Medlab Central Limited

Annual report

for the year ended 30 June 2024

Contents

Independent auditor's report

To the shareholder of Medlab Central Limited

Our opinion

In our opinion, the accompanying financial statements of Medlab Central Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 30 June 2024, its financial performance, and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 30 June 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS RDR, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are 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 ISAs (NZ) and ISAs 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-8/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholder. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder, for our audit work, for this report, or for the opinions we have formed.

The engagement leader on the audit resulting in this independent auditor's report is Nicholas Horwood.

For and on behalf of:

PricewaterhouseCoopers

PricewaterhouseCoopers | Christchurch

7 March 2025

Corporate information

Company number
653005

Directors
Colin Stephen Goldschmidt M.B.B.Ch., F.R.C.P.A., F.A.I.C.D.

Cynric Rex Edlestone Temple-Camp MB.ChB (Rhodesia), L.R.C.P (Edinburgh), L.R.C.S (Edinburgh), L.R.C.P.S (Glasgow), M.Med.Pathology (Anat, Cape Town), F.R.C.P.A.

Bruce John Van Den Heever MB.ChB (Univ Stellenbosch), M.Med (ClinPath) (Univ Free State)

Shareholder
Melbourne Pathology Pty Limited
Shares 8,273,195

Registered office
50 Ruahine Street
Roslyn
Palmerston North, 4440

Auditor
PricewaterhouseCoopers
Christchurch

Directors' report

For the year ended 30 June 2024

The Board of Directors present their annual report including the financial statements of the company for the year ended 30 June 2024 and the independent auditor's report.

The shareholders of the company have exercised their right under section 211 (3) of the Companies Act 1993 and unanimously agreed this annual report need not comply with paragraphs (a) and (e) to (j) of section 211 (1) of the Act.

For and on behalf of the Board:

Cynric Rex Edlestone Temple-Camp

7 / 3 / 2025

Bruce John Van Den Heever

7 / 3 / 2025

Statement of comprehensive income

For the year ended 30 June 2024

	Notes	2024 $000	2023 $000
Revenue	4.a	30,882	31,114
Other income	4.b	49	65
Other expenses from ordinary activities			
Consumables		(6,687)	(6,435)
Occupancy expenses		(1,385)	(1,363)
Administrative expenses		(17,648)	(16,439)
Other expenses		(3,857)	(3,594)
		(29,577)	(27,831)
Share of profit in associates	9	296	272
Profit before income tax		1,650	3,620
Income tax expense	8	(289)	(962)
Net profit for the year, attributable to owners		1,361	2,658
Other comprehensive income		-	-
Total comprehensive income for the year, attributable to owners		1,361	2,658

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

Statement of financial position

As at 30 June 2024

	Notes	2024 $000	2023 $000
Current assets			
Cash and cash equivalents		8,456	7,261
Trade and other receivables	7	5,555	6,219
Inventories		1,261	1,196
Income tax receivable		951	621
Other investments		-	351
		16,223	15,648
Non-current assets			
Investments in associates	9	467	511
Property, plant and equipment	10	2,342	2,894
Deferred income tax assets	8	693	632
		3,502	4,037
Total assets		19,725	19,685
Current liabilities			
Trade and other payables	11	7,141	5,962
Deferred revenue	12	49	49
Employee benefits		1,720	1,765
Lease liabilities	6	141	135
		9,051	7,911
Non-current liabilities			
Deferred revenue	12	87	136
Lease liabilities	6	294	432
		381	568
Total liabilities		9,432	8,479
Net assets		10,293	11,206
Equity			
Contributed equity	13	8,459	8,459
Reserves		1,834	2,747
Total equity		10,293	11,206

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

For and on behalf of the Board, who authorised these financial statements for issue on: 7/3/ 2025

