# 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 2021 |
| Previous corresponding period: | Year ended 30 June 2020 |

## 2. Results for announcement to the market

| | | | | $'000 |
|---|---|---|---|---|
| Revenues from ordinary activities | up | 27.2% | to | 350,963 |
| Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) | up | 28.5% | to | 88,957 |
| Earnings Before Interest and Tax (EBIT) | up | 24.1% | to | 54,043 |
| Profit from ordinary activities after tax attributable to the owners of Integral Diagnostics Limited | up | 35.8% | to | 31,268 |
| Profit for the year attributable to the owners of Integral Diagnostics Limited | up | 35.8% | to | 31,268 |

*Comments*

The profit for the Company after providing for income tax amounted to $31.27 million (2020: $23.03 million)

Refer to the 'operating and financial review' on pages 39 to 53 of the Annual Report 2021 for further information and explanation of the Appendix 4E.

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

| | Consolidated | |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| Profit after income tax expense | 31,268 | 23,033 |
| Interest received | (88) | (267) |
| Finance costs | 8,909 | 8,559 |
| Income tax expense | 13,954 | 12,227 |
| Earnings Before Interest and Tax (EBIT) | 54,043 | 43,552 |
| Depreciation and amortisation expense | 34,914 | 25,680 |
| Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) | 88,957 | 69,232 |

## 3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|---|---|
| Net tangible asset per ordinary security | (45.31) | (37.25) |

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## 4. Dividends

*Current period*

| | Amount per security<br><br>Cents | Franked amount per security<br>Cents |
|---|---|---|
| Interim dividend for the half year ended 31 December 2020 paid on the 6 April 2021 | 5.5 | 5.5 |
| Final dividend for the year ended 30 June 2021 payable on 6 October 2021 | 7.0 | 7.0 |

On 27 August 2021 the directors declared a fully franked final dividend of 7.0 cents per ordinary share with a record date of 3 September 2021 to be paid on 6 October 2021.

*Previous period*

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

## 5. Dividend reinvestment plans

The Company offers a dividend reinvestment plan (DRP) which will again operate for the FY21 final dividend.

The last date for receipt of election notices for the DRP is 6 September 2021.

## 6. Control gained over entities

Effective 1 September 2020, the group acquired the Ascot Radiology business, comprising the following New Zealand registered entities:

- Ascot Radiology Ltd
- Insight Radiology Ltd

## 7. Loss of control over entities

Not applicable

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## 8. Details of associates and joint venture entities

*Joint ventures*

| Name of entity | Place of incorporation | Ownership interest 2021 % | Ownership interest 2020 % |
|---|---|---|---|
| Ascot at Maranui Ltd | New Zealand | 50% | - |
| Med-IDX Pty Ltd | Australia | 50% | - |

## 9. Audit qualification or review

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

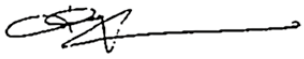
The accounts have been audited and an unqualified opinion has been issued.

## 10. Attachments

*Details of attachments (if any):*

The Annual Report of Integral Diagnostics Limited for the year ended 30 June 2021 is attached.

## 11. Signed





Helen Kurincic

Chair

Dr Ian Kadish

Managing Director and Chief Executive Officer

27 August 2021
Melbourne

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# EMPOWERING PEOPLE WITH TECHNOLOGY



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**Annual Report**
2021

integral
DIAGNOSTICS

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ABN 55 130 832 816

# COMPANY HIGHLIGHTS



## PATIENTS FIRST

**2 million**

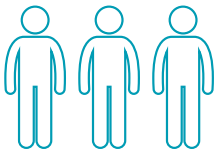
examinations for over 797,000 patients and 35,264 referrers



## MEDICAL LEADERSHIP

**206**

reporting radiologists



## EVERYONE COUNTS

**554**

stakeholders consulted in our materiality assessment

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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# GROUP STRUCTURE

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integral DIAGNOSTICS

Lake imaging – insight into your health

gmi geelong medical imaging

Geelong Breast Clinic

South Coast Radiology

Darling Downs Radiology

Mackay Radiology

The Women's Imaging Centre

SRG

TrinityMRI

Ascot Radiology

apex Radiology

IQ Radiology

Imaging Queensland

Sunshine Coast Radiology

Breast Diagnostic Specialists

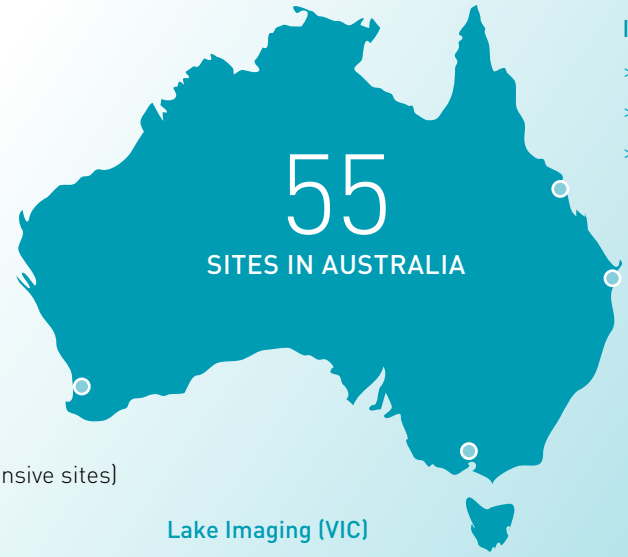
Integrated Pain Management

Advanced Women's Imaging

Central Queensland Radiology

IDXt teleradiology

# OUR LOCATIONS




**Imaging Queensland (QLD)**
- Established 2007
- 17 locations (7 comprehensive sites)
- 310 employees

**South Coast Radiology (QLD)**
- Established 1967
- 14 locations (7 comprehensive sites)
- 403 employees

**Apex Radiology (WA)**
- Established 1997
- 5 locations (2 comprehensive sites)
- 164 employees

**Lake Imaging (VIC)**
- Established 2002
- 19 locations (6 comprehensive sites)
- 389 employees



12
SITES IN NEW ZEALAND

**SRG / Trinity MRI / Ascot Radiology**
- Established 1999 (Ascot Radiology), 2007 (SRG/Trinity MRI)
- 12 locations (5 comprehensive sites)
- 172 employees



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# CHAIR'S REPORT



Dear fellow shareholders,

On behalf of the Board, I present to you the 2021 Annual Report for Integral Diagnostics (IDX) Limited and I would like to welcome the 1,539 new shareholders as at the end of this financial year. You are part of a company with a noble purpose providing over two million diagnostic imaging services to patients and referrers, in order to diagnose and treat illness and injury.

Again COVID-19 has impacted our world, having a significant impact on our lives and the way we do things which has produced challenges for everyone, including your specialist healthcare company. I am proud of the resilience of our people who have continued to focus on our values and strategic priorities for the benefit of stakeholders to provide another set of solid results.

## Financial Results

In the 12 months ended 30 June 2021 (FY21), your Company achieved a 25.3% increase in operating NPAT of $38.1m. Statutory NPAT of $31.3m was 36.1% higher than prior year. Diluted operating earnings per share grew 14.5% to 19.0cps.

Operating revenue grew 27.3% to $348.8m, driven by organic growth, investments in high end modalities, an additional four months of Imaging Queensland revenue when compared to the prior year and a ten-month contribution from Ascot Radiology who became part of IDX this financial year.

Management of the impact of government-imposed restrictions due to COVID-19 continued to be a feature of the year. The Australian Government provided JobKeeper assistance ($4.7m after tax) which was partially utilised to offset the impacts of COVID-19 in FY21 and retain and support our highly skilled workforce, and that portion that was not used was voluntarily returned to the Government ($2.0m after tax). We did not profit from JobKeeper.

In December 2020, we negotiated an extension of our finance facilities with $407.0m committed and a further $105m in an accordion with a 5-year term to February 2026. As at 30 June 2021, our debt to equity ratio was 0.54:1 and the Net Debt/ LTM EBITDA ratio of 1.4x reflects our strong balance sheet with reduced leverage to support our clear and on-going growth strategy.

We declared a fully franked final dividend of 7.0cps, a total of 12.5cps for FY21, an increase of 31.6% on the prior year reflecting the performance and cashflow position of your Company.

## Quality Growth

IDX continues to deliver organic and inorganic growth in line with our clear strategy.

In September 2020, we completed the acquisition of the highly regarded Ascot Radiology Group in Auckland, New Zealand. Ascot Radiology comprises nine diagnostic imaging clinics, including key sites at Ascot Private Hospital and 22 doctors and staff. Despite the high challenge of travel restrictions, we have made progress with the integration of Ascot into our group.

In February 2021, we announced our joint venture with UK based Medica Group Plc to provide teleradiology reporting services and additional reporting capacity in Australia, New Zealand, the United Kingdom and Ireland. While this venture is not expected to impact earnings in the near term, it is a step forward in expanding our reach and technology driven services.

Total capital expenditure was $23.1m, including conservative growth capex of $6.3m in FY21 reflecting the COVID-19 environment. $16.8m was spent on equipment replacements and upgrades to continue to deliver highest quality to patients and referrers.

## Governance

Our governance model is proud to specifically include two medical radiologist specialists who are on the frontline servicing patients and referrers using technology and equipment, and as such are valuable inclusions on our Board as we set and execute on strategy. As part of its succession planning, Dr Nazar Bokani was appointed as an Executive Director, effective 26 April 2021 taking over from Dr Chien Ho who retired from the Board on 1 March 2021. I would like to warmly thank Dr Ho for his contributions over nearly 13 years as not only a Board member but as a clinical leader of the Company and the inaugural Chair of the Integral Clinical Leadership Committee (ICLC). Dr Bokani brings radiologist experience in the Netherlands, UK and Australia, has led our introduction of artificial intelligence (AI) into IDX workflows since 2019, now Chairs our AI Steering Committee and is a member of the ICLC.

We also appointed New Zealand (NZ) Board Advisory Members to provide input to the IDX Board on NZ matters at its meetings on a regular basis. The inaugural members are Dr David Rogers, the founding managing partner of Ascot

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## YOU ARE PART OF A COMPANY WITH A NOBLE PURPOSE PROVIDING OVER TWO MILLION DIAGNOSTIC IMAGING SERVICES TO PATIENTS AND REFERRERS, IN ORDER TO DIAGNOSE AND TREAT ILLNESS AND INJURY.

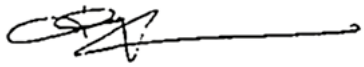
# 25%

In the 12 months ended 30 June 2021 (FY21), your Company achieved a 25.3% increase in operating NPAT of $38.1m.

Radiology and Dr James Caldwell from Trinity MRI.
Your Board is continuing its commitment to its environmental, social and governance (ESG) responsibilities and commend to you our second stand-alone ESG Report and first report prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option. We undertook a materiality assessment to determine what is important to 554 stakeholders, measured our carbon footprint for both the FY20 and FY21 years and have developed an explicit ESG Strategy.

I would like to thank my colleagues on the Board for their formidable commitment during the year as I do to the whole team led by our Managing Director & CEO Dr Ian Kadish. Integral Diagnostics will continue on its path to advance our strategy, culture and ambitions as significant technological advancements in medicine evolve, enabling diagnostic imaging services to further assist in saving lives and contribute to a healthier world.

To our shareholders, thank you for your continuing support of the Company. Take care and stay safe.



**Helen Kurincic**
Chair

27 August 2021



# MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S REPORT



Dear fellow shareholders,

The past year has been a challenging period for the world. Your company, too, has had a challenging year but our doctors, staff and management team stepped up to the challenge and delivered a strong set of results.

Our financial performance in FY21 was strong. Our patients and referrers were well taken care of, and our teams across the business delivered all that was asked, and more. COVID-19 outbreaks and associated government lockdowns and border closures all took a toll, team morale was impacted, but the professionalism, dedication and commitment of our doctors and staff has been inspiring.

Our doctors and staff and all healthcare providers who are on the frontlines fighting this unrelenting pandemic, at IDX and elsewhere, are true heroes.

## Living our Values

IDX's vision is to build a healthier world, and we do this by delivering the best health outcome for every patient we serve. Our frontline staff across the business provide our patients and referrers with a level of diagnostic excellence, specialist care and service, that is unsurpassed.

IDX is and will always be, a healthcare company dedicated to putting patients first, to demonstrating medical leadership, ensuring that everyone counts, creating value for all stakeholders, and embracing change. These are our company's enduring values and they guide the way we live and work at IDX.

Over the past year, we have been called on to demonstrate these values on a regular basis. We have seen colleagues, friends and patients afflicted by COVID-19, we have endured government-imposed lockdowns, and have had to ask doctors and staff to stand down and take up annual leave entitlements or leave without pay, to work and report remotely when possible, and to take full PPE precautions on a regular basis.

Our IDX teams, doctors and staff across all 7 IDX businesses in Australia and New Zealand, responded magnificently and continue to do so, demonstrating their commitment to our calling as healthcare professionals, and personifying our IDX purpose and values.

## Creating value, delivering results

IDX performed strongly in FY21. Your company served 797,118 patients last year, performing more than 2 million exams for 35,264 referrers. We invested $23 million dollars in capital expenditure to ensure that we continued to provide our patients and referrers with access to world class technology and equipment solutions. We increased company revenue by 27.3% to $348.8m, and increased our operating Net Profit After Tax by 25.3% to $38.1m. We also returned $2.9m ($2.0m after tax) of the Jobkeeper we received, but did not use, to Government.

We acknowledged a major milestone in FY21, IDX's 5th anniversary since our IPO on the Australian Securities Exchange (ASX) on 21 October 2015. Our 5th anniversary coincided with the year that we were included in the ASX Top 300, demonstrating 5 years of growth and achievement as a listed healthcare company. Your company's value has increased more than fourfold over the past 4 years, and the number of IDX shareholders has increased more than fourfold over the past 2 years, increasing from 1,123 shareholders in FY19 to 5,355 shareholders in FY21. Eighty-five of our doctors are now shareholders in IDX.

During our short history, we have continued to build on the strong medical imaging brands that we have developed or acquired, growing organically and through acquisitions in Australia and New Zealand.

We have also consistently promoted the increased use of diagnostic imaging in the early detection of disease in order to facilitate faster and less invasive treatment options which lower overall healthcare costs, improves quality of life, and saves lives.

## Growth and acquisitions

In September last year, we completed the acquisition of Ascot Radiology in Auckland, New Zealand and welcomed the Ascot radiologists and staff into the IDX family. The acquisition of Ascot Radiology consolidated our Auckland presence by providing the IDX NZ practices with leading specialists and modalities in complementary areas, including our first PET-CT in New Zealand, and three more MRIs in Auckland.

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## OUR PEOPLE, THE 1,524 INDIVIDUALS EMPLOYED BY IDX, WILL ALWAYS BE THE HEART OF OUR BUSINESS. THESE ARE THE DOCTORS AND STAFF WHO WORK EVERY DAY TO PROVIDE THE BEST POSSIBLE HEALTH OUTCOME TO EVERY PATIENT, IN ORDER TO REALISE OUR VISION OF BUILDING A HEALTHIER WORLD.

**4x**

Your company's value has increased more than fourfold over the past 4 years, and the number of IDX shareholders has increased more than fourfold over the past 2 years, increasing from 1,123 shareholders in FY19 to 5,355 shareholders in FY21. Eighty-five of our doctors are now shareholders in IDX.

Early last year, IDX founded a new teleradiology division, called IDXt. This division provides teleradiology support to IDX practices across the group. The development of IDXt was accelerated by market developments in Victoria during the state's second wave of COVID-19 in early FY21. We experienced significant reductions in patient volumes in Victoria during the second wave. Several of IDX's Victorian radiologists were then set up to report for Western Australia and Queensland where the company required additional radiologist capacity to service growing patient volumes. The teleradiology system worked well and we were able to utilise spare radiologist resources to good effect. Currently IDXt provides after hours teleradiology support to several IDX businesses, replacing the use of external teleradiology contractors. Going forward, we believe that growth prospects for teleradiology are solid and expect that IDXt will play a greater role in the growth of our business.

In February, we announced an innovative joint venture with the Medica Group PLC. The Medica Group is the UK's market leader in the provision of teleradiology services. The company is listed on the London Stock Exchange (LSE:MGP), and it provides teleradiology support to more than 50% of National Health Service (NHS) organisations. The Medica-IDX Joint Venture, known as MedX, will provide teleradiology services and increased reporting capacity in Australia, New Zealand, the UK and Ireland, and in time will also pursue international teleradiology opportunities further afield. IDX and Medica will also collaborate in other areas of mutual interest, including the deployment of Artificial Intelligence (AI) solutions. MedX is not expected to impact earnings in the short term.



# MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

IDX participated in several acquisition processes in the second half of the financial year that we did not execute on, given the high acquisition multiples being offered in the market. Consequently we focussed even more attention on organic growth through greenfield and brownfield expansions.

**Brownfield expansions (addition of technology to existing sites):**

- Installed a 3T non-rebateable MRI at the Spine Centre on the Gold Coast
- Installed a 2nd CT in Toowoomba
- Installed a Cardiac CT in Busselton
- Initiated an MRI service for the Western Australia Health Service (WACHS) on the Kalgoorlie Health Campus
- Replaced an older MRI with a new 3T MRI at Ascot Radiology in Auckland

**Greenfield expansions (opening of new clinic locations):**

- Completed development of the Hope Island site on the Gold Coast
- Commenced construction on an $8m comprehensive site at Benowa on the Gold Coast, near Pindara Private Hospital
- Approved plans for the development of 4 new greenfield sites in FY22 in Victoria, Queensland, Western Australia and New Zealand

Greenfield and brownfield developments take a lot more time than the potential immediate returns derived through acquisition. A new greenfield will typically take 2 or 3 years to ramp up, but the projected returns are far higher than the returns offered at acquisition multiples than other acquirers have recently paid for large radiology assets.

## People and technology

Our people, the 1,524 individuals employed by IDX, will always be the heart of our business. These are the doctors and staff who work every day to provide the best possible health outcome to every patient, in order to realise our vision of building a healthier world.

It has been challenging for our teams, working in 67 regional clinics across 2 countries and 4 states, to stay connected across IDX in a world where state and country borders have often been closed for longer periods than they have been open. Our teams have introduced virtual clinical and management team meetings, virtual multi-disciplinary meetings and training sessions, and virtual townhalls and tea-room sessions, in an effort to stay connected across the group.

We initiated several important people and culture initiatives this year, including leadership development programs for middle and senior management, diversity and inclusion initiatives, and several online training programs for important clinical, technical and leadership roles.

We also made two key appointments to the IDX Senior Leadership Team this year to support the company's ongoing growth and development:

- Paul McCrow was appointed as Chief Operating Officer (COO) in November 2020. Paul was previously the General Manager of the IDX business in Western Australia, Apex Radiology. Under Paul's leadership Apex consistently produced the highest operational engagement scores in the business, coupled with the highest earnings growth for 3 consecutive years.
- Dr Lisa Sorger was appointed as Chief Medical Officer (CMO) in June 2021. Dr Sorger graduated from the University of Western Australia and trained as a radiologist with special interests in women's and body imaging. Lisa has extensive experience as a radiologist, a director of medical services and a clinical leader for over 15 years in Australia and the United Kingdom; most recently in lead clinical roles in Western Australia and the Northern Territory. Dr Sorger also holds numerous leadership roles within the Royal Australian New Zealand College of Radiologists (RANZCR) and was elected to the Faculty of Clinical Radiology Council of RANZCR in 2019. Lisa is also a member of the Diagnostic Economics Committee advocating and finalising MSAC applications for new diagnostic imaging items.

Lisa and Paul bring a wealth of knowledge, insight, experience, and clinical leadership skills to the Integral Senior Leadership Team.

As advised to the ASX on 4 August 2021, our Chief Financial and Commercial Officer (CFCO), Anne Lockwood, will be leaving us early next year. Anne has been an invaluable contributor to the growth and development of IDX over the last 5 years, a respected and admired leader within the business, and an outstanding partner to work with. Anne and I have worked together closely, shoulder to shoulder, through good times and tough times. I wish her all the very best in her future endeavours, hopefully after some well-deserved time off.

Artificial Intelligence (AI): Three years ago, IDX implemented the first radiology AI solutions in Australia, solutions that improved quality and workflow and saved lives. IDX has continued to roll out these solutions across our group, and to evaluate new AI products. We select the best of the best AI products offered in the international radiology market, based on their ability to improve patient care, quality, service and efficiency.

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Digitisation: The radiology industry is being digitised faster than most areas of healthcare. Our patient information, scans and images are already in digital form. Over the past few years we have introduced patient apps, e-referral pathways, unified call centres and digital marketing applications in selected practices. We are currently incorporating subspecialty reporting into more IDX practices. Subspecialty reporting provides patients and referrers with reports that incorporate additional expertise in specialist areas, eg neurology, cardiology, oncology or orthopaedic expertise. Going forward, we see our digital strategy and increased digital investment becoming more important and assuming a central role in the patient care pathway.

Cyber-security and privacy of patient data: The last year has shown that healthcare data around the world is vulnerable to cyber-attacks. Public and private health systems have been infiltrated in several countries including Australia, New Zealand, the UK and Ireland. In several instances, service delivery was significantly impacted. IDX will continue to focus on and invest in ensuring that we provide strong cyber security protections to safeguard the privacy and integrity of our data.

## Medical Leadership

IDX differentiates itself as a diagnostic imaging provider that retains key attributes of a traditional radiology partnership, but also provides efficient access to capital markets for growth. Our business model includes 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 plan (for Australia) and option plan (for New Zealand) that matches the radiologist's investment 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 oversubscribed in each of the 4 years that it has been offered.

Radiology saves lives and there can be no greater testament to the value of any endeavour than the ability it has to extend quality human life. Earlier this year, the Australian Diagnostic Imaging Association (ADIA) commissioned a study to analyse and quantify the value of radiology. ADIA commissioned Deloitte Access Economics to perform the study with several leading radiologists across the country, including two senior radiologists at IDX, Dr Ross Breadmore and Dr Manish Mittal. The study compellingly demonstrates that radiology is cost effective in increasing Quality Adjusted Life Years for 6 common and important diagnoses (breast cancer, thyroid cancer, stable angina, lymphoma, prostate cancer and fatty liver disease).

