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 2020
Previous corresponding period:	Year ended 30 June 2019

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	18.0%	to	275,588
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	up	37.0%	to	69,232
Earnings Before Interest and Tax (EBIT)	up	19.2%	to	43,552
Profit from ordinary activities after tax attributable to the owners of Integral Diagnostics Limited	up	9.8%	to	23,033
Profit for the year attributable to the owners of Integral Diagnostics Limited	up	9.8%	to	23,033

Comments

The profit for the Company after providing for income tax amounted to $23.03 million (2019: $20.98 million)

Refer to the 'operating and financial review' on pages 34 to 45 of the Annual Report 2020 for further information and explanation of the Appendix 4E.

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

	Consolidated	
	2020 $'000	2019 $'000
Profit after income tax expense	23,033	20,983
Interest received	(267)	(272)
Finance costs	8,559	6,194
Income tax expense	12,227	9,635
Earnings Before Interest and Tax (EBIT)	43,552	36,540
Depreciation and amortisation expense	25,680	13,984
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	69,232	50,524

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible asset per ordinary security[1]	(37.25)	(47.77)

[1] Net tangible asset per ordinary security for the reporting period has been impacted by lease balances recognised on adoption of AASB 16 *Leases*.

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4. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Interim dividend for the half year ended 31 December 2019 paid on the 7th April 2020	5.5	5.5
Final dividend for the year ended 30 June 2020 payable on 1 October 2020	4.0	4.0

On 25th August 2020 the directors declared a fully franked final dividend of 4.0 cents per ordinary share with a record date of 31st August 2020 to be paid on 1st October 2020.

Previous period

	Amount per security Cents	Franked amount per security Cents
Interim dividend for the half year ended 31 December 2018 paid on the 2nd April 2019	5.0	5.0
Final dividend for the year ended 30 June 2019 payable on 2nd October 2019	5.0	5.0

5. Dividend reinvestment plans

The Company has implemented a dividend reinvestment plan (DRP) during the year which will operate for the FY20 final dividend.

The last date for receipt of election notices for the DRP is 1 September 2020.

6. Control gained over entities

Effective 1 November 2019, the group acquired the Imaging Queensland Group and its controlled entities, comprising:

- Imaging Queensland Pty Ltd
- IQ Radiology Pty Ltd
- SC Radiology Pty Ltd
- CQR Radiology Pty Ltd
- IQ Radiology Services Ltd
- Sunshine Coast Radiology Pty Ltd
- Central Queensland Radiology Pty Ltd
- Bodyscreen Pty Ltd
- Integrated Pain Management Pty Ltd
- Queensland Nuclear Medicine Pty Ltd
- Radiology 24/7 Pty Ltd
- Imaging Queensland IP Pty Ltd
- Advanced Women's Imaging Pty Ltd

7. Loss of control over entities

Not applicable

8. Details of associates and joint venture entities

Not applicable

9. Audit qualification or review

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

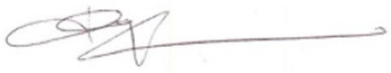
The accounts have been audited and an unqualified opinion has been issued.

10. Attachments

Details of attachments (if any):

The Annual Report of Integral Diagnostics Limited for the year ended 30 June 2020 is attached.

11. Signed





Helen Kurincic

Chairman

Dr Ian Kadish

Managing Director and Chief Executive Officer

25 August 2020
Melbourne

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People. Technology. Growth.

Annual Report 2020

integral DIAGNOSTICS

We pride ourselves in the quality care and service that we deliver, in the trust that our referrers have in us, and in being the preferred provider to our patients. We always put our patients first and in so doing we also put our shareholders first.



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CONTENTS

01 Highlights
02 Group Structure
03 Our Locations
04 Chairman's Report
06 Managing Director and Chief Executive Officer's Report
11 Directors' Report
18 Remuneration Report
33 Auditor's Independence Declaration
34 Operating and Financial Review
46 Consolidated Statement of Profit or Loss
47 Consolidated Statement of Comprehensive Income
48 Consolidated Statement of Financial Position
49 Consolidated Statement of Changes in Equity
50 Consolidated Statement of Cash Flows
51 Notes to the Consolidated Financial Statements
92 Directors' Declaration
93 Independent Audit Report
99 Shareholder Information
103 Corporate Directory

ABN 55 130 832 816

HIGHLIGHTS

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Patients First

1.7m

Exams Performed

for over 660,000 patients patients and 30,300 referrers

Everyone Counts

196

Reporting Radiologists

1,341

Employees

Create Value

21.9%

Increase in Operating NPAT

Delivering an operating EPS of 17 cents per shares



GROUP STRUCTURE



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integral DIAGNOSTICS

- Lake imaging — insight into your health
- South Coast Radiology
- SRG
- Global Diagnostics
- IQ Radiology
- Darling Downs Radiology
- TrinityMRI
- Imaging Queensland
- gmi geelong medical imaging
- Mackay Radiology
- Cavendish Clinic
- Sunshine Coast Radiology
- Geelong Breast Clinic
- The Women's Imaging Centre
- Advanced Women's Imaging
- Breast Diagnostic Specialists
- Central Queensland Radiology
- Integrated Pain Management

OUR LOCATIONS

AUSTRALIA

60 Sites



Victoria

- Ballarat (3 sites)
- Geelong (9 sites)
- Melbourne metropolitan (1 site)
- Outer western areas of Melbourne (7 sites)
- Warrnambool (2 sites)

Queensland

- Gold Coast and Hope Island (12 sites)
- Mackay (1 site)
- Toowoomba (1 site)
- Sunshine Coast (9 sites)
- Rockhampton (5 sites)
- Gladstone (2 sites)
- Emerald (1 site)
- Morayfield (2 sites)

Western Australia

- South west Western Australia (5 sites)

NEW ZEALAND

4 Sites



Auckland

- Auckland (4 sites)

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CHAIRMAN'S REPORT

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In a COVID-19 punctuated year over the 12 months ended 30 June 2020 (FY20), your Company achieved a 21.9% increase in operating NPAT of $31.2m. Statutory NPAT of $23m was 9.5% higher than prior year. Operating diluted earnings per share grew 4.9% to 17cps.

Dear fellow shareholders,

On behalf of the Board, I present to you the 2020 Annual Report for Integral Diagnostics Limited.

Putting people first is at the very heart of what we do at Integral Diagnostics. This has shone through at a time our world has changed as a result of COVID-19. Undoubtedly it is our steadfast resolve that lived culture is the critical enabler of strategy and 'integral' to our long-term success - whether it's applied to managing the impact of a pandemic, assessing potential acquisitions or selecting talent.

Financial results

In a COVID-19 punctuated year over the 12 months ended 30 June 2020 (FY20), your Company achieved a 21.9% increase in operating NPAT of $31.2m. Statutory NPAT of $23m was 9.5% higher than prior year. Operating diluted earnings per share grew 4.9% to 17cps.

Operating revenue grew 18.7% to $274.1m, driven by new sites, investments in high end modalities and an eight-month contribution from Imaging Queensland who we warmly welcomed this year – offset by COVID-19 impacts from March.

Government imposed restrictions in both Australia and New Zealand, including the cancellation of elective surgery and sporting activities, community lockdowns, a slowdown in regular hospital activity, and patients' reluctance to visit their doctors resulted in significant declines in diagnostic imaging volumes from March due to COVID-19. With the easing of restrictions, patient volumes began to recover from May. Australian and New Zealand Government assistance ($6.1m after tax), combined with leave management and cost control assisted your Company with the essential priority to fully retain and support our highly skilled workforce and to position the business to meet demand as it returned.

As at 30 June 2020, our debt to equity ratio of 0.54:1 and Net Debt/LTM EBITDA ratio of 1.8x reflects strong capital management to support our continued growth ambitions.

A dividend of 9.5 cents per share fully franked has been paid or declared to shareholders, 5% less than prior year reflecting a conservative approach to cash management and the on-going uncertainty due to COVID-19. A dividend reinvestment plan was introduced during the year to provide an option for our Australian and New Zealand shareholders. We are delighted to have 63 of our employed radiologists as shareholders. We were also included in the ASX300 on 22 June 2020.

Quality growth

Prior to COVID-19, underlying organic revenue growth was at 7% in Australia and 5.5% in New Zealand. The full year organic revenue growth was 2.4% in Australia and declined1.6% in New Zealand.

21.9%

increase in operating NPAT

Total expenditure on tangible assets in FY20 was $26.1m, $16.7m of which related to growth opportunities. The growth capital expenditure included completion of the re-development of John Flynn Hospital including a new PET facility, installation of cardiac CTs at St John of God Hospital Geelong and Pindara Hospital, re-development and extension of the Peel Specialist Medical Centre Mandurah and completion of the Hope Island site on the Gold Coast.

In November 2019, we were augmented by the quality acquisition of Imaging Queensland (IQ), adding 19 established diagnostic imaging clinics within the three regions of Sunshine Coast, Central Coast and Moreton Bay. The acquisition was partly funded by a successful $72 million pro-rata accelerated non-renounceable entitlement offer issuing 26.6m shares at $2.71 in September 2019.

In June 2020, we announced the acquisition of the highly regarded Ascot Radiology Group in Auckland, New Zealand, which is expected to be completed in September 2020. Ascot Radiology is highly complementary to our existing New Zealand business and comprises nine diagnostic imaging clinics, including key sites at Ascot

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Private Hospital and 22 doctors who we look forward to welcoming together with the staff.

We will continue to execute our organic and inorganic growth strategy ensuring discipline around cultural and clinical quality fit, strategic alignment and resulting benefit for shareholders.

Regulatory environment

Advances in diagnostic imaging continue to dramatically improve the diagnosis and treatment of illness and injury and can eliminate the need for and high cost to payors of invasive procedures including surgery.

The introduction of breast MRI and PET to the Medicare Benefits Schedule (MBS) in November 2019 now provides patients and clinicians access to valuable best practice tools for early detection and staging of breast cancer which has the ability to improve patient management.

The re-introduction of annual MBS indexation for approximately 90% of diagnostic imaging services began in July 2019, after two decades of no indexation, and runs for a period of three years. Diagnostic imaging contracts in New Zealand provide for annual indexation every year.

As a result of COVID-19, the Australian Government relaxed the radiologist attendance rules on some examinations as well as allowing the use of electronic referrals and upfront billing. These were welcome changes that have merit in a non COVID-19 environment.

Governance

Your Board is proud to have a governance model for our specialist medical business that includes two radiologist Executive Directors. As part of its succession planning for these roles, Dr Jacqueline Milne was appointed as an Executive Director, effective 1 November 2019 taking over from Dr Sally Sojan. I would like to thank Dr Sojan for her valuable contributions and immense time commitment she made as a Board member since the inception of Integral Diagnostics, whilst being a full-time radiologist and nuclear medicine specialist. Dr Milne brings multidisciplinary experience originally as a radiographer and then as a radiologist. Dr Milne is also a member of the Integral Clinical Leadership Committee (ICLC) and the Queensland Clinical Leadership Committee (QCLC).

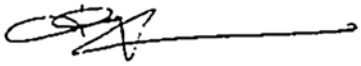
Your Board is committed to maintaining high standards of corporate governance including its environmental, social and governance (ESG) responsibilities. We look forward to your feedback on our first standalone ESG Report for FY20 which acknowledges areas of best practice as well as areas where we are committed to do more in as part of contributing to a sustainable world. This includes support for the United Nations Sustainable Goals that most strongly align with our business.

On behalf of the Board, I would like to thank the 1,341 Integral Diagnostics employees for their strong efforts in this unprecedented year ensuring we didn't miss a beat for our patients and referrers. Where we are today is due to the combined skills, talents and drive of all who work in the Company led by our Managing Director and CEO Dr Ian Kadish. This is an exciting time to be part of Integral Diagnostics as we continue to advance our strategy, culture and ambitions as significant technological advancements in medicine such as artificial intelligence evolves. Whilst COVID-19 itself has had a significant impact on our lives and the way we do things we do not believe it has significantly changed the operational rhythms or fundamentals of the diagnostic imaging industry.

Thank you, our shareholders, for your continuing support of the Company. You can stand proud that this Company you are supporting is dedicated to delivering diagnostic imaging services that makes a difference to, and ultimately saves lives.

Be well and stay safe.

Yours sincerely,



Helen Kurincic
Chairman
25 August 2020





MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S REPORT

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Your company served over 660,000 patients and 30,300 referrers in FY20. We employed 1,341 people, including 192 contracted and employed radiologists, having performed more than 1.7m diagnostic examinations.

Dear fellow shareholders,

The past financial year has been challenging for Australia and New Zealand, and for the world. The health and financial impacts of the pandemic are universal, ongoing and unprecedented.

We are fortunate, in Australia and New Zealand, to be living in some of the world's safest countries during these pandemic times. Due to exemplary national leadership in both countries, and due to the level of understanding and adherence of the ANZ public to social distancing, our countries have avoided much of the catastrophe unfolding in the rest of the world.

Healthcare workers across the world are at the frontlines of this pandemic. In the State of Victoria alone, more than 1,000 healthcare workers have been afflicted by COVID-19. Every frontline healthcare worker knows they risk their health and their family's health and wellbeing every time they diagnose or treat a suspected patient. These 'healthcare heroes', at IDX and elsewhere, are working to build a healthier world and their bravery, dedication and commitment to achieving the best health outcome for every patient will be remembered for generations.

Living our values

IDX is first and foremost a healthcare company and we are responding to the demands of this healthcare pandemic with professionalism, dedication and empathy. Our doctors and staff have been called on to assist throughout the pandemic and have responded brilliantly, truly living up to our values of putting patients first, demonstrating medical leadership and ensuring that everyone counts. Employees across the business have demonstrated outstanding clinical acumen, exemplary leadership, courage, flexibility and goodwill.

There is no better example of our value of embracing change than the changes our employees have embraced to ensure that we can continue to diagnose and treat safely and effectively through the pandemic. We currently communicate with our patients through sneeze screens, limit the different clinics and locations we work at, work in isolation when we need to, donn and doff PPE whenever necessary, and socially distance from each other. Despite the challenges, our doctors and staff all across the company have continued to provide patients and referrers with a level of diagnostic excellence, care and service that is unsurpassed.

Creating value, delivering results

The increased use of diagnostic imaging in the early detection of disease facilitates faster and less invasive treatment options which lower healthcare costs and improve quality of life.

Your company served over 660,000 patients and 30,300 referrers in FY20. We employed 1,341 people, including 192 contracted and employed radiologists, having performed more than 1.7m diagnostic examinations.

18.7%

Increased revenues, and our free cash flow by 37.9%.

Your company delivered a 9.5% increase in statutory NPAT, a 21.9% increase in Operating NPAT, and a 4.9% increase in operating diluted earnings per share. We increased our revenues by 18.7%, and our free cash flow by 37.9%. At the same time, we decreased our leverage, reducing our Net Debt to EBITDA to 1.8 times (FY19: 2.2 times). Our strong balance sheet gives us valuable comfort in these unpredictable times.

We improved our EBITDA operating margin to 23.3%, the most efficient in our industry.

Despite our increased growth and efficiency, we were significantly impacted in the last quarter as the pandemic and associated lockdowns, and in particular the reduction in elective surgery, decreased patient volumes across our business, in Australia and New Zealand. We experienced the largest patient reductions in April, with steady improvement in May and June. We enacted sensible cost saving initiatives across the business, reducing contractors, occupancy

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and employee costs, equipment costs, and all discretionary spend. The IDX Board, management, doctors and staff demonstrated their commitment by taking voluntary pay cuts, utilising leave entitlements when asked, and taking leave without pay when required. Government assistance in both countries provided the support we needed to minimise the company's requirement for stand-downs, and to sustain and retain our dedicated, highly skilled employees.

Growth and acquisitions

We invested in important organic growth initiatives, and two material acquisitions, in FY20.

We invested $26m in organic growth projects, including the installation of a new Digital PET scanner, the first digital PET in Queensland, and a Cardiac CT at the John Flynn Private Hospital on the Gold Coast; the development of an MRI super-site at the St John of God Hospital in Ballarat; building the Peel Specialist Centre in Mandurah to support new oncology services; installing Cardiac CT's at Pindara Private Hospital on the Gold Coast and at St John of God Hospital in Geelong; and opening our new Hope Island site on the Gold Coast.

We successfully raised $72 million in an accelerated non-renounceable equity offering for the acquisition of Imaging Queensland, a high quality radiology practice on the Sunshine Coast and Central Queensland. We welcomed the Imaging Queensland group of 16 radiologists and 289 employees into the IDX family in November 2019. The group is performing well, and has added real value, scope and scale, into IDX's operations in Queensland. The business was integrated into IDX at a challenging time during a global pandemic, and I could not be more pleased with the goodwill, high quality care, leadership and performance that the IQ doctors and staff have demonstrated.

We placed our acquisition pipeline on hold at the start of the pandemic in February, and did not progress acquisitions or major new capital investments until we could look through the pandemic and better understand its impact and ramifications on our industry. We obtained sufficient comfort by 10 June 2020, when we announced the acquisition of the Ascot Radiology group in Auckland, New Zealand. The announcement was made the day after Prime Minister Jacinda Ardern announced the country had eliminated community transmission of COVID-19.



MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

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Ascot Radiology comprises nine radiology clinics and 22 of ANZ's leading diagnostic specialists. Ascot own and operate a PET Scanner, a Cardiac CT, and three MRI's, providing IDX with new PET and Cardiac capabilities in New Zealand and doubling our MRI capacity in Auckland. The acquisition is expected to complete in September 2020.

People and technology

Our people, the 1,341 individuals employed by IDX, are the heart of our business. These are the people who work every day to provide the best possible health outcome to every patient and to realise our vision of building a healthier world.

IDX employees work at 64 sites across Australia and New Zealand. Every one of our employees either works on the healthcare frontline, or takes care of other employees who work on the frontline. We work in local business units and build our goodwill with local referrers in the medical communities we serve. We bring the benefits of our broader ANZ network to these local communities, implementing diagnostic technologies, information systems and practices, and procedures and policies, that are world-class.

Radiology saves lives. It is incumbent on us to ensure we provide our patients and referrers with education and access to world-class diagnostic technology. We invested in technologies in FY20 to improve patient care, improve diagnostic speed and efficiencies and help save lives.

- Implemented proven Artificial Intelligence (AI) software in selected IDX business units, for stroke detection, cervical spine fractures and pulmonary emboli
- Implemented electronic referral systems to enhance the delivery of results for our patients
- Developed a centralised worklist program that has enabled load sharing and subspecialty reporting capabilities
- Continued to focus on ensuring cyber security and the privacy of patient data.

Doctor ownership

Our business relies and thrives on having some of the finest radiologists in the world as owners and shareholders of the company. We encourage selected radiologists to pursue equity ownership by offering a favourable loan and option plan that matches their investments in IDX shares on a 2:1 basis. We cap the plan at $3m in IDX-funded loans or options each year, matched with $1.5m in radiologist self-funded equity. The IDX-funded shares and options are escrowed for a minimum 4 year period. To date the plan has been over-subscribed in each of the 3 years that it has been offered.

The total number of IDX shareholders has more than trebled over the prior year, from 1,123 shareholders in FY19 to 3,892 shareholders in FY20. 63 of our doctor employees are shareholders in IDX.

Going forward

Healthcare payers in Australia and New Zealand are increasingly recognising the central role of Diagnostic Imaging in improving quality of life, reducing healthcare costs and saving lives. Medicare has committed to indexing 80% of its radiology disbursements for the next 3 years. Major New Zealand payors provide similar CPI increments.

The pandemic and its manifestations have introduced ongoing uncertainty. Ultimately few will gain from this horrific virus and much of the global economy will be in recession but IDX will be offering services that patients need and will continue to demand. Patients will continue to get sick and to want to get better and will continue to need our diagnostic services, clinical acumen, care and support in order to do so.

FY21 Priorities

Over the next financial year, our major priorities will be:

- Manage Ongoing Impact of COVID-19
- Drive further organic growth and efficiency gains
- Complete integration of Imaging Queensland and integrate Ascot Radiology
- Educate patients, payors and referrers on the merits of MRI and PET technologies so they're better recognised and understood
- Continue to accelerate digital technology and Artificial Intelligence that enhance our service offering
- Drive our ESG agenda
- Develop leadership capabilities across the Group
- Continue to seek acquisitions that are a clinical and cultural fit, strategically aligned and earnings accretive

On behalf of everyone at IDX, I'd like to recognise and thank those heroes on the healthcare frontline, at IDX and elsewhere, who work every day to deliver the best health outcomes for our patients. I could not be prouder of the people who I am honoured to work with.

My sincere thanks to our referrers, doctors and staff, our Chair, Board and management team for their ongoing dedication and commitment.

And to you our shareholders for your support.

Good medicine is good business.

Yours sincerely,



Dr Ian Kadish
Managing Director and
Chief Executive Officer
August 2020

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DIRECTORS' REPORT

For the year ended 30 June 2020

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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 2020.

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 34 to 45; and
- the Remuneration Report on pages 18 to 32.

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)
John Atkin (Independent Non-Executive Director)
Rupert Harrington (Independent Non-Executive Director)
Raelene Murphy (Independent Non-Executive Director)
Dr Chien Ping Ho (Executive Director)
Dr Jacqueline Milne (Executive Director) Commenced 1 November 2019
Dr Sally Sojan (Executive Director) Ceased 1 November 2019

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 34 to 45 of the Annual Report sets out information on the business strategies, prospects and likely developments 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 34 to 45.

Dividends paid in the year ended 30 June 2020

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

	30 June 2020 $'000	30 June 2019 $'000
Dividend paid 4 cents per share on 4 October 2018	-	6,216
Dividend paid 5 cents per share on 2 April 2019	-	7,809
Dividend paid 5 cents per share on 2 October 2019	7,843	-
Dividend paid 5.5 cents per share on 7 April 2020	10,625	-
	18,648	14,025

Significant changes in the state of affairs

During the financial year the Group experienced the impacts of the COVID-19 pandemic. Details of the operating and financial impacts of COVID-19 are included in the OFR. As at the date of this report it is not expected that COVID-19 will significantly impact the long term underlying fundamentals of the diagnostic imaging industry either operationally or financially and as such the Group has not made significant changes to the operations or structure of the business as a result of COVID-19.

Effective from the 1st November 2019 the Group completed the acquisition of Imaging Queensland. The details of the acquisition are included in Note 34 to the financial statements.

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

DIRECTORS' REPORT CONTINUED

For the year ended 30 June 2020

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Matters subsequent to the end of the financial year

Subsequent to year end a dividend of 4.0 cents per share was declared and will be paid on 1 October 2020.

