay	Acting Chair (Alternate Director)	Temporarily appointed 3 July 2023 to 11 September 2023
Christine Bartlett	Independent Non-Executive Director	Appointed 23 August 2023

Michael Alscher

Non-Executive Director

Chair
Member – Audit and Risk Committee (appointed 25 November 2021 – temporary leave from 3 July 2023 to 11 September 2023)

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.

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.

Michael is the current Chair of Cardno Limited, National Dental Care Limited, 24-7 Healthcare Pty Ltd and is a Non-Executive Director of Clearview Wealth Limited, Green Leaves Early Learning Centres Pty Ltd and Aurora Expeditions Holdings Pty Ltd. Michael's former director roles include Chair of Cover-More Group Limited, LifeHealthcare Group Limited and Director of Metro Performance Glass Limited, Crumpler Pty Ltd and Intega Group Limited.

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.

Michael holds a Bachelor of Commerce (Finance and Mathematics) Degree from the University of New South Wales.

Daren McKennay

Non-Executive Director (appointed as alternate director to Mr Alscher from 3 July 2023 to 11 September 2023)

Acting Chair
Member – Audit and Risk Committee (from 3 July 2023 to 11 September 2023)

Mr Daren McKennay has over 20 years of healthcare experience. Daren is a partner at Crescent Capital Partners, a leading Australian private equity investment firm, specialising in high growth companies and certain industry sectors such as healthcare where Crescent Capital Partners is the largest private equity investor (by number of investments) in healthcare in Australia.

Daren co-founded and served as CEO of Life Healthcare Group Limited (ASX: LHC) and was the COO of MIA Group Limited. He also has 11+ years of experience as a Hospital CEO at Healthcare of Australia (Mayne). Currently, Daren is the Chair at Australian Institute of Business and Healthcare Australia. Daren's former director roles included Chair of PRP Radiology, MyHealth Group and Nucleus Network.

Daren is a Chartered Accountant and holds a Bachelor of Business, Information Technology from Edith Cowan University and an MBA in Marketing from the University of Western Australia.

Melinda McGrath

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 25 years of experience in chief executive roles and over 15 years of experience in pathology CEO roles.

Melinda has led the organisation's restructure and transformation, building ACL's scale and operational performance improvement over the past seven years, overseeing the integration of Healthscope's Australian pathology business, St John of God Health Care's pathology business, Perth Pathology, SunDoctors and MedLab Pathology. She has also driven the establishment of one performance oriented culture across the organisation, via one unified integrated pathology system.

Melinda was Chief Executive Officer of QML Pathology (part of Healius/Primary Healthcare) from 2008 to 2015, where she developed five QML brands and established Tasmania Medical Laboratories. Prior to that, Melinda held various transformative 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.

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.

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.

Nathanial Thomson

Non-Executive Director
Member – Remuneration and Nominations 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.

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.

Nathanial is the current Chair of Clover Insurance and a Non-Executive Director of Cardno Limited, National Dental Care Limited, Clearview Wealth Limited and 24-7 Healthcare 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.

Nathanial holds a Bachelor of Commerce Degree and Bachelor of Laws Degree from the University of Western Australia.

Andrew Dutton GAICD

Independent Non-Executive Director
Chair – Remuneration and Nominations Committee
Member – Audit and Risk Committee

Mr Andrew Dutton has been a Non-Executive Director of ACL since 28 April 2021.

Andrew has over 30 years of management, business development and technology experience across Australia, Asia and Europe.

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.

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., Lendlease 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.

Andrew holds a Bachelor of Science Degree from the University of Sydney and is a member of the Australian Institute of Company Directors.

Dr Leanne Rowe AM

Independent Non-Executive Director
Member – Remuneration and Nominations Committee

Dr Leanne Rowe has been a Non-Executive Director of ACL since 28 April 2021.

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.

Leanne is currently a Non-Executive Director of Bupa ANZ Group and a Presiding Member for Medical Panels Victoria. She has previously served on a wide range of boards, including as a Chair of Nexus Hospitals, the Royal Australian College of General Practitioners and Barwon Health (Acting); and as a Non-Executive Director of Japara Healthcare, Medibank Private, I-Med Radiology, the Medical Indemnity Protection Society and Beyond Blue.

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.

Her other qualifications include a Doctor of Medicine Degree (MD), Bachelor of Medicine and Bachelor of Surgery Degree (MB BS), Fellowship of the Australian College of General Practitioners (FRACGP), and Fellowship of the Australian Institute of Company Directors (FAICD).

Mark Haberlin

Independent Non-Executive Director
Chair – Audit and Risk Committee

Mr Mark Haberlin has been a Non-Executive Director of ACL since 28 April 2021.

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.

Mark is the Lead Independent Director and Chair of the Audit and Risk Committee of Abacus Property Group. Previously, Mark was an independent Non-Executive Director and the Chair of the Audit and Risk Committee of Laybuy Group Holdings Limited, 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.

Mark holds a Bachelor of Science (Civil Engineering) (Honours) from Imperial College London and qualified as a Chartered Accountant in the United Kingdom.

Christine Bartlett

Independent Non-Executive Director
Member – Remuneration and Nominations Committee
Member – Audit and Risk Committee

Ms Christine Bartlett was appointed as a Non-Executive Director on 23 August 2023. Christine is an experienced Non-Executive Director, with extensive executive experience gained through chief executive officer and senior executive roles with National Australia Bank Limited, IBM and Jones Lang LaSalle. Christine has held roles with national and global responsibilities and has a strong commercial perspective, particularly in fostering innovation and leveraging new emerging technologies.

Christine is currently a Non-Executive Director of Mirvac Limited, TAL Life Limited and Reliance Worldwide Corporation Limited.

Christine is a member of the UNSW Australian School of Business Advisory Council, Chief Executive Women and the Australian Institute of Company Directors. Christine holds a Bachelor of Science from the University of Sydney and has completed senior executive management programs at INSEAD.

Christine has previously held Non-Executive Director roles with iCare NSW, Clayton Utz, GBST Holdings Limited, The Smith Family and Sigma Healthcare Limited.

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 2020, and the period for which each directorship has been held:

Director	Listed Entity	Period Directorship Held
Michael Alscher	Cardno Limited ClearView Wealth Limited Intega Group Limited	November 2015 – December 2023 November 2018 – present August 2019 – December 2021
Melinda McGrath	–	–
Nathanial Thomson	Cardno Limited ClearView Wealth Limited	May 2016 – present October 2012 – present
Andrew Dutton	–	–
Dr Leanne Rowe AM	Japara Healthcare Limited Doctor Care Anywhere Group PLC	July 2019 – November 2021 September 2020 – November 2021
Mark Haberlin	Layby Group Holdings Limited Abacus Property Group	April 2020 – present November 2018 – present
Daren McKennay	–	–
Christine Bartlett	Mirvac Limited Reliance Worldwide Corporation Limited Sigma Healthcare Limited	December 2014 – present November 2019 – present March 2016 – December 2023

3. Meetings of Directors and Board Committees

The number of meetings of the Board and each of the Board Committees held during the year ended 30 June 2024, and the number of meetings attended by each Director are shown below.

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

	Board of Directors		Audit and Risk Committee		Remuneration and Nominations Committee	
Current Directors	Eligible	Attended	Eligible	Attended	Eligible	Attended
Michael Alscher	19	19	3	2	–	–
Melinda McGrath	19	18	–	–	–	–
Nathanial Thomson	18	17	–	–	4	4
Andrew Dutton	19	19	4	4	4	4
Dr Leanne Rowe AM	19	18	–	–	4	4
Mark Haberlin	19	19	4	4	–	–
Christine Bartlett	15	13	2	2	1	1
Daren McKennay	4	4	1	1	–	–

Further meetings occurred during the year on specific issues, including meetings of the Chair with the CEO and meetings of Non-Executive Directors with management.

4. Directors' Relevant Interests in Shares

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

Director	Ordinary Shares	Performance Rights
Michael Alscher	280,502	–
Melinda McGrath	2,923,331	633,582
Nathanial Thomson	–	–
Andrew Dutton	81,897	–
Dr Leanne Rowe AM	5,000	–
Mark Haberlin	47,500	–
Daren McKennay	–	–
Christine Bartlett	20,000	–

5. Company Secretary

Eleanor Padman was appointed Company Secretary on 28 April 2021. Eleanor is a corporate lawyer, governance and sustainability 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 good corporate governance. Eleanor is a Fellow of the Governance Institute of Australia, a Graduate of the Australian Institute of Company Directors and also holds company secretary and Non-Executive Director positions for various private companies.

Eleanor holds a Bachelor of Modern Languages (First Class Honours) from the University of Oxford, a Graduate Diploma in Law and Postgraduate Diploma in Legal Practice from the University of Law, London (formerly the College of Law) and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia. Eleanor is currently studying a Masters in Sustainability at the University of Sydney.

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

Key financial highlights in the financial year ended 30 June 2024 compared to the financial year ended 30 June 2023 include:

- Total revenue of $696.4m, 0.1% down on FY23 revenue despite a 58.9% decline in COVID-19 revenue.
- Total Non-COVID-19 revenue of $646.7m up 5.4% on FY23.
- Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)[1] increased by 1.3% to $191.0m.
- Underlying Earnings Before Interest and Tax (EBIT)[1] decreased by 4.9% to $62.6m.
- Underlying Net Profit After Tax (NPAT)[1] decreased by 12.5% to $31.6m
- Free cash flow before interest, tax and financing increased by 4.2% to $54.4m.

1 Underlying figures are calculated excluding Healius transaction costs $4.7m as well as certain non-recurring revenue and expenses (asset write-down $1.2m, Medlab $1.2m, Other $2.6m).

7. Operating and Financial Review (continued)

Underlying EBIT grew by 23.4% after adjusting for the decline in COVID-19 revenue driven by a combination of organic growth, full period impact of Medlab synergies as well as other operational efficiency initiatives implemented during the period. COVID-19 revenue declined by $37.8m compared to FY23, which had an EBIT impact of approximately $15.1m[2], contributing to the underlying EBIT decline of $3.2m compared to FY23.

ACL continues to remain focused on disciplined network expansion to preserve margins resulting in a number of ACCs with unattractive rent dynamics not being renewed. As a result, non-COVID-19 MBS outlays for ACL grew by 6.5%[3] which was slightly behind the broader market.

The business continues to demonstrate efficient cash management with free cash flow up on FY23 despite earnings drag from decreased COVID-19 revenue in the first half of FY24. ACL achieved a conversion of EBITDA to operating cash flow of 101% reflecting ACL's continued ability to generate cash for shareholders. During the year ACL paid $20.3m in dividends, decreased its borrowings to $55.1m and ended the year in a $28.9m net debt position (FY23 $45.7m).

FY24 Operations

ACL 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 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.

ACL's network at 30 June 2024 comprises:

- ~4,900 scientists, collectors and support staff
- 70 accredited laboratories
- 1,322 collection centres
- 31 specialist skin cancer clinics

ACL drives continuous operational efficiency improvements as part of its normal business as usual operations through a focused KPI improvement program. This has allowed ACL to hold margins constant when compared to FY23 despite subdued volumes and industry cost pressures.

During FY24, ACL has continued its focus on:

- ACL capitalised on its unified lab information system to support ongoing centralisation and enhanced productivity of key back-office functions and to achieve industry best practice lab productivity improving panels per work hour in FY24 by 8%.
- Ongoing investment in technology to support courier route optimisation, digitisation of consumables inventory management and reduction of laboratory labour.

8. Significant Changes in State of Affairs

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

2 Based on 40% contribution margin on COVID-19 revenues.
3 ACL growth excluding Sun Doctors and Queensland and non-Medicare commercial work and adjusted for working days.

9. Business Strategies and Future Developments

The Board and the Executive Management Team are focused on delivering against a growth strategy that will drive expansion in ACL's core community and hospital pathology market, entry into strategic adjacencies and continuing to improve operating efficiency. ACL's growth strategy is centred on six strategic pillars:

1. Disciplined network expansion
   - ACL will continue to invest in sustainable and profitable collection centre network expansion and hospital services growth
2. Indexation campaign
   - The Government has announced indexation for one-third of the MBS schedule from 1 July 2026 (partially offset by fee cuts on certain tests)
   - Pathology Australia continues 'Keep Pathology Bulk Billed' campaign focused on indexation on the remaining two-thirds of pathology services following a 24-year price freeze
3. Growth of strategic new business
   - ACL continues to work closely with Geneseq to launch its tissue and plasma (blood) genomic melanoma tests with commercialisation scheduled to commence in 2025
   - ACL is focused on developing a pipeline of new test and service opportunities through investments in partnerships to support growth
4. Accretive acquisitions
   - ACL continues to actively explore value accretive acquisition opportunities for the business with key targets including domestic pathology, strategically aligned domestic adjacencies as well as international pathology
5. Billing enhancement initiatives
   - Improvement and digitisation of upfront billing system to reduce bad debt write-offs
   - Various initiatives to support the growth of non-MBS tests
6. Operational improvement
   - ACL is developing a roadmap to step-change operational improvements, and advance automation and AI initiatives
   - ACL will continue to scope and implement its 'Lab of the Future' program leveraging the one lab information system enhancing its automated, borderless, national lab network

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 a 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.

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.

A failure of technical, process or people controls may contribute to a significant Cyber Security incident

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 cybersecurity risks. ACL has an information security policy and standards framework established in accordance with the National Institute of Standards and Technology (NIST). 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, help to attract and retain a professional workforce. ACL's unified pathology system also provides flexibility to its national workplace.

ACL is subject to labour agreement negotiations

The majority of ACL's employees have terms and conditions of employment governed by enterprise agreements or modern awards which periodically require classification assessment, renegotiation or renewal. Any such classification assessment, renegotiation or renewal may result in increased direct and indirect labour costs for ACL, and issues may also arise during the processes which lead to strikes or other forms of industrial action that could disrupt ACL's operations. This could adversely impact on the financial performance and reputation of ACL.

In addition, any deterioration in the relationship with employees or unions could potentially lead to reputational damage, loss of key employees, increased direct and indirect labour costs or the inability for ACL to undertake the level of services it anticipates in the future.