CRE. Temple-Camp

Cynric Rex Edlestone Temple-Camp

Bruce John Van Den Heever

Statement of changes in equity

For the year ended 30 June 2024

	Contributed equity (note 13) $000	Accumulated losses $000	Common controlled transaction reserve (note 13) $000	Share-based payment reserve (note 13) $000	Total equity $000
At 1 July 2023	8,459	(2,902)	5,509	140	11,206
Net profit for the year	-	1,361	-	-	1,361
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	1,361	-	-	1,361
Recognition of share-based payments	-	-	-	78	78
Dividends, fully imputed	-	(2,352)	-	-	(2,352)
	-	(2,352)	-	78	(2,274)
At 30 June 2024	8,459	(3,893)	5,509	218	10,293
At 1 July 2022	8,459	(2,560)	5,509	88	11,496
Net profit for the year	-	2,658	-	-	2,658
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	2,658	-	-	2,658
Recognition of share-based payments	-	-	-	52	52
Dividends, fully imputed	-	(3,000)	-	-	(3,000)
	-	(3,000)	-	52	(2,948)
At 30 June 2023	8,459	(2,902)	5,509	140	11,206

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

Statement of cash flows
For the year ended 30 June 2024

	Note	2024 $000	2023 $000
Operating activities			
Income generated from trading		31,353	31,734
Payments to suppliers and employees		(27,677)	(27,628)
Interest received		282	229
Government grants received		-	242
Interest paid		(24)	(30)
Income tax paid		(680)	(1,263)
Net cash flows from operating activities		3,254	3,284
Investing activities			
Investment in property, plant and equipment		(275)	(613)
Proceeds from sale of property, plant and equipment		-	16
Dividends received from associates	9	340	300
Net cash flows from/(used in) investing activities		65	(297)
Financing activities			
Dividends paid		(2,001)	(3,000)
Advances from associated entities		9	10
Repayment of lease liabilities		(132)	(120)
Net cash flows used in financing activities		(2,124)	(3,110)
Net increase/(decrease) in cash and cash equivalents		1,195	(123)
Cash and cash equivalents at 1 July		7,261	7,384
Cash and cash equivalents at 30 June		8,456	7,261

The above 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

1. Corporate information

The financial statements of Medlab Central Limited (the "company") for the year ended 30 June 2024 were authorised for issue in accordance with a resolution of the Directors.

Medlab Central Limited is incorporated and domiciled in New Zealand under the Companies Act 1993.

The nature of the operations and principal activity of the company during the year involve the provision of medical diagnostic services in New Zealand through its pathology laboratories. There has been no change in the principal activity of the company during the year.

2. Material accounting policies

a. Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993. For the purposes of complying with NZ GAAP the company is a for-profit entity.

The company is a Tier 2 for-profit entity and has elected to report in accordance with Tier 2 for-profit accounting standards as issued by the External Reporting Board (XRB). The company is eligible to report in accordance with Tier 2 for-profit accounting standards on the basis it is not publicly accountable and it is not a large for-profit public sector entity.

The financial statements are presented in New Zealand dollars which is the company's functional currency. All financial information has been rounded to the nearest thousand dollars ($000) unless otherwise stated.

b. Statement of compliance

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime ("NZ IFRS RDR").

c. Business combinations

Business combinations are accounted for using the acquisition method. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values. Acquisition-related costs are expensed as incurred and recognised in profit or loss.

The difference between the above items and the fair value of the consideration is recorded as either goodwill or discount on acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the company's cash-generating units (CGUs) expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested annually for impairment, or immediately if events or changes in circumstances indicate that it might be impaired and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Any discount on acquisition is recognised immediately on acquisition in profit or loss.

Common control transactions

Business combinations with entities under common control, such as amalgamations, are accounted for using the pooling of interests method. Assets and liabilities of the combining entities are recognised at cost and no adjustments are recognised for movements in fair value. The net assets acquired are recognised at the highest level of common ownership.

d. Associates

Associates are all entities over which the company has significant influence but not control, generally evidenced by a holding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the company by using the equity method of accounting and are initially recognised at cost.

The company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Notes to the financial statements

For the year ended 30 June 2024

2. Material accounting policies (continued)

d. Associates (continued)

Unrealised gains on transactions between the company and its associates are eliminated to the extent of the company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the company.

e. Dividends

Dividends paid are recognised in the year that they are authorised by Directors and notified to the company's shareholders.

f. Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

g. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of assets, and includes the cost of replacements that are eligible for capitalisation when these are incurred.

Repairs and maintenance expenditure is recognised in profit or loss as incurred.

