APPENDIX 4E
PRELIMINARY FINAL REPORT

1. Company details

Name of entity:	Integral Diagnostics Limited
ABN:	55 130 832 816
Reporting period:	Year ended 30 June 2017
Previous corresponding period:	Year ended 30 June 2016

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	7.1%	to	179,732
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	up	19.0%	to	33,611
Earnings Before Interest and Tax (EBIT)	up	21.8%	to	23,780
Profit from ordinary activities after tax attributable to the owners of Integral Diagnostics Limited	up	35.9%	to	15,480
Profit for the year attributable to the owners of Integral Diagnostics Limited	up	35.9%	to	15,480

Comments

The profit for the Company after providing for income tax amounted to $15.48million (2016: $11.38 million)

On 1 July 2016, the Group acquired the Western District Radiology business and the remaining 50% interest in South West MRI Pty Ltd for the total consideration of $4.954 million, being $3.679 million cash payment and $1.275 million of issued shares (908,056 shares issued at $1.4041 per share). This acquisition fits the Company's strategic criteria and further strengthens the Group's position in the south west region of Victoria. See Note 32 to the financial statements for full details of this transaction.

On the 21 May 2017 John Livingston resigned as the Managing Director and Chief Executive Officer. On the 22 May 2017 the new Managing Director and Chief Executive Officer, Ian Kadish joined Integral Diagnostics Limited.

Profit after income tax expense reconciles to EBIT and EBITDA as follows:

	Consolidated	
	2017 $'000	2016 $'000
Profit after income tax expense	15,480	11,388
Interest received	(370)	(263)
Share of profits of associates	-	(2)
Finance costs	2,841	3,333
Income tax expense	5,829	5,062
Earnings Before Interest and Tax (EBIT)	23,780	19,518
Depreciation and amortisation expense	9,831	8,720
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	33,611	28,238

Refer to the 'operating and financial review' on pages 23 to 30 for further information and explanation of the Appendix 4E.

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3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible asset per ordinary security	(9.36)	(9.58)

4. Dividends

Current period

	Amount per security	Franked amount per security
	Cents	Cents
Interim dividend for the half year ended 31 December 2016 paid on 31 March 2017	3	3
Final dividend for the year ended 30 June 2017 payable 4 October on 2017	4	4

On 23 August 2017 the directors declared a fully franked final dividend of 4 cents per ordinary share with a record date of 1 September 2017 to be paid on 4 October 2017.

Previous period

	Amount per security	Franked amount per security
	Cents	Cents
Final dividend for the year ended 30 June 2016 paid on 4 October 2016	4	4

5. Dividend reinvestment plans

The following dividend or distribution plans are in operation: Not applicable

The last date(s) for receipts of election notices for the dividend or distribution plans: Not applicable

6. Control gained over entities

On 1 July 2016, the Group acquired the remaining 50% interest in South West MRI Pty Ltd as part of the acquisition of the Western District Radiology Business – see Note 32 to the Financial Statements for further details of this transaction. As a result of the transaction Integral Diagnostics owned 100% of South West MRI Pty Ltd. This entity has since been wound up and no longer exists.

7. Loss of control over entities

Not applicable

8. Details of associates and joint venture entities

N/A

9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The accounts have been audited and an unqualified opinion has been issued.

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10. Attachments

Details of attachments (if any):

The Annual Report of Integral Diagnostics Limited for the year ended 30 June 2017 is attached.

11. Signed



Helen Kurincic

Chairman
23 August 2017
Melbourne



Ian Kadish

Managing Director and Chief Executive Officer

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Annual Report 2017

integral DIAGNOSTICS



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About Us

The focus and ethos of providing the highest quality diagnostic imaging services, trusted by referers, and preferred by patients, is unwavering.

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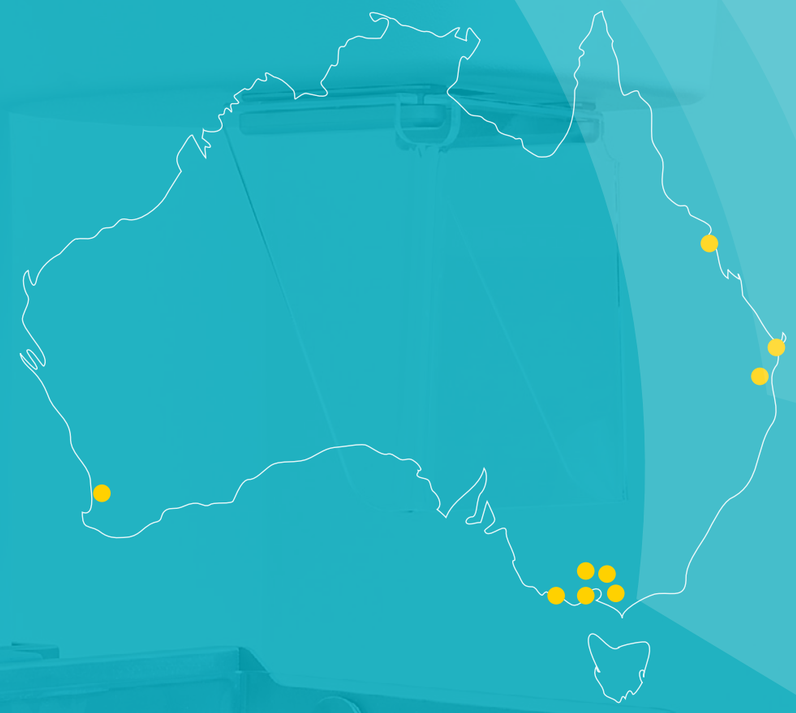
Our Locations



Victoria

- Ballarat (4 sites)
- Geelong (7 sites)
- Melbourne metropolitan (1 site)
- Outer western areas of Melbourne (10 sites)
- Warrnambool (1 site)

Queensland

- Gold Coast (10 sites)
- Mackay (1 site)
- Toowoomba (1 site)

Western Australia

- South west Western Australia (9 sites)

Global Diagnostics

Lake imaging
insight into your health

SOUTH COAST RADIOLOGY

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Chairman's Report



Dear shareholders,

On behalf of the Board, I present the 2017 Annual Report for Integral Diagnostics Limited.

The performance of the Company over the 12 months ended 30 June 2017 (FY17) was within market guidance provided at the half year, but was below the Board and management's expectations. Whilst revenue grew 7.1%, cost growth was higher, leading to a $1.5 million decline (9.3%) in underlying NPAT performance compared to FY16.

Dr Ian Kadish, an experienced CEO, has been recruited to lead the Company in its strategy execution and improve financial returns given the strength and opportunities of the Integral Diagnostics business.

Throughout the Company, the focus and ethos of providing the highest quality diagnostic imaging services, trusted by referrers and preferred by patients, is unwavering. This was evident during the many site visits undertaken by Board members across all three States we operate in.

FY17 results

Revenue was up 7.1% to $179.7 million, reflecting a full year of South West MRI Pty Ltd/Western District Radiology, which was successfully acquired on 1 July 2016 and integrated into the Group, and organic growth across all business units.

Underlying examination volume growth was 4.6%. This was below our expectations and slightly below Medicare data of 5.1% in the States in which we operated, with volatility across the year reflecting wider industry and competitive dynamics in our key regions. Ensuring Integral Diagnostics maintains and grows its historical share of industry growth is a key focus for FY18.

The Company incurred expenditure growth of $13.5 million, resulting in an overall underlying NPAT performance of $15.1 million, which was $1.5 million below FY16. The Company has the capacity and infrastructure in place to support an increased volume of diagnostic imaging services and will focus on disciplined cost management with its new leadership to improve earnings.

Integral Diagnostics has net debt of $48.7 million and comfortable gearing at 1.4x net debt to EBITDA. The Company has the capital structure in place to support its growth strategy and pursue attractive value accretive acquisitions.

Reflecting the Company's strong balance sheet, financial performance and outlook, your Board was pleased to announce a fully franked final FY17 dividend of 4.0 cents per share, taking the full year FY17 dividend to 7.0 cents per share fully franked, in line with a payout ratio of 65-75% of net profit after tax and amortisation.

Smooth transition to fresh leadership

After completing a thorough search process, the Board appointed Dr Ian Kadish as CEO and Managing Director, effective 22 May 2017. With substantial healthcare and listed company experience in Australia and overseas, Ian brings an important mix of medical training, broad international exposure, and strong finance, IT and M&A experience in high-growth organisations.

The CEO transition was smooth, with John Livingston resigning as CEO for personal health reasons. John was the co-founder of Lake Imaging in 2002, and the entire Board, management and team at Integral Diagnostics wish John all the best in his recovery and future endeavours.



Revenue was up 7.1% to $179.7 million, reflecting a full year of South West MRI Pty Ltd/Western District Radiology, which was successfully acquired on 1 July 2016 and integrated into the Group, and organic growth across all business units.

Craig Bremner resigned as Chief Financial Officer effective 31 August 2017 after 12 years with the Company. The transition to Anne Lockwood, the Company's Financial Controller and former partner of a major accounting firm, appointed as Interim CFO is well underway.

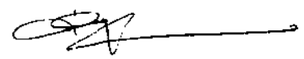
Garry Hounsell resigned as a Non-Executive Director on 31 March 2017 given the time commitments required for another significant listed Chair role. As a result, Rupert Harrington, who was a member of the Audit and Risk Committee, was appointed Chair of that Committee.

Positioned to capitalise on attractive long-term industry fundamentals

The regulatory environment is now clearer following the Federal Government's decision in May 2017 not to remove bulk billing incentives for diagnostic imaging. In addition, the Federal Government has committed to reintroducing MBS rebate indexation for a small number of diagnostic imaging services from July 2020. The diagnostic imaging sector has operated with an MBS rebate freeze for nearly two decades. We support the campaign to improve affordability of all diagnostic services by reintroducing indexation for all items in line with the reintroduction of GP indexation from 2018.

The long-term industry fundamentals remain, and underpin attractive future growth opportunities for Integral Diagnostics, which we are well positioned to capitalise on. Australia has a growing and ageing population requiring greater healthcare support. At the same time, community expectations for higher quality healthcare and diagnosis continue to rise, while new imaging technologies improve efficiency and aid diagnosis and early recognition of disease.

The support of our shareholders and their involvement in our Company is greatly valued by the Board and we thank you and encourage your continued participation. Special thanks to the exceptional radiologists, imaging and support staff of Integral Diagnostics who contribute to patient diagnosis and treatment, critical in patient healthcare.



Helen Kurincic
Chairman

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Managing Director and Chief Executive Officer's Report



Dear shareholders,

I am honoured to be writing to you as the Company's recently appointed CEO and Managing Director. I am excited to lead Integral Diagnostics as we execute on our development and growth strategy. Integral Diagnostics is uniquely positioned as a focused diagnostic imaging company that is 30% owned by its radiologists, is passionate about quality care and clinical leadership, and is a market leader in the regions in which it operates.

While I have been a part of Integral Diagnostics for only a few months, it quickly became clear to me that our radiologist team is among the finest in the country. Our radiologists have the reputation, the skills and the expertise that have enabled us to build a loyal referral network in three States, and a quality reputation in all States. We have also invested in high-quality clinical staff and world-class imaging assets. Going forward, this positions the Company well to deliver on our promise of quality patient care and service to our referrers, and thereby increase value to our shareholders. Ultimately good medicine is good business.

Operational highlights

Integral Diagnostics has historically invested in leading-edge technology and staff to position the business to meet expected long-term growth in demand for diagnostic health services. This has adversely impacted margins and earnings. The Company has the capacity and infrastructure in place to support an increased volume of diagnostic imaging services. Going forward, our investments will be tailored to current growth patterns, with disciplined execution focused on generating the returns necessary.

Over the course of the last year, Integral Diagnostics delivered the following operational achievements:

- successfully acquired and integrated Western District Radiology and South West MRI;
- executed five, five-year contracts with the West Australian Country Health Service relating to the provision of reporting contracts in remote regions;
- expanded capacity in Toowoomba, Sunbury and Geelong;
- refurbished diagnostic imaging facilities at Pindara Private Hospital;
- installed new MRI machines and facilities at Robina and John Flynn Private Hospital;
- purchased a Mobile MRI; and
- upgraded IT platforms to support improved medical imaging and digital reporting.

Outlook

We will continue to invest in the business but will be focused on improving margins through disciplined cost management,driving growth organically and through value accretive acquisitions. Coupled with a more stable regulatory environment, we are looking forward to a better FY18.

Growth will be achieved organically by leveraging the infrastructure and resources already in place, through investment in key strategic relationships with private hospital groups, and through developing specialised diagnostic centres of excellence. We will execute on strategically aligned acquisitions, and will ensure that we continue to provide quality care and service to our patients and referrers. An ageing population and better-informed patients will continue to drive demand for better health insights, and Integral Diagnostics is well placed to benefit from this growth.



Our radiologists have the reputation, the skills and the expertise that have enabled us to build a loyal referral network in three States, and a quality reputation in all States.

I would like to take this opportunity to thank our referrers, doctors and staff for their ongoing support and commitment.

On behalf of IDX, we look forward to delivering quality healthcare to our patients, outstanding service and valuable insights to our referrers, a preferred place to work for our doctors and staff, and improving returns for our investors.



Dr Ian Kadish
(Appointed 22 May 2017)
Managing Director and Chief Executive Officer
MBBCh, MBA

Directors' Report

For year ended 30 June 2017

The Directors present their report, together with the financial statements, on 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 for the year ended 30 June 2017.

The information referred to below forms part of, and is to be read in conjunction with, this Directors' Report:

- the Operating and Financial Review (OFR) on pages 23 to 30; and
- the Remuneration Report on pages 14 to 21.

Directors

The following persons were Directors of Integral Diagnostics Limited during the whole of the financial year and up to the date of this Report, unless otherwise stated:

Helen Kurincic (Independent Non-Executive Chairman)	
Dr Ian Kadish (Managing Director and Chief Executive Officer)	Appointed 22 May 2017
John Livingston (Managing Director and Chief Executive Officer)	Resigned 21 May 2017
Dr Chien Ping Ho (Executive Director)	
Dr Sally Sojan (Executive Director)	
John Atkin (Independent Non-Executive Director)	
Rupert Harrington (Independent Non-Executive Director)	
Garry Hounsell (Independent Non-Executive Director)	Resigned 31 March 2017

Principal activities

During the financial year, the principal activity of the Group was the provision of diagnostic imaging services.

Business strategies, prospects and likely developments

The OFR on pages 23 to 30 of the Annual Report sets out information on the business strategies, prospects and likely development for the future financial years.

Review and results of operations

A review of the operations of the Group during the financial year, the results of those operations and the financial position of the Group is contained in the OFR on pages 23 to 30.