ACL is currently in negotiations relating to two Enterprise agreements. ACL has managers and staff dedicated to negotiating workplace agreements and ensuring staff engagement.

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.

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 pathology testing may be adversely impacted.

There is a risk that staff and laboratories are adversely impacted by a pandemic which limits ACL's ability to provide testing facilities. ACL staff may be frontline personnel providing collection services to customers potentially infected. 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.

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

In respect of the full year ended 30 June 2024, a final dividend of 9 cents per share (100% franked) has been declared with a record date of 5 September 2024 and payable 27 September 2024, bringing total dividends for FY24 to 12 cents per share (100% franked). This represented a dividend payout ratio of 101% of FY24 NPAT (77% of underlying NPAT).

The dividend reinvestment plan will remain suspended for the FY2024 final dividend.

13. Share Rights and Options

Information on Australian Clinical Labs Performance Rights and Service Rights is disclosed in Note 21 – Share Based Payments.

14. Remuneration Report

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

15. 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.

16. 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 Group by a member or other person entitled to do so under section 237 of the Corporations Act.

17. 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 will release the FY24 Environmental, Social and Governance statement in conjunction with the Annual Report.

18. 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.

19. 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 accordance with section 307C of the *Corporations Act 2001*, I declare to the best of my knowledge and belief in relation to the audit of the financial report of Australian Clinical Labs Limited for the year ended 30 June 2024, there have been:

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

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

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

S D WHITCHURCH
Partner

Date: 28 August 2024

PITCHER PARTNERS
Melbourne

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

20. Rounding 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.

21. Annual General Meeting

ACL will be holding its AGM on 25 October 2024.

Signing of Directors' Report

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

Michael Alscher
Chair

28 August 2024

Remuneration Report

Overview

The Remuneration Report for the year ended 30 June 2024 (2024 Financial Year or FY24) 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 AASB 124 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 Remuneration and Nominations Committee	A brief introduction from the Chair of the Remuneration and Nominations Committee outlining the Board's view of performance and reward in FY24.
2	People covered by this Report	This section provides details of the Directors and Executives who are subject to the disclosure requirements of this report, together with the Key Management Personnel (KMP), including roles and changes in roles.
3	Remuneration Overview	This section provides an overview of performance and reward for FY24, 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 FY24	This section addresses FY24 short-and-long term variable remuneration outcomes based on performance measurement periods completed during FY24, 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.

Letter from the Chair of the Remuneration and Nominations Committee

Dear Shareholders,

On behalf of the Board of ACL I am pleased to present the 2024 Remuneration Report, summarise the performance outcomes for the past year and outline our remuneration strategy.

Your Company is driven by the expertise of over 4,500 employees across Australia. From collection centres to medical practices to hospitals to laboratories, this team represents the initial touchpoint for heath determination for millions of Australians.

Your management team have unique skills and deep insight into our industry. The Board continues to ensure remuneration meets the market expectations and correctly recognises the efforts of our people, individually and collectively to grow and expand the business. Of course, individual skill is also interwoven with regard to the behaviours expected by our shareholders, the communities in which we work and our customers.

This past year has seen efforts by ACL to grow through the acquisition of a competitor. The work done by management was extraordinary, absorbing a huge amount of personal time. I'd like to thank them again for their effort, especially after the years of demand on their time during COVID-19. This acquisition activity blocked any share-trading by the Executive for most of the past year.

At the Board we saw the return of our Chair, Michael Alscher, and the addition of Ms Christine Bartlett, who has added even further depth to an already strong Board. The Board and the Board Committees have each had internal assessments and any suggestions implemented. Board Fees are to remain unchanged for FY25.

Last year I told you we would further increase our focus on ensuring our supply chains complied with the demands of Modern Slavery guidelines. This and our continued drive to de-carbonise the operations was given focus in the Executive remuneration system.

Our continued focus on health and safety resulted in a LTIFR at year end of 2.59 against the National Standards Benchmark of 3.0, which was pleasing. Our safety programs have expanded to address recent government legislation in relation to preventing discrimination, bullying and harassment. Over the past year we have implemented the 'Respect @ CL' program. This program engages every employee, offers external advice and support and has very clear guidelines on what is needed to have a safe and inclusive workplace.

FY24 remuneration outcomes

The FY24 remuneration outcomes for the current KMP are noted:

- Short Term Variable Remuneration (STVR) – The award of the STVR in FY24 is based on an Underlying EBITDA (excluding AASB 16) target, with the actual EBITDA achievement resulting in a 70% payout of target, or 35% of the maximum.
- Long Term Variable Remuneration (LTVR) – The first grant of Performance Rights issued in May 2021 had a three-year measurement period from FY22 to FY24, ending on 30 June 2024, with the performance measure being an Index Total Shareholder Return (iTSR). The Group's iTSR measure was not achieved over this three-year period, which was largely impacted by the COVID-19 pandemic, and as such, no LTVR has been achieved in FY24. These rights have been forfeited following year end.

Executive Remuneration Framework for FY25

After the tumultuous period defined by the COVID-19 epidemic, we have entered a more 'business as usual' period. We again used the expertise of GRG Consulting and Calaur Advisory to help fashion STVR, LTVR and assess total remuneration of each role against the market and our competitors.

We have also seen expanded demand for our skilled employees as some competitors struggle to restructure their businesses. Each manager's total remuneration has been assessed against market and competitors.

These two factors have led to some changes in Variable Remuneration targets to match the change in business conditions.

In FY25 our STVR will be measured on EBITDA margin, EBITDA and personal KPIs.

LTVR will move from one to three metrics. Two metrics are performance based – which align with shareholders, (rTSR and EPS) and one is service based. TSR changes from indexed to relative.

Our focus on skills and growth for our management continues. Egon Zehnder has begun the initial deep skills assessments and reviews of the executives to assess development opportunities. Investing in our team is a critical element for the growth and stability of your business.

At ACL a job title rarely explains the responsibilities of any individual. Skills and experience are captured and used across all States and areas in the business, as required. ACL builds and uses structured and flexible teams to execute business enhancements. Our remuneration system aims to provide enough flexibility to recognise those contributions.

We have seen significant change in the business over the last few years and we will continue to review our executive reward offering to ensure it both attracts, motivates and retains our existing, excellent team and attracts new executives in the future.

On behalf of the Committee and Board I would like to thank you for your continued support.

Mr Andrew Dutton
Chair, Remuneration and Nominations Committee

a. People covered in this Report

This Report covers KMP which are defined as those who have the authority and responsibility for planning, directing and controlling the activities of ACL.

Name	Role at year end	Appointed	Resigned	Committee membership: Audit and Risk	Committee membership: Remuneration and Nominations
Non-Executive KMP					
Michael Alscher*	Board Chair	19/12/2020		M	
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
Dr Michael Stanford AM	Independent Non-Executive Director	28/4/2021	19/10/2022	M	
Mark Haberlin	Independent Non-Executive Director	28/4/2021		C	
Daren McKennay	Non-Executive Director	3/7/2023**	11/9/2023**	M	
Christine Bartlett	Independent Non-Executive Director	23/8/2023		M	M
Executive KMP					
Melinda McGrath*	Chief Executive Officer and Executive Director	9/11/2015			
James Davison	Chief Financial Officer	1/2/2011	26/4/2024		

* Were previously Directors of Clinical Laboratories Pty Ltd prior to the incorporation of Australian Clinical Labs Limited.
** Temporary replacement for Michael Alscher while leave taken from 3 July 2023 to 11 September 2023.

M = Member, C = Chair

Note: Appointment dates of Non-Executive KMPs above is the appointment date 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.

b. Remuneration Overview

FY24 Executive remuneration structure at-a-glance

The following diagram outlines the executive KMP remuneration cycle under the remuneration framework.

Component	FY24	FY25	FY26	FY27	FY28
Fixed	Fixed Pay Cash and Benefits				
Short-Term	STVR Performance Period	Audit and Metric Assessment Cash Award			
Long-Term	LTVR Performance Period – Performance Rights and SARs with a TSR Vesting Condition and ESG gate			Audit, Metric Assessment, Vesting, Exercise up to 5th Year.	

The table above represents the components of the FY24 remuneration being fixed component payable during the year, short-term payable in FY25 as a result of audit and matrix assessment based on the FY24 year and long-term exercisable in FY27 based on TSR from FY24 to FY26.

During FY24 there have been no changes to the existing STVR plan, however the LTVR plan had ESG gates added.

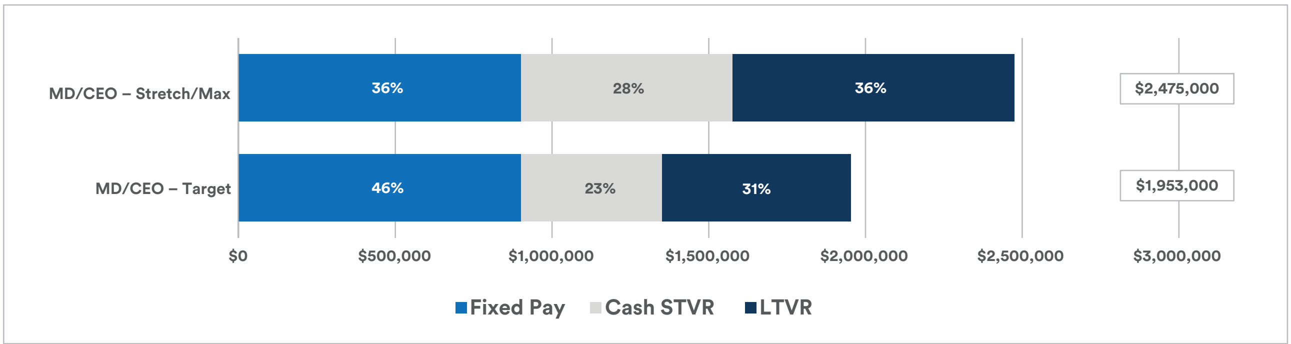
Key KMP Remuneration Governance Developments in FY24

There were no key remuneration governance developments that occurred in FY24.

FY25 Executive Remuneration Opportunities

In FY25, both the STVR and LTVR have been revised to match changes in business conditions.

The following charts outline the remuneration opportunities for FY25 under the proposed remuneration structures, with the outcomes dependent on performance over FY25 for STVR and over FY25 to FY27 for LTVR.



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+ P62.5 to P100	Exceeds Expectations
Target – Expected Reward	P62.5	Meets Expectations
Threshold to Target – At Risk/Down Side	P50 to P62.5 P50	Below Expectations
Fixed Pay Only	P10 (to 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.

c. The Australian Clinical Labs Remuneration Strategy, Policy and Framework (continued)

Short-Term Variable Remuneration (STVR) plan

A description of the current STVR structure (FY24) is set out below.

Description	Current Plan (FY24)
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. 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. The metrics are based off EBITDA (ex AASB 16) performance. This metric was selected because it is viewed by the Board as the primary drivers 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 subject to malus and clawback clauses.
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.

In FY25, the STVR plan will be revised to reduce the stretch opportunities, introduction of a gate, as well as expanding the metrics to three measures being EBITDA (ex AASB 16), EBITDA % (ex AASB 16) and strategic goals.

c. The Australian Clinical Labs Remuneration Strategy, Policy and Framework (continued)

Long-Term Variable Remuneration (LTVR) plan

A description of the current LTVR structure (FY24) is set out below.

Description	Current Plan (FY24)
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.
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. The target value is 40% of Fixed Pay for the CFO, 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. The Exercise Price is nil.
Allocation Method	The Rights are valued using the following method: Right Value = Share Price – (Annual Dividend x Years to First Exercise) The Number of Rights to be granted = FP$ x Target LTVR % ÷ Target Vesting % ÷ Right Value Share Price = Volume Weighted Average Price during last 21 days or listing price if less than 21 days. Note: dividing target $ by the vesting % at target grosses the grant up to the stretch $ level.

c. The Australian Clinical Labs Remuneration Strategy, Policy and Framework (continued)

Performance Metrics and Weightings

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.

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.

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
Stretch	**Index movement + 10% CAGR**	**100%**
Below stretch	< Index TSR +10% CAGR	0%

There will be no pro-rata calculation applied for outcomes that fall below the stretch level of performance.

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.

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.

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.

There were also two gates relating to ESG requirements being achieved.

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

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.

c. The Australian Clinical Labs Remuneration Strategy, Policy and Framework (continued)

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, the participant joining a competitor or being involved in actions that are deemed to have harmed other stakeholders.
Board Discretions	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. 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 outcomes are 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.

In FY25, the LTVR plan will be revised to remove iTSR and introduce rTSR. Further, two additional metrics are planned to be added, being an Earnings Per Share Compound Annual Growth Rate and a Retention element.

c. The Australian Clinical Labs Remuneration Strategy, Policy and Framework (continued)

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 Remuneration and Nominations 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 is within the aggregate amount disclosed in the Company Constitution of $1,500,000 per annum.

The following outlines the Board fees applicable as at the end of FY24:

Role/Function	Main Board	Audit Committee	Remuneration and Nominations Committee
Chair	$180,000	$15,000	$15,000
Member	$120,000	$10,000	$10,000
Independent Chair	$181,636	$15,136	$15,136
Independent Member	$121,091	$10,091	$10,091

Note: Fees are expressed as inclusive of superannuation. Non-Executive Directors are also reimbursed for their reasonable out-of-pocket expenses that are incurred in the discharge of their role.

There is no planned increase in the table above for FY25.

Other elements of the KMP remuneration governance framework

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

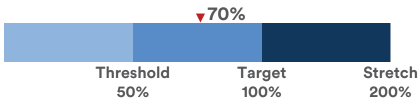
- The Remuneration and Nominations Committee Charter, which outlines the roles and responsibilities of the committee. This is available for inspection on the Company website.
- The Securities Trading Policy, which outlines under what circumstances and when trading in ACL securities by KMP and other nominated 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 FY24

The Board views the outcomes of remuneration for FY24 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.

