

APPENDIX 4D

Company details

Name of entity:	Integral Diagnostics Limited
ABN:	55 130 832 816
Reporting period:	Half-year ended 31 December 2021
Previous period:	Half-year ended 31 December 2020

Results for announcement to the market

				\$'000
Revenues from ordinary activities	up	5.7%	to	181,531
Profit from ordinary activities after tax attributable to the owners of Integral Diagnostics Limited	down	48.7%	to	10,200
Profit for the half-year attributable to the owners of Integral Diagnostics Limited	down	48.7%	to	10,200

Dividends

Dividends were declared and paid in respect of FY21 of 12.5 cents per share.

The Directors declared an interim dividend of 4.0 cents per share (1H21: 5.5 cents per share) on 23 February 2022 payable on 4 April 2022, representing a 70% payout ratio in line with historical levels.

Comments

Statutory net profit after tax was down 48.7% to \$10.2m (1H21: \$19.9m). After adjusting for transaction, customer contract amortisation and other costs of \$2.8m (1H21: \$3.3m), operating net profit after tax was down 21.7% to \$13.0m (1H21: \$16.6m).¹

Operating revenue for 1H22 was up 5.7% to \$180.5m (1H21: \$170.7m).

1H22 was impacted by COVID-19 across all geographic areas in which we operate. The impacts include:

- Reduced patient activity due to:
 - Restrictions on elective surgery.
 - Patients' reluctance or inability to attend healthcare services.
 - Staff shortages requiring site closures or reduced operations.
- Increased employee costs due to an increased use of sick leave, a reduction in annual leave taken and border restrictions impacting staffing.
- Increased consumable costs due to ongoing use of personal protective equipment.
- Supply chain disruptions for equipment delivery and repairs resulting in delays in organic growth initiatives and increased downtime of equipment.

The Company is fully committed to maintaining and supporting our excellent team of radiologists and related medical specialists and technical staff through COVID-19 to continue the delivery of high-quality services to our patients as demand returns. Prior experience of operating in a post COVID-19 restricted environment has seen a return to historical levels of operations and a period of "catch-up" resulting in higher volumes of exams for some months. Maintaining our workforce and infrastructure to ensure we are well positioned to service increased demand when we return to pre-COVID-19 operating levels has required ongoing investment and has adversely impacted operating margins in 1H22. Where possible the Company has controlled discretionary costs.

Despite 1H22 challenges in the operating environment, the Company has delivered organic revenue growth of \$7.4m or 5.0% in Australia.

In New Zealand, the Company experienced an organic revenue decline of (\$3.9m) or (18.1)% reflecting the absence of any COVID-19 impact in 1H21. New Zealand revenues have also been impacted, albeit to a significantly lesser extent, by new referrer-owned radiology practices in Auckland. The company continues to work with industry and regulatory authorities to maintain professional, quality, arms-length referral practices that protect patient interests.

¹ 1H21 operating net profit after tax excludes the receipt of \$6.5m of net JobKeeper receipts.

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The Company is maintaining its focus on executing its organic and inorganic growth strategy. In 1H22 \$14.6m was spent on Capex, with \$10.4m relating to growth initiatives including the development of three new sites. In addition, the Company continues to progress its pipeline of bolt-on acquisitions that are both strategic and earnings accretive.

The Company believes the underlying fundamentals of the radiology industry remain strong and the Company is confident that patient volumes and historical growth patterns will over time return to pre-COVID-19 levels, and that continued investment in our workforce and infrastructure will position the Company well.

IDX continues to provide patients and referrers with excellence in diagnostic imaging across Australia and New Zealand.

Acquisition integration

The acquisition of The X-Ray Group was completed effective 1 November 2021 with integration being largely in line with expectations, albeit operating performance has been adversely affected by the recent emergence of the Omicron variant of COVID-19.

Cash flow and capital management

Net debt increased by \$39.5m largely reflecting \$33.7m of debt drawn down to fund the acquisition of the X-Ray Group and capital expenditures. At 31 December 2021 there was \$55.6m of cash available and net debt/proforma LTM EBITDA¹ was 2.5x (1H21: 1.6x).