## Diagnostic Imaging Industry Developments

Diagnostic Imaging is an integral and essential component of quality medical care. All medical practitioners, GP's and Specialists, will continue to rely on quality imaging to make every important diagnosis. We believe IDX and our component businesses are the quality leader in every market we serve.

The growing elderly population, the increased prevalence of chronic disease, particularly cardiovascular disease and oncology, and the introduction of promising new digital, imaging and AI technologies, position specialist healthcare providers like IDX very well.

MRI, CT and PET scans are particularly well positioned to grow from new diagnostic applications in the fields of oncology, cardiology and neurology. For example, PET scans are now a non-invasive early method of diagnosing neurogenerative disease causing dementia. Earlier diagnosis allows earlier intervention, and earlier intervention improves outcomes for patients and their families, and decreases costs for society. The use of PET scans in the diagnosis of dementia is scheduled to be recognised on the Medicare Benefit Schedule within the next year.

Healthcare payors around the world are increasingly recognising the central role that diagnostic imaging plays in improving quality of life, reducing overall healthcare costs through early diagnosis, and saving lives. We currently receive annual price indexation increases from our major funders in Australia and New Zealand. However, the 0.9% indexation provided by Medicare Australia this year was disappointing when compared to an increase in the CPI that was several times larger at 3.8%, with Health CPI increasing 4.8%.

Our industry also faces important workforce challenges. First and foremost, we will continue to face the challenges of skill shortages, for specialist radiologists and for key clinical staff. These shortages have been exacerbated by our closed borders. The shortages may abate over time as borders open and technology improves efficiencies.

# MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

We face potential challenges also from a changing legislative and competitive landscape. These changes may lead to a proliferation in medical imaging technologies provided by new imaging competitors including hospitals and referrers:

- New referral practices have emerged in New Zealand where hospitals and referrers own equity interests in radiology equipment. We expect that payors and regulators will review these practices and will undertake the necessary actions to manage conflicts of interest, ensure quality is maintained and patient choice is retained, and that patients and payors are not subject to over-servicing and unnecessary imaging
- Similar developments may emerge in Australia where hospitals or referrers acquire diagnostic imaging assets. The current legislative environment in Australia, the Medicare legislation and MRI license regimen offer some protections for patients and payors.

IDX's quality orientation, our highly trained staff, subspeciality skillset, focus on high value-add modalities backed up by a comprehensive practice network, position us well to compete although we will face short-term challenges as the markets evolve.

## FY22 Priorities

Over the next financial year, our major priorities are to:

- Manage the ongoing impact of COVID-19
- Manage the changing competitive landscape with regard to hospitals and referrers
- Drive further organic growth and efficiency gains
- Educate patients, payors and referrers on MRI and PET technologies
- Accelerate digital technology and Artificial Intelligence that enhance our service offering
- Drive our ESG agenda
- Develop leadership capabilities across the Group
- Build a strong, supportive, collegiate culture, the IDX way
- Commence new greenfield opportunities in QLD, WA, Victoria and NZ. Greenfield developments take time to generate earnings
- Execute on greenfield and brownfield development opportunities while we continue to pursue acquisitions that are a clinical and cultural fit, strategically aligned and earnings accretive

My heartfelt gratitude, once again, to those heroes on the healthcare frontline of all IDX businesses, who work every day to deliver the best health outcomes for our patients, our doctors and staff who put our patients first. I could not be prouder of the people I am honoured to work with.

My sincere thanks also, to our Chair, Board and management team, for their wise counsel, insight, commitment and support.

My thanks also to our patients who put their trust in us, to our loyal referrers who trust their patients to us, and to you, our shareholders, who put your faith in us.

Good medicine is good business.

Sincerely,



**Dr Ian Kadish**
Managing Director and
Chief Executive Officer

27 August 2021

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# DIRECTORS' REPORT

For the year ended 30 June 2021

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The Directors present their Report, together with the financial statements, on the consolidated entity the ('Group') consisting of Integral Diagnostics Limited (IDX or the 'Company') and the entities it controlled for the year ended 30 June 2021.

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 39 to 53; and
- the Remuneration Report on pages 22 to 37.

## 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 Chair)
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 Jacqueline Milne (Executive Director)
Dr Chien Ping Ho (Executive Director) ceased 1 March 2021
Dr Nazar Bokani (Executive Director) commenced 26 April 2021

## 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 39 to 53 of the Annual Report sets out information on the business strategies, prospects and likely developments for 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 39 to 53.

## Dividends paid in the year ended 30 June 2021

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

| | 30 June 2021 $'000 | 30 June 2020 $'000 |
|---|---|---|
| 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 |
| Dividend paid 4 cents per share on 1 October 2020 | **7,734** | - |
| Dividend paid 5.5 cents per share on 6 April 2021 | **10,824** | - |
| | **18,558** | 18,648 |

# DIRECTORS' REPORT CONTINUED

For the year ended 30 June 2021

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## Significant changes in the state of affairs

The Group continued to navigate 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 Directors' Report it is not expected that COVID-19 will significantly impact the long-term underlying fundamentals of the diagnostic imaging industry.

Effective from 1 September 2020 the Group completed the acquisition of Ascot Radiology. 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.

## Matters subsequent to the end of the financial year

Subsequent to year end a dividend of 7.0 cents per share was declared and will be paid on 6 October 2021.

On 30 July 2021 Anne Lockwood gave the Company notice of her resignation. Under the terms of her contract of employment that notice will take effect on 30 January 2022. Ms Lockwood's entitlements on termination of her employment will be lawfully determined in accordance with her contract of employment, the LTI Plan and related correspondence. The financial effect of Ms Lockwood's notice of resignation cannot be estimated at this time.

Following approval of their participation, on the 5 August 2021, $1.5 million of Radiologist contributions were received in connection with the Radiologist Loan Funded Share Plan and the New Zealand Matching Options plan. These contributions are to be matched by an IDX contribution of $3.0 million, resulting in $4.5 million of share capital/options to be issued on 6 September 2021. The number of shares/options to be issued will be determined by the 30-day VWAP up to the 1 September 2021.

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. To date 1H22 has been affected as a result of the impacts of COVID-19 and government-lockdowns and border closures across all geographic areas in which we operate. Up until the 25th August, year to date trading is down approximately 5% from expectations, this includes the impacts of the Level 4 lockdowns in New Zealand from the 18th August. The New Zealand guidelines from the Ministry of Health included that scanning is only to be undertaken "to preserve life or limb only". This has resulted in reductions in trading in New Zealand of up to 75% from expectations, which is consistent with past experience during New Zealand Level 4 lockdowns.

Other than those detailed above, no other matter or circumstances have arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs 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.

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## Information on Directors



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

Ms Helen Kurincic was appointed as an independent Non-Executive Director and Chair of the Company in December 2014, preceding listing on the ASX on 21 October 2015.

Helen has deep Executive and Board-level experience across the healthcare industry. 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 Director of 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. She is currently the Independent Non-Executive Chair of McMillian Shakespeare Limited (ASX:MMS), a Non-Executive Director of Estia Health Limited (ASX:EHE), HBF Health Limited, and the Victorian Clinical Genetics Service. She is also a senior advisor in the healthcare sector.

| | |
|---|---|
| Former directorships (in the last three years) | Sirtex Medical Limited (ASX:SRX) – Non Executive Director 2017 to 2018 |
| Special responsibilities | Member of the Audit Risk and Compliance Committee<br>Member of the People and Remuneration Committee<br>Chair of the Nomination Committee |
| Interests in shares | 492,084 ordinary shares (indirectly) |



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

Dr Ian Kadish was appointed Managing Director and Chief Executive Officer of IDX on 22 May 2017.

Ian began his career as a medical doctor in Johannesburg, South Africa. He subsequently completed an MBA at the Wharton Business School at the University of Pennsylvania (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 and 982,773 rights (directly) |

# DIRECTORS' REPORT CONTINUED

For the year ended 30 June 2021

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

John Atkin was appointed as an independent Non-Executive Director of IDX on 1 October 2015.

John is an experienced company director and in 2018, John was appointed Chair of the Australian Institute of Company Directors. 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).

He is currently a Non-Executive Director of IPH Limited (ASX:IPH). John is also a director of a number of unlisted entities including Qantas Superannuation Limited, trustee of the Qantas Superannuation Fund and Outward Bound International Inc.

| | |
|---|---|
| Former directorships (in the last three years) | None |
| Special responsibilities | Chair of the People and Remuneration Committee<br>Member of the Audit, Risk and Compliance Committee<br>Member of Nomination Committee |
| Interests in shares | 158,891 ordinary shares (indirectly) |



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

Rupert Harrington was appointed as an independent Non-Executive Director of IDX on 1 October 2015.

Mr Harrington has a wealth of experience in business strategy and mergers and acquisitions. His 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 Chair of the Company's Mergers & Acquisitions Working Group which is convened to review and assess merger and acquisition opportunities.

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) | None |
| Special responsibilities | Member of the Audit, Risk and Compliance Committee<br>Member of the People and Remuneration Committee<br>Member of the Nomination Committee<br>Chair of Merger and Acquisitions Working Group |
| Interests in shares | 146,150 ordinary shares (directly) and 211,498 ordinary shares (indirectly) |

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

Ms Raelene Murphy was appointed as an independent Non-Executive Director of IDX on 1 October 2017.

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 Elders Limited (ASX:ELD).

| | |
|---|---|
| Former directorships (in the last three years) | Service Stream Limited (ASX:SSM) – Non Executive Director 2016 to 2019<br>Clean Seas Seafood Limited (ASX:CSS) – Non-Executive Director 2018 to 2020 |
| Special responsibilities | Chair of the Audit, Risk and Compliance Committee<br>Member of the People and Remuneration Committee. |
| Interests in shares | 30,945 ordinary shares (indirectly) |



**Dr Nazar Bokani**
Executive Director
MBChB, FRANZCR, MD

Dr Nazar Bokani was appointed as a Director of IDX on 26 April 2021. Dr Bokani is a full time employed radiologist of the Company based in Western Australia and is therefore considered by the Board to be a Non-Independent Executive Director. While Dr Bokani is not an independent director by virtue of his employment, he is independent of senior management and his responsibilities do not extend to the day-to-day management of the Company.

Dr Bokani graduated in Medicine (MBChB) in 1991 at Baghdad University and obtained his MD degree from the University of Leiden in The Netherlands. He completed his radiology training at Maastricht University Hospital in The Netherlands and consulted as a radiologist in the UK before coming to Australia. Dr Bokani is qualified as a radiologist in Australia, the UK and the Netherlands, where he has practiced.

Besides general radiological and interventional work Dr Bokani covers cross-sectional CT & MRI work, Cardiac CT, Ultrasound and symptomatic breast sessions both diagnostic and interventional. Dr Bokani is also an active member of the IDX Western Australian radiologist group being a member of the Western Australian Clinical Leadership Committee.

Dr Bokani is the Chair of the Company's Artificial Intelligence (AI) Steering Committee and has been instrumental in the implementation of AI across the Company. He has also played a key role in the in the establishment of the Company's teleradiology offering.

| | |
|---|---|
| Former directorships (in the last three years) | None |
| Special responsibilities | Member of the Integral Clinical Leadership Committee |
| Interests in shares | 277,716 ordinary shares |

# DIRECTORS' REPORT CONTINUED

For the year ended 30 June 2021



**Dr Jacqueline Milne**
Executive Director
BASc., MBBS, FRANZCR

Dr Jacqueline Milne was appointed as a Director of IDX on 1 November 2019. Dr Milne is a full-time permanently employed radiologist of the Company based in Queensland and is therefore considered by the Board to be a Non-Independent Executive Director. While Dr Milne is not an independent director by virtue of her employment, she is independent of senior management and her responsibilities do not extend to the day-to-day management of the Company.

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. The multidisciplinary experience Dr Milne brings as both a radiographer and radiologist to the Board is invaluable.

Dr Milne's specialty interests include women's imaging, medical training and general procedural work. Dr Milne is also an active member of the IDX Queensland radiologist group being a member of the Queensland Clinical Leadership Committee.

| | |
|---|---|
| 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 exclude directorship of all other types of entities, unless otherwise stated.

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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 | 16 | 16 | 8 | 8 | 6 | 6 | 3 | 3 |
| Dr Ian Kadish | 16 | 16 | - | - | - | - | - | - |
| John Atkin | 16 | 15 | 8 | 8 | 6 | 6 | 3 | 3 |
| Rupert Harrington | 16 | 16 | 8 | 8 | 6 | 6 | 3 | 3 |
| Raelene Murphy | 16 | 16 | 8 | 8 | 6 | 6 | - | - |
| Dr Chien Ping Ho[1] | 10 | 10 | - | - | - | - | - | - |
| Dr Jacqueline Milne | 16 | 16 | - | - | - | - | - | - |
| Dr Nazar Bokani[2] | 5 | 4 | - | - | - | - | - | - |

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

1. Dr Chien Ping Ho ceased his position as a Director of the Company on 1 March 2021.
2. Dr Nazar Bokani was appointed as a Director of the Company on 26 April 2021.

The Board has also established a group wide Clinical Leadership Committee which is made up of Executive Directors Dr Ian Kadish, Dr Nazar Bokani, 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 ICLC met 5 times during the year and Executive Directors' attendance is noted below:

| | ICLC | |
|---|---|---|
| Director | Held | Attended |
| Dr Ian Kadish | 5 | 5 |
| Dr Chien Ping Ho[1] | 3 | 3 |
| Dr Jacqueline Milne | 5 | 4 |
| Dr Nazar Bokani[2] | 1 | 1 |

1. Dr Chien Ping Ho ceased his position as a Director of the Company on 1 March 2021.
2. Dr Nazar Bokani was appointed as a Director of the Company on 26 April 2021.

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 Mergers and Acquisitions Working Group met 9 times during the year.

# DIRECTORS' REPORT CONTINUED

For the year ended 30 June 2021

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

## Indemnity and insurance of the auditor

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

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

## Proceedings on behalf of the Company

No person has applied to the court under section 237 of the *Corporations Act 2001 (Cth)* (Corporations Act) 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.

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## Non-audit services

Details of the amounts paid or payable to the auditor of the Company 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 and due diligence on transactions.

The Board, in accordance with advice provided by the Audit Risk and Compliance Committee (ARCC), is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. 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 for the following reasons:

- all non-audit services have been reviewed by the ARCC 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 is set out on page 38.

## Auditor

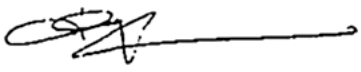
PricewaterhouseCoopers continues in office as the auditor of the Company in accordance with section 327 of the Corporations Act.

## Rounding of amounts

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

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

On behalf of the Directors



**Helen Kurincic**
Chair



**Dr Ian Kadish**
Managing Director and Chief Executive Officer

27 August 2021
Melbourne

# REMUNERATION REPORT

For year ended 30 June 2021

## 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 2021 financial year. We will seek your approval of the report at our Annual General Meeting to be held on 5 November 2021.

As explained in prior years, our remuneration framework has a deliberate bias to the achievement of growth in earnings over the longer term. FY21 marks the completion of four years of strong performance for the Group. Over that period Diluted Operating Earnings per Share have increased from 10.41 to 19.00 cents per share representing a compound annual growth rate of 16.3%. This exceeds the stretch target of 15% set for the FY18 LTI Performance Rights resulting in the full vesting of those performance rights. This outcome aligns well with the enhancement in the underlying value of the Company over that period. Given its timing, the financial reporting of this vesting will be reflected in our FY22 Remuneration Report and the accumulating interest of our Executives under our LTI program is set out in this year's report.

This year was, in itself, another year of strong performance by the Group, notwithstanding the impacts of COVID-19. Operating NPAT exceeded the threshold target set by the Board at the commencement of the period. This resulted in partial vesting of the financial component of the STI program for our Executives. The receipt of JobKeeper had no impact on our assessment of this achievement. In other words, in assessing achievement of this goal our Executives were not advantaged in any way by the JobKeeper receipts. The Company also voluntarily repaid to the Federal Government surplus JobKeeper receipts of $2.9m. No discretion was applied to the outcome of the financial component of the STI awards which were paid. The reasons for the Board's decisions, including disclosure of the FY21 financial targets, are more fully set out in the report.

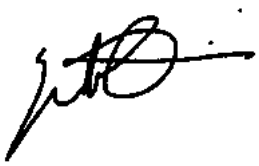
The fixed remuneration of the CEO, CFCO and COO has been increased for FY22. The reasons for those increases are set out in the report. In summary, they reflect the increased size and value of the roles they discharge and the need to align remuneration appropriately with comparable benchmarks. The Board has also determined to increase the fees paid to the Chair, Non-Executive and Executive Directors, noting the deferral of any increase last year and the significant increase in the size, value and complexity of the Group since they were last reviewed in FY19. Details of those changes are set out in this report.

Over the years we have had the opportunity to meet with shareholders and proxy advisors to receive their feedback on remuneration matters and address any comments arising from earlier reports. We have also included disclosure of the financial targets underpinning the STI awards for FY21.

The People and Remuneration Committee (PRC) provides oversight of the relevant sustainability initiatives that form part of our Environmental, Social and Governance (ESG) Strategy and considers how we integrate ESG outcomes in our remuneration framework. Whilst noting the relatively small quantum of our STI program for Executives, in FY21 people related targets were incorporated in strategic goals. In addition, for FY22 behavioural adherence to our values has been made an explicit modifier for determining awards under our STI program and improvement in the Group engagement score has been made an overall modifier for the financial component of STI awards.

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, and that 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.



**John Atkin**
People and Remuneration Committee Chair

27 August 2021

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The Remuneration Report, which has been audited, outlines the Director and Executive KMP 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 2021 (FY21). All KMP held their position for the duration of FY21, unless otherwise noted.

| Name | Position |
|---|---|
| **Non-Executive Directors** | |
| Helen Kurincic | Independent, Non-Executive Chair |
| 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 Jacqueline Milne | Executive Director |
| Dr Chien Ping Ho | Executive Director (ceased KMP position 1 March 2021) |
| Dr Nazar Bokani | Executive Director (commenced KMP position 26 April 2021) |
| **Executives** | |
| Anne Lockwood | Chief Financial and Commercial Officer |
| Paul McCrow | Chief Operating Officer (commenced KMP position 1 November 2020) |

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

a. Overview of Executive Remuneration Framework
b. Alignment of remuneration with Company performance
c. Remuneration outcomes for FY21
d. Adjustments in remuneration settings for FY22
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. Overview of Executive Remuneration Framework

The Board of Directors ('the Board') work to ensure that Executive reward satisfies the following key criteria:

- competitive, fair and equitable;
- performance linked and consistent with the Group's values and strategy;
- aligned with the interests of shareholders and other stakeholders,
- appropriate transparency in application, particularly to KMP.

The Company's remuneration policy for Non-Executive Directors (NEDs) aims to ensure that the Company can attract and retain suitably qualified and experienced NEDs and recognises the specific governance of this medical specialist company and the higher workload with four independent NEDs.

# REMUNERATION REPORT CONTINUED

For year ended 30 June 2021

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## Remuneration Framework

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. Figure 1 outlines the components of Executive KMP remuneration and their purpose.

Figure 1:

| FY2021 EXECUTIVE KMP REMUNERATION FRAMEWORK | | | |
|---|---|---|---|
| **Fixed Remuneration**<br>Cash, superannuation, non-monetary rewards | | | |
| **STI**<br>Cash | | | |
| **LTI**<br>Performance rights converted to shares after 4 years | | | |
| Year 1 | Year 2 | Year 3 | Year 4 |

| FY2021 EXECUTIVE KMP REMUNERATION COMPONENTS | | |
|---|---|---|
| Fixed | Variable 'at risk' | |
| Fixed Remuneration | Short term Incentive | Long Term Incentive |
| **PURPOSE AND ALIGNMENT** | | |
| Market competitive to attract and retain key talent. | To drive achievement of short term financial and strategic priorities as agreed by the Board. | To reward and incentivise Executive KMP to drive the sustainable creation of shareholder value. |
| **VALUE TO INDIVIDUAL** | | |
| Fixed remuneration is comparable to market. The market is defined around similar companies (based on revenue, comparable industries, and business size).<br><br>Fixed remuneration may deviate from the market depending on individual alignment to corporate values, capabilities, experience and performance. | Operating NPAT gateway determines capacity to pay.<br><br>Awards based on financial performance and individual performance to strategic KPIs.<br><br>Board discretion to moderate award for factors such as alignment to corporate values, leadership framework and risk management. | Vesting is based on achievement of operating earnings per share (EPS) performance against targets. |

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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, talent attraction, 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 Chair, Non-Executive and Executive Directors of the Board.

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 – Chair | Independent, Non-Executive Director |
| Helen Kurincic | Independent, Non-Executive Director |
| Rupert Harrington | Independent, Non-Executive Director |
| Raelene Murphy | Independent, Non-Executive Director |

## 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.

To inform its decision making during the 2021 financial year the Board engaged consultants to provide benchmarking analysis comparative to the market for both Executive remuneration and Non-Executive Director fees. None of the advice received included a remuneration recommendation as defined by the *Corporations Act 2001*.

The total paid for Executive benchmarking was $25,000 and for Non-Executive Director fee benchmarking was $10,000, excluding GST.

## 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 Chair's fees are determined independently from the fees of other Non-Executive Directors based on comparative roles in the external market and the specific nature of the expertise and role for this company. 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 2021

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## Executive Directors' remuneration arrangements

Dr Jacqueline Milne, Dr Chien Ping Ho and Dr Nazar Bokani are deemed to be Executive Directors as they are employed as radiologists by the Group. However, it is important to note that they do not report to the Chief Executive or the other Executives. 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.