FY24 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/ Max $ Payable
Underlying EBITDA (ex AASB 16)				
This metric is viewed as the primary financial driver of shareholder value creation under the current strategy.	100%	$66.2m		70% of Target/ 35% of Max

FY24 LTVR Outcomes

The LTVR plan was designed around long-term value creation with performance rights issued in May 2021 having a measurement period from FY22 to FY24. The three-year measurement period has been completed and as a result of performance testing failing to meet thresholds, no rights will vest for the FY22 performance rights.

Achieved total remuneration package for FY24

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			
			Amount	% of TRP	Amount(i)	% of Max Awarded	% of TRP	Achieved Total Remuneration Package (TRP)
Ms Melinda McGrath	Chief Executive Officer and Executive Director	FY24	$912,781	74%	$314,967	35%	26%	$1,227,748
		FY23	$911,703	100%	$0	0%	0%	$911,703
Mr James Davison	Chief Financial Officer	FY24	$801,450	100%	$0	0%	0%	$801,450
		FY23	$504,996	100%	$0	0%	0%	$504,996

(i) This is the value of the total STVR award calculated and accrued during the reporting period. It will be settled following the release of the full year results.

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]				
Name	Role(s)	FY	Salary	Super	Other Benefits[iii]	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Statutory Total Remuneration Package (TRP)	Change in Accrued Leave	Termination Benefits
Ms Melinda McGrath	Chief Executive Officer and Executive Director	FY24	$872,508	$27,399	$12,874	$912,781	58%	$314,967	20%	$353,934	22%	$1,581,682	($21,347)	$0
		FY23	$872,508	$27,492	$11,703	$911,703	84%	$0	0%	$167,243	16%	$1,078,946	$96,698	$0
Mr James Davison	Chief Financial Officer	FY24	$604,629[iv]	$25,116	$171,705	$801,450	121%	$0	0%	($141,369)	-21%	$660,080	($346,178)	$0
		FY23	$467,520	$27,480	$9,996	$504,996	87%	$0	0%	$75,073	13%	$580,069	$35,694	$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 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) Other benefits include items such as car parking, car allowances, FBT, cash payment for trading restriction imposed, etc.

(iv) Note that the salary number for Mr James Davison for FY24 includes annual leave and long service leave paid out on conclusion of employment as highlighted in the change in accrued leave balance.

e. Statutory Tables and Supporting Disclosures (continued)

Non-Executive Director KMP statutory remuneration of FY24

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[(i)]	Total
Mr Michael Alscher	Board Chair	FY24	$144,692	$8,038	$0	$0	$152,730
		FY23	$180,000	$10,000	$0	$0	$190,000
Mr Darren McKennay	Board Chair	FY24	$35,308	$1,962	$0	$0	$37,270
		FY23	$0	$0	$0	$0	$0
Mr Nathanial Thomson	Non-Executive Director	FY24	$120,000	$10,000	$0	$0	$130,000
		FY23	$120,000	$10,000	$0	$0	$130,000
Mr Andrew Dutton	Independent Non-Executive Director	FY24	$109,091	$22,727	$14,500	$0	$146,318
		FY23	$109,091	$22,727	$13,840	$0	$145,658
Dr Leanne Rowe AM	Independent Non-Executive Director	FY24	$109,091	$9,091	$13,000	$0	$131,182
		FY23	$109,091	$9,091	$12,409	$10,045	$140,636
Dr Michael Stanford AM	Independent Non-Executive Director	FY24	$0	$0	$0	$0	$0
		FY23	$36,199	$3,017	$4,118	$5,219	$48,553
Mr Mark Haberlin	Independent Non-Executive Director	FY24	$109,091	$13,636	$13,500	$0	$136,227
		FY23	$109,091	$13,636	$12,886	$10,046	$145,659
Ms Christine Bartlett	Independent Non-Executive Director	FY24	$93,846	$6,818	$11,073	$0	$111,737
		FY23	$0	$0	$0	$0	$0

(i) The Board (with each of the interested Directors abstaining) determined to increase the superannuation payments to Independent Non-Executive Directors in FY24 to 0.5% in line with the applicable super guarantee rate in that period. The column of the above table entitled 'Other Benefits' relates to payments made to Directors who were members of the Risk Committee in FY23 (which subsequently merged with the Audit Committee in FY23).

e. Statutory Tables and Supporting Disclosures (continued)

KMP equity interests and changes during FY24

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 1 July 2023	Granted FY24		FY24 Sold	FY24 Forfeited	Number Held at 30 June 2024	Forfeited since 30 June 2024
Name	Instrument	Number	Date Granted	Number	Number	Number	Number	Number
Ms Melinda McGrath	Shares	2,923,331	–	–	–	–	2,923,331	–
	Rights	485,344	19/12/2023	395,490	–	-	880,834	(247,252)
Mr James Davison	Shares	251,464	–	–	(251,464)	–	–	–
	Rights	217,864	19/12/2023	177,531	–	(395,395)	–	–
TOTALS		**3,878,003**	**n/a**	**573,021**	**(251,464)**	**(395,395)**	**3,804,165**	**(247,252)**

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

Name	Instrument	Number Held at 1 July 2023	FY24 Purchased/ Other	Number Held at 30 June 2024
		Number	Number	Number
Mr Michael Alscher	Shares	280,502	–	280,502
Mr Andrew Dutton	Shares	81,897	–	81,897
Dr Leanne Rowe AM	Shares	5,000	–	5,000
Mr Mark Haberlin	Shares	47,500	–	47,500
Ms Christine Bartlett	Shares	–	20,000	20,000

e. Statutory Tables and Supporting Disclosures (continued)

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

Equity Grants Name	Tranche	Grant Type	Number	Vesting Conditions	Grant Date	Fair Value Each At Grant Date	Total Fair Value at Grant Date	Value Expensed in FY24	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	$99,340	$0
	Tranche 2	LTVR Rights	123,626	iTSR	25/05/2021	$3.64	$449,999	$67,052	$0
	Tranche 3	LTVR Rights	119,046	iTSR	13/03/2023	$3.78	$449,994	$62,561	$68,868
	Tranche 4	LTVR Rights	119,046	iTSR	13/03/2023	$3.78	$449,994	$55,554	$61,155
	Tranche 5	LTVR Rights	197,745	iTSR	19/12/2023	$2.28	$450,859	$41,402	$177,700
	Tranche 6	LTVR Rights	197,745	iTSR	19/12/2023	$2.28	$450,859	$28,025	$120,284
TOTALS	**n/a**	**n/a**	**880,834**	**n/a**	**n/a**	**n/a**	**$2,701,704**	**$353,934**	**$428,007**

Rights granted under the LTVR in May 2021 didn't meet the performance targets and as such have been forfeited post year end.

All rights granted in FY23 will expire in FY27 and may only be exercised after vesting which is expected to occur after release of the year ended 30 June 2025 results. All rights granted in FY24 will expire in FY28 and may only be exercised after vesting which is expected to occur after release of the year ended 30 June 2026 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	Period of Notice: From KMP
Ms Melinda McGrath	Chief Executive Officer and Executive Director	Clinical Laboratories Pty Ltd	No fixed term	6 months	6 months

e. Statutory Tables and Supporting Disclosures (continued)

Non-Executive Directors service agreements

Non-Executive Directors are appointed under service agreements. 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.

The Company did make a short-term loan to Mr James Davison (KMP) during the year due to the restriction put on him and his ability to trade his securities while the take-over bid was occurring with Healius. This loan was repaid during the period and there is no outstanding balance at year end.

There were no other loans to any other KMP.

There are no loan balances outstanding as at 30 June 2024 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 those entities transacted with the Company in the FY24 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.

Corporate Governance Statement **2024**

Corporate Governance Statement
for the year ended 30 June 2024

Introduction

Australian Clinical Labs Limited (ACN 645 711 128) (**ACL**) has adopted the ASX Corporate Governance Principles and Recommendations, 4th edition (**ASX 4th Principles**) that apply to entities listed on the Australian Securities Exchange as a foundation stone of its corporate governance framework. This Corporate Governance Statement describes the corporate governance framework that was in place at ACL during the financial year ended 30 June 2024. The statement was approved by the Board on 26 August 2024.

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 1,322 approved collection centres (**ACCs**) (as at 30 June 2024). ACL became a publicly listed company on the ASX on 14 May 2021 and has a national footprint on mainland Australia.

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

- **Community pathology:** ACL operates 70 National Associating of Testing Authorities (NATA) accredited laboratories and 1,322 ACCs from which it collects community pathology samples (as at 30 June 2024). ACL's ACCs 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 also operates skin cancer clinics under the SunDoctors brand 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 over 90 public and private hospitals, which include large-scale hospital facilities, day hospitals, acute care facilities, 24/7 emergency departments and smaller regional hospitals; and
- **Other pathology:** ACL provides several other pathology services to other users which include veterinary clinics, phase one clinical trials providers, functional pathology providers, corporate organisations to assist compliance with workplace health and safety regulations and government organisations, including the Australian Department of Defence.

During the financial year ending 30 June 2024, the corporate governance framework that ACL adopted to enable and facilitate the performance of its operations comprised:

- 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 two standing committees of the Board;
- A senior executive management team (**Executive Team**), which is led by a Group 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;
- External assurance provided by its external auditor, its internal auditor and other professional advisers; and
- Internal assurance provided through reporting by ACL's risk team and internal quality assurance team.

The corporate governance framework in place during FY24 can be visually represented as follows:

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 the National Association of Testing Authorities and is 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 financial and non-financial risks, as well as clinical governance risk) and setting the risk appetite within which the Board expects management to operate. The Board has reserved oversight of clinical governance and diagnostic and clinical risk to the full Board;
- to satisfying 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 and the Audit and 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 oversee ACL's approach to sustainability and its environmental, social and governance activities, including the approval of applicable ACL governance policies;
- to ensure that ACL acts legally and responsibly on all matters and that the highest ethical standards are maintained;
- to ensure that ACL maintains effective workplace health and safety practices, an equitable and inclusive workplace culture and that there are robust anti-discrimination, harassment and bullying policies in place, including policies and programs to ensure the prevention of sexual harassment and sexual discrimination;

Principle 1: Lay Solid Foundations for Management and Oversight (continued)

- to oversee ACL's cybersecurity arrangements, including data governance and privacy requirements, as a full Board matter;
- 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;
- to ensure that ACL's relationships with its stakeholders (including employees, healthcare practitioners, government and the broader community) are managed to facilitate the achievement of ACL's objectives; and
- to monitor the effectiveness of, and approve changes to, internal governance including delegated authorities, and monitor resources available to the CEO and Executive Team.

The Board has a charter which 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 here.

The Board is assisted in its role by two standing committees, the Audit and Risk Committee and the Remuneration and Nomination Committee (each a **Committee**). Each 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. All directors have a standing invitation to attend any Committee where they are not a Committee member, as well as access to Committee papers and minutes. Regular reporting on the activities of each Committee is also 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 and the Executive Team 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 29 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.

In the course of the reporting period, the Board's composition varied as follows:

- Mr Michael Alscher took a medical leave of absence from 3 July 2023 to 12 September 2023. During this time, Mr Daren McKennay was appointed as Mr Alscher's alternate director and as acting Chair of the Board;
- Ms Christine Bartlett was appointed a non-executive director on 23 August 2023. Ms Bartlett was appointed as a member of the Audit and Risk Committee on 1 January 2024 and as a member of the Remuneration and Nomination Committee on 1 April 2024.

During the 2024 financial year, the Board held 19 Board meetings, with attendance as follows:

Name of director	Eligible to attend	Attended
Michael Alscher (Chair)	15	15
Daren McKennay (Alternate Director and Acting Chair)	4	4
Melinda McGrath (Managing Director and Group CEO)	19	18
Christine Bartlett	14	12
Andrew Dutton	19	19
Mark Haberlin	19	19
Dr Leanne Rowe AM	19	18
Nathanial Thomson	18	17

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 3 years from appointment and is then eligible to stand for re-election for a further term of three years. There are no maximum tenure provisions in ACL's Constitution. At

Principle 1: Lay Solid Foundations for Management and Oversight (continued)

the 2023 AGM, Christine Bartlett was re-elected following her appointment as a casual vacancy on 23 August 2023. Mr Mark Haberlin and Dr Leanne Rowe AM were both re-elected for a further term of three years.

In any notice of meeting proposing resolutions to appoint directors, Shareholders are 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 also provides its recommendation in relation to any proposed re-election.

When a Board vacancy arises, the Remuneration and Nomination Committee conducts 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.

Service Agreements

Upon appointment and re-election, 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 arrangement, 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 ACL's Disclosure Policy.

During the reporting period the Board had access to the services and advice of Mrs Eleanor Padman, the Company Secretary. Details of the experience and qualifications of Eleanor Padman are set out in ACL's 2023 Directors' Report.

Diversity, Equity and Inclusion

The Board considers that having a diverse, equitable and inclusive workplace supports ACL's strategy and values. It also facilitates ACL achieving better overall performance by allowing it to compete for the widest possible pool of talent and to attract and retain employees, whilst also encouraging a variety of viewpoints that enhance problem solving, continual improvement and innovation.

ACL has a Diversity Policy which 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 the Company's progress in achieving them. The Board has set measurable objectives for achieving gender diversity of 40 : 40 : 20 (being 40% female, 40% male and 20% any gender). A full copy of ACL's Diversity Policy can also be found here. 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) as at 30 June 2024 were as follows:

	Board (including the CEO)		CEO		Executive Team	
	Number	Percentage	Number	Percentage	Number	Percentage
Men	4	57.1%			7	77.8%
Women	3	42.9%	1	100%	2	22.2%

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 diversity, equity and inclusion can be found in its 2024 ESG report which is available on its investor portal.

Principle 1: Lay Solid Foundations for Management and Oversight (continued)

Performance of the Board

The Board charter provides that the Board will, with the guidance of the Remuneration and Nomination Committee, regularly review the performance of the Board, its Committees and each director. The Committee charters provide that the performance of the Committees will be assessed bi-ennially.