On the 2nd August 2020 the Victorian Government announced Stage 4 restrictions for metropolitan Melbourne and a return to Stage 3 restrictions for regional Victoria. The restrictions include a cancellation of non-urgent elective surgery and sporting activities, as well as a slow down in regular hospital activity and patients' reluctance to visit their doctors, resulting in declines in diagnostic imaging volumes in our Victorian sites.

On the 11th August 2020 the New Zealand Government announced Stage 3 restrictions for Auckland, and Stage 2 restrictions for the rest of New Zealand. The restrictions include a reduction in elective surgery and sporting activities, as well as a slow down in regular hospital activity and patients' reluctance to visit their doctors, resulting in declines in diagnostic imaging volumes in our New Zealand sites.

As at the 23rd August the restrictions in Victoria and New Zealand remain in place. We continue to monitor COVID-19 and its impacts on the overall business.

On the 19th August 2020 an issue of shares under the Radiologist Loan Funded Share Plan and the New Zealand Matching Options plan was approved. The value of shares to be issued is $4.5 million. This is made up of Radiologist contributions of $1.5 million matched by an IDX contribution of $3.0 million. The number of shares to be issued will be determined by the 30-day VWAP up to the 30th August 2020. These shares/options will be issued on the 2nd September 2020 subject to the Radiologists contributing funds for their own shares into the scheme by 28th August 2020.

No other matter or circumstances have arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs until future 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.

Information on Directors



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

Ms Helen Kurincic was appointed as an independent Non-Executive Director and Chairman of the Company in December 2014, preceding listing on the ASX on 21 October 2015 and is the Chairman of the Nomination Committee and a member of the People and Remuneration Committee and the Audit, Risk and Compliance Committee.

Helen has deep Executive and Board-level experience across the healthcare industry. She is currently a Non-Executive Director of Estia Health Limited (ASX:EHE), McMillian Shakespeare Limited (ASX:MMS), HBF Health Limited, and Victorian Clinical Genetics Service, and is a senior advisor in the healthcare sector. Previously, Helen 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 business across Australia. Prior to that, Helen held various Executive and Non-Executive healthcare sector roles including Non-Executive Director of DCA Group Ltd (diagnostic imaging services in Australia and the United Kingdom), Non-Executive Director of AMP Capital Investors Domain Principal Group, CEO of Benetas and Non-Executive Directorof Melbourne Health and Orygen Research Centre.

Helen 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.

Former directorships (in the last three years)	Sirtex Medical Limited (ASX:SRX)
Special responsibilities	Member of the Audit, Risk and Compliance Committee and People and Remuneration Committee, Chair of the Nomination Committee
Interests in shares	492,084 ordinary shares (indirectly)

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Dr Ian Kadish
Managing Director and Chief Executive Officer
MBBCh, MBA

Dr Ian Kadish was appointed Managing Director and Chief Executive Officer of Integral Diagnostics 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 (Dean's List, May 1990) and followed this with several roles overseas including McKinsey and Company, CSC Healthcare in New York City, and Netcare, a major hospital group in South Africa and the United Kingdom, where Dr Kadish was an Executive Director from 1997 to 2006. Ian was instrumental in growing the group from five hospitals with a market capitalisation of $60 million, to 119 hospitals and a market capitalisation of $3 billion.

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

Ian is also a Non-Executive Director of Teaminvest Private Group Limited (ASX:TIP).

Former directorships (in the last three years)	None
Special responsibilities	Member of the Integral Clinical Leadership Committee
Interests in shares	89,379 ordinary shares, 798,157 rights



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

John Atkin joined the Integral Board on 1 October 2015 and is a Non-Executive Director of IPH Limited (ASX:IPH). John is currently the Nomination and Remuneration Committee Chair of IPH Limited and is a member of its Audit and Risk Committee.

In 2018, John was appointed Chair of the Australian Institute of Company Directors. In 2019 he was appointed as Chair of Qantas Superannuation Limited, trustee of the Qantas Superannuation Fund. John is also an independent director of the Commonwealth Bank Group Super Fund trustee. John was a non-executive director of Aurizon Limited (ASX:AZJ) from 2010 to 2016 and Chair of GPT Metro (ASX:GMF) for 2014 to 2016.

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 Jaques (now King & Wood Mallesons). John is Vice Chair of Outward Bound International Inc, and Chair of Hunters Hill Environment Action Group Inc.

Former directorships (in the last three years)	None
Special responsibilities	Chair of the People and Remuneration Committee and a member of the Audit, Risk and Compliance Committee and the Nomination Committee
Interests in shares	155,440 ordinary shares (indirectly)

DIRECTORS' REPORT CONTINUED

For the year ended 30 June 2020



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

Rupert Harrington joined the Integral Board on 1 October 2015 as an experienced Director with a wealth of experience in business strategy and M&A.

Mr Harrington's early career was in operational management in the United Kingdom and Australia. His career from 1987 was in private equity where he has an excellent track record of delivering results for investors in sectors including health, technology, services, and manufacturing. This included Advent's healthcare investments in Primary Health Care and Genesis Care.

Mr Harrington is currently Chairman of Clover Corporation (ASX:CLV) and Non-Executive Director of Pro-Packaging (ASX:PPG). At the end of 2017 he resigned as Non-Executive Director of Bradken Limited following its successful acquisition by Hitachi.

Former directorships (in the last three years)	Bradken Limited (ASX:BKN)
Special responsibilities	Member of the Audit, Risk and Compliance Committee, the People and Remuneration Committee and the Nomination Committee
Interests in shares	146,150 ordinary shares (directly) and 211,498 ordinary shares (indirectly)



Raelene Murphy
Independent Non-Executive Director
BBus, FCA, GAICD

Ms Raelene Murphy was appointed as an independent Non-Executive Director of the Company on 1 October 2017, and is the Chairman of the Audit, Risk & Compliance Committee and a member of the People and Remuneration Committee.

Raelene has over 30 years experience in strategic, financial and operational leadership in both industry and professional advisory after beginning her career in audit. She was formerly a Partner in a national accounting firm, Managing Director of Korda Mentha and CEO of the Delta Group. In her professional advisory career she specialised in operational and financial restructuring with a particular emphasis on merger and acquisition integration across a range of significant public and private companies.

Raelene is a Fellow of Chartered Accountants Australia and New Zealand and has extensive experience as Chair of Audit and Risk Committees for ASX Listed companies.

She is currently a Non-Executive Director of ASX listed Altium Limited (ASX:ALU), Bega Limited (ASX:BGA) and Clean Seas Seafood Limited (ASX:CSS).

Former directorships (in the last three years)	Tassal Group Limited (ASX:TGR), Service Stream Limited (ASX:SSM)
Special responsibilities	Chair of the Audit, Risk and Compliance Committee, Member of the People and Remuneration Committee.
Interests in shares	24,945 ordinary shares (indirectly)

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Dr Chien Ping Ho
Executive Director
MBBS, FRANZCR, GAICD

Dr Chien Ping Ho was appointed a Director of Lake Imaging on 29 April 2008 and subsequently Integral Diagnostics since August 2014. Dr 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 imaging, body MRI (including prostate) and Cardiac CT.

Former directorships (in the last three years)	None
Special responsibilities	Member of the Integral Clinical Leadership Committee
Interests in shares	2,164,375 ordinary shares (indirectly)



Dr Jacqueline Milne
Executive Director
BASc., MBBS, FRANZCR

Dr Jacqueline Milne was appointed as a Director of the Company on 1 November 2019. Dr Milne is a full-time permanently employed radiologist of the Company and is therefore considered by the Board to be a Non-Independent Executive Director. Dr Milne is based in Queensland and is an appointed member of the Company's group-wide Integral and Queensland Clinical Leadership Committees.

Dr Milne graduated from the University of Queensland with a medical degree and completed her radiology fellowship at the Gold Coast University Hospital. Dr Milne began her medical career as a practicing Radiographer at South Coast Radiology prior to commencing her medical degree and radiology qualifications.

Dr Milne's speciality interests include women's imaging, medical training and general procedural work.

Former directorships (in the last three years)	None
Special responsibilities	Member of the Integral Clinical Leadership Committee
Interests in shares	None

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.

DIRECTORS' REPORT CONTINUED

For the year ended 30 June 2020

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Company Secretary

Kirsty Lally (BEcon, CA,) was appointed Company Secretary on 5 July 2019. Kirsty is an experienced executive with experience across listed small market capitalisation, unlisted and private companies, specialising in governance, compliance and other corporate matters.

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	4	4	6	6	4	4
Dr Ian Kadish	15	15	-	-	-	-	-	-
John Atkin	15	14	4	4	6	6	4	4
Rupert Harrington	15	14	4	4	6	6	4	3
Raelene Murphy	15	15	4	4	6	6	-	-
Dr Chien Ping Ho	15	15	-	-	-	-	-	-
Dr Jacqueline Milne[1]	9	9	-	-	-	-	-	-
Dr Sally Sojan[2]	6	6	-	-	-	-	-	-

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

1. Dr Jacqueline Milne was appointed as a Director of the Company on 1 November 2019
2. Dr Sally Sojan ceased her position as a Director of the Company on 1 November 2019

The Board has also established a group wide Clinical Leadership Committee which is made up of Executive Directors Dr Ian Kadish, Dr Chien Ping Ho, and Dr Jacqueline Milne, together with radiologist leaders from across IDX. Its role is to promote and support a collegiate culture across all practices and to provide advice on all clinical governance matters including patient care, clinical standards and quality assurance.

The Committee met 8 times during the year and all Executive Directors were present at every meeting.

The Board has also established a Mergers and Acquisitions working group. The working group is chaired by Mr Harrington and its members include Dr Ian Kadish and Mrs Anne Lockwood Chief Financial and Commercial Officer (CFCO). The Chair also attends the meetings when relevant. The working group met 5 times during the year.

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.

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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 (PricewaterhouseCoopers Australia) for audit and non-audit services during the year by the auditor are disclosed in Note 29 to the financial statements.

In accordance with its policy for Non-Audit Services Provided by the External Auditor, the Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important. The non-audit services provided were largely for work performed pertaining to tax advisory and compliance services, due diligence on transactions and advice on employees equity share plans.

The Board, in accordance with advice provided by the Audit Risk and Compliance Committee, is satisfied that the provision of thenon-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality 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.

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 *Corporations Act 2001* is set out on page 33.

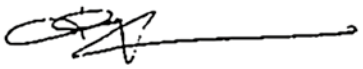
Auditor

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

Dr Ian Kadish
Managing Director and Chief Executive Officer

25 August 2020
Melbourne

REMUNERATION REPORT

For year ended 30 June 2020

Introduction from the People and Remuneration Committee Chair

Dear Shareholders,

On behalf of the Board, I am pleased to present the Remuneration Report for the 2020 financial year. We will seek your approval of the report at our Annual General Meeting to be held on 30 October 2020.

We have changed the structure of our report this year to more clearly set out the principles and processes that we apply to determine the nature and amount of remuneration for KMP, key financial performance measures over the last four years, details of remuneration provided for FY20 (including STI awards) and the adjustments in remuneration settings for FY21. The final sections provide details of the cumulative interest of Executives under the LTI program, other transactions with KMP and their related parties, Executive service agreements and KMP shareholding and minimum shareholding policy.

FY20 was another year of strong performance by the Group, notwithstanding the impacts of COVID-19 in the last quarter. The Company responded to COVID-19 by implementing a number of measures to protect the safety of our patients and staff, to continue the operations of the Group and to maintain our workforce. KMP volunteered reductions in their remuneration. The Non-Executive and Executive Directors agreed to a 20% reduction in the Board fees for April, May and June. The CEO and CFCO agreed to a 20% reduction in their fixed remuneration for April and May.

In making its decision to proceed with STI Awards to the CEO and CFCO the Board was mindful of the interests of a range of stakeholders. No discretion was applied to the outcome of the financial component of the STI awards which were paid in accordance with the individuals' contractual entitlements. The Board did exercise its discretion to increase the award for the non-financial component where the KPIs were largely achieved. The reasons for the Board's decisions are more fully set out in the report.

The fixed remuneration of both the CEO and CFCO has been increased for FY21. The reasons for those increases are set out in the report. In summary, they reflect the increased size and value of the roles they discharge and the need to align remuneration appropriately with comparable benchmarks. No increase is proposed for the Board fees paid to the Chair and the Non-Executive and Executive Directors.

The incentive or 'at risk' component of remuneration provided to our Executives is, and has always been, deliberately weighted to our Long-Term Incentive program which has a 4-year vesting period. The accumulating interest of our Executives under that program is set out in the report. During the year the Board reviewed the performance conditions for the FY21 grant of Performance Rights and the possible inclusion of a performance condition based on Return on Invested Capital (ROIC) as an addition to the current performance condition based on Earnings Per Share (EPS). While return on capital is a key consideration both in driving improvements in the organic business and in any acquisition, the Board determined the complexities of the measurement and its susceptibility to change due to extraneous timing effects did not warrant its inclusion. The Board will continue to ensure that the Group maintains a conservative gearing and that acquisitions and investments generate an appropriate return on capital as part of its oversight of management.

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Our LTI program has always allowed for possible re-testing at the end of year 4. Our LTI terms have made it clear that re-testing can only occur if the outcome is affected by extreme events or circumstances and even then, only at the Board's discretion. As presently drafted the terms of the LTI only allow vesting if none, rather than merely some, of the Performance Rights fail to vest. In our view, this could work unfairly to Executives particularly where the Threshold level of achievement and percentage vesting is set at a low level and Stretch is set at the level of clear outperformance, as is the case with our Plan. If the Board does use its discretion to allow re-testing in extreme events or circumstances, the growth in EPS will be set for the full 5 year period at the compound annual growth rate set at the time the Performance Rights were granted (i.e. for FY18 and FY19 Performance Rights 15% CAGR and for FY20 and FY21 12% CAGR). This approach addresses any potential unfairness to Executives whilst maintaining alignment with shareholder interests. Accordingly, the Board has amended the terms of the Plan as it applies to the grants currently on foot and for future years so that the Board has discretion to consider allowing re-testing where there is partial vesting.

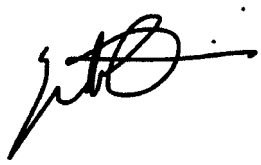
During the year we have had the opportunity to meet with shareholders and proxy advisors to receive their feedback on remuneration matters and address any issues arising from the FY19 report. The following matters raised have been addressed in the body of the report:

- Rationale for increases in the fixed remuneration for the CEO and CFCO;
- Greater disclosure of STI metrics and outcomes; and
- LTIP performance hurdle, its calculation, and the use of a single metric

As the Company continues to grow and develop, we will continue to apply a fit for purpose remuneration framework that supports our cultural values and execution of the Board's strategy, is balanced in its ability to attract, motivate and retain talent and is aligned with the creation of sustainable shareholder value and broader stakeholder outcomes.

We look forward to your support and welcome your feedback on our remuneration report.

Yours sincerely,



John Atkin
People and Remuneration Committee Chair

REMUNERATION REPORT

For year ended 30 June 2020

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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) of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors. The table below lists the KMP for the year ended 30 June 2020 (FY20). All KMP held their position for the duration of FY20, unless otherwise noted.

Name	Position
Non-Executive Directors	
Helen Kurincic	Independent, Non-Executive Chairman
John Atkin	Independent, Non-Executive Director
Rupert Harrington	Independent, Non-Executive Director
Raelene Murphy	Independent, Non-Executive Director
Executive Directors	
Dr Ian Kadish	Managing Director and Chief Executive Officer
Dr Chien Ping Ho	Executive Director
Dr Sally Sojan	Executive Director (ceased KMP position 1 November 2019)
Dr Jacqueline Milne	Executive Director (commenced KMP position 1 November 2019)
Executives	
Anne Lockwood	Chief Financial and Commercial Officer

For the remainder of the Report, the term 'Executive' refers to all Executive KMP except for Dr Chien Ping Ho, Dr Sally Sojan and Dr Jacqueline Milne, who are all employed radiologists with the Group.

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

a. Principles and processes used to determine the nature and amount of remuneration
b. Alignment of remuneration with Company performance
c. Details of remuneration for FY20
d. Adjustments in remuneration settings for FY21
e. Cumulative interest of Executives under the LTI program
f. Other transactions with KMP and their related parties
g. Executive service agreements
h. KMP shareholding and minimum shareholding policy for KMP

a. Principles and processes used to determine the nature and amount of remuneration

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

- competitiveness, fairness and reasonableness;
- acceptability and alignment to shareholders and other stakeholders;
- performance linkage and alignment of Executive compensation with remuneration provided across the Group; and
- transparency.

The Company's remuneration policy for Non-Executive Directors aims to ensure that the Company can attract and retain suitably qualified and experienced Non-Executive Directors.

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People and Remuneration Committee

The People and Remuneration Committee (PRC) is governed by the PRC Charter and is responsible for reviewing and recommending to the Board compensation arrangements for the Non-Executive Directors, Executive Directors, other KMP and Senior Management including:

a. Contract terms, annual remuneration and participation in any short and long-term incentive plans.

b. Major changes and developments in the Company's remuneration, superannuation, recruitment, retention and termination policies and procedures.

c. Remuneration strategy, performance targets and bonus payments for the CEO and the Executives that report to the CEO.

d. Remuneration arrangements for the Chairman, Non-Executive and Executive Directors of the Board, including fees, travel and other benefits.

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 regarded as independent, were members of the PRC for the entire financial year:

John Atkin – Chairman	Independent, Non-Executive Director
Helen Kurincic	Independent, Non-Executive Director
Rupert Harrington	Independent, Non-Executive Director
Raelene Murphy	Independent, Non-Executive Director

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.

Use of remuneration consultants

The Board ensures that any recommendations made by consultants in relation to remuneration arrangements of KMP 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 Board did not engage any remuneration consultants during the financial year.

Non-Executive Directors' remuneration arrangements

Under the Constitution, the Board determines 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.

Fees to Non-Executive Directors reflect the demands and responsibilities of their role, the specialist nature of a diagnostic imaging business and the deliberate structure of our Board with four independent Non-Executive Directors and two Executive Directors employed as radiologists. Non-Executive Directors' fees are reviewed periodically by the PRC. The PRC may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees are appropriate and in line with the market.

The Chairman's fees are determined independently from the fees of other Non-Executive Directors based on comparative roles in the external market. Non-Executive Directors do not receive share options or other incentives and their remuneration must not include a commission on, or a percentage of, operating revenue.

REMUNERATION REPORT CONTINUED

For year ended 30 June 2020

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Executive Directors' remuneration arrangements

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

In addition, they receive an Executive Director Board fee which is set by reference to the fees paid to the Non-Executive Directors.

Review of Non-Executive Director and Executive Director Board fees for FY21

The PRC has reviewed fees paid to the Executive Directors, the Non-Executive Directors and the Chair and has determined that there will be no increase for the 2021 financial year.

Executive remuneration arrangements

The Executive remuneration and reward framework for the 2020 financial year has three components:

- fixed remuneration (including base salary and superannuation) and non-monetary benefits;
- short-term performance incentives; and
- long-term performance incentives.

The combination of these comprises the Executives' total remuneration.

An Executive's remuneration arrangement is reviewed annually by the PRC, based on individual and business performance, the overall performance of the Group and comparable market data. At risk remuneration consists of the short-term (STI) and long-term (LTI) incentive programs, which have been designed to align Executive remuneration with the creation of shareholder value through achievement of strategic and financial objectives.

Remuneration mix

The target remuneration mix is shown below. It reflects the STI opportunity that will be available if the performance conditions are satisfied at target, and the face value of the LTI performance rights granted during the year, as determined at grant date. The target remuneration mix has a deliberate weighting to the LTI consistent with the Company's strategy of delivering increased earnings per share over the longer term.

Executives	Fixed Remuneration (%)	STI (%)	LTI (%)	Total Remuneration
Dr Ian Kadish	44.5%	11.0%	44.5%	100%
Anne Lockwood	50.0%	12.5%	37.5%	100%

Fixed remuneration

Delivery mechanism	• 100% cash payment including base salary, other fringe benefits and employer superannuation contributions.
Considerations	• Role scope and complexity • The Executive's skills and experience • Industry benchmarking
Strategic objective	• To attract and retain high quality Executives to deliver Company objectives • Reward capability and experience
Governance	• Fixed remuneration is reviewed annually by the PRC with regard to market rates and individual performance • There are no guaranteed increases to fixed remuneration in employment contracts

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Short term incentive (STI)

Delivery mechanism	• 100% cash payment
Performance period	• The FY20 STI targets were set at the commencement of FY20 and assessed by the PRC after the end of the financial year, based on the Company's audited annual results and individual performance against non-financial targets.
Performance hurdles and measures	**Operating[1] NPAT growth hurdle** • A gateway is in place for all Executives, which means a minimum NPAT target must be achieved before any STI will be paid, unless Board discretion is applied. **Financial performance target** • 50% of STI will be available based on achievement of year-on-year NPAT growth. • Operating NPAT growth was selected because it is linked to the creation of shareholder returns. **Strategic priority targets** • 50% of STI will be available on achievement of non-financial strategic objectives and priorities identified by the Board. Measures to assess performance against those objectives are also set at that time. The PRC reviews each Executive's performance against these metrics to ensure Executives consider non-financial objectives when making strategic decisions. All are essential to positive outcomes for the Company and its stakeholders.
STI opportunity	Maximum STI opportunities are outlined below:

Executive	Maximum opportunity
Dr Ian Kadish	25% of fixed remuneration
Anne Lockwood	25% of fixed remuneration

Strategic objective	• The Financial Performance Target and Strategic Priority Targets were chosen because they are aligned with the short-term objectives of the business whilst consistent with the long-term strategy of the Company.
Governance	• Performance measures and objectives are clearly defined and measurable. • Targets are recommended by the PRC and approved by the Board. • Any incentive payment is not an entitlement and provided at the complete discretion of the board.

Long term incentive (LTI)

Strategic objective	• The LTI Plan is designed to encourage Executives to focus on the key performance drivers which underpin sustainable growth in shareholder value. It is also designed to align the interests of Executives with the interests of shareholders by providing an opportunity for Executives to receive an equity interest in the Company.
LTI award	• Each year the LTI award is delivered in the form of zero exercise priced options (Performance Rights). • The number of Performance Rights granted to participants is determined by use of a face value methodology. In the absence of special circumstances warranting another pricing method, a participant's LTI award is divided by the 30-day VWAP for the period up to and including 30 June in the prior financial year and rounded up to the nearest whole number to determine the number of Performance Rights granted. • Each Performance Right entitles the holder to one ordinary share in the Company (or an equivalent cash payment in lieu of an allocation of shares) subject to the satisfaction of an earnings per share performance condition. Performance Rights are granted by the Company at no cost to the participant and no payment is required to be made on vesting and exercise of the Performance Rights. • Performance Rights will automatically be exercised on vesting. • Performance Rights do not carry any voting or dividend entitlements prior to vesting and exercise.