Dividends paid in the year ended 30 June 2017

Dividends paid/payable during the financial year were as follows:

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Dividend paid to shareholders of the Company at $0.04 cents per share paid 4 October 2016	**5,803**	-
Dividend paid to shareholders of the Company at $0.03 cents per share paid on 30 March 2017	**4,351**	-

Significant changes in the state of affairs

On 1 July 2016, the Group acquired the Western District Radiology business and the remaining 50% interest in South West MRI Pty Ltd for the total consideration of $4,954,000, being $3,679,000 cash payment and $1,275,000 of issued shares (908,056 shares issued at $1.4041 per share). This acquisition fits the Company's strategic criteria and further strengthens the Group's position in the south-west region of Victoria. See Note 32 to the financial statements for full details of this transaction.

On 21 May 2017 John Livingston resigned as the Managing Director and Chief Executive Officer. On 22 May 2017 the new Managing Director and Chief Executive Officer, Ian Kadish joined Integral Diagnostics Limited.

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

Matters subsequent to the end of the financial year

Subsequent to year-end, a fully franked dividend of 4 cents per share was declared on 23 August 2017 and will be paid on 4 October 2017.

The Directors are not aware of any other matters or circumstances that have arisen since the end of the financial year which have 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.

Environmental regulations

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law. During the financial year the Group was not convicted of any breach of environmental regulations.

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Information on Directors

Helen Kurincic
Independent Non-Executive Chairman
MBA, FAICD, Grad Dip Wom Stud, PBC Crit Care, Cert Nsg



Helen Kurincic is the Chairman of Integral Diagnostics and has deep Executive and Board-level experience in the healthcare industry. Helen is currently a Non-Executive Director of HBF Health Limited, Estia Health Limited and a senior advisor in the healthcare sector. She was the Chief Operating Officer and Director of Genesis Care from its earliest inception creating and developing the first and largest radiation oncology and cardiology network across Australia.

Prior to that Helen held various executive and Non-Executive healthcare sector roles including Non-Executive Director of DCA Group Limited (diagnostic imaging services in Australia and the United Kingdom), Non-Executive Director of AMP Capital Investors Domain Principal Group, CEO of Benetas, Non-Executive Director of Melbourne Health and Orygen Research Centre.

Ms Kurincic has also been actively involved in healthcare government policy reform including appointments by health ministers as Chair of the Professional Programs and Services Committee for the Fourth Community Pharmacy Agreement and Member of the Minister's Implementation Taskforce and Minister's Reference Group for the Long Term Reform of Aged Care.

Other current directorships	Estia Health Ltd
Former directorships (in the last three years)	None
Special responsibilities	Chair of the Nominations Committee and Member of the Audit, Risk and Compliance Committee and People and Remuneration Committee
Interests in shares	420,870 ordinary shares (indirectly)

Dr Ian Kadish
(Appointed 22 May 2017)
Managing Director and Chief Executive Officer
MBBCh, MBA



Dr Ian Kadish was appointed Managing Director and Chief Executive Officer of IDX on 22 May 2017. Ian began his career as a medical doctor in Johannesburg, South Africa.

He subsequently completed an MBA at the Wharton Business School at the University of Pennsylvania and followed this with several roles overseas including CSC Healthcare, McKinsey and Company, and Netcare, a major hospital group in South Africa and the United Kingdom where Ian was Executive Director from 1997 to 2006. Ian was instrumental in growing the group from 5 hospitals with a revenue of $60 million, to 119 hospitals and revenue of $3 billion.

Since migrating to Australia in 2006, Ian's roles have included CEO and MD of Healthcare Australia, CEO and MD of Pulse Health Group (ASX-listed hospital group) and CEO of Laverty Pathology.

Other current directorships	None
Former directorships (in the last three years)	None
Special responsibilities	None
Interests in shares	None

John Livingston
(Resigned 21 May 2017)
Managing Director and Chief Executive Officer
BAppSci (Med Rad), GradDipHSc (Edu), GradCertBus (Mgt), GAICD



John Livingston is a founding partner of Integral Diagnostics.

John has more than 20 years' experience in healthcare, working in both public and private radiology settings. As one of the founding partners of Lake Imaging, John has grown the business through the introduction of new services, greenfield facilities and various mergers and acquisitions which have resulted in Integral Diagnostics moving towards a national platform; namely the arrangements with St John of God and South Western MRI in Victoria; Global Diagnostics in Western Australia and South Coast Radiology in Queensland.

John was awarded the AGFA International award for Development of Digital Imaging Solutions in 2005. He has presented in Australia and abroad on the digital radiology environment, as well as business strategies and systems within the commercial sector. With a special interest in the enhancement of radiology efficiency, John is considered an industry leader in the use of innovation to enhance referrer and patient outcomes.

Before moving into the private radiology sector, John held senior radiology positions in the public sector.

Other current directorships	None
Former directorships (in the last three years)	None
Special responsibilities	None
Interests in shares	2,467,230 ordinary shares (indirectly)

Dr Chien Ping Ho
Executive Director
MBBS, FRANZCR, GAICD



Dr Chien Ping Ho is a fellow of the Royal Australian and New Zealand College of Radiologists and an accredited MRI supervising radiologist.

Upon completion of his radiology training at The Royal Melbourne Hospital, Dr Ho undertook advanced training at three London hospitals – Chelsea and Westminster Hospital, The Royal National Orthopaedic Hospital and University College Hospital.

During this time he completed an MRI/musculoskeletal fellowship and also spent time as a staff specialist. Dr Ho commenced with Lake Imaging in 2004 and is currently a consultant radiologist for Integral Diagnostics in Victoria. Dr Ho has considerable experience across all radiology modalities with a special interest in musculoskeletal and body imaging.

Other current directorships	None
Former directorships (in the last three years)	None
Special responsibilities	Chair of the National Clinical Leadership Committee
Interests in shares	2,445,481 ordinary shares (indirectly)

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Information on Directors continued

Dr Sally Sojan
Executive Director
MBBS, FRANZCR, FAANMS, GAICD



Dr Sally Sojan graduated from the University of Queensland with a medical degree. Dr Sojan completed her radiology fellowship at the Princess Alexandra Hospital in Brisbane. Dr Sojan then completed her nuclear medicine and PET qualifications at The Royal Brisbane Hospital and The Royal Adelaide Hospital followed by an MRI fellowship at The Mater Private Hospital in Brisbane.

Dr Sojan commenced working at South Coast Radiology where she established the first PET service on the Gold Coast. Her specialty interests include nuclear medicine and PET and musculoskeletal MRI. Dr Sojan was previously the Chair of the South Coast Radiology Board Meetings and has been a Board member of Integral Diagnostics for three years.

Other current directorships	None
Former directorships (in the last three years)	None
Special responsibilities	Member of the National Clinical Leadership Committee
Interests in shares	1,026,491 ordinary shares (indirectly)

John Atkin
Independent Non-Executive Director
BA, LLB, FAICD



John Atkin is a Non-Executive Director of IPH Limited. John is currently the Nomination and Remuneration Committee Chair of IPH Limited and is a member of the Audit and Risk Committee. John was Chief Executive Officer and Managing Director of The Trust Company Limited from 2009 to 2013 prior to its successful merger with Perpetual Limited. Prior to joining the Trust Company, John was the managing partner and Chief Executive Officer of leading Australasian law firm Blake Dawson (now Ashurst). Before this, John was a senior mergers and acquisitions partner of Mallesons Stephen Jacques (Now King & Wood Mallesons). John is Chairman of the Australian Outward Bound Foundation and a member of the Board of the State Library of New South Wales Foundation.

Other current directorships	IPH Limited
Former directorships (in the last three years)	Aurizon Holdings Limited, GPT Metro Office
Special responsibilities	Chair of the People and Remuneration Committee and a member of the Audit, Risk and Compliance Committee and Nominations Committee
Interests in shares	132,945 ordinary shares (indirectly)

Rupert Harrington
Independent Non-Executive Director
BTech, MSc, CDipAF



Rupert Harrington is a major shareholder and Executive Chairman of Advent,a leading Australian private equity manager. Rupert has been involved in private equity since 1987 and is considered to be one of the founders of the Australian industry. Prior to Advent, Rupert had eight years' general management experience at both corporate and operational management levels. During Rupert's time at Advent, he has been either a Director or Chairman of 26 investee companies, including businesses operating in the manufacturing, services and high-technology sectors spanning many facets of the investment process at all stages of the growth cycle. He was actively involved in all aspects of Advent's recent healthcare investment in Primary Health Care and Genesis Care.

Other current directorships	Clover Corporation Limited, Bradken Limited
Former directorships (in the last three years)	None
Special responsibilities	Chair of the Audit, Risk and Compliance Committee, and a member of the People and Remuneration Committee and Nominations Committee
Interests in shares	177,176 ordinary shares (directly) and 78,534 ordinary shares (indirectly)

Garry Hounsell (Resigned 31 March 2017)
Independent Non-Executive Director
BBus (Accounting), FCA, FAICD



Garry was a senior partner of Ernst & Young and Chief Executive Officer and Country Managing Partner of Arthur Andersen. Garry is currently the Chair of Spotless Group Holdings Limited (since March 2017) and the Chair of Helloworld Travel Limited (since 2016). He is a Director of Treasury Wine Estates Limited (since 2012) Dulux Group Limited (since 2010). Garry is currently the Audit Committee Chair for Spotless Group Holdings Limited, Treasury Wine Estates Limited and Dulux Group Limited. Garry was Chairman of PanAust Limited (2008 to 2015) and eMitch (2006 to 2008) and a Director of Qantas Airways Limited (2005 to 2015), Orica Limited (2004 to 2012), Nufarm Limited (2004 to 2012) and Mitchell Communications Group Limited (2008 to 2010).

Other current directorships	Treasury Wine Estates Limited Helloworld Travel Limited, Dulux Group Limited, Spotless Group Holdings Limited
Former directorships (in the last three years)	PanAust Limited, Qantas Airways Limited
Special responsibilities	Chair of the Audit, Risk and Compliance Committee and a member of the People and Remuneration Committee and Nominations Committee
Interests in shares	20,000 ordinary shares (directly)

Other current directorships quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Former directorships (last three years) quoted above are directorships held in the last three years for listed entities only and excludes directorship of all other types of entities, unless otherwise stated.

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Company Secretary

Sonia Joksimovic (BBus, AFIN, FGIA, GAICD) was the Company Secretary until her resignation which was effective on the 7 August 2017. Sonia is an experienced chartered secretary with over nine years' experience across listed small market capitalisation, unlisted and private companies, specialising in governance, compliance and other corporate matters.

Kathryn Davies (BBus, GAICD, CPA) was appointed Company Secretary effective 8 August 2017. Kathryn, holding a Bachelor of Business with a double major in Accounting and Business Law, is a Certified Practising Accountant and a Graduate of the Australian Institute of Company Directors, acts for companies as both advisor or Executive. Ms Davies has significant experience in capital markets, negotiating and delivering on large scale business transactions and international stakeholder management. She also has extensive corporate and commercial experience and has worked across technology, healthcare and natural resources sectors. Most recently, she has been the Company Secretary of Japara Healthcare Ltd, interim Chief Financial Officer of Planet Innovation Pty Ltd and is a current Non-Executive Director of Golden Rim Resources Ltd.

Meetings of Directors

	Board		Audit, Risk and Compliance Committee		People and Remuneration Committee		Nomination Committee	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Helen Kurincic	15	15	8	8	7	7	4	4
John Livingston	12	12	-	-	-	-	-	-
Dr Ian Kadish	2	2	-	-	-	-	-	-
Dr Chien Ping Ho	15	15	-	-	-	-	-	-
Dr Sally Sojan	15	14	-	-	-	-	-	-
Garry Hounsell	11	9	6	6	5	4	2	2
John Atkin	15	15	8	7	7	7	4	4
Rupert Harrington	15	14	8	8	7	6	2	1

Held: represents the number of meetings held during the time the Director held office and was eligible to attend as a member.

Indemnity and insurance of officers

The Company's Constitution requires the Company to indemnify any person who is, or has been, an officer of the Company, including the Directors, Executives and the Company Secretary of the Company, on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities (including all reasonable legal costs) incurred by the officer as an officer of the Company or of a related body corporate.

In accordance with the Company's Constitution, the Company has entered into a deed of indemnity, insurance and access with each of the Company's Directors. Under the deeds of indemnity, insurance and access, the Company must maintain a Directors' and officers' insurance policy insuring a Director (among others) against liability as a Director and officer of the Company and its related bodies corporate until seven years after a Director ceases to hold office as a Director or a related body corporate (or the date any relevant proceedings commenced during the seven-year period have been finally resolved). No Director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the financial year.

During the financial year, the Company has paid a premium in respect of a contract insuring officers of the Company and its subsidiaries against all liabilities that they may incur as an officer of the Company, including liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with some exceptions. Due to confidentiality obligations and undertakings of the policy, no further details in respect of the premium or the policy can be disclosed.

Indemnity and insurance of the auditor

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for the non-audit services provided during the financial year by the auditor are outlined in Note 27 to the financial statements.

The non-audit services provided were largely for work performed pertaining to compliance tax services.

The Directors are satisfied that the provision of non-audit services provided during the financial year by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in Note 27 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of PricewaterhouseCoopers

There are no officers of the Company who are former audit partners of PricewaterhouseCoopers.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the C*orporations Act 2001* is set out on page 22.

Auditor

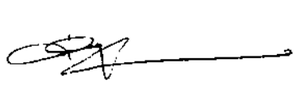
PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

Rounding of amounts

The Company is 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 in the financial statements have been rounded off, except where otherwise stated, in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

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

On behalf of the Directors



Helen Kurincic
Chairman



Ian Kadish
Managing Director and Chief Executive Officer

23 August 2017
Melbourne

Remuneration Report

For year ended 30 June 2017

The Remuneration Report, which has been audited, outlines the Director and Executive remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The Remuneration Report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration

B. Details of remuneration

C. Other transactions with KMP and their related parties

D. Service agreements

E. Additional disclosures relating to KMP

A. Principles used to determine the nature and amount of remuneration

The objective of the Group's Executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns Executive reward with the achievement of strategic objectives and the creation of value for shareholders. The Board of Directors ('the Board') works to ensure that Executive reward satisfies the following key criteria for good governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage/alignment of Executive compensation; and
- transparency.

People and Remuneration Committee

The People and Remuneration Committee (PRC) is governed by the PRC Charter and is responsible for determining and reviewing compensation arrangements for the Directors, Executive Directors, Executives and Senior Management including:

(a) Review and recommend to the Board arrangements for remuneration including contract terms, annual remuneration and participation in any short and long-term incentive plans.

(b) Review and recommend to the Board major changes and developments in the Company's remuneration, superannuation, recruitment, retention and termination policies and procedures.

(c) Review and recommend to the Board short-term incentive strategy, performance targets and bonus payments for the CEO and the Executives that report to the Board.

(d) Review and recommend to the Board the remuneration arrangements for the Chairman and the Non-Executive Directors of the Board, including fees, travel and other benefits.