Dividend

An interim fully franked dividend of 4.0c per share (1H21: 5.5c per share) has been declared.

The Dividend Reinvestment Plan (DRP) will again be available for participation for the 1H22 dividend distribution.

Net tangible assets

	Reporting period cents	Previous period cents
Net tangible assets per ordinary security	(112.55)	(95.64)

Control gained over entities

Effective 1 November 2021, the Group acquired the X-Ray Group business, comprising the following entities:

- X-Ray Group Pty Ltd
- Martlesham Pty Ltd
- Warby X-Ray Services Pty Ltd
- Wang X-Ray Unit Trust
- Tern Hill Pty Ltd
- Yarrawonga X-Ray Services Pty Ltd
- Yarra X-Ray Unit Trust

Loss of control over entities

Not applicable.

Details of associates and joint venture entities

Joint ventures

Name of entity	Place of incorporation	Interest 1H22 %	Interest 1H21 %
Ascot at Maranui Ltd	New Zealand	50%	50%
Med-IDX Pty Ltd	Australia	50%	-

¹ Net debt is calculated as statutory net debt excluding the impact of lease liabilities. Pro-forma LTM EBITDA excludes any impact of AASB 16 and includes trailing LTM EBITDA for acquisitions. This approach is consistent with banking covenant requirements.

Dividends

Current period

	Declared date	Amount per security cents	Franked amount per security cents
Interim Dividend declared to shareholders of the Company	23 February 2022	4.0	4.0

Previous period

	Date paid	Amount per security cents	Franked amount per security cents
Interim Dividend paid to shareholders of the Company	6 April 2021	5.5	5.5
Final Dividend paid to shareholders of the Company	6 October 2021	7.0	7.0

Audit review

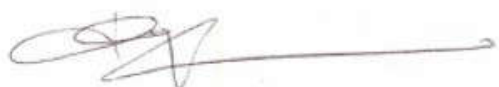
This report is based on the half year financial report for the half year ended 31 December 2021, which has been reviewed by PricewaterhouseCoopers.

Additional Appendix 4D disclosures can be found in the attached half year financial report, which contains the Directors' Report, the Directors' Declaration and the consolidated financial statements for the half year ended 31 December 2021.

This information should be reviewed in conjunction with the 2021 annual financial report and public announcements made in the period by Integral Diagnostics Limited, in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

Attachments

The Interim Financial Report of Integral Diagnostics Limited for the half-year ended 31 December 2021 is attached.



Helen Kurincic

Independent Non-Executive Chair

Melbourne

23 February 2022



Interim Report

FOR THE HALF YEAR
ENDED 31 DECEMBER 2021

We pride ourselves in the quality care and service that we deliver, in the trust that our referrers have in us, and in being the preferred provider to our patients.

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DIRECTORS' REPORT

The directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Group') consisting of Integral Diagnostics Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

The following persons were directors of Integral Diagnostics Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Helen Kurincic (Independent Non-Executive Chairman)

John Atkin (Independent Non-Executive Director)

Raelene Murphy (Independent Non-Executive Director)

Dr Ian Kadish (Managing Director and Chief Executive Officer)

Dr Nazar Bokani (Executive Director)

Dr Jacqueline Milne (Executive Director)

Rupert Harrington (Independent Non-Executive Director) was a director from the beginning of the financial year until his resignation on 18 December 2021

Principal activities

During the half-year, the principal continuing activity of the Group was the provision of diagnostic imaging services.

Significant changes in the state of affairs

Effective 1 November 2021, the Group acquired the shares of The X-Ray Group which:

- Comprises five diagnostic imaging clinics, in northern Victoria and southern New South Wales;
- Contracts 3 of Albury Wodonga's leading diagnostic imaging specialists in oncology, gynaecology obstetrics, paediatrics, breast, chest and musculoskeletal imaging; and
- Complements IDX's existing regional footprint.

The key terms of the acquisition included:

- Upfront purchase consideration of \$36.8m million on a cash and debt free basis, comprising \$24.8m in cash and \$12.0m in escrowed ordinary IDX shares;
- An FY22 earn-out of up to \$4.0m and an FY23 earn-out of up to \$2.5m, subject to the earnings performance;
- Deferred consideration of up to \$1.0m payable on the third anniversary of completion of the transaction; and
- 100% of the equity consideration will be held in escrow for up to five years.