REMUNERATION REPORT CONTINUED

For year ended 30 June 2020

Performance Period	The FY20 LTI Performance Rights will be tested based on performance over a four year period commencing on 1 July in the year they are granted.
Performance condition and measures	The FY20 Performance Rights will vest subject to the satisfaction of an earnings per share (EPS) performance condition. The EPS performance condition will be measured by reference to the compound annual growth rate (CAGR) of the Company's EPS over the Performance Period. EPS measures the earnings generated by the Company attributable to each share on issue on a fully diluted basis. The EPS performance condition was selected because of its correlation with long-term shareholder return and its lower susceptibility to short-term share price volatility. Calculation of EPS, the CAGR of the EPS and achievement against the performance condition will be determined by the Board in its absolute discretion, having regard to any matters that it considers relevant (including any adjustments for unusual or non-recurring items that the Board consider appropriate). The Threshold and Stretch target levels of achievement are reviewed each year at the time of grant. The vesting at Threshold is 20% and the Threshold target is set at a level which the Board regards as readily attainable. The Stretch target is set at a level which the Board regards as demonstrating clear outperformance. Full vesting occurs when performance equals or exceeds Stretch. The risks of using a single measure of performance for the LTI have been assessed. The Board does not favour a relative Total Shareholder Return metric as it is both unnecessary and subject to the vagaries of market factors present at the end of the test period. If management are successful in achieving compound EPS growth at or towards Stretch, shareholders can reasonably expect to see an increase in dividends and over the longer-term share price appreciation in line with or ahead of market indices.
Assessment of performance condition	• EPS growth rate is to be calculated with reference to underlying earnings (operating[1]). • The method of assessing the EPS performance condition has been chosen as the Board believes it is the most appropriate way to assess the true financial performance of the Company and determine remuneration outcomes. The Board is mindful of exercising its discretion to adjust underlying earnings in a manner that ensures managements' performance is rewarded on its merits.
Testing of performance condition	• Testing of the Performance Rights is expected to occur, shortly after the end of the Performance Period. • Any Performance Rights that vest will be automatically exercised, and participants are not required to pay an exercise price. Any remaining Performance Rights that do not vest will lapse. • If some of the FY20 Performance Rights fail to vest following testing after the end of the Performance Period due to some extreme event or circumstance, the Board may decide to re-test the performance condition at the end of a further one-year period. Any Performance Rights that do not vest after the re-test will lapse immediately. • In any re-test, the Threshold and Stretch levels of achievement will be determined by applying the CAGRs as specified by the Board at the time the Rights were granted over the full 5 years. In other words, to achieve Stretch, the EPS achieved would need to equal or exceed the level representing 5 years of compound growth at the relevant rate. • In exercising its discretion to re-test, the Board will be mindful of ensuring the re-test does not unfairly advantage management or disadvantage shareholders.

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Additional restrictions	• Participants in the LTI Plan must elect to place an additional dealing restriction, by way of a holding lock, foregoing the right to trade on any shares they may receive on vesting and exercise of the Performance Rights. • The minimum additional restriction periods which may be chosen range from 1 to 7 years after vesting.
Treatment of cessation[2]	• Where a participant ceases employment for cause or due to resignation (other than due to death, permanent disability or serious illness) all unvested Performance Rights will lapse. • In all other circumstances, a pro-rata portion of Performance Rights (based on the portion of the Performance Period that has elapsed) will remain on foot and be subject to the original performance condition (including that the Performance Rights will be eligible for re-testing), as though the participant had not ceased employment, unless the Board determines otherwise.
Change of control[2]	• Where there is a takeover bid or other transaction, event or state of affairs that in the Board's opinion is likely to result in a change of control of the Company, the Board has the discretion to accelerate vesting of some or all of the Performance Rights (but not less than a pro-rata portion calculated based on the portion of the Performance Period that has elapsed and tested based on performance against the performance condition to that date). Where only some of the Performance Rights are vested on a change of control, the remainder of the Performance Rights will immediately lapse. • If an actual change of control occurs before the Board exercises its discretion, a pro-rata portion of the Performance Rights (equal to the portion of the relevant Performance Period that has elapsed up to the change of control) will be tested based on performance against the performance condition to that date. The Board retains a discretion to determine whether the remaining unvested Performance Rights will vest or lapse.
Forfeiture and clawback	• The Board has broad 'clawback' powers to determine that any Performance Rights granted under the LTI Plan may lapse, shares allocated on vesting and exercise be forfeited, or cash payments or dividends be repaid in certain circumstances (e.g. in the case of fraud or gross misconduct). This protects the Company against the payment of benefits where participants have acted inappropriately.
Governance	• The performance condition and objectives are clearly defined and measurable. • Any grant is not an entitlement and provided at the complete discretion of the Board.

1. Operating is defined as NPAT before one-off costs and as included in the Operating and Financial Review
2. For each of FY18, FY19 and FY20 grants the Board has determined that in the event of the CEO or CFCO ceasing employment as a good leaver, their full FY18, FY19 and FY20 Performance Rights would stay on foot. In view of the strong performance of the Company over the past three years, the Board has also determined that, absent of malus, if there is a change of control it would exercise discretion to fully accelerate vesting of FY18, FY19 and FY20 Performance Rights

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REMUNERATION REPORT CONTINUED

For year ended 30 June 2020

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b. Alignment of remuneration with Company performance

The Company aims to align its Executive remuneration to its strategic and business objectives and the creation of shareholder value. The table below shows measures of the Group's financial performance over the last four years. The Company listed on the ASX in October 2015. As a result, it is not possible to address the statutory requirement that the Company provides a five-year discussion of the link between performance and reward in this Remuneration Report as the Company has not been listed for a sufficient time.

Consistent with Company strategy, the table shows improvement in Company performance over that period generating significant benefits for shareholders both in terms of increasing dividends and appreciating share price.

The link between the Company's performance and STI and LTI outcomes is considered in the sections below.

Key measures of the Group	FY2020	FY2019	FY2018	FY2017
Operating EBITDA[1] as a % of revenue	**23.3%**	22.9%	20.3%	18.8%
Operating NPAT[2] as a % of revenue	**11.4%**	11.1%	9.7%	8.3%
Operating EPS[3] (cents per share)	**17.0cps**	16.2cps	12.6cps	10.4cps
Return on operating assets[4] (based on operating NPAT)	**14.2%**	17.9%	14.5%	11.6%
Closing share price[5]	**3.90**	3.16	3.02	1.66
Dividends paid or declared per share	**9.5cps**	10.0cps	8.0cps	7.0cps
Declared dividend payout ratio on statutory NPAT	**80.0%**	74.72%	79.59%	65.6%

1. Operating EBITDA defined as EBITDA before one-off costs
2. Operating NPAT defined as NPAT before one-off costs
3. Operating Diluted EPS calculation for FY20 has been adjusted in order for the weighted average calculation of shares on the capital raise to align with the settlement date of the Imaging Queensland acquisition being 1 November 2019 from 4 September 2019 for the Institutional placement and 30 September 2019 for the Retail entitlement offer. Aligning the dates provides a more accurate reflection of the underlying EPS and increases the Diluted EPS by 0.3cps to 17.0cps
4. Return on operating assets for FY20 has been calculated using the LTM organic operating NPAT (plus trailing acquisitions NPAT) of $33.8m
5. The opening share price on 21 October 2015 was $1.91

c. Details of KMP remuneration for FY20

Non-Executive Director and Executive Director Board fees for FY20

As disclosed in last year's report, the fees paid to the Executive Directors, the Non-Executive Directors and the Chair were reviewed at the commencement of the financial year. That review had regard to the size and complexity of the specialist medical business, market benchmarks and the work of the Board and its Committees in practice. The Review determined the following fees for FY20:

- for Executive Directors (excluding the MD/CEO), $62,500;
- for Non-Executive Director, $125,000 (inclusive of all Committee Chair and Committee member roles), and
- for the Chair, $250,000 (inclusive of all Committee Chair and Committee member roles).
- All Non-Executive Directors' fees include superannuation where applicable.

In response to the COVID-19 pandemic, the Non-Executive Directors (including the Chairman) and the two radiologist Executive Directors agreed to a 20% reduction in fees for the months of April, May and June 2020.

Executive Remuneration

As disclosed in last year's report, the remuneration for the CEO and CFCO for FY20 was reviewed having regard to the significant growth in the size and complexity of the business and was informed by a report from Guerdon Associates on market benchmarks. In the case of the CFCO, that review also had regard to the increased scope of her role. The Fixed Remuneration for the CEO for FY20 was increased by 12% to $638,400 and the CFCO, by 21.7% to $450,340. The STI potential for both remained at 25% of their Fixed Remuneration. The LTI potential for the CEO remained at 100% of his Fixed Remuneration and for the CFCO increased to 75% of her Fixed Remuneration.

In response to the COVID-19 pandemic, the CEO and the CFCO agreed to a 20% reduction in fixed remuneration for the months of April and May 2020.

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STI Outcomes and Payments

Consistent with our general principles, the CEO and CFCO were set a financial goal based on achievement of year-on-year operating NPAT growth at threshold, target and stretch. They were also each set three strategic goals. The CEO's strategic KPIs focussed on business development and acquisition integration; organic growth and cost structure; and radiologist and referrer engagement. The CFCO's strategic KPIs were focussed on integration of the IQ acquisition and pursuit of further acquisition targets; capital management (including the capital raising); and development of stronger controls around certain identified risks.

The operating NPAT gateway hurdle was achieved therefore satisfying the gateway condition for STI awards for the Executives. The financial component of the STI awards were paid in accordance with the actual Company results (inclusive of COVID-19 impacts), which was above the target but below stretch.

The Executives largely achieved all aspects of their strategic KPIs which in the circumstances, particularly given the challenges COVID-19 presented in the final quarter, was a commendable achievement. The Board did exercise its discretion marginally to award the non-financial component of the STI in full for both Executives having regard to the overall strong performance of the Group.

The table below shows the STI payment to each Executive for the current and preceding financial years:

	FY2020			FY2019		
Executives	STI Foregone %	STI Paid %	STI Payment $[1]	STI Foregone $	STI Paid %	STI Payment $[1]
Dr Ian Kadish	13	87	138,852	55	45	64,125
Anne Lockwood	13	87	97,949	50	50	46,250

1. The minimum STI value possible is zero

LTI Performance Rights granted in FY20

At the commencement of the financial year, the Board considered the metrics used to set vesting levels for the LTI. The Board reviewed the level of growth required for the EPS measure. A 20% vesting at 5% CAGR was maintained as the setting for Threshold achievement. However, the target for a 100% vesting at Stretch was reduced from 15% CAGR to 12% CAGR over 4 years reflecting both the growth in size of the Company's business and the successful completion of a number of performance improvement initiatives over the two previous periods which would not be as easily replicated in future periods. In the Board's view, achievement of 12% CAGR over four years represent significant outperformance. At that time the Board deferred consideration of the possible inclusion of a measure based on return on equity or invested capital to more fully assess measure, appropriateness and any unintended consequences.

The Board also determined it was appropriate to use the offer price under the Entitlement Offer (announced at the time of the release of our annual results and the agreement to acquire Imaging Queensland) to determine the number of FY20 LTI Performance Rights awarded rather than the 30 day VWAP prior to 30 June which is more normally applied. In making this determination the Board had regard to the terms of the Entitlement Offer and the offers also made at that time to employed radiologists under their share plan.

The table below shows the LTI details for each Executive for the financial year ended 30 June 2020:

Executives	Grant date	Number of Performance Rights granted[1]	Fair value on grant date	Aggregate fair value[1]	Vesting and exercise date[2]	Performance Rights expiry date
Dr Ian Kadish	20/11/2019	235,572	3.01	709,072	30/06/2023	30/06/2024
Anne Lockwood	20/11/2019	124,633	2.75	342,741	30/06/2023	30/06/2024

1. The FY20 Performance Rights granted were made with reference to the price offered under the Entitlement Offer announced to the market on the 26 August 2019, calculated fair value was made on grant date
2. The FY20 LTI Performance Rights are zero exercise price options and the Performance Rights are automatically exercised on vesting

REMUNERATION REPORT CONTINUED

For year ended 30 June 2020

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LTI Performance Rights granted in FY19

The table below shows the LTI details for each Executive for the financial year ended 30 June 2019:

Executives	Grant date	Number of Performance Rights granted[1]	Fair value on grant date	Aggregate fair vale[1]	Vesting and exercise date[2]	Performance Rights expiry date
Dr Ian Kadish	16/11/2018	200,000	2.39	478,000	30/06/2022	30/06/2023
Anne Lockwood	22/08/2018	84,386	2.36	199,151	30/06/2022	30/06/2023

1. The FY19 Performance Rights granted were made with reference to the 30 day VWAP of the Company's shares traded up to, and including 30 June 2018, calculated fair value was made on grant date
2. The FY19 LTI Performance Rights are zero exercise price options and the Performance Rights are automatically exercised on vesting

Summary of KMP remuneration for FY20

Details of the remuneration received by the Group's KMP for FY20 and the prior financial year are set out in the following tables.

	Short term benefits		Post-employment benefits	Long term benefits	Value in Share based plans		
FY2020	Cash salary and fees $	Cash incentive $	Super-annuation $	Long service leave $	Performance Rights granted $	Total remuneration $	Proportion of total remuneration related to performance %
Non-Executive Directors[4]							
Helen Kurincic	217,397	n/a	20,103	n/a	n/a	237,500	n/a
John Atkin	106,357	n/a	12,393	n/a	n/a	118,750	n/a
Rupert Harrington	107,059	n/a	11,691	n/a	n/a	118,750	n/a
Raelene Murphy	118,750	n/a	n/a	n/a	n/a	118,750	n/a
Executive Directors[6]							
Dr Ian Kadish[5]	635,295	138,852	21,003	9,463	407,263	1,211,876	45.1%
Dr Chien Ping Ho[1]	550,617	n/a	21,003	8,598	n/a	580,217	n/a
Dr Sally Sojan[1,2]	352,553	n/a	10,501	16,305	n/a	379,359	n/a
Dr Jacqueline Milne[1,3]	518,407	n/a	10,501	6,952	n/a	535,860	n/a
Other Key Management Personnel[6]							
Anne Lockwood[5]	424,361	97,949	21,003	8,191	182,160	733,644	38.2%

1. Remuneration is as a radiologist of IDX and includes Executive Director fees which are net of 20% reductions applied for the months of April-June (inclusive) as part of the Group's response to COVID-19 for Dr's Ho and Milne
2. Dr Sally Sojan ceased KMP position 1 November 2019
3. Dr Jacqueline Milne commenced KMP position 1 November 2019
4. Non-Executive Director fees are shown net of 20% reductions applied for the months of April – June (inclusive) as part of the Group's response to COVID-19
5. Cash salaries for these Executive KMP are net of 20% reductions applied for the months of April and May (inclusive) as part of the Group's response to COVID-19
6. Cash salary and fees, include movements in annual leave entitlements

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Summary of KMP remuneration for FY19

	Short term benefits		Post-employment benefits	Long term benefits	Value in Share based plans		
FY2019	Cash salary and fees $	Cash incentive $	Super-annuation $	Long service leave $	Performance Rights granted $	Total remuneration $	Proportion of total remuneration related to performance %
Non-Executive Directors							
Helen Kurincic	182,648	NA	17,352	0	NA	200,000	NA
John Atkin	111,416	NA	10,584	0	NA	122,000	NA
Rupert Harrington	105,936	NA	10,064	0	NA	116,000	NA
Raelene Murphy	121,500	NA	0	0	NA	121,500	NA
Executive Directors[2]							
Dr Ian Kadish	549,469	64,125	20,531	5,096	236,947	876,168	34.36%
Dr Chien Ping Ho[1]	533,747	NA	20,531	6,893	NA	561,171	NA
Dr Sally Sojan[1]	821,591	NA	25,000	11,134	NA	857,725	NA
Other Key Management Personnel[2]							
Anne Lockwood	349,469	46,250	20,531	5,328	105,408[3]	526,986	28.78%

1. Remuneration is as a radiologist of IDX and includes Executive Director fees
2. Cash salary and fees, include movements in annual leave entitlements
3. The expense for performance rights granted to Anne Lockwood has been restated from $44,271 to $105,409 to correct an administrative error whereby the amount in relation to the FY18 award was omitted from the previously recorded share-based payments expense. The expense recognised in the Consolidated Statement of Profit or Loss was correct

d. Adjustments in remuneration settings for FY21

Review of Non-Executive Director and Executive Director Board fees for FY21

Notwithstanding the increase in the size, value and complexity of the Group, the PRC determined it would not recommend any increase in the fees paid to the radiologist Executive Directors, the Non-Executive Directors and the Chair having regard to the current economic environment with COVID-19 impact uncertainty.

Review of Executive Remuneration for FY21

The PRC has reviewed the remuneration payable to the CEO and CFCO for FY21. That review had regard to the continuing marked growth in the size and complexity of the business including entry into the ASX300, the strong performance of both Executive KMP in role, outcomes achieved for shareholders and other stakeholders, and market benchmarks from the report provided by Guerdon Associates in FY19. The fixed remuneration for the CEO for FY21 has been increased by 12.78% to $720,000 and the CFCO by 11.03% to $500,000. The Board recognised this is the second year in a row where both the CEO and the CFCO will have received increases in their Fixed Remuneration exceeding 10%. However, in the Board's view those increases are warranted by the factors mentioned above and still place the Executive KMP in line with comparable benchmarks around the median level. In assessing the reasonableness of the fixed remuneration of the Executive KMP it is also important to bear in mind the overall remuneration structure which has a relatively low level of STI potential which remains at 25% of their fixed remuneration and a higher weighting to the longer term with a four year LTI at 100% & 75% of their fixed remuneration.

During the year the Board reviewed the performance conditions for the FY21 grant of Performance Rights and the possible inclusion of a performance condition based on Return on Invested Capital (ROIC) as an addition to the current performance condition based on Earnings Per Share (EPS). While return on capital is a key consideration both in driving improvements in the organic business and in any acquisition, the Board determined the complexities of the measurement and its susceptibility to change due to extraneous timing effects did not warrant its inclusion. The Board will continue to ensure that the Group maintains a conservative gearing and that acquisitions and investments generate an appropriate return on capital as part of its oversight of management. The LTI potential as a percentage of fixed remuneration for the CEO and CFCO remains at 100% and 75% respectively. The EPS targets at Threshold (5% CAGR) and Stretch (12%) also remain unchanged.

REMUNERATION REPORT CONTINUED

For year ended 30 June 2020

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e. Cumulative interest of Executives under the LTI program

The LTI program is the key element of the 'at risk component' of the Executives' remuneration. As the LTI is tested over 4 years and the first grant was made in FY18, the first test for vesting will occur at the end of FY21. The following table sets out the movement of Performance Rights held by each Executive and their related parties. None of the Performance Rights vested or lapsed during the reporting period and none of the Performance Rights are presently capable of being exercised.

Movements in Performance Rights held by Executives

The following table sets out the movement of Performance Rights held by each Executive and their related parties. None of the Performance Rights vested or lapsed during the reporting period and none of the Performance Rights are presently capable of being exercised.

					Rights to deferred shares					
		Balance at start of year	Granted during year[1]		Vested		Forfeited		Balance at end of year (unvested)	Value yet to be recognised in profit or loss[2]
Name	Year granted	Number	Number	$	Number	%	Number	%	Number	$
Dr Ian Kadish	**2020**	**562,585**	**235,572**	**709,072**	**-**	**-**	**-**	**-**	**798,157**	**588,653**
	2019	362,585	200,000	478,000	-	-	-	-	562,585	395,923
	2018	-	362,585	558,381	-	-	-	-	362,585	309,740
Anne Lockwood	**2020**	**184,540**	**124,633**	**342,741**	**-**	**-**	**-**	**-**	**309,173**	**273,344**
	2019	100,154	84,386	199,151	-	-	-	-	184,540	154,879
	2018	-	100,154	194,299	-	-	-	-	100,154	122,274

1. The value of the LTI Performance Rights granted in each year is the fair value of the Performance Rights calculated at the grant date using the Black Scholes Pricing Model
2. No grants will vest if the performance conditions are not satisfied, hence, the minimum value of grants yet to vest is nil. The maximum value of grants yet to vest has been estimated based on the fair value per grant at the maximum achievement of the vesting scale less amounts already recognised as an expense

LTI Plan EPS CAGR Target Summary

LTI Plan	FY18	FY19	FY20
Beginning of Period	1/07/2017	1/07/2018	1/07/2019
End of Period	30/06/2021	30/06/2022	30/06/2023
Diluted operating EPS at Beginning of Period	10.41	12.48	16.21
Threshold 5% CAGR	12.65	15.17	19.7
Stretch (15%–12%) CAGR	18.21	21.95	25.37

f. Other transactions with KMP and their related parties

Related party transactions

	Consolidated 30 June 2020[1] $	% interest	$ interest
Payment for goods and services			
Payment for rental of buildings to Eleven Eleven How Pty Ltd of which Dr Chien Ping Ho is related	**357,535**	6.25%	22,346
Payment for rental of buildings to Kiwi Blue Pty Ltd of which Dr Chien Ping Ho is related	**237,066**	9.09%	21,549

1. Amounts presented are net of COVID-19 rental concessions granted for April 2020 of $4,563 and $3,022 by Eleven Eleven How Pty Ltd and Kiwi Blue Pty Ltd respectively

The above Related Party transactions are historic in nature and relate to leases assumed from previous vendors when the business was privately held. Dr Chien Ho has a 6% interest in Eleven Eleven How Pty Ltd and a 9% interest in Kiwi Blue Pty Ltd. The leases cover four properties located in Ballarat, Ocean Grove and Melton.