(e) Be satisfied that the Committee, the Board and management have available to them sufficient information and external advice to ensure informed decision-making regarding remuneration.

The PRC also reviews and makes recommendations to the Board in regards to 'people' by monitoring and reviewing the Senior Management performance assessment process, reviewing major changes and developments in the personnel practices and industrial relations strategies of the Group, senior leadership succession planning, and overseeing the effectiveness of the Diversity Policy.

The following Non-Executive Directors, all of whom are currently regarded as independent, were members of the PRC for the entire financial year (unless otherwise noted):

John Atkin – Chairman	Independent, Non-Executive Director
Helen Kurincic	Independent, Non-Executive Director
Rupert Harrington	Independent, Non-Executive Director
Garry Hounsell	Independent, Non-Executive Director (resigned 31 March 2017)

Executives do not participate in any remuneration matters under the PRC Charter. The PRC meets quarterly or as often as necessary in order to fulfil its role.

Non-Executive Directors' remuneration arrangements

Under the Constitution, the Board decides the remuneration to which each Director is entitled for his or her service as a Director. However, the total aggregate amount provided to all Non-Executive Directors for their services as Directors must not exceed in any financial year the amount fixed by the Company in general meeting. This amount has been fixed at $1,000,000.

The annual base Non-Executive Director fees currently agreed to be paid by the Company are $200,000 to the Chairman and $100,000 to each of the other Non-Executive Directors. Effective 1 October 2017 Rupert Harrington was entitled to receive Directors' fees.

The following additional annual fees are payable to Committee members, except the Chairman:

- $20,000 will be paid to the Chair of the Audit, Risk and Compliance Committee and $10,000 will be paid to each member of that Committee; and
- $12,000 will be paid to the Chair of the People and Remuneration Committee and $6,000 will be paid to each member of that Committee.

No additional fees were paid to Nomination Committee Chair or members. All Directors' fees include superannuation.

The PRC reviewed Directors' fees and had determined no increase for the 2017 financial year. There will also be no Director fee increase for the 2018 financial year.

Executive Directors' remuneration arrangements – Dr Chien Ping Ho and Dr Sally Sojan

Dr Chien Ping Ho and Dr Sally Sojan are deemed to be Executive Directors as they are employed as radiologists by the Company. The key terms of their employment contracts as radiologist shareholders are consistent with all radiologist shareholders and include a fixed salary at market rate plus allowances where appropriate and in line with market.

Dr Chien Ping Ho and Dr Sally Sojan are entitled to receive Medical Director Fees for representative Clinical Leadership roles up to $100,000 in aggregate. They do not receive remuneration in their capacity as Directors.

Executive remuneration arrangements

The Executive remuneration and reward framework for the 2017 financial year has three components:

- base pay and non-monetary benefits;
- short-term performance incentives; and
- other remuneration such as superannuation and leave entitlements.

The combination of these comprises the Executives' total remuneration.

The Executive remuneration is reviewed annually by the PRC, based on individual and business performance, the overall performance of the Group and comparable market data.

The short-term incentives (STI) program is designed to align the targets of the business with the Executives responsible for meeting those targets. Financial and non-financial targets and KPIs are reviewed annually by the PRC and approved by the Board to ensure STI payments are aligned with the short-term objectives of the business while consistent with the long-term strategy of the Company.

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A. Principles used to determine the nature and amount of remuneration continued

STI payments for the year ended 30 June 2017 were based on the performance of the business against the following Executive KPIs:

- 50% financial target based on achievement of year-on-year EBIT growth measures; and
- 50% strategic priority targets such as safety and quality, business development, technology and organisational capability transformation.

The achievement of the 50% financial target of EBIT growth was a gateway hurdle to being assessed against the other KPIs for STI payment. Given that EBIT growth targets were not met the achievement of the additional KPIs was not assessed for the purpose of determining the payment of a STI. The maximum STI opportunity for 30 June 2017 was $352,000 of which nil was deemed to be payable to the Executive by the Board.

There were no equity-based long-term incentives (LTIs) in place for the 2017 financial year. The new CEO, Dr Ian Kadish who commenced 22 May 2017 has an LTI contained within his employment agreement effective from FY18 with plan rules and terms subject to approval by shareholders at the Company's 2017 AGM. See the section on 'Service Agreements' on page 19 for more detail.

Performance against key measures

The Company aims to align its Executive remuneration to its strategic and business objectives and the creation of shareholder wealth. The table below shows measures of IDX's financial performance over the last two years as required by the *Corporations Act 2001*. These are not necessarily consistent with the measures used in determining variable amounts of remuneration awarded to key management personal. However, for FY17 no STI's were paid reflecting dissapointing financial performance as indicated in the measures below:

Key measures of the Group	2017	2016
Underlying EBITDA as a % of revenue	**18.6%**	21%
Underlying NPAT as a % of revenue	**8.4%**	9.9%
EPS (cents per share)	**10.7**	8.2
Return on operating assets (based on normalised NPAT)	**11.6%**	13.4%
Declared dividend payout ratio on NPAT	**65.6%**	-

Use of remuneration consultants

The Board ensures that any recommendations made by consultants in relation to remuneration arrangements of KMP at Integral Diagnostics must be made directly to the Board without any influence from management. The arrangements in place ensure any advice is independent of management and includes management not being able to attend Board or Committee meetings where recommendations relating to their remuneration are discussed.

The remuneration consultants engaged by the Board, Godfrey Remuneration Group Pty Ltd (GRG), completed a report for the Board on market benchmarking of Senior Executive remuneration during the 2017 financial year. The total consideration paid to GRG for the advice provided was $18,000 excluding GST.

The scope of the report and all discussions with GRG were undertaken by the Chair of the PRC and the Chair of the Board together with Non-Executive Directors of the PRC.

No discussions were held between GRG and the Executive KMP. Accordingly, the Board is satisfied that the recommendations made by GRG are free from undue influence by any member of the KMP to whom the recommendations relate.

B. Details of remuneration

Amounts of remuneration

The KMP of the Group consisted of the Directors of Integral Diagnostics Limited and the following Executives:

- Craig Bremner – Chief Financial Officer; and
- Gregory Hughes – Chief Operating Officer.

Details of the remuneration received by the Group's KMP for the current and prior financial years are set out in the following tables.

	Short-term benefits		Post-employment benefits	Long-term benefits	
2017	Cash salary and fees $	Cash incentive $	Superannuation $	Long service leave $	Total $
Non-Executive Directors					
Helen Kurincic	**182,648**	**-**	**17,352**	**-**	**200,000**
Garry Hounsell[1]	**86,301**	**-**	**8,199**	**-**	**94,500**
John Atkin	**111,416**	**-**	**10,584**	**-**	**122,000**
Rupert Harrington[2]	**82,160**	**-**	**7,340**	**-**	**89,500**
Executive Directors					
John Livingston[3]	**444,801**	**-**	**20,193**	**-**	**464,994**
Dr Ian Kadish[4]	**44,268**		**4,205**	**1,205**	**49,678**
Dr Chien Ping Ho[5]	**617,607**	**-**	**20,823**	**9,198**	**647,328**
Dr Sally Sojan[5]	**702,572**	**-**	**25,000**	**8,644**	**736,216**
	2,271,473	**-**	**113,696**	**19,047**	**2,404,216**
Other key management personnel					
Craig Bremner[6]	**301,717**	**-**	**19,616**	**5,029**	**326,362**
Gregory Hughes	**301,717**	**-**	**19,616**	**5,029**	**326,362**
	603,434	**-**	**39,232**	**10,058**	**652,724**

1. Resigned effective 31 March 2017.
2. Eligible for Directors' fees from 1 October 2016 and Chair of ARCC from April 2017.
3. Resigned as Executive Director effective 21 May 2017, employment cessation effective 31 July 2017.
4. Appointed effective 22 May 2017.
5. Remuneration includes Medical Director fees for the entire financial year.
6. Resigned to be effective 31 August 2017.

Given that no STIs were paid, the proportion of remuneration paid in the 2017 financial year and linked to performance for all executives was nil.

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2016	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash incentive[1] $	Post-employment benefits: Superannuation $	Long-term benefits: Long service leave $	Total $
Non-Executive Directors					
Helen Kurincic	166,667	-	15,833	-	182,500
Garry Hounsell	86,301	-	8,199	-	94,500
John Atkin	83,643	-	7,857	-	91,500
Rupert Harrington	-	-	-	-	-
Mark Jago[2]	-	-	-	-	-
Robert-Radcliff Smith[2]	-	-	-	-	-
Executive Directors					
John Livingston	486,018	120,000	19,308	14,709	640,035
Dr Chien Ping Ho[3]	563,355	-	19,308	16,988	599,651
Dr Sally Sojan[3]	591,020	-	25,000	8,336	624,356
Dr Alexius Meakin[4]	162,885	-	7,705	2,256	172,846
Dr Donald Barrie[5]	61,406	-	4,826	724	66,956
	2,201,295	120,000	108,036	43,013	2,472,344
Other key management personnel					
Craig Bremner	294,218	80,000	19,308	9,250	402,776
Gregory Hughes	294,218	-	19,308	9,250	322,776
	588,436	80,000	38,616	18,500	725,552

1. Cash incentives made to Executives in the 2016 financial year relate solely to performance during the Company's IPO preparation and process. No STI payments were deemed by the Board to be payable to the Executive for performance for the year ended 30 June 2016. The above table does not include payments made to John Livingston, Craig Bremner and Gregory Hughes of $117,189, $47,372 and $47,372 respectively, which relate to the 2015 financial year and were prior to the IPO.
2. Resigned as a Director 30 September 2015 – received no remuneration for 2016.
3. Remuneration includes Medical Director fees from October 2015.
4. Resigned as a Director 30 September 2015 – remuneration disclosed is from 1 July 30 September 2015 only.
5. Resigned as a Director 31 July 2015 – remuneration disclosed from 1 July 31 July 2015 only.

C. Other transactions with KMP and their related parties

	Consolidated 30 June 2017 $
Payment for goods and services	
Cleaning fees paid to GJJ Hughes Pty Ltd of which Gregory Hughes is related to[1]	**12,500**
Payment for rental of buildings to Perhaps Holdings Pty Ltd of which Chien Ping Ho and John Livingston are related[2]	**44,120**
Payment for rental of buildings to Eleven Eleven How Pty Ltd of which Chien Ping Ho, John Livingston, Gregory Hughes and Craig Bremner are related to	**391,934**
Payment for rental of buildings to Kiwi Blue Pty Ltd of which Chien Ping Ho and John Livingston are related to	**225,307**

1. The cleaning arrangement with GJJ Hughes Pty Ltd was terminated in February 2017.
2. The property rented through Perhaps Holdings Pty Ltd was sold in February 2017 by Perhaps Holdings Pty Ltd to an independent third party.

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, to ensure that related party transactions are managed and disclosed in accordance with the Corporations Act, ASX Listing Rule 10.1 and accounting requirements and in accordance with good governance obligations, to ensure that financial benefit is not given to related parties without approval by the Board, and where required, shareholders.

The related party transactions set out above were historical arrangements in place when the business was privately held. It is the Board's policy that independent reviews will be undertaken on any renewals and these reviews will be overseen by the Audit, Risk and Compliance Committee.

D. Service agreements

Remuneration and other terms of employment for Executive KMP are formalised in service agreements. Details of these agreements are as follows:

Chief Executive Officer (CEO)

Dr Ian Kadish (Appointed CEO 22nd May 2017)

The CEO is employed under an ongoing contract until terminated as set out in the termination provisions below. There is no minimum term.

Under the terms of the contract:

- the CEO receives fixed remuneration of $480,000 per annum, which represents the CEO's total employment cost inclusive of the Employee's Salary, superannuation, fringe benefits tax, motor vehicle allowance and any other benefits as may be agreed between the Employer and the Employee from time to time;
- relocation allowance of up to $20,000 in the first year of employment;
- an annual bonus for FY18 of up to $100,000 where the Board may at its discretion, decide that the Employee should receive a bonus having regard to the overall performance of the Group and the progress made by the Employee in achieving the performance goals set by the Board at the outset of the period;
- the CEO is entitled to a long-term incentive for FY18 having a maximum face value equal to $500,000 to be provided through the grant of performance rights (zero priced options) issued at the volume weighted average trading price of ordinary shares in Integral Diagnostics on the Australian Stock Exchange for the 30 trading days prior to the commencement of the Employee's appointment. Vesting is to be tested at the four-year point (that is, based on the Integral Diagnostics accounts for the year ended June 2021 and will be determined by reference to the improvement in EPS in FY21 over FY17). Vesting of 100% will occur if compound annual growth rate (CAGR) of earnings per share (EPS) equals or exceeds 15%. There will be no vesting if EPS CAGR is less than 5%. There will be 20% vesting at EPS CAGR of 5% and pro-rata vesting between 5% and 15%.

  EPS growth rate is to be calculated by reference to an assumed conservative gearing in line with Board's current policy. The Board, at its discretion, may allow a re-test at five years if the EPS result for the fourth year is 'knocked off track' due to some extreme event or circumstance.

  If there is a merger, takeover or change of control or other significant transaction (including buy-back or reduction of capital) the Board has a discretion as to whether or not the formula and benchmarks for calculating for EPS growth are adjusted to exclude some or all of the impact of that transaction so the Employee is not unfairly benefited or impacted by the transaction (i.e. avoid any windfall gains or unfair penalties).

  If Integral Diagnostics is subject to a takeover (or merger by way of scheme of arrangement) resulting in a change of control, the LTI will immediately vest pro-rata relative to the time period that has elapsed between 22 May 2017 and the change of control event and having regard to the CAGR of EPS achieved or reasonably estimated by the Board to have been achieved in the period prior to the change in control.

  The performance rights and any shares in Integral Diagnostics arising from the vesting and exercise of the performance rights are subject to a holding lock and cannot be traded or dealt with by the Employee in any way for the maximum period taxing on receipt of the performance rights can be deferred under the applicable tax legislation. The shares will be entitled to dividends during this period. Once receipt of the shares is included in the Employee's taxable income, they may sell so much of the shares as is reasonably required to meet the tax payable in connection with their receipt, with the balance held subject to escrow conditions that match those applicable to radiologist shareholders in Integral Diagnostics; and
- the CEO's remuneration will be reviewed on an annual basis. Any increase in the Employee's remuneration is at the sole discretion of Integral Diagnostics Limited.

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John Livingston (Resigned as CEO 21 May 2017)

The CEO was employed under an ongoing contract with a minimum employment term of three years, expiring 31 July 2017.

Under the terms of the contract:

- the CEO received fixed remuneration of $505,680 per annum, which includes superannuation;
- the CEO's STI opportunity was $192,000; and
- fixed remuneration had an annual indexation of 2% or CPI, whichever is higher subject to satisfactory individual and business performance as determined by the Company acting reasonably.