During the reporting period, the Board, with the assistance of the Remuneration and Nomination Committee, designed and conducted a Board performance evaluation, comprising of a self-assessment coupled with seeking feedback from the Executive Team. The Audit and Risk Committee and Remuneration and Nomination Committee also conducted a performance evaluation, which also combined self-assessment with input from the Executive Team and non-member directors.

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 several metrics which include:

- economic performance;
- 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 and the other members of the Executive Team. A performance review of the CFO was not required due to his resignation from the Company in April 2024.

Principle 2: Structure the Board to Add Value

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is a standing committee of the Board. During the reporting period its members were Andrew Dutton (Chair), Leanne Rowe AM and Mr Nathanial Thomson, with Christine Bartlett joining the Committee as a member on 1 April 2024. Andrew Dutton, Christine Bartlett and Leanne Rowe are both considered to be independent within the meaning of Box 2.3 of the ASX Principles.

During the reporting period, the Remunerations and Nomination Committee held three meetings and one joint meeting with the Audit Committee with attendance as follows:

Name of director	Eligible to attend	Attended
Andrew Dutton (Chair)	4	4
Christine Bartlett (appointed 1 April 2024)	1	1
Leanne Rowe	4	4
Nathanial Thomson	4	4

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 the CEO, including ensuring that appropriate background checks are performed;
- remuneration policies, including evaluating and approving remuneration packages for the CEO, the Executive Team 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; and
- overseeing remuneration related disclosures required in ACL's annual statutory reporting.

A full copy of the Committee's charter can be found here .

Principle 2: Structure the Board to Add Value (continued)

Board skills matrix

During FY24, the Remuneration and Nomination Committee refreshed the Board skills matrix to ensure that the Board is constituted to best align with ACL's strategic objectives. The Board skills matrix provides an evaluation of the technical skills, knowledge and experience of directors and helps to ensure diversity of perspectives.

The 2024 Board skills matrix was completed through directors' self-assessment and then reviewed by the Board. It shows that the current composition of the Board has the following skills and sector experience as at June 2024:

Skill	Expert	Proficient	Developing
Leadership: holding senior positions of leadership in business, private practice, government, or the not-for-profit sector.	✓		
Financial acumen: understanding of financial accounting and reporting, corporate finance principles, financial controls, treasury management.	✓		
Governance: experience of working in a listed environment with a commitment to the highest standards of governance.	✓		
Remuneration: experience of designing remuneration frameworks, including long-and short-term incentive structures.	✓		
Strategy: experience in building and executing strategy, ability to identify and critically assess strategic opportunities and threats and develop effective strategies in the context of the strategic objectives.	✓		
Capital projects: experience working on projects involving large-scale capital outlays and long-term investment horizons.	✓		
Corporate activity: experience in large scale mergers and acquisitions involving the management of various stakeholder groups and/or regulators, experience in takeovers or in corporate restructures.	✓		
Capital raising: experience of debt or equity based capital raising on Australian primary or secondary markets.	✓		
Risk and compliance: experience in designing and utilising risk and compliance frameworks and systems, ability to identify key risks to the organisation in a wide range of areas.	✓		
Change management and disruption: overseeing transformational change of an organisation, for example rapid growth, diversification into new products and services, digital transformation, process re-engineering, ownership transition; experience of an organisation that has faced disruptive change.	✓		
Legal and regulatory: qualified lawyer or experience in the legal and regulatory environment applicable to ACL including privacy law and corporate and commercial law.	✓		
Medical and health sector: qualified clinical or medical practitioner or operational experience in a clinical or medical setting; operating within a regulated environment; operating a best practice clinical governance framework.	✓		
Work Health and Safety: understanding of WHS legislation and experience in programs implementing health and safety safeguards, including mental health and physical wellbeing.		✓	

Principle 2: Structure the Board to Add Value (continued)

Skill	Expert	Proficient	Developing
Privacy and cyber security: experience of data management, data governance frameworks and cyber security frameworks.		✓	
Digital engagement: experience in building a multi-channel engagement strategy for customer engagement, utilising data analytics to derive customer insights.		✓	
Digital transformation and delivery: experience in designing and implementing a digital strategy that is transformative; experience of a business that uses digital platforms to deliver products and services.		✓	
Brand and influence: experience in building an organisation's brand and digital assets to raise its profile and differentiate it from peers and competitors.	✓		
Marketing and customer: experience in marketing, understanding of corporate purpose to create long-term value and best-in-class customer experience.	✓		
Public policy and government: experience of engaging with government agencies to advocate for industry and to influence policy settings.		✓	
Sustainability: experience in creating a sustainable focused operating model and designing a framework to achieve ESG target; experience in integrated reporting models and sustainability reporting.		✓	
Talent and culture: experience in talent management and creating a flexible workplace environment to attract and retain talent; experience in implementing inclusion and diversity strategies.	✓		
Crisis management: experience of managing significant internal crises or reacting to external crises.	✓		

The Board will continue to refine the Board skills matrix and evaluation process in FY25.

Principle 2: Structure the Board to Add Value (continued)

Independence of directors and the Chair

As at 30 June 2024, the Board is 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 independence status of each current director and their length of service.

Name	Date appointed	Tenure on the Board	Independent as per Box 2.3 of the ASX 4th Principles
Mr Michael Alscher* Non-executive Chair	19 December 2020	3.5 years	No – CCP is a substantial holder of shares in ACL
Melinda McGrath* CEO and executive director	19 December 2020	3.5 years	No – CEO
Christine Bartlett Non-executive director	23 August 2023	9 months	Yes
Andrew Dutton Non-executive director	28 April 2021	3 years, 2 months	Yes
Mark Haberlin Non-executive director	28 April 2021	3 years, 2 months	Yes
Dr Leanne Rowe AM Non-executive director	28 April 2021	3 years, 2 months	Yes
Nathanial Thomson* Non-executive director	19 December 2020	3.5 years	No – CCP is a substantial holder of shares in ACL

* Michael Alscher, Nathanial Thomson and Melinda McGrath were directors on the board of Clinical Labs Pty Ltd, the main operating subsidiary of ACL prior to its IPO in May 2021.

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 this position of Chair of the Board. 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. During FY24, the Board has also conducted several more structured education and training sessions for directors on various topics.

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 patients by aiming to achieve excellence in daily actions.
- **Entrepreneurship and agility:** ACL seeks to deliver its mission to as many people as possible by being vigilant of delivery cost.
- **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.
- **Passion and enthusiasm:** ACL is passionate about pathology and enthusiastic about living out its mission.
- **Respect and integrity:** ACL is committed to ensuring the Company and its representatives act with the highest integrity and respect.

Further information about how ACL instills its values across the organisation can be found in its ESG reports which are available on its investor portal.

Code of Conduct

ACL has 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 and Risk Committee as appropriate.

A copy of the Code of Conduct can be found here.

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, the Chair of the Audit and Risk Committee 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 here.

ABC Policy

ACL's Anti-Bribery and Corruption Policy (**ABC Policy**) 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 and Risk Committee as appropriate.

A fully copy of the ABC Policy can be accessed here.

Principle 4: Safeguard the Integrity of Corporate Reports

Audit and Risk Committee

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

- Mark Haberlin FCA (Chair);
- Michael Alscher;
- Christine Bartlett (appointed 1 January 2024); and
- Andrew Dutton.

Each of Mark Haberlin, Christine Bartlett and Andrew Dutton are considered to be independent directors within the meaning of Box 2.3 of the ASX Principles. Michael Alscher is not considered to be independent.

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 the Audit and Risk Committee for Abacus Property Group.

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

Christine Bartlett is an experienced CEO and senior executive with extensive line management experience gained through roles with IBM, Jones Lang LaSalle and National Australia Bank. Christine brings a commercial perspective especially in the areas of financial discipline, identifying risk, complex project management, execution of strategy, fostering innovation and taking advantage of new emerging technologies. Christine currently also serves as a member of the Audit and Risk Committee for TAL Inusrance and the Mirvac Group.

Michael Alscher is the Managing Partner and founder of Crescent Capital Partners, with specialist expertise in private equity investment and has extensive non-executive director experience. Prior to founding Crescent, Michael was a strategy consultant at Bain International and LEK Partnership. Michael holds a Bachelor of Commerce (Finance and Mathematics) Degree from the University of New South Wales.

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

- overseeing and monitoring the implementation and effectiveness of ACL's risk management framework for financial and non-financial risks (excluding diagnostic and clinical risks and cybersecurity risks which are reserved to the full Board), financial risk controls, policies, procedures and systems;
- reviewing and approving ACL's financial statements and reports;
- overseeing ACL's financial reporting, including reviewing the suitability of ACL's accounting policies and principles, assessing significant estimates and judgements in the financial reports, the appropriate disclosure of related party transactions (if any), and assessing information from the external auditor to ensure the quality of the financial reports;
- recommending the financial reports to the Board for approval;
- managing audit arrangements and auditor independence, including any internal audit function;
- receiving and reviewing reports from management, the external auditor and internal auditor in respect of risks (excluding diagnostic and clinical risks and cybersecurity risks) and overseeing any remediation plans implemented by management;
- 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;
- reviewing at least annually the effectiveness of ACL's risk management system to ensure it continues to be sound and that ACL is operating within the risk appetite set by the Board and to ensure implementation towards continuous improvement;
- evaluating the adequacy of ACL's insurance coverage and assisting the Board with the renewal of ACL's insurance program; and
- reviewing reports from management and regulators concerning compliance with key laws, regulations, licences and standards which apply to ACL's operations.

With effect from May 2024, the Audit and Risk Committee has also assumed oversight responsibility for ACL's sustainability reporting, including any corporate assurance provided in respect of such reporting.

A full copy of the Audit and Risk Committee's charter can be found here.

Principle 4: Safeguard the Integrity of Corporate Reports (continued)

During the reporting period, the Audit and Risk Committee has held four meetings, with attendance as follows:

Name of director	Eligible to attend	Attended
Mark Haberlin (Chair)	4	4
Michael Alscher	4	3
Christine Bartlett (appointed 1 January 2024)	2	2
Andrew Dutton	4	4
Daren McKennay (as alternate director for Michael Alscher)	1	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 2024 Remuneration Report was subject to external audit 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 and such other persons as may be approved from time to time.

A full copy of the Disclosure Policy can be found here.

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 of 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 an investor webinar and other 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 includes:

- ACL's Annual Report and periodic financial reporting;
- ACL's Corporate Governance Statements;
- ACL's ESG reports;
- ACL's dividend reinvestment plan;
- market briefings and presentations; and
- ASX announcements.

Shareholder engagement at the AGM

ACL will be holding its AGM on 25 October 2024. The Board will promote shareholder engagement and encourage participation enabling virtual participation at the AGM. 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;
- enabling shareholders to submit questions for the Board during the AGM and answering as many questions as time permits; 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 2024 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

Audit and Risk Committee

As set out in further detail above in relation to Principle 4, the Board has established an Audit and Risk Committee which is tasked with assisting the Board to oversee ACL's internal control structure and risk management systems.

The types of risks overseen by the Audit and Risk Committee include regulatory and compliance risk, investment risk, legal risk, economic risk, environmental and social risk, workplace health and safety risk including mental health, digital and IT risk and operational risk. Oversight of clinical governance risk and cybersecurity risk are matters that are reserved to the full Board.

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 Audit and Risk Committee or on an as-required basis.

Enterprise Risk Management Framework

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

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

The Board has also engaged EY to provide internal audit services to ACL in respect of the non-clinical areas of its operations. In addition, ACL will continue to regularly engage external subject-matter expert advisers to conduct audits of other specialist areas, such as its IT environment, to ensure that risks are effectively identified and mitigated.

Clinical governance framework

The Board has reserved oversight of ACL's clinical governance framework to itself and receives regular updates at board meetings from the National Medical Director and Chief Pathologist and the National Director of Haematology. ACL's clinical governance framework sets out key principles and expectations regarding clinical governance across the business and promotes patient safety, quality improvement and risk management to support ACL's objectives of delivering safe, high-quality care. The Board reviews ACL's clinical governance framework at least annually to ensure it remains robust and comprehensive and that it aligns with evolving healthcare standards and organisational needs. The Board conducted this review during the reporting period.

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 ESG Reports which can be viewed on ACL's investor portal.

Principle 8: Remunerate Fairly and Responsibly

Remuneration and Nomination Committee

Information in respect of the Remuneration and Nomination Committee has already been set out at page 55 above.

Remuneration policies and practices

Non-executive

Under the terms of ACL's Constitution, the Company may in general meeting determine the maximum aggregate remuneration to be paid to non-executive directors for their services. 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 $845,464 was utilised as at 30 June 2024. 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 directors 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 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 2024 Directors' Report at page 20.

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 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. The key terms of the LTVR Plan 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 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 2024 Directors' Report at page 20.