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

Loans

No KMP has entered into a loan made, guaranteed or secured, directly or indirectly, with or by the Company or any of its subsidiaries during the reporting period.

g. Executive service agreements

Remuneration arrangements for Executive KMP are formalised in employment agreements. Key conditions for Executive KMP are outlined below:

Name	Agreement commenced	Agreement expiry	Notice of termination by Group	Employee notice
Dr Ian Kadish	22 May 2017	No fixed end date	Six months, or 12 months if change of control event	Six months
Anne Lockwood	1 December 2017	No fixed end date	Six months	Six months

h. KMP shareholding and minimum shareholding policy for KMP

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 2019	Additions	Disposals/other	Number of shares held upon ceasing to be KMP	Balance at the end of the year
Helen Kurincic	420,870	71,214	-	-	492,084
Dr Ian Kadish	76,444	12,935	-	-	89,379
John Atkin	132,945	22,495	-	-	155,440
Rupert Harrington	305,890	51,758	-	-	357,648
Raelene Murphy	21,335	3,610	-	-	24,945
Dr Chien Ping Ho	2,281,866	-	(117,491)	-	2,164,375
Dr Sally Sojan	1,046,491	70,810	-	(1,117,301)	-
Dr Jacqueline Milne	-	-	-	-	-
Anne Lockwood	-	-	-	-	-
	4,285,841	**232,822**	**(117,491)**	**(1,117,301)**	**3,283,871**

REMUNERATION REPORT CONTINUED

For year ended 30 June 2020

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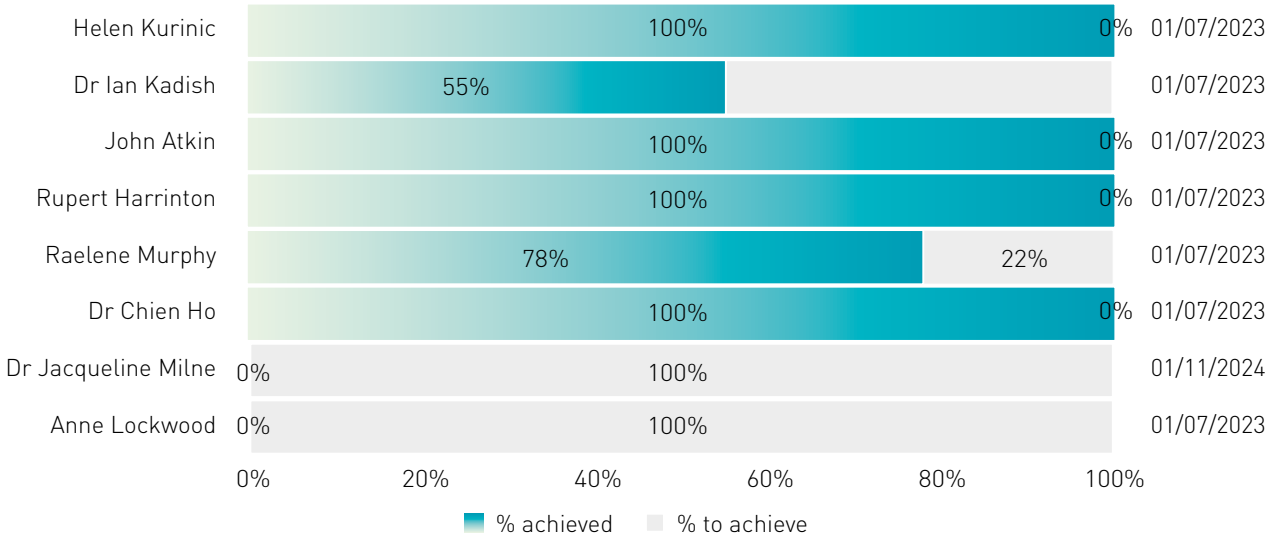
Minimum Shareholding Policy

To ensure Board members and KMP are aligned with the interests of shareholders, from 1 July 2018 the Board introduced a Minimum Shareholding Policy that requires Non-Executive Directors, Executive Directors and other KMP to build and maintain a minimum shareholding by the later of the fifth anniversary of the policy or the fifth anniversary of the KMP's appointment as a KMP.

KMP and Directors are required to meet a minimum shareholding equivalent as per the prescribed percentage of their total fixed remuneration or fees as outlined below:

Managing Director and CEO:	100%
CFCO:	50%
Non-Executive Directors:	100%
Executive Directors:	100%

Minimum Shareholding



The Remuneration Report has been audited.

AUDITOR'S INDEPENDENCE DECLARATION

For year ended 30 June 2020

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Auditor's Independence Declaration

As lead auditor for the audit of Integral Diagnostics Limited for the year ended 30 June 2020, 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.

Jason Perry
Partner
PricewaterhouseCoopers

Melbourne
25 August 2020

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OPERATING AND FINANCIAL REVIEW

For the year ended 30 June 2020

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 46 to 92 and the ASX announcement and full year results presentation dated 25 August 2020.

Integral Diagnostics Limited (ASX: IDX) is an Australian and New Zealand healthcare services company whose main activity is providing diagnostic imaging services to general practitioners, medical specialists and allied health professionals (referrers) and their patients.

IDX has a diversified revenue mix and focuses on providing a full range of diagnostic imaging modalities. Our presence in full-service hospitals leads to higher complexity modalities and greater use of MRI, PET and interventional procedures throughout our business and less reliance on bulk billed services. During the year under review IDX operated in five key markets.

	Lake Imaging	South Coast Radiology	Global Diagnostics	Specialist Radiology Group Trinity MRI	Imaging Queensland	Total IDX
Geographic Market	Victoria	Queensland	Western Australia	New Zealand	Queensland	
Core markets	Ballarat, Geelong, Warrnambool and outer western areas of Melbourne	Gold Coast, Toowoomba and Mackay	South West Western Australia	Auckland	Sunshine Coast, Rockhampton and Gladstone	
Sites (includes hospital sites)	22	14	5	4	19	64
Hospital sites	6	2	4	-	8	20
MRI machines	7	7	2	3	6	28
MRI Licences	4 full 0 partial	4 full 2 partial	2 full 0 partial	N/A	3 full 2 partial	13 full 4 partial
Employed Radiologists[1]	39	31	13	11[2]	16	110
Employees[3]	369	387	163	84	289	1,292[4]

Note: Reflects current data as at June 2020.
1. Relates to employed radiologists only. In addition IDX has a number of contractor radiologists (~46 currently)
2. Consistent with the NZ private radiology model, all Doctors work across the public and private sector and meet the criteria to be classified as contractors but are on terms and conditions similar to IDX employed Radiologists.
3. This number represents the number of employees on employment contracts on either part time or full-time arrangements. It does not represent the number of full-time equivalent employees or individual casual/contract arrangements.
4. In addition, there are 49 employees in the Corporate Office, totalling 1,341 employees across IDX.

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:

- nuclear medicine (which includes positron emission tomography (PET);
- magnetic resonance imaging (MRI);
- computed tomography (CT);
- mammography;
- EOS low dose imaging system;
- interventional radiology (IR);
- ultrasound (US); and
- radiography (X-ray).

The images produced by diagnostic imaging are a critical tool for referrers in diagnosing and deciding on the most effective and efficient form of treatment for patients. In this way, appropriate use of diagnostic imaging can significantly enhance medical outcomes for patients while at the same time reduce the overall cost of healthcare.

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Year in Review

Financial performance

A summary income statement providing details of non-operating transactions and reconciling to the statutory income statement is outlined in the following table:[1]

Summary income statement ($m)	30 June 2020 Actual	30 June 2019 Actual
Operating revenue	274.1	231.0
Other revenue	1.5	1.4
Total revenue	275.6	232.4
EBITDA prior to non-operating transactions and application of AASB 16[1]	64.1	53.0
EBIT prior to non-operating transactions and application of AASB 16	49.3	42.0
NPAT prior to non-operating transactions and application of AASB 16	31.2	25.6
Non-operating transactions net of tax		
Transaction and integration costs	(4.8)	(1.9)
Share based payments	(1.3)	(0.6)
Amortisation of customer contracts	(1.2)	(2.5)
Business development costs	-	(0.4)
Forex gain on conversion of Debt to equity in NZ	-	0.8
Write off of Brand name (Western District Radiology)	(0.1)	
Application of AASB 16	(0.8)	-
Statutory NPAT	23.0	21.0
Operating EBITDA as a % of operating revenue	23.3%	22.9%
Operating NPAT as a % of operating revenue	11.4%	11.1%
Operating diluted EPS (earnings per share)	17.0	16.2
Statutory diluted EPS (earnings per share)	12.3	13.3
Return on operating assets (based on operating NPAT)[2]	14.2%	17.9%
Declared dividend pay-out ratio on statutory NPAT	80.0%	74.7%

1. The operating and financial review includes references to pro-forma results to exclude the impact of the adjustments detailed above, including the impacts of the new leasing Accounting Standard AASB 16, which came into effect 1 July 2019 but did not require comparative information to be re-stated. The Directors believe the presentation of non-IFRS financial measures are useful for the users of this financial report as they provide additional and relevant information that reflect the underlying financial performance of the business. In addition AASB 16 has been adjusted for in the FY20 numbers to ensure accurate comparison to the FY19 numbers. Non-IFRS financial measures contained within this report are not subject to audit or review
2. Return on operating assets for FY20 has been calculated using the LTM organic operating NPAT (plus trailing acquisitions NPAT) of $33.8m

The FY20 Operating performance of IDX, delivered growth and a defensive performance across the group despite COVID-19. Revenue growth of 18.7% was driven by new sites and investment in new equipment and eight months contribution from Imaging Queensland despite COVID-19 causing declines from March onwards. IDX continued to focus on cost control and was able to deliver responsible cost reductions in response to COVID-19 impacts on revenue and services. The benefit of $6.1m net of tax in Australian and New Zealand Government assistance allowed IDX to retain and support our highly skilled workforce, as well as position the business to meet demand as it returned.

Operating NPAT grew by $5.6m or 21.9% and operating diluted earnings per share grew by 4.9% to 17.0 cents per share. The operating margin of 23.3% is slightly increased due to the financial impacts of COVID-19. IDX continues to deliver industry leading operating margins across Australia and New Zealand.

The statutory performance of $23.0m NPAT improved by 9.5%. Non-operating costs relating to transaction costs include costs of external advisors plus insurance and taxes for finalising and integrating the Imaging Queensland acquisition as well as costs of due diligence for Ascot Radiology. The majority of these transaction costs are not tax deductible as they are on the capital account, creating a greater impact on statutory earnings.

OPERATING AND FINANCIAL REVIEW CONTINUED

For the year ended 30 June 2020

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Financial overview

- Operating revenue of $274.1m increased by 18.7%;
- Australian organic examination volume declined by (1.7%), and organic revenue grew by 2.4% – (industry averages for the states in which we operate (1.4%) and 2.9% respectively). IDX are slightly lower than industry averages reflecting that IDX significantly outperformed the industry in FY19 by 1.7% and 1.3% respectively and the Medicare rates are reflective of 52 new MRI licences issued in FY19;
- Due to strict Stage 4 lockdowns implemented in New Zealand revenue contribution of $A24.8m for FY20 declined by $0.4m from $25.2m in FY19, prior to COVID-19 revenue was growing at 5.5% in New Zealand;
- Underlying organic growth was at 7% in Australia pre COVID-19 and was driven by a continued move to high end modalities including the new PET service at John Flynn Hospital on the Gold Coast, new Cardiac CTs at St John of God Hospital in Geelong and at the Pindara Hospital on the Gold Coast, co-location of two fully licensed MRI's at St John Of God Hospital in Ballarat and the redevelopment of the Peel Specialist Centre in Mandurah to support extended oncology services. The new Hope Island site and installation of a new CT at Bacchus Marsh Hospital occurred late in FY20 and were not material financial contributors during FY20.
- Average fees per exam in Australia increased by 1.7% in FY20, reflective of an on-going move to higher end modalities and that exam volumes on the high-end machines did not decline as significantly as lower end modalities during COVID-19;
- The Imaging Queensland acquisition contributed $38.7m of operating revenue. When considering the impacts of COVID-19 this was within our expectations; and
- Organic operating margin of 23.3% is slightly increased due to the financial impacts of COVID-19
  - EBITDA operating margin to 23.3% (FY19: 23.0%);
  - Industry leading margins across Australia and New Zealand;
  - All expenses declined or remained stable as a % of revenue demonstrating continued focus on cost control and responsible reductions in cost to mitigate revenue declines in response to COVID-19;
  - Australian and New Zealand Government assistance of $6.1m after tax, as a result of COVID-19 allowed IDX to retain and support our highly skilled workforce, and to position the business to meet demand as it returned;
  - In FY20 IDX absorbed costs from continuing investment in technology and radiologist recruitment and retention; and
  - Declared a fully franked dividend of 4.0cps, totalling dividends of 9.5cps for FY20 (FY19: 10.0cps) – a decline on dividends of 5% reflects a conservative approach to cash management and is reflective of the on-going uncertainty due to COVID-19.

Operating performance overview

Targeted capital investment drove organic growth

- Completed DI development at John Flynn Private Hospital, including new PET facility
- Installed 2nd CT at Pindara Private Hospital to capitalise on the MRI full licence
- Completed installation of a best in class Cardiac CT at St John Of God Hospital Geelong
- Installed a CT in Bacchus Marsh Hospital to enhance service in a fast-growing regional corridor
- Relocated MRI from Ballarat Base Hospital to St John Of God Ballarat creating a centralised MRI super site improving patient experience, outcomes and efficiencies
- Completed Peel Health Specialist Centre in Mandurah to service new oncology practice
- Installed Phillips "compressed sense" technology in New Zealand to improve quality and efficiency
- Opened a new site on the Gold Coast at Hope Island providing US, Xray and CT services

Used digital technology to improve the patient and referrer experience

- Continued to invest in proven AI software to improve clinical workflows and patient outcomes, including the introduction of two new algorithms to our current suite
- Implemented an eReferral pilot along with patient and doctor portals to enhance the delivery of results and reliability of service
- Augmented the IDX reporting platform to develop specialty-specific workflows
- Continued to enhance cyber-security protections

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North Melbourne Specialist and Research Centre

- Offered advanced Cardiac CT and wide-bore 3T MRI services to Melbourne's leading specialists
- Engaged with specialist referrers in Victoria's premier medical precinct around the Royal Melbourne Hospital
- This greenfield operation is behind business plan. Ramp up activities have been hampered by COVID-19

Invested in recruitment and retention of highly skilled radiologists, clinical and administrative staff

- Continued to offer the radiologist equity plan which was over-subscribed
- Conducted entity wide cultural survey to identify strengths and prioritise areas of improvement delivering an employee NPS of 25.5 (exceeding industry average of 15.7)
- Focused on clinical risk analyses and oversight to provide the highest quality service to our patients and referrers
- Promoted the IDX Values – Patients First; Medical Leadership; Everyone Counts; Create Value and Embrace Change

Integrated acquisitions and evaluated further strategic acquisitions

- Integrated Imaging Queensland into the IDX group
- Continued integration of New Zealand and GMI to ensure all synergies are captured
- Focussed on new acquisitions in core strategic markets, delivering the acquisition of Ascot Radiology in Auckland on track for completion 1 September 2020

Developed our key relationships and helped shape the regulatory landscape

- Continued to work closely with ADIA to focus on industry solutions for digital health, radiologist workforce shortages, effective implementation of MBS review recommendations and indexation for Nuclear Medicine and MRI items
- Continued to develop strong relationships with our referrers, hospital owners, local and federal members and key funders
- Promoted the benefits of MRI and PET technologies so that they are widely understood and recognised by patients, payors and referrers

Capital expenditure

Total expenditure on tangible assets was $26.1m (FY19: $20.4m) of which $9.4m related to replacement, and $16.7m related to growth opportunities. The growth capital expenditure included completion of the re-development of John Flynn Hospital on the Gold Coast, installation of Cardiac CTs at both St John Of God Hospital Geelong and Pindara Hospital on the Gold Coast, re-development and extension of the Peel Specialist Centre in Mandurah to support extended oncology services, completion of the Hope Island site on the Gold Coast and installation of a CT at the Bacchus Marsh Hospital in Victoria.

Acquisitions

The acquisition of Imaging Queensland was completed on 1 November 2020. Integration and operating performance has been in line with expectations when considering the impacts of COVID-19.

The acquisition of Ascot Radiology in New Zealand was announced on 10 June 2020. This strategic acquisition comprises nine diagnostic imaging clinics, including key sites at Ascot Private Hospital, and contracts with 22 doctors who work in both the public and private sector. The acquisition is expected to complete on 1 September 2020.

Taxation

The effective tax rate on operating earnings is 29.6% (FY19: 29%), the increase in effective tax rate is largely due to the acquisition of Imaging Queensland whose earnings are subject to the Australian Corporate tax rate of 30%.

The statutory effective tax rate of 34.6% (FY19: 31.5%) is driven by the higher level of non-deductible transaction costs incurred in FY20 and treated as non-operational costs.

Cash flows

Increase in free cash flows by 37.9% to $55.7m (FY19: $40.4m). Free cash flow conversion net of replacement capex was 101.6% (FY19: 97%). The growth of free cash flows is in line with growth in overall earnings due to nominal non-cash items in EBITDA and minimal working capital movements.

OPERATING AND FINANCIAL REVIEW CONTINUED

For the year ended 30 June 2020

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Capital Management

Net debt increased by $5.4m to $124.4m (FY19: $119.0m). This was due to the draw-down of additional debt to partially fund the acquisitions of Imaging Queensland of $15m plus a drawdown of $20.0m to support working capital as part of our response to COVID-19 offset by higher cash holdings from positive operational cashflows.

In September 2019 we successfully completed a Capital Raise of $72m issuing 26.6m shares at $2.71, an additional $26.5m of shares was issued to fund the acquisition of Imaging Queensland resulting in an increase in equity of $101.m to $228.3m (FY19:$127.2m).

As a result of our on-going growth, capital raise, release of escrowed shares increasing our market capitalisation, free float and liquidity, we were admitted to the ASX300 on 22 June 2020. As at 30 June 2020 IDX has 3,892 shareholders a significant increase on the prior year of 1,123.

Debt to equity ratio as at 30 June is 0.54:1 and Net Debt/LTM EBITDA ratio of 1.8x at 30 June 2020 (FY19:2.2x) reflects strong capital management to support IDX's on-going growth strategy.

As a result of declining interest rates and a full year benefit of the restructured finance facility the average cost of debt for FY20 was circa 2.4%.

At 30 June IDX has cash reserves of $58.0m and committed cash advance facilities of which $75m remains undrawn and access to $40m of an asset financing facility. Our debt facilities are not due to mature until December 2021 and we are in compliance with all of the covenants under our debt facility.

Earnings per share

On a statutory basis, basic earnings per share declined by 7.0% to 12.43 cents per share (FY19: 13.36 cents per share). Diluted earnings per share in FY20 considering the FY18, FY19 and FY20 performance rights issues as well as the New Zealand based Radiologist Option Plan was $12.31 cents per share (FY19: 13.29 cents per share). The declining earnings per share at a statutory level is reflective of the high level of non-recurring transaction costs incurred in FY20 in delivering and integrating the Imaging Queensland and Ascot Radiology acquisitions which have and will continue to contribute to improved shareholder returns.

On an Operating NPAT performance, adjusted Diluted Earnings per Share increased 5.0% to 17.0 cents per share (FY19: 16.2 cents per share).

Dividend

Dividends of 9.5 cents per share (FY19: 10.0 cps) totalling $18.4m fully franked have been paid or declared for FY20. A decline on dividends of 5% reflects a conservative approach to cash management and is reflective of the on-going uncertainty due to COVID-19. A dividend of 4.0 cents per share fully franked will be paid on 1 October 2020 to shareholders on the register at 31 August 2020. This represents 80.0% of Statutory NPAT (FY19: 74.72%), the higher pay-out ratio for FY20 takes into consideration the high level of non-recurring transaction costs reducing statutory profits for FY20.

During the year IDX implemented a dividend reinvestment plan (DRP) which will operate for the FY20 full year dividend.

Impacts of COVID-19 on FY20

A dedicated Incident Management Team (IMT) was established in March to oversee and monitor the Company's COVID-19 response. The IMT included key radiologists, management and clinical staff who are experienced in infection control. The IMT updates the Company's Clinical Leadership Committee and Board on a regular basis.

The IMT worked with our five business units and 64 sites to align our response with both National (Australia and New Zealand) and State Government guidelines.

Our focus, as always, was to keep our patients and employees safe. We secured adequate supply of personal protective equipment for all our hospital and community sites with strict screening, hygiene and infection control protocols in place and on the 30th June 2020 held over $1m of consumable stock, mostly relating to personal protective equipment.

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Patient activity

Overall the Government imposed restrictions, including the cancellation of elective surgery and sporting activities, as well as a slowdown in regular hospital activity and patients' reluctance to visit their doctors, resulted in significant declines in diagnostic imaging volumes.

The declines started towards the end of March, were at their highest in April with declines ranging between 24% and 50% across the business units from pre COVID-19 expectations, activity started to improve in May with June revenues largely in line with pre COVID-19 projections.

Pre COVID-19 and excluding Imaging Queensland organic revenue was growing at 7% in Australia and 5.5% in New Zealand. For the year ended 30 June 2020 excluding Imaging Queensland organic revenue in Australia grew by 2.4% at $4.8m and New Zealand revenue declining by (1.6%) at ($0.4m).

Labour costs

Rostering was implemented to reflect the activity in each of our sites. This resulted in significant reductions in the use of contractors as well as a number our people utilising annual leave and/or leave without pay, whilst maintaining our focus on staff and patient safety. The Non-executive and Executive Directors agreed to a 20% reduction in their Board fees in April, May and June. The CEO and CFCO agreed to a 20% reduction in their fixed remuneration in April and May.

IDX qualified for and received $5.4m after tax in JobKeeper subsidy across parts of the Australian business and $0.3m after tax in New Zealand. In addition payroll tax subsidies of $0.4m after tax were received in Australia. These subsidies assisted IDX to avoid enacting stand downs across the business and implementing further reductions for employees.

Occupancy and equipment costs

Reductions in rentals across April to June were negotiated and agreed with the majority of our landlords across our 72 leased properties. Cost reductions of approximately $0.7m were recognised over April to June 2020. All outgoings continued on as normal.

Reductions in service costs on equipment across April to June was negotiated and agreed with our equipment providers. Cost reductions of approximately $0.2m were recognised over April to June 2020. All repairs and maintenance, including required replacements of equipment continued on as normal.

Consumable costs

With our number one priority being the safety of our people and patients we secured adequate supply of personal protective equipment for all our hospital and community sites with strict screening, hygiene and infection control protocols. This resulted in increased costs of consumables over and above normal levels as well as increased holdings of consumable stocks on hand to ensure ongoing adequate supply. Inventory on hand as at 30 June 2020 was $1.0m (2019:$0.4m).

Other operating expenditure

During the pandemic all non-essential operating expenditure was ceased or reduced as much as practicable. A percentage of these costs reflect deferral of planned projects that will be incurred in FY21.

Assessment of impacts of COVID-19 on the carrying value of assets

In response to COVID-19 an assessment of the impact on the carrying value of our assets and on our cashflows was undertaken. This included assessing cashflow impacts from various scenarios due to on-going implications of COVID-19. In completing our annual impairment calculations, details of which are included in Note 14 to the financial statements, numerous calculations over various scenarios were run none of which indicated any impairment over the carrying value of assets.