Termination provisions for Executives

Termination provisions of KMP are formalised in their individual employment agreements. Details of these agreements are as follows:

Name:	Dr Ian Kadish
Title:	Chief Executive Officer
Agreement commenced:	22 May 2017
Term of agreement:	No fixed end date
Details:	Either the Company or the Executive may terminate the agreement by giving six months' notice in writing. Upon termination the Company at its absolute discretion may elect to pay out the notice period, or any remaining part of the notice period, based on the Executive's salary component only of the TEC including superannuation or place the Executive on garden leave. Notwithstanding the above, the Company may terminate the Executive's employment without notice for serious misconduct. Upon termination of the Executive agreement, the Executive will be subject to a restraint of trade period of 15 months. The Company may elect to reduce this restraint period and the enforceability of the restraint deed is subject to all usual legal requirements.
Name:	John Livingston
Title:	Chief Executive Officer (resigned as CEO 21 May 2017 employment, cessation effective 31 July 2017)
Agreement commenced:	1 August 2014
Term of agreement:	Minimum period of employment of three years expiring on 31 July 2017 with no fixed end date
Details:	During the Executive's minimum period of employment the Company may terminate their employment if there are changes outside its control that will materially harm the business and its shareholders, or there is continued and unremedied poor performance, provided in each case it has provided 12 months' notice in writing. The Executives may not terminate their employment during the minimum term. After expiry of the minimum term, the Executive's employment will continue until terminated by either party providing six months' notice in writing unless otherwise agreed and approved by the Board. The Executive may give the period of notice of termination of six months during the minimm period of employment so that the date of resignation is effective on or after the expiry of the minimum period. The Executive may be paid in lieu of all or part of the notice period. Notwithstanding the above, the Company may terminate the Executive's employment without notice for serious misconduct. Upon termination of the Executive agreement, the Executive will be subject to a restraint of trade period of six months. The Company may elect to reduce this restraint period and the enforceability of the restraint deed is subject to all usual legal requirements.

Name:	Craig Bremner
Title:	Chief Financial Officer (resigned to be effective 31 August 2017)
Agreement commenced:	1 August 2014
Term of agreement:	Minimum period of employment of three years expiring on 31 July 2017 with no fixed end date.
Details:	During the Executive's minimum period of employment the Company may terminate their employment if there are changes outside its control that will materially harm the business and its shareholders, or there is continued and unremedied poor performance, provided in each case it has provided 12 months' notice in writing. The Executives may not terminate their employment during the minimum term. After expiry of the minimum term, the Executive's employment will continue until terminated by either party providing six months' notice in writing unless otherwise agreed and approved by the Board. The Executive may give the period of notice of termination of six months during the minimm period of employment so that the date of resignation is effective on or after the expiry of the minimum period. The Executive may be paid in lieu of all or part of the notice period. Notwithstanding the above, the Company may terminate the Executive's employment without notice for serious misconduct. Upon termination of the Executive agreement, the Executive will be subject to a restraint of trade period of six months. The Company may elect to reduce this restraint period and the enforceability of the restraint deed is subject to all usual legal requirements.
Name:	Greg Hughes
Title:	Chief Operating Officer
Agreement commenced:	1 August 2014
Term of agreement:	Minimum period of employment of three years expiring on 31 July 2017 with no fixed end date.
Details:	During the Executive's minimum period of employment the Company may terminate their employment if there are changes outside its control that will materially harm the business and its shareholders, or there is continued and unremedied poor performance, provided in each case it has provided 12 months' notice in writing. The Executives may not terminate their employment during the minimum term. After expiry of the minimum term, the Executive's employment will continue until terminated by either party providing six months' notice in writing unless otherwise agreed and approved by the Board. The Executive may give the period of notice of termination of six months during the minimm period of employment so that the date of resignation is effective on or after the expiry of the minimum period. The Executive may be paid in lieu of all or part of the notice period. Notwithstanding the above, the Company may terminate the Executive's employment without notice for serious misconduct. Upon termination of the Executive agreement, the Executive will be subject to a restraint of trade period of six months. The Company may elect to reduce this restraint period and the enforceability of the restraint deed is subject to all usual legal requirements.

E. Additional disclosures relating to KMP

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of the KMP of the Group, including their personal related parties, is set out below:

Ordinary shares	Balance at 1 July 2016	Received as part of remuneration	Additions	Disposals/other	Balance at the end of the year
Helen Kurincic	420,870	-	-	-	420,870
John Livingston	2,467,230	-	-	-	2,467,230
Dr Chien Ping Ho	2,467,230	-	-	21,749	2,445,481
Dr Sally Sojan	1,095,000	-	-	68,509	1,026,491
John Atkin	91,623	-	41,322	-	132,945
Garry Hounsell	50,000	-	-	30,000	20,000
Rupert Harrington	130,710	-	125,000	-	255,710
Craig Bremner	2,467,230	-	-	-	2,467,230
Gregory Hughes	2,467,230	-	-	-	2,467,230
	11,657,123	-	166,322	120,258	11,703,187

The Remuneration Report has been audited.

Auditor's Independence Declaration

For year ended 30 June 2017

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Auditor's Independence Declaration

As lead auditor for the audit of Integral Diagnostics Limited for the year ended 30 June 2017, 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Nadia Carlin
Partner
PricewaterhouseCoopers

Melbourne
23 August 2017

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Operating and Financial Review

For the year ended 30 June 2017

The purpose of this Operating and Financial Review is to provide shareholders with additional information regarding the Company's operations, financial position, business strategies and prospects. The review complements the Financial Report on pages 31 to 66 and the ASX announcement and full year results presentation dated 24 August 2017.

Integral Diagnostics Limited (ASX: IDX) is an Australian healthcare services company whose main activity is providing diagnostic imaging services to general practitioners, medical specialists and allied health professionals (referrers) and their patients. These services are provided through a network of 45 sites, including 12 hospital sites, in three regional geographic markets under four brands – Lake Imaging (Victoria), South Coast Radiology (Queensland), Global Diagnostics (Western Australia) and Western District Radiology (Victoria).

Diagnostic imaging involves a set of techniques that non-invasively produces images of the human body for clinical analysis and medical intervention. Images can be produced using a variety of modalities, including:

- radiography (X-ray);
- ultrasound;
- computed tomography (CT);
- magnetic resonance imaging (MRI); and
- nuclear medicine (which includes positron emission tomography (PET)).

The images produced by diagnostic imaging are a critical tool for referrers in diagnosing and deciding on a form of treatment for patients.

Year in review

Financial performance

A summary income statement providing details of one-off transactions and reconciling to the statutory income statement is outlined in the following table:

Summary income statement ($million)	Actual 2017	Actual 2016
Total revenue	**179.7**	167.8
EBITDA prior to one-off transactions	**33.5**	34.9
EBIT prior to one-off transactions	**23.7**	26.2
NPAT prior to one-off transactions	**15.1**	16.6
One-off transactions net of tax		
Transaction costs/IPO costs	**-**	(5.2)
Impairment of asset and restructuring provision	**(0.8)**	-
Fair value gain on acquisition of SWMRI joint venture	**1.2**	-
Statutory NPAT	**15.5**	11.4
Amortisation	**0.4**	0.4
NPATA	**15.9**	11.8
Underlying EBITDA as a % of revenue	**18.6%**	21.0%
Underlying NPAT as a % of revenue	**8.4%**	9.9%
EPS (cents per share)	**10.7**	8.2
Return on operating assets (underlying NPAT)	**11.6%**	13.4%
Declared dividend payout ratio on NPAT	**65.6%**	n/a

The underlying performance of IDX during the year was within market guidance provided at the half year, but was below the Board and management's expectations. Whilst revenue grew 7.1%, cost growth was higher, leading to a $1.5 million decline (9.3%) in underlying NPAT performance compared to the 2016 financial year.

The underlying performance decline of $1.5 million was primarily due to the growth in revenue being consumed by larger growth in costs. This performance together with the unexpected impairment and restructuring cost of $0.8 million (net of tax) were the key drivers of the FY17 result.

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Year in review continued

Financial overview

- Achieved an overall examination volume increase of 4.6% (normalised for acquisitions), and revenue growth of $12.0 million (7.1 %) to $179.7 million. The South West MRI Pty Ltd/Western District Radiology (SWMRI/WDR) acquisition contributed $4.7 million in revenue, with the remainder representing organic growth across all business units.
- Patient examination volume growth for the Company across Medicare funded, patient funded and reporting contract examinations was up 4.6% in FY17 (adjusted for working days and acquisitions). This level of volume growth was below the Company's expectations and slightly under the Medicare data growth rate of 5.1% in the States in which Integral Diagnostics operates.
- Revenue growth was impacted by increased competition at selected sites in Victoria and Queensland.
- Incurred expenditure growth of $13.5 million, resulting in an overall underlying performance which was $1.5 million below FY16. Expenditure growth was driven by:
  - additional $10.1 million in employee benefits expense. With $2.2 million relating to the SWMRI/WDR acquisition and $7.9 million relating to the full year impact of historical investment in radiologists, imaging and administrative staff to service expanded, yet underutilised capacity;
  - additional $3.4 million in depreciation, occupancy, consumables and equipment costs driven by the investment in leasehold properties and new equipment to deliver an expanded range of services at key sites including Toowoomba, Sunbury, Ocean Grove and the SWMRI/WDR acquisition;
  - additional other costs of $1.2 million due to ongoing investment in development of staff and systems;
  - reduction in finance costs of $0.6 million driven by a lower cost of finance; and
  - reduction in taxation costs of $0.6 million.
- Incurred an impairment charge of $0.8 million and a restructuring charge of $0.3 million before tax (total of $0.8 million net of tax) as a result of the write-off of infrastructure installed to support the Mobile MRI at Port Hedland. The actual volume achieved was well below the business plan. As a result of a full review it has been determined that it is not economic to continue with the Mobile MRI in that region.

Operating performance overview

- Successfully completed the acquisition and integration of SWMRI/WDR.
- Benefited from the prior year investment in expanded capacity in Toowoomba, Sunbury and Geelong, which whilst performing well are not yet at required capacity, with further growth expected to be derived from these sites in FY18.
- Signed five, five-year contracts with the West Australian Country Health Service relating to the provision of reporting contracts in remote regions. Two of these contracts were new to the Group and increased services began in November and December 2016.
- Contributed to the refurbishment of the Company's facilities at Pindara Private Hospital and installed new state-of-the-art MRI machines and facilities at Robina and John Flynn Private Hospital.
- Committed to a refurbishment project at the St John of God Hospital in Geelong, securing 10-year leases across all three of the St John of God Hospital sites in Victoria. This further strengthens Integral Diagnostics' strategic relationship with St John of God Health Care.
- Purchased a Mobile MRI, which although has not been successful in its initial location of Port Hedland, will be relocated to alternative locations where volumes are expected to deliver the utilisation levels and returns required.
- Invested in IT platforms to support the delivery of improved medical imaging and digital reporting to referrers.
- The Board has recruited an experienced CEO to lead the Company to capitalise on its geographic footprint and scale, bring a disciplined approach to cost management and capital expenditure, and actively pursue value accretive acquisition opportunities.

Capital expenditure

Total expenditure on tangible assets was $15.3 million (FY16: $17.5 million) of which $1.9 million related to the acquisition of SWMRI/WDR, $11.1 million related to maintenance, and $2.3 million related to growth opportunities. The growth capital expenditure included $0.75 million on the Mobile MRI machine, $0.81 million of infrastructure associated with the Mobile MRI that has been subsequently impaired, $0.14 million invested in IT for improved medical imaging and reporting platforms, and $0.58 million on new equipment across various sites.

Several growth opportunities, including the refurbishment of the St John of God Hospital in Geelong and the opening of key strategic specialist sites planned for FY17 have been delayed and will occur in FY18.

Acquisitions

On 1 July 2016, the Group completed the acquisition of the Western District Radiology business and the remaining 50% interest in South West MRI Pty Ltd (collectively known as the SWMRI/WDR acquisition) for $4.954 million. This acquisition complemented the Group's strengths and further strengthened its position in the south-west region of Victoria.
The operations of SWMRI/WDR have been successfully integrated into the Group.

Taxation

The effective tax rate on operating earnings is 27.35% (FY16: 30.77%) as a result of being able to claim transaction costs relating to the IPO and acquisitions as deductible items.

Cash flows

Increase in free cash flows by 12.7% to $20.4 million (FY16: $18.1 million).

Debt facilities

The increase in net debt by 8.5% to $48.7 million (30 June 2016: $44.9 million) was largely due to a drawdown to fund the acquisition of SWMRI/WDR.

The Company's relationship with its current lenders is strong and the average cost of debt has declined over FY17. The facilities under the current lending arrangement expire in September 2018. The Company is currently in the process of reviewing the facilities arrangements and expects to have renewed terms and conditions prior to 31 December 2017.

Earnings per share

Basic earnings per share increased by 30.1% to 10.67 cents per share (FY16: 8.2 cents per share). On an underlying NPAT performance, earnings per share declined 9% to 10.41 cents per share (FY16: 11.44 cents per share).

Dividend

Dividend payments of 7.00 cents per share ($10.2 million) fully franked have been paid during FY17. This represents 65.6% of a NPAT payout ratio in line with expectations. A dividend of 4.00 cents per share fully franked will be paid on 4 October 2017 to shareholders on the register at 1 September 2017.

Company outlook

A key focus in FY18 is ensuring the Group retains its historical share of industry growth and contains costs.

The long-term industry fundamentals remain strong and underpin attractive future growth opportunities. Australia has a growing and ageing population requiring greater healthcare support. At the same time, community expectations for higher quality healthcare and diagnosis continue to rise, while new imaging technologies improve efficiency and aid diagnosis and early recognition of diseases.

The Company's focus in FY18 will be to optimise the performance of existing capacity and infrastructure and driving growth organically and through strategically aligned acquisitions. This includes:

- leveraging of the investments made by recognising the potential of the Company's existing professional team and network of sites to return volume growth to its historical growth trajectory;
- contain costs so revenue growth delivers improved returns;
- focused execution of future growth opportunities including the redevelopment at the St John of God Hospital in Geelong and other key centres of excellence including the recently opened Spine Clinic on the Gold Coast; and
- building and capitalising on value accretive M&A opportunities in a consolidating market.

The ethos of providing the highest quality diagnostic imaging services, trusted by referrers and preferred by patients, is unwavering.

Regulatory outlook

The regulatory environment is now clearer following the Federal Government's decision in May 2017 not to remove bulk billing incentives for diagnostic imaging. In addition, the Federal Government has committed to reintroducing MBS rebate indexation for a limited number of diagnostic imaging services from July 2020.

Balance sheet

A summary of the balance sheet as at 30 June 2017 and in comparison to the prior year is outlined in the following table.