See Note 14 to the financial statements for full details of this transaction.

There were no other significant changes to the state of affairs of the Group during the financial half-year.

Review of operations

Statutory net profit after tax was down 48.7% to \$10.2m (1H21: \$19.9m). After adjusting for transaction, acquisition integration, customer contract amortisation and other costs of \$2.8m (1H21: \$3.3m), operating net profit after tax was down 21.7% to \$13.0m (1H21: \$16.6m).¹

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DIRECTORS' REPORT

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Acquisition & integration

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Cash flow & capital management

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Dividend

An interim fully franked dividend of 4.0c per share (1H21: 5.5c per share) has been declared, representing a 70% payout ratio in line with historical levels.

The Dividend Reinvestment Plan (DRP) will again be available for participation for the 1H22 dividend distribution.

Subsequent events

An interim fully franked dividend of 4.0c per share was declared on 23 February 2022.

On 23 February 2022, the Group announced that it entered into a binding agreement to acquire the Peloton Radiology Group. The transaction is subject to satisfaction of a number of conditions precedent, including approval by the Australian Competition and Consumer Commission (ACCC). On 23 February 2022, the Group announced a fully underwritten pro-rata accelerated non-renounceable entitlement offer. The proceeds from the entitlement offer will be partially used to fund the acquisition of the Peloton Radiology Group. The entitlement offer also provides the Group with additional balance sheet flexibility to support investment in identified bolt-on M&A opportunities that are aligned to our strategy. Further details of the acquisition and entitlement offer are included in the associated market announcement and investor presentation.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Rounding of amounts

The Company is of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report and the financial statements have been rounded off, except where otherwise stated, in accordance with that Legislative Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

¹ Net debt is calculated as statutory net debt excluding the impact of lease liabilities. Pro-forma LTM EBITDA excludes any impact of AASB 16 and includes trailing LTM EBITDA for acquisitions. This approach is consistent with banking covenant requirements.

Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 06.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001* on behalf of the directors.



Helen Kurincic
Independent Non-
Executive Chair



Dr Ian Kadish
Managing Director and Chief
Executive Officer

23 February 2022
Melbourne

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the review of Integral Diagnostics Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Integral Diagnostics Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to be 'JP'.

Jason Perry
Partner
PricewaterhouseCoopers

Melbourne
23 February 2022

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the half year ended 31 December 2021

	Note	31 Dec 21 \$'000	31 Dec 20 \$'000
Revenue			
Revenue	4	181,531	171,749
Interest and other income		125	106
Total revenue and other income		181,656	171,855
Expenses			
Consumables		(9,299)	(8,262)
Employee benefits		(110,436)	(90,692)
Depreciation		(9,832)	(9,432)
Amortisation of customer contracts		(1,430)	(1,758)
Amortisation of right of use asset		(6,208)	(5,814)
Transaction and integration costs		(817)	(862)
Equipment		(6,288)	(5,995)
Occupancy		(3,983)	(3,938)
Other		(11,952)	(10,925)
Share-based payment expense		(1,061)	(1,083)
Finance costs		(5,008)	(4,269)
Share of net profits of joint ventures accounted using the equity method		(119)	10
Total expenses		(166,433)	(143,020)
Profit before income tax expense		15,223	28,835
Income tax expense		(5,023)	(8,939)
Profit for the half-year from continuing operations		10,200	19,896
Profit is attributable to:			
Owners of Integral Diagnostics Limited		10,200	19,896
		Cents	Cents
Earnings per share attributable to the owners of Integral Diagnostics Limited			
Basic earnings per share		5.09	10.09
Diluted earnings per share		5.03	9.98

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 31 December 2021

	Note	31 Dec 21 \$'000	31 Dec 20 \$'000
Profit for the half-year		10,200	19,896
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations, net of tax		533	232
		533	232
Total comprehensive income for the half-year		10,733	20,128
Total comprehensive income for the half-year is attributable to:			
Owners of Integral Diagnostics Limited		10,733	20,128