OPERATING AND FINANCIAL REVIEW CONTINUED

For the year ended 30 June 2020

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Response to ongoing impacts of COVID-19

- The pandemic and associated Government response can be expected to continue to have an impact on the Group, which cannot be accurately projected at this time.
- Our focus, as always, will be to keep our patients and employees safe and this will always be put before commercial outcomes. We will continue to ensure we have adequate supplies of personal protective equipment for all our hospitals and community sites and keep strict screening, hygiene and infections control protocols in place.
- IDX has a strong growth agenda with our cost base supporting our growth objectives. IDX will continue to focus on responsibly managing costs to mitigate revenue declines whilst ensuring we remain well placed to continue our growth objectives when activity returns across our operating geographies.
- The continuing support from Government in the form of JobKeeper of approximately $5.5m after tax from July to September will assist in withstanding ongoing impacts throughout recovery, to retain our skilled workforce and to mitigate declining revenues as a result of on-going impacts from COVID-19.
- To date there are no indications that COVID-19 will have material on-going impacts for the diagnostic imaging industry nor will the underlying fundamentals driving ongoing growth and funding models for diagnostic imaging be materially altered.
- IDX continues to explore and develop plans for growth both organically and through acquisition opportunities. We will continue to approve growth business cases with consideration of the business case merits and with continued discipline.

Company outlook

The long-term industry fundamentals in Australia and New Zealand are strong and continue to underpin attractive on-going growth opportunities. Australia and New Zealand have growing and ageing populations 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 increased use of diagnostic imaging in the early detection of disease facilitates earlier and less invasive treatment options which can ultimately lower overall healthcare costs.

COVID-19 and associated Government responses can be expected to continue to have an impact on the Group, which cannot be accurately projected at this time. The continuing support from Government in the form of JobKeeper of approximately $5.5m after tax from July to September will assist in withstanding ongoing impacts throughout recovery, to retain our skilled workforce and to mitigate declining revenues as a result of on-going impacts from COVID-19.

During July and as at 23 August, IDX has delivered a positive return to growth across all business units except where Government COVID-19 restrictions have been instated in:

- Victoria (representing approximately 25% of Group revenue) where revenues were similar to prior year for July and as at the 23rd August 7% down on prior year. Four of our smaller community sites have been closed since the start of Stage 4 restrictions in metropolitan Melbourne.
- New Zealand (representing approximately 9% of Group revenue pre-acquisition of Ascot Radiology) where revenues were 18% above prior year in July and as at the 23rd August 4.6% down on prior year.

IDX has had two staff members test positive for COVID-19 on 28 July and 4 August respectively in Victoria. Both staff members stayed away from the workplace and were immediately tested for COVID-19. IDX advised the Department of Health & Human Services and followed all advised procedures. We conducted our own contract tracing and took steps over and above those advised by the Department of Health in requiring all IDX deemed close contact staff to stay at home, on paid leave, and be immediately tested for COVID-19. No staff member was able to return to the workplace until they provided a negative COVID-19 test. In addition prompt deep cleans were conducted of the affected sites. As at the 23rd August no other employees have tested positive for COVID-19.

On the 2nd August 2020 the Victorian Government announced Stage 4 restrictions for metropolitan Melbourne and a return to Stage 3 restrictions for regional Victoria. The restrictions include a cancellation of non-urgent elective surgery and sporting activities, as well as a slow down in regular hospital activity and patients' reluctance to visit their doctors, resulting in declines in diagnostic imaging volumes in our Victorian sites.

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On the 11th August 2020 the New Zealand Government announced Stage 3 restrictions for Auckland, and Stage 2 restrictions for the rest of New Zealand. The restrictions include a reduction in elective surgery and sporting activities, as well as a slow down in regular hospital activity and patients' reluctance to visit their doctors, resulting in declines in diagnostic imaging volumes in our New Zealand sites.

As at the 23rd August the restrictions in Victoria and New Zealand remain in place.

The Company's focus in FY21 will be to:

Drive organic growth, business integration and further efficiency gains

- Manage the ongoing impacts of COVID-19
- Continue to integrate Imaging Queensland and integrate Ascot Radiology into the IDX Group
- Ensure capex investment continues to generate strong returns
- Promote benefits of MRI and PET technologies so that they're widely understood and recognised by patients, payors and referrers

Use digital and AI technology to improve the patient and referrer experience

- Continue to develop and execute on the AI and broader technology strategy
- Complete implementation of the Patient App across the whole group to improve access, knowledge and flexibility of service for the patient and referrer
- Leverage the consolidated reporting platform to develop sub speciality workflows for complex clinical cases to deliver best in class comprehensive reports to referrers and patients

Environmental, social and governance agenda

- Focus on IDX's environmental, social and governance agenda to acknowledge areas in which we already apply best practice and to identify areas where we can do better with specific focus on:
  - Ethical supply chains, responsible consumption and our carbon footprint, diversity and inclusion, community relationships, corporate governance and reporting of our ESG scorecard

Nurture and develop culture and leadership across our people

- Support Company growth with investment in a Chief Medical Officer, Chief Operating Officer and Group Integration and Strategy Manager
- Develop the leadership capabilities of people across our group, including management, radiologists, clinical and administrative staff

Evaluate further strategic acquisitions that are a clinical fit, strategically aligned and earnings accretive

- Undertake thorough analyses and due diligence on selected acquisitions that are a clinical fit, strategically aligned and earnings accretive
- Considering several growth opportunities in a very active healthcare sector

Regulatory outlook

The regulatory policy environment for diagnostic imaging is generally positive across Australia and New Zealand.

In Australia IDX continues to work closely and monitor and assess the regulatory landscape through participation in the executive of the ADIA.

In FY20 the industry achieved, after 21 years, a commitment for annual indexation of 90% of the MBS items for three years from 1 July 2020. Indexation at a rate of 1.5% was applied from 1 July 2020.

OPERATING AND FINANCIAL REVIEW CONTINUED

For the year ended 30 June 2020

Since the introduction of Breast MRI and PET on the Medicare Benefits Schedule (MBS) from 1 November 2019, IDX has seen a positive result for patients and referrers which has been a contributor to IDX growth in FY20 which we expect to continue.

New MBS items from 1 May 2020 to commence around MR-guided prostate biopsy as well as the removal of the dedicated equipment restriction for cone beam CT are not significant.

A key focus of the industry in FY20 includes digital health, radiologist workforce shortages, implementation of the MBS review findings and indexation of the remaining 10% of MBS items for Nuclear Medicine and MRI.

The key focus of the diagnostic imaging industry in New Zealand is similar to Australia. To date, there have been no material regulatory announcements. Annual indexation is currently provided for in all contracts. The Auckland DI market has historically grown volumes at around 6%pa, driven by strong net migration, ageing demographics and adoption of new technologies that improve patient outcomes.

The 2020 NZ general election has been set for 17 October 2020. No material changes have been flagged to date that may impact diagnostic services.

Balance Sheet

A summary of the balance sheet as at 30 June 2020 and a comparison, to the prior year is outlined in the following table:

Balance sheet	30 June 2020 Actual $'m	30 June 2019 Actual $'m
Cash and cash equivalents	58.0	21.0
Trade and other receivables	10.4	9.0
Other current assets	8.0	3.8
Total current assets	76.4	33.8
Property, plant and equipment	101.0	70.8
Right of use assets – AASB 16	88.5	-
Intangible assets	300.9	202.3
Deferred tax asset	13.6	7.8
Total non-current assets	504.0	280.9
Total assets	580.4	314.7
Trade and other payables	18.5	16.0
Current tax liabilities	4.7	1.7
Borrowings	13.2	9.0
Lease obligations – AASB 16	9.6	
Provisions	6.9	12.2
Other current liabilities	16.7	-
Total current liabilities	69.6	38.9
Deferred Consideration	8.0	1.5
Borrowings	168.6	130.1
Provisions	7.9	9.0
Lease obligations = AASB 16	86.5	-
Deferred tax liability	11.5	8.0
Total non-current liabilities	282.5	148.6
Total liabilities	352.1	187.5
Net assets	228.3	127.2

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- Working capital of $6.8m is driven by the larger than normal cash holdings of $58.0m as a result of drawing down $20.0m from finance facilities as part of our business continuity plan in response to COVID-19. We will consider repayment of this amount in due course as a cash balance of approximately $30m for the purpose of funding working capital is in line with our treasury policy.
- Other assets have increased by $4.2m due to increased inventory holdings of $0.6m and a Jobkeeper receivable of $2.9m.
- Property, plant and equipment increased by $30.2m due to $26m of purchases plus $23.9 on the Imaging Queensland acquisitions offset by depreciation charges.
- Intangible asset increases of $98.6m is reflective of the Imaging Queensland acquisition.
- Application of AASB 16 Leases has resulted in a right of use asset of $88.5m offset by current lease obligations of $9.6m and non-current lease obligations of $86.5m which is reflective of our current lease portfolio.
- Provisions (excluding tax) have increased $3.4m. This increase is due to increased employees (employee provisions) and sites (make good provision) from the Imaging Queensland acquisition.
- Deferred consideration of $14.9 relates to $12m recognised on the acquisition of Imaging Queensland, $1.2m to the acquisition of GMI and $1.7m that relates to the NZ acquisition which is recognised through the profit and loss as it is earned.
- The increase in net debt to $124.4m (30 June 2019: $119.0m) is the result of a draw-down of debt to fund the Imaging Queensland acquisition of $14.5m offset by larger cash holdings, resulting in a leverage level of net debt/EBITDA of 1.8x as at 30 June (FY19: 2.2x).

Cash flow

A summary of the cash flows as at 30 June 2020 are presented below:

Summary of cash flow ($m)	30 June 2020 Actual $'m	30 June 2019 Actual $'m
Free cash flow	55.7	40.4
Growth capital expenditure	(16.7)	(7.7)
Net cash flow before financing and taxation	39.0	32.7
Tax paid	(10.2)	(9.2)
Interest and other costs paid on borrowings	(5.6)	(6.0)
Net change in borrowings	31.6	74.0
Payments for acquisitions	(66.9)	(76.8)
Working capital acquired	(2.8)	(0.8)
Proceeds from the issue of equity	73.4	1.6
Deferred consideration paid	(0.8)	(0.5)
Dividends paid	(18.0)	(14.0)
Transaction costs in equity	(3.6)	(0.1)
Net cash flows	36.1	0.5

- Free cash flows of $55.7m are $15.3m or 37.9% higher than FY19 which is reflective of growth from operations and lower replacement Capex incurred in FY20.
- Growth capital expenditure was $16.7m and included completion of the re-development of John Flynn Hospital on the Gold Coast, installation of two Cardiac CTs at St John Of God Hospital Geelong and Pindara Hospital on the Gold Coast, re-development and extension of the Peel Specialist Centre in Mandurah to support extended oncology services, completion of the Hope Island site on the Gold Coast and installation of a CT at the Bacchus Marsh Hospital in Victoria.
- Equity of $73.4m was raised during the year. $72.0m from the capital raise in September 2019 and $1.5m under the Radiologist loan/option scheme, $3.6m of costs was incurred in the issue of new equity by the Company.
- Dividends of $18.0m (10.5 cents per share fully franked) were paid in FY20.

OPERATING AND FINANCIAL REVIEW CONTINUED

For the year ended 30 June 2020

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Business risks

IDX has a robust risk management framework which is used to identify the IDX risk profile, setting out the way key risks are assessed, managed, monitored, measured and reported. IDX's core risks are described below, and these risks are continuously assessed and reported on monthly. This is not a comprehensive list of all the risks involved that may impact IDX's financial and operating result in future periods:

Strategic Growth

- Mergers and acquisitions. It is the Company's strategy to drive growth organically and through mergers and acquisitions. This strategy may place significant demands on management, resources, internal controls and systems resulting in the failure to realise anticipated benefits or effectively integrate acquisitions.
- Maintaining strong referrer relationships. The risk of a material loss of or lack of growth in referrals to IDX would impact the Company affecting the financial and operational performance of the Company.

Regulation and Compliance

- Regulatory change to revenue stream. Changes to government policies and regulations may have a material adverse impact on the financial and operational performance of the Company.
- Regulatory compliance. Not meeting industry or regulatory compliance requirements may lead to the loss of licenses and accreditation and the inability to provide services or offer rebates which will reduce the provision of services.
- Contracts and service agreements. Contracts and service agreements may be breached, terminated or not renewed resulting in loss of capacity and revenue.

Governance, Risk and Compliance

- Clinical risk management. The risk of patient harm due to human error or a lack of effective clinical governance and processes.
- Health and safety. The risk of harm to employees due to a lack of effectiveness in workplace health and safety systems.
- Privacy and confidentiality. The Company relies on secure processing, transmission and storage of confidential, proprietary and other information in its IT infrastructure. The loss or misuse of personal information, or inadequate and insecure data protection and privacy protocols may result in a breach of a patient or referrer privacy and confidentiality.
- Business Continuity, disaster recovery and crisis management. The risk of an ineffective response to a business continuity or disaster recovery event impacting on operations, patients and other stakeholders. This includes IDX's ability to respond and adapt to the spread of COVID-19.

Technology and Security

- Contemporary technology and innovation. The failure to adapt or respond to contemporary disruptive innovations and technologies will see an increase in competition and a decline in referrals.
- Cyber security. The risk of a material cyber security event or attack on the Company affecting its operations and involving significant remediation resources.

Recruitment and Retention

- The risk of an inability to attract and retain quality radiologists, management and staff due to competition across the market, geographical location of some sites or other factors.

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COVID-19

- Recurrence of declines in revenue due to;
  - On-going or intermittent community lockdowns or restrictions impacting elective surgery, sport, medical and allied health vists and travel in the geographies in which we operate; and/or
  - Significant COVID-19 breakouts among employees requiring sites to shut down for prolonged periods.
- The Company does not take adequate precautions and/or fails to follow Government directives to manage the risk of COVID-19 infection to staff and patients.
- Potential adverse impacts on our highly skilled workforce through prolonged restrictions.

Risk management

The Company's risk management framework is overseen by the Audit Risk and Compliance Committee and is actively managed by the Senior Management Group with input from the Integral Clinical and Leadership Committee (ICLC). The framework is consistent with *ISO 31000:2018 Risk Management – Guidelines* and is subject to review at least annually. The framework is used to enable a consistent and rigorous approach to identifying, analysing and evaluating risks.

Fundamental to the Company's risk management framework is its risk appetite statement. The Board's risk appetite is aligned to the risk culture of the company; vision and values; strategic plan and goals; service commitment and patient and referrer demographic; and the financial and budget environment in which the Company is operating.

During FY20 we continued to review, assess and strengthen our procedures over our processes and controls in relation to health and safety, privacy and confidentiality and cyber security, to ensure we are adopting best practices, in line with our industry profile, to ensure we are managing these risks appropriately to ensure the best outcomes for all stakeholders. We will continue this review in FY21 as well as implement identified improvements.

A key component of the Company's risk management is clinical governance which is managed through the ICLC and State and NZ Clinical Leadership Committees (State and NZ CLCs), under the ICLC Charter which is available in the Corporate Governance section of the Company's website.

The Charter provides a framework for the ICLC and State and NZ CLCs to work together to develop and implement policies and work practices to enable clinical best practice. The responsibilities of the ICLC include reviewing any recommendations arising from any adverse incidents from the State and NZ CLCs and to share learnings to prevent recurrence.

The ICLC works within the Clinical Governance and Quality Framework which is the overarching framework directing the delivery of safe and high-quality diagnostic imaging services across the Group whilst maximising outcomes for patients and referrers through quality of care, continuous improvement, risk mitigation and fostering an environment of excellence in care.

The Clinical Governance and Quality Framework is supported through the elements of governance and leadership; systems and structures; roles and responsibilities; culture and transparency; and performance review and reporting. The principles of the framework meet the requirements of *ISO 9001:2015 Quality Management Systems – Requirements* and *ISO 31000:2018 Risk Management – Guidelines*.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2020

	Note	30 June 2020 $'000	30 June 2019 $'000
Revenue			
Revenue	5	275,566	232,393
Interest and other income	5	289	1,437
Total revenue and other income		275,855	233,830
Expenses			
Consumables		(12,481)	(10,425)
Employee benefits expense	6	(154,262)	(130,990)
Depreciation expense	6	(14,819)	(10,516)
Amortisation expense	6	(10,861)	(2,993)
Transaction and integration expenses	6	(5,135)	(2,498)
Share based payment expense	24	(1,341)	(558)
Equipment related expenses		(8,408)	(8,392)
Occupancy expenses		(5,593)	(14,573)
Other expenses		(19,136)	(16,073)
Finance costs	6	(8,559)	(6,194)
Total expenses		(240,595)	(203,212)
Profit before income tax expense		35,260	30,618
Income tax expense	7	(12,227)	(9,635)
Profit for the year from continuing operations		23,033	20,983
Profit is attributable to:			
Owners of Integral Diagnostics Limited		23,033	20,983
Earnings per share attributable to the owners of Integral Diagnostics Limited		Cents	Cents
Basic earnings per share	38	12.43	13.36
Diluted earnings per share	38	12.31	13.29

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	30 June 2020 $'000	30 June 2019 $'000
Profit for the year		**23,033**	20,983
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(1,090)**	133
Net (loss)/gain on cash flow hedges		**19**	102
Other comprehensive income for the year, net of tax		**21,962**	235
Total comprehensive income for the year		**21,962**	21,218
Total comprehensive income is attributable to:			
Owners of Integral Diagnostics Limited		**21,962**	21,218

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2020

	Note	30 June 2020 $'000	30 June 2019 $'000
Assets			
Current assets			
Cash and cash equivalents	8	57,965	20,967
Trade and other receivables	9	10,375	9,025
Other assets	10	7,086	3,452
Inventory	11	1,002	390
Total current assets		76,428	33,834
Non-current assets			
Property, plant and equipment	12	101,005	70,782
Right-of-use assets	13	88,571	-
Intangibles	14	300,854	202,253
Deferred tax asset	15	13,607	7,798
Total non-current assets		504,037	280,833
Total assets		580,465	314,667
Liabilities			
Current liabilities			
Trade and other payables	16	18,544	14,525
Borrowings	17	13,177	8,929
Lease liabilities	13	9,608	-
Income tax payable		4,968	1,724
Provisions	18	16,556	12,193
Derivative financial instrument	19	-	20
Deferred consideration	20	6,942	
Total current liabilities		69,795	38,071
Non-current liabilities			
Deferred consideration	20	7,971	2,276
Borrowings	21	168,564	130,120
Lease liabilities	13	86,499	-
Deferred tax liability	15	11,515	7,952
Provisions	22	7,790	9,029
Total non-current liabilities		282,340	149,377
Total liabilities		352,135	187,448
Net assets		228,330	127,219
Equity			
Contributed capital	23	207,437	83,425
Reserves	24	(10,800)	(11,827)
Retained profits	25	31,693	21,824
Total equity		228,330	127,219

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 the year ended 30 June 2020

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	Contributed capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2018	83,425	(11,827)	21,824	93,422
Profit after income tax expense	-	-	20,983	20,983
Movement in FV of derivative financial instrument	-	102	-	102
Movement in translation of foreign operations	-	133	-	133
Total comprehensive income	-	235	20,983	21,218
Transactions with owners in their capacity as owners:				
Unwinding of DTA in equity (Note 15)	(168)	(36)	-	(204)
Transaction costs recognised in equity (Note 23)	(52)	-	-	(52)
Issue of ordinary shares under Radiologist incentive scheme (Note 23)	19	-	-	19
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax (Note 23)	24,783	-	-	24,783
Share based payments (Note 24)	-	558	-	558
Issue of ordinary shares under loan funded share plan (Note 23)	1,500	-	-	1,500
Dividends paid (Note 26)	-	-	(14,025)	(14,025)
Balance at 30 June 2019	109,507	(11,070)	28,782	127,219

	Contributed capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2019	**109,507**	**(11,070)**	**28,782**	**127,219**
Adjustment on first time adoption of AASB 16, net of tax effects	**-**	**-**	**(1,654)**	**(1,654)**
Adjusted balance at 1 July 2019	**109,507**	**(11,070)**	**27,128**	**125,565**
Profit after income tax expense	**-**	**-**	**23,033**	**23,033**
Movement in FV of derivative financial instrument	**-**	**19**	**-**	**19**
Movement in translation of foreign operations	**-**	**(1,090)**	**-**	**(1,090)**
Total comprehensive income	**-**	**(1,071)**	**23,033**	**21,962**
Transactions with owners in their capacity as owners:				
Net tax effects of transaction costs in equity.	**1,032**	**-**	**-**	**1,032**
Transaction costs recognised in equity (Note 23)	**(3,508)**	**-**	**-**	**(3,508)**
Issue of ordinary shares under Radiologist incentive scheme (Note 23)	**1,460**	**-**	**-**	**1,460**
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax (Note 23)	**26,484**	**-**	**-**	**26,484**
Share based payments (Note 24)	**72,023**	**-**	**-**	**72,023**
Issue of ordinary shares under loan funded share plan (Note 23)	**-**	**1,341**	**-**	**1,341**
Dividends paid (Note 26)	**439**		**(18,468)**	**(18,029)**
Balance at 30 June 2020	**207,437**	**(10,800)**	**31,693**	**228,330**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

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	Note	30 June 2020 $'000	30 June 2019 $'000
Cash flows from operating activities			
Receipts from customers		277,819	230,359
Payments to suppliers and employees		(199,914)	(178,729)
Transaction and integration costs relating to acquisition of subsidiaries		(5,135)	(2,498)
Interest and other finance costs paid		(8,559)	(6,316)
Interest received		267	272
Income taxes paid		(10,228)	(9,165)
Net cash from operating activities	37	54,250	33,923
Cash flows from investing activities			
Payments for purchase of subsidiary, net of cash acquired	34	(66,891)	(76,841)
Payments in settlement of deferred consideration		(766)	-
Payments for property, plant and equipment		(25,876)	(18,669)
Proceeds from disposal of property, plant and equipment		-	538
Net cash used in investing activities		(93,533)	(94,972)
Cash flows from financing activities			
Proceeds from issue of share capital	23	73,484	1,585
Transaction costs paid on issue of share capital	23	(3,509)	(52)
Proceeds from borrowings		34,317	131,056
Repayment of borrowings		(2,654)	(57,029)
Repayment of the principal element of lease liabilities		(8,209)	-
Dividends paid to Company shareholders		(18,029)	(14,025)
Net cash from financing activities		75,400	61,535
Net increase in cash and cash equivalents		36,117	486
Cash and cash equivalents at the beginning of the financial year		20,967	20,844
Effects of exchange rate changes on cash and cash equivalents		881	(363)
Cash and cash equivalents at the end of the financial year	8	57,965	20,967

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 Group limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 9.02, Level 9, 45 William Street
MELBOURNE VIC 3000

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 25th August 2020. 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.