Balance sheet	30 June 2017 Actual $'M	30 June 2016 Actual $'M
Cash and cash equivalents	**24.2**	23.6
Trade and other receivables	**5.1**	5.5
Other current assets	**3.9**	2.9
Total current assets	**33.2**	32.0
Property, plant and equipment	**50.5**	46.6
Intangible assets	**104.0**	99.8
Deferred tax asset	**2.7**	2.7
Total non-current assets	**157.2**	149.1
TOTAL ASSETS	**190.4**	181.1
Trade and other payables	**8.3**	10.4
Current tax liabilities	**(0.03)**	1.1
Borrowings	**11.5**	6.7
Provisions	**10.6**	9.5
Other current liabilities	**0.06**	–
Total current liabilities	**30.5**	27.7
Borrowings	**61.4**	61.8
Provisions	**8.1**	7.2
Other non-current liabilities	**-**	0.4
Total non-current liabilities	**69.5**	69.4
TOTAL LIABILITIES	**100.0**	97.1
NET ASSETS	**90.4**	84.0

- Working capital of $2.7 million is driven by strong cash holdings offset by an increase in current debt due to a number of balloon payments due on finance leases.
- Property, plant and equipment increased by $3.9 million due to the acquisition of SWMRI/WDR ($1.9 million) and ongoing investment in state-of-the-art equipment, offset by depreciation charges.
- Intangibles have increased by $4.2 million largely due to the goodwill recognised on the SWMRI/WDR acquisition and the DTL recognised on brand names as required by Australian Accounting Standards.
- Provisions (excluding tax) have increased $2.0 million. This increase is primarily due to the provisions associated with employee benefits and a $0.3 million provision for restructuring the operations in Port Hedland.
- Net debt increased by $3.8 million to $48.7 million, resulting in a gearing level of net debt/EBITDA of 1.4x.
- The Company continues to comply with the financial covenants of its facility agreement.

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Cash flow

A summary of the cash flows as at 30 June 2017 are presented below.

Summary of cash flow ($ million)	2017 Actual	2016 Actual
Free cash flow	**20.4**	18.1
Growth capital expenditure	**(2.3)**	(7.8)
Net cash flow before financing and taxation	**18.1**	10.3
Tax paid	**(7.4)**	(7.8)
Interest and other costs paid on borrowings	**(2.6)**	(2.7)
Proceeds from issue of shares	**-**	33.2
Net change in borrowings	**2.7**	6.0
Net payment of bank facilities	**-**	(20.0)
Deferred consideration	**(0.03)**	(3.2)
Dividends paid	**(10.2)**	-
Offer transaction costs in equity	**-**	(1.8)
Net cash flows	**0.6**	14.0

- Free cash flows of $20.4 million are $2.3 million or 12.7% higher than FY16.
- Growth capital expenditure was $2.3 million for the year largely due to $0.75 million on Mobile MRI, $0.81million of infrastructure associated with the Mobile MRI that has been subsequently impaired, $0.14 million investment on IT for improved reporting platforms, and $0.58 million on new equipment across various sites. Growth Capex was lower than expected as two significant projects were deferred until FY18 as outlined above.
- Dividends of $10.2 million (7 cents per share fully franked) were paid in FY17.

Business opportunities and risks

The following are key opportunities that may impact the Company's financial and operating result in future periods:

- Ability to leverage off the growing demand for diagnostic imaging services through the Company's current network.
- Utilisation of high-quality systems to deliver best-in-class patient and referrer outcomes.
- Ability to leverage off the Company's strong market position, diversified service model and sources of funding to develop growth opportunities.
- Identification of new business opportunities through development of the existing business, capacity expansion or further acquisitions.
- Ability to leverage off and be first to market with new technology and innovation.
- Ability to leverage of the Company's attractive specialist healthcare model to attract, retain and grow the radiologist group.
- Ability to attract and retain an experienced management team and Board to drive growth and sustainability through the business.

The following are key risks that may impact the Company's financial and operating result in future periods:

- Changes to or breaches of laws, accreditation, licensing, Government policies and regulations may impact the ability of the Company to continue to operate at the same capacity.
- Inadequate Commonwealth Government rebates for diagnostic imaging services may reduce demand for services.
- Failure to realise anticipated benefits or appropriately integrate acquisitions.
- Failure to deliver upon key business cases or projects.
- Failure to adopt safe work practices for staff, patients and their carers.
- Inadequate processes or resources to manage a crisis or unexpected events that threaten to harm the organisation, operations and staff.
- The Company may be unable to recruit and retain appropriately skilled radiologists, management and technical professionals.
- The Company's relationship with radiologists and technical professionals may deteriorate.
- Management and staff lack the competence and skills to undertake their duties appropriately
- Relationships with referrers may deteriorate resulting in a decrease in volume levels.
- The Company may suffer reputational damage resulting in a deterioration of its competitive position.
- Overall decline in competitive advantage.
- Labour costs may increase.
- Failure of technical infrastructure or medical equipment.
- Failure to adapt or respond to disruptive innovations and technologies.

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Operating and Financial Review continued

For the year ended 30 June 2017

Risk management

The Company's risk management framework is overseen by the Audit, Risk and Compliance Committee and is actively managed by the Executive Committee. It is consistent with AS/NZ31000:2009 and is subject to regular review. This risk management framework has helped to enable a consistent and rigorous approach to identifying, analysing and evaluating risks.

During the year, the Audit, Risk and Compliance Committee and the Board have reviewed and updated the Company's Enterprise Risk Management Framework. This review occurs annually or more regularly as required. The Audit, Risk and Compliance Committee and the Board also reviewed risk appetite statements and measures for each of its risk categories and reviewed the Company's material business risk assessments during the period.

A key component of clinical risk management is managed through the National Clinical Leadership Committee (National CLC) and State Clinical Leadership Committees (State CLCs), under the National and State Clinical Leadership Committees Charter. The Charter provides a framework for the National CLC and State CLCs to work together to develop and implement policies and work practices to enable clinical best practice.

The responsibilities of the National CLC include reviewing any recommendations arising from any adverse incidents from the State CLCs and to share learnings to prevent recurrence.

The Company's Audit, Risk and Compliance Committee Charter is also available in the Corporate Governance section of its website.

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For year ended 30 June 2017

	Note	30 June 2017 $'000	30 June 2016 $'000
Revenue			
Revenue	5	**179,732**	167,770
Fair value gain on acquisition of SWMRI joint venture		**1,200**	–
Interest income		**370**	263
Total revenue and other income		**181,302**	168,033
Expenses			
Consumables	6	**(8,850)**	(8,365)
Employee benefits expense	6	**(105,577)**	(95,406)
Depreciation and amortisation expense	6	**(9,831)**	(8,720)
Transaction costs	6	**–**	(6,990)
Equipment-related expenses		**(6,993)**	(6,056)
Occupancy expenses		**(12,615)**	(11,724)
Other expenses		**(12,178)**	(10,991)
Impairment of asset and restructuring provision	6	**(1,108)**	–
Finance costs	6	**(2,841)**	(3,333)
Total expenses		**(159,993)**	(151,585)
Operating profit			
		21,309	16,448
Share of profits of associates accounted for using the equity method		**–**	2
Profit before income tax expense		**21,309**	16,450
Income tax expense	7	**(5,829)**	(5,062)
Profit for the year from continuing operations		**15,480**	11,388
Other comprehensive income, net of tax		**–**	–
Total comprehensive income		**15,480**	11,388
Profit is attributable to:			
Owners of Integral Diagnostics Limited		**15,480**	11,388
		15,480	11,388
Total comprehensive income is attributable to:			
Owners of Integral Diagnostics Limited		**15,480**	11,388
		15,480	11,388
Earnings per share attributable to the owners of Integral Diagnostics Limited		**Cents**	**Cents**
Basic earnings per share	37	**10.67**	8.2
Diluted earnings per share	37	**10.67**	8.2

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

For year ended 30 June 2017

	Note	30 June 2017 $'000	30 June 2016 $'000
Assets			
Current assets			
Cash and cash equivalents	8	**24,210**	23,620
Trade and other receivables	9	**5,149**	5,544
Other assets	10	**3,514**	2,450
Inventory	11	**393**	333
Total current assets		**33,266**	31,947
Non-current assets			
Property, plant and equipment	12	**50,523**	46,629
Intangibles	13	**103,921**	99,872
Deferred tax asset	14	**2,675**	2,657
Total non-current assets		**157,119**	149,158
Total assets		**190,385**	181,105
Liabilities			
Current liabilities			
Trade and other payables	15	**8,340**	10,397
Borrowings	16	**11,495**	6,762
Income tax payable		**(34)**	1,107
Provisions	17	**10,650**	9,519
Derivative financial instrument	18	**59**	–
Total current liabilities		**30,510**	27,785
Non-current liabilities			
Borrowings	19	**61,397**	61,781
Derivative financial instruments		**–**	365
Provisions	20	**8,126**	7,254
Total non-current liabilities		**69,523**	69,400
Total liabilities		**100,033**	97,185
Net assets		**90,352**	83,920
Equity			
Contributed capital	21	**83,866**	82,760
Reserves	22	**(11,862)**	(11,862)
Retained profits	23	**18,348**	13,022
Total equity		**90,352**	83,920

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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Consolidated Statement of Changes in Equity

For year ended 30 June 2017

	Contributed capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2015	50,743	(10,537)	1,634	41,840
Profit/(loss) after income tax expense	–	–	11,388	11,388
Other comprehensive income, net of tax	–	–	-	-
Total comprehensive income	–	–	13,022	53,228
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (Note 21)	32,017	(194)	–	31,823
Transaction with non-controlling interest reserve	–	(1,197)	–	(1,197)
Share-based payments	–	66	–	66
Balance at 30 June 2016	82,760	(11,862)	13,022	83,920

	Contributed capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2016	**82,760**	**(11,862)**	**13,022**	**83,920**
Profit/(loss) after income tax expense	**–**	**–**	**15,480**	**15,480**
Other comprehensive income, net of tax	**–**	**–**	**–**	**–**
Total comprehensive income	**82,760**	**(11,862)**	**28,502**	**99,400**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (Notes 21, 32)	**1,275**	**–**	**–**	**1,275**
Unwinding of DTA in equity	**(169)**	**–**	**–**	**(169)**
Dividends paid	**–**	**–**	**(10,154)**	**(10,154)**
Balance at 30 June 2017	**83,866**	**(11,862)**	**18,348**	**90,352**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For year ended 30 June 2017

	Note	30 June 2017 $'000	30 June 2016 $'000
Cash flows from operating activities			
Receipts from customers		**179,604**	166,804
Payments to suppliers and employees		**(146,314)**	(131,706)
Transaction costs relating to acquisition of subsidiaries		**(180)**	(189)
Interest and other finance costs paid		**(2,960)**	(3,067)
Income taxes paid		**(7,420)**	(7,787)
Net cash from operating activities	36	**22,730**	24,055
Cash flows from investing activities			
Payments for purchase of subsidiary, net of cash acquired	32	**(3,529)**	–
Payments for property, plant and equipment		**(11,650)**	(17,222)
Proceeds from disposal of property, plant and equipment		**100**	300
Interest received		**370**	263
Net cash used in investing activities		**(14,709)**	(16,659)
Cash flows from financing activities			
Proceeds from issue of shares	21	**–**	33,170
IPO transaction costs		**–**	(8,104)
Proceeds from borrowings		**10,887**	17,043
Repayment of borrowings		**(8,134)**	(31,134)
Dividends paid to Company shareholders		**(10,154)**	-
Settlement of deferred consideration		**(30)**	(3,150)
Transactions with non-controlling interests	22	**–**	(1,197)
Net cash (used in)/from financing activities		**(7,431)**	6,628
Net increase in cash and cash equivalents		**590**	14,024
Cash and cash equivalents at the beginning of the financial year		**23,620**	9,596
Cash and cash equivalents at the end of the financial year	8	**24,210**	23,620

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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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 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 and principal place of business is:

1111 Howitt Street
Wendouree VIC 3355

A description of the nature of the consolidated entity'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 August 2017. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, except as follows:

Recognition of deferred tax liabilities on indefinite life intangible assets

The IFRS Interpretations Committee (IFRIC) has recently clarified that an intangible asset with an indefinite useful life is not a non-depreciable asset and that non-amortisation of an intangible asset does not necessarily mean that recovery of the carrying amount of the intangible asset will be only through sale and not through use.

The Group has recognised brand names on acquisition which are indefinite life intangibles, previously it has been assumed that recovery of the carrying value of the brand names would be through sale. Given the clarification provided by IFRIC the Group has elected to change the method of accounting and has determined that the value of the brand names will be recovered through use on the basis that management expects to hold and consume the brand names until the end of their lives (even though this point of time is not known).

Given that the brand names were acquired in a business combination, a deferred tax liability is required to be recognised on these brand names. A deferred tax liability to the value of $2,146,500 has been recognised on brand names; this change has been adopted retrospectively and adjusted through goodwill recognised on acquisition. There has been no impact on the profit and loss or the net assets of the Group as a result of this change in accounting policy.

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.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 31.

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Note 2. Significant accounting policies continued

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Integral Diagnostics Limited as at 30 June 2017 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 the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Where the Group loses control over a subsidiary, it derecognises the assets (including goodwill), liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Current and non-current classification

Assets and liabilities are presented in the Consolidated Statement of Financial Position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in a normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is expected to be settled in a normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful lives are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use (VIU). The VIU is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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 the 'rounding off'. Amounts in this Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New accounting standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2017. The Group's assessment of the impact of these new or amended accounting standards and interpretations, most relevant to the Group is set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. For lessee accounting, the standard eliminates the 'operating lease' and 'finance lease' classification required by AASB 117 'Leases'. Subject to exceptions, a 'right-of-use' asset will be capitalised in the Consolidated Statement of Financial Position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in the finance costs). For classification within the Consolidated Statement of Cash Flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) components. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019. On adoption the asset and liabilities will be grossed up by the value of leased assets, which the Group is unable to quantify until adoption as it is dependent on the number of leased properties held at that date, from adoption operating lease costs will be allocated to amortisation and interest charges which will be below the EBITDA line.

AASB 15 Revenue from contracts with customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods,the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018. The changes in revenue recognition requirements in AASB 15 are not expected to have a significant impact on the timing and amount of revenue recorded in the financial statements, or result in significant additional disclosures.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event.

The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 13.

The recoverable amounts of cash-generating units have been determined based on VIU calculations. These calculations require the use of assumptions, including anticipated sales growth, long-term growth rate and the post-tax discount rate.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assessed impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves VIU calculations, in conjunction with the goodwill impairment testing which incorporates a number of key estimates and assumptions.

Note 4. Operating segments

Identification of reportable operating segments

The Group comprised the single business segment of the operation of diagnostics imaging facilities.

Major customers

During the year ended 30 June 2017, there was no external revenue greater than 10% to any one customer (2016: nil).