Depreciation is calculated using the straight-line method to allocate the net cost of each item of property, plant and equipment (excluding land), net of their residual values over their estimated useful lives to the company. Estimates of the remaining useful lives and residual values are made on a regular basis for all assets, with annual reassessments for major items. The depreciation rates used are as follows:

Plant and equipment	5% - 20%
Computer equipment	20% - 33%
Fitout, furniture and fittings	4% - 25%
Right-of-use assets - property	20%

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

h. Impairment of non-financial assets

Non-financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are combined at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

i. Inventories

Inventories, comprising consumable stores stock, are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the first-in-first-out (FIFO) basis.

Notes to the financial statements

For the year ended 30 June 2024

2. Material accounting policies (continued)

j. Financial instruments

Financial assets are classified at initial recognition as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

All financial instruments are initially recognised at the fair value of the consideration received/transferred less, in the case of financial assets and liabilities not recorded at fair value through profit or loss, directly attributable transaction costs.

Subsequently the company applies the following accounting policies for financial instruments:

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or which are subject to an insignificant risk of changes in value.

Financial assets at amortised cost
Financial assets at amortised cost consist of trade and other receivables (note 7). Trade receivables represent the company's right to an amount of unconditional consideration (i.e. only the passage of time is required before payment of the consideration is due). Contract assets are the right to consideration in exchange for goods or services transferred to the customer. If the company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned conditional consideration.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method, and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired, as well as through the amortisation process. These are included within current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

Financial liabilities at amortised cost
Financial liabilities at amortised cost consist of trade and other payables (note 11), employee benefits and lease liabilities (note 6). Payables are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and usually paid within 30 days of recognition. Trade payables are not discounted given their short-term nature.

Financial liabilities at amortised cost are measured at amortised cost using the EIR method. Gains or losses are recognised in profit or loss when the liability is derecognised as well as through the EIR amortisation process. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liabilities for at least 12 months after balance date.

k. Impairment of financial assets

An allowance for expected credit losses (ECLs) is recognised for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received, discounted at an approximation of the original EIR. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, a simplified approach is adopted in calculating ECLs. Therefore changes in credit risk are not tracked, but instead a loss allowance is recognised based on lifetime ECLs at each balance date. The allowance is based upon observed historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

l. Employee benefits

Wages, salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of balance date, are recognised in respect of employees' services up to balance date. They are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for wages and salaries which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to balance date.

2. Material accounting policies (continued)

l. Employee benefits (continued)

Post-employment benefits
Contributions made on behalf of eligible employees to defined contribution funds are recognised in the period they are incurred. The defined contribution funds receive fixed contributions from the company, whose legal or constructive obligation is limited to these contributions only.

Share-based payments
Share-based compensation benefits are provided to qualifying employees. The fair value of stock options granted is recognised as an expense with a corresponding increase in the share-based payment reserve. The fair value is measured as at grant date and recognised over the period during which the employees become unconditionally entitled to the share options.

Recharges from the issuing parent are offset against the increase in equity.

m. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if the arrangement conveys a right to control the use of an identified asset or assets for a period of time in exchange for consideration.

At commencement of a lease, the company recognises a right-of-use asset and a lease liability. The right-of-use asset is recognised at cost, being the initial measurement of the lease liability plus any lease payments made before the commencement date, any initial direct costs, and an estimate of costs to be incurred to remove or restore the asset at the end of the lease term, less any lease incentives received. The lease liability is initially measured at the present value of the remaining lease payments, discounted at the interest rate implicit in the lease.

Variable lease payments linked to an index or rate are included in calculation of the lease liability. When the index or rate changes, or there are other changes in lease payments such as a change in lease term, the lease liability is remeasured, with a corresponding change to the associated right-of-use asset. Variable lease payments not linked to an index or rate are recognised in profit or loss when incurred.

The right-of-use asset subsequently follows the accounting policy for property, plant and equipment.

Interest on the lease liability is calculated using the EIR method and recognised as an expense in profit or loss.

Right-of-use assets and lease liabilities are not recognised for leases with a contractual lease term of 12 months or less (including any renewal terms), or for leases of low-value assets. Payments on short-term leases or leases of low-value assets are recognised as an expense in profit or loss on a straight-line basis over the lease term.

n. Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable.