## Executive remuneration arrangements

The Executive remuneration and reward framework for the 2021 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 | 46.1% | 10.8% | 43.1% | 100% |
| Anne Lockwood | 51.7% | 12.1% | 36.2% | 100% |
| Paul McCrow | 72.8% | 10.9% | 16.3% | 100% |

### Fixed remuneration

| | |
|---|---|
| Delivery mechanism | • 100% cash payment including base salary, allowances, other non monetary and fringe benefits and employer superannuation contributions. |
| Considerations | • Role scope and complexity.<br>• The Executive's skills and experience.<br>• Industry benchmarking. |
| Strategic objective | • To attract and retain high quality Executives to deliver Company objectives.<br>• Reward capability and experience. |
| Governance | • Fixed remuneration is reviewed annually by the PRC with regard to market rates and individual performance and is approved by the Board.<br>• 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 FY21 STI targets were set at the commencement of FY21 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. |
| Gateway, modifier and performance measures | Gateway<br>• A gateway is in place for all Executives, which means a minimum Operating[1] NPAT target must be achieved before any STI will be paid, unless Board discretion is applied.<br>Modifier<br>• Behavioural adherence to core values of the Company is an explicit modifier.<br>Financial performance target<br>• 50% of STI will be available based on achievement of year-on-year Operating[1] NPAT growth.<br>• Operating NPAT growth was selected because it is linked to the creation of shareholder returns.<br>Strategic priority targets<br>• 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.<br>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 |
| Paul McCrow | 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.<br>• Targets are recommended by the PRC and approved by the Board.<br>• 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 within the boundaries of the Company's risk management framework. 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. |

# REMUNERATION REPORT CONTINUED

For year ended 30 June 2021

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## Long term incentive (LTI)

| | |
|---|---|
| LTI award | • Each year the LTI award is delivered in the form of zero exercise priced options (Performance Rights).<br>• 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.<br>• 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.<br>• Performance Rights will automatically be exercised on vesting.<br>• Performance Rights do not carry any voting or dividend entitlements prior to vesting and exercise. |
| Performance Period | The FY21 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 FY21 Performance Rights will vest subject to the satisfaction of an earnings per share (EPS) performance condition.<br><br>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).<br><br>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.<br><br>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.<br><br>The Board has also considered 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 has continued 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.<br><br>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]).<br>• 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. |

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## Long term incentive (LTI)

| | |
|---|---|
| Testing of performance condition | • Testing of the Performance Rights is expected to occur, shortly after the end of the Performance Period.<br>• 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.<br>• If some of the FY21 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.<br>• 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.<br>• 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. |
| Additional restrictions | • Participants in the LTI Plan may 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.<br>• 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.<br>• 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[3] | • 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.<br>• 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.<br>• 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 the FY19, FY20 and FY21 grants the Board has determined that if the CEO ceases employment and he is deemed by the Board to be a "Good Leaver", his full FY19, FY20 and FY21 Performance Rights would stay on foot. The Board has made the same determination in relation to CFCO's FY19 and FY20 Performance Rights and the COO's FY20 and FY21 Performance Rights.
3. In view of the strong performance of the Company over FY19, 20 and 21, 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 FY19 , FY20 and FY21 Performance Rights held by the CEO. The Board has made the same determination in relation to the FY19 and FY20 Performance Rights held by the CFCO and the COO's FY20 and FY21 Performance Rights.

# REMUNERATION REPORT CONTINUED

For year ended 30 June 2021

## 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. 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 | FY2021 | FY2020 | FY2019[6] | FY2018[6] | FY2017[6] |
|---|---|---|---|---|---|
| Operating EBITDA[1] as a % of revenue | **26.8%** | 27.6% | 22.9% | 20.3% | 18.8% |
| Operating NPAT[2] as a % of revenue | **10.9%** | 11.14% | 11.1% | 9.7% | 8.3% |
| Operating EPS[3] (cents per share) | **19.0cps** | 16.6cps | 16.2cps | 12.6cps | 10.4cps |
| Return on operating assets[4] (based on operating NPAT) | **14.7%** | 13.9% | 17.9% | 14.5% | 11.6% |
| Closing share price[5] | **5.20** | 3.90 | 3.16 | 3.02 | 1.66 |
| Dividends paid or declared per share | **12.5cps** | 9.5cps | 10.0cps | 8.0cps | 7.0cps |
| Declared dividend payout ratio[7] | **68.8%** | 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.
6. Key measures for the period are measured on a pre-AASB 16 basis.
7. Dividend payout ratio is calculated on statutory NPAT adjusted for non-cash customer contract amortisation

## c. Remuneration outcomes for FY21

### 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. Accordingly, the following annual fees were paid to Executive Directors, Non-Executive Directors and the Chair for their services:

- 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.

The PRC has recently reviewed Director's fees and determined that there will be an increase for the 2022 financial year. Details of this review are set out later in the report.

### Executive Remuneration

As disclosed in last year's report, the remuneration for the CEO and CFCO for FY21 was reviewed having regard to the significant 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 from Guerdon Associates.

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The fixed remuneration for the CEO for FY21 was increased by 12.78% to $720,000 and the CFCO by 11.03% to $500,000. The Board recognised when adjusting FY21 remuneration this was the second year in a row where both the CEO and the CFCO received increases in their Fixed Remuneration exceeding 10%. However, in the Board's view those increases were warranted by the factors mentioned above and still placed the Executive KMP appropriately by reference to comparable benchmarks. 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 respectively.

Prior to commencing as COO, Paul McCrow was employed by the Group as General Manager for Apex Radiology. The COO's fixed annual remuneration for FY21 was set as $375,000, pro rata for the 2021 financial year.

### STI Outcomes and Payments

Consistent with our general principles, the CEO, CFCO and COO were set a financial goal based on achievement of year-on-year operating NPAT growth at threshold $36.8m, target $38.7m and stretch $40.6m. They were also each set strategic goals.

The CEO's strategic goals focused on:

- business development;
- acquisition integration;
- organic growth and cost structure; and
- radiologist and referrer engagement (including clinical leadership and building industry leading culture).

The CFCO's strategic goals were focused on:

- integration of the Ascot and IQ acquisitions and pursuit of further acquisition targets;
- establishment of the MedX JV;
- debt refinancing; and
- development of stronger controls around and enhancement of finance and risk systems and resourcing; and
- integrating the COO role.

The COO's strategic goals were focused on:

- improving operational performance;
- growth strategies including IDXt, MedX JV and supporting local greenfield and brownfield strategies; and
- radiologist and employee engagement.

The COO's KPIs for FY21 also included financial and strategic KPIs in line with his role as General Manager for Apex Radiology until commencement as COO on 1 November 2020.

For each strategic goal the Board established criteria by which achievement of that goal could be assessed. This was designed to ensure that as far as possible the achievement was capable of objective determination.

The operating NPAT, adjusted for the impacts of voluntary JobKeeper repayments was $40.0m, exceeding the threshold of $36.8m and target of $38.7m but falling short of stretch which had been set at $40.6m. This represented 86% achievement and the financial components of the STI awards were paid accordingly. The receipt of JobKeeper had no impact on our assessment of this achievement. In other words, in assessing achievement of this goal our Executives were not advantaged in any way by the JobKeeper receipts. No discretion was applied to the outcome of the financial component of the STI awards.

# REMUNERATION REPORT CONTINUED

For year ended 30 June 2021

The Executives largely achieved all aspects of their strategic goals which in the circumstances, particularly given the ongoing challenges COVID-19 presented in FY21, was a commendable achievement. Given the number of different strategic goals that were set, the relatively small percentage of remuneration attributable to the achievement of the individuals goals and in many cases the commercial sensitivity of the more detailed criteria, the Board has determined that disclosure of its reasoning for achievement of the strategic goals should be limited to FY21 disclosure of the focus area of those goals.

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

| | FY2021 | | | FY2020 | | |
|---|---|---|---|---|---|---|
| Executives | STI Foregone % | STI Paid % | STI Payment $ | STI Foregone % | STI Paid % | STI Payment $ |
| Dr Ian Kadish | **16%** | **84%** | **151,200** | 13% | 87% | 138,852 |
| Anne Lockwood | **14%** | **86%** | **107,500** | 13% | 87% | 97,949 |
| Paul McCrow | **19%** | **81%** | **67,318** | - | - | - |

## LTI Performance Rights granted in FY21

For FY21, the Board maintained the metrics used to set vesting levels for the LTI consistent with those adopted for FY20.

The Board also determined the number of FY21 LTI Performance Rights awarded was by use of the 30 day VWAP prior to 30 June consistent with the FY19 grant.

The table below shows the LTI details for each Executive for the financial year ended 30 June 2021:

| 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 | 31/10/2020 | 184,616 | 3.75 | 692,310 | 30/06/2024 | 30/06/2025 |
| Anne Lockwood | 17/08/2020 | 96,154 | 3.35 | 322,116 | 30/06/2024 | 30/06/2025 |
| Paul McCrow[3] | 17/08/2020 | 23,270 | 3.35 | 77,955 | 30/06/2024 | 30/06/2025 |

1. The FY21 Performance Rights granted were made with reference to the 30 day VWAP of the Company's shares traded up to, and including 30 June 2020, calculated fair value was made on grant date.
2. The FY21 LTI Performance Rights are zero exercise price options and the Performance Rights are automatically exercised on vesting.
3. Paul McCrow was appointed as COO on 1 November 2020, prior to this he was General Manager of Apex Radiology, the Group's Western Australian operations. Mr McCrow received LTI grants in his capacity as General Manager.

## LTI Performance Rights granted in FY20

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 | 26/08/2019 | 124,633 | 2.75 | 342,741 | 30/06/2023 | 30/06/2024 |
| Paul McCrow[3] | 26/08/2019 | 30,443 | 2.75 | 83,718 | 30/06/2023 | 30/06/2024 |
| | 17/12/2019 | 29,336 | 3.08 | 90,355 | 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.
3 Paul McCrow was appointed as COO on 1 November 2020, prior to this he was General Manager of Apex Radiology, the Group's Western Australian

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operations. Mr McCrow received LTI grants in his capacity as General Manager. Mr McCrow received an additional grant of performance rights in FY20 in line with the Company's remuneration guidelines.

## Summary of KMP remuneration for FY21

Details of the remuneration received by the Group's KMP for FY21 and the prior financial year are set out in the following tables.

| | Short term benefits | | Post-employment benefits | Long term benefits | | | |
|---|---|---|---|---|---|---|---|
| FY2021 | Cash salary and fees[4] $ | Cash incentive $ | Super-annuation $ | Long service leave $ | Share based payments[5] $ | Total remuneration $ | Proportion of total remuneration related to performance % |
| **Non-Executive Directors** | | | | | | | |
| Helen Kurincic | 228,311 | n/a | 21,689 | n/a | n/a | 250,000 | n/a |
| John Atkin | 114,155 | n/a | 10,845 | n/a | n/a | 125,000 | n/a |
| Rupert Harrington | 114,155 | n/a | 10,845 | n/a | n/a | 125,000 | n/a |
| Raelene Murphy | 121,385 | n/a | 3,861 | n/a | n/a | 125,000 | n/a |
| **Executive Directors** | | | | | | | |
| Dr Ian Kadish | 736,429 | 151,200 | 21,694 | 11,974 | 626,424 | 1,547,722 | 50.2% |
| Dr Jacqueline Milne | 781,895 | n/a | 21,694 | 17,447 | n/a | 821,036 | n/a |
| Dr Chien Ping Ho[1] | 381,695 | n/a | 16,271 | 10,619 | n/a | 408,584 | n/a |
| Dr Nazar Bokani[2] | 171,048 | n/a | 3,861 | 985 | 7,573 | 183,467 | n/a |
| **Other Key Management Personnel** | | | | | | | |
| Anne Lockwood | 496,766 | 107,500 | 21,694 | 17,091 | 259,107 | 902,158 | 40.6% |
| Paul McCrow[3] | 247,477 | 67,318 | 16,271 | 3,597 | 40,546 | 375,209 | 28.7% |

1. Dr Chien Ping Ho ceased KMP position 1 March 2021.
2. Dr Nazar Bokani commenced KMP position 26 April 2021.
3. Paul McCrow commenced KMP position 1 November 2020.
4. Cash salary and fees, include movements in annual leave entitlements and Executive Director fees.
5. Share-based payments reflect the benefits by Dr Ian Kadish, Anne Lockwood and Paul McCrow from their participation in the LTI plan and Dr Nazar Bokani's participation in the radiologist loan-funded share scheme.

# REMUNERATION REPORT CONTINUED

For year ended 30 June 2021

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## Summary of KMP remuneration for FY20

| | Short term benefits | | Post-employment benefits | Long term benefits | | | |
|---|---|---|---|---|---|---|---|
| FY2020 | Cash salary and fees[6] $ | 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**[1] | | | | | | | |
| 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.

## d. Adjustments in remuneration settings for FY22

### Review of Non-Executive Director and Executive Director Board fees for FY22

Last year the Board determined there would be no increase in the fees paid to the Chair, Non-Executive Directors or Executive Directors, notwithstanding the significant increase in the size, value and complexity of the Group since they were last reviewed in FY19. During FY21 the PRC reviewed the quantum and structure of fees paid to the Chair, Non-Executive Directors or Executive Directors. The Group was seen to be relatively unusual paying a bundled fee to Non-Executive Directors which limited the ability to draw direct comparisons. It was also noted that the quantum of Non-Executive Directors fees at $125,000 had not increased significantly from the average level of $124,000 which applied at the time of the IPO in 2015.

The Board determined that for FY22:

- The Non-Executive Director fees be altered from a bundled fee of $125,000 per annum to a base fee of $100,000 per annum, a committee member fee of $12,500 per committee (excluding the Nomination Committee which receives no fee) and a committee chair fee of $25,000 and a fee for Rupert Harrington for convening the Mergers and Acquisitions Working Group of $12,500 per annum. In other words the Non-Executive Director fees would move from a bundled fee of $125,000 each to a total fee of $137,500 each representing a 10% increase.
- The Executive Director fees be increased from $62,500 to $68,750 per annum in line with the increase in the Non-Executive Director fees.
- The Chair fee be increased by 14% from $250,000 to $285,000 per annum slightly ahead of the proportional increase in Non-Executive Director fees reflecting the value of the Chair's contribution appropriately by reference to comparable benchmarks.

In making these adjustments, the Board also had regard to the relatively small number of Non-Executive Directors and that the total fees paid to the Non-Executive Directors (including Chair) of $697,500 would still be significantly below the cap of $1million established at the time of the Group's IPO in 2015.

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### Review of Executive Remuneration for FY22

The PRC has reviewed the remuneration payable to the CEO, CFCO and COO for FY22. That review had regard to the continuing marked growth in the size and complexity of the business, the strong performance of the Executive KMP in role, outcomes achieved for shareholders and other stakeholders, and market benchmarks. The fixed remuneration for the CEO for FY22 has been increased by 9.7% to $790,000 and the CFCO by 8.6% to $543,000 and the COO by 5% to $393,750. While these increases follow double digit increases for the CEO and CFCO in the two prior years, in the Board's view the increases are warranted by the factors mentioned above and still place the Executive KMP by reference to comparable benchmarks. 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.

For FY22 behavioral adherence to our values has been made an modifying discretionary factor for determining awards under our STI program.

## 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. 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.

As the LTI is tested over 4 years and the first grant was made in FY18, the first test for vesting will occur based on the results for FY21 as set out in this report. Diluted Operating Earnings per Share have increased from 10.4 to 19.0 cents per share representing a compound annual growth rate of 16.3%. This exceeds the stretch target of 15% set for the FY18 LTI Performance Rights resulting in the full vesting of those performance rights. The Board will notify participants of the vesting outcomes and automatic exercise of any FY18 rights. The date for issuing shares to participants is expected to be 30 August 2021.

### 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. However, as noted above the Executives have achieved full vesting of their FY18 Performance Rights and this will be reflected in next year's report.

| | | Balance at start of year | Granted during year[1] | | Rights to deferred shares | | | | Balance at end of year (unvested) | Value yet to be recognised in profit or loss[2] |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Vested | | Forfeited | | | |
| Name | Year granted | Number | Number | $ | Number | % | Number | % | Number | $ |
| Dr Ian Kadish | **2021** | **798,157** | **184,616** | **692,310** | **-** | **-** | **-** | **-** | **982,773** | **558,776** |
| | 2020 | 562,585 | 235,572 | 709,072 | - | - | - | - | 798,157 | 395,081 |
| | 2019 | 362,585 | 200,000 | 478,000 | - | - | - | - | 562,585 | 119,500 |
| | 2018 | - | 362,585 | 558,381 | - | - | - | - | 362,585 | - |
| Anne Lockwood | **2021** | **309,173** | **96,154** | **322,116** | **-** | **-** | **-** | **-** | **405,327** | **259,986** |
| | 2020 | 184,540 | 124,633 | 342,741 | - | - | - | - | 309,173 | 190,696 |
| | 2019 | 100,154 | 84,386 | 199,151 | - | - | - | - | 184,540 | 49,788 |
| | 2018 | - | 100,154 | 194,299 | - | - | - | - | 100,154 | - |
| Paul McCrow | **2021** | **59,779** | **23,270** | **77,955** | **-** | **-** | **-** | **-** | **83,049** | **62,919** |
| | 2020 | - | 59,779 | 174,073 | - | - | - | - | 59,779 | 96,990 |

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.

# REMUNERATION REPORT CONTINUED

For year ended 30 June 2021

### LTI Plan EPS CAGR Target Summary

| LTI Plan | FY18 | FY19 | FY20 | FY21 |
|---|---|---|---|---|
| Beginning of Period | 1/07/2017 | 1/07/2018 | 1/07/2019 | **1/07/2020** |
| End of Period | 30/06/2021 | 30/06/2022 | 30/06/2023 | **30/06/2024** |
| Diluted operating EPS at Beginning of Period | 10.41 | 12.48 | 16.21 | **16.60** |
| Threshold 5% CAGR | 12.65 | 15.17 | 19.7 | **20.18** |
| Stretch (12%) CAGR | n/a | n/a | 25.51 | **26.12** |
| Stretch (15%) CAGR | 18.21 | 21.95 | n/a | **n/a** |

## f. Other transactions with KMP and their related parties

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.

### Related party transactions

| | Consolidated 30 June 2021[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 | **250,077** | 6.25% | 15,630 |
| Payment for rental of buildings to Kiwi Blue Pty Ltd of which Dr Chien Ping Ho is related | **148,388** | 9.09% | 13,488 |

1. Amounts presented are for the period Dr Chien Ping Ho was a director – having resigned as a Director on 1 March 2021.

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 6.25% interest in Eleven Eleven How Pty Ltd and a 9.09% interest in Kiwi Blue Pty Ltd. The leases cover four properties located in Ballarat, Ocean Grove and Melton.

### Financial Accommodation

| | Balance on appointment | Balance at 30 June 2021 | Interest paid and payable |
|---|---|---|---|
| Dr Nazar Bokani | 470,747 | 470,747 | - |

The above loan relates to Dr Bokani's participation in the Radiologist Loan Funded Share Plan (Loan Plan) in 2019, prior to his appointment as a Director. The Loan was made on an interest free basis enabled the purchase shares in the Company. Shares issued attaching to the loan are subject to a continued employment condition of 4 years. The loan can be repaid after the employment condition is satisfied and any time up to 1 March 2029. The Shares are subject to a holding lock until the loan is repaid. The dividend streams relating to the loan funded shares are allocated, net of tax, to the repayment of the loan. These terms and conditions are consistent with those offered to other radiologists under the rules governing the Loan Plan.

### 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[1] | Six months | Six months |
| Paul McCrow | 1 November 2020 | No fixed end date | Six months | Six months |

1. On 30 July 2021 Anne Lockwood gave the Company notice of her resignation. Under the terms of her contract of employment that notice will take effect on 30 January 2022. Ms Lockwood's entitlements on termination of her employment will be determined by the Board in accordance with her contract of employment, the terms of her incentive grants, and having regard to all relevant information at that time. Details of Ms Lockwood's final arrangements will be included in the Company's 2022 Remuneration Report.

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## 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 2020 | Additions | Disposals/ other | Number of shares held upon ceasing to be KMP | Balance at the end of the year |
|---|---|---|---|---|---|
| Helen Kurincic | 492,084 | - | - | - | 492,084 |
| Dr Ian Kadish | 89,379 | - | - | - | 89,379 |
| John Atkin | 155,440 | 3,451 | - | - | 158,891 |
| Rupert Harrington | 357,648 | - | - | - | 357,648 |
| Raelene Murphy | 24,945 | 6,000 | - | - | 30,945 |
| Dr Chien Ping Ho | 2,164,375 | - | 90,000 | 2,074,375 | - |
| Dr Nazar Bokani[1] | | 277,716 | | | 277,716 |
| Dr Jacqueline Milne | - | - | - | - | - |
| Anne Lockwood | - | - | - | - | - |
| Paul McCrow | - | - | - | - | - |

1. Dr Bokani was appointed as a director on 26 April 2021.

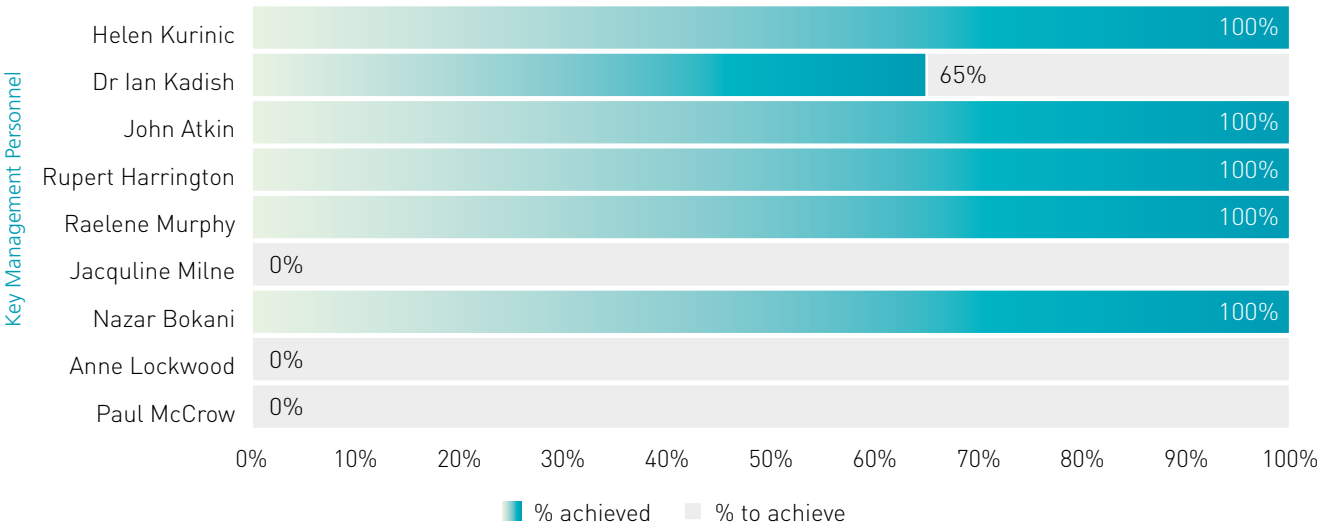
### Minimum Shareholding Policy

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. During the year this Policy was reviewed and was updated. The CFCO is now required to hold 75% of total fixed remuneration within 5 years of the implementation of the change in Policy in IDX Shares.