Financial Statements **2024**

For the year ended 30 June 2024

Consolidated statement of profit or loss

for the year ended 30 June 2024

	Note	2024 $'000	2023 $'000
Revenue	3	696,368	697,072
Other income	3	1,175	7,684
Total		**697,543**	**704,756**
Consumables		(119,320)	(126,083)
Labour costs		(303,529)	(296,193)
Property costs	4(b)	(12,105)	(15,104)
Repairs and maintenance		(7,414)	(8,071)
Healius transaction costs		(4,653)	(8,281)
Acquisition, restructuring and other insurance related expenses		(6,169)	(2,627)
Other operating expenses		(63,021)	(63,649)
Depreciation	4(a)	(13,528)	(14,260)
Depreciation of right-of-use assets	4(a)	(114,671)	(108,267)
Amortisation of intangible assets		(228)	(228)
Total operating costs		**(644,638)**	**(642,763)**
Earnings before interest and tax		**52,905**	**61,993**
Net finance costs	5	(16,539)	(13,683)
Profit before income tax		**36,366**	**48,310**
Income tax expense	6	(12,122)	(12,268)
Profit for the year		**24,244**	**36,042**
Net (profit) attributable to non-controlling interests		(310)	(141)
Net profit to members of Australian Clinical Labs Limited		**23,934**	**35,901**

Earnings per share

		Cents per share	Cents per share
Basic earnings per share from continuing operations	22	12.03	17.90
Diluted earnings per share from continuing operations	22	12.00	17.85

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 2024

	2024 $'000	2023 $'000
Profit for the year	24,244	36,042
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations	(24)	(40)
Other comprehensive income for the year, net of tax	(24)	(40)
Total comprehensive income for the year	**24,220**	**36,002**
Total comprehensive income attributable to:		
Members of Australian Clinical Labs Limited	23,910	35,861
Non-controlling interests	310	141
	24,220	**36,002**

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

Consolidated statement of financial position
as at 30 June 2024

	Note	2024 $'000	2023 $'000
Current Assets			
Cash and cash equivalents	26(a)	26,136	19,955
Trade and other receivables	7	81,434	73,710
Inventories	8	16,826	15,092
Other assets	9	9,205	5,955
Current tax assets	10	–	1,247
Total Current Assets		**133,601**	**115,959**
Non-Current Assets			
Plant and equipment	11	41,906	50,299
Right-of-use assets	12	239,798	238,139
Intangible assets	13	164,944	165,172
Other assets	9	2,068	1,111
Deferred tax assets	14	10,743	8,233
Total Non-Current Assets		**459,459**	**462,954**
Total Assets		**593,060**	**578,913**
Current Liabilities			
Trade and other payables	15	53,006	41,364
Lease liabilities	16	104,709	101,085
Provisions	18	46,210	45,323
Deferred consideration		95	145
Current tax liabilities	10	3,236	8
Other liabilities		447	–
Total Current Liabilities		**207,703**	**187,925**
Non-Current Liabilities			
Lease liabilities	16	149,126	149,538
Borrowings	17	55,064	65,696
Provisions	18	3,402	3,083
Total Non-Current Liabilities		**207,592**	**218,317**
Total Liabilities		**415,295**	**406,242**
Net Assets		**177,765**	**172,671**
Equity			
Issued capital	19	791,762	792,140
Reserves	20	(773,288)	(774,964)
Retained earnings		159,054	155,241
Total Parent Entity Interest		**177,528**	**172,417**
Non-Controlling Interest		237	254
Total Equity		**177,765**	**172,671**

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 2024

2024	Issued capital $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total $'000
Opening balance at 1 July 2023	**792,140**	**(774,964)**	**155,241**	**172,417**	**254**	**172,671**
Profit for the year	–	–	23,934	**23,934**	310	**24,244**
Exchange differences on translation of foreign operations	–	(24)	–	**(24)**	–	**(24)**
Total other comprehensive income for the year net of tax	–	**(24)**	–	**(24)**	–	**(24)**
Total comprehensive income for the year	–	**(24)**	**23,934**	**23,910**	**310**	**24,220**
Transactions with owners in their capacity as owners						
Share-based payments (Note 21)	–	3,064	–	**3,064**	–	**3,064**
Dividend declared and paid	–	–	(19,949)	**(19,949)**	–	**(19,949)**
Dividend paid to minority interest in controlled entities	–	–	–	**–**	(388)	**(388)**
Acquisition of minority interests	–	–	(172)	**(172)**	61	**(111)**
Acquisition of treasury shares (Note 19)	(1,742)	–	–	**(1,742)**	–	**(1,742)**
Allocation of treasury shares (Note 19)	1,364	(1,364)	–	**–**	–	**–**
Closing balance at 30 June 2024	**791,762**	**(773,288)**	**159,054**	**177,528**	**237**	**177,765**

2023	Issued capital $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total $'000
Opening balance at 1 July 2022	**793,031**	**(776,807)**	**216,220**	**232,444**	**113**	**232,557**
Profit for the year	–	–	35,901	**35,901**	141	**36,042**
Exchange differences on translation of foreign operations	–	(40)	–	**(40)**	–	**(40)**
Total other comprehensive income for the year net of tax	–	**(40)**	–	**(40)**	–	**(40)**
Total comprehensive income for the year	–	**(40)**	**35,901**	**35,861**	**141**	**36,002**
Transactions with owners in their capacity as owners						
Share-based payments (Note 21)	–	1,883	–	**1,883**	–	**1,883**
Dividend declared and paid	–	–	(96,880)	**(96,880)**	–	**(96,880)**
Acquisition of treasury shares (Note 19)	(891)	–	–	**(891)**	–	**(891)**
Closing balance at 30 June 2023	**792,140**	**(774,964)**	**155,241**	**172,417**	**254**	**172,671**

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 2024

	Note	2024 $'000	2023 $'000
Cash flows from operating activities			
Receipts from customers and government grants		694,676	718,729
Payment to suppliers and employees		(508,755)	(543,474)
Cash provided by operations		**185,921**	**175,255**
Interest received	5	501	182
Interest and costs of finance paid		(16,673)	(13,847)
Income tax paid		(10,157)	(17,909)
Net cash provided by operating activities	**26(b)**	**159,592**	**143,681**
Cash flows from investing activities			
Proceeds from sale of plant and equipment		325	236
Purchase of plant and equipment		(6,505)	(6,934)
Payments for business combinations (net of cash acquired)		(1,067)	(5,484)
Net cash used in investing activities		**(7,247)**	**(12,182)**
Cash flows from financing activities			
Principal portion of lease payments		(113,060)	(106,105)
Payments for treasury shares	19(d)	(1,742)	(891)
Repayment of borrowings		(25,000)	(34,500)
Proceeds from borrowings		14,000	100,500
Dividends paid		(19,949)	(96,880)
Dividend paid to minority interest in controlled entities		(388)	–
Net cash used in financing activities		**(146,139)**	**(137,876)**
Net increase/(decrease) in cash and cash equivalents		**6,206**	**(6,377)**
Foreign exchange differences on cash holdings		(25)	(40)
Cash and cash equivalents at the beginning of the year		19,955	26,372
Cash and cash equivalents at the end of the year	**26(a)**	**26,136**	**19,955**

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 2024

Note 1: Summary of Material 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 ('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 28 August 2024.

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 28 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 2024, the Group recorded a deficiency in net current assets of $74.1m (2023: $72.0m). This has been caused by AASB 16 *Leases*, whereby $104.7m (2023: $101.1m) 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 $30.6m (2023: $29.1m).

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, profitability and operating cash flows 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 2024 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.

Changes in ownership interests

The Group treats transactions with minority interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and minority interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to minority interests and any consideration paid or received is recognised directly in equity.

Note 1: Summary of Material Accounting Policies (continued)

(c) Business combinations

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 exchanges 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.

Note 1: Summary of Material Accounting Policies (continued)

(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.

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 it, 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.

Note 1: Summary of Material Accounting Policies (continued)

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 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 Material 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.

(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.

Intangibles 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.

Note 1: Summary of Material Accounting Policies (continued)

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 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.

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.

Note 1: Summary of Material Accounting Policies (continued)

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) Australian Clinical Labs Employee Share Trust ('ACLEST')

The Group has formed a trust to obtain and hold shares for the purpose of providing shares under Australian Clinical Labs Limited Rights Plan. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares held by ACLEST are disclosed as treasury shares and deducted from contributed equity.

Note 1: Summary of Material Accounting Policies (continued)

(r) 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.

(s) 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.

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.

(t) Key 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 (Service Rights) or Monte Carlo model (Performance Rights) and is recognised as an expense over the vesting period, with a corresponding increase to an equity account.

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.

Note 1: Summary of Material Accounting Policies

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, 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.

(u) 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 2023. These standards do not have a material impact on the Group's financial results or position.

(v) 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

	2024 $'000	2023 $'000
An analysis of the Group's revenue for the year is as follows:		
Pathology revenue	673,000	677,731
Clinic revenue	16,728	14,372
Rental revenue from subleasing right-of-use assets	994	870
Other revenue	5,646	4,099
Total revenue	**696,368**	**697,072**
Other		
Insurance claim proceeds	1,175	2,684
Reassessment of Medlab contingent consideration	–	5,000
Total other income	**1,175**	**7,684**

During the 2022 financial year, one of our laboratories based in Queensland was flooded with extensive damage caused to the laboratory equipment and consumables on hand. Insurance claim proceeds have been recognised for specific equipment verified by the insurers at 30 June 2024 and 2023. This is not the expected total insurance claim proceeds for the claim and as such, a contingent asset exists. Refer to Note 30 for full details.

Note 4: Expenses

	2024 $'000	2023 $'000
Profit before income tax includes the following specific expenses:		
(a) Depreciation expense		
Leasehold improvements	4,208	4,517
Plant and equipment	9,320	9,743
Right-of-use assets	114,671	108,267
	128,199	**122,527**
(b) Property costs		
Short term/low value lease payments	9,139	12,213
Other property expenses	2,966	2,891
	12,105	**15,104**

Note 5: Finance Income and Expenses

	2024 $'000	2023 $'000
Finance Income		
Bank deposits	501	182
Finance Expenses		
Interest expense – bank facilities	(4,857)	(3,142)
Interest expense – leasing arrangements	(12,183)	(10,325)
Other borrowing costs	–	(398)
	(17,040)	(13,865)
Net finance costs	**(16,539)**	**(13,683)**

Note 6: Income Tax

	2024 $'000	2023 $'000
(a) Components of income tax expense		
Current tax	14,545	9,952
Deferred tax	(2,423)	2,316
Income tax expense	**12,122**	**12,268**
(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	36,366	48,310
Domestic tax rate	30%	30%
	10,910	**14,493**
Adjustments for non-temporary differences:		
Net non-taxable and non-deductable items	1,212	(2,225)
Income tax expense	**12,122**	**12,268**

Note 7: Trade and Other Receivables

	2024 $'000	2023 $'000
Current		
Trade receivables	63,257	51,352
Allowance for expected credit loss	(9,865)	(5,606)
	53,392	**45,746**
Accrued revenue	22,231	24,517
Other receivables	5,811	3,447
	81,434	**73,710**

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

	2024 $'000	2023 $'000
Current	33,071	26,379
30 to 60 days	6,354	6,964
60 to 90 days	4,081	3,625
90 to 120 days	3,599	1,795
120 days +	16,152	12,589
Closing balance at 30 June	**63,257**	**51,352**

(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 based on past experience.

Movement in allowance for expected credit losses:

	2024 $'000	2023 $'000
Opening balance at 1 July	5,606	4,199
Provision for impairment expensed	5,557	3,098
Receivables written off	(1,298)	(1,691)
Closing balance at 30 June	**9,865**	**5,606**

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.

Note 7: Trade and Other Receivables (continued)

(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 27.

(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

	2024 $'000	2023 $'000
Consumable supplies at cost	16,826	15,092

Note 9: Other Assets

	2024 $'000	2023 $'000
Current		
Prepayments	8,496	5,323
Bonds and securities	709	632
	9,205	**5,955**
Non-Current		
Prepayments	619	566
Other	1,449	545
	2,068	**1,111**

Other assets include convertible notes acquired in Geneseq.

Note 10: Current Tax Balances

	2024 $'000	2023 $'000
Income tax payables/receivables		
Tax receivables	–	1,247
Tax payables	(3,236)	(8)

Note 11: Plant and Equipment

2024	Leasehold improvements $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Gross carrying amount	56,123	115,360	213	171,696
Accumulated depreciation	(43,960)	(85,830)	–	(129,790)
Total plant and equipment as at 30 June 2024	**12,163**	**29,530**	**213**	**41,906**

2023				
Gross carrying amount	53,964	111,744	1,694	**167,402**
Accumulated depreciation	(39,790)	(77,313)	–	**(117,103)**
Total plant and equipment as at 30 June 2023	**14,174**	**34,431**	**1,694**	**50,299**

2024	Leasehold improvements $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Gross carrying amount				
Balance at 1 July 2023	**53,964**	**111,744**	**1,694**	**167,402**
Additions	2,213	4,074	212	**6,499**
Disposals	(52)	(905)	(1,240)	**(2,197)**
Capitalisation of work in progress	–	453	(453)	–
Net exchange differences	(2)	(6)	–	**(8)**
Balance at 30 June 2024	**56,123**	**115,360**	**213**	**171,696**
Accumulated depreciation				
Balance at 1 July 2023	**(39,790)**	**(77,313)**	**–**	**(117,103)**
Disposals	35	799	–	**834**
Depreciation	(4,208)	(9,320)	–	**(13,528)**
Net exchange differences	3	4	–	**7**
Balance at 30 June 2024	**(43,960)**	**(85,830)**	**–**	**(129,790)**
Carrying amount at 30 June 2024	**12,163**	**29,530**	**213**	**41,906**

Note 11: Plant and Equipment (continued)

2023	Leasehold improvements $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Gross carrying amount				
Balance at 1 July 2022	**51,727**	**106,269**	**3,348**	**161,344**
Additions	2,124	4,050	346	**6,520**
Disposals	(17)	(425)	–	**(442)**
Capitalisation of work in progress	137	1,863	(2,000)	**–**
Net exchange differences	(7)	(13)	–	**(20)**
Balance at 30 June 2023	**53,964**	**111,744**	**1,694**	**167,402**
Accumulated depreciation				
Balance at 1 July 2022	**(35,294)**	**(67,905)**	–	**(103,199)**
Disposals	17	325	–	**342**
Depreciation	(4,517)	(9,743)	–	**(14,260)**
Net exchange differences	4	10	–	**14**
Balance at 30 June 2023	**(39,790)**	**(77,313)**	**–**	**(117,103)**
Carrying amount at 30 June 2023	**14,174**	**34,431**	**1,694**	**50,299**

Note 12: Right-of-use Assets

	2024 $'000	2023 $'000
Carrying amount of lease assets, by class of underlying asset:		
Buildings under lease arrangements	239,798	238,139

	2024 $'000	2023 $'000
Opening balance at 1 July	238,139	252,055
Additions and remeasurement of leases during the year	116,330	94,351
Depreciation	(114,671)	(108,267)
Closing balance at 30 June	**239,798**	**238,139**

Note 13: Intangible Assets

2024	Goodwill $'000	Brand names $'000	Customer lists $'000	Total $'000
Gross carrying amount	158,684	5,600	1,370	165,654
Accumulated amortisation	–	–	(710)	(710)
Total intangibles as at 30 June 2024	**158,684**	**5,600**	**660**	**164,944**
2023				
Gross carrying amount	158,684	5,600	1,370	165,654
Accumulated amortisation	–	–	(482)	(482)
Total intangibles as at 30 June 2023	**158,684**	**5,600**	**888**	**165,172**

2024	Goodwill $'000	Brand names $'000	Customer lists $'000	Total $'000
Gross carrying amount				
Balance at 1 July 2023	158,684	5,600	1,370	**165,654**
Balance at 30 June 2024	**158,684**	**5,600**	**1,370**	**165,654**
Accumulated amortisation				
Balance at 1 July 2023	–	–	(482)	**(482)**
Amortisation	–	–	(228)	**(228)**
Balance at 30 June 2024	**–**	**–**	**(710)**	**(710)**
Carrying amount at 30 June 2024	**158,684**	**5,600**	**660**	**164,944**

2023	Goodwill $'000	Brand names $'000	Customer lists $'000	Total $'000
Gross carrying amount				
Balance at 1 July 2022	158,684	5,600	1,370	**165,654**
Balance at 30 June 2023	**158,684**	**5,600**	**1,370**	**165,654**
Accumulated amortisation				
Balance at 1 July 2022	–	–	(254)	**(254)**
Amortisation	–	–	(228)	**(228)**
Balance at 30 June 2023	**–**	**–**	**(482)**	**(482)**
Carrying amount at 30 June 2023	**158,684**	**5,600**	**888**	**165,172**

Note 13: Intangible Assets (continued)

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 4.5% (2023: 4.5%) for cash flows in years two to five which is based on historic growth rate and industry trends, a terminal value growth rate of 3.4% (2023: 3.4%) and a discount rate of 9.1% (2023: 7.6%) to determine value-in-use.