Contracts with customers
Revenue from contracts with customers is recognised when control of goods or services is transferred to the customer, at the consideration expected to be exchanged for those goods or services. Amounts disclosed as revenue are net of discounts and taxes paid.

Medical services revenue is recognised at a point in time on a completed test or service basis.

Revenue from other services is recognised at a point in time when the service has been provided.

Interest income
Revenue is recognised as interest accrues using the EIR method.

o. Government grants

Government grants are recognised in the statement of financial position as a liability when the grant is received. Grants relating to expense items are recognised as income over the periods necessary to match the grant on a systemic basis to the costs it is intended to compensate. When the grant relates to an asset, the fair value is credited to deferred income and is released to profit or loss on a straight-line basis over the expected useful life of the relevant asset.

p. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the financial statements

For the year ended 30 June 2024

2. Material accounting policies (continued)

q. Goods and services tax (GST)

Revenues, expenses, assets, liabilities and cash flows are recognised net of GST except:

- when the GST incurred is not recoverable from the taxation authority; and
- receivables and payables, which are stated with GST included.

r. Income tax

Income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted at balance date.

Deferred income tax is provided on all temporary differences at balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax is calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets are recognised to the extent it is probable the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax losses or credits.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in OCI or directly in equity, in which case the related deferred tax is also recognised in OCI or equity, respectively.

3. Significant accounting judgements, estimates and assumptions

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions which effect the reported revenues, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of assets or liabilities in future periods.

Notes to the financial statements

For the year ended 30 June 2024

4. Revenue and other income

a. Revenue

	2024 $000	2023 $000
Contract with customers		
Medical services	29,487	29,826
Other services	1,113	1,059
	30,600	30,885
Interest income	282	229
	30,882	31,114

b. Other income

	2024 $000	2023 $000
Government grants - deferred revenue	49	49
Net gain on disposal of property, plant and equipment	-	16
	49	65

Government grants were recognised in relation to the acquisition of property, plant and equipment in 2022 (refer note 12).

5. Expenses

Profit before income tax includes the following expenses:

	Note	2024 $000	2023 $000
Employee benefits expense		15,105	14,554
Post-employment benefits		377	371
Share-based payments expense		672	52
Depreciation	10	827	886
Expected credit recovery		(6)	(180)
Interest expense		24	30
Net (gains)/losses on foreign exchange		(5)	4

Notes to the financial statements

For the year ended 30 June 2024

6. Leases

The company leases business premises and payment terminals.

Profit before tax includes the following income and expenses relating to leases.

	Note	2024 $000	2023 $000
Short-term lease expenses		695	655
Depreciation of right-of-use assets	10	137	137
Interest expense on lease liabilities		24	30

The total cash outflow for leases during the year was $851,000 (2023: $805,000).

The closing carrying balance and movements in right-of-use assets by asset class are disclosed in note 10.

Lease liabilities have maturities between April 2027 and June 2028 (2023: April 2027 and June 2028), with effective interest rates between 4.61% and 5.91% (2023: 4.61% and 5.91%).

Lease liabilities are disclosed in the statement of financial position as follows:

	2024 $000	2023 $000
Current	141	135
Non-current	294	432
	435	567

7. Trade and other receivables

	Note	2024 $000	2023 $000
Trade receivables		3,363	3,966
Provision for expected credit losses		(22)	(30)
Related party receivables	15	1,543	1,552
Other receivables		5	235
Prepayments		666	496
		5,555	6,219

8. Income tax

	2024 $000	2023 $000
Current income tax:		
Current income tax charge	548	1,064
Adjustments in respect of previous years	(198)	(177)
	350	887
Deferred income tax:		
Origination and reversal of temporary differences	(67)	(107)
Adjustments in respect of previous years	6	182
	(61)	75
Income tax expense	289	962

Notes to the financial statements
For the year ended 30 June 2024

8. Income tax (continued)

A reconciliation of income tax expense are as follows:

	2024 $000	2023 $000
Accounting profit before income tax	1,650	3,620
At statutory income tax rate of 28% (2023:28%)	462	1,014
Non-deductible expenses	26	19
Other	(7)	(76)
Adjustments in respect of previous years	(192)	5
	289	962