New, revised or amending accounting standards and interpretations adopted

The Group has adopted all new, revised or amending accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. The adoption of the new Accounting Standard for leases AASB 16 Leases had a significant impact on the financial position of the Group. Further details of the impact of adopting AASB 16 Leases are disclosed in Note 13.

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 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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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 2020 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.

Inter-Group 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.

Foreign currencies

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent Group's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

i. Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

ii. Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Impairment of non-financial assets

Goodwill and other intangible assets that have 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. The value-in-use 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.

Share-based payments

Employees (including senior management and radiologists) of the Group receive remuneration and benefits in the form of share-based payments. These employees render services as consideration for equity instruments (equity-settled transactions).

i. Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in expense, together with a corresponding increase in equity (share based payment reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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Note 2. Significant accounting policies continued

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding performance rights is reflected as additional share dilution in the computation of diluted earnings per share.

The loan associated with loan funded shares is held off balance sheet and no corresponding amounts held in equity for the issued shares. The value is recognised in equity when the holder of the loan funded shares repays the loan in full which is at their election in years 5 to year 10 from grant date.

Investments and other financial assets

Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets at amortised cost

Loans and receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less any allowance under the expected credit loss (ECL) model.

All loans and receivables with maturities greater than 12 months after the balance date are classified as non-current assets.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement when determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL. The Group considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis based on the Group's historical experience, current market conditions as well as forward looking estimates at the end of each reporting period.

Debts that are known to be uncollectable are written off when identified.

Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Fair value is determined with reference to quoted market prices. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged.

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Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised in the Consolidated Statement of Profit or Loss in other income or other expenses. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs.

Revenue

Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control requires judgement. The Group recognises revenue when:

- The amount of revenue can be reliably measured;
- It is probable the economic benefit will flow to the Group; and
- The criteria for revenue recognition for each revenue stream has been satisfied.

Refer to Note 5 for further details in relation to the point of revenue recognition for the Group's specific revenue streams.

Government grants

Government grants are recognised only after eligibility conditions have been met and the Group has assessed these will be received. Consistent with the income approach applicable under AASB 120, government grants are recognised in profit or loss as a deduction against the employee benefits expenses for which they are intended to compensate.

Rounding of amounts

The Group 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 2020. The Group's assessment of the impact of these new or amended accounting standards and interpretations that have been adopted for the 30 June 2020 reporting period is set out below.

COVID-19 rent concessions

The AASB has amended AASB 16 to provide an option for lessees to allows certain COVID rent concessions to be treated as variable lease payments rather than as lease modifications. The group has elected to apply this option to the rent concessions received from its landlords resulting during the COVID-19 period as variable lease payments as these were short-term in nature and granted in response to the business impacts of COVID-19. The benefit of these concessions are disclosed in Note 13.

New accounting standards adopted during the year

AASB 16 Leases

The group has adopted AASB 16 from 1 July 2019 but has not restated comparatives for the prior reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019 outlined in Note 13.

The accounting policy for leases has been updated and is applicable from 1 July 2019:

Property leases

From 1 July 2019, property leases are recognised as a right-of-use asset and a corresponding liability at the date at which the property is available for use by the group. Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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Note 2. Significant accounting policies continued

Assets and liabilities arising from property leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the Group's incremental borrowing rate of 3.5%, being the rate that would be paid to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options are included in most property leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. Most extension and termination options held are exercisable only by the group and thus it has been assumed that these are to be exercised in the measurement of lease liabilities and right of use assets.

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 14.

The recoverable amounts of cash-generating units have been determined based on value-in-use (VIU) calculations. These assumptions have taken into account uncertainty arising due to COVID-19 as outlined in Note 14.

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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 value-in-use (VIU) calculations, in conjunction with the goodwill impairment testing which incorporates a number of key estimates and assumptions.

Provision for make good

The Group records a provision for make good costs of lease properties. Make Good costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the make good liability. The unwinding of the make good is expensed as incurred and recognised in the statement of profit or loss. The estimated future costs of the make good are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Impacts of COVID-19

The Group has performed an assessment of the impacts of COVID-19 on the financial performance and position of the Group. It has been determined that the net impact has been neither significant or prolonged and that the ongoing ability of the Group to generate sufficient cash flows to support the carrying value of assets has not been impacted.

Should there be ongoing impacts from COVID-19 across the Group's operations and the impacts of this pandemic are significant or prolonged this may impact the Group in the longer term.

Note 4. Operating segments

Identification of reportable operating segments

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

Major customers

During the year ended 30 June 2020, there was no external revenue greater than 10% to any one customer (2019: nil).

Accounting policy for operating segments

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

Operating segment information

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

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Total revenue and other income from continuing operations		
Australia	251,023	207,459
New Zealand	24,832	26,371
	275,855	233,830
Total non-current assets		
Australia	401,608	181,290
New Zealand	102,429	99,543
	504,037	280,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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Note 5. Revenue

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Sales revenue		
Services revenue	274,081	230,987
Other revenue		
Other revenue	1,485	1,406
Revenue	275,566	232,393
Interest and other income		
Interest income	267	272
Realised FX gain	22	1,165
	289	1,437
Total revenue and other income	275,855	233,830
Timing of revenue recognition		
At a point in time	266,775	232,393
Over time[1]	8,791	-
	275,566	232,393

1. Revenues recognised over time relate to those received under under some reporting contracts

Accounting policy for revenue recognition

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

Rendering of services

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

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 2020 $'000	30 June 2019 $'000
Profit before income tax includes the following specific expenses:		
Depreciation expense		
Leasehold improvements	1,999	1,465
Plant and equipment	10,925	7,292
Motor vehicles	21	17
Office furniture and equipment	1,874	1,742
Total depreciation	14,819	10,516
Amortisation expense		
Customer contracts	1,387	2,993
Right-of-use assets	9,474	-
Total amortisation	10,861	2,993
Total depreciation and amortisation	25,680	13,509
Net loss on disposal of property, plant and equipment	227	475
Transaction and integration costs relating to acquisition of subsidiaries		
Professional fees and other costs	5,135	2,498
Total transaction costs	5,135	2,498
Finance costs		
Interest and finance charges paid/payable	8,157	5,892
Funding/establishment costs	403	302
Finance costs expensed	8,559	6,194
Employee benefits expense		
Employee benefits	137,761	106,682
Government grants	(9,595)	-
Superannuation contributions	9,004	6,931
Labour supply	17,092	17,377
Total employee benefits expense	154,262	130,990

Minimum lease payments recognised as operating lease expense were $nil (2019: $10.7 million). Costs of inventories recognised as expense were $12.5 million (2019: $10.4 million).

Accounting policy for finance costs

Except for funding and establishment costs that are deferred and amortised, finance costs are expensed in the period in which they are incurred.

Government grants

JobKeeper payments, New Zealand Wage Subsidy and payroll tax refunds received as part of the government response to the COVID-19 pandemic of $9.6 million (2019: nil) were partially offset by $0.8 million of top up payments included in the employee benefits line. The JobKeeper payments and New Zealand Wage Subsidy are taxable income, the net benefit to the Group after top up payments and tax effects was $6.1 million. There are no unfulfilled conditions or other contingencies attached to these grants. During the reporting period, the Group has also benefited from the other government assistance in the form of deferred payroll tax as outlined in Note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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Note 6. Expenses continued

In accordance with the legislative requirements, JobKeeper payment eligibility has been assessed at the level of the group's individual subsidiary employment service entities. The eligibility of these entities for JobKeeper payments was assessed by applying the basic turnover test to their expected management service fee turnover. The projected turnover declines in these entities were commensurate with overall declines in revenue and operating returns experienced in the employment service entities corresponding trading subsidiary for the same period.

Note 7. Income tax expense

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Income tax expense		
Current tax	12,803	10,475
Deferred tax – origination and reversal of temporary differences	(576)	(839)
Aggregate income tax expense	12,227	9,635
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (Note 15)	(656)	425
Increase/(Decrease) in deferred tax liabilities (Note 15)	80	414
	(576)	839
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	35,260	30,618
Tax at the Australian statutory rate of 30%	10,578	9,185
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment costs	51	29
Transaction costs	623	434
Customer contract amortisation	248	-
Share based payments	403	168
Transactions costs deducted in equity	326	(204)
	12,229	9,612
Adjustment recognised for prior periods	142	135
Impact of lower tax rate in New Zealand	(144)	(112)
Income tax expense	12,227	9,635

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 2020 $'000	30 June 2019 $'000
Cash on hand	21	15
Cash at bank	57,944	20,952
	57,965	20,967

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.

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Note 9. Current assets – trade and other receivables

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Trade receivables	10,581	8,529
Less: Provision for impairment of receivables	(235)	(81)
	10,346	8,448
Other receivables	29	577
	10,375	9,025

Impairment of receivables

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

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Opening balance	81	90
Additional provisions recognised[1]	205	27
Receivables written off during the year as uncollectable	(51)	(36)
Closing balance	235	81

1. Additional provisions have been made due to assessed increased risk associated with collection of outstanding amounts as a result of COVID-19

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $1.45m as at 30 June 2020 ($1.62m as at 30 June 2019).

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 2020 $'000	30 June 2019 $'000
Past due 31 to 60 days	437	528
Past due 61 to 90 days	201	595
Past due more than 91 days	811	500
	1,449	1,623

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value. The group holds these receivables to collect the contractual cash flows and thus subsequently measures these at amortised cost, 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.

The group applies the simplified approach to measuring expected credit losses using a lifetime expected credit losses (ECL) using a lifetime ECL allowance for all trade receivables. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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Note 10. Current assets – other

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Accrued revenue	4,075	1,243
Prepayments	2,654	1,901
Security deposits	345	296
Other current assets	12	12
	7,086	3,452

Note 11. Inventory

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Contrast, drugs, needles & personal protective equipment	1,002	390

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 Contrast, drugs, needles & personal protective equipment. Costs of inventories recognised as an expense was $12.4m (2019: $10.4m).

The carrying value of inventory has increased as at 30 June 2020 due to the increased amount of personal protective equipment the Group has sourced and is carrying as a result of its response to COVID-19.

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

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Work in progress – at cost	998	9,864
Leasehold improvements – at cost	37,303	19,944
Less: Accumulated depreciation	(9,058)	(7,075)
	28,245	12,869
Plant and equipment – at cost	106,916	76,002
Less: Accumulated depreciation	(42,408)	(32,608)
	64,508	43,394
Motor vehicles – at cost	285	485
Less: Accumulated depreciation	(162)	(416)
	123	69
Office furniture and equipment – at cost	16,616	12,205
Less: Accumulated depreciation	(9,485)	(7,619)
	7,131	4,586
	101,005	70,782

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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	Work in progress $'000	Leasehold improvements $'000	Plant and equipment $'000	Motor Vehicles $'000	Office furniture and equipment $'000	Total $'000
Balance at 30 June 2018	5,266	10,313	33,733	66	4,706	54,084
Business combination	-	2,342	4,452	-	391	7,185
Additions	20,821	-	-	-	-	20,821
Transfers	(16,223)	1,692	13,261	19	1,251	-
Disposals/write offs	-	(106)	(872)	-	(36)	(1,014)
Depreciation expense	-	(1,465)	(7,292)	(17)	(1,742)	(10,516)
Exchange differences	-	93	112	1	16	222
Balance at 30 June 2019	9,864	12,869	43,394	69	4,586	70,782
Business combination	-	5,619	13,925	21	1,166	20,731
Additions	26,013	-	-	-	-	26,013
Transfers	(34,879)	13,293	18,230	54	3,302	-
Disposals/write offs	-	(1,397)	(52)	-	(11)	(1,460)
Depreciation expense	-	(1,999)	(10,925)	(21)	(1,874)	(14,819)
Exchange differences	-	(140)	(64)	-	(38)	(242)
Balance at 30 June 2020	998	28,246	64,508	123	7,131	101,005

Property, plant and equipment secured under asset financing facility

Refer to Note 20 for further information on property, plant and equipment secured under asset financing.

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 include the expected future cost of making leasehold premises at the conclusion of the lease term.

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.

Costs which are necessarily incurred whilst commissioning new asset, in the period before they are capable of operating in the manner intended by management, are capitalised as Work in Progress. Upon completion of the asset and all associated costs being recognised, the Work in Progress is transferred to the correct property, plant and equipment classification at which point it is accounted for in accordance with AASB 116.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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Note 13. Leases

The balance sheet shows the following amounts in respect of leases:

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Right-of-use assets		
Property leases	88,571	-
Lease liabilities		
Current	9,608	-
Non-current	86,499	-
	96,107	-

The statement of profit or loss shows the following amounts relating to leases:

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Depreciation charge against right-of-use assets (included in depreciation and amortisation expense)	9,474	-
Interest expense (included in finance cost)	2,972	-
Expense relating to short-term leases (included in occupancy expenses)	522	-
Credits received as rent concessions due to COVID-19 (included in occupancy expenses)	(641)	-

Measurement of lease liabilities on adoption of AASB 16

	30 June 2020 $'000
Property lease commitments disclosed at 30 June 2019	29,819
Discounting using the lessee's incremental borrowing rate	(2,734)
Adjustment for different treatment of extension options	37,178
Adjustment for changes in indices or rates affecting variable payments	(785)
Lease liability recognised at 1 July 2019	63,478
Representing:	
Current lease liabilities	7,335
Non-current lease liabilities	56,143
Total lease liabilities	63,478

Reconciliation of movements in lease liabilities during the period

	30 June 2020 $'000
Lease liabilities recognised at 1 July 2019	63,478
Lease liabilities assumed on acquisition	21,857
Remeasurement of liability for CPI adjustments	375
Early termination of leases	(5,449)
New leases entered into during the period	24,055
Repayment of lease liabilities, net of interest	(8,209)
Lease liabilities recognised at 30 June 2020	96,107

Measurement of right-of-use assets on adoption of AASB 16

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The recognised right-of-use assets all relate to property leases.

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Impact on segment disclosures and earnings per share

Geographic segment assets and segment liabilities for 30 June 2020 increased as a result of the change in accounting policy. The following geographic segments were affected by the change in policy:

Consolidated	Australia $'000	New Zealand $'000	Total $'000
Segment assets – Non Current	82,609	5,962	88,571
Segment liabilities – Current	9,219	389	9,608
Non-Current	80,751	5,748	86,499
Retained earnings	1,571	83	1,702

Clarification of applicable extension options since the date of the half-year report have given rise to immaterial adjustment to these balances.

Earnings per share decreased by 0.003c per share for the year ended 30 June 2020 as a result of the adoption of AASB 16.

Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics based on the group's incremental borrowing rate;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Note 14. Non-current assets – intangibles

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Goodwill – at cost	**273,600**	184,112
Brand names – at cost	**24,768**	17,246
Customer contracts – at cost	**9,171**	6,359
Less: Accumulated amortisation	**(6,685)**	(5,464)
	2,486	895
	300,854	202,253

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[1] $'000	Customer contracts $'000	Total $'000
Balance at 30 June 2018	96,387	7,155	-	103,542
Assets recognised on business combination acquisition	86,789	9,987	3,853	100,629
Amortisation expense	-	-	(2,993)	(2,993)
Foreign currency exchange	936	104	35	1,075
Balance at 30 June 2019	184,112	17,246	895	202,253
Assets recognised on business combination acquisition (Note 34)	91,325	7,900	2,900	102,125
Amortisation expense	-	-	(1,387)	(1,387)
Write off expense	-	(155)	-	(155)
Foreign currency exchange	(1,837)	(223)	78	(1,982)
Balance at 30 June 2020	273,600	24,768	2,486	300,854

1. Brand names of $24.77 million are distributed across the SCR ($7.0m), Lake Imaging ($0.17m), NZ ($9.7m) and Imaging Queensland ($7.9m) CGUs

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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Note 14. Non-current assets – intangibles continued

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

Consolidated	Australia $'000	New Zealand $'000	Total $'000
Goodwill	193,799	79,801	273,600
Brand Names	15,070	9,698	24,768
Customer Contracts	2,486	-	2,486
Balance at 30 June 2020	211,355	89,499	300,854

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 value in use calculations.

An assessment of identifiable cash generating units and a review of allocations of goodwill to the identified cash generating units is conducted annually.

Management have concluded that the current centralised structure of operations in Australia, and the ongoing synergies and opportunities this delivers to the Group's Australian operations warrants the continued allocation of goodwill to form one cash-generating unit in Australia, and a second cash generating unit in New Zealand for impairment testing purposes.

Key assumptions for value-in-use calculations

The recoverable amount is determined based on value-in-use 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. Three probability-weighted forecast scenarios were modelled to consider the impact potential impacts of COVID-19 on the impairment assessment. These scenarios and their key features were as follows:

- Base case – a return to relatively normal operations with some localised impacts;
- Alternate case – a repeat of the impacts of the nationwide lockdowns in FY21 partially offset by government economic stimulus; and
- Worst case – a prolonging of the impacts outlined in the alternate case into FY22 without offsetting government stimulus.

These scenarios are probability-weighted and the incremental cash flow impacts on the base case is summarised below:

Consolidated	FY21 impact $'000	FY22 impact $'000	Probability weighting %
Base case	-	-	70.0
Alternate case	(4,483)	-	20.0
Worst case	(13,585)	(14,293)	10.0

Further impacts of COVID-19 are not expected past FY23 and as such base case levels have been applied in each scenario from this point forward. Under each scenario modelled there was no indication of impairment.

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

	2020 %	2019 %
Australia		
Long-term growth rate	2.2	3.0
Pre-tax discount rate	12.8	15.4
New Zealand		
Long-term growth rate	2.2	3.0
Pre-tax discount rate	13.1	15.4

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Note 14. Non-current assets – intangibles

Australia

Within the value-in-use calculation for the five-year forecast period revenues have been forecast to grow between 2.1% – 6.1% (2019: 6% – 8.5%) and 2.2% (2019: 3%) into perpetuity. The forecast cash flows also includes ongoing investment in property, plant and equipment to maintain the existing base and in 2021 to invest in further technology and expansion.

Under the base case scenario, the pre-tax discount rate would need to increase by more than 4.2% (2019: 11%) or the revenue growth rate decline by more than 3.3% (2019: 1.5%) in the five-year forecast period and into perpetuity for there to be any impairment of the goodwill balances.

New Zealand

Within the value-in-use calculation for the five-year forecast period revenues have been forecast to grow between 2.2% - 7 .3% (2019: 6.0% – 7.5%) and 2.2% (2019: 3%) into perpetuity. The forecast cash flows also includes ongoing investment in property, plant and equipment to maintain the existing base and in 2020 to invest in further technology and expansion.

Under the base case scenario, the pre-tax discount rate would need to increase by more than 3.3% (2019: 3%) or the revenue growth rate decline by more than 4.0% (2019: 1.5%) in the five-year forecast period and into perpetuity for there to be any impairment of the goodwill balances.

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 the remaining term of the contract as at the date of acquisition. The New Zealand contracts have now been fully amortised and the $2.5m balance remaining consists of the contract held with the Central Queensland Hospital and Health Service which will be amortised over the remaining four years of the contract at $0.625m per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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Note 15. Deferred tax

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Deferred Tax Assets		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recongised in profit or loss		
Employee benefits and other provisions	8,638	6,183
Provisions for lease make good	954	771
Transaction costs in equity	842	116
Transaction costs	697	674
Tax losses available	267	54
Leases	2,209	-
Total Deferred Tax Asset	13,607	7,798
Amount expected to be recovered within 12 months	3,376	2,052
Amount expected to be recovered after more than 12 months	10,231	5,746
	13,607	7,798
Movements:		
Opening balance	7,798	7,578
Credited to profit or loss (Note 7)	656	425
Credited to equity	1,609	(205)
Amounts recognised on transition to AASB 16	1,893	-
Amounts recognised through business combination (Note 34)	1,651	-
Closing balance	13,607	7,798
Deferred Tax Liabilities		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recongised in profit or loss		
Property, plant and equipment	(3,533)	(2,725)
Brand Names	(7,982)	(5,227)
Total Deferred Tax Liability	(11,515)	(7,952)
Amount expected to be settled within 12 months	(540)	(250)
Amount expected to be settled after more than 12 months	(10,975)	(7,702)
	(11,515)	(7,952)
Movements:		
Opening balance	(7,952)	(4,740)
Credited to profit or loss (Note 7)	80	414
Adjustments recognised for prior periods	-	(159)
Additions through business combinations (Note 34)	(3,644)	(3,467)
Closing balance	(11,515)	(7,952)

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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 16. Current liabilities – trade and other payables

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Trade payables	4,544	4,758
Other payables and accruals	14,000	9,767
	18,544	14,525

Refer to Note 27 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.

Government assistance

In addition to the government grants outlined in note 6, the Group has taken advantage of payroll tax deferral measures offered by various state governments to alleviate the impacts of COVID-19. Deferred payroll tax liabilities of $1.3 million are included in the other payables and accruals balance above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

Note 17. Current liabilities – borrowings

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Asset financing facility	13,177	8,929

Refer to Note 21 for further information on assets pledged as security and financing arrangements.

Refer to Note 27 for further information on financial instruments.

Note 18. Current liabilities – provisions

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Annual leave	9,906	6,795
Long service leave	6,146	5,161
Employee benefits	119	237
Lease make good	385	-
	16,556	12,193

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 provision 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 employees are entitled to pro-rata payments in certain circumstances.

Note 19. Current liabilities – derivative financial instruments

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Derivative financial instrument	-	20

Note 20. Deferred consideration

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Current portion	6,942	680
Non-current portion	7,971	2,276
	14,913	2,956

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Note 20. Deferred consideration

The movements in each element of deferred consideration during the financial are set out below:

Consolidated	Total $'000
Carrying amount at the start of the year	2,956
Recognised on business combination – Note 34	12,000
Additional provisions charged through profit or loss[1]	723
Amounts paid during the year	(766)
Balance at 30 June 2020	14,913

1. These amounts are included in the employee benefits expense disclosed in Note 6

Deferred consideration

Deferred consideration arises from contractual commitments entered into on the acquisition of businesses. Where deferred consideration payments are significantly linked to requirements for ongoing employment the cost of the deferred payment is charged to profit or loss as earnt. Where deferred consideration is linked to the enterprise value of the entity acquired and each vendor is entitled to the payment of the earn our regardless of their employment status, the amounts are recognised in goodwill as part of the purchase price allocation and based on expectation of payment. Any increment or decrement arising from remeasurement of these liabilities is charged to profit or loss.