The carrying value of brand names at 30 June 2024 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 3.0% (2023: 3.0%), an indefinite useful life and a discount rate of 9.2% (2023: 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 14: Deferred Tax Assets

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

	2024 $'000	2023 $'000
Expected credit loss	2,959	1,682
Employee benefits	15,635	14,502
Sundry accruals	17	(50)
Lease liability	75,981	74,336
Share issue and transaction costs	1,189	2,844
Less: deferred tax liabilities offset against deferred tax assets	(85,038)	(85,081)
	10,743	**8,233**
Deferred tax liabilities offset against deferred tax assets		
Prepayments and sundry debtors	(420)	(365)
Inventories	(5,048)	(4,528)
Accrued revenue	(803)	(450)
Right-of-use assets	(71,779)	(70,598)
Intangibles	(1,878)	(1,944)
Plant and equipment	(5,110)	(7,196)
	(85,038)	**(85,081)**

Movement	2024 $'000	2023 $'000
Opening balance at 1 July	8,233	9,421
Amounts recognised in profit or loss	2,510	(1,188)
Closing balance at 30 June	**10,743**	**8,233**

Note 15: Trade and Other Payables

	2024 $'000	2023 $'000
Current		
Trade creditors	26,187	17,966
Sundry creditors and accruals	26,819	23,398
	53,006	**41,364**

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

Note 16: Lease Liabilities

Lease liabilities	2024 $'000	2023 $'000
Current lease liabilities	104,709	101,085
Non-current lease liabilities	149,126	149,538
Total carrying amount of lease liabilities	**253,835**	**250,623**

Cash outflow	2024 $'000	2023 $'000
Total cash outflow in relation to lease liabilities and associated interest	(125,243)	(116,430)

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 1 and 15 years. Leases can contain market review/fixed increments/CPI increments 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 17: Borrowings

	2024 $'000	2023 $'000
Non-Current		
Unsecured – at amortised cost		
Bank loans	55,064	65,696

Details of the fair values and interest rate risk exposure relating to each of the unsecured liabilities are set out in Note 27.

Terms and repayment schedule

The terms and conditions of outstanding loans are as follows:

Loan	Currency	Nominal interest rate	Year of maturity	2024 $'000	2023 $'000
Bank loans	AUD	BBSY + 1.55% - 2.45%	2025	55,064	65,696

Note 18: Provisions

	2024 $'000	2023 $'000
Current		
Employee benefits	44,617	43,788
Other	1,593	1,535
	46,210	**45,323**
Non-Current		
Employee benefits	3,402	3,083

Note 19: Issued Capital

(a) Share capital

	30 Jun 2024 Shares	30 Jun 2023 Shares	30 Jun 2024 $'000	30 Jun 2023 $'000
Fully paid ordinary shares	201,834,015	201,834,015	797,975	797,975
Other equity securities				
Treasury shares	(1,594,237)	(1,330,743)	(6,213)	(5,835)
	200,239,778	**200,503,272**	**791,762**	**792,140**

(b) 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.

(c) Options and Rights

Details of options and rights issued, exercised and forfeited during the financial year and options and rights outstanding at the end of the financial year are set out in Note 21.

Note 19: Issued Capital (continued)

(d) Treasury shares

Treasury shares in Clinical Labs are held by the Australian Clinical Labs Employee Share Trust ('ACLEST'). For further details, please refer to Note 1(q).

Date 2024	Details	Number of shares	Value of shares $'000
1/07/2023	Opening balance of the Group	(1,330,743)	(5,835)
2/01/2024	Treasury shares acquired on-market	(66,667)	(192)
3/01/2024	Treasury shares acquired on-market	(66,667)	(193)
4/01/2024	Treasury shares acquired on-market	(66,667)	(195)
5/01/2024	Treasury shares acquired on-market	(66,667)	(196)
8/01/2024	Treasury shares acquired on-market	(66,667)	(192)
9/01/2024	Treasury shares acquired on-market	(66,667)	(191)
10/01/2024	Treasury shares acquired on-market	(66,666)	(189)
11/01/2024	Treasury shares acquired on-market	(66,666)	(194)
12/01/2024	Treasury shares acquired on-market	(66,666)	(200)
Various	Transfer of shares to employees to satisfy exercise of rights	336,506	1,364
30/06/2024	**Closing balance of the Group**	**(1,594,237)**	**(6,213)**

Date 2023	Details	Number of shares	Value of shares $'000
1/07/2022	Opening balance of the Group	(1,023,715)	(4,944)
15/09/2022	Treasury shares acquired on-market	(208,732)	(891)
15/09/2022	Dividend reinvestment plan	(98,296)	–
30/06/2023	**Closing balance of the Group**	**(1,330,743)**	**(5,835)**

Note 20: Reserves and Retained Earnings

2024	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 2023	3,384	72	(645,632)	(132,788)	(774,964)
Exchange differences on translation of foreign operations	–	(24)	–	–	(24)
Management share scheme – LTVR	3,064	–	–	–	3,064
Allocation of treasury shares	(1,364)	–	–	–	(1,364)
Closing balance at 30 June 2024	**5,084**	**48**	**(645,632)**	**(132,788)**	**(773,288)**

2023	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 July 2022	1,501	112	(645,632)	(132,788)	(776,807)
Exchange differences on translation of foreign operations	–	(40)	–	–	(40)
Management share scheme – LTVR	1,883	–	–	–	1,883
Closing balance at 30 June 2023	**3,384**	**72**	**(645,632)**	**(132,788)**	**(774,964)**

(a) Share-based payment reserve

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

The Group established a Long-Term Variable Remuneration (LTVR) Plan commencing 25 May 2021. Refer to 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.

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 in the 2021 financial year.

Note 21: Share-Based Payments

The Group has 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(o) for further details.

(a) Australian Clinical Labs Limited Rights Plan

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

Type 2024	Grant date	Expiry date	Exercise price	Balance at start of year	Granted during the year	Forfeited during the year	Exercised during the year	Balance at end of year	Exercisable at end of year	Balance at date of this report
Performance rights	25-May-21	24-May-26	Nil	804,532	–	(162,910)	–	641,622	–	–
Performance rights	13-Jul-21	12-Jul-26	Nil	39,780	–	–	–	39,780	–	–
Service rights	20-Nov-21	19-Nov-26	Nil	678,615	–	(29,632)	(336,506)	312,477	312,477	312,477
Performance rights	13-Mar-23	12-Mar-28	Nil	896,374	–	(158,720)	–	737,654	–	737,654
Service rights	13-Mar-23	12-Mar-28	Nil	379,912	–	–	–	379,912	101,729	379,912
Performance rights	19-Dec-23	18-Dec-28	Nil	–	680,644	(177,531)	–	503,113	–	503,113
Service rights	19-Dec-23	18-Dec-28	Nil	–	1,761,507	(173,912)	–	1,587,595	–	1,587,595
Service rights	23-Jan-24	22-Jan-29	Nil	–	635,034	–	–	635,034	–	635,034
Total				**2,799,213**	**3,077,185**	**(702,705)**	**(336,506)**	**4,837,187**	**414,206**	**4,155,785**

Type 2023	Grant date	Expiry date	Exercise price	Balance at start of year	Granted during the year	Forfeited during the year	Exercised during the year	Balance at end of year	Exercisable at end of year
Performance rights	25-May-21	24-May-26	Nil	804,532	–	–	–	804,532	–
Performance rights	13-Jul-21	12-Jul-26	Nil	77,452	–	(37,672)	–	39,780	–
Service rights	20-Nov-21	19-Nov-26	Nil	792,702	–	(114,087)	–	678,615	–
Performance rights	13-Mar-23	12-Mar-28	Nil	–	896,374	–	–	896,374	–
Service rights	13-Mar-23	12-Mar-28	Nil	–	379,912	–	–	379,912	–
Total				**1,674,686**	**1,276,286**	**(151,759)**	**–**	**2,799,213**	**–**

Note 21: Share-Based Payments (continued)

Fair value of rights granted

The average assessed fair value of performance rights granted during the year ended 30 June 2024 was $0.929 per right (2023: $1.180). The average assessed fair value of service rights granted during the year ended 30 June 2024 was $2.539 per right (2023: $3.405). The service rights generally have a higher value than the performance rights given that the only condition is a service period and not Group performance. The valuation model inputs for rights granted during the year ended 30 June 2024 and 30 June 2023 included:

Type	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
Performance rights	13-Jul-21	12-Jul-26	Nil	$3.46	3.0	45%	0.21%	3.00%
Service rights	20-Nov-21	19-Nov-26	Nil	$4.34	2.0	31%	1.15%	3.40%
Performance rights	13-Mar-23	12-Mar-28	Nil	$3.60	2.3	33%	3.26%	4.49%
Service rights	13-Mar-23	12-Mar-28	Nil	$3.63	0.8 - 1.8	33%	4.70%	3.86%
Performance rights	19-Dec-23	18-Dec-28	Nil	$2.82	2.5	35%	3.68%	5.00%
Service rights	19-Dec-23	18-Dec-28	Nil	$2.82	1.5 - 3.5	35%	3.68% - 4.11%	5.00%
Service rights	23-Jan-24	22-Jan-29	Nil	$3.05	2.4	35%	3.68%	5.00%

A Monte Carlo simulation was applied to fair value the TSR performance condition element of performance rights granted. The model simulated the Group's TSR and compared it against the peer group over the vesting periods. The service rights are valued using a Black-Scholes model.

(b) 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:

	2024 $'000	2023 $'000
Share-based payments expense	3,064	1,883

Note 22: 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.

	2024 Cents	2023 Cents
Basic earnings per share	12.03	17.90
Diluted earnings per share	12.00	17.85

Note 22: Earnings Per Share (continued)

Earnings	2024 $'000	2023 $'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	24,244	36,042
Net (profit) attributable to non-controlling interests	(310)	(141)
Earnings used in calculating basic and diluted earnings per share	**23,934**	**35,901**

Weighted average number of shares	2024	2023
The weighted average number of shares used in the calculation of basic earnings per share	198,904,689	200,568,042
The weighted average number of shares and potential ordinary shares used in the calculation of diluted earnings per share	199,472,019	201,115,660

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 21.

Note 23: Dividends

(a) Dividends paid or declared	2024 $'000	2023 $'000
Interim dividend for the half-year ended 31 December 2023 of 3 cents (2023: 7 cents) per share paid on 17 April 2024 fully franked.	6,055	14,128
Final dividend for the year ended 30 June 2023 of 7 cents (2022: 41 cents) per share paid on 20 September 2023 fully franked.	14,128	82,752
	20,183	**96,880**

(b) Dividends declared after the reporting period and not recognised		
Final dividend for the year ended 30 June 2024 of 9 cents per share (2023: 7 cents) has been declared with a record date of 5 September 2024 and payable on 27 September 2024, fully franked.	18,165	14,128

(c) Franked dividends		
Franking credits available at year end for subsequent financial years based on a tax rate of 30%.	54,059	46,716

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 (%) 2024	Percentage owned (%) 2023
Parent Entity:			
Australian Clinical Labs Limited	Australia		
Subsidiaries of Australian Clinical Labs Limited:			
ACL MidCo Pty Ltd	Australia	100	100
ACL Finco Pty Ltd	Australia	100	100
Clinical Laboratories Pty Ltd	Australia	100	100
Clinical Laboratories (WA) Pty Ltd	Australia	100	100
Perth Medical Laboratories Pty Ltd	Australia	100	100
ACL Employee Share Trusco Pty Ltd	Australia	100	100
Malvern Pathology Laboratories Sdn Bhd.	Malaysia	100	100
Southern Sun Clinics Pty Ltd	Australia	100	100
SunDoctors Kalowen Pty Ltd	Australia	100	85
Southern Sun Practices Pty Ltd	Australia	100	100
SunDoctors Taree Pty Ltd	Australia	100	100
SunDoctors Coffs Harbour (Southern Cross) Pty Ltd	Australia	100	100
SunDoctors Pottsville Pty Ltd	Australia	100	100
SunDoctors Byron Bay Pty Ltd	Australia	100	100
SunDoctors Burleigh Heads Pty Ltd	Australia	100	100
SunDoctors Novocastrian Pty Ltd	Australia	100	100
Dermapath AI Pty Ltd	Australia	100	100
Southern Sun Pathology (Helix) Pty Ltd	Australia	100	100
Southern Sun Healthcare Pty Ltd	Australia	100	100
SunDoctors Nelson Bay Pty Ltd (formerly known as SunDoctors Joondalup Pty Ltd)	Australia	100	100
WSCC Healthcare Pty Ltd	Australia	50	50
Orange Skin Cancer Clinic Pty Ltd	Australia	100	100
Ryde Skin Cancer Clinic Pty Ltd	Australia	100	100
Bolton Street Cancer Clinic Pty Ltd	Australia	100	100
Gosford SCC Pty Ltd	Australia	100	100
Southern Sun Pathology Pty Ltd	Australia	100	100
Skin Cancer Clinic Parramatta Pty Ltd	Australia	100	100
Aussie Skin Cancer Clinics Pty Ltd	Australia	100	100
Wollongong SCC Pty Ltd	Australia	100	100

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

Note 25: 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:

	2024 $'000	2023 $'000
Short-term employee benefits	2,482	2,238
Long-term employee benefits	(79)	14
Post-employment benefits	105	98
Share-based payments	213	242
	2,721	**2,592**

During the period the Company made a short-term loan to Mr James Davison (KMP) due to a restriction put on him and his ability to trade his securities while the take-over bid was occurring with Healius. This loan was repaid during the period and there is no outstanding balance at year end.