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: | 75% |
| Other Executive KMP: | 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 2021

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## *Auditor's Independence Declaration*

As lead auditor for the audit of Integral Diagnostics Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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
27 August 2021

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# OPERATING AND FINANCIAL REVIEW

For the year ended 30 June 2021

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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 54 to 102 and the ASX announcement and full year results presentation dated 27 August 2021.

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

IDX has a diversified revenue mix and focusses on providing a full range of diagnostic imaging modalities. IDX has 67 sites of which 27 are comprehensive sites that are located close to specialist referrers who require higher complexity imaging and make greater use of MRI, PET, CT, and interventional procedures throughout our business. During the year under review IDX operated in five key markets.

| | Lake imaging | South Coast Radiology | apex | SRG / TrinityMRI / Ascot Radiology | Imaging Queensland | |
|---|---|---|---|---|---|---|
| **Geographic Market** | Victoria | Queensland and NSW | 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** | 19 | 14 | 5 | 12 | 17 | **67** |
| **Comprehensive sites**[4] | 6 | 7 | 2 | 5 | 7 | **27** |
| **MRI machines** | 8 | 8 | 2 | 6 | 7 | **31** |
| **MRI Licences** | 4 full<br>0 partial | 4 full<br>2 partial | 2 full<br>0 partial | N/A | 3 full<br>2 partial | **13 full**<br>**4 partial** |
| **PET Scanners** | 2 | 2 | 1 | 1 | – | **6** |
| **Employed Radiologists**[1] | 46 | 37 | 13 | 40[2] | 21 | **157** |
| **Employees**[3] | 389 | 403 | 164 | 172 | 310 | **1,438** |

Note: Reflects current data as at 30 June 2021

1. Relates to employed radiologists only. In addition IDX has had 80 contractor radiologists provide services over FY21
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. In addition, there are 86 employees in the corporate office and IDXt totalling 1,524 employees
4. Comprehensive sites include a range of radiology equipment including MRI's and CT's and are located with or near major specialist referrers

Diagnostic imaging is the branch of medicine that utilises a range of non-invasive imaging technology to create images of bones, tissues and organs within the human body in order to diagnose and treat illness and injury. Images can be produced using a variety of modalities including;

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

# OPERATING AND FINANCIAL REVIEW CONTINUED

For the year ended 30 June 2021

The images produced by diagnostic imaging are a critical tool for referrers in reaching a diagnosis 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 whilst at the same time reducing the overall cost of healthcare.

## 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 2021 Actual | 30 June 2020 Actual |
|---|---|---|
| Operating revenue | **348.8** | 274.1 |
| Other revenue | **1.9** | 1.5 |
| **Total revenue** | **350.7** | 275.6 |
| | | |
| EBITDA prior to non-operating transactions | **93.5** | 75.7 |
| EBITA prior to non-operating transactions | **62.8** | 51.1 |
| NPAT prior to non-operating transactions | **38.1** | 30.4 |
| | | |
| **Non-operating transactions net of tax** | | |
| Transaction and integration costs | **(1.4)** | (4.8) |
| Share based payments | **(2.1)** | (1.3) |
| Amortisation of customer contracts | **(3.3)** | (1.2) |
| Write off of Brand name (Western District Radiology) | **-** | (0.1) |
| **Statutory NPAT** | **31.3** | 23.0 |
| Operating EBITDA as a % of operating revenue | **26.8%** | 27.6% |
| Operating NPAT as a % of operating revenue | **10.9%** | 11.1% |
| Operating diluted EPS (earnings per share) | **19.0** | 16.6 |
| Statutory diluted EPS (earnings per share) | **15.6** | 12.3 |
| **Return on operating assets (based on operating NPAT)**[2] | **14.5%** | 13.9% |

1. The operating and financial review includes references to pro-forma results to exclude the impact of the adjustments detailed above. 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. Non-IFRS financial measures contained within this report are not subject to audit or review
2. Return on operating assets has been calculated using the LTM organic operating NPAT (plus trailing acquisitions NPAT) of $38.9m (FY20$33.0m)

The FY21 operating performance of IDX continued to deliver growth.

Operating NPAT grew by $7.7m or 25.3% and operating diluted earnings per share grew by 14.5% to 19.0 cents per share. The operating margin of 26.8% is 0.8% lower than the prior year which is largely driven by radiologist cost pressures present in the industry and increased use of paid quarantine/isolation leave in a COVID-19 environment as well as increased consumable costs for higher end modalities and increased usage of PPE due to COVID-19. IDX continues to deliver strong margins compared to published industry results.

The statutory performance of $31.3m NPAT improved by 36.1%. Non-operating costs relating to transaction costs include costs of external advisors for mergers and acquisitions activity. A proportion of these transaction costs are not tax deductible as they are on the capital account, creating a greater impact on statutory earnings.

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*Financial overview*

- Operating revenue of $348.8m increased by 27.3%.
- Australian organic revenue growth of 12.2%. The Medicare 12 month rolling growth rates for the states in which we operate, adjusted for working days was 14.6% for benefits. Reflective of our focus on higher end modalities that drive stronger bottom-line results, the modalities in which IDX trailed Medicare most in revenues were Ultrasound 4.3% lower and Xray 2.4% lower.
- Average fees per exam in Australia increased by 3.3% in FY21, reflective of indexation and an on-going move to higher end modalities.
- New Zealand revenue (in Australian $) contribution of $46.4m for FY21 increased by $21.4m from $24.8m in FY20 with Ascot Radiology contributing $18.3m and an organic growth of $3.1m or 12.5%.
- The Imaging Queensland acquisition contributed $23.0m of operating revenue for the additional 4 months July-Oct 2020 compared to prior comparative period and Ascot Radiology contributed $18.3m for the 10 months September 2020 to June 2021.
- Operating margin of 26.8% has decreased 0.8% from 27.6% due to employee and consumables cost pressures:
  - IDX continued to deliver strong margins across Australia and New Zealand compared to comparative published industry results;
  - Employee benefits, consumables and equipment all increased.
    - employee costs increased by 0.3% ($1.1m) of revenues driven by radiologist cost pressures present in the industry and increased use of paid quarantine/isolation leave in a COVID-19 environment
    - consumables increased by 0.3% ($1.1m) of revenues reflecting the higher cost of consumables for higher end modalities and increased usage of PPE due to COVID-19 and
    - equipment increased by 0.4% of revenues despite better pricing achieved due to some equipment coming out of warranty and increasing the level of service cover on equipment.
- Occupancy costs remained relatively consistent as a % of revenue and other costs declined by 0.2% due to shared service costs being leveraged over a larger revenue base.
- IDX voluntarily repaid $2.9 ($2.0m after tax) in surplus JobKeeper in June 2021. The amount repaid was assessed as the net benefit of JobKeeper after assessing the impacts of COVID-19 on the business in FY21 and the use of JobKeeper to retain and support our highly skilled workforce. IDX has not profited from JobKeeper.
- Australian Government JobKeeper assistance of $6.6m ($4.7m after tax) was utilised to offset the impacts of COVID-19 in FY21 and allowed IDX to retain and support our highly skilled workforce.
- IDX declared a fully franked final dividend of 7.0cps, totalling dividends declared or paid of 12.5cps for FY21 (FY20: 9.5cps) an increase of 31.6%, reflecting the performance and cashflow position of the Company.

# OPERATING AND FINANCIAL REVIEW CONTINUED

For the year ended 30 June 2021

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## Operating performance overview

*Drove organic growth, business integration and further efficiency gains*

- Installed an MRI (non-rebateable) at the Spine Centre of Excellence on the Gold Coast.
- Installed a 2nd CT in Toowoomba to capitalise on demand and improve workflow efficiencies.
- Installed a Cardiac CT in Busselton to provide access to state-of-the-art imaging in a fast-growing region.
- Completed development of the Hope Island site on the Gold Coast.
- Started to invest in developing high performing patient booking hubs in Victoria and on the Sunshine Coast, leveraging off the fully developed Gold Coast booking hub systems and processes.
- Launched IDXt, IDX's teleradiology platform to reduce use of third-party reporting services and to drive sub-speciality reporting across IDX.
- Assisted the Western Australian Government to install a fully licenced MRI at the Kalgoorlie public hospital, now operational and to which Apex Radiology provides radiology services under our contracts with WA Country Health Service (WACHS).
- Continued the integration of Imaging Queensland with operating performance largely in line with expectations.
- Completed the acquisition of Ascot Radiology on 1 September 2020. Integration and operating performance have been in line with expectations:
  - Replaced a MRI at Ascot Radiology to deliver better image quality and improved workflows.
  - Started to extract revenue synergies in NZ from integrating Ascot Radiology with the existing NZ business by driving cross referrals and maximising the use of equipment across the expanded footprint.

*Used digital and AI technology to improve the patient and referrer experience*

- Expanded the roll out of proven AI software to improve clinical workflows and patient outcomes across the business.
- Established an AI Steering Committee, led by Dr Nazar Bokani to continue to drive the identification, assessment and implementation of further AI software that leads to better patient outcomes and workflow efficiencies.
- Completed the implementation of the Patient App across the Australian practices, improving access, knowledge, and flexibility of service for patients and referrers.
- Continued to work on leveraging the consolidated reporting platform to develop subspecialty workflows for complex clinical cases to deliver best in class comprehensive reports to referrers and patients.
- Continued to test and enhance cyber-security protections to ensure protections in place remain relevant.
- Introduced a state-of-the-art voice recognition application to build upon our standard templated reporting strategy to enhance the referrer's clinical experience and improve our report turnaround times.

*Continued to develop our environment, social and governance (ESG) agenda*

- Completed our first materiality assessment stakeholder survey by engaging with 554 stakeholders both externally and internally to determine where our focus should be in regards to ESG.
- Completed our first carbon footprint review, measuring our carbon emissions for FY20 and FY21.
- Developed our first ESG Strategy.
- Completed our first supplier screening risk rating review.
- Completed and submitted our first Modern Slavery Statement.
- Established a Waste Management Committee and reviewed our waste management processes and initiated a formal Operational Waste Management Plan.

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*Nurtured and developed culture and leadership across our people*

- Appointed Dr Nazar Bokani to the IDX board from 26 April 2021, Dr Lisa Sorger as Chief Medical Officer from 3 June 2021, Mr Paul McCrow as Chief Operating Officer from 1 November 2020, Nynne Beck Pederson as Group Integration and Strategy Manager from 1 September 2020 and Hayley Tacon as Group Business Development Manager from 1 March 2021.
- Implemented a Leadership development program with future IDX business leaders.
- Issued Healthcare Hero Awards in August 2020 and again in June 2021 to recognise the tremendous contributions from the healthcare frontline and those who support the frontline. IDX reimbursed frontline and support staff with up to 2 days of remuneration in recognition of the additional work, effort and sacrifices made to optimally support our patients and referrers during extended lockdowns.

*Evaluated further strategic acquisitions that were a clinical fit, strategically aligned and earnings accretive*

- Undertook thorough analyses and due diligence on a number of selected acquisitions in an increasingly competitive market. IDX maintained strong discipline in regard to ensuring that offers made included an assessment of clinical fit, strategic alignment and earning accretion to ensure sustainable value to our shareholders.
- Continuing to assess growth opportunities in a very active healthcare sector.

## Capital expenditure

Total expenditure on tangible assets was $23.1m (FY20: $26.1m) of which $16.8m related to replacement and $6.3m related to growth opportunities. The capital expenditure included the installation of an MRI at the Spine Centre on the Gold Coast, installation of a 2nd CT in Toowoomba in Queensland, a new Cardiac CT in Busselton in Western Australia and the replacement of an MRI at Ascot Radiology in New Zealand that delivers better quality imaging and more efficient workflows.

## Acquisitions

The acquisition of Ascot Radiology in New Zealand was completed on 1 September 2020. Integration and operating performance have been in line with expectations.

The integration of Imaging Queensland continued during FY21 and operating performance continues to be largely in line with expectations. We continue to work through the payment for Earn Out A which is measurable on the operating performance of the Imaging Queensland Group over the 2020 calendar year and for which we have $12m provided. The payment is now subject to the dispute settlement process as provided for in the Share Sale Contract. IDX remains confident and has received preliminary external expert accountant advice that the amount provided in the financial statements for settlement of the Earn Out A payment is calculated in accordance with the requirements of our contractual obligations under the Share Sale Contract.

# OPERATING AND FINANCIAL REVIEW CONTINUED

For the year ended 30 June 2021

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## Taxation

The effective tax rate on operating earnings is 29.5% (FY20: 29.6%), the decrease in the effective tax rate is largely due to the acquisition of Ascot Radiology whose earnings are subject to the New Zealand Corporate tax rate of 28%

The statutory effective tax rate of 30.9% (FY20: 34.6%) is driven by the higher level of non-deductible transaction costs incurred and treated as non-operational costs.

In FY21 IDX paid corporate tax of $16.7m (FY20: $10.2m) in Australia and New Zealand. In addition payroll tax of $6.7m (FY20: $4.9m) was paid across the states in which we operate in Australia and $50.2m (FY20: $39.9m) of tax was withheld and remitted to the Australian and New Zealand tax offices on behalf of our employees.

## Cash flows

Increase in free cash flows by 19.3% to $66.5m (FY20: $55.7m). Free cash flow conversion net of replacement capex was 89.1% (FY20: 86%). 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.

## Capital Management

Net debt increased by $13m to $137.4m (FY20: $124.4m). This was due to the debt draw down to fund the Ascot Radiology acquisition of $35m offset by a growth in cash on hand due to strong operational cashflows and conservative dividend payment made at the half year.

At 30 June 2021 IDX has cash reserves of $62.2m and committed facilities of which $207m remains undrawn and access to a further $105m under an accordion facility. Current debt facilities are not due until February 2026 and we are in compliance with all the covenants under our debt facility.

Net debt to equity ratio as at 30 June 2021 is 0.54:1 (FY20: 0.54:1) and Net Debt/LTM EBITDA ratio of 1.4x at 30 June 2021 (FY20:1.5x) reflects strong capital management to support IDX's on-going growth strategy.

As at 30 June 2021 IDX has 5,355 shareholders (30 June 2020:3,892).

## Earnings per share

On a statutory basis, basic earnings per share increased by 27.1% to 15.80 cents per share (FY20: 12.43 cents per share). Diluted earnings per share in FY20 considering the FY18, FY19, FY20 and FY21 performance rights issues as well as the New Zealand based Radiologist Option Plan was 15.60 cents per share (FY20: 12.31 cents per share). The increasing earnings per share at a statutory level is reflective of the increase in Statutory earnings of 36.1% to $31.3m.

On an Operating NPAT performance, adjusted[1] Diluted Earnings per Share increased 14.5% to 19.0 cents per share (FY20: 16.6 cents per share).

## Dividend

Dividend paid or declared of 12.5 cents per share (FY20: 9.5 cents per share) totalling $24.7m fully franked dividends have been paid or declared for FY21. An increase on dividends of 31.6% reflects the performance and the cashflow position of the company. A dividend of 7.0 cents per share fully franked will be paid on 6 October 2021 to shareholders on the register at 3 September 2021. This represents 68.8% of Statutory NPAT (adding back non-cash customer contract amortisation) (FY20: 80%), the higher pay-out ratio in FY20 takes into consideration the high level of non-recurring transaction costs reducing statutory profits for FY20.

The dividend reinvestment plan (DRP) will operate for the FY21 full year dividend.

1. 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 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 16.6cents per share

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## Impacts of COVID-19 on FY21

During FY21 we continued to manage the on-going impacts of COVID-19. Our focus, as always was to keep our patients and employees safe. We continued to secure adequate supply of personal protective equipment for all our sites with strict screening, hygiene, and infection control protocols in place and have adapted to the new normal for healthcare practices for COVID-19.

- Net JobKeeper receipts of $6.6m ($4.7 after tax and net of repayment) were utilised to offset the impacts of COVID-19 in FY 21 and allowed IDX to retain and support our highly skilled workforce
- IDX voluntarily repaid $2.9m ($2.0m after tax) in surplus JobKeeper receipts in June 2021
- Patient activity continued to be impacted by government imposed restrictions
  - Victoria had significant reductions from July to September that impacted revenues.
  - Despite on-going sporadic lockdowns over October - June across Victoria, Western Australia and Queensland, the overall performance was largely in line with pre COVID-19 expectations for this period.

## Company outlook

The long-term industry fundamentals in Australia and New Zealand are strong and continue to underpin attractive on-going growth opportunities. Both Australia and New Zealand have growing and ageing populations requiring greater healthcare support. At the same time, community expectations for higher quality diagnosis and care continue to increase, whilst new imaging technologies improve efficiency and aid diagnosis and early detection of disease.

The increased use of diagnostic imaging in the early detection of disease facilitates earlier and less invasive treatment options which ultimately lowers 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. To date 1H22 has been affected as a result of the impacts of COVID-19 and government-lockdowns and border closures across all geographic areas in which we operate. Up until the 25th August, year to date trading is down approximately 5% from expectations, this includes the impacts of the Level 4 lockdowns in New Zealand from the 18th August. The New Zealand guidelines from the Ministry of Health included that scanning is only to be undertaken "to preserve life or limb only". This has resulted in reductions in trading in New Zealand of up to 75% from expectations, which is consistent with past experience during New Zealand Level 4 lockdowns.

The Company's focus in FY22 will be to:

### *Increased focus on organic growth through brownfields and greenfields*

- execute on identified and approved greenfield and brownfield opportunities with $20m-$24m of growth Capex expected to be spent in FY22 with at least 5 new sites to be developed in 1HFY22;
- invest $8m on a new comprehensive site at Benowa on the Gold Coast. The site is 500m from the current Pindara Hospital and will include a full MRI licence, the latest technology equipment across all DI modalities and offer easier access to patients. We will continue to work on on-going lease arrangements post 31 Dec 2021 at Pindara Hospital.
- continue to develop teleradiology services in IDXt to improve our service offering and capabilities in this important diagnostic sector;
- develop the MedX JV with our partner Medica Group PLC to identify and tender for large tele-reporting opportunities, or for international opportunities, where we can leverage off the broader capabilities of the combined group;
- investigate and review our current service offering to identify opportunities for diversification that leverages off our radiologist's sub-speciality skill sets; and
- install a new SPECT and hot lab in New Zealand.

# OPERATING AND FINANCIAL REVIEW CONTINUED

For the year ended 30 June 2021

*Accelerate use of digital and AI technology*

- execute on a digital strategy with a focus on the patient and referrer experience;
- continue to identify, assess and implement AI software under the leadership of the AI Steering Committee;
- complete a roll out of e-referrals across the Group;
- select a single Radiology Information System (RIS) across New Zealand with a view to implement in FY23;
- complete the roll out of the Patient App across New Zealand; and
- begin the transition of our business to a single radiologist reporting platform to capture the expertise of our sub speciality skills across the Company group and build upon our teleradiology footprint.

*Continue to evaluate further strategic expansion opportunities through partnerships and/or acquisitions*

- continue to undertake thorough analyses and due diligence on selected opportunities through partnerships and/or acquisitions that are a clinical fit, strategically aligned and earnings accretive; and
- consider and develop strategic plans for potential growth opportunities in a very active healthcare sector.

*Nurture and develop culture and leadership across our people*

- focus on radiologist engagement including support, education, and remuneration strategies;
- continue to develop leaders, build capability, and enhance performance of people across our Company, including management, radiologists, clinical and administrative staff;
- prioritise areas of improvement identified in the annual Culture Survey to improve staff engagement; and
- develop a Diversity and Inclusion Strategy to create a culture that enhances inclusion and values diversity of thinking, experience, and background.

*Execute on our ESG Strategy*

- leverage off the measurement of our FY20 and FY21 carbon emissions to develop a roadmap for us to measure the future success of our endeavours to reduce and offset our greenhouse gas emissions;
- launch the Operational Waste Management Plan developed by the Waste Management Committee;
- launch the Workplace Giving Initiative that allows our people to support charities and clubs in our communities that are aligned to our vision of a healthier world. IDX will donate $2 to every $1 donated by our people to approved charities and clubs, with IDX's contribution up to $100,000;
- continue to work with our suppliers to better understand and address potential risk areas in downstream supply and manufacturing and cleaning contracts; and
- work with Radiology Across Borders to identify and agree on additional project partners in developing nations and communities.

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## Regulatory outlook

In Australia IDX continues to monitor, assess and help shape the regulatory landscape through its participation in the executive of the Australian Diagnostic Imaging Association (ADIA) and radiologist's membership in the Royal Australian and New Zealand College of Radiologists (RANZCR), including our CMO Dr Lisa Sorger who is on the RANZCR Faculty Council, the Diagnostic Economics Committee and the Theranostics Working Group and Dr Sally Sojan who is the Treasurer of the Australiasian Musculoskeletal Imaging Group (AMSIG) and a member of the Diagnostic Imaging Accreditation Scheme Advisory Committee. In New Zealand Dr Quentin Reeves' is the President of the AMSIG and a New Zealand committee member of the New Zealand branch of RANZCR.

In Australia in June 2021 indexation of 0.9% of approximately 90% of CMBS items was announced against a CPI rate of 3.8% and Healthcare CPI of 4.8%.

The Australian Federal Budget announced that indexation will be applied to MRI items from 1 July 2022. However the bulk billing incentive on MRI will be reduced to 95% of Commonwealth Medical Benefits Scheme (CMBS) from 100%, along with the introduction of clear rules on co-claiming of MRI to be developed with the sector and introduced on 1 November 2021. The Australian Government expects to deliver $107m of savings over 4 years. The rules on co-claiming of MRI have not yet been published and as such IDX has not been able to measure their potential impact, if any.