Deferred income tax

Statement of financial position	2024 $000	2023 $000
Debtors and prepayments	-	(3)
Property, plant and equipment	96	87
Provisions and other liabilities	590	543
Right-of-use assets	(115)	(154)
Lease liabilities	122	159
Net deferred income tax assets	693	632

Statement of comprehensive income	2024 $000	2023 $000
Debtors and prepayments	(3)	3
Property, plant and equipment	(9)	57
Provisions and other liabilities	(47)	19
Right-of-use assets	(39)	(38)
Lease liabilities	37	34
Deferred tax (benefit)/expense	(61)	75

The company is a member of a multinational group that will be within the scope of the Organisation for Economic Co-operation and Development ("OECD") Pillar Two Model Rules. The Pillar Two legislation was enacted in New Zealand on 27 March 2024 with an effective date of 1 January 2025.

Since the Pillar Two legislation was not effective at balance date, the company has no related current tax exposure. The company applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to NZ IAS 12 issued in July 2023.

In addition, no material tax consequences are anticipated to arise from the New Zealand Pillar Two legislation as the company is generally subject to an effective tax rate in excess of the 15% top-up threshold. The company will continue to monitor the developments of the Pillar Two legislation and evaluate the potential impact on the tax position and its financial statements.

Notes to the financial statements

For the year ended 30 June 2024

9. Investment in associates

Name of associate	Principal place of business	Ownership interest 2024 %	Ownership interest 2023 %
TLab Limited	Gisborne	50	50
Double Helix Analysis Limited	Auckland	50	50

	2024 $000	2023 $000
At 1 July	511	539
Share of profit from equity accounted investees	296	272
Dividends received	(340)	(300)
At 30 June	467	511

10. Property, plant and equipment

	Plant and equipment $000	Computer equipment $000	Fitout, furniture and fittings $000	Right-of-use assets - property $000	Total $000
Cost					
At 1 July 2023	8,688	2,124	2,696	705	14,213
Additions	171	70	34	-	275
Disposals	-	(25)	(1)	-	(26)
At 30 June 2024	8,859	2,169	2,729	705	14,462
Accumulated depreciation					
At 1 July 2023	7,283	1,742	2,137	157	11,319
Depreciation	438	159	93	137	827
Disposals	-	(25)	(1)	-	(26)
At 30 June 2024	7,721	1,876	2,229	294	12,120
Net book value at 30 June 2024	1,138	293	500	411	2,342
Net book value at 30 June 2023	1,405	382	559	548	2,894

11. Trade and other payables

	Note	2024 $000	2023 $000
Trade payables		1,579	1,360
Related party payables	15	732	179
Accruals and other payables		4,830	4,423
		7,141	5,962

Notes to the financial statements

For the year ended 30 June 2024

12. Deferred revenue

	2024 $000	2023 $000
Current	49	49
Non-current	87	136
	136	185

Government grants relating to the acquisition of property, plant and equipment in 2022 were deferred and recognised in profit or loss on a straight-line basis over the expected lives of the related assets.

13. Equity

	2024 $000	2023 $000
Contributed equity		
8,273,195 Ordinary shares - issued and fully paid (2023: 8,273,195)	8,459	8,459

Ordinary shares have no par value and each fully paid ordinary share confers on the holder the right to:

- One vote on a poll at a meeting of the company on any resolution;
- An equal share in distributions (including dividends) approved by the Board of Directors; and
- An equal share in distribution of the surplus assets of the company on dissolution.

	2024 $000	2023 $000
Dividends declared and paid during the year		
Dividends paid	2,352	3,000
	2,352	3,000

Common controlled transaction reserve

Common controlled transaction reserve arises on business combinations with entities under common control and reflects the difference between assets and liabilities recognised and the consideration paid, if any.

Share-based payment reserve

Refer to note 2.l.

14. Share-based payments

Sonic Healthcare Limited Employee Option Plan

Share-based compensation benefits are provided to eligible employees via the Sonic Healthcare Limited (the "ultimate parent") Employee Option Plan. Options granted are able to be exercised subject to the following vesting periods unless otherwise specified:

- Up to 50% may be exercised after 30 months from the date of grant.
- Up to 75% may be exercised after 42 months from the date of grant.
- Up to 100% may be exercised after 54 months from the date of grant.