Operating segment information

As the Group operates in a single business and geographic segment, these financial statements represent the required financial information of that segment.

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 is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Revenue

	Consolidated	
	30 June 2017 $'000	**30 June 2016 $'000**
Sales revenue		
Services revenue	**177,710**	165,435
Other revenue		
Other revenue	**2,022**	2,335
Fair value gain on aquiition of SWMRI joint venture	**1,200**	–
Total revenue	**180,932**	167,770

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.

Rendering of services

Rendering of services revenue is recognised when the service is rendered for the provision of medical imaging services. The point of sale is deemed to be at the time the image is taken.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established. Other revenue largely includes compensation payments received under equipment and leasehold contracts as well as labour cost charges to hospitals and Government (trainees and paid parental leave).

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Note 6. Expenses

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	**1,087**	751
Plant and equipment	**6,242**	6,633
Motor vehicles	**107**	104
Office furniture and equipment	**1,751**	587
Total depreciation	**9,187**	8,075
Amortisation		
Customer contracts	**644**	645
Total depreciation and amortisation	**9,831**	8,720
Transaction costs		
Professional fees and other costs on acquisition of South Coast Radiology business and investment in Lake Imaging Holdings	**–**	115
IPO transaction costs	**–**	6,321
Fees relating to other transactions	**–**	554
Total transaction costs	**–**	6,990
Finance costs		
Interest and finance charges paid/payable	**2,653**	3,151
Funding/establishment costs	**188**	182
Finance costs expensed	**2,841**	3,333
Net loss/(gain) on disposal		
Net loss/(gain) on disposal of property, plant and equipment	**477**	177
Employee benefits expense		
Employee benefits	**88,211**	79,448
Superannuation contributions	**6,032**	5,477
Labour supply	**11,334**	10,481
Total employee benefits expense	**105,577**	95,406
Impairment of asset and restructuring provision		
Impairment of asset	**810**	–
Restructuring provision (see Note 17)	**298**	–
Total impairment of asset and restructuring provision expense	**1,108**	–

The impaired asset relates to building works conducted on leased land at Port Hedland. As at 30 June 2017 there were indicators of impairment in regards to the building works based on the level of volumes and revenue the MRI operations were able to achieve. Impairment testing was undertaken in accordance with the requirements of AASB 136 'Impairment of assets' and it was determined that the carrying value of the asset could not be supported through a VIU or fair value less costs to sell methodology in accordance with Australian Accounting Standards and as such the Group has determined that the infrastructure asset supporting the Mobile MRI is impaired as at 30 June 2017. The Mobile MRI is not considered impaired as it can be easily re-located to another site and its carrying value can be supported through both a VIU and fair value less costs to sell valuation methodology.

Minimum lease payments recognised as operating lease expense were $8,683,000 (2016: $8,316,000). Costs of inventories recognised as expense were $8,850,000 (2016: $8,365,000).

Accounting policy for finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 7. Income tax expense

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Income tax expense		
Current tax	**6,170**	6,517
Deferred tax – origination and reversal of temporary differences	**(208)**	(1,545)
Adjustment recognised for prior periods	**(133)**	90
Aggregate income tax expense	**5,829**	5,062
Deferred tax included in income tax expense comprises: Decrease/(increase) in deferred tax assets (Note 14)	**(208)**	(1,545)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	**21,309**	16,450
Tax at the statutory rate of 30%	**6,393**	4,935
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment costs	**21**	19
Fair value gain	**(360)**	–
Fixed asset variance	**76**	–
Transactions costs deducted in equity	**(168)**	18
	5,962	4,972
Adjustment recognised for prior periods	**(133)**	90
Income tax expense	**5,829**	5,062

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 8. Current assets – cash and cash equivalents

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Cash on hand	**14**	15
Cash at bank	**24,196**	23,605
	24,210	23,620

Accounting policy for 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 less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 9. Current assets – trade and other receivables

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Trade receivables	**4,975**	5,199
Less: Provision for impairment of receivables	**(137)**	(63)
	4,838	5,136
Other receivables	**311**	408
	5 ,149	5,544

Impairment of receivables

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Opening balance	**63**	88
Additional provisions recognised	**127**	66
Receivables written off during the year as uncollectable	**(53)**	(91)
Closing balance	**137**	63

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $986,000 as at 30 June 2017 ($1,812,000 as at 30 June 2016).

The Group did not consider there was a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Past due 31 to 60 days	**367**	1,278
Past due 61 to 90 days	**210**	164
Past due more than 91 days	**409**	370
	986	1,812

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 to 60 days. Due to the short-term nature of these receivables, their carrying amount is assumed to approximate fair value.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Note 10. Current assets – other

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Accrued revenue	**1,248**	745
Prepayments	**2,200**	1,584
Security deposits	**56**	43
Other current assets	**10**	78
	3,514	2,450

Note 11. Inventory

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Film, contrast, drugs and needles	**393**	333
	393	333

Accounting policy for inventory

Inventory is valued at the lower of cost and net realisable value. Inventory has been recognised based on categories of high-value items used in the production of medical images that the Company holds in large volumes including film, contrast, drugs and needles. Costs of inventories recognised as an expense was $8,850,000 (2016: $8,365,000).

Note 12. Non-current assets – property, plant and equipment

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Leasehold improvements – at cost	**15,752**	14,055
Less: Accumulated depreciation	**(4,793)**	(3,811)
	10,959	10,244
Plant and equipment – at cost	**57,612**	52,660
Less: Accumulated depreciation	**(22,945)**	(20,439)
	34,667	32,221
Motor vehicles – at cost	**466**	418
Less: Accumulated depreciation	**(372)**	(280)
	94	138
Office furniture and equipment – at cost	**9,310**	7,854
Less: Accumulated depreciation	**(4,507)**	(3,828)
	4,803	4,026
	50,523	46,629

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Note 12. Non-current assets – property, plant and equipment continued

Reconciliations

(a) Reconciliations of the written down values of property, plant and equipment at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Office furniture and equipment $'000	Total $'000
Balance at 1 July 2015	6,616	27,542	242	3,559	37,959
Additions	4,419	11,858	–	1,245	17,522
Disposals	(40)	(546)	–	(191)	(777)
Depreciation expense	(751)	(6,633)	(104)	(587)	(8,075)
Balance at 30 June 2016	10,244	32,221	138	4,026	46,629
Additions	**2,612**	**9,188**	**63**	**2,618**	**14,481**
Disposals/write-offs	**(810)**	**(500)**	**–**	**(90)**	**(1,400)**
Depreciation expense	**(1,087)**	**(6,242)**	**(107)**	**(1,751)**	**(9,187)**
Balance at 30 June 2017	**10,959**	**34,667**	**94**	**4,803**	**50,523**

(b) Property, plant and equipment includes the following amounts where the Group is a lessee under a finance lease at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Office furniture and equipment $'000	Total $'000
Net book value at 30 June 2016	4,065	26,318	116	355	30,854
Net book value at 30 June 2017	**4,562**	**29,941**	**102**	**568**	**35,173**

Property, plant and equipment secured under finance leases

Refer to Note 19 for further information on property, plant and equipment secured under finance leases.

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	5 – 20 years
Plant and equipment	4 – 15 years
Motor vehicles	5 – 8 years
Office furniture and equipment	3 – 15 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 13. Non-current assets – intangibles

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Goodwill – at cost	**96,387**	91,851
Brand names – at cost	**7,155**	7,000
Customer contracts – at cost	**2,456**	2,456
Less: Accumulated amortisation	**(2,077)**	(1,435)
	379	1,021
	103,921	99,872

Reconciliations

Reconciliations of the written-down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $'000	Brand names $'000	Customer contracts $'000	Total $'000
Balances at 1 July 2015	89,704	7,000	1,668	98,372
Adjustment for change in accounting policy*	2,147	–	–	2,147
Amortisation expense	–	–	(647)	(647)
Balance at 30 June 2016	91,851	7,000	1,021	99,872
Additions through business combinations (Note 32)	4,536	155	-	4,691
Amortisation expense	–	–	(642)	(642)
Balance at 30 June 2017	**96,387**	**7,155**	**379**	**103,921**

* Restated for change in accounting policy $2,147,000 DTL recognised on brand names retrospectively.

Impairment test for goodwill and intangibles

Goodwill and brand names are tested for impairment annually (as at 30 June) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on VIU calculations.

For the year ended 30 June 2016 the Group identified three cash-generating units to which goodwill was applied. Management have undertaken a review of the judgements used to determine the allocation of goodwill to individual cash-generating units and have concluded that given the change in the structure and operations of the Group since initial acquisition of the individual businesses and, given the synergies now being delivered and the opportunities available to the Group from the amalgamation of the businesses as a whole, from 1 July 2016 goodwill forms one cash-generating unit for impairment testing purposes, which is in line with the operating segment identified in Note 3.

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Note 13. Non-current assets – intangibles continued

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Goodwill allocation		
CGU:		
South Coast Radiology	–	78,420
Lake Imaging	–	6,330
Global Diagnostics (Australia)	–	4,954
Consolidated CGU	**96,387**	89,704

Brand names of $7,000,000 are included within the SCR CGU and $155,000 included within the Lake Imaging CGU.

Key assumptions for VIU calculations

The recoverable amount of each CGU is determined based on VIU calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates do not exceed the average growth rates for the industry in which the Group operates.

The following table sets out the key assumptions for impairment testing:

	%
2017 – Long-term growth rate	**3.0**
2017 – Pre-tax discount rate	**15.4**
2016 – Long-term growth rate	3.0
2016 – Pre-tax discount rate	14.8

Within the VIU calculation for the five-year forecast period revenues have been forecast to grow between 3.0%–6.5% (2016: 4.2%–4.7%) and 3% (2016: 3%) into perpetuity. The forecast cash flows also include ongoing investment in property, plant and equipment to maintain the existing base and in 2018 to invest in further technology and expansion.

The pre-tax discount rate would need to increase by more than 8.1% or the growth rate decline by more than 1.0% in the five-year forecast period and into perpetuity for there to be any impairment of the goodwill balances.

Should managements judgement in regards in the allocation of goodwill to cash-generating units for the purpose of impairment testing not have changed and goodwill and intangible assets with indefinite lives were tested for impairment as allocated to the separate cash-generating units as outlined in the 2016 Annual Report and in accordance with the updated assumptions as outlined above, no impairment for goodwill and intangibles with indefinite lives would have been identified.

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less an impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Brand names

Significant costs associated with brand names are not amortised but are tested for impairment annually on the same basis and within the same VIU calculation as outlined above and are carried at cost.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite useful lives of between one and four years. The contracts consist of Global Diagnostics (Australia), a 100% owned subsidiary of the Company, providing radiology reporting services to the Western Australia Country Health Service in the Pilbara, Wheatbelt and Goldfield regions.

Note 14. Non-current assets – deferred tax

	Consolidated	
	30 June 2017 $'000	30 June 2016* $'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits and other provisions	**4,325**	3,557
Provisions for lease make good	**621**	519
Provision for restructuring	**89**	–
Operating lease borrowings	**36**	119
Transaction costs	**1,813**	2,486
Impaired asset	**243**	–
Property, plant and equipment	**(2,355)**	(1,784)
Brand names (change in accounting policy)	**(2,147)**	(2,147)
Tax losses available	**54**	-
Intangible assets	**(114)**	(306)
Operating lease	**110**	213
Net deferred tax asset	**2,675**	2,657
Amount expected to be recovered within 12 months	**2,457**	3,416
Amount expected to be recovered after more than 12 months	**4,834**	3,479
Amount expected to be settled within 12 months	**(355)**	(280)
Amount expected to be settled after more than 12 months	**(4,261)**	(3,958)
	2,675	2,657
Movements:		
Opening balance	**2,657**	3,259
Credited to profit or loss (Note 7)	**208**	1,545
Credited to equity	**(168)**	–
Fixed asset variance	**(76)**	–
Additions through business combinations (Note 32)	**54**	(2,147)
Closing balance	**2,675**	2,657

*Restated for change in accounting policy $2,147 DTL recognised on brand names retrospectively.

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Note 14. Non-current assets – deferred tax continued

Accounting policy for deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Integral Diagnostics Limited (the 'head entity') and its wholly owned Australian subsidiaries have formed an income tax-consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax-consolidated group continue to account for their own current and deferred tax amounts. The tax-consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax-consolidated group. In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax-consolidated group.

Assets or liabilities arising under tax funding agreements with the tax-consolidated entities are recognised as amounts receivable from or payable to other entities in the tax-consolidated group. The tax-consolidated group 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 provisions of the tax consolidation system, in the event of default by the head entity to meet its payment obligations.

Note 15. Current liabilities – trade and other payables

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Trade payables	**3,316**	4,132
Other payables and accruals	**5,024**	6,265
	8,340	10,397

Refer to Note 25 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. They are recognised at their fair value. The amounts are unsecured and are usually paid within 30 days of recognition. Due to the short-term nature of these payables, their carrying amount is assumed to approximate fair value.

Note 16. Current liabilities – borrowings

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Borrowings	**18**	17
Lease liability	**11,477**	6,745
	11,495	6,762

Refer to Note 19 for further information on assets pledged as security and financing arrangements.

Refer to Note 25 for further information on financial instruments.

Note 17. Current liabilities – provisions

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Annual leave	**5,494**	5,051
Long service leave	**4,645**	4,225
Employee benefits	**213**	243
Restructuring provision	**298**	–
	10,650	9,519

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

The leave obligations cover the Group's liability for long service leave, annual leave and rostered days off. The current portion of this liability includes all accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employes are entitled to pro-rata payments in certain circumstances.

Accounting policy for restructuring provisions

Restructuring provisions are recognised only when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees effected, a detailed estimate of associated costs, and an appropriate timeline, and the business has been notified of the plan's main features.

The restructuring provision of $298,000 relates to the recommission costs of the Port Hedland site where the Mobile MRI was located. Given the poor performance of the Mobile MRI in Port Hedland it has been determined that the Mobile MRI will be re-located to an alternative location where volumes are expected to deliver the utilisation levels and returns required. Costs included within the restructuring provision include lease and electricity contract break costs and repatriation of the site on which the impaired infrastructure asset is located.

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Note 18. Current liabilities – Derivative financial instrument

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Derivative financial instrument	**59**	–

Note 19. Non-current liabilities – borrowings

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Borrowings	**43,750**	40,373
Lease liability	**17,647**	21,408
	61,397	61,781

Refer to Note 25 for further information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Borrowings	**43,768**	40,390
Lease liability	**29,124**	28,153
	72,892	68,543

Assets pledged as security

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the Consolidated Statement of Financial Position, revert to the lessor in the event of default.