FDG-PET for early detection and diagnosis of Alzheimer's disease is to be introduced onto the CMBS from 1 November 2021. The item descriptor has not yet been finalised. This study has been introduced in New Zealand and we are successfully performing these studies on our PET at Ascot Radiology. The provision of this study is to the benefit of all Australian and New Zealand patients.

In New Zealand IDX participates in an association of independent radiologists to closely monitor and influence advocacy outcomes on the regulatory landscape. This is a newly formed association, and is planned to operate in a similar manner to ADIA across New Zealand.

In New Zealand 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.

Emerging market practices in New Zealand where referrers are acquiring ownership interests in radiology practices or equipment has the potential to change the competitor dynamics. We expect that New Zealand payors and regulators will review these practices against their published guidelines on non-arm's length referrals and will undertake the necessary actions to manage referrer conflicts of interest. IDX supports the upholding of the current published guidelines to ensure that quality is maintained, that patients choice is retained, and that payors are not subjected to over-servicing and unnecessary imaging.

# OPERATING AND FINANCIAL REVIEW CONTINUED

For the year ended 30 June 2021

## Balance Sheet

A summary of the balance sheet as at 30 June 2021 and a comparison, to the prior year is outlined in the following table.

| Balance sheet | 30 June 2021 Actual $'m | 30 June 2020 Actual $'m |
|---|---|---|
| Cash and cash equivalents | **62.2** | 58.0 |
| Trade and other receivables | **14.3** | 10.4 |
| Other current assets | **5.9** | 8.0 |
| **Total current assets** | **82.4** | 76.4 |
| | | |
| Property, plant and equipment | **111.1** | 101.0 |
| Right of use assets – AASB 16 | **100.4** | 88.6 |
| Intangible assets | **344.7** | 307.3 |
| Deferred tax asset | **16.3** | 13.5 |
| **Total non-current assets** | **572.5** | 510.4 |
| | | |
| **Total assets** | **654.9** | 586.9 |
| | | |
| Trade and other payables | **20.3** | 18.6 |
| Current tax liabilities | **4.5** | 5.0 |
| Borrowings | **6.5** | 13.2 |
| Lease obligations – AASB 16 | **10.4** | 9.6 |
| Deferred Considerations | **15.9** | 13.3 |
| Provisions | **20.3** | 16.6 |
| **Total current liabilities** | **77.9** | 76.2 |
| | | |
| Deferred Consideration | **7.2** | 8.0 |
| Borrowings | **192.2** | 168.6 |
| Provisions | **9.8** | 7.8 |
| Lease obligations – AASB 16 | **99.2** | 86.5 |
| Deferred tax liability | **13.8** | 11.5 |
| **Total non-current liabilities** | **322.2** | 282.3 |
| | | |
| **Total liabilities** | **400.1** | 358.5 |
| | | |
| **Net assets** | **254.8** | 228.4 |

- Working capital of $4.5m is driven by the cash holding of $62.2m which will be utilised to fund the FY21 final dividend and planned FY22 capex spend, as well as to continue to fund working capital requirements in line with our treasury policy that provides that at least one month of working capital expenditure should be held in easily accessible liquid form.
- Provisions (excluding tax) have increased $5.7m. This increase is due to increased employees annual leave provision of $4m due to lower-than-expected levels of leave being taken during FY21 due to COVID-19 related travel restrictions driving employee's reluctance to take extended leave.
- Deferred consideration of $23.1m relates to $18m relating to Imaging Queensland Earn out A and B, $0.7m to Geelong Medical Imaging and $2.5m that relates to Ascot Radiology and $1.9m to the SRG/Trinity NZ acquisition which is recognised through the profit and loss as it is earned.
- The increase in net debt to $138.5m (30 June 2020: $124.4m) is the result of a draw-down of $35m to fund the Ascot Radiology acquisition offset by a growth in cash on hand due to strong operational cashflows and conservative dividend payment made at the half year.

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## Cash flow

A summary of the cash flows as at 30 June 2021 are presented below.

| Summary of cash flow ($m) | 30 June 2021 Actual $'m | 30 June 2020 Actual $'m |
|---|---|---|
| **Free cash flow** | **66.5** | 55.7 |
| Growth capital expenditure | **(6.3)** | (16.7) |
| Net cash flow before financing and taxation | **60.2** | 39.0 |
| Tax paid | **(16.7)** | (10.2) |
| Interest and other costs paid on borrowings | **(4.6)** | (5.6) |
| Net change in borrowings | **18.4** | 31.6 |
| Payments for acquisitions | **(35.4)** | (66.9) |
| Working capital acquired | **-** | (2.8) |
| Proceeds from the issue of equity | **1.8** | 73.4 |
| Deferred consideration paid | **(0.9)** | (0.8) |
| Dividends paid | **(17.8)** | (18.0) |
| Transaction costs in equity | **-** | (3.6) |
| **Net cash flows** | **5.0** | 36.1 |

- Free cash flows of $66.5m are $10.8m or 19.3% higher than FY20 which is reflective of growth from operations even though $7.4m more of replacement capex was incurred
- Growth capital expenditure was $6.3m
- Dividends of $17.9m (9.5 cents per share fully franked) were paid in FY21

## Business risks

IDX has a 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 financial and non-financial risks are described below and these risks are continuously assessed and reported on monthly. However, this is not a comprehensive list of all actual and potential risks that may impact IDX's financial and operating results in future periods.

| Risk Area | Risk Management Strategy |
|---|---|
| **Strategic Growth** | |
| **Mergers and acquisitions.** It is IDX's strategy to drive growth organically and through mergers and acquisitions (M&A). 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. | • Program of oversight for M&A activity, due diligence and integration led by the M&A committee.<br>• Detailed due diligence processes and procedures, including the development of integration and resourcing plans.<br>• Engagement of external advisors to ensure risks, challenges and opportunities of acquisitions have been identified, and to ensure the structure of earn out arrangements in sale agreements are appropriate and that earn out calculations are in accordance with the contract terms. |
| **Future acquisition pipeline.** IDX has a mature process that regularly reviews a number of acquisition opportunities that may be at various stages of evaluation. Risks exist regarding whether identified acquisitions are able to be completed on terms and conditions that deliver appropriate returns to stakeholders in line with the Company's strategy. | • On-going analysis undertaken for prospective M&A opportunities to determine scope, fit and likelihood of success.<br>• Engagement of external advisors to assist in monitoring and assessing market activity and the impact on potential acquisitions. |

# OPERATING AND FINANCIAL REVIEW CONTINUED

For the year ended 30 June 2021

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| Risk Area | Risk Management Strategy |
|---|---|
| **Maintaining strong referrer relationships.** The risk of a material loss of, or lack of growth in, referrals to IDX would impact financial and operational performance of the Company. | • Maintenance of existing relationships across IDX's referrer network through a process of continuous engagement.<br>• Continuous investment in new technology to enhance access and service for referrers and patients.<br>• Clinical Leadership Committees are established in each business unit which are supported by the CMO and COO to drive clinical governance to support referrer confidence. |
| **Performance of greenfield and brownfield initiatives to drive growth.** IDX regularly invests in greenfield and brownfield initiatives to support growth within our existing business units. There is a risk that these investments do not perform as expected or in the planned time frames. | • Established processes for business case development, review and approval, including alignment of business cases to strategic objectives.<br>• Regular reporting to Senior Management and the Board on performance against business cases. |
| **Regulation and Contracts** | |
| **Funding change to revenue stream.** Changes to funding and government policies and regulations may have a material adverse impact on the financial and operational performance of the Company. | • Regular monitoring of funding and regulatory changes and industry developments.<br>• Membership of, and participation in, the Australian Diagnostic Imaging Association.<br>• Participation in a discussion group with other private radiology providers in New Zealand.<br>• Membership of, and participation in, the Royal Australian New Zealand College of Radiologists (RANZCR). |
| **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. | • Use of internal and external audit functions to provide assurance that compliance obligations in key areas are being met.<br>• Regular monitoring of compliance by Senior Management across key areas, including regular reporting to the Company's Audit, Risk and Compliance Committee and to the Board. |
| **Contracts and service agreements.** Contracts and service agreements may be breached, terminated or not renewed resulting in loss of capacity and revenue. | • Regular review of all IDX contracts to ensure completeness of information, renewal dates, contract owners and performance against SLA's. |
| **Property leases.** IDX has 82 property leases across the Group, including clinic, hospital and corporate sites. There is a risk that we may not always be able to renew or replace property leases. | • Continual management and renegotiation of leases throughout the normal course of business. Where commercially acceptable terms are not available IDX will seek alternative options. |
| **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. | • Establishment of the Company's Integral Clinical Leadership Committee to manage and advise on clinical governance matters, including patient care, clinical standards and quality assurance.<br>• Consistent clinical risk and incident reporting process in place across the Company and business units with a focus on reviewing incident data and resulting recommendations at all management levels, through to the Board.<br>• Recent appointment of CMO to further strengthen focus on clinical governance within IDX. |

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| Risk Area | Risk Management Strategy |
|---|---|
| **Health and safety.** The risk of harm to employees due to a lack of effectiveness in workplace health and safety systems. | • Establishment of a group wide Safety Management System in line with industry standards.<br>• Provision of specific training programs for all staff to build knowledge and capability on safety matters, including hazard identification, risk management and incident reporting.<br>• Investment in injury prevention programs.<br>• Regular incident reporting to Senior Management and the Board on health and safety matters. |
| **Privacy and confidentiality.** The Company relies on appropriate access and 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 with consequential reputational and trust impact to the Company. | • Consistent privacy policies and practices in place across the Company that have been reviewed by external privacy experts to ensure compliance with the required laws in Australia and New Zealand.<br>• Provision of annual training in place for all staff tailored for roles and responsibilities.<br>• Appointment of an IDX Privacy Officer.<br>• Regular internal checks for privacy process compliance.<br>• Engagement with key partners and third parties to ensure appropriate privacy provisions in place.<br>• Cyber security and IT infrastructure controls in place and continually reviewed. |
| **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 to the impact of COVID-19. | • Business Continuity (BCP) and Disaster Recovery (DR) plans in place for key areas such as Business Unit Plans, IT recovery, COVID-19 responses etc.<br>• Establishment of a Business Continuity Steering Committee to drive continuous improvement in BCP and DR.<br>• Testing of BCP and DR scenarios. |
| **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. | • Appointment of a CIO.<br>• Proactive monitoring of technology developments and changes.<br>• Continued focus on nurturing existing relationships with technology business partners and vendors to keep abreast of market changes.<br>• Investment in leading edge/premium technology and equipment. |
| **Cyber security.** The risk of a material cyber security event or attack on IDX or the inability of IDX to respond to the continually evolving threats affecting its operations and involving significant remediation resources. | • Provision of cyber security training including phishing training and simulations for all staff.<br>• Performance by external party of ongoing penetration testing to ensure protections are relevant to increasing threats.<br>• Establishment of Cyber Security Steering Committee.<br>• Alignment of the Company's cyber security framework and controls to industry standards.<br>• Inclusion of cyber security events in BCP and DR planning.<br>• Cyber security insurance coverage in place. |

# OPERATING AND FINANCIAL REVIEW CONTINUED

For the year ended 30 June 2021

| Risk Area | Risk Management Strategy |
|---|---|
| **Recruitment and Retention** | |
| **Attraction and retention of talent.** The risk of the inability to attract or retain quality radiologists, management and staff due to competition across the market, geographical location of some sites or other factors. | • Investment in attraction and retention strategies.<br>• Investment in employee engagement and professional development activities. |
| **Market Trends** | |
| **Changing market trends.** The risk that changing trends in the radiology market, in both Australia and New Zealand, e.g. the emergence of specialist groups such as cardiology purchasing their own diagnostics equipment, or new market entrants, will have a negative impact on market share and revenue. | • Proactive monitoring of changes in the market including to stay abreast of and responding to identified changes. |
| **COVID-19** | |
| **Recurrence of decline in revenue and increasing cost,** due to:<br>• On-going or intermittent community lockdowns or restrictions impacting elective surgery, sport, medical and allied health visits, and travel in the geographies in which we operate; and/or<br>• Significant COVID-19 breakouts among employees requiring sites to shut down for prolonged periods.<br>• The Company does not take adequate precautions or fails to follow Government directives to manage the risk of COVID-19 infection to staff and patients.<br>• Potential adverse impacts on our highly skilled workforce through prolonged or recurring restrictions. | • Infection control and safety process for patients and staff and encouragement of COVID-19 vaccination, designed to reduce the likelihood of staff contracting COVID-19 or the spread of COVID-19 between staff and patients in our locations.<br>• Protocols that enable the Company to quickly respond to a COVID-19 situation and ensure that any affected sites are able to be safely reopened as soon as possible. |

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## Risk management

The Company's Risk Management Framework is overseen by the ARCC and is actively managed by the members of Senior Management with input from the 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.

Details of IDX's Risk Management Framework can be found in our ESG Statement on the Company's website: www.integraldiagnostics.com.au/reports/

During FY21 we continued to review, assess and strengthen our policies and procedures over our processes and controls in relation to health and safety, privacy and confidentiality and cyber security. Ongoing reviews consider how our approach meets best practices, in line with our industry profile and how risks are being managed to ensure the best outcomes for all stakeholders. We will continue this review in FY22 as well as implementing identified improvements.

A key component of the Company's risk management is clinical governance which is managed through the ICLC and Business Unit Clinical Leadership Committees (BU CLCs) under the ICLC Charter. A copy of the ICLC Charter can be found on the Company's website: www.integraldiagnostics.com.au/corporate-governance

The ICLC Charter provides a framework for the ICLC and BU 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 BU 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 while 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 Clinical Governance and Quality Framework meet the requirements of *ISO 9001:2015 Quality Management Systems – Requirements* and *ISO 31000:2018 Risk Management – Guidelines*.

A copy of the Company's Audit Risk and Compliance Committee Charter can be found on the Company's website: www.integraldiagnostics.com.au/corporate-governance

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2021

| | Note | 30 June 2021 $'000 | 30 June 2020 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Revenue | 5 | **350,696** | 275,566 |
| Interest and other income | 5 | **267** | 289 |
| **Total revenue and other income** | | **350,963** | 275,855 |
| | | | |
| **Expenses** | | | |
| Consumables | | **(17,017)** | (12,481) |
| Employee benefits expense | 6 | **(197,992)** | (154,262) |
| Depreciation expense | 6 | **(18,747)** | (14,819) |
| Amortisation expense | 6 | **(16,167)** | (10,861) |
| Transaction and integration expenses | 6 | **(2,219)** | (5,135) |
| Share based payment expense | 24 | **(2,080)** | (1,341) |
| Equipment related expenses | | **(12,152)** | (8,408) |
| Occupancy expenses | | **(7,492)** | (5,593) |
| Other expenses | | **(22,984)** | (19,136) |
| Finance costs | 6 | **(8,909)** | (8,559) |
| Share of net profits of joint ventures accounted for using the equity method | 16 | **18** | - |
| **Total expenses** | | **(305,741)** | (240,595) |
| | | | |
| Profit before income tax expense | | **45,222** | 35,260 |
| | | | |
| Income tax expense | 7 | **(13,954)** | (12,227) |
| | | | |
| **Profit for the year from continuing operations** | | **31,268** | 23,033 |
| | | | |
| Profit is attributable to: | | | |
| **Owners of Integral Diagnostics Limited** | | **31,268** | 23,033 |
| | | | |
| **Earnings per share attributable to the owners of Integral Diagnostics Limited** | | **Cents** | **Cents** |
| Basic earnings per share | 38 | **15.80** | 12.43 |
| Diluted earnings per share | 38 | **15.60** | 12.31 |

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 2021

| | Note | 30 June 2021 $'000 | 30 June 2020 $'000 |
|---|---|---|---|
| **Profit for the year** | | **31,268** | 23,033 |
| | | | |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Exchange differences on translation of foreign operations | | **(163)** | (1,090) |
| Net (loss)/gain on cash flow hedges | | **-** | 19 |
| | | | |
| **Other comprehensive income for the year, net of tax** | | **31,105** | 21,962 |
| | | | |
| **Total comprehensive income for the year** | | **31,105** | 21,962 |
| | | | |
| Total comprehensive income is attributable to: | | | |
| Owners of Integral Diagnostics Limited | | **31,105** | 21,962 |

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 2021

| | Note | 30 June 2021 $'000 | 30 June 2020 $'000 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents | 8 | **62,203** | 57,965 |
| Trade and other receivables | 9 | **14,260** | 10,404 |
| Other assets | 10 | **4,874** | 7,086 |
| Inventory | 11 | **914** | 1,002 |
| **Total current assets** | | **82,251** | 76,457 |
| | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **111,094** | 101,005 |
| Right-of-use assets | 13 | **100,391** | 88,571 |
| Intangible asset | 14 | **344,729** | 307,271 |
| Deferred tax asset | 15 | **16,335** | 13,607 |
| Investments accounted for using the equity method | 16 | **99** | - |
| **Total non-current assets** | | **572,648** | 510,454 |
| | | | |
| **Total assets** | | **654,899** | 586,911 |
| | | | |
| **Liabilities** | | | |
| Current liabilities | | | |
| Trade and other payables | 17 | **20,271** | 18,616 |
| Borrowings | 18 | **6,543** | 13,177 |
| Lease liabilities | 13 | **10,427** | 9,608 |
| Income tax payable | | **4,509** | 4,968 |
| Contingent consideration | 20 | **15,863** | 13,317 |
| Provisions | 19 | **20,286** | 16,556 |
| **Total current liabilities** | | **77,899** | 76,242 |
| | | | |
| **Non-current liabilities** | | | |
| Contingent consideration | 20 | **7,246** | 7,971 |
| Borrowings | 21 | **192,185** | 168,564 |
| Lease liabilities | 13 | **99,199** | 86,499 |
| Deferred tax liability | 15 | **13,826** | 11,515 |
| Provisions | 22 | **9,805** | 7,790 |
| **Total non-current liabilities** | | **322,261** | 282,339 |
| | | | |
| **Total liabilities** | | **400,160** | 358,581 |
| | | | |
| **Net assets** | | **254,739** | 228,330 |
| | | | |
| **Equity** | | | |
| Contributed capital | 23 | **219,219** | 207,437 |
| Reserves | 24 | **(8,883)** | (10,800) |
| Retained profits | 25 | **44,403** | 31,693 |
| **Total equity** | | **254,739** | 228,330 |

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 2021

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| | 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 – Note 13 | - | - | (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:** | | | | |
| Unwinding of DTA in equity (Note 15) | 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 |
| Issue of shares under shareholder entitlement offers (Note 23) | 72,023 | - | - | 72,023 |
| Share based payments (Note 24) | - | 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 |

| | Contributed capital $'000 | Reserves $'000 | Retained profits $'000 | Total equity $'000 |
|---|---|---|---|---|
| **Balance at 1 July 2020** | **207,437** | **(10,800)** | **31,693** | **228,330** |
| Profit after income tax expense | **-** | **-** | **31,268** | **31,268** |
| Movement in translation of foreign operations | **-** | **(163)** | **-** | **(163)** |
| Total comprehensive income | **-** | **(163)** | **31,268** | **31,105** |
| **Transactions with owners in their capacity as owners:** | | | | |
| Net tax effect of transaction costs recognised in equity | **(108)** | | | **(108)** |
| Transaction costs recognised in equity (Note 23) | **(139)** | **-** | **-** | **(139)** |
| Issue of ordinary shares under Radiologist incentive scheme (Note 23) | **1,500** | **-** | **-** | **1,500** |
| Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax (Note 23) | **9,857** | **-** | **-** | **9,857** |
| Share based payments (Note 24) | **-** | **2,080** | **-** | **2,080** |
| Dividends paid and reinvested in equity (Note 26) | **672** | **-** | **(18,558)** | **(17,886)** |
| Balance at 30 June 2021 | **219,219** | **8,883** | **44,403** | **254,739** |

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 2021

| | Note | 30 June 2021 $'000 | 30 June 2020 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **347,504** | 277,819 |
| Payments to suppliers and employees | | **(248,752)** | (199,914) |
| Transaction and integration costs relating to acquisition of subsidiaries | | **(2,219)** | (5,135) |
| Interest and other finance costs paid | | **(10,315)** | (8,559) |
| Interest received | | **88** | 267 |
| Income taxes paid | | **(16,734)** | (10,228) |
| Net cash from operating activities | 37 | **69,572** | 54,250 |
| **Cash flows from investing activities** | | | |
| Payments for purchase of subsidiary, net of cash acquired | 34 | **(35,459)** | (66,891) |
| Payments in settlement of contingent consideration | | **(931)** | (766) |
| Payments for property, plant and equipment | | **(20,259)** | (25,876) |
| Payments for registration of brand names | | **(14)** | - |
| Net cash used in investing activities | | **(56,663)** | (93,533) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | 23 | **1,792** | 73,484 |
| Transaction costs paid on issue of share capital | 23 | **(139)** | (3,509) |
| Proceeds from borrowings drawn | | **35,180** | 45,731 |
| Repayment of borrowings | | **(16,786)** | (14,068) |
| Repayment of the principal element of lease liabilities | | **(9,995)** | (8,209) |
| Dividends paid to Company shareholders | | **(17,886)** | (18,029) |
| Net cash from financing activities | | **(7,834)** | 75,400 |
| Net increase in cash and cash equivalents | | **5,075** | 36,117 |
| Cash and cash equivalents at the beginning of the financial year | | **57,965** | 20,967 |
| Effects of exchange rate changes on cash and cash equivalents | | **(837)** | 881 |
| Cash and cash equivalents at the end of the financial year | 8 | **62,203** | 57,965 |

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

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# 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 26th August 2021. 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.

### 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.

### New, revised or amending accounting standards and interpretations adopted

The Group has adopted all new, revised or amended accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. There is no material impact from the adoption of these new standards.

Any new, revised or amending accounting standards or interpretations that are not yet mandatory have not been early adopted.

### Principles of consolidation and equity accounting

#### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Integral Diagnostics Limited as at 30 June 2021 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 can 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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## Note 2. Significant accounting policies continued

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.

### *(ii) Joint arrangements*

The Group's interests in joint ventures are accounted for using the equity method (see (iii) below), after initially being recognised at cost in the consolidated balance sheet.