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at half year ended 31 December 2021

	Note	31 Dec 21 \$'000	30 Jun 21 \$'000
Assets			
Current assets			
Cash and cash equivalents	5	55,563	62,203
Trade and other receivables		16,793	14,260
Other assets		10,141	4,874
Inventory		1,309	914
Total current assets		83,806	82,251
Non-current assets			
Property, plant and equipment		120,307	111,094
Right-of-use assets		109,631	100,391
Intangibles	7	385,607	344,729
Deferred tax assets		17,169	16,335
Investments accounted for using the equity method		82	99
Total non-current assets		632,796	572,648
Total assets		716,602	654,899
Liabilities			
Current liabilities			
Trade and other payables		21,889	20,271
Contingent consideration		19,010	15,863
Borrowings	9	7,753	6,543
Lease liabilities	15	12,032	10,427
Income tax payable		1,792	4,509
Provisions		23,416	20,286
Total current liabilities		85,892	77,899
Non-current liabilities			
Borrowings	9	222,839	192,185
Contingent consideration		8,990	7,246
Lease liabilities	15	107,738	99,199
Deferred tax liability		13,956	13,826
Provisions		10,189	9,805
Total non-current liabilities		363,712	322,261
Total liabilities		449,604	400,160
Net assets		266,998	254,739
Equity			
Contributed capital	10	234,531	219,219
Reserves		(8,311)	(8,883)
Retained profits		40,778	44,403
Total equity		266,998	254,739

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2021

	Note	Contributed capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2020		207,437	(10,800)	31,693	228,330
Profit for the half-year after income tax expense		-	-	19,896	19,896
Movement on translation of foreign operations		-	232	-	232
Total comprehensive income for the period		-	232	19,896	20,128
Transactions with owners in their capacity as owners:					
Shares issued under radiologist incentive scheme		1,500	-	-	1,500
Share based payments		-	1,083	-	1,083
Net deferred tax asset impact of transaction costs in equity		28	-	-	28
Shares issued as consideration for a business combination		9,857	-	-	9,857
Costs associated with issue of equity		(92)	-	-	(92)
Dividends paid		297	-	(7,734)	(7,437)
Balance at 31 December 2020		219,027	(9,485)	43,855	253,397

	Note	Contributed capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2021		219,219	(8,883)	44,403	254,739
Profit for the half-year after income tax expense		-	-	10,200	10,200
Movement on translation of foreign operations		-	533	-	533
Total comprehensive income for the period		-	533	10,200	10,733
Transactions with owners in their capacity as owners:					
Shares issued under radiologist incentive scheme		1,500	-	-	1,500
Share based payments		-	1,061	-	1,061
Net deferred tax asset impact of transaction costs in equity		(109)	-	-	(109)
Shares issued for cash consideration		300	-	-	300
Shares issued as consideration for a business combination	14	12,000	-	-	12,000
Shares issued on vesting of executive LTI performance rights		1,022	(1,022)	-	-
Dividends paid	11	599	-	(13,825)	(13,226)
Balance at 31 December 2021		234,531	(8,311)	40,778	266,998

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2021

	Note	31 Dec 21 '000	31 Dec 20 '000
Cash flows from operating activities			
Receipts from customers		181,639	172,463
Payments to suppliers and employees		(149,534)	(114,821)
Transaction and integration costs relating to acquisition of subsidiaries		(817)	(862)
Interest and other finance costs paid		(4,958)	(4,269)
Interest received		125	61
Income taxes paid		(9,759)	(10,489)
Net cash from operating activities		16,696	42,083
Cash flows from investing activities			
Payments for purchase of subsidiaries, net of cash acquired	14	(24,025)	(35,430)
Payments in settlement of contingent consideration		(831)	(392)
Payments for property, plant and equipment		(13,241)	(7,766)
Payment for investment in joint venture entity		(101)	-
Net cash used in investing activities		(38,198)	(43,588)
Cash flows from financing activities			
Proceeds from issue of share capital		1,800	1,793
Proceeds from borrowings drawn		33,742	32,107
Repayment of borrowings		(1,878)	(8,217)
Repayment of the principal element of lease liabilities		(5,356)	(4,873)
Dividends paid to Company shareholders		(13,226)	(7,437)
Net cash from financing activities		15,082	13,373
Net increase (decrease) in cash and cash equivalents		(6,420)	11,868
Cash and cash equivalents at the beginning of the half-year		62,203	57,965
Effects of exchange rate changes on cash and cash equivalents		(220)	(1,071)
Cash and cash equivalents at the end of the half-year	5	55,563	68,762