Note 21. Non-current liabilities – borrowings

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Club debt facility	157,004	122,881
Asset financing facility	11,560	7,239
	168,564	130,120

Refer to Note 27 for further information on financial instruments.

Total secured liabilities

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

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Club debt facility	157,004	122,881
Asset financing facility	24,737	16,168
	181,741	139,049

Assets pledged as security

The asset finance liabilities are effectively secured as the financiers have rights to the assets under finance in the event of default. Under the cash advance finance facility the financiers have security over the cash flows of the business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

Note 21. Non-current liabilities – borrowings contiued

Financial arrangements

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

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Total facilities		
Equipment finance facility	65,000	65,000
Cash advance facility	180,000	180,000
Cash advance facility NZD	60,000	60,000
Standby letter of credit or guarantee facility	7,000	7,000
Commercial cards facility	338	300
Electronic payaway facility	3,075	3,075
	315,413	315,375
Used at the reporting date		
Equipment finance facility	24,737	16,168
Cash advance facility	105,000	70,000
Cash advance facility NZD	52,635	52,881
Standby letter of credit or guarantee facility	2,102	2,064
Commercial cards facility	59	115
Electronic payaway facility	-	-
	184,533	141,228
Unused at the reporting date		
Equipment finance facility	40,263	48,832
Cash advance facility	75,000	110,000
Cash advance facility NZD	7,365	7,119
Standby letter of credit or guarantee facility	4,898	4,936
Commercial cards facility	279	185
Electronic payaway facility	3,075	3,075
	130,880	174,147

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 cash advance facilities expire in December 2021.

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Note 22. Non-current liabilities – provisions

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Long service leave	3,301	2,038
Deferred rent liability	-	2,655
Lease make good	4,489	4,336
	7,790	9,029

Deferred rent liability

Deferred rent liabilities related 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 represented 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. On transition to AASB 16 Leases, these amounts are included the measurement of lease liabilities and thus have been de-recognised effective 1 July 2019.

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 and probability of lease renewals have 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 – 2020		
Carrying amount at the start of the year	2,655	4,336
Adjustment on first time adoption of AASB 16	(2,655)	-
Additional provisions	-	2,466
Amounts used	-	(370)
Accounting adjustment arising on revision of underlying estimates	-	(1,558)
Carrying amount at the end of the year	-	4,874

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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Note 23. Equity – contributed capital

	Consolidated		Consolidated	
	30 June 2020 Shares	30 June 2019 Shares	30 June 2020 $'000	30 June 2019 $'000
Ordinary shares – fully paid	194,684,039	157,065,810	207,437	109,507

Movement in ordinary share capital	Date	Number of Shares	Issue Price	Total $'000
Balances at 1 July 2018		145,044,157	-	83,425
Shares issued as part of New Zealand acquisition	2 July 2018	9,971,928	$2.38	23,733
Shares issued as part of GMI acquisition	2 July 2018	376,682	$2.79	1,050
Shares issued under regional incentive scheme	22 Dec 2018	6,758	$2.78	19
Shares issued under Radiologist Loan Share Scheme[1] – Self-Funded	1 March 2019	555,427	$2.70	1,500
Shares issued under Radiologist Loan Share Scheme[1] – Loan Shares	1 March 2019	1,110,858	-	-
Reversal of DTA on transaction costs of equity		-	-	(168)
Transaction costs on acquisitions in equity		-	-	(52)
Balance at 30 June 2019		157,065,810		109,507
Shares issued under Radiologist Loan & Option Share Scheme[1] – Self-funded[2]	2 September	538,745	$2.71	1,460
Shares issued under Radiologist Loan Share Scheme[1] – Loan Shares	2 September	590,453	-	-
Shares issues under institutional entitlement offer	4 September	15,157,587	$2.71	41,077
Shares issued under retail entitlement offer	30 September	11,419,345	$2.71	30,946
Shares issued as part of Imaging Queensland acquisition (Note 34)	8 November	9,772,724	$2.71	26,484
Shares issued under dividend reinvestment plan (DRP)	7 April	139,375	$3.15	439
Capital raising costs				(3,508)
Net income tax effect of transaction costs in equity				1,032
Balance at 30 June 2020		194,684,039		207,437

1 Eligible Radiologists in Australia are invited to participate in a Loan funded share scheme where participants will be granted fully paid ordinary shares in the Company. Participants are required to make a cash contribution towards the purchase of shares (self-funded shares). In return these employees receive a 10 year limited recourse loan from the company and are issued Loan Shares. The number of Loan Shares employees are granted is twice the number of self-funded shares

2 Eligible Radiologists in New Zealand resident are invited to participate in an Option share scheme where participants will be granted options over fully paid ordinary shares in the Company. Participants are required to make a cash contribution towards the purchase of shares (self-funded shares). In return these employees receive Options with a 10 year expiry and a strike price equivalent to the purchase price of the self-funded shares. The number of Options granted is twice the number of Self-funded shares purchased. Refer to Note 24 for details of the options issued

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.

Voting at shareholder meetings is conducted by poll and each fully paid ordinary share is entitled to one vote.

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.

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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. The Group has also initiated a dividend reinvestment plan (DRP) during the year to provide its shareholders the ability to reinvest their dividends into additional share capital.

The Group looks to raise capital when an opportunity to invest in a business or company is seen as value adding relative to the current company's share price at the time of the investment. During the year, and in line with internal policy, the Group raised additional share capital to fund the acquisition of Imaging Queensland whilst maintaining net debt to equity lower than 2.5x EBITDA.

The Group is subject to certain financing arrangement covenants and meeting these is given priority in all capital risk management decisions. Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants;

- Net debt to pre-AASB 16 EBITDA not greater than 3.25
- Fixed charge cover greater than 1.75

The Group has complied with the covenants throughout the reporting period. The calculation basis provided for in the terms to the Group's borrowing facilities allows for the exclusion of the impacts of AASB 16 Leases and the adoption of AASB 16 Leases has not impacted compliance with these financial covenants, nor have the financial impacts of COVID-19.

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 24. Equity – reserves

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Share-based payments reserve	2,019	678
Capital reorganisation reserve	(3,849)	(3,849)
Transactions with non-controlling interest	(8,013)	(8,013)
Foreign currency translation reserve	(957)	133
Cash flow hedge reserve	-	(19)
	(10,800)	(11,070)

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 Lake Imaging Pty Ltd 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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Note 24. Equity – reserves continued

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 2. The reserve is recognised in profit and loss when the net investment is disposed of.

Cash flow hedge reserve

The reserve is used to recognise the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other income (expenses).

Movements in reserves

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

Consolidated	Share-based payment reserve $'000	Capital re-organisation reserve $'000	Transaction with non-controlling interest $'000	Foreign currency translation reserve $'000	Cash flow hedge reserve $'000	Total $'000
Balance at 30 June 2019	678	(3,849)	(8,013)	133	(19)	(11,070)
Recognition of share-based payments	1,341	-	-	-	-	1,341
Movement in FV of derivative financial instrument	-	-	-	-	19	19
Movement in translation of foreign operations	-			(1,090)	-	(1,090)
Balance at 30 June 2020	2,019	(3,849)	(8,013)	(957)	-	(10,800)

The expense recognised for share based payments during the year was based on valuations using the Black Scholes model.

	30 June 2020 $'000	30 June 2019 $'000
Share -based payment expense – Long Term Incentive (LTI) Scheme	835	473
Share -based payment expense – Radiologist Loan Funded Share Plan (LFSP)	506	85
Total expense arising from equity-settled share-based payment transactions	1,341	558

There were no cancellations or modifications to the awards in 2020 or 2019.

Long-term incentive (LTI) scheme

The following table illustrates the number of, and movements in performance rights issued under long term incentive scheme (LTI) to executives and members of the senior management team during the year. The exercise price of these rights is $Nil.

	2020 Number	2019 Number
Outstanding at 1 July	974,088	601,807
Granted during the year	564,785	372,281
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at 30 June	1,538,873	974,088
Exercisable at 30 June	-	-

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The following table lists the inputs to the valuation model used for the LTI plan. In FY2020 the LTI (1) was granted to participants on 26 September 2019 and CEO on 19 November 2019. A second LTI (2) was granted to participants on 17 December 2019 and 19 February 2020. The varying dates resulted in different valuation metrics applicable to each LTI grant which are set out respectively below.

	2020 LTI (1) Plan	2020 LTI (2) Plan	2019 LTI grants	2018 LTI grants
Weighted average fair values at the measurement date ($)	2.75/3.01	3.08/3.53	2.38	1.94/1.54
Dividend yield (%)	3.5	3.5	4.6	3.5/3.8
Expected volatility (%)	N/A	N/A	N/A	N/A
Risk-free interest rate (%)	0.72/0.77	0.71/0.72	2.18	2.02/2.35
Expected life of share (years)	4	4	4	4
Weighted average share price ($)	1.48/1.38	1.74/1.53	2.79	2.31/1.85
Model used	Black Scholes	Black Scholes	Black Scholes	Black Scholes

Radiologist Loan Funded Share & Option Plan (LFSP)

The following tables the number of, and movements in shares and options issued under the Radiologist Loan Funded Share Plan (LFSP). For the year ended 30 June 2020, shares and options were issued to participating radiologists on 2 September 2019.

The value of the shares issued under the plan was $2.71 and a loan equivalent to the issued shares is due and payable at the Radiologists option. This option can be exercised between 4-10 years from the issue date, once the loan is fully paid the loan shares are released from Escrow and will no longer be subject to Escrow restrictions.

Options were issued in lieu of loan shares to the Group's New Zealand resident radiologists. These options were issued with a strike price of $2.71 and an expiry date of 2 September 2023.

	2020 Options	2020 WAEP[1]	2020 Shares	2020 WAEP[1]
Outstanding at 1 July	-	-	1,110,858	2.70
Granted during the year	505,202	2.71	584,398	2.71
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 30 June	505,202	2.71	1,695,256	2.70
Exercisable at 30 June	-		-	

1. Weighted average exercise price (WAEP)

The following table lists the inputs to the models used for the LFSP.

	2020 LFSP Options	2020 LFSP Shares	2019 LFSP Shares
Weighted average fair values at the measurement date ($)	1.09	1.13	0.92
Dividend yield (%)	N/A	N/A	N/A
Expected volatility (%)	35	35	36
Risk-free interest rate (%)	0.71	0.71	1.71
Expected life of share (years)	4.5	4	4
Weighted average share price ($)	2.71	2.71	2.64
Model used	Black Scholes	Black Scholes	Black Scholes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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Note 25. Equity – retained profits

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Retained profits at the beginning of the financial year	28,782	21,824
Adjustment on first time adoption of AASB 16, net of tax effects (Note 13)	(1,654)	-
Profit after income tax expense for the year	23,033	20,983
Dividend paid (Note 26)	(18,468)	(14,025)
Retained profits at the end of the financial year	31,693	28,782

Note 26. Equity – dividends

Dividends

Full franked Dividends paid during the financial year were as follows:

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Dividend paid 4 cents per share on 4 October 2018	-	6,216
Dividend paid 5 cents per share on 2 April 2019	-	7,809
Dividend paid 5 cents per share on 2 October 2019	7,843	-
Dividend paid 5.5 cents per share on 7 April 2020	10,625	-
	18,468	14,025

Franking credits

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	19,781	21,032

The amount recorded above as the franking credit amount is based on the amount of Australian income tax paid in respect of the liability for income tax at the balance date.

Accounting policy for dividends

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

Note 27. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including interest rate and foreign exchange 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 and ageing analysis for credit risk.

Risk management is carried out by management 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.

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Market risk

Interest rate risk

The Group's interest rate risk arises from long-term 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.

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

	2020		2019	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Cash at bank and on deposit	**0.61**	**57,965**	1.35	20,967
Borrowings	**2.43**	**(157,365)**	3.61	(122,881)
Finance leases	**3.70**	**(24,737)**	3.76	(16,168)
Interest rate swaps (notional principal amount)	**2.46**	**-**	2.46	(20)
Net exposure to cash flow interest rate risk		**(124,137)**		(118,102)

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 (2019: 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 is as follows:

	Basis points increase effect on			Basis points decrease effect on		
	Basis points change	**Profit before tax $'000**	**Effect on equity post tax $'000**	**Basis points change**	**Profit before tax $'000**	**Effect on equity post tax $'000**
Consolidated – 2020 Impact	**100**	**1,608**	**1,126**	**(100)**	**(1,608)**	**(1,126)**
Consolidated – 2019 Impact	100	1,395	977	(100)	(1,395)	(977)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows on an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the New Zealand dollar (NZD). The Group manages its exposure to fluctuations on the translation into Australian dollars of its foreign operations by holding net borrowings in foreign currencies, creating a natural hedging relationship. The Group assessed the remaining risk exposure and given the exchange rate is not expected to fluctuate significantly, has not entered into other hedging relationships. The Group will monitor this risk on an on-going basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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Note 27. Financial instruments continued

Foreign Currency Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in NZD exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in translation rates. The impact on the Group's equity is due to changes in the fair value of the net investment.

	Change in NZD Rate	Effect on profit before tax $'000	Effect on equity $'000
Consolidated – 2020			
Impact	+2.5c	(125)	(1,153)
Consolidated – 2019			
Impact	-2.5c	125	1,153

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.

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 18 months (2019: 2 years and 6 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.

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Consolidated – 2020	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	-	4,544	-	-	-	4,544
Other payables	-	1,400	-	-	-	1,400
Deferred consideration	-	6,800	6,633	-	-	13,433
Interest-bearing – variable						
Club debt facility	2.43	-	157,635	-	-	157,635
Asset financing facility	3.70	14,055	7,009	4,475	-	25,539
Property lease liabilities	3.50	12,437	12,131	35,385	55,765	115,718
Total non-derivatives		39,236	183,408	39,860	55,765	318,269

Consolidated – 2019	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	-	4,758	-	-	-	4,758
Other payables	-	9,767	-	-	-	9,767
Deferred consideration	-	680	760	1,516	-	2,956
Interest-bearing – variable						
Club debt facility	3.61	4,043	4,043	125,690	-	133,776
Asset financing facility	3.76	9,178	4,477	3,105	-	16,760
Total non-derivatives		28,426	9,280	130,311	-	168,017
Derivatives						
Interest rate swaps net settled	2.46	20	-	-	-	20
Total derivatives		20	-	-	-	20

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

Note 28. 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 2020 $	30 June 2019 $
Short-term employee benefits	3,267,576	2,886,151
Post-employment benefits	128,198	124,593
Long-term employee benefits	49,509	28,451
Share-based payments	589,423	342,355
	4,034,706	3,381,550

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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Note 29. 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 2020 $	30 June 2019 $
Audit services – PricewaterhouseCoopers		
Audit and review of the financial statements	324,500	240,500
Other services – PricewaterhouseCoopers		
Tax services – acquisitions	45,000	100,400
Advice on employee equity share plans	-	136,230
COVID-19 assistance	9,500	-
Tax compliance services	73,240	34,500
	127,740	271,130
Other services – Network firms of PricewaterhouseCoopers		
Tax compliance services	67,682	-
Due diligence and tax advisory services	172,568	151,423
	240,250	151,423
Total other services	367,990	422,553
Total remuneration	692,490	663,053

Non-audit fees during the year reflect the level of activity IDX has undertaken in completing the Due Diligence on IQ and Ascot Radiology as well as the Capital Raise.

The Company's policy limit of 1:1 for Non-Audit Services Provided by the External Auditor has been exceeded with approval of the Audit Risk and Compliance Committee (ARCC) due to impacts of COVID-19 requiring assistance and advice on Job Keeper from PricewaterhouseCoopers of $9,500 and unavoidable top up due diligence on due diligence and extended procedures to cover the impacts of COVID-19 of $41,800.

The Company has considered the nature of the non-audit fees and are satisfied with the independence of PricewaterhouseCoopers as auditor and are comfortable that the $367,990 of non-audit fees are appropriate and justified given the level of activity undertaken in FY20 including cross border transactions.

Note 30. Contingent liabilities

The Group has given bank guarantees as at 30 June 2020 of $2.3 million (2019: $1.9 million) to various landlords.

Note 31. Commitments

	Consolidated	
	30 June 2020 $	30 June 2019 $
Lease commitments – operating		
Within one year	-	8,203
One to five years	-	19,021
More than five years	-	2,595
	-	29,819

On adoption of AASB 16 Leases at 1 July 2019, the Group's operating lease commitments have been recognised as lease liabilities. Refer to Note 13 for further details.

As at 30 June 2020, there were no outstanding capital commitments for plant and equipment and leasehold improvements (2019: $6.3 million).

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Note 32. Related party transactions

Parent entity

Integral Diagnostics Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 35.

Key management personnel

Disclosures relating to Key Management Personnel are set out in Note 28 and the Remuneration Report on pages 13 to 18.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated $	% interest	$ interest
Year ended 30 June 2020			
Payment for rental of buildings to Eleven Eleven How Pty Ltd of which Dr Chien Ping Ho is related party	**357,535**[1]	6.25%	22,346
Payment for rental of buildings to Kiwi Blue Pty Ltd of which Dr Chien Ping Ho is related party	**237,066**[1]	9.09%	21,549
Year ended 30 June 2019			
Payment for rental of buildings to Eleven Eleven How Pty Ltd of which Dr Chien Ping Ho is related party	**358,922**	6.25%	22,433
Payment for rental of buildings to Kiwi Blue Pty Ltd of which Dr Chien Ping Ho is related party	**237,594**	9.09%	21,597

1. Amounts presented are net of COVID-19 rental concessions granted for April 2020 of $4,563 and $3,022 by Eleven Eleven How Pty Ltd and Kiwi Blue Pty Ltd respectively

The above Related Party transactions are historic in nature and relate to leases assumed from previous vendors when the business was privately held. Dr Chien Ho has a 6% interest in Eleven Eleven How Pty Ltd and a 9% interest in Kiwi Blue Pty Ltd. The leases cover four properties located in Ballarat, Ocean Grove and Melton.

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

Loans

No KMP has entered into a loan made, guaranteed or secured, directly or indirectly, with or by the Company or any of its subsidiaries during the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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Note 33. 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 2020 $	30 June 2019 $
Profit after income tax	20,938	7,876
Total comprehensive income	20,938	7,876

Statement of Financial Position

	Parent	
	30 June 2020 $	30 June 2019 $
Total current assets	15,554	46,386
Total assets	344,285	191,274
Total current liabilities	6,979	2,627
Total liabilities	115,326	71,868
Equity		
Contributed capital	207,438	109,507
Cash flow hedging reserve	-	(20)
Share-based payments reserve	2,019	678
Retained profits	19,502	9,241
Total equity	228,959	119,406

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 36.

Contingent liabilities

Except as disclosed in Note 30, there are no other contingent liabilities of the parent entity as at 30 June 2020 and 30 June 2019.

Capital commitments – property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

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 34. Business combinations

Effective 1 November 2019, the Group acquired the shares of the Imaging Queensland Group (IQ), which:

- Is a scale provider of diagnostic imaging services primarily operating in the major centres along Sunshine Coast, Moreton Bay, Rockhampton and Gladstone;
- Has 19 strategically located radiology sites;
- Has an experienced team of 16 long-tenured radiologists and approximately 270 employees; and
- Has 3 full and 2 partial MRI licenses.
- The key terms of the acquisition included:
- Upfront purchase consideration of $94.4m on a cash and debt free basis, comprising $67.9m in cash and $26.4m in escrowed ordinary IDX shares;
- 80% of the equity will be held in escrow for up to five years; and
- A five-year staged earn-out for vendor radiologists based on earnings outperformance.

Details of the acquisition are as follows:

	Recognised on acquisition fair value $'000
Plant and equipment	20,731
Right of use assets	21,857
Brand names	7,900
Customer contracts	2,900
Deferred tax	(1,993)
Borrowings	(11,029)
Lease liabilities	(21,857)
Employee benefits	(4,069)
Provisions	(1,590)
Cash assets	1,627
Working capital assets	3,786
Working capital liabilities	(2,585)
Net assets acquired	15,678
Goodwill	91,325
Acquisition-date fair value of the total consideration transferred	107,003
Representing:	
Cash paid to vendor	68,518
Integral Diagnostics Limited shares issued to vendor	26,485
Deferred consideration – Note 20	12,000
	107,003
Net cash acquired with subsidiary	1,627
Cash paid	(68,518)
Net cash flow on acquisition	(66,891)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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Note 34. Business combinations continued

Revenue and profit contribution

From the 1st November to 30 June 2020 the acquired business contributed $38.7m of revenue, the revenue contribution includes impacts of COVID-19. The net profit contribution from the group for the period 1st November to 30 June 2020 cannot be practicably measured as a result of the measurement of net profit contribution requiring assumptions and judgements about extracted synergies and allocation of centralised costs including management fees and interest and it is difficult to distinguish objectively information about those estimates.

Similarly it is impracticable to provide pro-forma revenue and net profit as if the acquisition had occurred on 1 July 2019, this would require assessment of the impacts of COVID-19 on the performance of Imaging Queensland of which would be judgmental and hypothetical.

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.

Deferred 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. Refer to Note 20 for further details on the Group's accounting policy for deferred consideration.

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.