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

Note 26: 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:

	2024 $'000	2023 $'000
Cash and cash equivalents	26,136	19,955

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

	2024 $'000	2023 $'000
Profit for the year before taxation	36,366	48,310
Non-cash flows in operating profit		
Depreciation and amortisation	128,427	122,755
Loss/(gain) on sale of assets	1,037	(136)
Reassessment of Medlab contingent consideration	–	(5,000)
Share-based payments expense	3,064	1,883
Accrued interest expense/(income)	184	(485)
Capitalised borrowing costs	184	504
	169,262	**167,831**
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(7,724)	17,404
(Increase) in other assets	(3,302)	(1,248)
(Increase)/decrease in inventories	(1,734)	4,996
Increase/(decrease) to trade and other payables	11,650	(17,729)
Increase/(decrease) to provisions	1,150	(8,076)
Increase/(decrease) to other liabilities	447	(1,588)
Income tax paid	(10,157)	(17,909)
Net cash provided by operating activities	**159,592**	**143,681**

(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 12)
- Options and rights issued to employees for no cash consideration (Note 21)

Note 26: Notes to the Statement of Cash Flows (continued)

(d) Bank facilities and guarantees

At 30 June 2024, the Group had a bank overdraft available of $6.5m which had not been utilised at year end (2023: $6.0m, nil utilised).

Financial guarantees also existed in relation to rental properties. The Group has utilised $5.7m (2023: $6.0m) of its $12.0m (2023: $12.5m) facility with the Commonwealth Bank at 30 June 2024.

In order to enhance the Group's liquidity, the Group also has available the following unsecured debt facilities:

- $30.0m funded jointly with Commonwealth Bank and HSBC, which includes the bank overdraft, short-term loan and facility in relation to the financial guarantees above, $5.7m utilised (2023: $6.0m utilised, $30.0m limit).
- $110.0m funded jointly by Commonwealth Bank and HSBC of which the Group has utilised $55.0m as at 30 June 2024 (2023: $110.0m which had $66.0m utilised).

Note 27: Financial Risk Management

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

The Group's financial instruments consist mainly of deposit with banks, debt facilities, trade receivables and trade payables. The Group 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 Group management's strategies for managing them.

Risk	Description	Strategy for management
Capital management risk	The Group manages its capital with the aim to ensure the Group's ability to continue to operate as a going concern so that it can continue to provide returns to its shareholders.	The Group proactively manages its capital structure and may issue new shares, or enter into rights issues or vary the amount of dividends paid to shareholders.
	The Group aims to optimise its debt and equity balance to reduce the cost of capital.	The capital structure of the Group is mainly monitored on the basis of the following ratios, which are also covenants under the Group's debt facilities: • Leverage Ratio. The Group's leverage ratio as at 30 June 2024 is 0.42, which is under the upper threshold of 3.50. • Fixed Charge Cover Ratio. The Group's fixed charge ratio as at 30 June 2024 is approximately 1.47, which is over the bottom threshold of 1.20.
Market risk		
Interest rate risk	The Group's exposure to market risk from changing interest rates relates primarily to its short-term cash investments and bank borrowings at variable interest rates.	The Group may enter into interest rate swap contracts to hedge against exposure to fluctuations in interest rates. The Group did not enter into any interest rate swaps in the current year.

Note 27: Financial Risk Management (continued)

Risk	Description	Strategy for management
Foreign exchange risk	The Group has minimum foreign currency risk from the following: • Translation of the net assets of the Group's foreign controlled entity, which operates using a different functional currency. • The Group has limited number of transactions that are required to be settled in foreign currencies.	The Group 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 Group 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 Group does not currently invest in equity securities or other financial instruments with market prices risk.
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. The Group does not have any material exposure to any individual customers or counterparties other than certain government or statutory funded bodies which the Group operates.	The Group manages credit risk by performing ageing analysis on receivable balances on an ongoing basis. The Group 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. The Group has not renegotiated any material collection/repayment terms of any financial assets in the current or previous financial year.
Liquidity risk	The Group 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 Group manages its liquidity risk by: • The Group has adequate debt facilities in place should they be required to refinance any short-term liabilities. • Ongoing cash flow forecasting and reporting.

(a) Interest rate risk

The Group'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 Group's borrowings at floating interest plus a fixed margin.

			Fixed interest rate			
2024	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	4.30%	26,136	–	–	–	26,136
Financial liabilities						
Bank loans	BBSY + 1.55% - 2.45%	(55,064)	–	–	–	(55,064)
Lease liabilities	2.05% - 7.00%	–	(104,709)	(137,523)	(11,603)	(253,835)
Total		**(28,928)**	**(104,709)**	**(137,523)**	**(11,603)**	**(282,763)**

Note 27: Financial Risk Management (continued)

2023	Average interest rate %	Variable interest rate $'000	Fixed interest rate: Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Financial assets						
Cash	3.16%	19,955	–	–	–	19,955
Financial liabilities						
Bank loans	BBSY + 1.55% - 2.45%	(65,696)	–	–	–	(65,696)
Lease liabilities	2.05% - 7.00%	–	(101,085)	(138,675)	(10,863)	(250,623)
Total		**(45,741)**	**(101,085)**	**(138,675)**	**(10,863)**	**(296,364)**

(b) Sensitivity analysis

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

2024	Carrying amount $'000	Result: 1.0%/100BP increase $'000	Result: 1.0%/100BP decrease $'000	Equity: 1.0%/100BP increase $'000	Equity: 1.0%/100BP decrease $'000
Financial assets					
Cash	26,136	261	(261)	261	(261)
Financial liabilities					
Bank loans	(55,064)	(551)	551	(551)	551
Total	**(28,928)**	**(290)**	**290**	**(290)**	**290**

2023	Carrying amount $'000	Result: 1.0%/100BP increase $'000	Result: 1.0%/100BP decrease $'000	Equity: 1.0%/100BP increase $'000	Equity: 1.0%/100BP decrease $'000
Financial assets					
Cash	19,955	200	(200)	200	(200)
Financial liabilities					
Bank loans	(65,696)	(657)	657	(657)	657
Total	**(45,741)**	**(457)**	**457**	**(457)**	**457**

Note 28: Parent Entity Information

	2024 $'000	2023 $'000
Assets		
Current assets	216,908	225,505
Non-current assets	585,469	585,469
Total assets	**802,377**	**810,974**
Liabilities		
Current liabilities	313	336
Total liabilities	**313**	**336**
Equity		
Issued capital	797,975	797,975
Reserves	5,085	3,385
Retained earnings	(996)	9,278
Total equity	**802,064**	**810,638**

	2024 $'000	2023 $'000
Financial performance		
Profit for the year	9,911	89,702
Total comprehensive income	**9,911**	**89,702**

Note 29: Auditor's Remuneration

	2024 $'000	2023 $'000
Auditor of Australian Clinical Labs Limited – Audit Services		
Audit of the financial report for the financial year	242	230
Review of the financial report for the half year	85	80
Total audit and other assurance services	**327**	**310**

Note 30: Contingencies

(a) Contingent assets

During the 2022 financial year, one of our laboratories based in Queensland was flooded with extensive damage caused to the laboratory equipment and consumables on hand.

An insurance claim process is ongoing, however at 30 June 2024 the insurance claim had not been verified in its entirety and as such a receivable for the entire claim has not been recorded at 30 June 2024. The Group received a progress payment from the insurers and was also able to get the insurers to agree to some specific items and as such, there was insurance income recorded for $1.2m (2023: $2.7m) in the statement of profit and loss.

The Group has a contingent asset for the remaining balance of the claim that has yet to be quantified and verified by the insurers, which has not been recognised in the financial statements.

Note 30: Contingencies (continued)

During the 2024 financial year a fire occurred at an external storage facility where the Group was temporarily storing some laboratory equipment. Again, an insurance claim process is ongoing and at 30 June 2024 the insurance claim has not been verified and as such a receivable for the claim has not been recorded at 30 June 2024.

The Group has a contingent asset for the balance of the claim, which has not been recognised in the financial statements.

(b) Contingent liabilities

On November 2nd 2023, AIC commenced civil proceedings in the Federal Court of Australia against ACL in relation to alleged contraventions of the *Privacy Act 1988* (Cth) during the period 26 May 2021 to 29 September 2022. The AIC claim does not specify the level of any penalty it intends to seek in the event that the claim is established. The outcome and any potential financial outcome are currently unknown. ACL is defending the civil proceedings and any costs in relation to this defence are being recognised as incurred.

Note 31: 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 2024 are as follows:

- 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 Pathology (Helix) Pty Ltd
- Southern Sun Healthcare Pty Ltd
- Southern Sun Practices Pty Ltd
- SunDoctors Nelson Bay Pty Ltd
- SunDoctors Taree Pty Ltd
- SunDoctors Coffs Harbour (Southern Cross) Pty Ltd
- SunDoctors Pottsville Pty Ltd
- SunDoctors Byron Bay Pty Ltd
- SunDoctors Burleigh Heads Pty Ltd
- SunDoctors Novocastrian Pty Ltd
- Dermapath AI Pty Ltd
- Orange Skin Cancer Clinic Pty Ltd
- Ryde Skin Cancer Clinic Pty Ltd
- Bolton Street Cancer Clinic Pty Ltd
- Gosford SCC Pty Ltd
- Skin Cancer Clinic Parramatta Pty Ltd
- Aussie Skin Cancer Clinics Pty Ltd
- Wollongong SCC Pty Ltd
- Perth Medical Laboratories Pty Ltd
- ACL Employee Share Trusco Pty Ltd

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

Note 31: Deed of Cross Guarantee (continued)

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

	2024 $'000	2023 $'000
Revenue	686,963	689,069
Other income	1,175	7,684
Total	**688,138**	**696,753**
Consumables	(119,176)	(125,951)
Labour costs	(296,933)	(290,697)
Property costs	(12,073)	(15,049)
Repairs and maintenance	(7,332)	(8,011)
Healius transaction costs	(4,653)	(8,281)
Acquisition, restructuring and other one-off expenses	(6,169)	(2,627)
Other operating expenses	(62,154)	(62,917)
Depreciation	(13,055)	(13,794)
Depreciation of right-of-use assets	(114,671)	(108,267)
Amortisation of acquired intangible assets	(1)	(1)
Total operating costs	**(636,217)**	**(635,595)**
Earnings before interest and tax	**51,921**	**61,158**
Net finance costs	(16,506)	(13,661)
Profit before income tax	**35,415**	**47,497**
Income tax expense	(12,000)	(12,035)
Profit for the year	**23,415**	**35,462**
Net (profit) attributable to non-controlling interests	–	(141)
Net profit attributable to members of the Closed Group	**23,415**	**35,321**

Note 31: Deed of Cross Guarantee (continued)

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

	2024 $'000	2023 $'000
Profit for the year	23,415	35,462
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	**23,415**	**35,462**
Total comprehensive income attributable to:		
Members of the Closed Group	23,415	35,321
Non-controlling interests	–	141
	23,415	**35,462**

(c) Reconciliation of retained earnings of the Closed Group

	2024 $'000	2023 $'000
Retained earnings at the beginning of the financial year	152,514	215,511
Profit from ordinary activities after income tax expense	23,415	35,321
Dividends paid during the year	(19,949)	(14,128)
Effect on retained profits from addition of entities to the Closed Group	–	(84,190)
Transfers	317	–
Retained earnings at the end of the financial year	**156,297**	**152,514**

Note 31: Deed of Cross Guarantee (continued)

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

	2024 $'000	2023 $'000
Current Assets		
Cash and cash equivalents	24,158	18,463
Trade and other receivables	80,654	73,160
Inventories	16,807	15,070
Other assets	8,223	4,544
Current tax assets	–	1,240
Total Current Assets	**129,842**	**112,477**
Non-Current Assets		
Plant and equipment	41,348	49,975
Right-of-use assets	239,198	237,856
Intangible assets	164,155	164,157
Other assets	2,068	1,111
Deferred tax assets	10,964	8,457
Total Non-Current Assets	**457,733**	**461,556**
Total Assets	**587,575**	**574,033**
Current Liabilities		
Trade and other payables	52,752	41,159
Lease liabilities	104,473	100,832
Provisions	46,163	45,270
Current tax liabilities	3,236	–
Deferred consideration	95	145
Other liabilities	448	–
Total Current Liabilities	**207,167**	**187,406**
Non-Current Liabilities		
Lease liabilities	148,725	149,484
Borrowings	55,064	65,696
Provisions	3,402	3,082
Total Non-Current Liabilities	**207,191**	**218,262**
Total Liabilities	**414,358**	**405,668**
Net Assets	**173,217**	**168,365**

Note 31: Deed of Cross Guarantee (continued)

	2024 $'000	2023 $'000
Equity		
Issued capital	790,587	790,964
Reserves	(773,667)	(775,367)
Retained earnings	156,297	152,514
Total parent entity interest	**173,217**	**168,111**
Non-controlling Interest	–	254
Total Equity	**173,217**	**168,365**

Note 32: Subsequent Events

There were no other 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.