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1. General information

The financial report covers Integral Diagnostics Limited as a Group consisting of Integral Diagnostics Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (collectively referred to as the 'Group'). The financial statements are presented in Australian dollars, which is Integral Diagnostics Limited's functional and presentation currency and are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

Integral Diagnostics Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Suite 9.02, Level 9
45 William Street
Melbourne VIC 3000

A description of the nature of the Group's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 February 2022.

2. Significant accounting policies

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of preparation

The financial report has been prepared on a going concern basis.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

NOTES TO THE FINANCIAL STATEMENTS

3. Segment information

Identification of reportable operating segments

The Group comprises the single reportable operating segment of the operation of diagnostic imaging facilities.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers (CODM) which includes the KMP of the Company. The CODM are responsible for the allocation of resources to operating segments and assessing their performance.

Other information

Revenue is attributable to the country where the service was transacted. The consolidated entity operates in two main geographical areas, being Australia and New Zealand.

	31 Dec 21 \$'000	31 Dec 20 \$'000
<i>Total revenue and other income from continuing operations</i>		
Australia	159,996	150,311
New Zealand	21,660	21,544
	181,656	171,855

	31 Dec 21 \$'000	30 Jun 21 \$'000
<i>Total non-current assets</i>		
Australia	471,548	410,740
New Zealand	161,248	161,908
	632,796	572,648

4. Revenue

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Sales revenue		
Services revenue	180,495	170,710
Other revenue	1,036	1,039
Revenue	181,531	171,749
Timing of revenue recognition		
At a point in time	172,540	163,999
Over time	8,991	7,750
	181,531	171,749

Accounting policy for revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and except for specific customer contracts where service revenues are recognised over time, all revenue recognised is at a point in time.

Rendering of services

Rendering of services revenue is recognised when the service is rendered for the provision of medical imaging services. Except for specific customer contracts where service revenues are recognised over time on a straight-line basis, service revenues are recognised at the time the images are read and reported on.

NOTES TO THE FINANCIAL STATEMENTS

5. Cash and cash equivalents

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Cash on hand	21	16
Cash at bank	55,542	62,187
	55,563	62,203

6. Property, plant and equipment

During the six months ended 31 December 2021, the Group acquired assets and work in progress with a cost of \$14.6m excluding those assets acquired as part of the acquisition of the X-Ray Group disclosed in Note 14 (six months ended 31 December 2020: \$10.3m).

During the six months ended 31 December 2021, the Group disposed of assets with a written down value of \$0.2m (six months ended 31 December 2020: \$0.5m).

7. Intangibles

	Note	31 Dec 2021 \$'000	30 June 2021 \$'000
Goodwill - at cost		356,425	315,790
Brand names - at cost		25,950	24,745
Customer contracts - at cost		15,859	15,320
Less: Accumulated amortisation		(12,627)	(11,126)
		3,232	4,194
Total Intangible Assets		385,607	344,729

Reconciliations:

Reconciliations of the written down values at the beginning and end of the half year are set out below:

	Note	Goodwill \$'000	Brand names \$'000	Customer contracts \$'000	Total \$'000
Balances at 1 July 2021		315,790	24,745	4,194	344,729
Acquisitions	14	39,366	1,100	430	40,896
Amortisation expense		-	-	(1,430)	(1,430)
Foreign exchange differences		1,269	105	38	1,412
Balance at 31 December 2021		356,425	25,950	3,232	385,607

Reconciliations of the carrying values by geographic segment are set out below:

	Australia \$'000	New Zealand \$'000	Total \$'000
Goodwill	239,579	116,846	356,425
Brand names	16,184	9,766	25,950
Customer contracts	1,983	1,249	3,232
Balance at 31 December 2021	257,746	127,861	385,607

NOTES TO THE FINANCIAL STATEMENTS

8. Impairment test for intangible assets

Goodwill and brand name assets were last tested for impairment at 30 June 2021. This test involved the preparation of value in use calculations to ensure that recoverable amounts for these assets exceeded their carrying values. Further details regarding this testing were disclosed in Note 14 to the Group's 2021 Consolidated Financial Statements.