### *(iii) Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described later in this note.

### 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 Company'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 other comprehensive income ("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 average exchange rates for the period. 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).

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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## Note 2. Significant accounting policies continued

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 non-recourse in nature and it is held off balance sheet and no corresponding amounts held in equity for the issued shares. The cost of the loan is recorded in the income statement over the service period, with the corresponding amount charged to equity. This equity value is recorded as share capital 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.

### Revenue

Revenue from diagnostic imaging services is recognised on completion and reporting of imaging to the referring doctor. For diagnostic imaging services provided under contract, revenue is recognised based on the actual service provided to the end of the reporting period. This is determined based on the actual volume of exams reported.

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.

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## Property leases

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.

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, 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, as is expected to be the case with future lease renewals.

## 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 Instrument 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 2021. None of these new standards and interpretations are expected to have a material impact on the Group's financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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## 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 calculations require the use of assumptions, including anticipated sales growth, long-term growth rate and the post-tax discount rate. These assumptions have taken into account uncertainty arising due to COVID-19 as outlined in Note 14.

### 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, including the continuation of the stable regulatory environment and current competitive practices for healthcare services in both Australia and New Zealand.

### 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.

### Business combination accounting

In applying business combination accounting to its acquisitions, the Group makes estimations of future cash flows and applies an appropriate discount rate to measure identified assets, including brand names and customer contracts. The Group is also required to estimate contingent considerations, involving the estimation of future earnings to be generated by the acquired business for a defined period. These liabilities are further detailed in Note 20.

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## 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 2021, there was no external revenue greater than 10% to any one customer (2020: 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 2021 $'000 | 30 June 2020 $'000 |
| *Total revenue and other income from continuing operations* | | |
| Australia | **304,562** | 251,023 |
| New Zealand | **46,401** | 24,832 |
| | **350,963** | 275,855 |
| | | |
| *Total non-current assets* | | |
| Australia | **410,740** | 408,025 |
| New Zealand | **161,908** | 102,429 |
| | **572,648** | 510,454 |

## Note 5. Revenue

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| **Sales revenue** | | |
| Services revenue | **348,808** | 274,081 |
| | | |
| **Other revenue** | | |
| Other revenue | **1,888** | 1,485 |
| **Revenue** | **350,696** | 275,566 |
| | | |
| **Interest and other income** | | |
| Interest income | **88** | 267 |
| Realised FX gain | **179** | 22 |
| | **267** | 289 |
| **Total revenue and other income** | **350,963** | 275,855 |
| | | |
| **Timing of revenue recognition** | | |
| At a point in time | **334,722** | 266,775 |
| Over time | **15,974** | 8,791 |
| | **350,696** | 275,566 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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## Note 5. Revenue continued

### Accounting policy for revenue recognition

Revenue is recognised when the Group has fulfilled its contractual performance obligations to its customers. Revenue is measured at the fair value of the consideration received or receivable, and except for specific customer contracts where service revenues are recognised over time, revenue recognised is at a point in time.

### Rendering of services

Rendering of services revenue is recognised when the service is rendered for the provision of medical imaging services. For some specific customer contracts service revenues are recognised over time on a straight-line basis, which reflects the contract requirement for services to be delivered evenly over the term. All other 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).

## Note 6. Expenses

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Profit before income tax includes the following specific expenses: | | |
| **Depreciation expense** | | |
| Leasehold improvements | **2,705** | 1,999 |
| Plant and equipment | **13,373** | 10,925 |
| Motor vehicles | **32** | 21 |
| Office furniture and equipment | **2,637** | 1,874 |
| **Total depreciation** | **18,747** | 14,819 |
| **Amortisation expense** | | |
| Customer contracts | **4,474** | 1,387 |
| Right-of-use assets | **11,692** | 9,474 |
| Total amortisation | **16,167** | 10,861 |
| **Total depreciation and amortisation** | **34,914** | 25,680 |
| Net loss on disposal of property, plant and equipment | **390** | 1,460 |
| **Transaction and integration costs relating to acquisition of subsidiaries** | | |
| Professional fees and other costs | **2,219** | 5,135 |
| **Total transaction costs** | **2,219** | 5,135 |
| **Finance costs** | | |
| Interest and finance charges paid/payable | **8,817** | 8,559 |
| Unwinding of the effect of discounting provisions | **92** | - |
| **Finance costs expensed** | **8,909** | 8,559 |
| **Employee benefits expense** | | |
| Employee benefits | **173,630** | 137,761 |
| Government grants | **(6,695)** | (9,595) |
| Superannuation contributions | **10,862** | 9,004 |
| Labour supply | **20,195** | 17,092 |
| **Total employee benefits expense** | **197,992** | 154,262 |

Costs of inventories recognised as expense were $17.0 million (2020: $12.5 million).

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### Accounting policy for finance costs

Borrowing costs are expensed in the period in which they are incurred. Amounts relating to the unwinding of discounting are classified as finance costs.

### Government grants

The Group elected to make a voluntary return of surplus JobKeeper funds to government of $2.9 million pre-tax (2020: nil), being the assessed the benefit received by the Group after making allowance for the impact of COVID-19 and the cost of retaining staff during these disruptions. The amount of government grants disclosed in the above table is presented net of this return.

JobKeeper payments, New Zealand Wage Subsidy and payroll tax refunds received as part of the government response to the COVID-19 pandemic of $10.2 million (2020: $9.6 million) were partially offset by $0.7 million (2020: $0.8 million) of top up payments included in the employee benefits line item. The JobKeeper payments and New Zealand Wage Subsidy are taxable income, the net benefit to the Group after top up payments, voluntary return of JobKeeper and related tax effects was $4.7 million (2020: $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 to the extent as outlined in Note 17.

In accordance with the legislative requirements, JobKeeper payment eligibility was 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 2021 $'000 | 30 June 2020 $'000 |
| **Income tax expense** | | |
| Current tax | **15,827** | 12,803 |
| Deferred tax – origination and reversal of temporary differences | **(1,873)** | (576) |
| Total income tax expense | **13,954** | 12,227 |
| | | |
| Deferred tax included in income tax expense comprises: | | |
| (Increase) in deferred tax assets (Note 15) | **(2,728)** | (656) |
| Increase/(decrease) in deferred tax liabilities (Note 15) | **855** | 80 |
| | **(1,873)** | (576) |
| Numerical reconciliation of income tax expense and tax at the statutory rate | | |
| Profit before income tax expense | **45,222** | 35,260 |
| | | |
| Tax at the Australian statutory rate of 30% (2020:30%) | **13,412** | 10,578 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Entertainment costs | **49** | 51 |
| Transaction costs | **131** | 623 |
| Customer contract amortisation | **-** | 248 |
| Share based payments | **621** | 403 |
| Share of profits of joint ventures Instrument | **(5)** | - |
| Transactions costs deducted in equity | **(5)** | 326 |
| | **14,208** | 12,229 |
| Adjustment recognised for prior periods | **(99)** | 142 |
| Impact of lower tax rate in New Zealand | **(155)** | (144) |
| Income tax expense | **13,954** | 12,227 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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## Note 7. Income tax expense continued

### 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 2021 $'000 | 30 June 2020 $'000 |
| Cash on hand | **16** | 21 |
| Cash at bank | **62,187** | 57,944 |
| | **62,203** | 57,965 |

### Accounting policy for cash and cash equivalents

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

## Note 9. Current assets – trade and other receivables

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Trade receivables | **14,788** | 10,610 |
| Less: loss allowance | **(546)** | (235) |
| | **14,242** | **10,375** |
| Other receivables | **18** | 29 |
| | **14,260** | 10,404 |

### Impairment of receivables

Movements in the loss allowance for trade receivables are as follows:

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Opening balance | **235** | 81 |
| Recognised on business combination | **313** | - |
| Additional allowance recognised | **85** | 205 |
| Receivables written off during the year as uncollectable | **(87)** | (51) |
| Closing balance | **546** | 235 |

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The ageing of receivables past due is as follows:

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Past due 31 to 60 days | **785** | 437 |
| Past due 61 to 90 days | **335** | 201 |
| Past due more than 91 days | **1,034** | 811 |
| | **2,154** | 1,449 |

### Accounting policy for trade and other receivables

Trade receivables are amounts due from customers for services rendered. They are generally due for settlement within 30 to 60 days and are therefore all classified as current. Trade receivables are initially recognised at the amount of consideration that is unconditional. None of the Group's trade receivables have a significant financing component. The group holds these receivables to collect the contractual cash flows and thus subsequently measures these at amortised cost less any loss allowance. Due to the short-term nature of these receivables, their carrying amount is assumed to approximate fair value. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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. The expected credit loss rates are based on the payment profile of sales in recent periods and historical loss rates. The historical loss rates are adjusted to reflect current and forward looking information on factors affecting the ability of customers to settle the receivable, including an increased risk associated with collection of outstanding amounts based on additional factors such as probability of bankruptcy or financial reorganization and consideration of the impact of COVID-19.

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

## Note 10. Current assets – other

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Accrued income | **1,557** | 4,075 |
| Prepayments | **2,623** | 2,654 |
| Security deposits | **401** | 345 |
| Other current assets | **293** | 12 |
| | **4,874** | 7,086 |

## Note 11. Inventory

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Contrast, drugs, needles & personal protective equipment | **914** | 1,002 |

### 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 and personal protective equipment. Costs of inventories recognised as an expense was $17.0 million (2020: $12.4 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## Note 12. Non-current assets – property, plant and equipment

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Work in progress – at cost | **2,025** | 998 |
| Leasehold improvements – at cost | **43,298** | 37,303 |
| Less: Accumulated depreciation | **(11,541)** | (9,058) |
| | **31,757** | 28,245 |
| Plant and equipment – at cost | **119,769** | 106,916 |
| Less: Accumulated depreciation | **(52,354)** | (42,408) |
| | **67,415** | 64,508 |
| Motor vehicles – at cost | **322** | 285 |
| Less: Accumulated depreciation | **(172)** | (162) |
| | **150** | 123 |
| Office furniture and equipment – at cost | **21,690** | 16,616 |
| Less: Accumulated depreciation | **(11,943)** | (9,485) |
| | **9,747** | 7,131 |
| | **111,094** | 101,005 |

### Reconciliations

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 2019 | 9,864 | 12,869 | 43,394 | 69 | 4,586 | 70,782 |
| Business combination – Note 34(b) | - | 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 | 28,245 | 64,508 | 123 | 7,131 | 101,005 |
| Business combination – Note 34(a) | **-** | **2,975** | **5,292** | **-** | **321** | **8,588** |
| Additions | **20,687** | **-** | **-** | **-** | **-** | **20,687** |
| Transfers | **(19,660)** | **3,269** | **11,407** | **59** | **4,925** | **-** |
| Disposals/write offs | **-** | **(108)** | **(514)** | | **(9)** | **(631)** |
| Depreciation expense | **-** | **(2,705)** | **(13,373)** | **(32)** | **(2,637)** | **(18,747)** |
| Exchange differences | **-** | **81** | **95** | **-** | **16** | **192** |
| Balance at 30 June 2021 | **2,025** | **31,757** | **67,415** | **150** | **9,747** | **111,094** |

### Property, plant and equipment secured under asset financing facility

Refer to Note 21 for further information on property, plant and equipment secured under asset financing.

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### Accounting policy for property, plant and equipment

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

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

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

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter. Leasehold improvements include the expected future cost of making good 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 the policy set out above.

## Note 13. Leases

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

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| **Right-of-use assets** | | |
| Property leases | **100,391** | 88,571 |
| | | |
| **Lease liabilities** | | |
| Current | **10,427** | 9,608 |
| Non-current | **99,199** | 86,499 |
| | **109,626** | 96,107 |

Additions to the right-of-use assets during the year were $14.5m (2020: $24.1m).

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

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Depreciation charge against right-of-use assets (included in depreciation and amortisation expense) | **11,692** | 9,474 |
| Interest expense (included in finance cost) | **3,728** | 2,972 |
| Expense relating to short-term leases (included in occupancy expenses) | **768** | 522 |
| Credits received as rent concessions due to COVID-19 (included in occupancy expenses) | **-** | (641) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## Note 13. Leases continued

### Reconciliation of movements in lease liabilities during the period

| | 30 June 2021 $'000 | 30 June 2020 $'000 |
|---|---|---|
| Lease liabilities recognised at 1 July 2020 | **96,107** | 63,478 |
| Lease liabilities assumed on acquisition | **12,527** | 21,857 |
| Remeasurement of liability for CPI adjustments | **1,824** | 375 |
| Early termination of leases | **(5,379)** | (5,449) |
| New leases entered into during the period | **14,542** | 24,055 |
| Repayment of lease liabilities, net of interest | **(9,995)** | (8,209) |
| Lease liabilities recognised at 30 June 2021 | **109,626** | 96,107 |

## Note 14. Non-current assets – intangibles

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Goodwill – at cost | **315,790** | 280,017 |
| Brand names and trademarks – at cost | **24,745** | 24,768 |
| Customer contracts – at cost | **15,320** | 9,171 |
| Less: Accumulated amortisation | **(11,126)** | (6,685) |
| | **4,194** | 2,486 |
| | **344,729** | 307,271 |

### 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 & trademarks[1] $'000 | Customer contracts $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 30 June 2019 | 184,112 | 17,246 | 895 | 202,253 |
| Assets recognised on business combination acquisitions | 97,742 | 7,900 | 2,900 | 108,542 |
| 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 | 280,017 | 24,768 | 2,486 | 307,271 |
| Assets recognised on business combination acquisition – Note 34(a) | 35,388 | - | 6,044 | 41,432 |
| Additions | - | 14 | - | 14 |
| Amortisation expense | - | - | (4,474) | (4,474) |
| Foreign currency exchange | 385 | (37) | 138 | 486 |
| Balance at 30 June 2021 | 315,790 | 24,745 | 4,194 | 344,729 |

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.

Reconciliations of the carrying values by cash generating unit are set out below:

| Consolidated | Australia $'000 | New Zealand $'000 | Total $'000 |
|---|---|---|---|
| Goodwill | 200,210 | 115,580 | 315,790 |
| Brand names and trademarks | 15,085 | 9,660 | 24,745 |
| Customer contracts | 1,864 | 2,330 | 4,194 |
| Balance at 30 June 2021 | 217,159 | 127,570 | 344,729 |

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## 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. Brand names and trademarks are allocated to brand level cash-generating units.

## 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 the Board. 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 and assume a continuation of the stable regulatory environment for healthcare services in both Australia and New Zealand.

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

| | 2021 % | 2020 % |
|---|---|---|
| **Australia** | | |
| Long-term growth rate | **1.9** | 2.2 |
| Pre-tax discount rate | **10.6** | 12.8 |
| **New Zealand** | | |
| Long-term growth rate | **1.5** | 2.2 |
| Pre-tax discount rate | **12.1** | 13.1 |

### Australia

Within the value-in-use calculation for the five-year forecast period revenues have been forecast to grow between 1.9% – 8.9% (2020: 2.1% – 6.1%) and 1.9% (2020: 2.2%) into perpetuity. The forecast cash flows also include ongoing investment in property, plant and equipment to maintain the existing base and cash flows for the forecast period.

The pre-tax discount rate would need to increase by more than 670 basis points (2020: 420 basis points) or the revenue growth rate decline by more than 160 basis points (2020: 270 basis points) in the five-year forecast period for there to be any impairment of the goodwill balance.

### New Zealand

Within the value-in-use calculation for the five-year forecast period revenues have been forecast to grow between 1.5% – 17.8% (2020: 2.2% – 7.3%) and 1.5% (2020: 2.2%) into perpetuity. The forecast cash flows also include ongoing investment in property, plant and equipment to maintain the existing base and cash flows for the forecast period.

The pre-tax discount rate would need to increase by more than 580 basis points (2020: 330 basis points) or the revenue growth rate decline by more than 360 basis points (2020: 340 basis points) in the five-year forecast period for there to be any impairment of the goodwill balance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## Note 14. Non-current assets – intangibles continued

### 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 of amortisation 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 and trademarks

Significant costs associated with brand names and trademarks 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 balance remaining consists of the contracts held with the Central Queensland Hospital and Health Service, and the Southern Cross Health Insurance, Accident Compensation Corporation and healthAlliance in New Zealand.

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## Note 15. Deferred tax

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| **Deferred Tax Assets** | | |
| Deferred tax asset comprises temporary differences attributable to: | | |
| Employee benefits and other provisions | **10,770** | 8,638 |
| Provisions for lease make good | **1,035** | 954 |
| Transaction costs in equity | **665** | 842 |
| Transaction costs | **834** | 697 |
| Tax losses available | **268** | 267 |
| Leases | **2,763** | 2,209 |
| Total Deferred Tax Asset | **16,335** | 13,607 |
| | | |
| Amount expected to be recovered within 12 months | **4,116** | 3,376 |
| Amount expected to be recovered after more than 12 months | **12,219** | 10,231 |
| | **16,335** | 13,607 |
| Movements: | | |
| Opening balance | **13,607** | 7,798 |
| Credited to profit or loss (Note 7) | **2,728** | 656 |
| Credited to equity | **-** | 1,609 |
| Amounts recognised on transition to AASB 16 | **-** | 1,893 |
| Amounts recognised through business combination (Note 34) | **-** | 1,651 |
| Closing balance | **16,335** | 13,607 |
| | | |
| **Deferred Tax Liabilities** | | |
| Deferred tax liability comprises temporary differences attributable to: | | |
| Property, plant and equipment | **(5,384)** | (3,533) |
| Brand names and customer contracts | **(8,442)** | (7,982) |
| Total Deferred Tax Liability | **(13,826)** | (11,515) |
| | | |
| Amount expected to be settled within 12 months | **(538)** | (540) |
| Amount expected to be settled after more than 12 months | **(13,288)** | (10,975) |
| | **(13,826)** | (11,515) |
| Movements: | | |
| Opening balance | **(11,515)** | (7,952) |
| Credited to profit or loss (Note 7) | **(855)** | 80 |
| Additions through business combinations (Note 34) | **(1,456)** | (3,643) |
| Closing balance | **(13,826)** | (11,515) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## Note 15. Deferred tax continued

### Accounting policy for deferred tax

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

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

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

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax-consolidated group. The tax consolidated group has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group, arising under the joint and several liability provisions of the tax consolidation system, in the event of default by the head entity to meet its payment obligations.

## Note 16. Interests in other entities

### Interests in joint ventures

Set out below are the joint ventures of the Group as at 30 June 2021. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

| | | Ownership interest | | | Carrying amount | |
|---|---|---|---|---|---|---|
| Name of joint venture | Place of incorporation | 2021 % | 2020 % | Measurement method | 2021 $'000 | 2020 $'000 |
| MedX | Australia | **50%** | - | Equity method | **-** | - |
| Ascot at Maranui | New Zealand | **50%** | - | Equity method | **99** | - |

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### Summarised financial information for joint ventures

The tables summarise the financial information for those joint ventures of the group accounted for using the equity method.

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $000 |
| Aggregate carrying amount of individual immaterial joint ventures | **99** | - |
| Aggregate share of amounts of the group's share of: | | |
| Profit from continuing operations | **18** | - |
| Other comprehensive income | **-** | - |
| **Total comprehensive income** | **18** | - |

## Note 17. Current liabilities – trade and other payables

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Trade payables | **4,753** | 4,616 |
| Other payables and accruals | **15,518** | 14,000 |
| | **20,271** | 18,616 |

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 $Nil (2020: $1.3 million) are included in the other payables and accruals balance above.

## Note 18. Current liabilities – borrowings

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Asset financing facility | **6,543** | 13,177 |

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

Refer to Note 27 for further information on financial instruments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## Note 19. Current liabilities – provisions

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Annual leave | **13,891** | 9,906 |
| Long service leave | **5,935** | 6,146 |
| Employee benefits | **282** | 119 |
| Lease make good[1] | **178** | 385 |
| | **20,286** | 16,556 |

1. Refer to note 22 for the accounting policy for lease make good and long service leave provisions.

### 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 20. Contingent consideration

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Current portion | **15,863** | 13,317 |
| Non-current portion | **7,246** | 7,971 |
| | **23,109** | 21,228 |

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

| Consolidated | Total $'000 |
|---|---|
| Carrying amount at the start of the year | 21,228 |
| Recognised on business combination – Note 34 | 2,556 |
| Remeasurements charged through profit or loss[1] | 256 |
| Amounts paid during the year | (931) |
| Balance at 30 June 2021 | 23,109 |

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

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### Contingent consideration

Contingent consideration arises from contractual commitments entered into on the acquisition of businesses. Where contingent 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 contingent 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 business combination accounting and based on expectation of payment. Any increment or decrement arising from remeasurement of these liabilities is charged to profit or loss.

We continue to work through the payment for Earn Out A on the Imaging Queensland acquisition which is measurable on the operating performance of the Imaging Queensland Group over the 2020 calendar year and for which we have $12.4m provided. The Earn Out calculation has been complicated by the COVID-19 pandemic including the receipt of JobKeeper by Imaging Queensland. The payment is now subject to the dispute settlement process as provided for in the Share Sale Contract. IDX remains confident, and has received preliminary external expert advice, that the amount provided in the financial statements for settlement of the Earn Out A payment is fair and reasonable and calculated in line with the requirements of our contractual obligations under the Share Sale Contract.

## Note 21. Non-current liabilities – borrowings

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Club debt facility | **187,969** | 157,004 |
| Asset financing facility | **4,216** | 11,560 |
| | **192,185** | 168,564 |

The fair values of these borrowings are not materially different from their carrying amounts, as the interest payable on those borrowings reflect either current market rates or the borrowings are of a short-term nature.

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 2021 $'000 | 30 June 2020 $'000 |
| Club debt facility | **187,969** | 157,004 |
| Asset financing facility | **10,759** | 24,737 |
| | **198,728** | 181,741 |

### 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 club debt facility the financiers have security over the cash flows of the business.