Consolidated entity disclosure statement
for the year ended 30 June 2024

Entity Name	Entity Type	Trustee	Place formed or Incorporated – Body Corporate	%of share capital held – Body Corporate (i)	Australian resident or foreign resident (for tax purposes)	Foreign Jurisdiction of foreign residents
Australian Clinical Labs Limited	Body corporate	n/a	Australia	100%	Australian (ii)	n/a
ACL MidCo Pty Ltd	Body corporate	n/a	Australia	100%	Australian (ii)	n/a
ACL Finco Pty Ltd	Body corporate	n/a	Australia	100%	Australian (ii)	n/a
Clinical Laboratories Pty Ltd	Body corporate	n/a	Australia	100%	Australian (ii)	n/a
Clinical Laboratories (WA) Pty Ltd	Body corporate	n/a	Australia	100%	Australian (ii)	n/a
Perth Medical Laboratories Pty Ltd	Body corporate	n/a	Australia	100%	Australian (ii)	n/a
ACL Employee Share Trusco Pty Ltd	Body corporate	Trustee (iv)	Australia	100%	Australian (ii)	n/a
Australian Clinical Labs Limited Employee Share Trust	Trust	n/a	n/a	n/a	Australian	n/a
Malvern Pathology Laboratories Sdn Bhd	Body corporate	n/a	Malaysia	100%	Foreign	Malaysia (iii)
Southern Sun Clinics Pty Ltd	Body corporate	n/a	Australia	100%	Australian (ii)	n/a
Southern Sun Healthcare Pty Ltd	Body corporate	Trustee (v)	Australia	100%	Australian (ii)	n/a
The Aussie Healthcare Unit Trust	Trust	n/a	n/a	n/a	Australian (ii)	n/a
Southern Sun Practices Pty Limited	Body corporate	n/a	Australia	100%	Australian (ii)	n/a
SunDoctors Taree Pty Ltd	Body corporate	n/a	Australia	100%	Australian (ii)	n/a
SunDoctors Coffs Harbour (Southern Cross) Pty Ltd	Body corporate	n/a	Australia	100%	Australian (ii)	n/a
SunDoctors Pottsville Pty Ltd	Body corporate	n/a	Australia	100%	Australian (ii)	n/a

Entity Name	Entity Type	Trustee	Place formed or Incorporated – Body Corporate	%of share capital held – Body Corporate (i)	Australian resident or foreign resident (for tax purposes)	Foreign Jurisdiction of foreign residents
SunDoctors Byron Bay Pty Ltd	Body corporate	n/a	Australia	100%	Australian (ii)	n/a
SunDoctors Burleigh Heads Pty Ltd	Body corporate	n/a	Australia	100%	Australian (ii)	n/a
SunDoctors Kalowen Pty Ltd	Body corporate	n/a	Australia	100%	Australian (ii)	n/a
SunDoctors Novocastrian Pty Ltd	Body corporate	n/a	Australia	100%	Australian (ii)	n/a
Dermapath AI Pty Ltd	Body corporate	n/a	Australia	100%	Australian (ii)	n/a
Southern Sun Pathology (Helix) Pty Ltd	Body corporate	n/a	Australia	100%	Australian (ii)	n/a
SunDoctors Nelson Bay Pty Ltd	Body corporate	n/a	Australia	100%	Australian (ii)	n/a
WSCC Healthcare Pty Ltd	Body corporate	Trustee (vi)	Australia	50%	Australian	n/a
Wyong SCC Trust	Trust	n/a	n/a	n/a	Australian	n/a
Orange Skin Cancer Clinic Pty Ltd	Body corporate	Trustee (vii)	Australia	100%	Australian (ii)	n/a
Orange Skin Cancer Clinic Unit Trust	Trust	n/a	n/a	n/a	Australian (ii)	n/a
Ryde Skin Cancer Clinic Pty Ltd	Body corporate	Trustee (viii)	Australia	100%	Australian (ii)	n/a
Ryde Skin Cancer Clinic Unit Trust	Trust	n/a	n/a	n/a	Australian (ii)	n/a
Bolton Street Cancer Clinic Pty Ltd	Body corporate	Trustee (ix)	Australia	100%	Australian (ii)	n/a
Bolton Street Skin Cancer Clinic Trust	Trust	n/a	n/a	n/a	Australian (ii)	n/a
Gosford SCC Pty Ltd	Body corporate	Trustee (x)	Australia	100%	Australian (ii)	n/a
SCC Gosford Unit Trust	Trust	n/a	n/a	n/a	Australian (ii)	n/a

Consolidated entity disclosure statement continued
for the year ended 30 June 2024

Entity Name	Entity Type	Trustee	Place formed or Incorporated – Body Corporate	%of share capital held – Body Corporate (i)	Australian resident or foreign resident (for tax purposes)	Foreign Jurisdiction of foreign residents
Southern Sun Pathology Pty Ltd	Body corporate	Trustee (xi)	Australia	100%	Australian (ii)	n/a
Hornsby Pathology Unit Trust	Trust	n/a	n/a	n/a	Australian (ii)	n/a
Skin Cancer Clinic Parramatta Pty Ltd	Body corporate	Trustee (xii)	Australia	100%	Australian (ii)	n/a
Skin Cancer Clinic Parramatta Unit Trust	Trust	n/a	n/a	n/a	Australian (ii)	n/a
Aussie Skin Cancer Clinic Pty Ltd	Body corporate	Trustee (xiii)	Australia	100%	Australian (ii)	n/a
Skin Cancer Clinic Hornsby Unit Trust	Trust	n/a	n/a	n/a	Australian (ii)	n/a
Wollongong SCC Pty Ltd	Body corporate	Trustee (xiv)	Australia	100%	Australian (ii)	n/a
Wollongong SCC Trust	Trust	n/a	n/a	n/a	Australian (ii)	n/a
Rouse Hill Skin Cancer Unit Trust	Trust	n/a	n/a	n/a	Australian (ii)	n/a

(i) Represents the economic interest in the entity as consolidated in the consolidated financial statements.
(ii) This entity is part of a tax-consolidated group under Australian taxation law, for which Australian Clinical Labs Limited is the head entity.
(iii) Malvern Pathology Laboratories Sdn Bhd is incorporated in Malaysia.
(iv) ACL Employee Share Trusco Pty Ltd is trustee of the Australian Clinical Labs Limited Employee Share Trust.
(v) Southern Sun Healthcare Pty Ltd – Former Name Aussie Healthcare Pty Limited is trustee of the Aussie Healthcare Unit Trust & Rouse Hill Skin Cancer Unit Trust
(vi) WSCC Healthcare Pty Ltd is trustee of the Wyong SCC Trust.
(vii) Orange Skin Cancer Clinic Pty Ltd is trustee of the Orange Skin Cancer Clinic Unit Trust.
(viii) Ryde Skin Cancer Clinic Pty Ltd is trustee of the Ryde Skin Cancer Clinic Unit Trust.
(ix) Bolton Street Cancer Clinic Pty Ltd is trustee of the Bolton Street Skin Cancer Clinic.
(x) Gosford SCC Pty Ltd is trustee of the Skin Cancer Clinic Gosford Unit Trust.
(xi) Southern Sun Pathology Pty Ltd formerly Hornsby Pathology Pty Ltd is trustee of the Hornsby Pathology Unit Trust.
(xii) Skin Cancer Clinic Parramatta Pty Ltd is trustee of the Skin Cancer Clinic Parramatta Unit Trust.
(xiii) Aussie Skin Cancer Clinic Pty Ltd formerly Skin Cancer Clinic Hornsby Pty Limited is trustee of the Skin Cancer Clinic Hornsby Unit Trust.
(xiv) Wollongong SCC Pty Ltd is trustee of the Wollongong SCC Trust.

Basis of preparation

The consolidated entity disclosure statement has been prepared in accordance with subsection 295(3A)(a) of the *Corporations Act* 2001. The entities listed in the statement are Australian Clinical Labs Limited and all the entities it controls in accordance with AASB 10 Consolidated Financial Statements.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 65 to 108 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 2024 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) the Consolidated entity disclosure statement as at 30 June 2024 set out on pages 108 to 111 is true and correct; and

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 31 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 31.

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 Deputy Chief Financial Officer required under section 295A of the *Corporations Act* 2001.

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

Michael Alscher	Melinda McGrath
Chair	CEO and Executive Director
28 August 2024	28 August 2024

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 2024, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements including material accounting policy information, the consolidated entity disclosure statement 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 2024 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 Refer to Note 1(l) and Note 13	
At 30 June 2024 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.	Our procedures included, amongst others: • 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.

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. Management's assessment of impairment of the Group's goodwill balances incorporated significant estimates and judgements in respect of factors such as forecast: • revenues; • expenses; • capital expenditure; and • economic assumptions in the cash flow model such as, discount rates, growth rates and terminal growth rate.	• Understanding and evaluating the design and implementation of management's processes 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. • 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. • Engaging an auditor's expert to evaluate the key economic assumptions to external market data. • Recalculating the mathematical accuracy of the cash flow model. • Assessing the historical accuracy of forecasting of the Group. • Performing sensitivity analysis in relation to the significant estimates and judgements made by management. • 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 2024, 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.

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.

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*; and

for such internal control as the directors determine is necessary to enable the preparation of:

(i) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
(ii) the consolidated entity disclosure statement that is true and correct and is free of 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.

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Adelaide Brisbane Melbourne Newcastle Sydney Perth

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

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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 pages 33 to 50 of the directors' report for the year ended 30 June 2024. In our opinion, the Remuneration Report of Australian Clinical Labs Limited for the year ended 30 June 2024, 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 WHITCHURCH
Partner

PITCHER PARTNERS
Melbourne

28 August 2024

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Shareholder Information
for the year ended 30 June 2024

Number of shareholders

As at 17 September 2024, there were 201,834,015 fully paid ordinary shares held by 6,817 shareholders.

Distribution of ordinary shares as at 17 September 2024

Number of shares held	No. of individuals
1–1,000	3,235
1,001–5,000	2,285
5,001–10,000	698
10,001–100,000	555
100,001–and over	44
TOTAL	**6,817**
Unmarketable Parcels	438

Number of Rights holders

As at 17 September 2024, there were 4,007,172 Rights held by 44 persons.

Distribution of Rights as 17 September 2024

Number of Rights held	No. of individuals
1–1,000	-
1,001–5,000	-
5,001–10,000	-
10,001–100,000	34
100,001–and over	10
TOTAL	**44**

Number of Options holders

As at 17 September 2024, the Company did not have any options on issue.

Shares held in escrow

As at 17 September 2024, there are no shares held in escrow.

Securities Exchange Listing

On 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 exercise of a Right carry voting rights.

Top 20 Shareholders as at 17 September 2023

Rank	Name	No. of shares	% of shares on issue
1	Citicorp Nominees Pty Limited	52,928,564	26.22
2	J P Morgan Nominees Australia Pty Limited	40,768,093	20.20
3	HSBC Custody Nominees (Australia) Limited	23,098,892	11.44
4	National Nominees Limited	19,505,294	9.66
5	Neweconomy Com Au Nominees Pty Limited	5,563,328	2.76
6	Warbont Nominees Pty Ltd	4,488,571	2.22
7	BNP Paribas Noms (NZ) Ltd	4,381,212	2.17
8	BNP Paribas Nominees Pty Ltd	2,282,496	1.13
9	Melinda McGrath	2,173,867	1.08
10	ECapital Nominees Pty Limited	2,012,539	1.00
11	UBS Nominees Pty Ltd	1,965,408	0.97
12	HSBC Custody Nominees (Australia) Limited	1,864,257	0.92
13	ACL Employee Share Trusco Pty Ltd	1,445,624	0.72
14	First Samuel Ltd ACN 086243567	1,273,234	0.63
15	HSBC Custody Nominees (Australia) Limited-GSCO ECA	1,254,600	0.62
16	HSBC Custody Nominees (Australia) Limited-GSI EDA	1,225,450	0.61
17	Mr Nicholas Barry Debenham & Mrs Annette Cecilia Debenham	1,010,800	0.50
18	Zachary Investments Pty Ltd	1,000,000	0.50
19	BNP Paribas Noms Pty Ltd	829,947	0.41
20	HSBC Custody Nominees (Australia) Limited - A/C 2	790,918	0.39
TOTAL		169,863,094	84.16

Shareholder Information continued
for the year ended 30 June 2024

Substantial shareholders as per most recent notice as at 17 September 2024

Name	Number of fully paid ordinary shares	% of total issued capital as at the date of latest notice
J P Morgan Chase & Co. and its affiliates	20,677,046	10.24
Regal Funds Management Pty Ltd and its associates	16,121,238	7.99
First Sentier Investors Holdings Pty Ltd and its related bodies corporate or associates	13,986,989	6.93
Citigroup Global Markets Australia Pty Limited and its related bodies corporate	13,702,640	6.79
Yarra Capital Management Limited and its related bodies corporate and associates	12,792,139	6.34
USB Group AG and its related bodies corporate	10,962,738	5.43
Comet Asia Holdings II Pte Ltd and its associates	10,219,396	5.06
Superannuation and Investments HoldCo Pty Ltd and its related bodies corporate	10,219,396	5.06
Commonwealth Bank of Australia and its related bodies corporate	10,219,396	5.06
Allan Gray Australia Pty Ltd and its related bodies corporate	10,157,309	5.03

Indicative corporate calendar*

2024 AGM	25 October 2024
FY25 half year results announcement	27 February 2025
FY25 year end	30 June 2025
FY25 full year results announcement	26 August 2025
2024 AGM	23 October 2025

* These dates are indicative only and are subject to change

Shareholders are reminded that under the Company's constitution any shareholder wishing to nominate themselves or another person as 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.

Corporate Directory

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

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ABN 94 645 711 128

Australian Clinical Labs Limited
1868 Dandenong Road
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