Financial arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Total facilities		
Equipment finance facility	**15,900**	15,900
Cash advance facility	**10,500**	10,500
Cash advance facility	**50,250**	50,250
Multi-option facility	**15,000**	15,000
Standby letter of credit or guarantee facility	**2,000**	2,000
Commercial cards facility	**600**	300
Electronic payaway facility	**3,075**	3,075
	97,325	97,025
Used at the reporting date		
Equipment finance facility	**15,900**	14,407
Cash advance facility	**10,500**	10,500
Cash advance facility	**33,250**	30,250
Multi-option facility	**10,167**	10,310
Standby letter of credit or guarantee facility	**1,406**	1,567
Commercial cards facility	**30**	30
Electronic payaway facility	**3,075**	3,075
	74,328	70,139
Unused at the reporting date		
Equipment finance facility	**–**	1,493
Cash advance facility	**–**	–
Cash advance facility	**17,000**	20,000
Multi-option facility	**4,833**	4,690
Standby letter of credit or guarantee facility	**594**	433
Commercial cards facility	**570**	270
Electronic payaway facility	**–**	–
	22,997	26,886

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Under the current lending arrangement the facilities expire in September 2018, and the Company are currently in the process of reviewing the facilities arrangements with the Company current lender and expect to have renewed terms and conditions prior to 31 December 2017 to ensure the Company meet the requirements of Australian Accounting Standards and can continue to classify the debt as non-current for the Company half-year accounts.

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Note 20. Non-current liabilities – provisions

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Long service leave	**1,704**	1,592
Deferred rent liability	**2,172**	1,717
Lease make good	**4,250**	3,945
	8,126	7,254

Deferred rent liability

Deferred rent liabilities relate to property leases where rent increases prescribed in leases are based on fixed percentage increases, and/or where leases include a rent-free period or other lease incentives. The liability represents the difference between actual rental costs incurred per terms of leases, and calculated expense if the total estimated rental expense over the period of the lease was expensed evenly over the expected term of the lease. The liability reflects that as of the date of this Report, the calculated expense (if the total estimated rental expense was expensed evenly over the expected term of the lease) is greater than actual costs incurred to date. The total liability is expected to fluctuate over time reflecting the cumulative calculations of individual leases. For individual leases, any liability will unwind over the period of the lease.

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms. Property lease agreements include various obligations at the end of the respective lease terms, such as removal of tenant installations and making good any damage caused by installation or removal, removing signage, and other general maintenance obligations (e.g. painting, cleaning). These costs have been estimated for each location, based on specific terms of individual leases, size of the individual sites, and historical experience of costs incurred when vacating a site.

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Deferred rent liability $'000	Lease make good $'000
Consolidated – 2017		
Carrying amount at the start of the year	**1,717**	3,945
Additional provisions	**631**	310
Amounts used	**(176)**	(5)
Carrying amount at the end of the year	**2,172**	4,250

Accounting policy for provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Accounting policy for other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 21. Equity – contributed capital

	Consolidated		Consolidated	
	30 June 2017 shares	30 June 2016 shares	30 June 2017 $'000	30 June 2016 $'000
Ordinary shares – fully paid	**145,044,157**	144,136,101	**83,866**	82,760

Movements in ordinary share capital

Details	Date	Number of shares	Issue price	$'000
Balance	30 June 2015	4,219,468		50,743
Issue of shares on exercise of options	30 September 2015	5,380	$36.06	194
Share split prior to Initial Public Offering	30 September 2015	122,520,592	$0.00	–
Issue of shares in Initial Public Offering	21 October 2015	17,143,244	$1.91	32,744
Issue of shares to employees in Initial Public Offering	21 October 2015	247,417	$1.72	426
Discount on employee share offer	21 October 2015	–	$0.00	47
Less: Share issue transaction costs net of tax		–		(1,394)
Balance	30 June 2016	144,136,101		82,760
Shares issued as part of acquisition (Note 32)	1 July 2016	908,056		1,275
Reversal of DTA on transaction costs in equity		–		(169)
Balance	30 June 2017	145,044,157		83,866

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the Consolidated Statement of Financial Position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, adjustments may be made to the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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Note 21. Equity – contributed capital continued

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term, as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangement covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Accounting policy for contributed capital

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.

Note 22. Equity – reserves

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Share-based payments reserve	**–**	–
Capital reorganisation reserve	**(3,849)**	(3,849)
Transactions with non-controlling interest	**(8,013)**	(8,013)
	(11,862)	(11,862)

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and as part of their compensation for services.

Capital reorganisation reserve

The reserve is used to account for historical capital reorganisation of the Lake Group whereby the assets and liabilities of the acquired party are recorded at their previous book values and no goodwill is recognised. Any difference between the cost of the transaction and the carrying amount of the assets and liabilities are recorded directly in this reserve.

Transactions with non-controlling interest

Transactions with non-controlling interest reserve is used to record the differences arising as a result of transactions with non-controlling interests that do not result in a loss of control.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments reserve $'000	Capital reorganisation reserve $'000	Transactions with non-controlling interest $'000	Total $'000
Balance at 30 June 2015	128	(3,849)	(6,816)	(10,537)
Recognition of share-based payments	66	–	–	66
Issue of shares to employees	(194)	–	–	(194)
Net movement on transactions with non-controlling interest (Note 32)	–	–	(1,197)	(1,197)
Balance at 30 June 2016	–	(3,849)	(8,013)	(11,862)
Balance at 30 June 2017	**–**	**(3,849)**	**(8,013)**	**(11,862)**

Note 23. Equity – retained profits

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Retained profits at the beginning of the financial year	**13,022**	1,634
Profit after income tax expense for the year	**15,480**	11,388
Dividend paid (Note 24)	**(10,154)**	–
Retained profits at the end of the financial year	**18,348**	13,022

Note 24. Equity – dividends

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Dividend paid 4 cents per share on 4 October 2016	**5,803**	–
Dividend paid 3 cents per share on 30 March 2017	**4,351**	–
	10,154	–

Franking credits

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	**17,838**	14,714

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting.

Accounting policy for dividends

Dividends are recognised when declared during the financial year and payment is no longer at the discretion of the Company.

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Note 25. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior financial Executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance reports to the Board on a monthly basis.

Market risk

Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The policy has been to maintain approximately 25% of borrowings at fixed rates using interest rate swaps to achieve this when necessary.

As at the reporting date, the Group had the following interest-bearing financial assets and liabilities:

	2017		2016	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Cash at bank and on deposit	**1.5**	**24,210**	1.6	23,620
Borrowings	**3.8**	**(43,750)**	4.5	(40,250)
Finance leases	**4.0**	**(29,124)**	4.9	(28,153)
Interest rate swaps (notional principal amount)	**3.1**	**(59)**	3.1	(365)
Net exposure to cash flow interest rate risk		**(48,723)**		(45,148)

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

If interest rates were to increase/decrease by 100 (2016: 100) basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity would be as follows:

	Basis points increase effect on			Basis points decrease effect on		
	Basis points change	**Profit before tax**	**Effect on equity post tax**	**Basis points change**	**Profit before tax**	**Effect on equity post tax**
Consolidated – 2017						
Impact	**100**	**485**	**339**	**100**	**(485)**	**(339)**
Consolidated – 2016						
Impact	100	536	375	100	(536)	(375)

Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks. Credit risk for trade receivables is managed by completing credit checks for new customers. Outstanding receivables are regularly monitored for payments in accordance with credit terms. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Consolidated Statement of Financial Position and notes to the financial statements. The Group does not hold any collateral.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

The credit risk for derivative financial instruments arises from the potential failure of the counter-party to meet its obligations. The credit risk exposure of forward contracts is the net fair value of these contracts.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Fair value risk

The only item held at fair value in the financial statements is an interest rate derivative which is considered immaterial and as such no further disclosure in relation to fair value has been made.

Subject to the continuance of satisfactory credit ratings and compliance with banking covenants, the bank loan facilities may be drawn at any time and have a maturity of one year and three months (2016: two years and three months). The bank loan facilities are interest-only repayments.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the Statement of Financial Position.

Consolidated – 2017	**Weighted average interest rate %**	**1 year or less $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Remaining contractual maturities $'000**
Non-derivatives						
Non-interest bearing						
Trade payables	**–**	**3,316**	**–**	**–**	**–**	**3,316**
Other payables	**–**	**5,024**	**–**	**–**	**–**	**5,024**
Interest-bearing – variable						
Borrowings	**3.8**	**1,667**	**44,185**	**-**	**–**	**45,852**
Lease liability	**4.0**	**12,017**	**12,099**	**6,479**	**–**	**30,595**
Total non-derivatives		**22,024**	**56,284**	**6,479**	**–**	**84,787**
Derivatives						
Interest rate swaps net settled	**3.1**	**59**	**–**	**–**	**–**	**59**
Total derivatives		**59**	**–**	**–**	**–**	**59**

Note 25. Financial instruments continued

Consolidated – 2016	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest						
Bearing trade	–	4,132	–	–	–	4,132
Other payables	–	6,265	–	–	–	6,265
Contingent consideration	–	–	–	–	–	–
Interest-bearing – variable						
Borrowings	4.5	1,997	1,997	41,433	–	45,427
Lease liability	4.9	7,930	10,550	11,717	–	30,197
Total non-derivatives		20,324	12,547	53,150	–	86,021
Derivatives						
Interest rate swaps net settled	3.1	324	41	–	–	365
Total derivatives		324	41	–	–	365

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 26. Key management personnel disclosures

Compensation

The aggregate compensation paid to Directors and other members of the key management personnel of the Group is set out below:

	Consolidated	
	30 June 2017 $	30 June 2016 $
Short-term employee benefits	**3,056,941**	3,197,896
	3,056,941	3,197,896

Note 27. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Company:

	Consolidated	
	30 June 2017 $	30 June 2016 $
Audit services – PricewaterhouseCoopers		
Audit and review of the financial statements	**214,925**	**204,545**
Other services – PricewaterhouseCoopers		
Due diligence	**–**	427,273
Tax compliance services	**31,562**	42,727
Tax advice relating to corporate structuring	**–**	126,364
	246,487	800,909

Note 28. Contingent liabilities

The Group has given bank guarantees as at 30 June 2017 of $1,400,000 (2016: $1,300,000) to various landlords.

Note 29. Commitments

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Lease commitments – operating		
Within one year	**7,874**	7,574
One to five years	**14,896**	20,956
More than five years	**2,811**	3,465
	25,581	31,995
Lease commitments – finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	**12,017**	7,930
One to five years	**18,578**	22,267
Total commitment	**30,595**	30,197
Less: Future finance charges	**(1,471)**	(2,044)
Net commitment recognised as liabilities	**29,124**	28,153
Representing:		
Lease liability – current (Note 16)	**11,477**	6,745
Lease liability – non-current (Note 19)	**17,647**	21,408
	29,124	28,153

Under the terms of the leases, the Group has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

As at 30 June 2017, there were outstanding capital commitments for plant and equipment of $3,600,000 (2016: $300,000).

Note 30. Related party transactions

Parent entity

Integral Diagnostics Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 33.

Key management personnel

Disclosures relating to key management personnel are set out in Note 26 and the Remuneration Report on pages 14 to 21.

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Note 30. Related party transactions continued

The following transactions occurred with related parties:

	Consolidated	
	30 June 2017 $	30 June 2016 $
Other income:		
Management fee received from South West MRI Pty Ltd, a joint venture entity	–	142,383
Payment for goods and services:		
Consulting fees paid to Helen Kurincic, a Director of the Group	–	60,000
Consulting fees paid to Garry Hounsell, a Director of the Group	–	25,000
Consulting fees paid to John Atkin, a Director of the Group	–	25,000
Radiology services provided to South West MRI Pty Ltd a joint venture entity	–	291,887
Cleaning fees paid to GJJ Hughes of which Gregory Hughes is related to	**12,500**	17,800
Other transactions:		
Payment for rental of buildings to Eleven Eleven How Pty Ltd of which Chien Ping Ho, John Livingston, Gregory Hughes and Craig Bremner are related to	**391,934**	592,166
Payment for rental of buildings to Perhaps Holdings Pty Ltd of which Chien Ping Ho and John Livingston are related to	**44,120**	65,391
Payment for rental of buildings to Kiwi Blue Pty Ltd of which Chien Ping Ho and John Livingston are related to	**225,307**	193,182
Subscription for new ordinary shares by John Atkin, a Director of the Group	–	175,000
Subscription for new ordinary shares by Rupert Harrington, a Director of the Group	–	249,656

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Current receivables:		
Trade receivables from related parties	**54**	155

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 31. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of Profit or Loss and Other Comprehensive Income

	Parent	
	30 June 2017 $'000	30 June 2016 $'000
Profit after income tax	**16,700**	8,446
Total comprehensive income	**16,700**	8,446

The parent has paid $10,154,000 in dividends during the year.

Statement of Financial Position

	Parent	
	30 June 2017 $'000	30 June 2016 $'000
Total current assets	**23,759**	11,114
Total assets	**142,779**	132,839
Total current liabilities	**222**	807
Total liabilities	**43,844**	41,557
Equity		
Contributed capital	**83,866**	82,760
Share-based payments reserve	**–**	–
Retained profits	**15,069**	8,522
Total equity	**98,935**	91,282

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity is party to the deed of cross guarantee, as disclosed in Note 34.

Contingent liabilities

Except as disclosed in Note 28, there are no other contingent liabilities of the parent entity as at 30 June 2017 and 30 June 2016.

Capital commitments – property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 2, except for the following:

- investments in subsidiaries are accounted for at cost, less an impairment, in the parent entity;
- investments in associates are accounted for at cost, less any impairment, in the parent entity; and
- dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

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Note 32. Business combinations

On 1 July 2016, the Group acquired the assets and liabilities of the Western District Radiology business and the remaining 50% interest in South West MRI Pty Ltd (collectively known as the WDR/SWMRI acquisition) for the total consideration transferred of $4,954,000 inclusive of GST. This acquisition complements the Group's strengths and further strengthens the Group's position in the south-west region of Victoria and will be integrated into the Group so as the maximum synergies can be obtained.

The business of South West MRI Pty Ltd was valued at $2,400,000 immediately prior to acquisition, the value of the 50% interest held previously immediately prior to acquisition was $2,000 resulting in the recognition of a $1,200,000 gain as a result of re-measuring to fair value the equity interest held in South West MRI Pty Ltd. This amount was recognised in other income in the Statement of Profit and Loss as at 1 July 2016 and in goodwill. The share of plant and equipment $453,000 and debt assumed $389,000 will result in net assets of $65,000 being booked, which will reduce goodwill by $65,000.