At 31 December 2021, the Group has considered whether there are any impairment indicators that warrant impairment testing. In the Group's cash generating unit (CGU) in New Zealand, the adverse impact of COVID-19 together with an emerging issue of referrer-owned radiology practices in the Auckland market were considered impairment indicators.

The timing of recovery from COVID-19 and the longer-term impact of the referrer-owned radiology practices on the New Zealand CGU are highly uncertain at this stage and will be continually monitored and acted upon appropriately. The company continues to work with industry and regulatory authorities to maintain professional, quality, arms-length referral practices that protect patient interests.

Based on an assessment of this matter, including the expected recovery in performance post COVID-19, impairment testing concluded that no impairment was required. This situation will continue to be monitored and tested again at the 30 June 2022 financial year end.

Based on a similar review of the CGU in Australia, testing was not required.

Key assumptions

The recoverable amount is determined based on value-in-use calculations which require the use of assumptions. The key assumptions and the degree to which they would have to change for the recoverable amount of the CGU in New Zealand to equal its carrying value are as follows:

	30 Jun 21	31 Dec 21	Break even rate
5 year compound annual revenue growth rate	6.3%	5.6%	(2.3%)
Long-term growth rate	1.5%	1.5%	(2.8%)
Pre-tax discount rate	12.6%	12.6%	16.6%

9. Borrowings

	Note	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Current			
Asset financing facility		7,753	6,543
Non-current			
Asset financing facility		7,723	4,216
Club debt facility		215,116	187,969
		222,839	192,185
Total borrowings		230,592	198,728

10. Contributed capital

	Consolidated		Consolidated	
	31 Dec 21 Shares	30 Jun 21 Shares	31 Dec 21 \$'000	30 Jun 21 \$'000
Ordinary shares – fully paid	202,795,912	198,628,698	234,531	219,219

Issued capital movements relate to the issuing of shares as part of business combinations (refer note 14 for further details), employee share schemes and reinvested of dividends. Refer to the statement of changes in equity for further detail in relation to the movement in paid up capital for the period.

	Date	Number of shares	Issue price	Shares \$'000
Balance at 1 July 2021		198,628,698		219,219
Shares issued on conversion of performance rights	30 August	601,807	1.70	1,022
Shares issued under radiologist loan share scheme – self-funded ¹	3 September	302,367	4.96	1,500
Shares issued under radiologist loan share scheme – loan-funded ¹	3 September	507,976	-	-
Shares issued under dividend reinvestment plan	6 October	126,859	4.72	599
Shares issued as consideration for acquisition	1 November	2,628,205	4.68	12,300
Net income tax effect of transaction costs in equity		-		(109)
Balance at 31 December 2021		202,795,912		234,531

1. Eligible radiologists have been invited to participate in a loan funded share scheme where participants will be granted fully paid ordinary shares in the Company. Participants are required to make a cash contribution towards the purchase of shares (self-funded shares) and are granted a limited recourse loan from the Company which will be used to fund the acquisition of additional shares (loan-funded shares). The value of the loan shares is not attributable until the loan is fully repaid at the holder's option.

NOTES TO THE FINANCIAL STATEMENTS

11. Dividends

Dividends paid during the financial year were as follows:

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Interim Dividend paid 5.5 cents per share on 7 April 2020	-	10,625
Final Dividend paid 4.0 cents per share on 1 October 2020	-	7,734
Interim Dividend paid 5.5 cents per share on 6 April 2021	10,824	-
Final Dividend paid 7.0 cents per share on 6 October 2021	13,825	-
	24,649	18,359

12. Related party transactions

All transactions with KMP are made on commercial arm's length terms and conditions, and in the ordinary course of business. The Board has an established Related Party Transaction Policy, that is overseen by the Audit, Risk and Compliance Committee (ARCC), to ensure that related party transactions are managed and disclosed in accordance with the Corporations Act, ASX Listing Rule 10.1, accounting requirements and in accordance with good governance practices, to ensure that a financial benefit is not provided to related parties without approval by the Board, and where required, shareholders. It is the Board's policy that independent reviews will be undertaken on any renewals and these reviews will be overseen by the ARCC.