Business combinations are initially accounted for on a provisional basis. The provisional opening balance amounts are only adjusted retrospectively during the measurement period, and 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) twelve 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 35. 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:

		Ownership interest	
Name of entity	Principal place of business/ country of incorporation	2020 %	2019 %
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
Integral Diagnostics No. 1 Pty Ltd	Australia	100.00	-
Imaging Queensland Pty Ltd	Australia	100.00	-
Queensland Nuclear Medicine Pty Ltd	Australia	100.00	-
Advanced Women's Imaging Pty Ltd	Australia	100.00	-
Imaging Queensland IP Pty Ltd	Australia	100.00	-
Radiology 24/7 Pty Ltd	Australia	100.00	-
Sunshine Coast Radiology Pty Ltd	Australia	100.00	-
SC Radiology Pty Ltd	Australia	100.00	-
Central Queensland Radiology Pty Ltd	Australia	100.00	-
CQ Radiology Pty Ltd	Australia	100.00	-
IQ Radiology Pty Ltd	Australia	100.00	-
IQ Radiology Services Pty Ltd	Australia	100.00	-
Integrated Pain Management Pty Ltd	Australia	100.00	-
Bodyscreen Pty Ltd	Australia	100.00	-
Specialist Radiology Group Limited	New Zealand	100.00	100.00
Trinity MRI Limited	New Zealand	100.00	100.00
Cavendish Radiology Limited	New Zealand	100.00	100.00
Integral Diagnostics New Zealand Limited	New Zealand	100.00	100.00

Note 36. 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
- Integral Diagnostics No. 1 Pty Ltd
- Imaging Queensland Pty Ltd
- Queensland Nuclear Medicine Pty Ltd
- Advanced Women's Imaging Pty Ltd
- Imaging Queensland IP Pty Ltd
- Radiology 24/7 Pty Ltd
- Sunshine Coast Radiology Pty Ltd
- SC Radiology Pty Ltd
- Central Queensland Radiology Pty Ltd
- CQ Radiology Pty Ltd
- IQ Radiology Pty Ltd
- IQ Radiology Services Pty Ltd
- Integrated Pain Management Pty Ltd
- Bodyscreen Pty Ltd

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

Note 36. Deed of cross guarantee continued

By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare financial statements and a Directors' Report under Class Order 98/1418 (as amended) 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 consolidated statement of profit or loss, consolidated statement of comprehensive income, summary of movements in consolidated retained earnings and consolidated statement of financial position of the entities that are members of the Closed Group are as follows:

Consolidated Statement of Profit or loss and Comprehensive income

	30 June 2020 $'000	30 June 2019 $'000
Revenue		
Revenue	250,792	207,201
Interest, management fees and dividends eliminated on consolidation	4,795	1,895
Interest and other income	260	258
Total revenue and other income	255,847	209,354
Expenses		
Consumables	(11,811)	(9,679)
Employee benefits expense	(144,753)	(121,989)
Depreciation and amortisation expense	(23,306)	(9,598)
Transaction, takeover response and share based payment expense	(6,473)	(3,021)
Equipment related expenses	(7,687)	(7,682)
Occupancy expenses	(5,087)	(13,524)
Other expenses	(17,989)	(14,468)
Finance costs	(6,740)	(3,780)
Total expenses	(223,846)	(183,741)
Profit before income tax expense	32,001	25,613
Income tax expense	(9,939)	(8,054)
Profit for the year from continuing operations	22,062	17,559
Profit is attributable to:		
Owners of Integral Diagnostics Limited	22,062	17,559
Comprehensive income		
Items that may be reclassified to profit & loss:		
Net (loss)/gain on cash flow hedges	19	102
Total comprehensive income	22,081	17,661

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Consolidated Statement of Financial Position

	30 June 2020 $'000	30 June 2019 $'000
Assets		
Current assets		
Cash and cash equivalents	52,007	16,878
Trade and other receivables	9,303	7,901
Other assets	6,879	3,387
Should be a line under this row	909	390
Total current assets	69,098	28,556
Non-current assets		
Investment	39,681	39,681
Property, plant and equipment	94,814	64,147
Right-of-use assets	82,609	-
Intangibles	211,355	109,799
Deferred tax asset	12,830	7,342
Total non-current assets	441,289	220,969
Total assets	510,387	249,525
Liabilities		
Current liabilities		
Trade and other payables	17,135	13,008
Borrowings	13,177	8,929
Lease liabilities	9,219	-
Income tax payable	4,229	694
Provisions	16,259	11,971
Deferred consideration	6,800	680
Derivative financial instruments	-	20
Total current liabilities	66,819	35,302
Non-current liabilities		
Borrowings	116,041	76,455
Lease liabilities	80,751	-
Deferred consideration	6,633	1,519
Deferred tax liability	8,667	4,923
Provisions	7,485	8,600
Total non-current liabilities	225,577	91,497
Total liabilities	286,396	126,799
Net assets	223,991	122,726
Equity		
Contributed capital	207,438	109,507
Reserves	(9,843)	(11,289)
Retained profits	26,396	24,508
Total equity	223,991	122,726

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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Note 37. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Profit after income tax expense for the year	23,033	20,983
Adjustments for:		
Depreciation and amortisation	25,680	13,509
Loan establishment costs amortisation/write-off	403	326
Share-based payments	1,341	558
Loss on the sale of assets	266	475
Remeasurement of make good provisions	230	-
Recognition of deferred consideration	724	730
Bad debts	51	36
FX gain realisation	(23)	(1,369)
Property, plant, and equipment in payables	-	(1,847)
Change in operating assets and liabilities:	-	
Increase in trade and other receivables	(1,711)	(1,990)
Increase in deferred taxes	(2,246)	(558)
Increase in other operating assets and inventory	(4,246)	209
Increase/(decrease) in trade and other payables	4,380	895
Increase/(decrease) in provision for income tax	3,244	926
Increase /(decrease) in other provisions	3,124	1,040
Net cash from operating activities	54,250	33,923

Reconciliation of Liabilities arising from Financing Activities

Consolidated – 2019	Property leases due within 1 year $'000	Property leases due after 1 year $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Balance as at 30/06/2019	-	-	8,929	130,120	139,049
Recognised on transition to AASB 16	7,335	56,143	-	-	63,478
Business combination	2,458	19,399	3,255	7,774	32,886
New leases net of terminations	1,510	17,495	-	-	19,005
Impact of liability maturity for period	6,538	(6,538)	15,061	(15,061)	-
Cash flows	(8,209)	-	(14,068)	45,731	23,454
FX	(24)	-	-	-	(24)
Balance as at 30/06/2020	9,608	86,499	16,556	168,564	277,848

Net debt reconciliation

	30 June 2020 $'000	30 June 2019 $'000
Cash and cash equivalents	57,965	20,967
Borrowings – repayable within one year	(13,177)	(8,929)
Borrowings – repayable after one year[1]	(169,194)	(131,079)
Net Debt	(124,406)	(119,041)
Cash and liquid investments	57,965	20,967
Gross debt – variable interest rates	(182,371)	(140,008)
Net Debt	(124,406)	(119,041)

1. Non-current borrowings per Note 20 includes $0.63m (2019: $0.96m) of capitalised funding/establishment costs

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Note 38. Earnings per share

	30 June 2020 $'000	30 June 2019 $'000
Profit after income tax	23,033	20,983
Non-controlling interest	-	-
Profit after income tax attributable to the owners of Integral Diagnostics Limited	23,033	20,983
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	185,277,537	155,065,810
Adjustments for calculation of diluted earnings per share:		
Weighted average number of performance rights over ordinary shares	1,352,783	873,927
Weighted average number of options over ordinary shares	416,861	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	187,047,181	157,939,737
	Cents	Cents
Basic earnings per share	12.43	13.36
Diluted earnings per share	12.31	13.29

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 39. Events after the reporting period

Subsequent to year end a dividend of 4.0 cents per share was declared and will be paid on 1st October 2020.

On the 2nd August 2020 the Victorian Government announced Stage 4 restrictions for metropolitan Melbourne and a return to Stage 3 restrictions for regional Victoria. The restrictions include a cancellation of non-urgent elective surgery and sporting activities, as well as a slow down in regular hospital activity and patients' reluctance to visit their doctors, resulting in declines in diagnostic imaging volumes in our Victorian sites.

On the 11th August 2020 the New Zealand Government announced Stage 3 restrictions for Auckland, and Stage 2 restrictions for the rest of New Zealand. The restrictions include a reduction in elective surgery and sporting activities, as well as a slow down in regular hospital activity and patients' reluctance to visit their doctors, resulting in declines in diagnostic imaging volumes in our New Zealand sites.

As at the 23rd August the restrictions in Victoria and New Zealand remain in place. We continue to monitor COVID-19 and its impacts on the overall business.

On the 19th August 2020 an issue of shares under the Radiologist Loan Funded Share Plan and the New Zealand Matching Options plan was approved. The value of shares to be issued is $4.5 million. This is made up of Radiologist contributions of $1.5 million matched by an IDX contribution of $3.0 million. The number of shares to be issued will be determined by the 30-day VWAP up to the 30th August 2020. These shares/options will be issued on the 2nd September 2020 subject to the Radiologists contributing funds for their own shares into the scheme by 28th August 2020.

No other matter or circumstances has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs until future financial years.

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 2020 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 36 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

25 August 2020
Melbourne

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INDEPENDENT AUDIT REPORT

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Independent auditor's report

To the members 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 2020 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 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of profit or loss 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 consolidated financial statements, which include a summary of significant accounting policies
- the directors' 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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INDEPENDENT AUDIT REPORT CONTINUED

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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*
• For the purpose of our audit we used overall Group materiality of $1.75 million, which represents approximately 5% of the Group's 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 benchmark against which the performance of the Group is most commonly measured. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable 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 Australia and New Zealand. The locations in Australia include: Queensland, Victoria and Western Australia. Within New Zealand, the Group operates in Auckland. • All audit procedures were performed remotely by the Group team with assistance from the Group's shared service office in Geelong, Victoria. Prior to the outbreak of COVID-19, we also performed a site visit to the IQ business in Queensland.

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. We communicated the key audit matters to the Audit and Risk Committee.

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Key audit matter	*How our audit addressed the key audit matter*
Valuation of goodwill and brand names *(Refer to note 14) $298.4m* The Group's goodwill is recognised in two Cash Generating Units ("CGU's") – Australia and New Zealand. A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets. The Group has a goodwill balance of $273.6m at 30 June 2020 and brand names of $24.8m which represent approximately 51.4% of the total assets of the Group. For the year ended 30 June 2020, the Group performed an impairment assessment over the goodwill and brand names balance as required by Australian Accounting Standards. The impairment assessment relied on the calculation of the value-in-use for the Group. This calculation was based on estimated future cash flows discounted to net present value using the CGUs' weighted average cost of capital (WACC). We considered the carrying value of goodwill to be a Key Audit Matter as the balance is significant to the consolidated statement of financial position and there is significant judgement involved in estimating discounted future cash flows, particularly with respect to determining appropriate: • Discount rates which reflect economic and financial market uncertainty as a result of Covid-19; • Five-year cash flow projections (Cash flow forecasts) which reflect the impact of uncertainty created by COVID-19 • Earnings growth rates applied beyond the initial five-year period (Terminal growth rates)	We assessed whether the division of the Group into CGU's was appropriate under the requirements of Australian Accounting Standards and consistent with our knowledge of the Group's operations and internal Group reporting. We focused in particular on the treatment of the IQ business acquired during the year and the appropriateness of its inclusion into the existing Australia CGU. To evaluate the Group's discounted cash flow forecasts and the process by which they were developed, we performed the following procedures, amongst others: • With support from PwC valuations experts, we assessed the discount rate and terminal growth rates applied in the Group's value-in-use calculations by comparing these rates to historical results, market expectations of investment returns, projected economic growth and interest rates. • Considered the historical accuracy of the Group's cash flow forecasts by comparing the forecasts used in the prior year value-in-use calculations to the actual performance of the Group in the year to 30 June 2020. • Compared the 12 month cash flow forecasts used in the value-in-use calculations with the Board approved budget. • Considered whether the weighted average cost of capital and terminal growth rates used in the value-in-use calculations were subject to oversight from the directors. • Re-performed calculations in the value-in-use models on a selected calculations to assess the mathematical accuracy of the models. • Performed a sensitivity analysis by varying the weighted average cost of capital, cash flow projections and terminal growth rates within a reasonably possible range. We evaluated the adequacy of the disclosures made in Note 14, including those regarding key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

INDEPENDENT AUDIT REPORT CONTINUED

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Key audit matter	*How our audit addressed the key audit matter*
Accounting for business combinations *(Refer to note 34)* During the year, the Group finalised its acquisition of Imaging Queensland Group (IQ) for a consideration of $107m. The details of the acquisition are disclosed in Note 34 of the financial report. We considered this a Key Audit Matter given the financial significance of the acquisition and the complex judgements required by the Group in accounting for the acquisition, including: • Identifying all assets and liabilities of the newly acquired business and estimating the fair value of each asset and liability for initial recognition by the Group, particularly the brand names and customer contracts. The Group was assisted by an external valuation expert in this process. • Estimating the purchase price consideration, particularly in respect of contingent consideration payable on the achievement of certain operational performance targets. • Identifying whether consideration paid relates to the recipients' role as a shareholder or employee and the associated accounting treatment of the consideration	Together with PwC valuation experts we performed the following procedures, amongst others: • Evaluated the Group's accounting by considering the requirements of Australian Accounting Standards, key transaction agreements, our understanding of the business acquired and its industry and selected minutes of the board directors meetings. • Assessed the fair values of the acquired assets and liabilities recognised, including: o Considering key aspects used in the model for the valuations of brand names and customer contracts, including the discount rate, royalty rate range, useful life and forecast results. o Considering the valuation methodology used in the models in light of the requirements of Australian Accounting Standards. o Assessing the competence and capability of the Group's expert. o Assessed if transaction costs were recognised appropriately as an expense in the period they were incurred. In relation to the valuation of the contingent consideration, our procedures included, amongst others: • Assessing if the calculation of the contingent consideration was in accordance with the contractual arrangements and the requirements of Australian Accounting Standards. • Assessing the Group's evaluation of whether the conditions required for the contingent consideration to be paid were likely to be met in the future based upon actual performance since acquisition, current Group forecasts and market forecasts.

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Key audit matter	How our audit addressed the key audit matter
	• Assessing the Group's forecasting accuracy by comparing past forecasts with actual performance and developing an understanding of the causes of differences.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

INDEPENDENT AUDIT REPORT CONTINUED

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 18 to 32 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Integral Diagnostics Limited for the year ended 30 June 2020 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

Jason Perry
Partner

Melbourne
25 August 2020

SHAREHOLDER INFORMATION

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report follows. This information is current as at 3 August 2020

a. Top 20 shareholders – ordinary shares

Rank	Name	Number of fully paid ordinary shares	% of issued capital
1	J P Morgan Nominees Australia Pty Limited	39,488,024	20.28
2	HSBC Custody Nominees (Australia) Limited	32,714,122	16.80
3	Citicorp Nominees Pty Limited	16,430,515	8.44
4	National Nominees Limited	7,429,610	3.82
5	BNP Paribas Noms Pty Ltd <DRP>	5,705,929	2.93
6	Peter J Ansley + St Leger M Reeves + Stephen Eichsteadt + Thomas Q St Leger Reeves <Magnolia A/C>	3,710,685	1.91
7	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	3,569,400	1.83
8	BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	2,942,412	1.51
9	Wyndham Salter Pty Ltd <The Howitt No 10 A/C>	2,634,698	1.35
10	Lethean Holdings Pty Ltd <Howitt No 8 A/C>	2,467,230	1.27
11	Firbar Pty Ltd <The Howitt No 4 A/C>	2,357,230	1.21
12	Mittal Holdings Pty Ltd <Howitt No 12 A/C>	2,334,892	1.20
13	New Imaging Pty Ltd <New Imaging A/C>	2,316,385	1.19
14	NW3 Pty Ltd <The Howitt No 7 A/C>	2,164,375	1.11
15	Mr Vincent Michael O'sullivan <O'sullivan A/C>	2,132,000	1.10
16	Lockwood Ridge Pty Ltd <The AJ French Family A/C>	2,034,942	1.05
17	Willowbay Rise Pty Ltd <Howitt No 5 A/C>	1,617,402	0.83
18	JBWere (NZ) Nominees Limited <57259 A/C>	1,590,572	0.82
19	Anacacia Pty Ltd <Wattle Fund A/C>	1,411,948	0.73
20	Danshabren Pty Ltd <GJ & LM Clark Family A/C>	1,194,723	0.61
21	Ellsia Pty Ltd <Es'haghi A/C NO 2>	1,194,723	0.61
22	Har Gao Holding Pty Ltd <AFChan Family A/C>	1,194,723	0.61
23	Larsen Ft Holdings Pty Ltd <RS Larsen Family A/C>	1,194,723	0.61
24	Mcsommertosh Pty Ltd <The Delicia Family A/C>	1,194,723	0.61
25	Nesthaven Pty Ltd <JCNB A/C>	1,194,723	0.61
26	Thomas Radiology Pty Ltd <The Thomas Radiology A/C>	1,194,723	0.61
27	Wakefield Family Holdings Pty Ltd <Wakefield Family A/C>	1,194,723	0.61
Totals: Top 20 holders of ordinary fully paid shares (total)		**144,610,155**	**74.28**
Total remaining holders balance		**50,073,884**	**25.72**

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SHAREHOLDER INFORMATION CONTINUED

b. Register of substantial shareholdings

Shareholder	Number of fully paid ordinary shares	% of issued capital
Integral Diagnostics Limited[1]	26,879,661	13.81
Viburnum Funds Pty Ltd	18,830,946	9.68
Perennial Value Management Limited	12,015,189	6.17

1. Restriction on disposal of shares under voluntary escrow arrangements disclosed in Integral Diagnostics Limited's Prospectus dated 9 October 2015and announcements to ASX on 27 October 2015, 1 July 2016, 16 February 2018, 2 July 2018, 21 December 2018 and 1 March 2019 (and as set out in the IPO Restriction Deed, WDR Restriction Deed, NZ1 Restriction Deed, NZ Boyer Restriction Deed, NZ Gee Restriction Deed, GMI Restriction Deed, Regional Incentive Plan and the Radiologist Loan Share Scheme) gives Integral Diagnostics a relevant interest in its own shares under section 608(1)(c) of the Corporations Act. Integral Diagnostics has no right to acquire these shares or to control the voting rights attached to these shares

c. Distribution of shareholders – ordinary shares

Range	Total holders	Shares	% Issued capital
1 to 1,000	1,007	480,304	0.25
1,001 to 5,000	1,619	4,464,031	2.29
5,001 to 10,000	636	4,630,615	2.38
10,001 to 100,000	525	13,078,729	6.72
100,001 and over	105	172,030,360	88.36
Rounding			
Total	3,892	194,684,039	100.00

d. Less than marketable parcels of ordinary shares

There are 131 shareholders holding less than a marketable parcel of ordinary shares (i.e. less than $500 per parcel of shares) based on the Company's closing share price of $3.68 at the 3 August 2020.

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e. Distribution of unquoted securities – performance rights

Range	Number of performance rights over ordinary shares	%	Number of holders of performance rights	%
1 to 1,000	-	-	-	-
1,001 to 5,000	-	-	-	-
5,001 to 10,000	-	-	-	-
10,001 to 100,000	106,055	6.89	3	37.50
100,001 and over[1]	1,432,818	93.11	5	62.50
Total	1,538,873	100.00	8	100.00

1. All Performance Rights are issued under the Company's Equity Incentive Plan. Dr Ian Kadish holds greater than 20% of the performance rights; 798,157. Mrs Anne Lockwood also owns greater than 20% of the performance rights: 309,173

f. Distribution of unquoted securities – options

Range	Number of options	%	Number of holders of options	%
1 to 1,000	-	-	-	-
1,001 to 5,000	-	-	-	-
5,001 to 10,000	-	-	-	-
10,001 to 100,000	125,466	24.98	3	50.00
100,001 and over[2]	379,736	75.02	3	50.00
Total	505,202	100.00	6	100.00

2. All options have been issued under the Company's Equity Incentive Plan

g. Voting rights

In accordance with the Company's Constitution, each member present at a meeting, whether in person, by proxy, by power of attorney or by a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands and one vote for each fully paid ordinary share on a poll.

Holders of performance rights do not have voting rights.

h. On-market buy-backs

There is no current on market buy back.

SHAREHOLDER INFORMATION CONTINUED

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i. Securities subject to voluntary escrow

	Number of securities					
Date of expected release from escrow[1]	Subject to service conditions being met[2]	Subject to non-compete	Unconditional	Conditional upon continued employment	Conditional upon continued employment and loan repayment	Subject to long term non-compete permanent retirement[3]
26-Aug-20	-	-	3,076,281	-	-	-
31-Aug-20	-	731,030	-	-	-	-
1-Sept-20	-	-	-	136,205	-	-
30-Sept-20	-	50,560	-	-	-	-
31-Dec-20	-	685,340	-	-	-	-
01-Mar-21	-	-	-	138,856	-	-
30-Jun-21	6,758	-	-	-	-	-
02-Jul-21	-	-	207,176	-	-	-
03-Jul-21	-	-	2,659,182	-	-	-
31-Jul-21	-	336,145	-	-	-	-
1-Sep-21	-	-	-	136,203	-	-
30-Sep-21	-	50,560	-	-	-	-
01-Mar-22	-	-	-	138,855	-	-
02-Jul-22	-	-	43,946	-	-	-
03-Jul-22	-	-	2,659,178	-	-	-
31-Jul-22	-	336,144	-	-	-	-
1-Sep-22	-	-	-	136,198	-	-
30-Sep-22	-	50,558	-	-	-	-
8-Nov-22	-	-	3,257,577	-	-	-
28-Feb-23	-	-	-	-	1,110,858	-
01-Mar-23	-	-	-	138,855	-	-
02-Jul-23	-	-	43,946	-	-	-
03-Jul-23	-	-	2,659,183	-	-	-
1-Sep-23	-	-	-	136,194	584,398	-
8-Nov-23	-	-	3,257,574	-	-	-
02-Jul-24	-	-	43,946	-	-	-
7-Nov-24	-	-	3,257,573	-	-	-
Undated	-	-	-	-	-	213,660
	6,758	2,240,337	21,165,562	961,366	1,695,256	213,660

Total shares on issue subject to voluntary escrow	26,282,939

1. Shares are released from escrow on or around this date
2. Conditions include a minimum of years' service
3. Values are calculated in accordance with the relevant Restriction Deed

On 2 May 2019 a Deed Poll was executed undertaking to release all escrow shares by September 2020 for radiologists who are currently employed by the Company and who are party to the October 2015 IPO Restriction Deed. As at 3 August 2020, 3,076,281 escrow shares remain subject to this Deed Poll. On the 22 July 2020 the Board approved the release of all remaining shares under the Deed Poll. These shares are to be released on 26 August 2020 and this is reflected in the above table.

CORPORATE DIRECTORY

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Directors

Helen Kurincic – Independent Non-Executive Chairman
Ian Kadish – Managing Director and Chief Executive Officer
John Atkin – Independent Non-Executive Director
Rupert Harrington – Independent Non-Executive Director
Raelene Murphy – Independent Non-Executive Director
Dr Chien Ping Ho – Executive Director
Dr Sally Sojan – Executive Director
– Ceased 1 November 2019
Dr Jacqueline Milne – Executive Director
– Commenced 1 November 2019

Company Secretary

Mrs Kirsty Lally

Annual General Meeting

Virtual Meeting
Date: 30 October 2020
Time 10:00am

Registered office

Suite 9.02 Level 9, 45 William Street
Melbourne, Victoria 3000
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
Level 19, 2 Riverside Quay
Melbourne, Victoria 3006

Solicitors

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

Bankers

Westpac Banking Group
Commonwealth Bank of Australia

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 25 August 2020 and can be found at:

www.integraldiagnostics.com.au/page/for-investors/corporate-governance

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