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## Note 21. Non-current liabilities – borrowings continued

### Financial arrangements

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

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| **Total facilities** | | |
| Asset finance facility | **80,000** | 65,000 |
| Cash advance facility | **260,000** | 180,000 |
| Cash advance facility NZD | **60,000** | 60,000 |
| Standby letter of credit or guarantee facility | **7,000** | 7,000 |
| Commercial cards facility | **340** | 338 |
| Electronic payaway facility | **3,075** | 3,075 |
| | **410,415** | 315,413 |
| **Used at the reporting date** | | |
| Asset finance facility | **10,728** | 24,737 |
| Cash advance facility | **137,573** | 105,000 |
| Cash advance facility NZD | **52,429** | 52,635 |
| Standby letter of credit or guarantee facility | **2,273** | 2,102 |
| Commercial cards facility | **14** | 59 |
| Electronic payaway facility | **-** | - |
| | **203,017** | 184,533 |
| **Unused at the reporting date** | | |
| Asset finance facility | **69,272** | 40,263 |
| Cash advance facility | **122,427** | 75,000 |
| Cash advance facility NZD | **7,571** | 7,365 |
| Standby letter of credit or guarantee facility | **4,727** | 4,898 |
| Commercial cards facility | **326** | 279 |
| Electronic payaway facility | **3,075** | 3,075 |
| | **207,398** | 130,880 |

### Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method. During the year, the terms of the Group's facilities were renegotiated with the lenders. There were no substantial changes to the terms of the agreement. Under the current lending arrangement the cash advance facilities expire in February 2026.

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## Note 22. Non-current liabilities – provisions

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Long service leave | **4,703** | 3,301 |
| Lease make good | **5,102** | 4,489 |
| | **9,805** | 7,790 |

### 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 been estimated for each location, based on specific terms of individual leases, size of the individual sites, and historical experience of costs incurred when vacating a site.

### Movements in provisions

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

| | Lease make good $'000 |
|---|---|
| **Consolidated – 2021** | |
| Carrying amount at the start of the year | 4,874 |
| Provision recognised on business combination | 334 |
| Additional provisions | 24 |
| Amounts used | (62) |
| Accounting adjustment for revision of underlying estimates and unwinding of discounting | 110 |
| Carrying amount at the end of the year | 5,280 |

### 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

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## Note 23. Equity – contributed capital

| | Consolidated | | Consolidated | |
|---|---|---|---|---|
| | 30 June 2021 Shares | 30 June 2020 Shares | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Ordinary shares – fully paid | **198,628,698** | 194,684,039 | **219,219** | 207,437 |

| Movement in ordinary share capital | Date | Number of Shares | Issue Price | Total $'000 |
|---|---|---|---|---|
| Balances at 1 July 2019 | | 157,065,810 | | 109,507 |
| Shares issued under Radiologist Loan & Option Share Scheme[1] – Self-Funded | | 538,745 | 2.71 | 1,460 |
| Shares issued under Radiologist Loan Share Scheme[1] – Loan Shares | | 590,453 | - | - |
| Shares issues under institutional entitlement offer | | 15,157,587 | 2.71 | 41,077 |
| Shares issued under retail entitlement offer | | 11,419,345 | 2.71 | 30,946 |
| Shares issued as part of Imaging Queensland acquisition (Note 34) | | 9,772,724 | 2.71 | 26,484 |
| Shares issued under dividend reinvestment plan (DRP) | | 139,375 | 3.15 | 439 |
| Capital raising costs | | | | (3,508) |
| Transaction costs on acquisitions in equity | | | | 1,032 |
| Balance at 30 June 2020 | | 194,684,039 | | 207,437 |
| Shares issued for cash consideration as part of Ascot Radiology acquisition (Note 34) | 1 September | 85,790 | 3.40 | 292 |
| Shares issued as consideration as part of Ascot Radiology acquisition (Note 34) | 1 September | 2,809,625 | 3.40 | 9,565 |
| Shares issued under Radiologist Loan & Option Share Scheme[1] – Self-funded[2] | 2 September | 383,804 | 3.91 | 1,500 |
| Shares issued under Radiologist Loan Share Scheme[1] – Loan Shares | 2 September | 509,180 | - | - |
| Shares issued under dividend reinvestment plan (DRP) | 1 October | 72,675 | 4.08 | 298 |
| Shares issued under dividend reinvestment plan (DRP) | 6 April | 83,585 | 4.47 | 374 |
| Capital raising costs | | | | (139) |
| Net income tax effect of transaction costs in equity | | | | (108) |
| Balance at 30 June 2021 | | 198,628,698 | | 219,219 |

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). Subject to a 4-year service condition, 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). Subject to a 4-year service condition, 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.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and on a poll one vote for each fully paid ordinary share held.

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### Capital risk management

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

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

In order to maintain or adjust the capital structure, adjustments may be made to the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group has also initiated a dividend reinvestment plan (DRP) during the prior 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 prior 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 2021 $'000 | 30 June 2020 $'000 |
| Share-based payments reserve | **4,100** | 2,019 |
| Capital reorganisation reserve | **(3,849)** | (3,849) |
| Transactions with non-controlling interest | **(8,013)** | (8,013) |
| Foreign currency translation reserve | **(1,121)** | (957) |
| | **(8,883)** | (10,800) |

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## Note 24. Equity – reserves continued

### 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.

### 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.

### 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 | Total $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2019 | 679 | (3,849) | (8,013) | 132 | (11,050) |
| Recognition of share-based payments | 1,341 | - | - | - | 1,341 |
| Movement in translation of foreign operations | - | - | - | (1,090) | (1,090) |
| Balance at 30 June 2020 | 2,020 | (3,849) | (8,013) | (958) | (10,800) |
| Recognition of share-based payments | 2,080 | - | - | | 2,080 |
| Movement in translation of foreign operations | - | - | - | (163) | (163) |
| Balance at 30 June 2021 | 4,100 | (3,849) | (8,013) | (1,121) | (8,883) |

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

| | 30 June 2021 $'000 | 30 June 2020 $'000 |
|---|---|---|
| Share-based payment expense – Long Term Incentive (LTI) Scheme | **1,265** | 835 |
| Share-based payment expense – Radiologist Loan Funded Share Plan (LFSP) | **815** | 506 |
| Total expense arising from equity-settled share-based payment transactions | **2,080** | 1,341 |

There were no cancellations or modifications to the awards in 2021 or 2020.

### 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. Under the plan, performance rights only vest with an equity settlement if an EPS growth hurdle and a 4-year service condition are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

| | 2021 Number | 2020 Number |
|---|---|---|
| Outstanding at 1 July | **1,538,873** | 974,088 |
| Granted during the year | **396,065** | 564,785 |
| Forfeited during the year | **-** | - |
| Exercised during the year | **-** | - |
| Expired during the year | **-** | - |
| **Outstanding at 30 June** | **1,934,938** | 1,538,873 |
| Exercisable at 30 June | **-** | - |

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The following table lists the inputs to the valuation model used for the LTI plan. In FY2021 the LTI plan was granted to members of the Senior Management Team and the Senior Leadership Team on 17 August 2020 and CEO on 30 October 2020. The varying dates resulted in different valuation metrics applicable to each LTI grant which are set out respectively below.

| | 2021 LTI (1) Plan | 2020 LTI (1) Plan | 2020 LTI (2) Plan | 2019 LTI grants |
|---|---|---|---|---|
| Weighted average fair values at the measurement date ($) | **3.35/3.75** | 2.75/3.01 | 3.08/3.53 | 2.38 |
| Dividend yield (%) | **3.0** | 3.5 | 3.5 | 4.6 |
| Expected volatility (%) | **N/A** | N/A | N/A | N/A |
| Risk-free interest rate (%) | **0.27/0.13** | 0.72/0.77 | 0.71/0.72 | 2.18 |
| Expected life of share (years) | **4** | 4 | 4 | 4 |
| Weighted average share price ($) | **3.91** | 2.71 | 2.71 | 2.79 |
| 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 2021, shares and options were issued to participating radiologists on 2 September 2020.

The value of the shares issued under the plan was $3.91 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 $3.91 and an expiry date of 2 September 2030.

| | 2021 Options | 2021 WAEP[1] | 2021 Shares | 2021 WAEP[1] |
|---|---|---|---|---|
| **Outstanding at 1 July 2019** | **-** | - | 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 2020** | **505,202** | 2.71 | 1,695,256 | 2.70 |
| Granted during the year | **258,428** | 3.91 | 509,180 | 3.91 |
| Forfeited during the year | **-** | - | - | - |
| Exercised during the year | **-** | - | - | - |
| Expired during the year | **-** | - | - | - |
| **Outstanding at 30 June 2021** | **763,630** | 3.12 | 2,204,436 | 2.98 |
| Exercisable at 30 June | **-** | - | - | - |

1. Weighted average exercise price (WAEP).

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

| | 2021 LFSP Options | 2021 LFSP Shares | 2020 LFSP Options | 2020 LFSP Shares |
|---|---|---|---|---|
| Weighted average fair values at the measurement date ($) | **1.59** | **1.66** | 1.09 | 1.13 |
| Dividend yield (%) | **N/A** | **N/A** | N/A | N/A |
| Expected volatility (%) | **40** | **40** | 35 | 35 |
| Risk-free interest rate (%) | **0.43** | **0.43** | 0.71 | 0.71 |
| Expected life of share (years) | **4.5** | **5** | 4.5 | 4 |
| Weighted average share price ($) | **3.91** | **3.91** | 2.71 | 2.71 |
| Model used | **Black Scholes** | **Black Scholes** | Black Scholes | Black Scholes |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## Note 25. Equity – retained profits

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Retained profits at the beginning of the financial year | **31,693** | 28,782 |
| Adjustment on first time adoption of AASB 16, net of tax effects (Note 13) | **-** | (1,654) |
| Profit after income tax expense for the year | **31,268** | 23,033 |
| Dividend paid (Note 26) | **(18,558)** | (18,468) |
| Retained profits at the end of the financial year | **44,403** | 31,693 |

## Note 26. Equity – dividends

### Dividends

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

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| 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 |
| Dividend paid 4 cents per share on 1 October 2020 | **7,734** | - |
| Dividend paid 5.5 cents per share on 6 April 2021 | **10,824** | - |
| | **18,558** | 18,468 |

### Franking credits

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Franking credits available for subsequent financial years based on a tax rate of 30% | **25,934** | 19,781 |

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 foreign currency risks 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:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| Consolidated | Weighted average interest rate % | Balance $'000 | Weighted average interest rate % | Balance $'000 |
| Cash at bank and on deposit | **0.13** | **62,203** | 0.61 | 57,965 |
| Club debt facility | **1.88** | **(187,969)** | 2.43 | 157,004 |
| Asset finance facility | **3.43** | **(10,759)** | 3.70 | (24,737) |
| Net exposure to cash flow interest rate risk | | **(136,525)** | | 123,776 |

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 (2020: 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 |
| 2021 | **100** | **2,031** | **1,422** | **(100)** | **(2,031)** | **(1,422)** |
| 2020 | 100 | 1,608 | 1,126 | (100) | (1,608) | (1,126) |

## 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.

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## Note 27. Financial instruments continued

### Foreign Currency Sensitivity

| | Change in NZD Rate | Effect on profit post tax $'000 | Effect on equity $'000 |
|---|---|---|---|
| 2021 | | | |
| | +2.5c | (166) | (1,770) |
| | -2.5c | 166 | 1,770 |
| 2020 | | | |
| | +2.5c | (125) | (1,153) |
| | -2.5c | 125 | 1,153 |

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.

### 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 4 years, 8 months (2020: 18 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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| As at 30 June 2021 | 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 | Total contracted cashflows $'000 |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade payables | - | 4,753 | - | - | - | 4,753 |
| Other payables | - | 15,518 | - | - | - | 15,518 |
| Deferred consideration | - | 15,863 | 526 | 6,720 | - | 23,109 |
| *Interest-bearing – variable* | | | | | | |
| Club debt facility | 1.88 | 4,949 | 4,949 | 204,852 | - | 214,750 |
| Asset financing facility | 3.43 | 6,916 | 3,642 | 512 | - | 11,070 |
| Property lease liabilities | 3.50 | 14,273 | 13,873 | 26,305 | 84,654 | 139,105 |
| **Total non-derivatives** | | 62,272 | 22,990 | 238,389 | 84,654 | 408,305 |

| As at 30 June 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 | Total contracted cashflows $'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 |

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 2021 $ | 30 June 2020 $ |
| Short-term employee benefits | **3,719,334** | 3,347,813 |
| Post-employment benefits | **148,479** | 127,348 |
| Long-term employee benefits | **61,713** | 59,323 |
| Share-based payments | **933,650** | 589,423 |
| | **4,863,176** | 4,123,907 |

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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 2021 $ | 30 June 2020 $ |
| **Audit services** | | |
| *PricewaterhouseCoopers Australia* | | |
| Audit and review of the financial statements | | |
| – Consolidated group | **337,000** | 324,500 |
| – Controlled entities | **30,000** | - |
| | **367,000** | 324,500 |
| **Other services** | | |
| *PricewaterhouseCoopers Australia* | | |
| Due diligence and tax advisory services | **133,266** | 54,500 |
| Tax compliance services | **150,148** | 73,240 |
| | **283,414** | 127,740 |
| *Network firms of PricewaterhouseCoopers* | | |
| Tax compliance and company secretarial services | **78,828** | 67,682 |
| Due diligence and tax advisory services | **2,525** | 172,568 |
| | **81,353** | 240,250 |
| Total other services | **364,767** | 367,990 |
| Total remuneration | **731,767** | 692,490 |

Non-audit fees during the year reflect the level of activity the Group has undertaken in completing the due diligence over prospective acquisition targets and on integrating the recently acquired Imaging Queensland and Ascot Radiology businesses.

The Company has considered and approved the nature of the non-audit fees and, in line with the Company's Non-Audit Services Policy, are satisfied with the independence of PricewaterhouseCoopers as auditor and are comfortable that the $364,767 of non-audit fees are appropriate and justified given the level of integration activity undertaken in FY21 including cross border transactions.

## Note 30. Contingent liabilities

The Group has given bank guarantees as at 30 June 2021 of $2.5 million (2020: $2.3 million) to various landlords.

## Note 31. Commitments

As at 30 June 2021, there were capital commitments for plant and equipment and leasehold improvements of $8.9 million (2020: nil).

## Note 32. Related party transactions

### Parent entity

Integral Diagnostics Limited is the parent entity.

### Subsidiaries

Interests in subsidiaries are set out in Note 35.

### Joint ventures

Interests in joint ventures are set out in Note 16.

### Key management personnel

Disclosures relating to Key Management Personnel are set out in Note 28 and the Remuneration Report on pages 22 to 37.

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## Note 32. Related party transactions continued

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.

The following transactions occurred with related parties:

| | Consolidated $ | % interest | KMP interest $ |
|---|---|---|---|
| **30 June 2021** | | | |
| Payment for rental of buildings to Eleven Eleven How Pty Ltd of which Dr Chien Ping Ho is related | **250,077**[2] | **6.25%** | **15,630** |
| Payment for rental of buildings to Kiwi Blue Pty Ltd of which Dr Chien Ping Ho is related | **148,388**[2] | **9.09%** | **13,488** |
| **30 June 2020** | | | |
| Payment for rental of buildings to Eleven Eleven How Pty Ltd of which Dr Chien Ping Ho is related | 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 | 237,066[1] | 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.
2. Amounts represent the rental payments for the period of the year in which Dr. Ho was a member of KMP (1 July 2020 through 1 April 2021 inclusive).

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.

### Loans to related party

| | 30 June 2021 $ | 30 June 2020 $ |
|---|---|---|
| Loan to key management personnel | **-** | - |
| Balance at the beginning of the year | **470,747** | - |
| Loans balance held on appointment as KMP | **470,747** | - |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## Note 33. Parent entity information

### Summary financial information

The individual financial statements for the parent entity, Integral Diagnostics Limited, show the following aggregate amounts.

### Statement of Profit or Loss and Other Comprehensive Income

| | Parent | |
|---|---|---|
| | 30 June 2021 $ | 30 June 2020 $ |
| Profit after income tax | **25,328** | 20,938 |
| Total comprehensive income | **25,328** | 20,938 |

### Statement of Financial Position

| | Parent | |
|---|---|---|
| | 30 June 2021 $ | 30 June 2020 $ |
| Total current assets | **12,558** | 15,554 |
| Total assets | **365,662** | 344,285 |
| Total current liabilities | **9,636** | 6,979 |
| Total liabilities | **116,071** | 115,326 |
| | | |
| **Equity** | | |
| Contributed capital | **219,219** | 207,438 |
| Share-based payments reserve | **4,100** | 2,019 |
| Retained profits | **26,272** | 19,502 |
| Total equity | **249,591** | 228,959 |

### 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 2021 and 30 June 2020.

### Capital commitments – property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

### 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.

## Note 34. Business combinations

### (a) Acquisition completed in the current period

Effective 1 September 2020, the Group acquired the shares of the Ascot Radiology which:

- Comprises nine diagnostic imaging clinics, including key sites at Ascot Private Hospital;
- Contracts 22 of Auckland's leading diagnostic imaging specialists in oncology, gynaecology obstetrics, paediatrics, breast, chest and musculoskeletal imaging; and
- Has high growth opportunities and strong margins expected to generate cost and revenue synergy benefits.

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The key terms of the acquisition included:

- Upfront purchase consideration of NZ$50.7m on a cash and debt free basis, comprising NZ$40.3m in cash and NZ$10.4m in escrowed ordinary IDX shares;
- A calendar year 2021 earn-out of up to NZ$2.8m subject to the earnings performance of the Group's combined New Zealand businesses; and
- 100% of the equity consideration will be held in escrow for up to five years.

The purchase price accounting has now been finalised, with the final values identified in relation to the being:

| | Provisional acquisition fair value $'000 | Adjustments to fair value $'000 | Final acquisition fair value $'000 |
|---|---|---|---|
| Plant and equipment | 9,017 | (429) | 8,588 |
| Right of use assets | 12,082 | 445 | 12,527 |
| Customer contracts | 5,334 | 710 | 6,044 |
| Deferred tax | (1,257) | (199) | (1,456) |
| Lease liabilities | (12,082) | (445) | (12,527) |
| Employee benefits | (431) | - | (431) |
| Provisions | (652) | - | (652) |
| Cash assets | 1,325 | (29) | 1,296 |
| Investments accounted for using the equity method | 55 | 24 | 79 |
| Working capital assets | 938 | - | 938 |
| Working capital liabilities | (919) | - | (919) |
| Net assets acquired | 13,410 | 78 | 13,488 |
| Goodwill | 35,466 | (78) | 35,388 |
| Acquisition-date fair value of the total consideration transferred | 48,876 | - | 48,876 |
| | | | |
| **Representing:** | | | |
| Cash paid to vendor | 36,755 | - | 36,755 |
| Integral Diagnostics Limited shares issued to vendor | 9,565 | - | 9,565 |
| Contingent consideration | 2,556 | - | 2,556 |
| | 48,876 | - | 48,876 |
| | | | |
| Net cash acquired with subsidiary | 1,325 | (29) | 1,296 |
| Cash paid | (36,755) | - | (36,755) |
| Net cash flow on acquisition | (35,430) | (29) | (35,459) |

### *Acquisition-related costs*

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

### *Contingent consideration*

The contingent consideration arrangement requires the Group to pay the vendors of Ascot Radiology Limited a percentage of the calendar 2021 EBITDA of the Group's aggregate New Zealand business, up to a maximum undiscounted amount of $2,555,560. There is no minimum amount payable.

The fair value of the contingent consideration arrangement was estimated at $2,555,560 calculating the present value of the future expected cash flows.

### *Acquired receivables*

The fair value of acquired trade receivables is $750,121. The gross contractual amount for trade receivables due is $1,063,177, with a loss allowance of $313,056 recognised on acquisition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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## Note 34. Business combinations continued

*Revenue and profit contribution*

Ascot Radiology has contributed revenues of $18,323,973 to the Group for the period from 1 September 2020 to 30 June 2021. The net profit contribution cannot be reliably measured due to this requiring the use of estimates and judgements around extracted synergies and allocation of shared costs for which objective information is limited. Similarly, it is impracticable to provide pro-forma revenue and net profit as if the acquisition of Ascot Radiology had occurred on 1 July 2020 as this would require assessment of the impact of COVID-19 lockdowns in Auckland in the proforma period which would be judgemental and hypothetical.

### (b) Previous acquisition finalised in the period

On 1 November 2019 the Group acquired 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.

In completing the provisional purchase price allocation in the prior financial period, preliminary judgements relating to contingent consideration were made, as well as the assets and liabilities acquired. The Group has since finalised its assessment over the factors in existence at acquisition date that were relevant to the determination of contingent consideration, as well as the assets and liabilities acquired, which are reflected below:

| | Provisional acquisition fair value $'000 | Adjustments to fair value $'000 | Final acquisition fair value $'000 |
|---|---|---|---|
| Plant and equipment | 20,731 | - | 20,731 |
| Right of use assets | 21,857 | - | 21,857 |
| Brand names | 7,900 | - | 7,900 |
| Customer contracts | 2,900 | - | 2,900 |
| Deferred tax | (1,993) | - | (1,993) |
| Borrowings | (11,029) | - | (11,029) |
| Lease liabilities | (21,857) | - | (21,857) |
| Employee benefits | (4,069) | - | (4,069) |
| Provisions | (1,590) | - | (1,590) |
| Cash assets | 1,627 | - | 1,627 |
| Working capital assets | 3,786 | 29 | 3,815 |
| Working capital liabilities | (2,585) | (71) | (2,656) |
| Net assets acquired | 15,678 | (42) | 15,636 |
| Goodwill | 91,325 | 6,417 | 97,742 |
| Acquisition-date fair value of the total consideration transferred | 107,003 | 6,375 | 113,378 |
| | | | |
| **Representing:** | | | |
| Cash paid to vendor | 68,518 | - | 68,518 |
| Integral Diagnostics Limited shares issued to vendor | 26,485 | - | 26,485 |
| Contingent consideration | 12,000 | 6,375 | 18,375 |
| | 107,003 | 6,375 | 113,378 |

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### (b) Previous acquisition finalised in the period continued

| | Provisional acquisition fair value $'000 | Adjustments to fair value $'000 | Final acquisition fair value $'000 |
|---|---|---|---|
| Net cash acquired with subsidiary | 1,627 | - | 1,627 |
| Cash paid | (68,518) | - | (68,518) |
| Net cash flow on acquisition | (66,891) | - | (66,891) |

In completing the provisional purchase price allocation in the prior financial period, preliminary judgements relating to contingent consideration were made, as well as the assets and liabilities acquired. The Group has since finalised its assessment over the factors in existence at acquisition date that were relevant to the determination of contingent consideration, as well as the assets and liabilities acquired, which are reflected in the above adjustments.