No transactions with related parties occurred within the current period. The following transactions occurred with related parties in the comparative period:

	Consolidated \$	Interest %	\$
Period ended 31 December 2020			
Payment for rental of buildings to Eleven Eleven How Pty Ltd	188,363	6.25%	11,773
Payment for rental of buildings to Kiwi Blue Pty Ltd	121,350	9.09%	11,031

Terms and conditions

The related party transactions are historic in nature and relate to leases assumed from previous vendors when the business was privately held. Dr Chien Ho has a 6.25% interest in Eleven Eleven How Pty Ltd and a 9.09% interest in Kiwi Blue Pty Ltd respectively. The leases cover two properties located in Ocean Grove and Melton. Dr Chien Ho retired from the Board effective 1 March 2021.

Loans to related party

	31 December 2021 \$	31 December 2020 \$
Balance at the beginning of the period	470,747	-
Dividend payment withholding	(10,238)	-
	460,509	-

Dr. Bokani is a full-time radiologist employed by the Group. The loan above arose on Dr Bokani's participation in the radiologist loan share scheme in 2019, prior to his appointment as a director. The non-recourse loan was made on an interest-free basis, is subject to a 4-year continuous service condition, has a 10-year term, and is repayable in full on 1 March 2029 and is thus accounted for as a share option. These terms are consistent with those offered to other radiologists under rules governing the loan share scheme.

13. Contingent liabilities and commitments

The Group had given bank guarantees at 31 December 2021 of \$2.7m (31 December 2020: \$2.4m) to various landlords.

The Group had capital commitments for plant and equipment of \$9.8m at 31 December 2021 (31 December 2020: \$3.2m).

There has been no other significant change to the substance or value of commitments to those disclosed in the 30 June 2021 financial report.

14. Business combinations

Acquisition completed in the current period

Effective 1 November 2021, the Group acquired the shares of the X-Ray Group which:

- Comprises leading radiology clinics in Albury and Wodonga, as well as three smaller community clinics in Wangaratta, Yarrawonga and Lavington.
- Employs three Radiologists under long term employment arrangements including Dr James Mullins, a highly experienced radiologist who has worked in the Albury Wodonga and Northeast region for 25 years.
- Has a projected FY22 EBITDA contribution, of between \$5.0m and \$5.5m, on a pro-forma full year basis and before any COVID-19 impacts.
- Has one full MRI licence.
- Is EPS accretive in year one before any COVID-19 impacts.
- Has strong growth opportunities and potential operational synergies.

The key terms of the acquisition included:

- Upfront purchase consideration of \$36.8m on a cash and debt free basis, comprising \$24.8m in cash and \$12.0m in new ordinary IDX shares.
- A FY22 earn-out of up to \$4.0m and FY23 earn-out of up to \$2.5m, subject to EBITDA performance hurdles.
- Deferred consideration of up to \$1.0m payable on the third anniversary of completion of the transaction.

Although the purchase price accounting has not yet been finalised as at the date of this report, the initial values identified in relation to the acquisition are as follows:

NOTES TO THE FINANCIAL STATEMENTS

	Fair value recognised on acquisition \$'000
Plant and equipment	4,298
Right of use assets	8,999
Customer contracts	430
Brand name	1,100
Deferred tax	(129)
Lease liabilities	(8,999)
Employee benefits	(764)
Provisions	(1,406)
Cash assets	834
Working capital assets	1,823
Working capital liabilities	(2,193)
Net assets acquired	3,993
Goodwill	39,366
Acquisition-date fair value of the total consideration transferred	43,359
Representing:	
Cash paid to vendor	24,859
Integral Diagnostics Limited shares issued to vendor	12,000
Contingent consideration	6,500
	43,359
Net cash acquired with subsidiary	(834)
Cash paid	24,859
Net cash flow on acquisition	24,025

Acquisition-related costs

Acquisition-related costs of \$169,115 have been expensed in transaction and integration costs for the period.