Details of the acquisition are as follows:

1 July 2016	Recognised on acquisition fair value $'000
Plant and equipment	1,968
Brand name	155
Other assets	106
Employee benefits	(229)
Lease make good provision	(100)
Debt assumed	(767)
GST on acquisition	485
Net assets acquired	1,618
Fair value gain on acquisition of SWMRI Pty Ltd joint venture	(1,200)
Goodwill	4,536
Acquisition date fair value of the total consideration transferred	4,954
Representing:	
Cash paid or payable to vendor (including GST)	3,529
Contingent consideration	150
Integral Diagnostics Limited shares issued to vendor	1,275
	4,954
Cash used to acquire business, net of cash acquired:	
Acquisition date fair value of the total consideration transferred	4,954
Less: 908,056 shares issued by Company (at fair value of $1.4041 per share) as part of consideration	(1,275)
Less: Contingent consideration	(150)
Net cash used	3,529

Total goodwill to be booked on the transaction $3,401,000 relating to the acquisition, $1,200,000 relating to the fair value uplift on existing interest less $65,000 on recognition of 50% of net assets in SWMRI, totalling goodwill of $4,536,000. The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of SWMRI/WDR with those of the Group. The goodwill is not deductible for income tax purposes.

Contingent consideration payable is a maximum amount of $150,000 and is dependent on a range of performance hurdles over a two-year period, with payments required six-monthly. On acquisition it was considered that all performance hurdles would be met and the contingent consideration would be payable. As at 30 June 2017, $50,000 of the deferred consideration has been paid, $30,000 in cash and $20,000 offset against the amount owing by the vendor on settlement of the completion statement. On 3 August 2017 a further $25,000 was paid.

From the date of acquisition, which was the beginning of the period, SWMRI/WDR has contributed $4,755,000 of revenue and $2,405,000 (prior to any corporate overhead allocations) to the net profit before tax from the continuing operations of the Group.

Transaction costs of $180,000 were expensed in the Statement of Profit and Loss for the year ended 30 June 2016 and were part of the operating cash flows in the statement of cash flows.

Accounting policy for business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

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 and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Where the business combination is achieved in stages, the Group measures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between and fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets and liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer received all the information possible to determine fair value.

Business combinations under common control use the principals of corporate reorganisation. The difference between the acquisition-date historical book value of assets acquired, liabilities assumed and any non-controlling interest in the acquired and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as a capital reorganisation in reserves, and not as goodwill.

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Note 33. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2:

	Principal place of business/ country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
Lake Imaging Pty Ltd	Australia	**100.00**	100.00
Radploy Pty Ltd	Australia	**100.00**	100.00
Radploy 2 Pty Ltd	Australia	**100.00**	100.00
Radploy 3 Pty Ltd	Australia	**100.00**	100.00
Radploy 4 Pty Ltd	Australia	**100.00**	100.00
Global Diagnostics (Australia) Pty Ltd	Australia	**100.00**	100.00
SCR Corporate Pty Ltd	Australia	**100.00**	100.00
RAD Corporate Pty Ltd	Australia	**100.00**	100.00

Note 34. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

- Integral Diagnostics Limited (formerly known as Lake Imaging Holdings Pty Ltd)
- Lake Imaging Pty Ltd
- Radploy Pty Ltd
- Radploy 2 Pty ltd
- Radploy 3 Pty Ltd
- Radploy 4 Pty Ltd
- Global Diagnostics (Australia) Pty Ltd
- SCR Corporate Pty Ltd
- RAD Corporate Pty Ltd

By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare financial statements and a Directors' Report under the ASIC Corporations Instrument issued by the Australian Securities and Investments Commission (ASIC).

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Integral Diagnostics Limited, they also represent the 'extended closed group'.

The Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position are the same as the Group's and therefore have not been separately disclosed.

Note 35. Interests in joint ventures

Interest in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures are set out below:

	Principal place of business/ country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
South West MRI Pty Ltd	Australia	**–**	50.00

As a result of the acquisition, South West MRI Pty Ltd has been dissolved effective 12 July 2017 and no longer exists. Lake Imaging Holdings Pty Ltd owned 50% (100 ordinary shares) of South West MRI Pty Ltd, a company set up to provide magnetic resonance imaging (MRI) and associated services. Rafferty Rogan and Houghton Pty Ltd, in its capacity as Trustee for the Ultrasound Service Unit Trust ('Western District Radiology') owns the other 50% (100 ordinary shares).

Accounting policy for joint ventures

A joint venture is a form of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

Note 36. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 30 June 2017 $'000	Consolidated 30 June 2016 $'000
Profit after income tax	**15,480**	11,388
Adjustments for:		
Depreciation and amortisation	**9,830**	8,720
Loan establishment costs amortisation	**188**	180
Net loss on disposal of property, plant and equipment	**477**	176
Impairment of asset	**810**	-
Share of profit – associates	**-**	(2)
Share-based payments	**-**	113
Tax included in equity	**-**	440
Fair value gain on acquisition of SWMRI Pty Ltd	**(1,200)**	-
Financial liability fair value movement through profit and loss	**(306)**	(86)
Interest income	**(370)**	(263)
IPO transaction costs included in financing activities	**-**	6,272
Change in operating assets and liabilities:		
Increase in trade and other receivables	**(108)**	(754)
Increase in deferred tax assets	**(208)**	(1,545)
Increase in other operating assets and inventory	**(622)**	(718)
Increase/(decrease) in trade and other payables	**(1,302)**	1,575
Increase/(decrease) in provision for income tax	**1,448**	(1,619)
Increase /(decrease) in other provisions	**(1,387)**	178
Net cash from operating activities	**22,730**	24,055

Note 37. Earnings per share

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Profit after income tax	**15,480**	11,388
Non-controlling interest	**–**	–
Profit after income tax attributable to the owners of Integral Diagnostics Limited	**15,480**	11,388

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**145,044,157**	138,726,283
Adjustments for calculation of diluted earnings per share:		
Weighted average number of options over ordinary shares	**-**	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	**145,044,157**	138,726,283

	Cents	Cents
Basic earnings per share	**10.67**	8.2
Diluted earnings per share	**10.67**	8.2

The weighted average number of ordinary shares for the comparative period has been adjusted for the 29 for one share split that occurred on 30 September 2015.

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Integral Diagnostics Limited, excluding any costs of servicing equity other than ordinary shares, by weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 38. Events after the reporting period

Subsequent to year-end, a fully franked dividend of 4 cents per share was declared on 23 August 2017 and will be paid on 4 October 2017.

There are no other matters or circumstances that have arisen since the end of the financial year which have 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.

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Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the accounting standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject to virtue of the deed of cross guarantee described in Note 34 to the financial statements.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors.

Helen Kurincic
Chairman

Ian Kadish
Managing Director and
Chief Executive Officer

23 August 2017
Melbourne

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Independent auditor's report

To the shareholders of Integral Diagnostics Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Integral Diagnostics Limited (the Company) and its controlled entities (together 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 2017 and of its financial performance for the year then ended

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2017
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the director's declaration.

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 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 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* (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.

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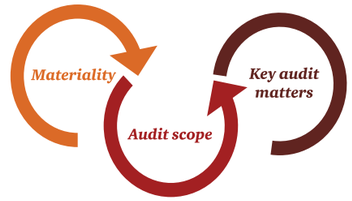
Liability limited by a scheme approved under Professional Standards Legislation.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $1,065,000 which represents approximately 5% of Group profit before tax. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group profit before tax because, in our view, it is the metric against which the performance of the Group is most commonly measured. • We selected 5% based on our professional judgement noting that it is also within the range of commonly acceptable profit related thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The group operates in 3 geographical locations within Australia- Victoria, Queensland and Western Australia. • We, as the Group engagement team, performed our audit procedures at the Group's corporate head office in Geelong, Victoria.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Valuation of Goodwill – Asset valuation- Property, plant and equipment • They are further described in the *Key audit matters* section of our report.

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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 for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Valuation of Goodwill *Refer to note 13 $96.4m* The Group's goodwill is recognised in one Cash Generating Unit (CGU). A Cash-generating unit is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For the year ended 30 June 2017, the Group performed an impairment assessment over the goodwill balance of the IDX Group. The impairment assessment relied on the calculation of value-in-use for the Group. This calculation was based on estimated future cash flows discounted to net present value using the Company's weighted average cost of capital (WACC). We considered the valuation of goodwill to be a key audit matter due to: • The size of the goodwill balance ($96.4 million at 30 June 2017) • The significant judgement involved in estimating future cash flows and the level to which they are discounted, in particular: – discount rate – growth rates • In FY17 the performance of the Group was below expectation.	We assessed whether the division of the Group into CGUs was consistent with our knowledge of the Group's operations and internal Group reporting. To evaluate the Groups cash flow forecasts and the process by which they were developed, we performed the following procedures, amongst others: • Considered the historical accuracy of the Group's cash flow forecasts by comparing the forecasts used in the prior year cash flow forecast valuation model ("the model") to the actual performance of the Group in the current year. • Compared the 12 month cash flow forecast used in the model with the Board approved budget, and considered whether the key assumptions used in the model (in particular the discount rate and growth rates) were subject to oversite from the directors. • Together with PwC valuation experts, we assessed the discount rate and long term growth rates applied in the model by comparing these rates to historical results, market expectations of investment return and projected economic growth and interest rates. • Reperformed the underlying calculations used in the model noting no exceptions. • Performed a sensitivity analysis by varying the growth rates, discount rate and sales growth rates within a reasonably possible range. We found that changes to these key assumptions did not cause the carrying value of the CGU to exceed its recoverable amount.

Asset valuation – property, plant and equipment *Refer to note 12 $50.5m* For the year ended 30 June 2017, the Group performed an impairment assessment over the property, plant and equipment cash generating units (CGUs) by reviewing the performance of each CGU for the period. The Group identified one CGU which was no longer expected to generate future profits, resulting in an impairment charge of $810,000 to an investment in infrastructure supporting the Group's mobile MRI facility in regional Western Australia. The Group's assessment did not identify any indicators of impairment for other CGU's. We considered the valuation of property, plant and equipment to be a key audit matter due to: • The size of the property, plant & equipment balance ($50.5 million at 30 June 2017) • The judgements and assumptions required by the Group in determining whether there were any impairment indicators or impairment charges.	To assess the valuation of property, plant and equipment, we performed the following procedures, amongst others: • Assessed whether the division of the Group into CGUs was consistent with our knowledge of the Group's operations and internal Group reporting • Considered the Group's assessment of whether there were any indicators of asset impairment at 30 June 2017 for its CGUs. • Considered whether the discount rate and growth rates applied in the Group's value in use model ("the model") for the impaired CGU were consistent with our knowledge of current business conditions, externally derived data (where possible) and our understanding of the business. • Tested the mathematical accuracy of underlying calculations used in the model.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's report, Managing Director and Chief Executive Officer's report, Operating and Financial Review report, the Directors Report, Shareholder Information and the Corporate Directory included in the Group's annual report for the year ended 30 June 2017 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the financial report

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

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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 has 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 14 to 21 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Integral Diagnostics Limited, for the year ended 30 June 2017 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.

PricewaterhouseCoopers

Nadia Carlin
Partner

Melbourne
23 August 2017

Shareholder Information

Integral Diagnostics Limited

Ordinary fully paid shares (total) as of 22 August 2017.

Top 20 shareholders

Rank	Name	Units	% of units
1	HSBC Custody Nominees (Australia) Limited	29,626,840	20.43
2	J P Morgan Nominees Australia Limited	20,457,732	14.10
3	RBC Investor Services Australia Nominees Pty Ltd <Vfa A/C>	6,321,095	4.36
4	Citicorp Nominees Pty Limited	5,932,694	4.09
5	UBS Nominees Pty Ltd	4,074,932	2.81
6	National Nominees Limited	3,449,893	2.38
7	Visionary Imaging Pty Ltd <Lu Family Prosperity A/C>	2,889,180	1.99
8	Mittal Holdings Pty Ltd <Howitt No 12 A/C>	2,878,410	1.98
9	New Imaging Pty Ltd <New Imaging A/C>	2,604,280	1.80
10	G J Hughes Pty Ltd <G J Hughes Family A/C>	2,467,230	1.70
11	Lethean Holdings Pty Ltd <Howitt No 8 A/C>	2,467,230	1.70
12	Lockwood Ridge Pty Ltd <Aj French Family A/C>	2,467,230	1.70
13	Muzray Pty Ltd <Murray Family A/C>	2,467,230	1.70
14	Willowbay Rise Pty Ltd <Howitt No 5 A/C>	2,467,230	1.70
15	Wyndham Salter Pty Ltd <Howitt No 10 A/C>	2,467,230	1.70
16	NW3 Pty Ltd <The Howitt No 7 A/C>	2,445,481	1.69
17	Mr Vincent Michael O'sullivan <O'sullivan A/C>	2,334,000	1.61
18	Clight Pty Ltd <The Lightfoot Family No2 A/C>	2,330,160	1.61
19	Jasmat Pty Ltd <Bremner Family A/C>	2,330,160	1.61
20	John Livingston Pty Ltd <Livingston Family A/C>	2,330,160	1.61
21	Meakin Professional Investments Pty Ltd <Howitt No 6 A/C>	2,330,160	1.61
Totals: Top 21 holders of ordinary fully paid shares (total)		**107,138,557**	**73.87**
Total remaining holders balance		**37,905,600**	**26.13**

Register of substantial shareholdings

	Shares	%
Investors Mutual	13,520,000	8.12
SG Hiscock	8,999,909	6.2
Adam Smith Asset Management	8,460,682	5.83
Regal Funds Management	8,020,747	5.53
IOOF Holdings Limited	7,329,787	5.05

Range of units snapshot

Range	Total holders	Units	% issued capital
1 – 1,000	159	88,453	.06
1,001 – 5,000	366	980,337	.68
5,001 – 10,000	200	1,547,809	1.07
10,001 – 100,000	267	6,743,619	4.65
100,001 over	70	135,683,939	93.55
Rounding			**-0.01**
Total	**1,062**	**145,044,157**	**100.00**

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Corporate Directory

Directors

Helen Kurincic – Independent Non-Executive Chairman

Ian Kadish – Managing Director and Chief Executive Officer

Dr Chien Ping Ho – Executive Director

Dr Sally Sojan – Executive Director

John Atkin – Independent Non-Executive Director

Rupert Harrington – Independent Non-Executive Director

Company secretary

Ms Kathryn Davies

Registered office

1111 Howitt Street
Wendouree Victoria 3355
T + 61 3 5339 0704

Share register

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067
T 1300 787 272

Auditor

PricewaterhouseCoopers
2 Riverside Quay
Southbank VIC 3006

Solicitors

Herbert Smith Freehills
Level 42, 101 Collins Street
Melbourne Victoria 3000

Bankers

Australia and New Zealand Banking Group Limited
927 Sturt Street
Ballarat Victoria 3350

Stock exchange listing

Integral Diagnostics Limited shares are listed on the Australian Securities Exchange (ASX code: IDX)

Website

integraldiagnostics.com.au

Corporate Governance Statement

The Corporate Governance Statement was approved by the Board of Directors on 23 August 2017 and can be found at:
integraldiagnostics.com.au/page/for-investors/

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DIAGNOSTICS

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