Options granted under the plan expire after 58 months and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share in Sonic Healthcare Limited. The grant of options on 22 May 2020, 19 November 2021, 26 October 2022, 29 November 2023 and 31 May 2024 are subject to different vesting and expiry periods with 100% becoming exercisable three years after grant date until expiry one year later, subject to vesting conditions.

Notes to the financial statements

For the year ended 30 June 2024

14. Share-based payments (continued)

The fair value at grant date is determined using a pricing model consistent with the Black Scholes methodology that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the arrangement.

The fair value of the options is adjusted to reflect market vesting conditions (using a Monte Carlo simulation) but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance date, the entity revises its estimate of the number of options expected to vest.

Assumptions

The valuation of the options granted in 2024 and 2023 is based on the following assumptions.

	2024	2023
Fair value of share price at grant date (AU$)	3.13	4.75
Volatility	16.7%-19.1%	22.6%
Risk-free interest rate	4.0%-4.1%	3.5%
Dividend yield	3.8%-4.1%	3.2%
Expected remaining life (years)	3.5	3.5

Outstanding share options

The following table shows the movements in the number and weighted average exercise price (WAEP) of share options outstanding.

	2024 Number	2024 WAEP (AU$)	2023 Number	2023 WAEP (AU$)
Outstanding at 1 July	45,000	34.26	70,000	28.69
Granted	50,000	26.46	15,000	31.59
Exercised	(10,000)	27.28	(40,000)	23.52
Outstanding at 30 June	85,000	30.49	45,000	34.26
Exercisable at 30 June	-	-	-	-

15. Related parties

a. Ultimate parent

The immediate parent entity is Melbourne Pathology Pty Limited, a company registered and domiciled in Australia. The ultimate parent company, Sonic Healthcare Limited, is registered on the Australian Securities Exchange.

b. Transaction with related parties

The company's transactions with related parties comprise recharges for goods and services provided to/by related parties. These include management fees, recharge fees and share-based equity transactions (note 14). Dividends paid to the company's parent are disclosed in note 13.

The company sold its investment in Sonic Clinical Services Pty Ltd to the ultimate parent company on 1 July 2023 for $351,531.

The company's transactions with associates comprise recharges for goods and services provided to associates. These include management fees, licence fees and employee costs. Associate balances are interest-free and repayable on demand after current liabilities are paid.

Notes to the financial statements

For the year ended 30 June 2024

15. Related parties (continued)

b. Transaction with related parties (continued)

During the year ended 30 June 2024, the company engaged with the following related parties:

		Revenue received $000	Products purchased $000	Share-based payments expense $000	Amounts receivable $000	Amounts payable $000
Ultimate parent	2024	-	-	594	-	594
	2023	-	-	-	-	-
Subsidiaries of ultimate parent	2024	388	317	-	-	138
	2023	410	335	-	-	179
Associates	2024	1,706	11	-	30	-
	2023	1,667	-	-	39	-
Other related parties	2024	-	-	-	1,513	-
	2023	-	-	-	1,513	-
Total	2024	2,094	328	594	1,543	732
	2023	2,077	335	-	1,552	179

c. Terms and conditions of transactions with related parties

Outstanding balances at year end are unsecured and settlement occurs in cash or netting.

For the year ended 30 June 2024, the company has not made any allowance for impairment loss relating to amounts owed by related parties (2023: $nil).

d. Key management and director remuneration

	2024 $000	2023 $000
Total compensation paid to key management personnel	4,381	3,771

Remuneration is determined having regard to performance of individuals and market trends.

16. Commitments and contingencies

Contingent liabilities

The company is a party to a Deed of Cross-Guarantee between its ultimate holding company, Sonic Healthcare Limited and scheduled wholly owned subsidiaries "the group". Under the terms of the deed assets of the company may be called on to settle liabilities of the group in specific circumstances, where a group entity is wound-up. There is no material financial liability with respect to the Deed of Cross-Guarantee at balance date.

There were no other contingencies at balance date (2023: $nil).

Commitments

There were no commitments which existed at balance date.

17. Events after balance date

There have been no significant events occurring after balance date which may affect either the company's operations or results of those operations or the company's state of affairs.