The balances previously reported at 30 June 2020 in the Statement of Financial Position and relevant notes within the financial statements have been restated to reflect the final adjustments to fair value detailed above.

*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. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 | 2021 % | 2020 % |
| 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** | 100.00 |
| Imaging Queensland Pty Ltd | Australia | **100.00** | 100.00 |
| Queensland Nuclear Medicine Pty Ltd | Australia | **100.00** | 100.00 |
| Advanced Women's Imaging Pty Ltd | Australia | **100.00** | 100.00 |
| Imaging Queensland IP Pty Ltd | Australia | **100.00** | 100.00 |
| Radiology 24/7 Pty Ltd | Australia | **100.00** | 100.00 |
| Sunshine Coast Radiology Pty Ltd | Australia | **100.00** | 100.00 |
| SC Radiology Pty Ltd | Australia | **100.00** | 100.00 |
| Central Queensland Radiology Pty Ltd | Australia | **100.00** | 100.00 |
| CQ Radiology Pty Ltd | Australia | **100.00** | 100.00 |
| IQ Radiology Pty Ltd | Australia | **100.00** | 100.00 |
| IQ Radiology Services Pty Ltd | Australia | **100.00** | 100.00 |
| Integrated Pain Management Pty Ltd | Australia | **100.00** | 100.00 |
| Bodyscreen Pty Ltd | Australia | **100.00** | 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 |
| Ascot Radiology Limited | New Zealand | **100.00** | - |
| Insight Radiology Limited | New Zealand | **100.00** | - |

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## 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

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:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## Note 36. Deed of cross guarantee continued

### Consolidated Statement of Profit or loss and Comprehensive income

| | Note | 30 June 2021 $'000 | 30 June 2020 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Revenue | | **304,482** | 250,792 |
| Interest, management fees and dividends eliminated on consolidation | | **2,309** | 4,795 |
| Interest and other income | | **80** | 260 |
| **Total revenue and other income** | | **306,871** | 255,847 |
| | | | |
| **Expenses** | | | |
| Consumables | | **(14,892)** | (11,811) |
| Employee benefits expense | | **(178,519)** | (144,753) |
| Depreciation expense | | **(16,771)** | (13,805) |
| Amortisation expense | | **(11,166)** | (9,501) |
| Transaction and integration expenses | | **(2,219)** | (5,638) |
| Share based payment expense | | **(2,080)** | (835) |
| Equipment related expenses | | **(10,587)** | (7,687) |
| Occupancy expenses | | **(6,262)** | (5,087) |
| Other expenses | | **(20,904)** | (17,989) |
| Finance costs | | **(6,539)** | (6,740) |
| **Total expenses** | | **(269,939)** | (223,846) |
| | | | |
| Profit before income tax expense | | **36,932** | 32,001 |
| | | | |
| Income tax expense | | **(11,845)** | (9,939) |
| | | | |
| **Profit for the year from continuing operations** | | **25,087** | 22,062 |
| | | | |
| Profit is attributable to: | | | |
| Owners of Integral Diagnostics Limited | | **25,087** | 22,062 |
| | | | |
| **Comprehensive income** | | | |
| Items that may be reclassified to profit & loss: | | | |
| Net (loss)/gain on cash flow hedges | | **-** | 19 |
| **Total comprehensive income** | | **25,087** | 22,081 |

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## Consolidated Statement of Financial Position

| | Note | 30 June 2021 $'000 | 30 June 2020 $'000 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents | | **51,174** | 52,007 |
| Trade and other receivables | | **12,357** | 9,332 |
| Other assets | | **13,814** | 6,879 |
| Inventory | | **849** | 909 |
| Total current assets | | **78,194** | 69,127 |
| | | | |
| **Non-current assets** | | | |
| Investment | | **39,681** | 39,681 |
| Property, plant and equipment | | **95,782** | 94,814 |
| Right-of-use assets | | **82,523** | 82,609 |
| Intangibles | | **217,159** | 217,772 |
| Deferred tax asset | | **15,276** | 12,830 |
| **Total non-current assets** | | **450,421** | 447,706 |
| | | | |
| **Total assets** | | **528,615** | 516,833 |
| | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **17,795** | 17,206 |
| Borrowings | | **6,543** | 13,177 |
| Lease liabilities | | **9,206** | 9,219 |
| Income tax payable | | **3,707** | 4,229 |
| Provisions | | **19,548** | 16,259 |
| Contingent consideration | | **13,020** | 13,175 |
| **Total current liabilities** | | **69,819** | 73,265 |
| | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **107,504** | 116,041 |
| Lease liabilities | | **82,142** | 80,751 |
| Contingent consideration | | **5,514** | 6,633 |
| Deferred tax liability | | **10,113** | 8,667 |
| Provisions | | **9,142** | 7,485 |
| **Total non-current liabilities** | | **214,415** | 219,577 |
| | | | |
| **Total liabilities** | | **284,234** | 292,842 |
| | | | |
| **Net assets** | | **244,381** | 223,991 |
| | | | |
| **Equity** | | | |
| Contributed capital | | **219,219** | 207,438 |
| Reserves | | **(7,764)** | (9,843) |
| Retained profits | | **32,926** | 26,396 |
| **Total equity** | | **244,381** | 223,991 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## Note 37. Reconciliation of profit after income tax to net cash from operating activities

| | Consolidated | |
|---|---|---|
| | 30 June 2021 $'000 | 30 June 2020 $'000 |
| Profit after income tax expense for the year | **31,268** | 23,033 |
| Adjustments for: | | |
| Depreciation and amortisation | **34,914** | 25,680 |
| Loan establishment costs amortisation/write-off | **429** | 403 |
| Share-based payments | **2,080** | 1,341 |
| Loss on the sale of assets | **419** | 266 |
| Remeasurement of make good provisions | **(41)** | 230 |
| Recognition of contingent consideration | **735** | 724 |
| Bad debts | **87** | 51 |
| FX gain realisation | **(179)** | (23) |
| Share of profits of joint ventures | **(18)** | - |
| Capitalised refinance costs | **(1,835)** | - |
| Change in operating assets and liabilities, net of the effects of business combinations: | | |
| Increase in trade and other receivables | **(2,918)** | (1,711) |
| Increase in deferred taxes | **(1,873)** | (2,246) |
| Increase in other operating assets and inventory | **2,300** | (4,246) |
| Increase/(decrease) in trade and other payables | **736** | 4,380 |
| Increase/(decrease) in contingent consideration | **(735)** | - |
| Increase/(decrease) in provision for income tax | **(799)** | 3,244 |
| Increase/(decrease) in other provisions | **5,002** | 3,124 |
| Net inflow cash from operating activities | **69,572** | 54,250 |

### Reconciliation of liabilities arising from financing activities

| Consolidated | 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 1 July 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 | 13,177 | 168,564 | 277,848 |
| Business combination | **739** | **11,788** | **-** | **-** | **12,527** |
| New leases net of terminations | **-** | **10,762** | **-** | **-** | **10,762** |
| Impact of liability maturity for period | **9,850** | **(9,850)** | **9,724** | **(9,724)** | **-** |
| Cash flows | **(9,995)** | **-** | **(16,786)** | **33,345** | **6,564** |
| FX | **225** | **-** | **428** | **-** | **653** |
| Balance as at 30 June 2021 | **10,427** | **99,199** | **6,543** | **192,185** | **308,354** |

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### Net debt reconciliation

| | 30 June 2021 $'000 | 30 June 2020 $'000 |
|---|---|---|
| Cash and cash equivalents | **62,203** | 57,965 |
| Borrowings – repayable within one year | **(6,543)** | (13,177) |
| Borrowings – repayable after one year1 | **(194,221)** | (169,194) |
| Net Debt | **(138,561)** | (124,406) |
| | | |
| Cash and liquid investments | **62,203** | 57,965 |
| Gross debt – variable interest rates | **(200,764)** | (182,371) |
| Net Debt | **(138,561)** | (124,406) |

1. Non-current borrowings per Note 20 includes $2.04m (2020: $0.63m) of capitalised funding/establishment costs.

## Note 38. Earnings per share

| | 30 June 2021 $'000 | 30 June 2020 $'000 |
|---|---|---|
| Profit after income tax | **31,268** | 23,033 |
| Non-controlling interest | **-** | - |
| Profit after income tax attributable to the owners of Integral Diagnostics Limited | **31,268** | 23,033 |

| | Number | Number |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | **197,919,010** | 185,277,537 |
| Adjustments for calculation of diluted earnings per share: | | |
| Weighted average number of performance rights over ordinary shares | **1,799,299** | 1,352,783 |
| Weighted average number of options over ordinary shares | **718,317** | 416,861 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | **200,436,626** | 187,047,181 |

| | Cents | Cents |
|---|---|---|
| Basic earnings per share attributable to the owners of Integral Diagnostics Limited | **15.80** | 12.43 |
| Diluted earnings per share attributable to the owners of Integral Diagnostics Limited | **15.60** | 12.31 |

### 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 7.0 cents per share was declared and will be paid on 6 October 2021.

On 30 July 2021 Anne Lockwood gave the Company notice of her resignation. Under the terms of her contract of employment that notice will take effect on 30 January 2022. Ms Lockwood's entitlements on termination of her employment will be lawfully determined in accordance with her contract of employment, the LTI Plan and related correspondence. The financial effect of Ms Lockwood's notice of resignation cannot be estimated at this time.

Following approval of their participation, on the 5 August 2021, $1.5 million of Radiologist contributions were received in connection with the Radiologist Loan Funded Share Plan and the New Zealand Matching Options plan. These contributions are to be matched by an IDX contribution of $3.0 million, resulting in $4.5 million of share capital/options to be issued on 6 September 2021. The number of shares/options to be issued will be determined by the 30-day VWAP up to 1 September 2021.

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. To date 1H22 has been affected as a result of the impacts of COVID-19 and government-lockdowns and border closures across all geographic areas in which we operate. Up until the 25th August, year to date trading is down approximately 5% from expectations, this includes the impacts of the Level 4 lockdowns in New Zealand from the 18th August. The New Zealand guidelines from the Ministry of Health included that scanning is only to be undertaken "to preserve life or limb only". This has resulted in reductions in trading in New Zealand of up to 75% from expectations, which is consistent with past experience during New Zealand Level 4 lockdowns.

No other matter or circumstances has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs 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 2021 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**
Chair

**Ian Kadish**
Managing Director and Chief Executive Officer

27 August 2021
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 2021 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 2021
- 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 significant accounting policies and other explanatory information
- 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 & 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.

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

Liability limited by a scheme approved under Professional Standards Legislation.

# 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***

- For the purpose of our audit we used overall Group materiality of $2.26 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.

***Audit Scope***

- 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 by the Group team.

## *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***<br>*(Refer to note 14) $340.5m*<br><br>At 30 June 2021, the Group has a goodwill balance of $315.8m and brand names of $24.7m, which represents approximately 52% of the total assets of the Group.<br><br>At least annually, an impairment test is performed by the Group over the goodwill and brand names in each of the Group's cash generating units ("CGU's") based on value in use discounted cash flow models (the models).<br><br>The Group's goodwill and brand names are recognised in two CGUs – 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.<br><br>Significant judgement is required by the Group to estimate the key assumptions in the models to determine the recoverable amount of goodwill and brands, and the amount of any resulting impairment (if applicable). The key assumptions applied by the Group include:<br><br>• Discount rates which reflect economic and financial market conditions<br><br>• Five-year cash flow projections (Cash flow forecasts)<br><br>• Earnings growth rates applied beyond the initial five-year period (Long term growth rates)<br><br>We considered the carrying value of goodwill and brand names to be a Key Audit Matter they are significant to the consolidated statement of financial position and there is significant judgement involved in estimating discounted future cash flows. | We assessed whether the division of the Group into CGUs 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 Ascot business acquired during the year and the appropriateness of its inclusion into the existing New Zealand CGU.<br><br>To evaluate the Group's discounted cash flow forecasts and the process by which they were developed, we performed the following procedures, amongst others:<br><br>• Compared revenue growth assumptions to third party industry projections.<br><br>• With assistance from PwC valuations experts, we assessed the discount rates and terminal growth rates applied in the Group's value-in-use calculations for each CGU. This assessment was made with reference to externally derived data, including market expectations of investment returns, projected economic growth and interest rates.<br><br>• 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 2021.<br><br>• Compared the 12-month cash flow forecasts used in the value-in-use calculations with the Board approved budget.<br><br>• Considered whether the discount rates and terminal growth rates used in the value-in-use calculations were subject to oversight from the directors.<br><br>• Re-performed a selection of calculations in the value-in-use models to assess the mathematical accuracy of the models. |

# INDEPENDENT AUDIT REPORT CONTINUED

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| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| | • Assessing the sensitivity to change of key assumptions used in the models that individually or collectively would result in an impairment of assets.<br><br>We evaluated the reasonableness of the disclosures made in Note 14, including those regarding key assumptions in light of the requirements of Australian Accounting Standards. |
| ***Accounting for business combinations*** *(Refer to note 34)*<br><br>During the year, the Group acquired Ascot Radiology (Ascot) for consideration of $48.9m in a combination of cash, issue of new escrowed shares and a contingent earn out. It also finalised the business combination accounting in respect of the acquisition of Imaging Queensland (IQ). The details of these acquisitions are disclosed in Note 34 of the financial report.<br><br>The Group has recognised the fair value of assets and liabilities for the Ascot business, which included goodwill of $35.4m.<br><br>We considered this a Key Audit Matter given the financial significance of the acquisitions and the complex judgements required by the Group in accounting for the acquisitions, including:<br><br>• Identifying all assets and liabilities of the newly acquired businesses and estimating the fair value of each asset and liability for initial recognition by the Group. This requires management to make assumptions around discount rate, asset useful life and forecast results. The Group was assisted by an external valuation expert in this process.<br><br>• Identifying whether consideration paid relates to the recipients' role as a shareholder or employee and the associated accounting treatment of the consideration. | With assistance from PwC valuation experts we performed the following procedures, amongst others:<br><br>• 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 legal correspondence.<br><br>• Assessed the fair values of the acquired assets and liabilities recognised, including:<br><br>o Identifying and assessing the fair values of the acquired assets and liabilities recognised including the existence of identifiable intangible assets.<br><br>o Assessing the competence and capability of the Group's external valuation expert.<br><br>We evaluated the reasonableness of the disclosures made in Note 34, in light of the requirements of Australian Accounting Standards.<br><br>In relation to the estimation of contingent earn out consideration, our procedures included, amongst others:<br><br>• Assessing if the calculation of the contingent earn out consideration was in accordance with the contractual arrangements and the |

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| *Key audit matter* | *How our audit addressed the key audit matter* |
| --- | --- |
| • Estimating the purchase price consideration, particularly in respect of the contingent earnout consideration payable on the achievement of certain performance targets. | requirements of Australian Accounting Standards.<br>• Assessing the Group's evaluation of whether the conditions required for the contingent earn out consideration to be paid were likely to be met in the future based upon actual performance since acquisition, current Group forecasts and market forecasts.<br>• 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 2021, 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.

# INDEPENDENT AUDIT REPORT CONTINUED

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### *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.

## *Report on the remuneration report*

### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 22 to 37 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Integral Diagnostics Limited for the year ended 30 June 2021 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
27 August 2021

# SHAREHOLDER INFORMATION

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Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report follows. This information is current as at 2 August 2021.

## 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 | 35,091,908 | 17.67 |
| 2 | HSBC Custody Nominees (Australia) Limited | 24,201,530 | 12.18 |
| 3 | Citicorp Nominees Pty Limited | 19,851,055 | 9.99 |
| 4 | National Nominees Limited | 11,501,438 | 5.79 |
| 5 | BNP Paribas Noms Pty Ltd <DRP> | 7,248,733 | 3.65 |
| 6 | BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP> | 3,831,101 | 1.93 |
| 7 | Peter J Ansley + St Leger M Reeves + Stephen Eichsteadt + Thomas Q St Leger Reeves <Magnolia A/C> | 3,747,786 | 1.89 |
| 8 | BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C> | 3,108,210 | 1.56 |
| 9 | New Imaging Pty Ltd <New Imaging A/C> | 3,001,725 | 1.51 |
| 10 | Lethean Holdings Pty Ltd <Howitt No 8 A/C> | 2,467,230 | 1.24 |
| 11 | Firbar Pty Ltd <The Howitt No 4 A/C> | 2,357,230 | 1.19 |
| 12 | Wyndham Salter Pty Ltd <The Howitt No 10 A/C> | 2,293,174 | 1.15 |
| 13 | Mr Vincent Michael O'sullivan <O'sullivan A/C> | 2,128,000 | 1.07 |
| 14 | Mittal Holdings Pty Ltd <Howitt No 12 A/C> | 2,085,907 | 1.05 |
| 15 | Lockwood Ridge Pty Ltd <The AJ French Family A/C> | 2,080,133 | 1.05 |
| 16 | NW3 Pty Ltd <The Howitt No 7 A/C> | 2,074,375 | 1.04 |
| 17 | HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C> | 1,806,118 | 0.91 |
| 18 | Citicorp Nominees Pty Limited <Colonial First State Inv A/C> | 1,654,326 | 0.83 |
| 19 | Willowbay Rise Pty Ltd <Howitt No 5 A/C> | 1,617,402 | 0.81 |
| 20 | JBWere (NZ) Nominees Limited <57259 A/C> | 1,484,961 | 0.75 |
| Rounding | | | 0.02 |
| Top 20 holders of ordinary fully paid shares (total) | | **133,632,342** | **67.28** |
| Total remaining holders balance | | **64,996,356** | **32.72** |

# SHAREHOLDER INFORMATION CONTINUED

## b. Register of substantial shareholdings

| Shareholder | Number of fully paid ordinary shares | % of issued capital |
|---|---|---|
| Integral Diagnostics Limited[1] | 22,386,708 | 11.27 |
| Viburnum Funds Pty Ltd | 13,192,609 | 6.68 |

1. Restriction on disposal of shares under voluntary escrow arrangements disclosed in Integral Diagnostics Limited's Prospectus dated 9 October 2015 and announcements to ASX on 27 October 2015, 1 July 2016, 16 February 2018, 2 July 2018, 21 December 2018,1 March 2019, 2 September 2019, 8 November 2019, 28 August 2020 and 3 September 2020 (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, IQ Restriction Deeds and Ascot Restriction Deeds, 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 | 1,818 | 860,931 | 0.43 |
| 1,001 to 5,000 | 2,319 | 6,158,694 | 3.10 |
| 5,001 to 10,000 | 722 | 5,323,972 | 2.68 |
| 10,001 to 100,000 | 589 | 14,625,305 | 7.36 |
| 100,001 and over | 118 | 171,659,796 | 86.42 |
| Rounding | | | 0.01 |
| **Total** | 5,566 | 198,628,698 | 100.00 |

## d. Less than marketable parcels of ordinary shares

There are 140 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 $5.34 at the 2 August 2021.

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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 | 148,556 | 7.68 | 3 | 37.50 |
| 100,001 and over[1] | 1,786,382 | 92.32 | 5 | 62.50 |
| Total | 1,934,938 | 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; 982,773. Mrs Anne Lockwood also holds greater than 20% of the performance rights: 405,327.

## 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 | 253,400 | 33.18 | 5 | 62.50 |
| 100,001 and over | 510,230 | 66.82 | 3 | 37.50 |
| Total[2] | 763,630 | 100.00 | 8 | 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 and options do not have voting rights.

## h. On-market buy-backs

There is no current on market buy back.

# SHAREHOLDER INFORMATION CONTINUED

## i. Securities subject to voluntary escrow

| | Number of securities | | | | | |
|---|---|---|---|---|---|---|
| Date of expected release from escrow or holding lock[1] | Subject to conditions being met and loan repayment[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] |
| 27-Aug-21 | 6,758 | - | - | - | - | - |
| 1-Sep-21 | - | - | - | 232,157 | - | - |
| 30-Sep-21 | - | 50,559 | - | - | - | - |
| 01-Mar-22 | - | - | - | 138,855 | - | - |
| 02-Jul-22 | - | - | 43,946 | - | - | - |
| 03-Jul-22 | - | - | 2,659,178 | - | - | - |
| 31-Jul-22 | - | 336,144 | - | - | - | - |
| 1-Sep-22 | - | - | - | 232,150 | - | - |
| 30-Sep-22 | - | 50,559 | - | - | - | - |
| 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 | - | - | 965,141 | 232,144 | 584,398 | - |
| 8-Nov-23 | - | - | 3,257,574 | - | - | - |
| 02-Jul-24 | - | - | 43,946 | - | - | - |
| 1-Sep-24 | - | - | 965,133 | 95,948 | 509,180 | - |
| 7-Nov-24 | - | - | 3,257,573 | - | - | - |
| 1-Sep-25 | - | - | 965,141 | - | - | - |
| Undated | - | - | - | - | - | 213,660 |
| | 6,758 | 437,262 | 18,118,338 | 1,070,109 | 2,204,436 | 213,660 |

**Total shares on issue subject to voluntary escrow or holding lock** **22,050,563**

1. Shares are released from escrow or holding lock on or around this date.
2. Conditions include a continued service and an EBIT Hurdle to 30 June 2021.
3. Values are calculated in accordance with the relevant Restriction Deed.

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# CORPORATE DIRECTORY

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## Directors

Helen Kurincic – Independent Non-Executive Chair
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 – ceased 1 March 2021
Dr Jacqueline Milne – Executive Director
Dr Nazar Bokani – Executive Director – commenced 26 April 2021

## Company Secretary

Mrs Kirsty Lally

## Annual General Meeting

Date: 5 November 2021
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
80 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 27 August 2021 and can be found at:

**www.integraldiagnostics.com.au/corporate-governance**

## ESG Report

The ESG Report was approved by the Board of Directors on 27 August 2021 and can be found at:

**www.integraldiagnostics.com.au/reports**

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DIAGNOSTICS