Contingent consideration

The contingent consideration arrangement requires the Group to pay the vendors of the X-Ray Group a percentage of the FY22 and FY23 EBITDA subject to hurdles being met, up to a maximum undiscounted amount of \$6,500,000. There is no minimum amount payable.

The fair value of the contingent consideration arrangement was estimated at \$6,500,000 calculating the present value of the future expected cash flows.

Revenue and profit contribution

X-Ray Group has contributed revenues of \$2,421,065 to the Group for the period from 1 November 2021 to 31 December 2021. The net profit contribution cannot be reliably measured due to this requiring the use of estimates and judgements around extracted synergies and allocation of shared costs for which objective information is limited.

Similarly, it is impracticable to provide pro-forma revenue and net profit as if the acquisition of X-Ray Group had occurred on 1 July 2021 as this would require assessment of the impact of COVID-19 driven operating restrictions in the proforma period which would be judgemental and hypothetical.

15. Leases

Reconciliation of movements for the period:

\$'000	31 Dec 2021
Lease liabilities recognised at 1 July 2021	109,626
Lease liabilities assumed on acquisition	8,999
Remeasurement of liability for CPI adjustments	498
Early termination of leases	(2,400)
New leases entered during the period	8,403
Repayment of lease liabilities, net of interest	(5,356)
Lease liabilities recognised at 31 December 2021	119,770
Representing:	
Current lease liabilities	12,032
Non-current lease liabilities	107,738
Total lease liabilities recognised at 31 December 2021	119,770

16. Fair value measurement

There has been no change in the valuation techniques applied by the Group in measuring the fair value of its financial assets and liabilities, and there were no transfers between levels within the fair value hierarchy during the period.

Contingent consideration

The Group continues to work through the settlement of the contingent consideration relating to the Earn Out A liability arising on the acquisition of Imaging Queensland. A \$12.4m provision, measured on the operating performance of the Imaging Queensland Group over the 2020 calendar year, continues to be carried at the date of this report. The settlement of this liability remains subject to the dispute resolution process provided for in the Share Sale Contract, as disclosed in Note 20 to the Group's 2021 Consolidated Financial Statements. The Group remains confident, and has received preliminary external expert advice, that the amount provided for settlement of the Earn Out A liability is fair, reasonable and calculated in line with the requirements of our contractual obligations under the Share Sale Contract.

17. Events after the reporting period

An interim fully franked dividend of 4.0 cents per share was declared on 23 February 2022.

On 23 February 2022, the Group announced that it entered into a binding agreement to acquire the Peloton Radiology Group. The transaction is subject to satisfaction of a number of conditions precedent, including approval by the Australian Competition and Consumer Commission (ACCC). On 23 February 2022, the Group announced a fully underwritten pro-rata accelerated non-renounceable entitlement offer. The proceeds from the entitlement offer will be partially used to fund the acquisition of the Peloton Radiology Group. The entitlement offer also provides the Group with additional balance sheet flexibility to support investment in identified bolt-on M&A opportunities that are aligned to our strategy. Further details of the acquisition and entitlement offer are included in the associated market announcement and investor presentation.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

- The attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001* on behalf of the directors.



Helen Kurincic
Independent Non-
Executive Chair



Dr Ian Kadish
Managing Director and Chief
Executive Officer

23 February 2022
Melbourne

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF INTEGRAL DIAGNOSTICS LIMITED



Independent auditor's review report to the members of Integral Diagnostics Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Integral Diagnostics Limited (the Company) and the entities it controlled from time to time during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Integral Diagnostics Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

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

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF INTEGRAL DIAGNOSTICS LIMITED



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A stylized, handwritten signature of PricewaterhouseCoopers in a cursive script.

PricewaterhouseCoopers

A stylized, handwritten signature of Jason Perry in a cursive script.

Jason Perry
Partner

Melbourne
23 February 2022

